

## **Institutional Distance: Slack and Performance in Cross-Border Acquisitions**

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## **Introdução**

Organizational slack affects firms' ability to navigate uncertainty, particularly in high-risk strategies like cross-border acquisitions (CBAs). However, the relationship between slack and institutional distances remains underexplored. We investigate how available and recoverable slack affect post-acquisition performance, contingent on administrative, cultural, and political distances, in 2,044 CBAs from manufacturing firms across 47 countries.

## **Problema de Pesquisa e Objetivo**

While slack enables strategic flexibility, it can also generate inefficiencies. Prior research lacks clarity on how different types of slack influence CBA outcomes under varying institutional distances. This study examines how available and recoverable slack affect CBA performance and how these effects are moderated by institutional distance dimensions: administrative, cultural, and political.

## **Fundamentação Teórica**

Building on behavioral and institutional theories (Cyert & March, 1963; Scott, 2013), we distinguish between available slack (liquid, uncommitted resources) and recoverable slack (internally redeployable resources). We hypothesize their distinct effects on CBA performance and how institutional distances moderate these effects, aligning with Jackson & Deeg's (2008) call for a thicker institutional lens in international strategy.

## **Metodologia**

We analyze 2,044 CBAs by publicly listed manufacturing firms (2000-2017) using Compustat Global and Refinitiv data. We employ a two-step Heckman correction to address selection bias. Dependent variable is post-acquisition ROA ( $t+3 - t-1$ ). Slack is measured via current ratio (available) and SGA/sales (recoverable). Moderators include Berry et al.'s (2010) measures of institutional distance.

## **Análise dos Resultados**

Available slack negatively impacts CBA performance ( $\beta = -0.008, p < .05$ ), while recoverable slack has a positive effect ( $\beta = 0.036, p < .001$ ). Administrative and cultural distances mitigate the negative effect of available slack. Political distance enhances the value of recoverable slack. Cultural distance weakens recoverable slack's positive effect. Not all institutional distances moderate equally.

## **Conclusão**

Slack's impact on CBA outcomes is contingent on the type of slack and institutional environment. Available slack may cause inefficiencies unless firms face administrative or cultural distance, where it supports adaptation. Recoverable slack improves performance, particularly under political distance. Cultural distance hampers its utility. Firms must align slack deployment with institutional conditions.

## **Contribuição / Impacto**

This study advances international business theory by showing that not all slack is equal—its performance effects depend on institutional distance. It responds to gaps in CBA and institutional research by integrating slack typologies into distance-sensitive strategy. Practically, it guides managers to align resource slack with institutional challenges in international deals.

## **Referências Bibliográficas**

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