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Hiring financial advisors by their reputation influences the completion and duration of the Brazilian M&A transactions

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LUCIANA OROZCO DE GOUVEIA
UNINOVE – UNIVERSIDADE NOVE DE JULHO

MANUEL PORTUGAL
INSTITUTO POLITÉCNICO DE LEIRIA - LEIRIA - PORTUGAL

HEIDY RODRIGUEZ RAMOS
UNINOVE – UNIVERSIDADE NOVE DE JULHO

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Objetivo do estudo
We examine how hiring boutique financial advisors influences the completion and duration of M&A transactions in Brazil. We propose that M&A transactions are more often completed and completed faster when the counterparts hire a boutique financial advisor.

Relevância/originalidade
We argue that the highest the status of the boutique the greater de rate of completion and the faster de completion.

Metodologia/abordagem
Using longitudinal data on 7.475 M&A transactions in Brazil during 1998-2018.

Principais resultados
The findings confirm that when both parties hire a high-status financial advisor there are greater chances that M&A is completed. Moreover, the better tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition, making it faster. Finally, contrary to expectations, if both parts hire a boutique advisor the duration of the pre-M&A process tends to increase, and the M&A take longer to be completed. These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction.

Contribuições teóricas/metodológicas
These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction.

Contribuições sociais/para a gestão
These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction.

Palavras-chave: Acquisition duration, Financial advisors, Boutique financial advisors, Reputation of financial advisors, Acquisition completion

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Theoretical / methodological contributions
These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction.

Social / management contributions
These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction.

Keywords: Acquisition duration, Financial advisors, Boutique financial advisors, Reputation of financial advisors, Acquisition completion

1 INTRODUCTION

Despite the growing importance of acquisitions to firms' growth, and the large increase in financial advisor services throughout the world, whether acquirer firms hire financial advisors and the what drives their choices of advisors is still unclear. Notwithstanding, extant research has already examined a few facets of firms' choices regarding hiring advisors. For example, Rau (2000) found that acquirers advised by first-tier investment banks earn higher abnormal returns. Francis et al. (2014) documented that the advisors' certification roles and experience in the target countries were valuable to acquirer firms. Ismail (2010) added that higher quality advisors, with superior expertise in the M&A market, have the ability to find better targets and create greater operational and financial synergies for shareholders. In contrast, other scholars have failed to find a link between advisor quality (prestige or market share) and acquirer returns (Bowers & Miller, 1990; Michel, Shaked & Lee, 1991; Rau, 2000). Thus, extant research has made substantial inroads into understanding the use of financial advisors by firms, it is unclear what types of advisors are hired and the conditions leading acquirers to hire advisors to provide support for the transactions.

Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in an acquisition (Servaes & Zenner, 1996). That is important because of the information asymmetries in acquisitions that is likely to influence several aspects of the transaction such as the premium paid and cumulative abnormal returns around the announcement date (Finnerty et al., 2012). In some instances, the acquirer's lack of experience with M&As and other complications may include the misidentification of asset complementarities, assessment of the target value and market, among other potentially adverse conditions for the success of the transaction (Dikova et al., 2010). Investment banks, that are the most commonly contracted financial advisors, provide information regarding the several facets of the transaction (Allen et al., 2004).

In this paper, we empirically evaluate how the financial advisors and boutiques reputation influence the duration and the completion of a M&A transaction in Brazil. Specifically, we scrutinize whether the transaction gets completed or even if it goes faster if the counterparts in the M&A transaction hire a financial advisor or a boutique. Our results confirm that if both parts have a high-status financial advisor more chances will have to be completed the acquisition process. And we also found that the tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition. Finally, in terms of the duration we found that if both parts have a boutique advisor the process can take a more time to be completed.

We contribute to the literature in two main ways. First, we contribute to enrich the literature on using financial advisors on M&As transactions. Over the past two decades, the pace of corporate mergers and acquisitions has risen dramatically. Accompanying this rise in mergers was a focused attempt by market analysts and scholarly scientists to define the main variables that determine whether these mergers attain the mergers stated objectives. On a more concentrated level, there was enhanced interest in knowing how the financial advisor reputation impacts the results of the merger. In specific, how the financial advisor reputation impacts the likelihood of an announced merger actually being accomplished and the pace at which an announced merger is accomplished.

This research specifically examines (1) the selection of high status financial advisors and the effect of this selection on deal completion and the M&A duration and also, (2) if both counterparts hire a high status financial advisor. Then we examine (3) the selection of financial advisors by its tiers and the effect of this selection on deal completion and the M&A duration and also, (4) if both counterparts hire a financial advisor by its tier classification. Finally, we examine (5) the selection of boutique financial advisors and the effect of this selection on deal

completion and the M&A duration and also, (6) if both counterparts hire a boutique financial advisor.

2 LITERATURE REVIEW

Financial advisors in acquisitions

The role of investment banks in the market of corporate transaction has received a fair amount of attention in the literature. Most notably, it's associated with the growing "investment banking" literature, that focuses on whether or not financial advisors will improve M&A deal performance, then highlights any reasons for potential gains (Bao & Edmans, 2011).Top-level financial advisors can distinguish deals with higher total synergies. However, they are not ready to provide a bargaining advantage to capture a larger share of these synergies (Bowers & Miller, 1990). A study found that deals advised by a moderately less renowned advisor outperformed deals advised by bulge bracket investment banks in terms of bidder cumulative abnormal returns (CARs) (Michel, Shaked & Lee, 1991).

Some studies evaluate the choice of M&As advisors (Chang et al., 2010). They have shown that prior relationships with the bank, the advisor's industry expertise, and a relationship with the merging partner have a positive impact on the advisor's choice for a particular transaction. Bao and Edmans (2011) researched the performance persistence of M&A advisors. They identify significant fixed effects at the bank level and further demonstrate that for the next several years, advisors in the top quintile of acquirer performance continue to provide better advice than those in the bottom quintile of acquirer performance.

For example, exploitation information from 15,344 deals created between 1998 and 2007, Bao and Edmans (2011) show that there's a big investment bank fastened impact in M&A announcement returns, and their empirical study suggests that investment banks do so create a distinction to M&A outcomes, particularly once handled by top tier advisors. Other studies (Golubov, Petmezas & Travlos, 2012) made a comparison of the value created by top financial advisors in M&A deals with non - top advisors. Their empirical evidence suggests that the advisor creates more value for the acquisition of the corporate shareholders indeed. This value creation stems from their ability to identify synergistic combinations for bidders (Golubov et al., 2012).

Ismail (2010) examines 6,379 American M&A deals and finds that tier-two advisors produce additional price than tier-one advisors, a result driven chiefly by massive loss deals by tier-one advisors. The author more suggests that investment bankers have completely different incentives after they advise on massive vs. tiny deals. In distinction, exploitation 2016 transactions from 1995 to 2006, Song, Wei, and Zhou (2013) realize that "boutique" advisors can do additional favourable deal outcomes compared with "full-service" investment bankers, as a result of dress shop advisors have additional expertise and skills in advanced deals in their chosen business.

Another strand of literature examines what parts confirm the chance that a financial adviser are chosen by acquirers/ targets. Sibilkov and McConnell (2014) notice that previous acquirer performance is a crucial determinant, and economic process can align advisors' and clients' interest within the deal. Forte et al. (2010) examine 473 American´s M&A deals and notice that previous acquirers relationships, the name of the adviser, and deal quality are the most factors, with their results indicating the "certification role" of monetary advisors. Francis et al. (2014) used 1,792 America deals, from 1990 to 2003, to gauge whether or not and how relationships influence a bidder's alternative of financial adviser, and their proof suggests that bidders' M&A expertise and strategies of payment are vital factors to be thought-about.

Finally, empirical studies additionally extend the "certification role" of advisors into the initial public offering and bond-issuing markets. for instance, Fang (2005) uses quite 3000 bond

problems within the US market and finds that advisors' reputation relates considerably to bond-issuing quality. In the IPO market (Beatty & Welch, 1996; Carter, Dark, & Singh, 1998) realize that advisors' name is connected considerably to initial public offering firms' first-day returns.

The existing empirical literature is inconclusive regarding the hiring the financial advisor; however, these studies do not explore the impact of choosing financial advisor by its reputation and its effect on the acquisition completion and duration. The present paper links hiring financial advisor with their reputation on the M&A process.

Financial advisors' reputation

Financial advisors are assigned to advise the acquirer and the objective of valuing the acquisition premium, identifying synergistic acquisition partners, negotiating favourable conditions and providing technical and strategic help throughout the purchase (Bowers & Miller, 1990). Using financial advisory services can possibly reduce transaction costs and information asymmetry between the acquirer and the target company as they have a comparative advantage in (1) specialized economies, (2) data acquisition economies, and (3) search expenses reduction (Benston & Smith, 1976; Servaes & Zenner, 1996).

Numerous studies have examined variables that influence a financial advisor's decision and whether financial advisors of better quality add value. Some studies found that the decision of using financial advisors is linked to the complexity of the transaction, the type of transaction, the previous procurement experience of the company and the degree of diversification of the target company. They conclude that transaction costs are the primary driver of the selection of financial advisor, followed by contracting and information asymmetry expenses. (Servaes & Zenner, 1996).

Using market share as a quality measure, previous studies have examined whether top financial advisors are connected with better deal results. Some studies find that highly reputable financial advisors are able to define better fusions as measured by complete abnormal returns or yields (Bowers & Miller, 1990). According to that studies others find that top-level financial advisors are associated with greater acquirer notification yields compared to low-level financial advisors (Golubov et al., 2012). However, other studies found that top-level financial advisors are associated with greater acquirer notification yields compared to low-level financial advisors (Servaes & Zenner, 1996). Other studies discovered an adverse connection between top-level financial advisors and returns on announcements, which finds that financial advisors concentrate on completing transactions rather than avoiding bad transactions Rau (2000). Finally, some studies found out that top-level financial advisors are more likely to finish deals and full deals in less time compared to low-level financial advisors. Post-acquisition benefits, however, reduce when top-level financial advisors are employed (Hunter and Jagtiani 2003).

Rosa et al. (2004) examine advisor selection in the Australian environment, motivated by the fascinating finding that market share is more strongly linked to deal completion than wealth formation. They haven´t discovered that top-level financial advisors are better than other financial advisors to complete deals. They document restricted proof that financial advisors with value added obtain an increase in the subsequent flow of the agreement. However, they discover that top-tier financial advisors are not associated with greater acquirers ' market yields.

Overall, the effect of using top-tier financial advisors and announcement returns is mixed with previous research. As proposed by Rosa et al. (2004), financial advisors may be specialized in order to add higher importance to lower-level advisors compared to top-level financial advisors. Song et al. (2013) has lately studied this concept of reduced reputation financial advisors that outperform more reputable and bigger investment banks. Song et al. (2013) specifically investigates the choice of companies between boutique and full-service financial advisors and the effect of this selection on the premium deal, the velocity of completion of the deal, and the likelihood of completion of the deal. They discover an adverse

connection between deal premiums and the recruitment of boutique financial advisors on the basis of a sample of purchase announcements between 1995 and 2006. Hiring a boutique financial advisor, however, relates to longer length of the agreement and does not impact the rate of completion of the agreement. Song et al. (2013) do not test whether boutique financial advisors affect abnormal returns and post-acquisition results as opposed to previous research. This research provides evidence of the association of boutique financial advisors with faster and completed M&A transactions.

Boutique financial advisors are usually regarded as autonomous (free of conflict of interest), often specialize in specific industries and concentrate mainly on mergers and acquisitions advice (Song et al., 2013). This contrasts with full-service financial advisors providing a variety of services (such as equity and debt underwriting, project funding, and business banking) and operating in diverse sectors. The research is driven by the absence of empirical evidence on the discussion on the advantages of employing a boutique financial advisor versus a full-service financial advisor (Song et al., 2013). Boutique financial advisors, on the one side, work separately and are free from conflicts of interest otherwise intrinsic in full-service investment banks (e.g., Allen et al., 2004; Asker & Ljungqvist, 2010; Ertugrul & Krishnan, 2014; Kolasinski & Kothari, 2008). This enables them to concentrate solely on providing advice rather than attempting to cross-sell other products. Many boutique financial advisors are industry experts who have established a comprehensive knowledge of the sector in which their customers work. This allows them to provide better and more specialized advisory services. On the other side, boutique financial advisors are less well-known and rely on charges for advisory services that are their only business line; this may give them an incentive to complete deals that may not be in their customers best interest (Song et al., 2013). Despite these allegations, there is little empirical proof to suggest whether boutique financial advisors are actually acting in their customers ' best interests and whether claims about their autonomy and knowledge are influencing the results of takeovers.

3 HYPOTHESES

Most M&A literature surveys examine abnormal yields to acquiring and target companies around the M&A announcement date, controlling for different variables such as target features, the acquirer, and the deal itself. A couple of research have recorded the significance of M&A market merger financial advisors. Servaes and Zenner (1996) discover that in more complicated transactions characterized by important asymmetric information, investment bank advisers are retained (as compared to in-house employees).

Furthermore, Bowers and Miller (1990) discovered that the selection of merger financial advisor was crucial in determining the wealth gains to objectives and acquiring companies, wealth gains are greater when either the target or the bidder utilizes a first-tier investment bank financial advisor. This indicates that a significant determinant of the profits produced by mergers is the credibility of merger financial advisors. A latest research by Allen, Jagtiani, Peristiani and Saunders (2004) examined banks versus non-bank financial advisors and discovered that banks have a comparative advantage over investment banks in serving as M&A financial advisors, i.e. a qualifying role. Deal with the option that variables other than the type of financial advisor may be liable for the greater abnormal returns found when using bank financial advisors.

In latest years, the role of fusion advisory charges in the M&A transaction has also been researched. However, there is still an early phase in the literature on M&A charges and it is comparatively less comprehensive. Saunders and Srinivasan (2001) discovered that in the merger advisory industry, switching expenses play a significant part. They discovered that acquiring companies are prepared to pay a greater consultative fee when using a merger

financial advisor, with whom they have a previous connection, because of elevated switching costs. Moreover, greater charges were paid by more reliable investment bank financial advisors (proxied by their level) than reduced level financial advisors. This evaluation, however, did not fully take into consideration the concept that advisor selection may depend on the nature and complexity of the agreement, which eventually determines the charges charged by financial advisors.

Hunter and Walker (1990) examined multiple merger fee agreements and discovered that the most frequently used agreement involved a mixture of a fixed fee and a transaction price-based fee, depending on the merger being successfully completed. They also discovered that this sort of agreement appeared to provide financial advisors with the appropriate incentive to improve their attempts to produce better results.

According to Hunter and Walker (1990), McLaughlin (1992) examined the position of fee agreements in tendering bids and discovered that distinct charges have distinct payoff features in order to use fee agreements as an instrument to affect tendering results. Rau (2000) examined the connection between the market share held by merger financial advisors, incentive fee structures, and the performance of the acquirers as measured by abnormal returns after acquisition. He discovered that (1) the incentive tax structure (proportion of charges contingent upon completion of the agreement) charged by various merger financial advisors was linked to their market shares, and (2) the market share was determined by the percentage of deals completed by the financial advisor and not by the post-merger results of the acquirer. The assessment concentrated only on the role of the financial advisors of the acquirers and on short-term results (as measured by abnormal stock returns from post-merger).

The existing empirical literature is inconclusive regarding the hiring the financial advisor; however, these studies do not explore the impact of choosing financial advisor by its reputation and the impact of it on the duration and the completion of the M&A transaction. The present paper links hiring financial advisor by its reputation with the completion and duration of the M&A process.

3.1. Acquisition completion and the choice of the acquirer´s financial advisor by its reputation

Financial boutique financial advisors are usually smaller, autonomous, often sector experts with mergers and acquisitions knowledge (Song et al., 2013). This contrasts with full-service financial advisors operating in many sectors and offering a broad variety of services. Full service financial advisors were criticized for having suffered from prospective conflicts of interest (Kolasinski & Kothari, 2008; Asker & Ljungqvist, 2010).

Empirical proof (Allen et al., 2004; Ertugrul & Krishnan, 2014) indicates that full-service financial advisors tend to ruin value for the acquirer rather than generating value for their customers. Acquirers and objectives can therefore prefer the services supplied by financial boutique financial advisors who do not have the same conflicts of interest as full-service financial advisors. Unlike full-service financial advisors, financial boutique financial advisors are not a brokerage house and are not associated with commercial banks — this allows them to operate independently and focus exclusively on providing advice to their customers rather than attempting to cross-sell other products.

In addition, many boutique financial advisors are industry experts, meaning that customers receive better guidance and more effective services. This allows each consulting company to better comprehend the companies they advise as well as to define possibilities within the sector. Boutique financial advisors obtain abilities and knowledge in mergers and acquisitions through repeated transactions, as well as a thorough knowledge of the sector in which their customers work (Kadan et al., 2012). Servaes and Zenner (1996) argue that when

the agreement is complicated and information asymmetry is high, the advantages of expertise in data acquisition and search expenses are higher. The following hypothesis are thus advanced:

Hypothesis 1a. The likelihood of completing an acquisition is higher for an acquirer who hired a high-status financial advisor.

Hypothesis 1b. The likelihood of completing an acquisition is higher for an acquirer who hired a high-status tier financial advisor.

Hypothesis 1c. The likelihood of completing an acquisition is higher for an acquirer who hired a boutique financial advisor.

Hypothesis 1d. The likelihood of completing an acquisition is higher when both parts hired a high-status financial advisor.

Hypothesis 1e. The likelihood of completing an acquisition is higher when both parts hired a high-status tier financial advisor.

Hypothesis 1f. The likelihood of completing an acquisition is higher when both parts hired a boutique financial advisor.

3.2. Acquisition duration and the choice of the acquirer´s financial advisor by its reputation

In the intermediary deal-making phase a financial advisor is typically responsible for collecting, analysing, distributing and utilizing information about the target (Very & Schweiger, 2001). When companies undertake many international acquisitions, they learn to rely on local external consultants and hire them to assist the acquisition team due to their familiarity with national legal and tax systems, domestic accounting practices or local management style (Very & Schweiger, 2001).

That experience enriches networks of Companies, which in turn helps them to identify more quickly qualified financial advisors. In addition, companies with a significant number of completed acquisition deals have increased their efficiency in addressing issues such as brand and service reduction in the new entity, closure of production sites and sales offices, and relocation of branches and subsidiaries (Homburg & Bucerius, 2006).

The experience gained can shorten the time to develop effective communication policies with stakeholders, prepare strategies for integration and transformation, implement an announcement plan, identify key performance indicators or tackle local antitrust requirements in a institutionally different setting. Companies do expect that the impact of institutional differences on both the likelihood of completion of the deal and the duration of the intermediate acquisition phase depends on the accumulated level of CBAs (Li, Xia, & Lin, 2017).

Hypothesis 2a. The duration of an acquisition is lower for an acquirer who hired a high-status financial advisor.

Hypothesis 2b. The duration of an acquisition is lower for an acquirer who hired a high-status tier financial advisor.

Hypothesis 2c. The duration of an acquisition is lower is higher for an acquirer who hired a boutique financial advisor.

Hypothesis 2d. The duration of an acquisition is lower when both parts hired a high-status financial advisor.

Hypothesis 2e. The duration of an acquisition is lower when both parts hired a high-status tier financial advisor.

Hypothesis 2f. The duration of an acquisition is lower when both parts hired a boutique financial advisor.

4 METHOD

Data and sample

Data for this study were collected from multiple secondary sources. Data on the cross-border acquisitions was extracted from the Thomson Financial Merger & Acquisition database (SDC Platinum). This database is the most frequently used in studying domestic and cross-border acquisitions (e.g., Capron & Shen, 2007; Capron & Guillén, 2009) and offers information about deal status, date of announcement, completion or abandonment, some characteristics on the target and acquirer firms involved, ownership stake, industries, location, and the financial advisors employed, among others (e.g.,Erel, Liao, & Weisbach, 2012; Xia et al., 2009).

Our data collection proceeded as follows. Our sample included only Brazilian transactions – where both the target and acquirer nation was Brazil – that were completed between 1998 and 2018. We include both completed and withdrawn deals that involve Brazilian acquirers and targets. We exclude buybacks, exchange offers, and recapitalizations, and privatizations. We exclude deals that are worth less than 1% of the acquiring firm's market value of equity. The final sample consisted of 7,475 M&As.

The sample includes fairly large deals, with 1,354 M&As being transacted at over US$ 50 million. The deals completed were 6058. The acquirers had previous M&A experience in 5,111 cases, meaning that the focal M&A was not the first. The majority of the transactions were in related business, such that in 3,798 deals the target and acquirer had the same primary industry classification (using the SIC codes). Moreover, the target firms hired a financial advisor in 1,538 cases, and the acquirer in 1,481 cases. In 635 transactions both acquirer and target firms were represented by a financial advisor. Finally, regarding ownership, 3,906 M&As involved acquiring ownership in excess of 50% of the target firm's equity.

Variables

We have two dependent variables: the completion and duration of the M&A transactions. Following prior studies (e.g., Zhang, Zhou, & Ebbers, 2011; Muehlfeld, Sahib & Van Witteloostuijn, 2012; He & Zhang, 2018) we coded the dependent variable M&A completion dichotomously taking the value of one (1) when the M&A announced was completed within the time period of our study (that is, it was completed until the end of 2018), and zero (0) otherwise. Data for the variable is collected from SDC Platinum that reports a number of dates such as the date of announcement, data of withdrawal, and date of actual completion.

The second dependent variable measured the duration of the M&A process and refers to the time period (usually assessed in days) from announcement to completion. Some deals may be withdrawn or abandoned and others are simply not completed because the parties do not reach an agreement. Since we considered M&As that were completed and withdrawn deals, duration was measured in days on the completed cases, from announcement to effective date, with data collected from SDC Platinum, also following extant procedures (Muehlfeld, Sahib & Van Witteloostuijn, 2012; He & Zhang, 2018; Ferreira et al., 2018).

Independent variables

The information for the independent variables, the acquirer financial advisor high status, the acquirer financial tier and the acquirer financial advisor boutique, were gathered from the Thomson Financial Merger & Acquisition database (SDC Platinum). Our independent variables of interest are the reputation of the financial advisor. In underwriting markets, market share is the most widely used measure of reputation (Megginson & Weiss 1991); however, very few studies have explored advisors' reputation in M&A markets. In this study, we follow (Rau 2000; Wang & Whyte 2010), and we divide securities companies into different tiers based on their market share in advising services.

Specifically, we utilize league tables provided by the SDC database, while the end-of-year rankings of each financial advisor prior to an M&A deal announcement are matched to each deal in our sample. We define the high status financial advisor by classifying the financial advisors under both classifications (1) total dollar value of transactions handled by the advisor during the sample period and (2) the number of transactions handled by the advisor during the sample period. The high status financial advisors are the five top ones: Credit Suisse, Itau Unibanco, Banco Bradesco SA and JP Morgan and Banco BTG Pactual SA.

We define the acquirer financial advisor tier classifying the financial advisors under both classifications (1) total dollar value of transactions handled by the advisor during the sample period and (2) the number of transactions handled by the advisor during the sample period. The acquirer financial advisor tier were classified into 3 tiers (tier 1, tier 2 and tier 3). Our tier-1, tier-2, and tier-3 advisors are defined to be the top-ranked 15 advisors, the 16th to 50th ranked advisors, and the rest (51st to 141th advisors), respectively.

Finally, we define the acquirer financial boutique classifying the financial advisors under two classifications based on two different criteria: (1) financial advisor is a bank institution (2) the financial advisor is a boutique.

Control variables

If top-tier financial advisors can create value for their clients compared to a non-top-tier team, we expect such firms to make faster acquisitions and complete their transactions. We have further included several control variables at the acquirer and target firms, transaction, industry and year level.

Our control variables include deal size, because larger deals take longer time to complete and larger deals may be more complex and require firms to pool together a larger volume of capital do complete the acquisition. The deal size is the value of the transaction, which range from 1 million dollars (minimum value to be included in the database SDC) to several billion, we operationalized as a continuous variable. Data collected from SDC of Thomson.

We also controlled the variable deal size_50mm, which we classified the M&A transactions which were the deal size was at least U$S 50 million. Complexity of the transaction increases with deal size. We operationalized as a dummy variable with a value of 1 if the deal size was at least U$S 50 million, and a value of 0 if it was less than U$S 50 million. Data collected from SDC of Thomson.

The acquirer experience in mergers and acquisitions were also controlled, because we expect that the less experience the acquirer or the target has in mergers and acquisitions, the higher the demand for financial advisors. The acquirer experience quantity is the quantity of M&A transactions the acquirer experienced in our sample. We operationalized this variable as the count of prior M&As transacted prior to the focal M&A experienced by the acquirer, with data collected from SDC Platinum.

The other control variable to experience is the acquirer previous experience to account for the effect of learning experience. We operationalized as a dummy variable with a value of 1 if an acquirer had prior M&A experience, and 0 otherwise. Data was collected from SDC of Thomson.

The control variable for the form of the M&A transaction was used, because we expect that the more complex is the M&A transaction, the higher the demand for financial advisors. We classified all the M&A transactions by the form: (1) merger, (2) acquisition of majority assets, (3) acquisition of assets, (4) acquisition of remaining interest and (5) acquisition of partial interest. Data collected from SDC of Thomson.

At the transaction level we controlled the business level relatedness, because we expect that the less relatedness business between the counterparts on the M&A transaction, the higher the demand for financial advisors. Relatedness was used to control for the effect if the

acquisition occurred in the same industry. We classified relatedness as a dummy variable taking the value of 1 if an acquirer acts at the same industry (at 4 digits SIC code), of the target firms, and of 0 otherwise.

At the business level we also controlled a variable related to the technology industry the acquirer_tech_industry. We operationalized as a dummy variable with a value of 1 if the acquirer is from a technology industry, and a value of 0 if it was from other industries. Data collected from SDC of Thomson.

And the target_tech_industry we operationalized as a dummy variable with a value of 1 if the target is from a technology industry, and a value of 0 if it was from other industries. Data collected from SDC of Thomson.

Other control variables were made using the public information of the counterparts in the M&A deal, because public companies tend to be involved in complex M&A transactions, that's why they will probably hire a financial advisor. Target public indicates whether the target firm is a public company and was used to control for the effect of governance. It was operationalized as a dummy variable taking the value of 1 for target firms that are public, and 0 otherwise. Data was collected from SDC of Thomson.

We also controlled the governance of the acquirer: acquirer public indicates whether the acquirer is a public company and was used to control for the effect of governance. It was operationalized as a dummy variable with a value of 1 if an acquirer is a publicly traded firm and a value of 0 otherwise. Data collected from SDC of Thomson.

Another control variable was the quantity of financial advisors involved in the M&A transaction. We expect that more Financial Advisors involved in the transaction, more it will be faster and the chances to get completed. The target_FA_quantity indicates how many financial advisors were hired by the target. It was operationalized as a continuous variable as the count of hired financial advisor by the target. Data collected from SDC of Thomson.

The acquirer_FA_quantity indicates how many financial advisors were hired by the acquirer. It was operationalized as a continuous variable as the count of hired financial advisor by the acquirer. Data collected from SDC of Thomson.

We also controlled if the financial advisors were hired by both counterparts or not, because we do expect that more Financial Advisors involved in the transaction, more it will be faster and the chances to get completed. We controlled that with the variable FA_one_side, which indicates that we had only one financial advisor hired by one part at the M&A transaction. It was operationalized as a dummy variable with a value of 1 if we had a financial advisor assessing one of the counterparts and a value of 0 otherwise. Data collected from SDC of Thomson.

The other control variable was the FA_both_sides, which indicates that we had financial advisor hired by the two parts at the M&A transaction. It was operationalized as a dummy variable with a value of 1 if we had a financial advisor helping two counterparts and a value of 0 otherwise. Data collected from SDC of Thomson.

We also controlled the attitude of how it was conducted the M&A transaction, because we expect that more friendly it occurred the less, they will hire a financial advisor. The friendly attitude indicates if the M&A transaction was conducted friendly. It was operationalized as a dummy variable with a value of 1 if it has a friendly attitude and a value of 0 otherwise. Data collected from SDC of Thomson.

To control the complexity of the transaction we also used the percentage that it was bought from the target by the acquirer, because we expect that more complex is the transaction more the counterparts will need a financial advisor. The variable is the the %_acquired we operationalized as a continuous variable with the value of the percentage acquired of the target on the M&A transaction. Data was collected from SDC of Thomson.

We also controlled the complexity of the transaction by checking if the acquirer bought control of the target company, which means that bought more than 50% of the target. The variable was the acquired_control was used to control for the effect of acquiring control of the target. It is operationalized as a dummy variable with a value of 1 if an acquirer bought more than 50% of the target, and a value of 0 it was less than 50%. Data collected from SDC of Thomson.

Finally, we used the year the acquisition was announced as a control to account for potential economic cycles capable of influencing our model. We included a dummy variable for each year between 1998 and 2018, using 2018 as the base year.

5 RESULTS

To test the hypotheses, we conducted two sets of logistic regressions, one for each dependent variable. In the first case our variable is dichotomous since the acquisition may, or may not, be completed. In the second case our variable is continuous since is the days of duration of the M&A process. Table 1 presents the correlations matrix. The correlations are not as high as to raise multicollinearity concerns and there is no evidence of multicollinearity in the data. In all regressions, the variance inflation factor (VIF) ranged from 1.1 to 3.4.

Table 1. Descriptive statistics and correlations matrix

Correlations

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1 Deal_size	102.84	735.51	1.00																							
2 Deal_size_>50mm	0.18	0.39	.285**	1.00																						
3 Acquirer_experience_quantity	27.16	84.20	0.01	.034**	1.00																					
4 Acquirer_previous_experience	0.68	0.47	.041**	.097**	.211**	1.00																				
5 Form	2.99	1.43	-.040**	0.02	.059**	.080**	1.00																			
6 Relatedness	0.51	0.50	0.02	0.01	-.211**	0.00	-.079**	1.00																		
7 Acquirer_tech _industry	0.05	0.21	-0.01	-.036**	-.053**	.024*	-.066**	0.01	1.00																	
8 Target_tech _industry	0.06	0.24	-0.01	-.053**	-0.02	0.02	-.032**	-.053**	.561**	1.00																
9 Target_public	0.53	0.50	.095**	.239**	.030**	0.01	.221**	-0.01	-.068**	-.095**	1.00															
10 Acquirer_public	0.66	0.47	.057**	.163**	-.320**	.148**	0.00	.145**	-0.02	-.031**	.086**	1.00														
11 Target_FA_quantity	0.26	0.60	.258**	.367**	.026*	.066**	-0.02	-.035**	0.00	0.00	.173**	.049**	1.00													
12 Target_FA_tier	0.32	0.73	.090**	.203**	0.02	0.01	-.031**	-0.02	-0.01	-.035**	.082**	.036**	.673**	1.00												
13 Target_FA_boutique	0.88	0.33	-.170**	-.358**	-0.02	-.061**	0.01	.023*	0.00	.035**	-.167**	-.089**	-.665**	-.397**	1.00											
14 Target_FA_high_status	0.08	0.27	.121**	.255**	0.01	.041**	0.00	-.030*	-.024*	-.043**	.117**	.042**	.532**	.274**	-.792**	1.00										
15 Acquirer_FA_quantity	0.26	0.61	.265**	.381**	0.00	.105**	-.066**	.044**	0.00	-0.01	.101**	.102**	.337**	.178**	-.286**	.160**	1.00									
16 Acquirer_FA_tier	0.30	0.71	.098**	.233**	-0.01	.080**	-.064**	.041**	0.00	0.01	0.02	.052**	.175**	.127**	-.182**	.113**	.697**	1.00								
17 Acquirer_FA_boutique	0.87	0.33	-.200**	-.385**	0.00	-.081**	.037**	-0.01	0.01	0.02	-.136**	-.127**	-.304**	-.187**	.290**	-.194**	-.672**	-.416**	1.00							
18 Acquirer_FA_high_status	0.09	0.28	.133**	.271**	0.00	.069**	-.041**	-0.01	-.023*	-.027*	.091**	.082**	.232**	.147**	-.209**	.142**	.544**	.310**	-.820**	1.00						
19 FA_one_side	0.23	0.42	.048**	.175**	.024*	.055**	-0.02	-.042**	-.054**	-0.02	.062**	-0.01	.331**	.407**	-.237**	.227**	.299**	.393**	-.231**	.203**	1.00					
20 FA_both_sides	0.08	0.28	.205**	.379**	0.00	.071**	-.056**	.028*	.028*	0.00	.134**	.125**	.581**	.435**	-.546**	.373**	.593**	.443**	-.581**	.455**	-.168**	1.00				
21 Friendly_attitude	0.88	0.33	-0.02	-.070**	-.036**	-.132**	-.350**	-.077**	.051**	0.02	-.209**	-.036**	-0.01	.053**	-.028*	.026*	.040**	.061**	-.043**	.036**	.031**	.039**	1.00			
22 %_acquired	55.51	43.67	0.01	-.053**	-.028*	-.134**	-.495**	.081**	.092**	.071**	-.230**	-.131**	0.02	.063**	0.01	-0.01	.032**	.059**	0.00	0.01	.044**	.030*	.353**	1.00		
23 Acquired_control	0.52	0.50	0.01	-.057**	-.033**	-.128**	-.564**	.094**	.096**	.080**	-.226**	-.124**	0.01	.052**	0.02	-0.02	0.02	.050**	0.01	0.00	.034**	0.02	.317**	.936**	1.00	
24 Acquisition_completion	0.81	0.39	0.00	-.026*	.044**	-.098**	-.129**	-.071**	.047**	.065**	-.226**	-.180**	.059**	.087**	-.030**	0.01	.073**	.071**	-.037**	.031**	.081**	.050**	.350**	.615**	.506**	1.00

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 2 includes the results of the logistic regression for the dependent variable: acquisition completion. Model 1 includes only the control variables. Models 2 to 7 test the hypotheses. Model 8 is the complete model. In model 2 we test H1a suggesting positive relation between the completion of an acquisition and the acquirer hiring a high-status financial advisor. A positive and insignificant coefficient (β=0.470, p>0.1) denotes that the effect is contrary to our predictions. Model 3 tests H1b proposing an effect of the tier of the financial advisor hired on the acquisition completion and this hypothesis was not confirmed by a negative and insignificant coefficient (β=-0.521, p>0.1). Finally, we found a positive and insignificant coefficient for the effect on the completion of the acquisition when the acquirer hires a boutique (β=0.309, p>0.1) and thus we fail to confirm H1c. However, regarding controlling variables, our results show that in the Model 5, when we have a high-status financial advisor in both sides

(acquirer and target) this hypothesis was confirmed by a positive and significant coefficient (β=0.850, p<0.01). In Model 6, when we have financial advisors in both sides (acquirer and target) the tier of them can be related to the completion of the acquisition. This hypothesis was not confirmed by a negative and significant coefficient (β=-4.745, p<0.01). Finally, on the Model 7 we fail to confirm that boutique advisors can complete acquisitions when hired by both sides (acquirer and target).

This is prima facie evidence that the effect of the reputation of the financial advisors on the completion of the acquisition is not straightforward. However, we found that if both parts have a financial advisor, a high-status financial advisor more it will be completed the acquisition process. And we also found that the tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition. The negative coefficient is due to the classification tier, the lower tier (1) are classified the top financial advisors. We can conclude that the better the financial advisors in both sides we will have more chance to have a completed acquisition.

Table 2. Logistic regression results: acquisition completion

Logistic regression for the acquisition completion

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Acquirer_FA_high_status		0.470						-0.313
Acquirer_FA_tier			-0.521					2.142
Acquirer_FA_boutique				0.309				1.753
Acquirer_FA_high_status X Target_FA_high_status					0.850 ***			1.122 **
Acquirer_FA_tier X Target_FA_tier						-4.745 ***		-4.700 ***
Acquirer_FA_boutique X Taget_FA_boutique							0.367	-0.089
Deal_size	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Deal_size_50mm	0.503 **	0.493 **	0.507 **	0.489 **	0.438 *	0.451 *	0.458 **	0.410 *
Acquirer_experience_quantity	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **
Acquirer_previous_experience	0.639 ***	0.639 ***	0.645 ***	0.638 ***	0.643 ***	0.687 ***	0.638 ***	0.698 ***
Form	-2.482 ***	-2.500 ***	-2.499 ***	-2.491 ***	-2.494 ***	-2.494 ***	-2.473 ***	-2.492 ***
Relatedness	0.214	0.223	0.211	0.214	0.236 *	0.184	0.221	0.220
Acquirer_tech_industry	0.419	0.414	0.402	0.410	0.415	0.485	0.409	0.349
Target_tech_industry	-0.846 **	-0.816 **	-0.815 **	-0.825 **	-0.786 **	-0.941 ***	-0.814 **	-0.864 **
Target_public	1.794 ***	1.807 ***	1.810 ***	1.801 ***	1.811 ***	1.804 ***	1.797 ***	1.809 ***
Acquirer_public	1.715 ***	1.717 ***	1.715 ***	1.711 ***	1.704 ***	1.762 ***	1.699 ***	1.755 ***
Target_FA_quantity	0.164	0.107	0.029	0.124	0.132	0.063	0.157	0.096
Acquirer_FA_quantity	0.077	0.167	0.229	0.166	0.081	-0.114	0.103	-0.206
FA_one_side	-0.274	-0.350	-0.490	-0.335	-0.589 **	-0.415	-0.451	-0.697 *
FA_both_sides	-0.052	-0.346	-0.588	-0.261	-0.799	-3.902 **	-0.370	-4.224 ***
Friendly_attittude	-1.986 ***	-1.987 ***	-1.979 ***	-1.983 ***	-1.983 ***	-2.057 ***	-1.978 ***	-2.057 ***
%_acquired	174.754	174.709	174.446	175.041	173.255	171.657	173.730	164.409
Acquired_control	8740.562	8738.286	8725.020	8754.922	8665.491	8585.060	8689.294	8221.851
Year dummy	Included	Included	Included	Included	Included	Included	Included	Included
Constant	-8741.674	######	######	-8756.073	-8666.392	-8582.106	-8690.262	-8220.685
n	7475	7475	7475	7475	7475	7475	7475	7475
R^2	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87
chi-square test	2.2	1.1	1.6	1.5	1.0	0.3	1.2	0.4

Note:***p<0,01, **p<0,05, *p<0,1.

Table 3 includes the results of the logistic regression for the dependent variable: acquisition duration. Model 1 includes only the control variables. Models 2 to 7 test the hypotheses. Model 8 is the complete model. In model 2 we test H1a suggesting positive relation between the duration of an acquisition and the acquirer hiring a high-status financial advisor. A positive and insignificant coefficient (β=5.781, p>0.1) denotes that the effect is contrary to our predictions. Model 3 tests H1b proposing an effect of the tier of the financial advisor hired on the acquisition duration and this hypothesis was not confirmed by a negative and insignificant

coefficient (β=-4.391, p>0.1). Finally, we found a negative and insignificant coefficient for the effect on the duration of the acquisition when the acquirer hires a boutique (β=-11.481, p>0.1) and thus we fail to confirm H1c. However, regarding controlling variables, our results show that in the Model 5, when we have a high-status financial advisor in both sides (acquirer and target) this hypothesis failed by a negative and insignificant coefficient (β=-2.644, p>0.1). In Model 6, when we have financial advisors in both sides (acquirer and target) the tier of them can be related to the duration of the acquisition. This hypothesis was not confirmed by a positive and insignificant coefficient (β=1.662, p>0.1). However, on the Model 7 we did not confirm the hypothesis that boutique advisors can make acquisitions faster when hired by both sides (acquirer and target). This hypothesis was negative and significant coefficient (β=-14.304, p<0.05).

This is prima facie evidence that the effect of the reputation of the financial advisors on the duration of the acquisition is not straightforward. However, we found that if both parts have a boutique advisor the process can take more time to be completed.

Table 3. Logistic regression results: acquisition duration

Logistic regression for the acquisition duration	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Acquirer_FA_high_status		5.781						-4.915
Acquirer_FA_tier			-4.391					-3.074
Acquirer_FA_boutique				-11.481				-6.951
Acquirer_FA_high_status X Target_FA_high_status					-2.644			0.173
Acquirer_FA_tier X Target_FA_tier						1.662		3.666
Acquirer_FA_boutique X Taget_FA_boutique							-14.304 **	-11.924
Deal_size	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
Deal_size_50mm	39.457 ***	39.340 ***	38.980 ***	38.512 ***	39.476 ***	39.668 ***	37.635 ***	37.595 ***
Acquirer_experience_quantity	0.043 **	0.043 **	0.042 **	0.043 **	0.043 **	0.043 **	0.043 **	0.043 **
Acquirer_previous_experience	6.543 *	6.501 *	6.635 *	6.548 *	6.538 *	6.542 *	6.431 *	6.551 *
Form	-4.607 ***	-4.579 ***	-4.566 ***	-4.587 ***	-4.614 ***	-4.632 ***	-4.619 ***	-4.655 ***
Relatedness	2.791	2.892	2.864	2.984	2.785	2.755	3.074	3.029
Acquirer_tech_industry	9.587	9.714	9.483	9.713	9.597	9.681	9.155	9.328
Target_tech_industry	-13.050 *	-12.995 *	-12.853 *	-13.099 *	-13.073 *	-13.072 *	-12.226	-12.348
Target_public	17.295 ***	17.228 ***	17.045 ***	17.010 ***	17.296 ***	17.311 ***	16.698 ***	16.542 ***
Acquirer_public	16.527 ***	16.520 ***	16.282 ***	16.321 ***	16.509 ***	16.549 ***	16.071 ***	15.906 ***
Target_FA_quantity	25.307 ***	26.002 ***	22.701 ***	27.232 ***	25.343 ***	25.613 ***	25.568 ***	24.948 ***
Acquirer_FA_quantity	25.852 ***	25.274 ***	27.481 ***	24.318 ***	25.839 ***	26.174 ***	25.949 ***	27.346 ***
FA_one_side	-7.496	-8.631	-3.150	-10.430 *	-7.512	-7.931	-14.417 **	-11.994
FA_both_sides	-1.391	-4.273	6.129	-9.536	-0.928	-5.653	-13.289	-17.954
Friendly_attittude	2.644	2.628	2.643	2.433	2.680	2.574	2.087	1.906
%_acquired	-0.040	-0.040	-0.042	-0.041	-0.040	-0.040	-0.044	-0.044
Acquired_control	-17.471 *	-17.380 *	-17.155 *	-17.234 *	-17.509 *	-17.522 *	-16.648 *	-16.607 *
Year dummy	Included	Included	Included	Included	Included	Included	Included	Included
Constant	25.543 **	25.429 **	25.552 **	37.234 ***	25.548 **	25.666 **	40.663 ***	45.600 ***
n	7475	7475	7475	7475	7475	7475	7475	7475
R^2	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
chi-square test								

Note:***p<0,01, **p<0,05, *p<0,1.

6 DISCUSSION AND FINAL REMARKS

In this study, we examined how the financial advisors and boutiques reputation influence the duration and the completion of a M&A transaction in Brazil. We proposed that the transaction gets completed or even goes faster if the counterparts in the M&A transaction hire a financial advisor or a boutique. We also proposed that the highest status of the financial

advisor or boutique the transaction has more chances to be completed and even in faster terms. Our main findings point that if both parts have a high-status financial advisor more chances will have to be completed the acquisition process. And we also found that the tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition. However, in terms of the duration we found that if both parts have a boutique advisor the process can take more time to be completed.

Possibly a M&A transaction increases the difficulties in studying a potential target when the acquirer doesn't hire a financial advisor. In these instances, a financial advisor may be useful to reduce the asymmetry information between the counterparts. That is probably the reason we were able to confirm that if both parts have a high-status financial advisor more chances, we will have to complete the M&A transaction. That is the reason financial advisors are assigned to advise the acquirer and the objective of valuing the acquisition premium, identifying synergistic acquisition partners, negotiating favourable conditions and providing technical and strategic help throughout the purchase (Bowers & Miller, 1990).

Hiring financial advisory services can possibly reduce transaction costs and information asymmetry between the acquirer and the target company (Benston & Smith, 1976; Servaes & Zenner, 1996). It is important to enhance that our finding also is linked with the status of the financial advisor. In our study we find that as we have a higher status, we will have more chances of completing the transaction.

Finally, in terms of the duration we found that if both parts have a boutique advisor the process can take more time to be completed. This finding was previous found by Song et al. (2013) specifically investigates the choice of companies between boutique and full-service financial advisors and the effect of this selection on the premium deal, the velocity of completion of the deal, and the likelihood of completion of the deal. They discover that hiring a boutique financial advisor relates to longer length of the agreement and does not impact the rate of completion of the agreement.

This study contributes to the literature on the impact of the length and the completion of a M&A transaction in the process of hiring a financial advisor. Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in a transaction (Servaes & Zenner, 1996). Our results confirm that the reputation of the financial advisor can impact the length and the completion of the transaction, specifically when they have advisory in both parts.

Limitations and future research avenues

This study has limitations. First, the limitations imposed by insufficiencies in the available data that unable additional analyses. For instance, it would be relevant to consider if the acquirer had previous experience in another target country. We only considered previous experience in the actual country (Brazil). Other data potentially relevant include data on the previous experience. Moreover, the acquirer's lack of experience with acquisitions and lack or absence of prior experience in the target country may inhibit the confidence of stakeholders in the deal. Other aspects that may raise concerns refer to the misidentification of asset complementarities, complications in target assessment, and informational asymmetries, that may have an adverse effects adverse effect on the success of the transaction (Dikova et al., 2010). Future research will possibly require data collect on the previous experience of the acquirer by country.

Other limitation considerations the main target on acquisitions within the Brazilian transactions. Although we tend to believe that Brazilian market cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of world transactions, that are more and more actively collaborating in M&A

transactions. Future studies in different rising economies, or economies, or with over Brazilian transactions, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

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