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# Media Sentiment and Cross-Border Mergers and Acquisitions

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## Abstract

This study explores how bilateral media sentiment between China and host countries affects cross-border mergers and acquisitions (M&As). Drawing on data from Global Database of Events, Language, and Tone (GDELT) covering the period 2006–2022, we empirically examine how media sentiment influences both the propensity and value of cross-border transactions by Chinese firms. The results indicate that positive bilateral media sentiment significantly increases the likelihood of Chinese enterprises undertaking cross-border deals. However, consistent with sentiment-based theories, we find that bilateral media sentiment negatively affects transaction value when acquiring firms are non-state-owned enterprises, even though overall sentiment remains a positive driver of deal occurrence. These findings provide novel evidence on the role of media sentiment in shaping international investment behavior. The study advances existing research on media sentiment and strategic decision-making in cross-border deals and underscores the importance for Chinese firms recognizing contextual factors that may influence the success of their international expansion strategies.

**Keywords:** cross-border mergers and acquisitions; executive board; GDELT; media sentiments; China

**JEL:** G15, G34

## 1. Introduction

The cross-border mergers and acquisitions have emerged as a crucial tool for resource restructuring on a global level. They serve as a key strategy for companies aiming to drive growth and expand internationally (Chen et al., 2014). As a major corporate strategy, mergers and acquisitions can generate both opportunities and challenges. For example, they can help firms enhance market share, improve cost efficiency, diversify operations, and gain access to new markets. They may also involve substantial risks, uncertainties, and integration challenges.

In this context, the media serves as a crucial platform for distributing news and information. It plays a significant part in reducing information gaps, influencing public opinion, and fostering the development of more efficient markets (Peress, 2014). Previous research has concentrated on examining the relationship between media coverage and a firm's financial performance, especially its effects on the stock market. For instance, positive media sentiment has been shown to lead to short-term increases in stock prices (Solomon, 2012), while negative media sentiment can exert downward pressure on a firm's value (Tetlock, 2011).

However, most existing studies have concentrated on firm-level outcomes and have not fully explored the broader role of media as a driver of environmental and institutional change. In particular, the role of social movements as a form of institutional entrepreneurship—where media acts as a channel to build or shape informal institutions—has received limited scholarly attention. Understanding this dy-

namic is essential for explaining how media sentiment can influence strategic decision-making.

Media sentiment is expected to play a pivotal role in mitigating information asymmetry encountered by investors during cross-border deals. Following the global economic downturn, activity in cross-border deals climbed to unprecedented levels in 2021, surpassing 60,000 deals and exceeding USD 5 trillion in value. This surge was largely attributed to changes in global regulatory frameworks (Chiaromonte et al., 2023). For investors, who act as external stakeholders, access to internal disclosures that could shed light on proposed cross-border transactions is typically restricted. This issue becomes even more pronounced when the targets are private firms, known for their relatively lower transparency compared to acquiring entities (Borochin and Cu, 2018). Without direct access to such critical information, investors increasingly rely on external sources—particularly media coverage—to gather significant insights and interpret signals about these potential deals (Ahern and Peress, 2023).

Media significantly influences investor perceptions by disseminating information about target companies involved in cross-border deals. It serves a dual function: as an informative signal that helps reduce information asymmetry between firms and investors, as suggested by Bushee et al. (2010). On the other hand, media can also reflect and amplify investor sentiment, potentially intensifying biases in decision-making (García, 2013). Consequently, it remains unclear whether media coverage consistently aids investors in making more informed and rational investment



choices, as highlighted by Engelberg (2018). While prior research acknowledges that the media helps disseminate information, raise awareness, and stimulate market interest in cross-border transactions (Elliott et al., 2018; Liao et al., 2021), few studies have systematically examined the sentiment embedded in media narratives as an information intermediary.

This gap in the literature leaves unanswered questions about how media sentiment—characterized by the general tone, opinions, and attitudes conveyed through media coverage—affects cross-border mergers and acquisitions behavior. To address this issue, the present study explores how media sentiment shapes investor behavior and drives deal activity in cross-border mergers and acquisitions. Through this investigation, it seeks to provide new insights into the informational and behavioral mechanisms through which media sentiment impacts international investment decisions.

We focus on China as the context of this study due to its increasingly prominent role in reshaping the global innovation landscape and driving global economic growth. The media coverage surrounding Chinese cross-border mergers and acquisitions—shaped by diverse and often competing stakeholder interests—provides a rich informational environment for examining the role of media sentiment in international investment activities. Drawing from existing research, we classify a transaction as a Chinese cross-border merger or acquisition if it satisfies at least one of the following conditions: (1) the primary stated objective of the deal is to acquire the knowledge assets of the target firm (Ahuja and Katila, 2001); (2) the transaction takes place within a bilateral framework as identified by the Chinese National Bureau of Statistics (Makri et al., 2021); or (3) the target firm is associated with political sensitivities, cultural considerations, state favoritism, or foreign relations factors (Han et al., 2018). Using data from Global Database of Events, Language, and Tone (GDELT) alongside cross-border mergers and acquisitions transactions involving Chinese-listed companies from 2006 to 2022 to empirically analyze whether and in what ways media sentiment impacts it. Our analysis provides systematic evidence on the informational and behavioral mechanisms through which media sentiment affects Chinese firms' international investment decisions.

We find that bilateral media attitudes between China and the host nation had a more significant impact on mergers and acquisitions than high transaction value. The cross-border deals are substantial in terms of bilateral media sentiment. According to the findings, this could mean that these deals are more sensitive to media sentiment and the business environment. Chen et al. (2014) found that media sentiment and cross-border mergers and acquisitions increase risk and cultural tensions, which aligns with our findings. Our conclusions remain unchanged even after accounting for country-level variables yearly, such as specific and gen-

eral risks and other macroeconomic variables. Our results suggest that the GDELT database's coverage of media sentiment and cross-border deals includes more data points for investment decision-making beyond the commonly utilized risk prevention metrics.

To explore our research question in greater depth, we adopt the methodologies outlined by Chen et al. (2014). Our goal is to assess the relative significance of risk and cultural tensions, focusing on aspects such as media sentiment and the dynamics of cross-border. For an investment decision, the studies suggest that as long as returns are high, cross-border will not impact outward foreign direct investment (OFDI) when Media sentiment increases. Despite rapid economic growth and offering attractive returns, our empirical research reveals that cross-border declines are due to increased media sentiment. The studies indicate that cultural tensions are the main factor causing a decline in cross-border deals.

Our study contributes to the growing body of literature that examines the information intermediary role of media coverage in financial and strategic decision-making (Bushee et al., 2010). Prior research has established a well-documented causal relationship between media content and market reactions (Tetlock, 2015). Even when no new information is introduced, media outlets such as newspapers can facilitate information dissemination and help investors better understand firms' fundamentals (Boulland et al., 2017; Drake et al., 2014; Guest, 2021).

Building upon this line of research, our study delves into the role of media coverage as an information intermediary within the specific context of cross-border deals. We introduce a novel conceptual distinction between risk-related and cultural tension-related dimensions of media-biased sentiment, offering a more nuanced understanding of how sentiment operates in complex international transactions. Furthermore, we provide robust empirical evidence that media sentiment serves as a meaningful predictor of both short-term and long-term outcomes in cross-border activities.

Additionally, this study adds valuable insights to the growing body of research on media sentiment in cross-border mergers and acquisitions, as demonstrated by works such as Liao et al. (2021). These studies suggest that positive media sentiment prior to mergers and acquisitions correlates with favorable outcomes, including higher stock returns and deal premiums. While existing research has largely concentrated on media sentiment linked to publicly listed acquirers, our study advances this area by examining the sentiment targeting listed firms engaged in cross-border, while accounting for sentiment tied to the public acquirer. Through this approach, we offer new empirical evidence highlighting the critical role of media sentiment directed at listed firms as a predictor of the positive impact of cross-border activities. This distinction highlights the importance of firm-specific media sentiment in shaping market percep-

tions and influencing deal outcomes beyond the acquirer-level perspective emphasized in previous research.

Despite external shocks, good governance attracts foreign direct investment, which is usually linked to consistent and effective policy (Pham and Tran, 2020). Consequently, policymakers should feel less pressure from local authorities if the destination market has effective and high-quality governance, which should help reduce negative media sentiment. In addition, the private sector could protect its integrity and facilitate cultural integration with an effective reaction (Khodijah, 2023). Investment increases when cultural tensions decline (He, 2022). We conclude that good governance and quality regulation protect OFDI from media sentiment, and we anticipate that the destination markets with strong governance will reduce the negative impact of media sentiment on cross-border activities. Our results align with research that shows how effective governance can reduce non-governance-related market risks (Chen et al., 2014). Our study adds to our knowledge of media sentiment and cross-border deals by expanding the literature on market risk in the context of financial risk prediction on a global scale.

Section 2 develops the literature. The data sources, sample selection, and variable construction are discussed in Section 3. Sections 4 and 5 indicate the empirical analyses and baseline results. Section 6 concludes the study.

## 2. Literature Review

This literature review examines three key areas that are central to this research: the institutional-based view of stakeholders, corporate media coverage as a signaling mechanism, and the role of bilateral media sentiment as an information intermediary in cross-border deals decision-making, including considerations of cultural integration and determinants of managerial choices. Drawing on interdisciplinary research, the review critically evaluates both theoretical frameworks and empirical evidence relevant to these domains. The review proceeds by first examining each area individually, then identifying overlaps and intersections among them. Finally, it highlights existing research gaps and formulates the research questions, linking theoretical perspectives, empirical findings, and real-world practices to provide a foundation for the present research.

## 3. Theoretical Framework and Hypothesis

### 3.1 Theoretical Background

In recent decades, China's media and entertainment industry has experienced rapid growth, attracting considerable attention from both scholars and practitioners (see, for example, Buckley et al., 2016). Chinese multinational enterprises (MNEs) have been particularly noteworthy, increasingly engaging in cross-border activities to acquire strategic assets and enhance their global competitiveness (see, for example, Luo and Tung, 2007). The Chinese gov-

ernment also plays a crucial role in these internationalization efforts. Since the launch of the "Go Out Policy" in 1999, firms have received substantial support mechanisms and faced fewer bureaucratic constraints, facilitating overseas expansion (see, for example, Du and Boateng, 2015). In addition, industry-specific regulations in the media and entertainment sector have further encouraged cross-border deals among Chinese firms.

To further promote cross-border activities, the Chinese government, through its "Go Global" strategy, has offered financial support and eased institutional constraints for these firms (see, for example, Bai et al., 2021; Buckley et al., 2016). Consequently, for Chinese MNEs, cross-border deals—rather than greenfield investments—have become the primary mode of OFDI, highlighting the importance of specifically studying cross-border deals by Chinese MNEs (see, for example, Buckley et al., 2016).

### 3.2 Stakeholder Theory

Positive media sentiments can create a favorable environment for the deal, while negative opinions can create obstacles and challenges. Therefore, the negative Media sentiments on the OFDI home country will increase the uncertainty of the local market, which yields a higher risk premium for the investment. Positive public statements can improve the perception of the deal, making it easier for the companies involved to gain support from stakeholders, including shareholders, employees, and customers.

MNEs must carefully manage relationships with stakeholders when engaging in cross-border mergers and acquisitions activities, as the development and maintenance of strong stakeholder relations can significantly influence the success of such investments (see, for example, Borochin and Cu, 2018). Although maintaining positive stakeholder relationships is crucial for MNEs' international operations (see, for example, Freeman, 2010), this does not mean that stakeholder management practices should be applied uniformly across all contexts. Local stakeholders in target markets may prioritize different aspects of a foreign MNE's behavior, and thus, management approaches need to be tailored accordingly.

According to this theory, organizations have a responsibility to consider the interests of all stakeholders, including shareholders, employees, customers, suppliers, and the wider community. In the context of cross-border deals, media sentiments can influence the perceptions and attitudes of these stakeholders towards the deal, which can ultimately impact its success. For example, suppose the public perceives the deal as being beneficial for the local economy and community. In that case, it may lead to increased support from employees, customers, and suppliers, which can help to ensure a smooth integration process (see, for example, Harford, 2005).

On the other hand, if the public perceives the deal as being detrimental to the local economy or community, it

may lead to resistance from stakeholders, which can create obstacles and challenges for the deal. Therefore, in attracting foreign investment, managers should focus not only on financial performance but also on non-financial aspects, such as Environmental, Social, and Governance practices (ESG) practices, as these can enhance a company's reputation and generate long-term value for global stakeholders (see, for example, [Liu et al., 2021](#)).

Previous research has demonstrated that responsible corporate practices can positively influence a firm's reputation (see, for example, [Hsu, 2012](#); [Pham and Tran, 2020](#); [Liao et al., 2021](#)). For example, [Lu et al. \(2023\)](#) showed that the level of social trust in the region significantly affects the amount of foreign investment entering local firms. Similarly, [Fong et al. \(2013\)](#) found that reputational assets are transferable across countries, influencing consumer attitudes toward foreign enterprises. A strong home-country reputation can thus provide a strategic advantage in internationalization, ultimately enhancing firm performance (see, for example, [Elango and Sethi, 2007](#)).

In this context, companies increasingly consider societal perceptions, seeking to build stakeholder trust through effective Corporate Social Responsibility (CSR) management. CSR, together with internationalization, enables firms to acquire and develop valuable, rare, and difficult-to-imitate resources—such as market-specific knowledge or reputational capital—which are essential for achieving and sustaining competitive advantages (see, for example, [Aguilera-Caracuel et al., 2015](#)).

Therefore, it is important for organizations to consider the potential impact of media sentiments on the success of cross-border deals and to take steps to manage and address any concerns or issues that may arise. This may involve engaging with stakeholders, communicating the benefits of the deal, and addressing any potential negative impacts transparently and responsibly. Here, we propose that stakeholders consider media sentiment when a Chinese cross-border deal targets a local firm. We further argue that stakeholders are likely to pay greater attention to media sentiment when the acquiring firm is a Chinese state-owned enterprise (SOE) and when local institutional quality is high. Under these conditions, media sentiment becomes more salient, prompting stakeholders to scrutinize the mergers and acquisitions (M&As) more closely. Today, stakeholders play a critical role in decision-making processes, with various strategies developed to actively engage them (see, for example, [Ibrahim et al., 2023](#); [Castillo, 2022](#); [Jones-Khosla and Gomes, 2023](#); [Bansal et al., 2023](#)). This heightened attention reflects stakeholders' anticipation that media sentiment may signal potential increases in local social and environmental impacts.

### 3.3 Signaling Theory

The concept rooted in economics, explains how individuals and organizations use signals to convey information

to others. As [Naffa and Fain \(2020\)](#) note, the theory is based on the premise that one party (e.g., a seller) possesses complete information, while external parties (e.g., buyers) must rely on the signals provided by the informed party. In the context of cross-border deals, media sentiment serves as an important signal, indicating the potential success or failure of a deal. Signaling theory also suggests that companies can mitigate news asymmetry by sending positive signals to stakeholders, thereby reducing uncertainty and enhancing stakeholder confidence (see, for example, [Hallen et al., 2020](#); [Colombo, 2021](#); [Khodijah, 2023](#)).

Media sentiments will influence the official and non-official link between the two countries, which impacts the confidence of cross-border business. Positive Media sentiments will increase the confidence of firms' OFDI behavior, while negative Media sentiments will have the opposite effect. Media sentiments can influence regulatory bodies to approve the deal, reducing regulatory hurdles and making the process smoother. When a company announces its intention to engage in a cross-border deal, it is essentially signaling to the public that it believes the business will be positive. If the public perceives the deal positively, it can serve as a signal to potential investors and other stakeholders that the deal is a good investment opportunity. Moreover, when an entity demonstrates behavior aligned with societal values, it is likely to receive a positive evaluation from the public opinion (see, for example, [Pham and Tran, 2020](#)).

When an enterprise demonstrates socially and environmentally responsible behavior, it is perceived as legitimate by the public, positively shaping people's judgments (see, for example, [Pham and Tran, 2020](#)). This can lead to increased interest and support for the deal, which can ultimately increase the chances of its success. Companies with strong reputations often achieve financial outcomes while embracing ethical and sustainable approaches in business operations. A good reputation signals to investors that the firm operates ethically and represents a profitable investment opportunity (see, for example, [Khodijah, 2023](#)). As a result, firms with strong reputations are more attractive to investors due to their potential for both profitability and long-term sustainability.

Overall, signaling theory suggests that media sentiments can serve as an essential indicator of the potential success or failure of cross-border deals. Therefore, Enterprises need to consider public perceptions when considering these types of transactions. We further argue that the link between media sentiment and the likelihood of completing a cross-border is contingent on contextual factors that influence stakeholder attention ([Khodijah, 2023](#)). Specifically, we hypothesize that the negative impact of media sentiment is expected to be more pronounced when the acquiring companies are SOEs and the target companies are located in nations with higher levels of institutional quality.

### 3.4 Cultural Distance Theory

The differences in culture between acquiring and target firms can significantly affect the success of mergers and acquisitions. The theory suggests that the greater the cultural distance, the more difficult it is to achieve successful integration. Cultural distance is typically measured through factors such as language, religion, values, beliefs, and social norms. However, empirical findings on the effects of both national and organizational cultural distance on mergers and acquisitions decision-making remain highly mixed (see, for example, [Ahern et al., 2015](#)).

One strand of literature views cultural differences as a source of risk that can hinder the integration of firms involved in acquisitions, ultimately reducing deal returns. Conversely, a positive perspective argues that greater cultural understanding may enhance the likelihood of cross border deals' success (see, for example, [Yiu et al., 2024](#)). The pessimistic view, often framed in terms of "acquisition cultural risk", suggests that larger cultural differences between acquiring and target enterprises lead to poorer acquisition performance. This is because realizing synergy gains requires effective post-deals coordination between employees of both enterprises (see, for example, [Ahern et al., 2015](#)). Significant cultural distance can result in misunderstandings, communication barriers, and conflicts. In deals, feelings of hostility, and distrust can be further exacerbated by xenophobia, creating obstacles to achieving the anticipated integration benefits (see, for example, [Stahl and Voigt, 2008](#); [Yiu et al., 2024](#)).

If Media sentiments towards a particular culture become more negative, it could increase the cultural distance and make it more difficult for companies from that culture to merge or acquire companies from other cultures. Cultural distance is one of the investment barriers. If the media sentiments towards a particular cultural change, it could potentially reduce the cultural distance between that culture and others. This could make it easier for companies from different cultures to merge or acquire each other, as there would be fewer cultural barriers to overcome.

On the other hand, several studies highlight the positive effect of cultural differences on cross-border decision-making. These studies argue that acquisitions allow the acquiring firm to access valuable assets embedded in other national cultures without having to develop them over time (see, for example, [Jha, 2015](#)). For example, according to [Du and Boatend \(2015\)](#), cultural distance exposes enterprises to a variety of routines and practices embedded in distinct cultures that the acquirer had not accessed. This diversity can stimulate innovation, create valuable learning opportunities, and inspire new methods for addressing challenges, ultimately enhancing the chances of achieving successful results.

The theory has often been utilized in international settings to explain how foreign and domestic media sentiment exerts influence. Although frequently rooted in linguistic

differences, other factors such as cultural similarity or proximity are regarded as equally significant (refer to [La Pastina and Straubhaar, 2005](#), p. 274). Additionally, it is crucial to recognize the dynamic and relational nature of audience preferences. Audiences react not just to the constraints of national media productions but also to social and historical divergences at both subnational and supranational levels, which contribute to varying media sentiments among different groups (see [Sinclair, 1999](#)).

At the government level, policies such as tax reduction initiatives may mitigate underinvestment and curb overinvestment, thereby effectively promoting enterprises' cross-border investments (see, for example, [Lu et al., 2023](#); [Zhang et al., 2022](#)). In contrast, industrial revitalization policies have been found to encourage overinvestment, which can negatively affect cross-border investment (see, for example, [Zhou and Zhao, 2022](#)). Additionally, the literature indicates that various market and managerial factors—such as product market competition, media attention, CEO power, social networks among board members, and the centrality of the board—also influence firms' cross-border investment decisions (see, for example, [Tinaikar and Xu, 2023](#); [Gao et al., 2023](#); [Chowdhury et al., 2023](#); [Kang et al., 2022](#); [Farooq et al., 2021](#); [Yiu et al., 2024](#)).

Therefore, Media sentiments can help companies understand the cultural differences between the countries involved, leading to better communication and collaboration. Positive Media sentiments will decrease the investment barrier, while negative Media sentiments will increase the barrier. As explicitly proven by the large body of literature, in the introduction and theoretical framework sections, we hypothesize:

Hypothesis 1: The positive media sentiment of a cultural difference-based view predicts higher cross-border M&A.

### 3.5 Determinants of Decision-Making

Decision-making is a process through which a firm gradually increases its involvement in foreign markets and is traditionally viewed as a series of events unfolding over time (see, for example, [Casillas and Acedo, 2013](#)). In this context, investment decision-making via acquisitions represents a core aspect of decision-making speed, particularly in relation to media sentiment. Numerous studies have examined cross-border M&As activities—including strategic alliances, networks, joint ventures, and mergers—through theoretical lenses such as the frameworks and resource dependence. However, relatively few scholars have analyzed internationalisation strategies from the perspective of institutional (see, for example, [Du and Boateng, 2015](#); [Ferreira et al., 2014](#)).

Research on cross-border decision-making and its connection to media sentiment has gained momentum since the early 21st century, as scholars increasingly employ multidisciplinary approaches. For example, work by La Porta,

Lopez-de-Silanes, Shleifer, and Vishny (2000) in finance has spurred further investigations from both financial and legal perspectives. Over time, researchers have developed a variety of conceptual frameworks examining media sentiment, and cross-country cooperative strategies, often utilizing quantitative empirical methods. Nevertheless, despite these advances, relatively few recent studies have applied qualitative approaches to explore these issues in greater depth.

Media sentiment regarding cross-border M&As often triggers negative reactions from host countries (see, Kölbl et al., 2017; Ferreira et al., 2014), as stakeholders interpret media coverage as a variable of the acquiring enterprise's prospective behavior, in contexts characterized by news asymmetry among foreign acquirers and local stakeholders. In particular, media reports on cross-border M&As can raise doubts about whether the acquiring firm will operate responsibly in the target country (e.g., Kölbl et al., 2017). As a result, cross-border deals can face obstacles and difficulties in obtaining regulatory approvals (see, for instance, Kamoche and Siebers, 2015). These negative consequences can impede the successful completion of acquisitions (Hawn, 2021), given that cross-border deals typically require support from a wide range of local stakeholders. Therefore, we hypothesize:

Hypothesis 2: Decision-making regarding cross-border deals of enterprises is greatly influenced by the bilateral Media sentiments between the host country and China.

### 3.6 Bilateral Media Sentiment

One line of research on corporate bilateral media sentiment highlights the role of news media as an information disseminator, particularly in financial markets, from an economic perspective (see, Liu et al., 2014). In this framework, bilateral media sentiment is driven by rational agents who independently select, generate, and distribute market information to advance their own interests (e.g., Houston et al., 2011). Within accounting and finance studies, the media is often viewed as a news intermediary that helps reduce market information asymmetries. For example, researchers have investigated how media sentiment affects financial indicators such as earnings, trading volumes, and cross-border M&A activities (e.g., Griffin et al., 2011; Drake et al., 2014; Liu et al., 2014; Bilgili et al., 2023; Yoon et al., 2021).

Functioning as an information intermediary, bilateral media sentiment also offers firms a way to observe, assess, and adjust their strategies to gain positive coverage and social approval. For instance, Bednar et al. (2013) show that negative media sentiment can motivate firms to implement strategic changes that enhance performance. Conversely, positive media sentiment may foster managerial overconfidence, increasing risk-taking and potentially leading to corporate crises (e.g., Chatterjee and Hambrick, 2011). Media sentiment has also been widely studied in marketing re-

search, where it has been shown to influence product pricing, sales, and broader marketing strategies (e.g., Berger et al., 2010; Solomon et al., 2014).

From an economic standpoint, bilateral media sentiment is often regarded as a more credible source of information than managers or analysts, owing to its fact-based reporting and relative independence in the market (e.g., Kothari et al., 2009). This raises an important research question: why and how does bilateral media sentiment influence cross-border? According to the information view, media sentiment can reduce information asymmetries, thereby enhancing the efficiency of cross-border (e.g., Bushee et al., 2010; Shen et al., 2022). For example, Bushee et al. (2010) demonstrate that media-generated information has a lasting effect on cross-border deals and improves market liquidity. Likewise, Liu et al. (2014) find that media sentiment affects large investors; specifically, at the pre-IPO stage, positive media coverage can help a firm attract more institutional investors to participate in the IPO process.

On the other hand, some studies highlight that media sentiment may provoke short-term investor overreactions, as suggested by the salience view (e.g., Joe et al., 2009), or argue that the effects of media-generated information often dissipate quickly (Tetlock, 2011). Additionally, many researchers examine media through social and psychological lenses rather than assuming purely rational behavior. For instance, Solomon (2012) found that firms using investor relations consultants can influence media sentiment by building personal relationships with journalists. Karim et al. (2016) showed that the tone of a company's quarterly earnings report can positively affect analysts' forecasts, while Boudt et al. (2018) demonstrated that news tone impacts market perceptions, largely due to information asymmetries. In the context of cross-border deals, firms can extract important insights from media tone, particularly in situations of uncertainty. Today, cross-border media have become a critical focus in the study of bilateral media sentiment (see, for example, Makri et al., 2021). Overall, this research stream examines how and to what extent the consequences of bilateral media sentiment are linked to information dissemination and salience.

## 4. Methodology

### 4.1 GDELT Dataset

GDELT is the global database of events, location, and tone that is maintained by Google (Leetaru and Schrodt, 2013). It is an open Big Data platform that collects news from around the world. The platform links people, offering a lens to observe the world via the media. This makes it an ideal data source for measuring social factors and testing our hypotheses. GDELT comprises two main datasets: the Global Knowledge Graph (GKG) and the Events Table. For our study, we utilize the Events Table, which records what is happening worldwide, the context of each event,

the actors involved, and public sentiment on a daily basis. The dataset also provides English translations of information encoded in supported languages.

#### 4.2 Research Design and Sample

Using information on the host countries of acquired enterprises and the GDELT database, we construct a bilateral Media Sentiment Index capturing both China's media sentiment regarding the overseas country and the overseas country's media sentiment regarding China. To reduce the influence of extreme values on regression results, all indicators were winsorized at the 1% and 99% percentiles. Our study examines M&A deal events initiated by listed Chinese enterprises from 2006 to 2022. We processed: (1) companies labeled as "ST" or "\*ST" were excluded; (2) financial sector listed companies were excluded; and (3) observations with missing variable data were removed. After these steps, we obtained a balanced dataset comprising 18,018 observations from 1100 listed companies.

#### 4.3 Variable Construction

##### 4.3.1 Dependent Variable

The explained variable  $M\&A_{ijkt}$  indicates cross-border deals M&A of firm  $i$  from China's industry  $k$  to firms in country  $j$  in the year  $t$ . We rely on a Logit/Probit model to measure the effect of Media sentiment on a firm's propensity to cross-border. In this paper, the cross-border propensity refers to the decision-making between domestic M&As and overseas M&As of enterprises. It is used to measure overseas M&As preference. Moreover, a 0–1 dummy variable indicates cross-border propensity, taking 1 if the enterprise has commenced a cross-border and 0 otherwise.

##### 4.3.2 Explanatory Variables: Media Sentiment Index

For feature extraction from news reports, we focus on two main categories. First, we assess whether media coverage is generally positive or negative. Second, we classify the type of content for each report. Following the Basel Agreement, news sources are categorized into newspapers, television, and other outlets. We focus on newspapers for two main reasons. First, newspapers provide the longest historical coverage, whereas television transcripts and social media sources, such as Twitter, became available only later. Second, newspaper transcripts often precedes other forms of media, serving as a leading indicator of news coverage (e.g., Roberts and McCombs, 1994).

To measure Media sentiment, Davis et al. (2017) referred to the number of adverse events in the news between two countries as a proxy variable for bilateral conflict. However, this way of constructing the indicator ignores the difference in importance between different news events and may lead to biased results. Liu et al (2014) used the average tone as a proxy variable for Media sentiment. They multiplied it by the number of newspapers to obtain a Media sentiment index weighted by the importance of news

events. However, they ignore that the size of countries may lead to differences in the number of news articles, which may make the index of large countries significantly larger or smaller than those of small countries, resulting in systematic bias. We constructed a weighted daily Goldstein score index, then weighted and summed it daily to get monthly bilateral Goldstein scores. This index construction method with bilateral Goldstein scores overcomes the above problems while reflecting the role of Media sentiment. The specific calculation is as follows:

$$GOLDSTEIN_{cd,Day} = \sum_g^{all} [GOLDSTEIN_{cd,g,Day} * \left( \frac{NUM_{cd,Day,g}}{NUM_{cd,Day,g=all}} \right)] \quad (1)$$

$$GOLDSTEIN_{cd,Year} = \sum_{Day}^{all} \frac{GOLDSTEIN_{cd,Day}}{DAY_{cd,year}} \quad (2)$$

In Eqn. 1,  $c$  and  $d$  refer to countries, and  $g$  represents all event types in the CAMEO event classification.  $Day$  indicates each day, and  $year$  indicates each year.  $\frac{NUM_{cd,Day,g}}{NUM_{cd,Day,g=all}}$  Indicates the proportion of the news regarding country  $d$  reported in the  $g$  event in the day  $t$  in countries  $c$  relative to the total number of all news regarding country  $d$  in countries  $c$ , and then multiplied by the Goldstein score index in the  $g$  event. The weighted daily Goldstein score index of country  $c$  towards country  $d$  ( $GOLDSTEIN_{cd,Day}$ ) is obtained by weighting and summing the score indices of all events. Then, the weighted daily Goldstein score index is summed to the year and divided by the number of days with Goldstein scores in that year, thus obtaining the annual Goldstein score index of country  $c$  towards country  $d$  ( $GOLDSTEIN_{cd,Year}$ ), which is shown in Eqn. 2. The Goldstein assigns values between  $-10$  and  $10$ , with lower scores indicating more negative events and higher scores indicating more positive events.

Control variables: following (Filatotchev and Wright, 2011), the control variables in this paper include three levels: the first level refers to variables that directly intervene in the M&As transaction. Specifically, they include the underlying price paid by the buyer and the payment method, i.e., whether a cash payment is made. The second level of variables is related to the firm characteristics. Because cross-border is the business decision of the enterprise, it will be affected by the business conditions of the initiating enterprise. These specifically include the size of the enterprise expressed by the logarithm of the total assets of the enterprise. The performance of the enterprise is measured by the proportion of profits to total assets, the level of leverage, which reflects the level of indebtedness and the ability of the enterprise to withstand risks and is mea-

sured by the ratio of total liabilities to total assets. Third, the study also incorporates variables related to the enterprise's executives. Since cross-border decision-making is an overseas investment decision with high risks made by corporate executives, the background of corporate executives should also be controlled, specifically: executive shareholding is expressed by the shareholding ratio of the top three executives, and independent directorship is reflected by the % of independent directors on the board of directors. Finally, to further reduce omitted variable bias due to possible systematic bias across years and industries, this paper controls for the year and industry fixed effects.

#### 4.4 Model Specification

To test the validity of our Hypothesis, we refer to the existing literature on the determinants of cross-border (Liao et al., 2021) and adopt the empirical framework as shown below:

$$M\&A_{i,t} = \alpha + \beta_1 MS_{i,t} + \beta_2 Controls_{i,t-1} + FE + \varepsilon_{i,t} \quad (3)$$

$\beta_1 MS_{i,t}$  represents the media sentiments, and the dependent variable  $M\&A_{i,t}$  stands for the cross-border deals M&As. We expect  $\beta_1$  to be significantly positive. Controls is a vector of independent variables. FE is a vector that includes the year and industry dummies. Standard errors are clustered at the firm level (Petersen, 2009). In all models, control variables are in the prior year (Schweizer et al., 2019).

## 5. Data Analysis

### 5.1 Effects of Bilateral Media Sentiment on China's Propensity to Cross-Border Deals

This paper examines the influence of the host country's Media sentiment towards China and China's Media sentiment towards the host country on cross-border propensity. Since whether a firm merges or not is a 0–1 dummy variable, logit and probit models are used for regressions. Columns (I)–(IV) of Table 1 reported the multivariate regression results of the host country's Media sentiment towards China on cross-border M&As propensity. On the other hand, columns (5)–(8) reported the results of the regression of China's Media sentiment towards the host country on the cross-border propensity. Among them, columns (I), (III), (V), and (VII) only control the dummy variables of industry and time. The regression results of Logit/Probit models showed that bilateral Media sentiments between China and the host country significantly and positively promote cross-border propensity. After including all control variables related to the transaction, enterprise management, and executive background characteristics, as shown in columns (II), (IV), (VI), and (VIII), the coefficients of key explanatory variables are significant, and their signs

remain unchanged. These findings proved that even after controlling for transaction-level, firm-operation-level, executive-level, year, and industry characteristics, there is still a significant positive effect of bilateral Media sentiments between China and regarding the host country on firms' propensity to engage in cross-border.

Columns (IX)–(XII) examine the bilateral media sentiment between China and the host country on the cross-border M&As of Chinese firms. After including control variables, the effect of bilateral media sentiment on a firm's likelihood of engaging in cross-border remains significantly positive. Specifically, in Column (XII), a one-unit increase in the host country's media sentiment index toward China raises the probability of a firm undertaking a cross-border deal by 12.3%. Similarly, a one-unit increase in China's media sentiment index toward the host country increases the likelihood of undertaking cross-border by 2.97%, holding other factors constant. These results support Hypothesis 1, suggesting that positive media sentiment, viewed through the lens of cultural differences, predicts higher cross-border activity.

One explanation for the observed increase in media sentiment after deal completion is that Chinese acquirers, aiming to manage stakeholder relations effectively through M&As strategies, devote resources to stakeholder-oriented practices (e.g., employee welfare, customer satisfaction), thereby increasing overall cross-border investments (Deng, 2009). Another explanation is the pursuit of competitive advantage: to overcome the liability of foreignness, Chinese acquirers actively engage in cross-border to enhance international competitiveness. Additionally, the mean variance inflation factors (VIFs) across the regressions range from 3.84 to 4.09, well below the conventional cutoff of 10, indicating that multicollinearity is not a concern.

Comparing the influence of Media sentiment on cross-border propensity between China and the host country, it is found that the coefficient of Media sentiment's effect in the host country in column (10) using Probit regression is greater than that of Chinese Media sentiment. The marginal impact using Logit regression in column (12) still supports the above conclusion, which provides evidence that there is a significant difference in the influences of bilateral Media sentiment between China and the host country on the Chinese firms' inclination to engage in cross-border. Besides, the findings also proved that the host country's Media sentiment influences the investment decisions of Chinese investors and improving this opinion would enhance the confidence of Chinese investors. Regarding the control variables, the outcomes indicated that the transaction-level characteristics have no significant impact on cross-border. As for the firm-operation level feature, corporate size significantly positively affects cross-border. Finally, concerning the executive-level characteristics, the higher the shareholding ratio of executives, the more likely they are to conduct overseas mergers and acquisitions.

**Table 1. The Bilateral Media sentiment on Cross-border M&As Propensity.**

	Probit		Logit		Probit		Logit		Probit		Logit	
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)
Host country's Media sentiment toward China	2.290*** (0.0814)	2.213*** (0.0889)	0.147*** (0.00802)	0.141*** (0.00870)					1.860*** (0.0897)	1.923*** (0.105)	0.128*** (0.00923)	0.123*** (0.0101)
China's Media sentiment of the host country					1.743*** (0.0491)	1.619*** (0.0551)	0.201*** (0.0121)	0.127*** (0.00676)	0.559*** (0.0679)	0.489*** (0.0806)	0.0397*** (0.00706)	0.0297*** (0.00752)
Payment Method		-0.0587 (0.0704)		-0.00202 (0.00406)		-0.0998 (0.0658)		-0.00272 (0.00425)		-0.0614 (0.0711)		-0.00248 (0.00404)
Transaction Amount		0.0177 (0.0119)		0.000633 (0.000673)		0.0182 (0.0111)		0.000791 (0.000709)		0.0173 (0.0120)		0.000561 (0.000666)
Business Size		0.256*** (0.0232)		0.0143*** (0.00141)		0.243*** (0.0216)		0.0154*** (0.00147)		0.252*** (0.0233)		0.0139*** (0.00139)
Corporate performance		0.556 (0.548)		0.0340 (0.0327)		0.634 (0.513)		0.0429 (0.0349)		0.633 (0.554)		0.0414 (0.0330)
Level of corporate leverage		-0.0288 (0.0274)		-0.00182 (0.00163)		-0.0211 (0.0256)		-0.00214 (0.00173)		-0.0238 (0.0274)		-0.00154 (0.00161)
Executive shareholding ratio		0.725*** (0.150)		0.0424*** (0.00874)		0.634*** (0.140)		0.0433*** (0.00912)		0.705*** (0.151)		0.0404*** (0.00868)
% of independent directors		-0.211 (0.425)		0.00117 (0.0238)		-0.251 (0.398)		-0.00599 (0.0250)		-0.244 (0.428)		0.000725 (0.0236)
Year controlled	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Firms controlled	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Pseudo R <sup>2</sup>	0.391	0.490	0.410	0.509	0.332	0.423	0.366	0.454	0.465	0.4973	0.482	0.5127
Number of samples	18,018	14,823	18,018	14,823	18,018	14,823	18,018	14,823	17,561	14,823	17,561	14,823
Mean VIF	4.09	3.96	3.87	4.06	3.93	3.84	4.06	3.93	3.84	3.89	3.86	3.86

**Note:** All models do not report results for the constant term. The coefficients reported by the logit models in columns (3), (4), (7), (8), (11), and (12) are the mean marginal effects, standard deviations in parentheses, \*\*\* indicate statistical significance for  $p < 0.01$ . VIF, variance inflation factor.

## 5.2 Main Results

To assess whether the impact of media sentiment on cross-border varies across locations between the host country and China, we employ a stepwise regression approach based on Eqn. 3, with results presented in Columns (4)–(6) of Table 2. As Hypothesis 2 predicts, the significantly positive coefficients for the host country indicate that favorable media sentiment from the host country drives higher cross-border activity by Chinese firms, holding all other predictors constant. In contrast, the coefficients for China are significant across all specifications, suggesting that Chinese media sentiment alone does significantly influence cross-border investment.

For Chinese deals, compliance with the host country's institutional and regulatory requirements is essential for gaining legitimacy and recognition. Similarly, stronger institutional expectations in the host country regarding media engagement can enhance overall cross-border investment by Chinese firms. Overall, the results in Columns 4–6 support Hypothesis 2, implying that firms from China—characterized by relatively weaker domestic institutions—are more likely to pursue cross-border when they operate in host countries with stronger institutional and media environments.

The results supporting our previous argument can be explained by several factors. First, cross-border targeting host countries are primarily motivated by the desire to compete in international markets (Deng, 2009). These firms have stronger incentives to enhance their cross-border activities in order to gain long-term competitive advantages compared to acquirers investing domestically in China. Second, consistent with the bootstrapping hypothesis, exposure to superior corporate governance regimes and stricter legal systems in host countries enables acquirers from countries with weaker governance to adopt best practices from the host environment (Goergen and Renneboog, 2008). Consequently, after acquiring targets in developed markets, Chinese acquirers adjust and promote their cross-border strategies in alignment with stakeholder expectations and the institutional contexts of the host countries.

## 5.3 Robustness Check

To further ensure the robustness of the conclusions, two sets of robustness tests were performed: The first one is related to the rare event correction bias. Most Chinese firms in the sample have no outward direct investment, and the share of the firms initiating cross-border mergers and acquisitions is relatively small, at 6.18%. It can be argued that firms' foreign investment is a "rare event". To examine whether the impact of media sentiment on cross-border M&As varies across locations between the host country and China, we then replace MS with Targ\_host and Targ\_Ch in Eqn. 3 and the results are reported in Table 3. As Hypothesis 2 suggests, the significantly positive coefficients

on Targ\_host indicate that cross-border targets from the host country drive higher media sentiment.

Furthermore, we conduct a series of robustness checks to validate our results. First, we apply an alternative rare-event correction to measure media sentiment in cross-border, using 2006 and 2022 as pre-event benchmarks; the results remain consistent with our main analysis. Second, to address potential sample selection bias—since our dataset includes only Chinese firms that pursued cross-border acquisitions while other firms may have used different entry modes or not expanded internationally—we employ the Heckman two-stage model (Certo et al., 2016). In the first stage, we estimate the probability of a deal being included in the dataset, which encompasses all Chinese acquisitions with a deal value above USD 1 million and without key missing deal-specific information.

Because our independent variable, media sentiment, is count-based with a high proportion of zeros (Kölbel et al., 2017), we use an alternative measure, Targ\_host and Targ\_Ch, to replace media sentiment in the first-stage regression. These measures quantify a firm's exposure to reputational risk from media sentiment based on the severity and intensity of coverage (Zhou and Wang, 2020). Alongside deal-level control variables, we include host country and sector as additional explanatory variables to generate the inverse Mills ratio. In the second stage, we incorporate this ratio into all regression models, as reported in Table 3 (Zhang et al., 2023). Overall, the results remain robust, confirming the validity of our main findings.

Thus, the estimation of Probit and Logit models using the maximum likelihood method may be biased. This paper uses the rare event model to correct the rare event bias. The results are shown in columns (1)–(3) of Table 3. Once again, we find that the host country's Media sentiment on China significantly and positively affects the overseas M&A propensity of Chinese firms. Besides, the effect of the host country's Media sentiment towards China is greater than the effect of China's Media sentiment towards the host country, demonstrating the robustness of the benchmark regression findings.

The second robustness test consisted of replacing the sample. To exclude the systematic sample selection bias, some literature adopted corporate mergers and acquisitions data as the total sample to conduct the Heckman two-step test. Therefore, this paper uses the data of listed companies from 2006 to 2022 as the total sample to re-examine the impact of bilateral Media sentiment on cross-border mergers and acquisitions, as shown in columns (4)–(6) of Table 3. For cross-border propensity, the regression results still support that the bilateral Media sentiment between the host country and China can significantly affect the M&A propensity, and the effect of Media sentiment in the host country towards China is greater.

**Table 2. The media sentiment regarding cross-border investment between the host country and China.**

	Panel A			Panel B		
	Media sentiment and Cross-Border M&As			Host country media sentiment and Cross-border M&As		
	(1)	(2)	(3)	(4)	(5)	(6)
Host country's Media sentiment toward China	2.364** (2.576)	2.429*** (2.664)	2.388*** (2.583)			
China's Media sentiment of the host country				3.011*** (2.981)	3.057*** (3.038)	2.966*** (2.908)
Payment Method	0.458 (0.541)	-0.143 (-0.160)	0.236 (0.261)	0.469 (0.554)	-0.133 (-0.150)	0.242 (0.268)
Transaction Amount	0.074 (0.150)	-0.130 (-0.264)	-0.267 (-0.547)	0.106 (0.212)	-0.100 (-0.201)	-0.236 (-0.483)
Business Size	4.546*** (10.926)	4.208*** (9.620)	4.202*** (9.675)	4.547*** (10.937)	4.211*** (9.632)	4.206*** (9.690)
Corporate performance	-1.628 (-1.488)	-1.438 (-1.327)	-1.074 (-1.121)	-1.612 (-1.474)	-1.423 (-1.314)	-1.169 (-1.077)
Level of corporate leverage	-6.238*** (-2.776)	-6.505*** (-2.891)	-6.033*** (-2.662)	-6.319*** (-2.805)	-6.585*** (-2.920)	-6.122*** (-2.695)
Executive shareholding ratio	-9.228* (-1.662)	-10.068* (-1.799)	-10.545* (-1.897)	-9.282* (-1.670)	-10.121* (-1.807)	-10.603* (-1.906)
% of independent directors	0.774*** (2.867)	0.779*** (2.948)	0.695*** (2.687)	0.773*** (2.866)	0.778*** (2.949)	0.696*** (2.690)
Exchange rate fluctuations	0.021*** (2.956)	-0.029** (-2.218)	-0.117*** (-3.508)	0.025*** (4.116)	-0.039*** (-3.592)	0.020*** (2.825)
GDP	0.021*** (2.956)	-0.193 (-0.253)	1.196 (0.839)	3.923*** (7.006)	-2.815*** (-2.697)	2.418*** (5.721)
Year FE	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES
SEs. Clustered	Firm	Firm	Firm	Firm	Firm	Firm
Pseudo R <sup>2</sup>	0.384	0.394	0.399	0.384	0.394	0.399
Number of samples	18,018	14,823	18,018	14,823	18,018	14,823
Mean VIF	4.09	3.96	3.87	4.06	3.93	3.84

Notes: The standard deviation is in parentheses, and \*, \*\*, and \*\*\* indicate statistical significance for  $p < 0.1$ ,  $p < 0.05$  and  $p < 0.01$ . GDP, gross domestic product.

**Table 3. Robustness test.**

	Rare event correction bias			Sample replacement		
	(1)	(2)	(3)	(4)	(5)	(6)
Host country's Media sentiment toward China	5.018*** (0.425)		4.513*** (0.775)	5.273*** (0.213)		4.154*** (0.248)
China's Media sentiment of the host country		4.366*** (0.470)	0.924 (0.823)		5.044*** (0.192)	2.038*** (0.219)
Targ_host	3.011*** (2.981)	3.057*** (3.038)	2.966*** (2.908)	2.683*** (2.695)	2.733*** (2.772)	2.645*** (2.640)
Targ_Ch	-1.083 (-0.555)	-0.919 (-0.484)	-0.706 (-0.366)	-0.261 (-0.119)	-0.069 (-0.032)	0.254 (0.117)
Payment Method	0.231 (0.437)	0.214 (0.473)	0.233 (0.435)	0.260 (0.419)	0.252 (0.441)	0.266 (0.435)
Transaction Amount	0.622* (0.024)	0.598* (0.029)	0.629* (0.024)	0.655* (0.024)	0.677* (0.030)	0.688* (0.025)
Business Size	0.085 (0.380)	0.095 (0.330)	0.084 (0.392)	0.090 (0.383)	0.091 (0.390)	-0.003 (0.979)
Corporate performance	-0.186 (0.473)	-0.207 (0.434)	-0.188 (0.470)	-0.188 (0.498)	-0.214 (0.459)	-0.511 (0.758)
Level of corporate leverage	-4.467* (0.023)	-4.695* (0.018)	-4.462* (0.024)	-4.934* (0.019)	-5.063* (0.018)	-4.871* (0.021)
Executive shareholding ratio	0.801* (0.049)	0.822* (0.042)	0.802* (0.050)	0.830 (0.056)	0.857 (0.052)	0.803 (0.066)
Percentage of independent directors	0.004 (0.717)	0.003 (0.769)	0.003 (0.722)	0.003 (0.781)	0.002 (0.823)	0.003 (0.767)
Exchange rate fluctuations	0.102 (0.823)	0.371 (0.456)	0.099 (0.828)	0.161 (0.739)	0.359 (0.503)	0.384 (0.462)
GDP	-0.124 (0.111)	-0.129 (0.097)	-0.123 (0.115)	-0.135 (0.098)	-0.138 (0.096)	-0.135 (0.102)
Time difference	-0.006* (0.041)	-0.005 (0.054)	-0.006* (0.043)	-0.006* (0.035)	-0.006 (0.051)	-0.000 (0.988)
Severity ratio	-1.258 (0.294)	-0.881 (0.450)	-1.288 (0.286)	-1.093 (0.358)	-0.867 (0.486)	0.290 (0.790)
High reach ratio	0.059 (0.960)	-0.087 (0.939)	0.082 (0.944)	0.065 (0.959)	0.068 (0.957)	0.227 (0.871)
Inverse mills ratio	2.082 (0.148)	1.956 (0.174)	2.083 (0.150)	1.988 (0.195)	1.925 (0.222)	2.094 (0.151)
Year controlled	YES	YES	YES	YES	YES	YES
Industry controlled	YES	YES	YES	YES	YES	YES
Number of samples	14,825	14,825	14,825	34,783	34,783	34,783
SEs. Clustered	Firm	Firm	Firm	Firm	Firm	Firm
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.484	0.513	0.441	0.514	0.478	0.525
Mean VIF	3.87	3.84	3.84	3.74	3.70	3.70

**Note:** The standard deviation is in parentheses, and \*, and \*\*\* indicate statistical significance for  $p < 0.1$ , and  $p < 0.01$ .

## 6. Discussion

### 6.1 Heterogeneity in Corporate Ownership

The Chinese authority introduced the “Made in China 2025” initiative, which sets the long-term goal of transforming China into a global innovation and manufacturing powerhouse. In addition, the implementation of the “Going Out”, along with policies promoting enterprise mergers and reorganizations, provides Chinese firms with favorable conditions to acquire advanced foreign technologies through cross-border at relatively low cost. These policies enable firms to drive innovation and overcome technological bottlenecks (Chen et al., 2014). To a certain extent, state-owned enterprises are responsible for implementing national strategies and policies, and their cross-border mergers and acquisitions are market-oriented actions guided by policies. For example, during the 12th Five-Year Plan, Sany Heavy Industry acquired German concrete and machinery giant Putzmeister for 324 million Euros to support the development of industrial machinery and equipment manufacturing. Likewise, during the “Thirteenth Five-Year Plan” period, ChemChina acquired Switzerland’s Syngenta to achieve technological upgrading, master advanced biological breeding technology, and maintain national food security. Thus, the influence of bilateral directional Media sentiment between the host country and China on overseas deals of state-owned enterprises is weaker than that of non-SOEs but more potent than that on the overseas deals of non-SOEs.

Table 4 compares the differences in the impact of bilateral Media sentiment on cross-border from the perspective of firm ownership, with consistent regression results of Probit and Logit. Comparing the regression results in columns (11) and (12), it is found that for every 1 unit increase in the Media sentiment index of the host country, the probability of making overseas investment decisions for non-state-owned firms will increase by 14.8%. In contrast, the likelihood of state-owned enterprises making overseas investment decisions will increase by 7.88%. For every one percentage point increase in China’s Media sentiment index towards the host country, the probability of making overseas investment decisions for non-state-owned enterprises will increase by 4.76%. In contrast, the probability of state-owned enterprises making overseas investment decisions will increase by 1.54%. Thus, compared to state-owned enterprises, the propensity of non-state-owned enterprises to engage in cross-border is more influenced by Media sentiment in the host country and China.

### 6.2 Differences in the Industry

Considering the industry differences between manufacturing and service industries, this paper also compares the impact of Media sentiment on cross-border mergers and acquisitions of companies in different industries, as shown in Table 5. Whether the enterprise initiating the cross-border is a manufacturing enterprise or a service enterprise,

the bilateral Media sentiment between the host country and China will significantly affect the cross-border propensity. However, the effect on the propensity for cross-border in the manufacturing industry is greater. Comparing the regressions in columns (11) and (12) in Table 5, the results show that for every 1 unit increase in the Media sentiment index of the host country, the probability of manufacturing firms making overseas investment decisions will increase by 12.1%. In contrast, the probability of service industry firms making overseas investment decisions will increase by 9.71%. For every increase of 1 unit in China’s Media sentiment index towards the host country, the probability of manufacturing enterprises making overseas investment decisions will increase by 3.732%, while the probability of service industry enterprises making overseas investment decisions for the same increase will increase by 2.47%.

### 6.3 Consideration of the M&As Value

We continue to use the scale of cross-border mergers and acquisitions as the dependent variable to examine the effect of public opinion on scale, as reported in Table 6. Since our sample is limited to firms that have already initiated cross-border, there is a potential for selection bias. To address this, we first conduct an ordinary least squared (OLS) regression and then apply the Heckman two-step method to assess the impact of media sentiment on scale. The results show that while both the host country’s media sentiment toward China and China’s media sentiment toward the host country have a negative effect on M&A scale, these effects are not statistically significant.

This may be due to two main reasons. First, within the sample of overseas M&A initiated by Chinese firms, data on deal size are limited, with only 548 valid observations, making it difficult to obtain reliable estimates. Second, although media sentiment significantly influences the decision to engage in cross-border, the size of these deals is more strongly determined by factors such as the industry of the acquiring firm, the number of M&A the enterprise has undertaken, and the company’s overall strategic planning.

According to the Heckman regression analysis that distinguishes differences in corporate ownership, it is found that the improvement of the host country’s domestic public opinion index has no significant impact on the scale of M&As by non-state-owned enterprises. However, the improvement of the host country’s public opinion towards China will increase the scale of overseas M&A by state-owned enterprises. The improvement of the host country’s public opinion environment promotes state-owned enterprises to pursue long-term internationalization strategies, resulting in geographically diversified M&A, more frequent M&A activities over time, and increased M&A scale.

The coefficients and significance of the Inverse Mills Ratio are not reported because the Heckman regression analysis, which distinguishes differences across industries, reveals that the improvement of the host country’s domes-

**Table 4. The bilateral media sentiment on the cross-border between state-owned and non-state-owned enterprises.**

	Probit					
	(1)	(2)	(3)	(4)	(5)	(6)
	SOE	non-SOE	SOE	non-SOE	SOE	non-SOE
Host country's Media sentiment toward China	1.867*** (0.135)	2.426*** (0.125)			1.632*** (0.165)	2.061*** (0.143)
China's Media sentiment of the host country			1.233*** (0.0754)	1.964*** (0.0873)	0.299** (0.119)	0.676*** (0.113)
Control variable	YES	YES	YES	YES	YES	YES
Year controlled	YES	YES	YES	YES	YES	YES
Industry controlled	YES	YES	YES	YES	YES	YES
Number of samples	5354	8758	5354	8758	5354	8758
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.5276	0.4873	0.449	0.4266	0.5314	0.4938
	Logit					
	(7)	(8)	(9)	(10)	(11)	(12)
	SOE	non-SOE	SOE	non-SOE	SOE	non-SOE
Host country's Media sentiment toward China	0.0888*** (0.00950)	0.175*** (0.0131)			0.0788*** (0.0113)	0.148*** (0.0143)
China's Media sentiment of the host country			0.0761*** (0.00685)	0.173*** (0.0122)	0.0154** (0.00714)	0.0476*** (0.0116)
Control variable	YES	YES	YES	YES	YES	YES
Year controlled	YES	YES	YES	YES	YES	YES
Industry controlled	YES	YES	YES	YES	YES	YES
Number of samples	5354	8758	5354	8758	5354	8758
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.5504	0.5029	0.499	0.4499	0.5537	0.5081

Notes: The standard deviation is in parentheses, and \*\*, and \*\*\* indicate statistical significance for  $p < 0.05$  and  $p < 0.01$ . SOE, state-owner enterprise.

**Table 5. The Bilateral Media sentiment and Cross-border M&As in Manufacturing and Service Industries.**

	Probit					
	(1)	(2)	(3)	(4)	(5)	(6)
	Manufacturing industries	Service industries	Manufacturing industries	Service industries	Manufacturing industries	Service industries
Host country's Media sentiment toward China	2.255*** (0.108)	2.211*** (0.171)			1.854*** (0.131)	1.970*** (0.193)
China's Media sentiment toward host country			1.970*** (0.0815)	1.379*** (0.0966)	0.572*** (0.106)	0.500*** (0.150)
Control variable	YES	YES	YES	YES	YES	YES
Year controlled	YES	YES	YES	YES	YES	YES
Industry controlled	YES	YES	YES	YES	YES	YES
Number of samples	10,142	3864	10,142	3864	10,142	3864
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.484	0.513	0.441	0.408	0.494	0.517
	Logit					
	(7)	(8)	(9)	(10)	(11)	(12)
	Manufacturing industries	Service industries	Manufacturing industries	Service industries	Manufacturing industries	Service industries
Host country's Media sentiment toward China	0.146*** (0.00799)	0.110*** (0.0102)			0.121*** (0.00910)	0.0971*** (0.0108)
China's Media sentiment toward host country			0.142*** (0.00694)	0.0877*** (0.00724)	0.0373*** (0.00699)	0.0247*** (0.00745)
Control variable	YES	YES	YES	YES	YES	YES
Year controlled	YES	YES	YES	YES	YES	YES
Industry controlled	YES	YES	YES	YES	YES	YES
Number of samples	10,142	3864	10,142	3864	10,142	3864
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.4992	0.5465	0.4619	0.455	0.5077	0.5477

**Note:** Results for the constant term for all models. Coefficients reported for logit models are mean marginal effects standard deviations in parentheses, \*\*\* indicate statistical significance for  $p < 0.01$ .

**Table 6. The Bilateral Media sentiment and Cross-border M&As Value.**

	OLS					Heckman				
	(1) ALL	(2) CEO	(3) non CEO	(4) Manufacturing	(5) Service	(6) ALL	(7) CEO	(8) non CEO	(9) Manufacturing	(10) Service
Host country's Media sentiment toward China	-0.130 (0.150)	-0.0817 (0.398)	-0.0473 (0.207)	-0.196 (0.305)	-0.126 (0.424)	-0.281 (0.306)	0.511* (0.270)	-0.482 (0.430)	-0.376 (0.402)	0.277 (0.364)
China's Media sentiment toward host country	0.0730 (0.181)	-0.0725 (0.450)	-0.162 (0.188)	0.0187 (0.326)	0.252 (0.389)	-0.244 (0.244)	0.401 (0.374)	-0.468 (0.286)	-0.412 (0.304)	0.685** (0.323)
Control variable	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controlled	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Industry controlled	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Inverse Mills Ratio	NO	NO	NO	NO	NO	YES	YES	YES	YES	YES
R <sup>2</sup>	0.216	0.638	0.228	0.1872	0.7805					
Number of samples	548	121	411	311	97	7800	2683	5117	5371	2331

**Note:** Results for the constant term for all models. Standard deviations are reported in parentheses, and \*, and \*\*, indicate statistical significance for  $p < 0.1$ , and  $p < 0.05$ . CEO, chief executive officer.

tic public opinion index has no significant impact on the M&A scale of manufacturing enterprises. However, the improvement of China's public opinion towards the host country significantly increases the M&A scale of service industry enterprises. Since 2006, the service industry has accounted for a significant portion of China's OFDI flow. By the end of 2019, the stock of China's OFDI was mainly concentrated in sectors such as leasing and business services, wholesale and retail, finance, information transmission/software and information technology services, real estate, and transportation/warehousing (Liao et al., 2021).

The results presented in Table 6 confirm the robustness of the relationship between media sentiment and the likelihood of deal completion. Our empirical findings show a significant positive association between media sentiment and the probability of successfully completing cross-border transactions. Importantly, when the Inverse Mills Ratio—which accounts for selection effects—is excluded from the model, the coefficient for media sentiment becomes larger. This suggests that the influence of media sentiment on deal completion is even more pronounced. This outcome aligns with expectations, as removing the individualistic Inverse Mills Ratio, where sentiment effects are expected to be weakest, highlights the strong and persistent impact of media sentiment on cross-border success.

Our second robustness test evaluates whether the results hold when controlling for potential industry-wide effects. Prior research on takeover activity indicates that M&A often occurs in waves, typically triggered by regulatory, economic, and technological shocks that reshape an industry's operating environment (Harford, 2005). Due to the development of the service industry being primarily driven by commercial presence and the movement of individuals, cross-border capital and personnel flows are more guided by information disclosed by domestic public opinion. Therefore, domestic public opinion has a greater impact on the amount of OFDI in the service industry.

In summary, while H1 suggests a tendency for media sentiment to increase transaction likelihood, the relationship may not extend to transaction size for reasons that include behavioral dynamics, context, sample size limitations, and potential model specification issues. Further research, perhaps with a larger dataset or additional variables, could help clarify these relationships.

#### 6.4 The Role of Executive Characters

The literature review above has shown that corporate executives affect the risk preference and style of corporate investment, which in turn affects cross-border decisions. Therefore, the influence of Media sentiment on cross-border is tested according to the different characteristics of executives. The regression results are shown in Table 7.

In this study, we divide the executives in the sample according to the median age and compare the influence of

China and host country Media sentiments on the M&A decisions between two subsamples of executives under the age of 52 and over the age of 52. The outcomes indicate that the host country Media sentiment has a greater influence on the cross-border investment. In comparison, China's Media sentiment has a greater influence on the M&As investment. The influence of host country media sentiment is greater than that of domestic media sentiment. The above findings are consistent with the existing literature that younger executives tend to be more confident in their ability to manage the internationalization process of investment (Liao et al., 2021). Besides, their firms' investment strategy decisions tend to be more aggressive rather than conservative.

Additionally, regarding the educational and overseas background characteristics of executives, Media sentiment in the host country has a greater influence on the propensity of cross-border investment, while China's media sentiment has a greater influence on the propensity of cross-border investment. This supports our theory that in these settings, the corporate executives likely take a more hands-off approach while the media sentiment leads the firm's cross-border investment. In contrast, when the executives' characteristics have more M&A experience, two key findings emerge from the results. This suggests that the combined domain expertise of those with overseas backgrounds and those without overseas backgrounds may mitigate their individual entrenchment biases, enhancing cross-border outcomes. Although empirically less robust, these findings provide suggestive evidence that while experienced executives' characteristics with overseas background can complement without overseas background effectiveness at higher executives' experience levels, they may inadvertently constrain less experienced executives. Indeed, prior research has shown that substantial differences in expertise among decision makers can create coordination challenges and decision paralysis (Karim et al., 2016). Less experienced executives may thus struggle to effectively incorporate guidance from highly knowledgeable executives, potentially leading to decision paralysis, misalignment, and reduced execution quality. So far, hypothesis 2 has been verified.

## 7. Conclusions

In the digital age, media sentiment has become a new tool for international competition and a reflection of a country's soft power. Media sentiment has a significant impact on the decision-making process of multinational mergers and acquisitions by companies. The media sentiment of the host country and the investing country can affect factors such as the company's reputation, market prospects, and political risks, thereby influencing the company's decision to engage in cross-border mergers and acquisitions. Public opinion plays a crucial role in shaping a company's image and reputation, which in turn directly affects the business development. Additionally, public opinion can reflect society's attitudes and perspectives towards cross-border merg-

**Table 7. Regression results of executive characteristics and Media sentiment influence.**

	Probit		Logit	
	Over the age of 52	Under the age of 52	Over the age of 52	Under the age of 52
Executives' characteristic				
Host country's Media sentiment toward China	1.689*** (12.78)	2.371*** (12.27)	0.115*** (8.33)	0.138*** (7.92)
China's Media sentiment toward host country	0.598*** (5.48)	0.339** (2.67)	0.030** (2.85)	0.037** (2.88)
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.4943	0.5123	0.5104	0.5262
Number of samples	7051	7484	7051	7484
Executives' characteristic	With overseas background	Without overseas background	With overseas background	Without overseas background
Host country's Media sentiment toward China	2.298*** (0.640)	1.904*** (0.107)	0.252*** (0.0844)	0.119*** (0.0105)
China's Media sentiment toward host country	0.251 (0.749)	0.493*** (0.0811)	-0.0463 (0.0684)	0.0304*** (0.00755)
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.472	0.501	0.483	0.516
Number of samples	602	14,018	602	14,018

**Note:** Results for the constant term for all models. Coefficients reported for logit models are mean marginal effects standard deviations in parentheses \*\*, and \*\*\* indicate statistical significance for  $p < 0.05$  and  $p < 0.01$ .

ers and acquisitions, providing valuable insights for companies' decision-making.

The findings of this study suggest that Media sentiments in the digital age have a subtle influence on human behavior and decision-making, particularly in the context of cross-border (M&A). The conclusion of this paper provides insights from cultural distance theory, signaling theory, and Stakeholder theory. Based on the cultural distance theory, this research finding suggests that media sentiments in the digital age can bridge the cultural gap between China and the host country, thereby promoting cross-border activities. In the context of this paper, the influence of media sentiments on decision-making can be seen as a reflection of cultural differences. Executives with higher education and an overseas background may have a better understanding of the different cultures and may be more sensitive to media sentiments from different countries. This theory implies that executives with a greater awareness of cultural differences are more likely to consider media sentiments as an important factor in their decision-making process. This theory emphasizes the importance of cultural similarity and understanding in international business transactions.

From the signaling theory perspective, individuals or organizations send signals to convey information about their characteristics or intentions. This study reveals that media sentiments serve as signals for Chinese enterprises considering cross-border investment. The positive or negative media sentiments can influence the perception of the target company's value and potential risks, leading to different decision-making outcomes. The executive characteristics can be seen as signals that influence the decision-making process. Media sentiments can act as additional signals that executives consider when making cross-border investments. This theory highlights the role of information

asymmetry and the use of signals in shaping business decisions.

In terms of the Stakeholder theory, our research demonstrates that Media sentiments not only impact the decision-making of Chinese enterprises but also affect the interests of various stakeholders involved in cross-border investments. The findings suggest that media sentiments can influence the deal value and outcomes, potentially affecting shareholders, employees, and other stakeholders. Executives with certain characteristics may be more inclined to consider these stakeholder opinions when making cross-border decisions. This theory suggests that executives should consider the perspectives of various stakeholders, including media sentiments, to ensure the success and sustainability of the M&As investment. This theory emphasizes the importance of considering the interests and perspectives of different stakeholders in business decision-making.

In summary, this study contributes to the understanding of the subtle influence of media sentiments in the digital age on human behavior and decision-making, specifically in the context of cross-border involving Chinese enterprises. The findings highlight the importance of considering Media sentiments and executive characteristics when analyzing the strategic decisions of companies in the international market.

This paper also contributes to the existing literature on cross-border deals and media sentiment. It provides empirical evidence of the subtle impact of media sentiments on decision-making. The findings can inspire further research in related areas, such as the role of social media, online platforms, and digital communication channels in shaping cross-border investments.

### 7.1 Limitation

Despite the finding that bilateral media sentiment between China and host countries affects cross-border mergers and acquisitions, it is important to note that this effect is relative within the context of cross-border M&As. In digital age, where media sentiment has become a new tool for international competition, both media sentiment and cross-border M&As may be adversely affected by economic and political tensions. While this paper shows China's cross-border M&As performance follows a pattern different from that of traditional OFDI investors such as the US and European countries, further on media sentiment and cross-border M&As may provide more insights into this topic. As more firms originating from developing economies involve into multinationals enterprises and engage actively in global market, this represents a promising direction for further exploration of the relationship between media sentiment and cross-border M&As.

### 7.2 Practical Implication

The practical implication of this paper is related to understanding the role of media sentiments in shaping cross-border investments. The study aims to shed light on the influence of bilateral Media sentiments between China and the host country on these investments.

Firstly, the findings of this study can provide valuable insights for companies looking to engage in cross-border activities. By understanding the impact of media sentiments on M&A outcomes, companies can better assess the risks and opportunities associated with entering specific host countries. Positive media coverage can create a favorable image of a country, highlighting its economic potential, political stability, and investment opportunities. This can encourage companies to consider entering that country for (M&A), as they perceive it as a low-risk and high-reward market. On the other hand, negative media sentiments can create a perception of risk and uncertainty, making companies hesitant to pursue M&As opportunities in that country. Positive media coverage of a particular industry can attract companies to explore M&As opportunities in that sector. For example, if the media portrays the technology sector in a host country as booming and innovative, tech companies may be more inclined to pursue M&As deals in that industry.

In 2016, Chinese conglomerate Dalian Wanda Group announced its intention to acquire the Hollywood film studio Legendary Entertainment for \$3.5 billion. This decision was largely influenced by media sentiments and the company's desire to expand its presence in the global entertainment industry. The acquisition of Legendary Entertainment was seen as a strategic move to gain access to Hollywood's expertise and intellectual property, allowing Dalian Wanda to tap into the lucrative global film market. Media reports highlighted the potential synergies between the Chinese market and Hollywood, emphasizing the grow-

ing demand for Western content in China. Furthermore, media sentiments also highlighted the increasing influence of Chinese companies in the global entertainment industry. Dalian Wanda's acquisition of Legendary Entertainment was seen as a symbol of China's growing power and ambition in the global film market. The positive media coverage is further fuelled by the company's confidence in pursuing the deal. This example demonstrates how Media sentiments can influence decision-making for Chinese companies. Media coverage can shape perceptions, highlight potential synergies, and provide valuable insights into market trends and opportunities. However, it is important for companies to evaluate media sentiments carefully.

Secondly, the study highlights the importance of considering media sentiments as part of the risk assessment and due diligence process for cross-border. It is important for companies to carefully assess and analyze media sentiments in order to make decisions regarding cross-border. This can involve monitoring and analyzing media coverage, conducting thorough due diligence on target companies, and seeking expert advice to understand the potential risks and opportunities associated with entering specific host countries. By understanding the impact of media sentiments, companies can better navigate the complexities of cross-border and make strategic decisions that align with their business objectives and risk appetite. Companies can incorporate media sentiment analysis into their evaluation of potential target companies and host countries. This can help identify any negative media narratives or public sentiment that may impact the success of the deal. By being aware of these factors, companies can make better decisions and mitigate potential risks.

In 2016, Microsoft used media sentiment analysis to assess the potential target company's reputation, customer sentiment, and overall market perception of LinkedIn, which is one of the successful examples of incorporating media sentiment analysis into M&A evaluation. By analyzing media sentiments, Microsoft gained insights into LinkedIn's brand perception, customer satisfaction, and the sentiment surrounding its products and services. This analysis helped Microsoft evaluate the potential risks and opportunities associated with the acquisition. By incorporating media sentiment analysis into their evaluation, Microsoft was able to make an informed decision and successfully acquire LinkedIn for \$26.2 billion.

Finally, in the complex and ever-changing international media sentiment environment, enterprises often have problems with information reception, feedback, and timely release. Therefore, big data technology should be utilized to mine the value of media sentiment data deeply, providing more information guidance for "going global" enterprises, helping them understand the global dissemination effect of their brand and product reputation feedback. Studying the impact of public opinion on cross-border mergers and acquisitions is of great significance for understanding various

factors and influencing factors in the M&A process. This will help businesses and governments better respond to the challenges of public opinion and improve the success rate of mergers and acquisitions. Companies need to consider the public opinion of both the host and investing countries when engaging in cross-border deals to assess risks and opportunities and make informed decisions.

### Availability of Data and Materials

The data supporting this study's findings are available on request from the corresponding author.

### Author Contributions

YL designed the research study, YL and FEG performed the research. YL provided help and advice, YL, FEG, and YFM analyzed the data. YL, FEG and YFM wrote the manuscript. All authors contributed to editorial changes in the manuscript. All authors read and approved the final manuscript. All authors have participated sufficiently in the work and agreed to be accountable for all aspects of the work.

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### Conflict of Interest

The authors declare no conflict of interest.

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