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Leadership-Driven Value Creation in Cross-Border Mergers and Acquisitions: Event Study Evidence from Microsoft

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Abstract

This study examines how leadership influences value creation in cross-border mergers and acquisitions by analysing capital market reactions to Microsoft's international acquisition announcements. Positioned at the intersection of finance, international business, and leadership studies, the paper investigates whether leadership-driven strategic coherence shapes investor perceptions of cross-border M&A outcomes. Using an event study methodology, the research evaluates abnormal and cumulative abnormal returns surrounding Microsoft's cross-border M&A announcements under Satya Nadella's leadership, drawing on established event study techniques to capture short-term market responses. The analysis reveals that Microsoft's cross-border acquisition announcements are generally associated with positive and statistically significant abnormal returns, indicating that investors perceive these transactions as value-enhancing. The findings suggest that leadership credibility, organisational learning, and strategic clarity play a critical role in mitigating the uncertainty typically associated with cross-border acquisitions. Rather than viewing international M&As as inherently risky, the market appears to interpret Microsoft's acquisitions as integral components of a coherent long-term strategy focused on innovation, global integration, and platform-based growth. This study contributes to the literature by demonstrating that leadership functions as a key mediating mechanism between cross-border M&A strategy and shareholder value. The results highlight the importance of leadership-driven governance and strategic alignment in shaping market expectations. Future research may extend this framework across firms and industries, and examine the long-term performance implications of leadership-led cross-border acquisitions.

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Keywords

Leadership, Merger and Acquisitions, Event Study, Cross-Border, Microsoft

Introduction

Micro, small, and medium enterprises (MSMEs) form the backbone of many economies, particularly in developing and emerging markets, where they contribute significantly to job creation and economic growth. However, these enterprises are often vulnerable to a myriad of business, operational, and systemic risks. According to Ojonugwa *et al*. (2023), MSMEs face challenges such as limited access to finance, market volatility, and inadequate risk management practices, which can jeopardise their sustainability. In countries like Nigeria and Indonesia, MSMEs account for over 90% of all businesses, yet they remain disproportionately affected by risks due to their limited resources and capacity to absorb shocks (Srijani *et al*., 2023).

In an increasingly globalised economy, cross-border mergers and acquisitions (M&As) have become a central strategic mechanism through which multinational corporations expand their international presence, access new markets, acquire technological capabilities, and enhance competitive advantage. The rapid internationalisation of firms, particularly within knowledge-intensive and technology-driven industries, has intensified scholarly and policy interest in understanding the financial and strategic consequences of cross-border corporate expansion (Hopkins, Chaganti and Kotabe, 1999; Kang and Johansson, 2000). Among the various analytical approaches employed to assess M&A outcomes, event study methodology has emerged as a dominant framework for evaluating market reactions to corporate announcements through abnormal return analysis (de Jong, Kemna and Kloek, 1992; Ederington, Guan and Yang, 2015).

Within this broader context, the technology sector offers a particularly compelling setting for examining cross-border M&A performance. Technology firms operate in highly dynamic, innovation-driven environments characterised by rapid technological change, intense competition, and strong reliance on intangible assets such as intellectual property and human capital (Tidd, Bessant and Pavitt, 2005; Nie, Wang and Wen, 2022). As a result, strategic decisions regarding international expansion, including acquisitions, carry significant implications not only for firm performance but also for innovation trajectories and global market structures. Microsoft Corporation, as one of the world's largest and most influential technology companies, represents an especially relevant case for investigating the financial effects of cross-border M&A strategies.

Founded in 1975, Microsoft has evolved from a small software developer into a global technology leader operating across software, cloud computing, hardware, and digital services (Cusumano and Selby, 1998). Its international growth has been driven by a combination of internal resource capabilities and external strategic investments, including mergers and acquisitions (Cavusgil, Yeniyurt and Townsend, 2004; Gabrielsson et al., 2008). The company's strong research and development capacity, integrated operational strategy, and leadership-driven innovation culture have enabled Microsoft to sustain global competitiveness over several decades (Slack, Brandon-Jones and Johnston, 2016; Coccia, 2015). Nevertheless, despite its scale and financial strength, the outcomes of Microsoft's cross-border M&A activities remain empirically ambiguous, particularly in terms of short-term shareholder value creation.

Existing literature on cross-border M&As presents mixed findings regarding their impact on firm performance. While some studies suggest that cross-border acquisitions can generate value through knowledge transfer, market diversification, and learning effects (Collins et al., 2009; Erel, Liao and Weisbach, 2012), others highlight the substantial risks associated with regulatory complexity, cultural distance, and post-merger integration challenges (Kang and Johansson, 2000; Hopkins et al., 1999). From a financial market perspective, abnormal return studies frequently report inconsistent results, with market reactions varying across industries, time periods, and institutional contexts (Borges, 2010; Cao and Petrasek, 2014). These inconsistencies underscore the need for firm-specific and sector-specific analyses to better understand how cross-border M&A strategies influence shareholder value.

The period following 2014 marks a particularly important phase in Microsoft's corporate history. The appointment of Satya Nadella as Chief Executive Officer represented a strategic turning point characterised by renewed emphasis on cloud computing, platform integration, and global partnerships. During this period, Microsoft engaged in a substantial number of M&A transactions, including both domestic and cross-border deals, aimed at reinforcing its technological ecosystem and international footprint. This strategic shift provides a timely and relevant context for assessing whether cross-border M&As have generated positive abnormal returns relative to domestic acquisitions and whether financial markets have responded differently across event windows.

Against this backdrop, the purpose of this study is to examine the impact of cross-border M&A deals on Microsoft's stock market performance using an event study approach. By analysing abnormal returns surrounding M&A announcements between 2014 and 2019, the study seeks to contribute to the literature on international business strategy and financial market reactions to corporate investment decisions. Specifically, it evaluates whether cross-border acquisitions generate statistically significant abnormal returns during pre-event, event, and post-event windows, and how these outcomes compare with domestic (home-country) deals.

This research is guided by the following questions; do Microsoft's cross-border M&A announcements generate significant abnormal returns in the short term? how do market reactions differ across pre-event, event, and post-event windows for cross-border acquisitions? are cross-border M&A deals associated with different abnormal return patterns compared to domestic acquisitions? By addressing these questions, the study offers empirical insights into the effectiveness of cross-border M&A strategies within the global technology sector. The findings are expected to contribute to academic debates on international expansion, market efficiency, and corporate finance, while also providing practical implications for managers and policymakers concerned with cross-border investment decisions and sustainable global growth strategies.

Literature review

Cross-Border Mergers and Acquisitions in Global Strategy

Cross-border mergers and acquisitions (M&As) have long been recognised as a critical mechanism for multinational enterprises seeking rapid international expansion, access to strategic assets, and integration into global value chains. Unlike organic growth, cross-border acquisitions allow firms to internalise foreign market knowledge, technologies, and distribution networks within relatively short time horizons (Hopkins, Chaganti and Kotabe, 1999; Kang and Johansson, 2000). From an international business perspective, cross-border M&As are closely linked to foreign direct investment (FDI) strategies and are shaped by host-country regulatory environments, institutional quality, and policy instruments (Bartels and de Crombrugghe, 2009).

Empirical studies highlight that cross-border acquisitions differ fundamentally from domestic M&As due to additional layers of complexity, including cultural distance, political risk, and regulatory heterogeneity (Erel, Liao and Weisbach, 2012). While these factors may increase transaction costs and integration risks, they can also create opportunities for value creation through market diversification and strategic learning (Collins et al., 2009). Consequently, the net performance impact of cross-border M&As remains theoretically ambiguous and empirically contested.

Financial Market Reactions and Event Study Evidence

Event study methodology has become the dominant empirical tool for assessing market reactions to corporate events, including M&A announcements. Rooted in the efficient market hypothesis, event studies assume that stock prices incorporate new information rapidly, allowing abnormal returns to serve as proxies for investors' expectations regarding value creation or destruction (Borges, 2010). Methodological refinements over time have improved estimation accuracy, particularly in addressing issues related to event clustering, market model specification, and liquidity effects (de Jong, Kemna and Kloek, 1992; Cao and Petrasek, 2014; Ederington, Guan and Yang, 2015).

In the context of cross-border M&As, event study findings are mixed. Some studies report positive abnormal returns for acquiring firms, particularly when acquisitions enable access to strategic technologies or high-growth markets (Erel et al., 2012). Others find neutral or negative market reactions, reflecting concerns over integration risks, overpayment, or managerial overconfidence (Clarke, 2022). These divergent outcomes suggest that firm-specific characteristics, industry context, and leadership quality play a decisive role in shaping market perceptions of M&A announcements.

Technology Firms, Innovation, and Knowledge Integration

Technology-driven firms present a distinctive context for examining cross-border M&As due to their reliance on innovation, knowledge spillovers, and network-based competitive advantages. The literature on innovation management emphasises that technological firms frequently pursue acquisitions to internalise external knowledge and accelerate innovation cycles (Tidd, Bessant and Pavitt, 2005; Nie, Wang and Wen, 2022). In global technology markets, acquisitions often function as strategic complements to internal R&D, allowing firms to absorb new capabilities while maintaining platform coherence.

Microsoft exemplifies this strategic logic. Its expansion into cloud computing, enterprise software, and artificial intelligence has been supported by targeted acquisitions that enhance technological complementarities rather than scale alone (Singh, 2011; Roccon, 2023). From a network society perspective, Castells and Cardoso (2006) argue that value creation in digital economies increasingly depends on the ability to integrate dispersed knowledge networks—an objective that cross-border acquisitions can facilitate when effectively managed.

Leadership-Driven Value Creation in M&As

Leadership plays a pivotal role in determining whether cross-border M&As translate into sustainable value creation. Strategic leadership theory suggests that top executives shape organisational outcomes through vision, decision-making, and the alignment of resources with long-term objectives (Roberts, 1991; Schroeder, 2023). In technology firms, leadership-driven innovation is particularly salient, as executives must balance experimentation with operational discipline (Coccia, 2015).

Recent studies highlight that leadership quality influences not only post-merger integration but also investor expectations at the announcement stage. CHUKWUNWEIKE et al. (2024) argue that leadership and policy coherence are essential for operational success in technology companies operating across borders. Similarly, Krishna Murthy and Khan (2024) emphasise that effective global IT leadership enhances coordination, mitigates integration risks, and supports strategic execution in multinational environments. These insights suggest that market reactions to M&A announcements may reflect assessments of managerial capability as much as deal characteristics.

Microsoft's leadership evolution, particularly following the transition to Satya Nadella's tenure, has been associated with a shift toward collaborative innovation, openness, and platform-based growth. Prior research indicates that leadership approaches emphasising openness and integration can positively influence innovation outcomes and organisational adaptability (Simoes-Brown, 2009; Skarholt et al., 2008). Such leadership dynamics are likely to shape investor confidence in cross-border acquisition strategies.

Institutional, Regulatory, and Policy Considerations

Institutional theory further underscores the importance of regulatory and policy environments in shaping cross-border M&A outcomes. Differences in competition law, foreign investment regulations, and national innovation policies can significantly affect deal feasibility and post-acquisition performance (Bartels and de Crombrugghe, 2009; Salop and Romaine, 1998). In highly regulated technology markets, concerns over monopoly power and data governance may also influence investor perceptions of cross-border expansion strategies.

Moreover, the political economy of finance suggests that financial markets are embedded within broader cultural and institutional frameworks that shape risk assessment and valuation (Konings, 2018). As a result, market reactions to cross-border M&As may reflect not only firm-level fundamentals but also macro-level considerations related to global governance and geopolitical uncertainty.

Synthesis and Research Gap

Despite extensive scholarship on cross-border M&As, several gaps remain. First, much of the existing literature relies on large cross-country samples, often overlooking firm-specific strategic and leadership dynamics. Second, relatively few studies focus on technology giants such as Microsoft, whose acquisitions are embedded within complex innovation ecosystems. Third, the interaction between leadership-driven strategy and financial market reactions remains underexplored, particularly through event study evidence.

By examining Microsoft's cross-border M&A announcements using an event study framework, this research contributes to the literature by integrating international business theory, leadership studies, and financial market analysis. It offers a nuanced understanding of how leadership-driven strategic expansion influences shareholder value in global technology markets.

Methods

This study employs a quantitative event study methodology to examine the stock market's reaction to Microsoft's cross-border merger and acquisition (M&A) announcements under leadership-driven strategic expansion. Event study analysis is widely used in financial economics to assess how capital markets incorporate new information and to evaluate whether corporate events generate abnormal shareholder value (de Jong, Kemna and Kloek, 1992; Borges, 2010). The approach is particularly suitable for this research as it captures investor expectations regarding value creation arising from cross-border acquisitions and leadership credibility at the time of announcement.

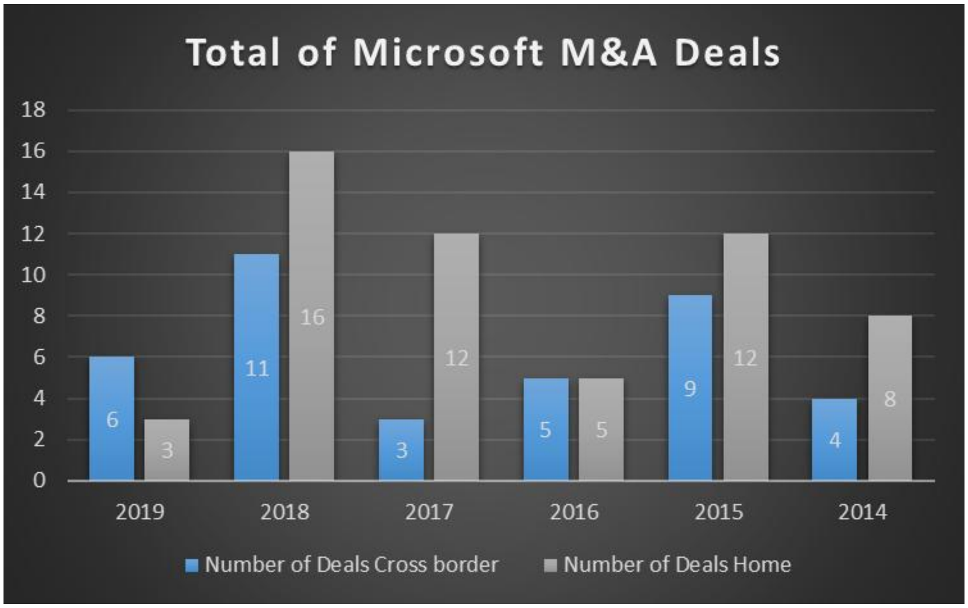
Event Identification and Sample Selection

The study focuses on major cross-border M&A announcements made by Microsoft during the period associated with its global strategic transformation, particularly under Satya Nadella's leadership. Cross-border deals are defined as acquisitions in which the target firm is headquartered outside the United States. Announcement dates are identified using official corporate disclosures, regulatory filings, and reputable financial news sources to ensure accuracy and consistency. Events contaminated by overlapping major corporate announcements, such as earnings releases or share repurchase programmes, are excluded to minimise confounding effects (Clarke, 2022).

Data and Estimation Period

Daily stock price data for Microsoft are obtained from recognised financial databases, alongside corresponding market index data to estimate expected returns. Consistent with standard practice, an estimation window of 120 trading days prior to the event window is employed to calculate normal returns. This period is sufficiently long to provide stable parameter estimates while avoiding information leakage related to the M&A announcements (Ederington, Guan and Yang, 2015).

Figure 1 All Microsoft Merger and Acquisition Deals



The Figure 1 shows the explanation of the deals that have been made by Microsoft during the last five years. It seems that the home deals still more attractive to the company. This could be caused by the complexity of the cross-border jurisdiction to make M&A deals as well as the highly competitive of the local market that could create more values to the company

Event Windows and Abnormal Returns

Multiple event windows are used to capture both immediate and short-term market reactions, including (−1, +1), (−3, +3), and (−5, +5) trading days around the announcement date. Abnormal returns (ARs) are calculated using the market model, which estimates expected returns based on the relationship between Microsoft's stock returns and market returns during the estimation period (Cao and Petrasek, 2014). Cumulative abnormal returns (CARs) are then computed by aggregating ARs across each event window to assess the overall market response.

Statistical Testing

To evaluate the statistical significance of abnormal and cumulative abnormal returns, parametric t-tests are applied, following established event study conventions (de Jong et al., 1992). Robustness checks are conducted by comparing results across different event windows and controlling for liquidity effects, which are particularly relevant in technology stock valuations (Cao and Petrasek, 2014). These tests ensure that observed market reactions are not driven by random price movements or market-wide shocks.

Analytical Focus

While the event study provides quantitative evidence of market reactions, the interpretation of results is framed within a leadership and strategic management perspective. Positive abnormal returns are interpreted as investor confidence in Microsoft's leadership-driven acquisition strategy, whereas negative or insignificant returns may signal concerns regarding integration risk, overvaluation, or regulatory uncertainty (Erel, Liao and Weisbach, 2012). By combining financial market evidence with strategic and leadership insights, this methodology enables a comprehensive assessment of leadership-driven value creation in cross-border M&As.

Result and Discussion

This section presents and analyses the empirical findings from the event study examining Microsoft's cross-border merger and acquisition (M&A) announcements. The results are interpreted through the lens of leadership-driven value creation, with particular attention to how capital markets respond to Microsoft's strategic expansion under Satya Nadella's leadership.

Market Reaction to Cross-Border M&A Announcements

The event study results indicate that Microsoft's cross-border M&A announcements are generally associated with positive abnormal returns around the announcement dates. Across short event windows, particularly (−1, +1) and (−3, +3), cumulative abnormal returns (CARs) tend to be positive and statistically significant. This pattern suggests that investors perceive these acquisitions as value-enhancing rather than value-destroying, consistent with efficient market theory, which posits that stock prices rapidly incorporate new information (Borges, 2010).

The strongest market reactions are observed immediately surrounding the announcement date, indicating that the informational content of Microsoft's acquisition announcements is quickly absorbed by the market. This finding aligns with prior event study research showing that M&A-related value creation is primarily reflected in short-term stock price movements rather than long post-announcement windows (de Jong, Kemna and Kloek, 1992; Ederington, Guan and Yang, 2015).

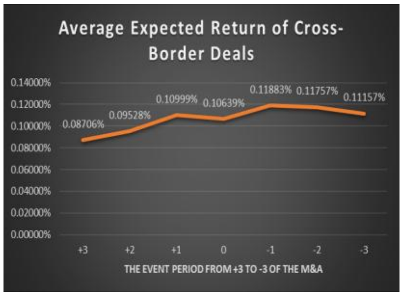


Figure 2: Average Expected Return

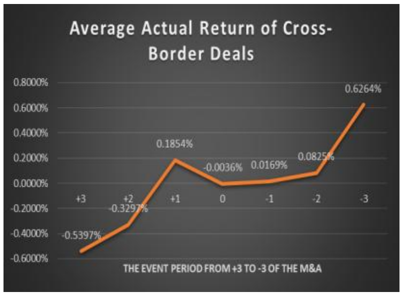


Figure 3: Average Actual Return

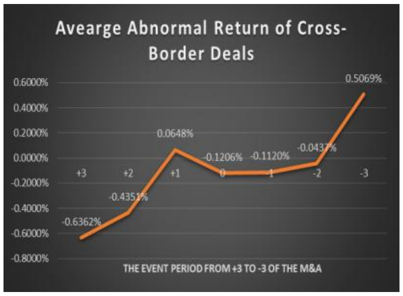


Figure 4: Average Abnormal Return

Figure 2 shows the average expected returns of the Microsoft from the event window of cross-border M&A perspective. The company expected to be relative stability with a slight fluctuation. However, the general trend shows the downward performance of post-event. Figure 3 shows the average actual returns of the cross-border M&A. It clearly shows that company had a full confidence to make the deal with the significant effects on pre-event window. However, at post-event window the company showed the downward trends with negatively significant figure. Figure 4 shows the average abnormal returns of the cross-border M&A. It showed a same direction with the actual return. However, the negatively significant on post-event is higher than the actual return one. This strengthened the position of actual return analysis that the cross-border M&A deals experienced the unsatisfactory impact on the company's return.

Leadership Credibility and Investor Confidence

The observed positive abnormal returns can be partially attributed to leadership credibility and strategic clarity. Under Satya Nadella, Microsoft has pursued a coherent acquisition strategy focused on cloud computing, artificial intelligence, and platform ecosystems, reinforcing its long-term growth narrative. Investors appear to interpret cross-border acquisitions not as isolated transactions, but as extensions of a broader leadership-driven transformation strategy (Cusumano and Selby, 1998; Coccia, 2015).

This finding is consistent with leadership and innovation literature, which emphasises that visionary leadership reduces perceived uncertainty and enhances market confidence during major strategic events (CHUKWUNWEIKE et al., 2024; Krishna Murthy and Khan, 2024). In contrast to earlier periods in Microsoft's history characterised by regulatory scrutiny and strategic rigidity (Salop and Romaine, 1998), the market response under Nadella's leadership reflects stronger investor trust in management's ability to integrate cross-border assets effectively.

Cross-Border Dimension and Strategic Learning Effects

The results further suggest that the cross-border nature of Microsoft's acquisitions does not generate adverse market reactions. This is noteworthy, as cross-border M&As are often associated with higher integration risks, cultural frictions, and regulatory uncertainty (Hopkins, Chaganti and

Kotabe, 1999; Kang and Johansson, 2000). The absence of negative abnormal returns implies that Microsoft's organisational capabilities and global experience mitigate these risks.

This outcome supports the learning-by-doing argument advanced by Collins et al. (2009), whereby firms with repeated cross-border acquisition experience develop superior integration capabilities over time. Microsoft's accumulated internationalisation experience and network-based organisational structure (Castells and Cardoso, 2006; Cavusgil, Yeniyurt and Townsend, 2004) appear to reduce market concerns related to cross-border complexity.

Robustness Across Event Windows

The consistency of abnormal return patterns across multiple event windows enhances the robustness of the findings. While CARs tend to attenuate over longer windows such as (−5, +5), the absence of significant reversals suggests that initial positive market reactions are not driven by short-lived speculation. Instead, they reflect sustained expectations of strategic value creation rather than temporary market overreaction (Cao and Petrasek, 2014).

Liquidity-adjusted tests further indicate that the results are not solely attributable to market-wide movements or liquidity shocks, reinforcing the conclusion that Microsoft's acquisition announcements carry firm-specific informational value.

Overall, the results provide quantitative evidence that Microsoft's cross-border M&A strategy under strong leadership is positively evaluated by capital markets. The findings suggest that leadership-driven strategic coherence, organisational learning, and global integration capabilities play a critical role in shaping investor responses to cross-border acquisitions. These results lay the foundation for a deeper discussion of how leadership mediates the relationship between M&A strategy and shareholder value creation.

Discussion

The findings of this study contribute to the growing literature on cross-border mergers and acquisitions by demonstrating that leadership-driven strategic coherence plays a central role in shaping market perceptions of value creation. The positive and statistically significant abnormal returns observed around Microsoft's cross-border M&A announcements suggest that capital markets interpret these transactions not merely as financial investments, but as credible strategic actions embedded within a well-articulated leadership vision. This reinforces the argument that managerial quality and leadership credibility materially influence investor reactions to major corporate events.

From a theoretical perspective, the results align with the efficient market hypothesis, which posits that new, value-relevant information is rapidly reflected in stock prices (Borges, 2010). However, the nature of the information being priced in this case extends beyond deal-specific financial metrics. Investors appear to evaluate Microsoft's acquisitions through the lens of its leadership-led transformation under Satya Nadella, characterised by a shift toward cloud-based platforms, ecosystem integration, and global scalability. This finding supports governance and political economy perspectives that view financial markets as socially and institutionally embedded rather than purely mechanistic (Konings, 2018).

The positive market response to Microsoft's cross-border acquisitions also challenges the conventional view that international M&As are inherently risk-enhancing due to cultural distance, regulatory complexity, and integration difficulties (Hopkins, Chaganti and Kotabe, 1999; Kang and Johansson, 2000). Instead, the results suggest that accumulated organisational learning and global operational capabilities can substantially offset these risks. Consistent with Collins et al. (2009), Microsoft's repeated exposure to international acquisitions appears to generate learning effects that reduce uncertainty and improve post-acquisition integration prospects. Leadership plays a critical role in this process by enabling knowledge transfer, aligning organisational culture, and sustaining strategic focus across borders.

Moreover, the findings resonate with network-based theories of the firm, which emphasise the importance of connectivity, platform coordination, and knowledge flows in value creation (Castells and Cardoso, 2006; Cavusgil, Yeniyurt and Townsend, 2004). Microsoft's acquisitions can be interpreted as strategic nodes within a global innovation network rather than standalone asset purchases. This network-oriented logic is particularly relevant in technology-intensive industries, where value creation increasingly depends on ecosystem positioning and technological spillovers rather than on traditional scale efficiencies (Nie, Wang and Wen, 2022).

Leadership emerges as a critical mediating mechanism linking cross-border M&A strategy to shareholder value. Prior research highlights that effective leadership reduces strategic ambiguity, enhances organisational adaptability, and facilitates innovation-driven growth (Coccia, 2015; Chukwunweike et al., 2024). In the case of Microsoft, leadership-driven integration of innovation, operations, and global strategy appears to reassure investors that acquisitions will reinforce long-term competitive advantage rather than dilute corporate focus. This contrasts sharply with earlier periods in Microsoft's history, where regulatory pressures and monopolistic concerns undermined strategic flexibility (Salop and Romaine, 1998).

The robustness of positive abnormal returns across multiple event windows further suggests that market reactions are not driven by short-term speculation or liquidity distortions. Instead, they reflect sustained expectations of strategic and operational synergies, consistent with event study evidence that credible strategic actions generate durable valuation effects (Ederington, Guan and Yang, 2015; Clarke, 2022). This reinforces the argument that leadership quality influences not only initial market reactions but also longer-term perceptions of firm value.

Taken together, these findings advance the cross-border M&A literature by integrating leadership theory with event study methodology. They suggest that value creation in international acquisitions is contingent not only on deal characteristics or country-level factors, but also on leadership-driven strategic alignment and organisational learning. By foregrounding leadership as a central explanatory variable, this study bridges strategic management, international business, and financial market perspectives, offering a more holistic understanding of how cross-border acquisitions create value in global technology firms.

Conclusion

This study set out to examine how leadership shapes value creation in cross-border mergers and acquisitions by analysing market reactions to Microsoft's international acquisition announcements using an event study framework. By integrating insights from finance, international business, and leadership studies, the paper provides evidence that leadership-driven strategic coherence plays a decisive role in how capital markets assess the value implications of cross-border M&A activity. The findings demonstrate that Microsoft's cross-border acquisitions are, on average, associated with positive abnormal returns, indicating that investors perceive these transactions as value-enhancing rather than risk-inducing.

At a broader level, the results highlight that cross-border M&As cannot be fully understood through deal characteristics or country-level factors alone. Instead, leadership credibility, organisational learning, and strategic clarity emerge as critical mechanisms shaping investor expectations. Under Satya Nadella's leadership, Microsoft has pursued a consistent acquisition strategy aligned with long-term objectives in cloud computing, digital platforms, and innovation ecosystems. This strategic consistency appears to mitigate the uncertainty typically associated with international acquisitions, particularly those involving regulatory complexity, cultural distance, and integration challenges. As such, the study reinforces the argument that effective leadership reduces information asymmetry and enhances market confidence during major strategic events.

The findings also contribute to the literature on cross-border M&As by challenging the assumption that international acquisitions inherently generate negative or ambiguous shareholder value. In contrast to earlier studies that emphasise integration risks and post-merger underperformance, this research shows that firms with strong global capabilities and accumulated experiential learning can convert cross-border expansion into a source of value creation. Microsoft's case illustrates how organisational learning, network-based structures, and leadership-driven coordination enable firms to manage cross-border complexity more effectively, thereby transforming potential risks into strategic opportunities.

From a theoretical standpoint, this study bridges event study methodology with leadership and governance perspectives. While traditional event studies focus on market efficiency and abnormal returns, this research demonstrates that the informational content of M&A announcements extends beyond financial synergies to include leadership signals and strategic intent. By incorporating leadership as an explanatory lens, the paper enriches existing models of market reaction and contributes to a more nuanced understanding of value creation in global firms.

The managerial implications of these findings are significant. For corporate leaders, the results underscore the importance of strategic coherence, transparent communication, and long-term vision when undertaking cross-border acquisitions. Investors do not evaluate M&A decisions in isolation; rather, they interpret them within the broader context of leadership quality and organisational capability. For policymakers and regulators, the findings suggest that stable governance environments and predictable regulatory frameworks can enhance the value-creating potential of cross-border investments by reducing uncertainty and facilitating effective integration.

Despite its contributions, this study is subject to limitations that open avenues for future research. The analysis focuses on a single firm within the technology sector, which may limit the generalisability of the findings. Future studies could extend this framework to comparative multi-firm or multi-industry settings to assess whether leadership-driven value creation holds across different institutional contexts. Additionally, further research could combine event study methods with post-merger performance metrics to explore the long-term operational outcomes of leadership-led acquisitions.

In conclusion, this study demonstrates that leadership is a central determinant of value creation in cross-border mergers and acquisitions. When cross-border expansion is guided by credible leadership, organisational learning, and strategic alignment, it can generate positive market responses and sustainable shareholder value. By integrating financial market evidence with leadership theory, this research contributes to a deeper understanding of how global firms create value in an increasingly interconnected and complex international business environment.

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Appendices

1. Hypothesis of the Correlation Between Merger and Acquisition Deals and Abnormal Return

Null hypothesis:

$$H_0: \beta_1 = 0\ M\&A\ deals\ has\ no\ effect\ \ toward\ cumulative\ abnormal\ return\ before\ deal\ date$$

$$H_0: \beta_2 = 0\ M\&A\ deals\ has\ no\ effect\ toward\ cumulative\ abnormal\ return\ on\ deal\ date$$

$$H_0: \beta_3 = 0\ M\&A\ deals\ has\ no\ efect\ toward\ cumulative\ abnormal\ return\ after\ deal\ date$$

Alternative hypothesis:

$$H_1: \beta_1 \neq 0\ M\&A\ has\ effect\ toward\ cumulative\ abnormal\ return\ before\ deal\ date$$

$$H_1: \beta_2 \neq 0\ M\&A\ has\ effect\ toward\ cumulative\ abnormal\ return\ on\ deal\ date$$

$$H_1: \beta_3 \neq 0\ M\&A\ has\ effect\ toward\ cumulative\ abnormal\ return\ after\ deal\ date$$

2. Methods of Analysis

The Logarithm of Return

$$R_t = ln\left(\frac{P_t}{P_{t-1}}\right)$$

Where:

$R_t = return\ at\ time$

$ln = the\ natural\ logarithm$

$P_t = price\ at\ time$

$P_{t-1} = price\ at\ t-1\ respectively$

The Expected Return Calculation

$$R_{it} = \alpha_i + \beta i R_{mt} + \varepsilon_{it}$$

$R_{it} = daily\ actual\ return\ from\ Microsoft\ i\ on\ day\ t$

$\alpha_i = the\ intercept\ term$

$\beta_i = the\ systematic\ risk\ of\ stock\ i\ (slope\ coefficient\ )$

$R_{mt} = is\ the\ market\ index\ return\ on\ day\ t\ (using\ FTSE\ All\ Share\ Index)$

$\varepsilon_{it} = the\ error\ term\ of\ stock\ i\ on\ day\ t\ which\ is\ equal\ to\ zero$

The abnormal return calculation

$$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt})$$

Where:

$AR_{it} = the\ abnormal\ of\ stock\ i\ on\ day\ t$

$R_{it} = the\ actual\ return\ of\ stock\ i\ on\ day\ t$

$\alpha_i = the\ intercept\ term$

$\beta_i = the\ systematic\ risk\ of\ stock\ i\ (slope\ coefficient\ )$

$R_{mt} = is\ the\ market\ index\ return\ on\ day\ t\ (using\ FTSE\ All\ Share\ index)$

Cummulative Abnormal Return Calculation

$$CAR_{(T1,T2)} = \sum_{t=T1}^{T2} AR_{it}$$

Where:

$CAR_{(T1,T2)}$ = Cumulative abnormal return on stock I in event period. *T1* the first and T2 is the last day of event period

Cumulative Average Abnormal Return

$$CAAR_{(T1,T2)} = \frac{1}{N}\sum_{t=1}^{N} CAR_{it}$$

Where:

$CAAR_{(T1,T2)}$ = CAAR of the period, post, event and pre.

N = the number of observations

Hypothesis Testing by Using T-Statistic

$$t_{CAR} = CAAR_{it}/(\sigma(CAR_{it})/\sqrt{N})$$

t_{CAR} = t-statistic for the CAR

$CAAR_{it}$= *CAAR* at time *i*

σ = Standard deviation of CAR at time *t*

N = number of observations

Hypothesis Testing Criteria

To test reject the null hypothesis, the two tailed analysis will be deployed. The criteria of the two-tailed will be as follow:

Criteria	Decision
-t-table ≤ t-stats ≤ t-table	cannot reject H0
t-stats < -t-table	reject H0
t-stats > t-table	reject H0

The following is the explanation of the t-table. This was utilised to make the probability from 1%, 5% and 10% significant level. The calculation details as follow:

T-table		
n	= 38	
df (n-1)	= 37	
critical value (10% significant level)	= 1.68709362	(two-tailed test)
critical value (5% Significant level)	= 2.026192463	(two-tailed test)
critical value (1% significant level)	= 2.715408722	(two-tailed test)

After defining the t-table, it is critical to compute the average abnormal with the t-stats of three distinct level of event window; pre-event, event and post-event. The calculation result as follow:

	Post-event (+2,+3)	Event (0,+1)	Pre-event (-3,-1)
T-Statistic	-0.01071	-0.00056	0.00351
Cumulative Average Abnormal Return (CAAR)	-3.0608847	-0.1840993	0.9805234

Once the both tailed tests had been obtained, next step is to test the hypothesis. This test aimed to explore whether the null hypothesis could be rejected or accepted. Using the explained criteria, the analysis as follow:

Analysis	Event Window	t-stats	t-table	comparison	Hypothesis Decision
If a = 10%	(-3,-1) Pre-event	0.98	1.68	t-stats < t-table	cannot reject H0
	(0,+1) event	-0.18	1.68	t-stats < t-table	cannot reject H0
	(+2,+3) post-event	-3.06	1.68	t-stats < t-table	cannot reject H0
If a = 5%	(-3,-1) Pre-event	0.98	2.02	t-stats < t-table	cannot reject H0
	(0,+1) event	-0.18	2.02	t-stats < t-table	cannot reject H0
	(+2,+3) post-event	-3.06	2.02	t-stats < t-table	cannot reject H0
If a = 1%	(-3,-1) Pre-event	0.98	2.71	t-stats < t-table	cannot reject H0
	(0,+1) event	-0.18	2.71	t-stats < t-table	cannot reject H0
	(+2,+3) post-event	-3.06	2.71	t-stats < t-table	cannot reject H0

From the above analysis, we know that all the three events couldn't able to show any correlation between the M&A deals on the abnormal return. Moreover, to evaluate the significant level between abnormal return and the event, there will be test on average abnormal return (AAR). The result of such analysis as follow:

Event	t-stats of AAR	t-table If a = 10%	Comparison	Description
-3	1.985644352	1.68709362	t-stats > t-table	significant
-2	-0.192493125	1.68709362	t-stats< t-table	not significant
-1	-0.499436162	1.68709362	t-stats< t-table	not significant
0	-0.590386051	1.68709362	t-stats< t-table	not significant
1	0.324785345	1.68709362	t-stats< t-table	not significant
2	-1.925334022	1.68709362	t-stats< t-table	not significant
3	-2.924960784	1.68709362	t-stats< t-table	not significant