

Domestic versus Cross-Border M&A and Shareholder Value: An Event Study of Microsoft, 2014 – 2019

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Abstract

This study examines whether the geographical scope of mergers and acquisitions (M&A) influences shareholder value by comparing the market response to Microsoft's domestic and cross-border acquisition activity during 2014 – 2019. The period captures an important phase in Microsoft's strategic transformation under Satya Nadella, during which acquisitions became an increasingly visible mechanism for expanding technological capabilities, accessing complementary resources, strengthening digital ecosystems, and extending the firm's international reach. Rather than treating all Microsoft-related transactions as homogeneous, the study reconstructs the original transaction dataset and restricts the empirical sample to completed deals in which Microsoft or a Microsoft-affiliated entity appears on the acquiring side. This procedure yields 56 acquisition observations, comprising 32 domestic and 24 cross-border transactions, and reduces contamination from transactions in which Microsoft participated only as an investor, target, or related parent entity. An event-study methodology is employed to measure short-run shareholder wealth effects. Daily Microsoft stock returns are evaluated relative to market-model expected returns estimated over a pre-event estimation window of approximately -100 to -10 trading days. Abnormal returns are subsequently examined over a seven-day event window [-3, +3], with separate pre-announcement [-3, -1], announcement [0, +1], and post-announcement [+2, +3] intervals. Average abnormal returns, cumulative abnormal returns, and cumulative average abnormal returns are used to evaluate both within-group market reactions and differences between domestic and cross-border acquisitions, with statistical inference supplemented by robustness considerations appropriate for multi-day event studies. The reconstructed evidence indicates that acquisition geography alone does not produce a statistically robust difference in Microsoft shareholder value. Domestic acquisitions exhibit mildly positive abnormal performance before announcements and comparatively stronger post-event performance, whereas cross-border transactions display a more negative post-announcement pattern. However, these effects are concentrated event days and do not translate into consistently significant cumulative wealth effects across the principal event windows. Direct comparisons likewise provide limited evidence that domestic acquisitions systematically outperform cross-border transactions.

Keywords

Mergers and Acquisitions, Cross-Border, Domestic, Shareholder, Event Study

Introduction

Mergers and acquisitions (M&A) constitute one of the most consequential strategic decisions undertaken by large multinational corporations. Through acquisition, firms can obtain technological capabilities, intellectual property, specialised human capital, complementary products, distribution networks, and access to markets that may be difficult or costly to develop internally. For technology companies, where competitive advantage depends heavily on innovation, knowledge accumulation, platform development, and the rapid deployment of new capabilities, acquisition can function not merely as a mechanism for corporate expansion but as an important component of long-term strategic renewal. The internationalisation literature similarly emphasises that globally oriented firms must continually develop resources, organisational capabilities, networks, and mechanisms for coordinating activities across markets (Cavusgil et al., 2004; Gabrielsson et al., 2008). In high-technology industries, the capacity to combine entrepreneurial development, technological expertise, financial resources, and changing market opportunities is especially important for sustaining growth over time (Roberts, 2011). M&A therefore represents a potentially powerful mechanism through which technology firms can accelerate strategic transformation.

Yet the strategic logic of an acquisition does not necessarily imply immediate value creation for shareholders. An acquiring company may obtain potentially valuable assets while simultaneously paying a substantial acquisition premium, assuming integration costs, increasing organisational complexity, or exposing itself to uncertainty surrounding the future commercialisation of acquired capabilities. The distinction becomes particularly important when acquisitions cross-national borders. Domestic and cross-border transactions may pursue similar strategic objectives, but they take place within different informational, institutional, regulatory, cultural, and organisational environments. A domestic acquisition may offer greater familiarity with the target company's operating environment and facilitate post-acquisition coordination, whereas a cross-border transaction may provide access to resources, technologies, talent, and markets that are unavailable domestically. At the same time, the latter may involve additional challenges arising from geographic distance, institutional differences, regulatory requirements, integration difficulties, and information asymmetry. Consequently, whether international expansion through acquisition produces a different share-holder response from domestic acquisition remains an empirical question rather than an outcome that can be inferred directly from strategic intent.

This tension between strategic opportunity and shareholder valuation is especially relevant for globally integrated technology firms. A global company is not simply a firm that sells products in many countries; international operations require the coordination of resources and practices across geographically dispersed business units while preserving the capacity to respond to changing competitive conditions (Cavusgil et al., 2004). Research on rapidly internationalising firms likewise emphasises the interaction of resource accumulation, organisational learning, network development, and international growth (Gabrielsson et al., 2008). These considerations imply that geographic expansion can generate value through access to complementary

capabilities, but that the economic outcome ultimately depends on how effectively those capabilities are acquired, integrated, and converted into future cash flows. From the perspective of capital markets, the relevant question is therefore not simply whether a company acquires another firm, but whether investors interpret the transaction as improving the acquirer's expected value after considering its anticipated benefits and costs.

Microsoft provides a particularly useful setting in which to examine this question. Since its emergence as a software company, Microsoft has developed into a diversified technology corporation spanning operating systems, productivity applications, cloud computing, enterprise software, gaming, professional networks, developer platforms, artificial intelligence-related capabilities, and other digital services. This evolution has required continuous adaptation to technological change and competitive disruption. The study period from 2014 to 2019 is particularly relevant because it coincides with the beginning of Satya Nadella's leadership and a broader strategic repositioning of Microsoft toward cloud computing, platform integration, subscription-based services, developer ecosystems, and complementary digital capabilities. During this period, acquisition activity included transactions involving both United States-based targets and firms located outside the domestic market. Well-known transactions such as LinkedIn and GitHub occurred alongside numerous smaller acquisitions of specialised technology companies, while international targets provided Microsoft with capabilities originating from different technological and geographic environments.

The original Microsoft transaction dataset illustrates both the intensity and the heterogeneity of this acquisition activity. The Thomson Reuters Eikon extraction initially contains a broader universe of Microsoft-related M&A transactions between 2014 and 2019. However, Microsoft may appear in such records in different capacities, including acquirer, investor, target-related parent, or other corporate roles. Treating all such observations as Microsoft acquisitions would therefore blur the distinction between transactions in which Microsoft undertook an acquisition and transactions in which its involvement was indirect. To obtain a cleaner economic interpretation, this study reconstructs the transaction sample and retains completed observations in which Microsoft or a Microsoft-affiliated entity appears on the acquiring side. The resulting sample consists of 56 acquisitions, of which 32 are classified as domestic transactions and 24 as cross-border transactions. This reconstruction is important because accurate identification of the corporate event is a fundamental prerequisite for credible event-study inference.

The domestic and cross-border distinction provides the central analytical comparison of the study. The two groups are undertaken by the same ultimate corporate organisation, occur within the same six-year strategic period, and are evaluated using the same publicly traded Microsoft equity. This setting offers an important empirical advantage. Cross-firm comparisons of acquisition performance can be influenced by substantial heterogeneity in firm size, governance, capital structure, managerial ability, industry positioning, investor base, and acquisition experience. By concentrating on repeated acquisitions undertaken by one multinational technology company, the present study holds many acquirer-specific characteristics relatively constant and focuses

more directly on whether the geographic scope of the target is associated with a systematically different market response. In this sense, Microsoft provides a within-acquirer setting for investigating how investors value domestic relative to international acquisition activity.

The capital-market response is examined through abnormal returns. The underlying logic of an event study is that when new information becomes available to investors, its perceived economic implications may be incorporated into security prices around the date on which the information reaches the market. Observed returns alone are insufficient because Microsoft's share price can move in response to broader market conditions unrelated to a particular transaction. Event-study analysis therefore compares the realised return around an acquisition announcement with a benchmark return that would have been expected in the absence of the event. The difference represents the abnormal component associated with the information arriving around the transaction. Event studies have become an established framework for analysing the valuation consequences of identifiable events in financial markets (de Jong et al., 1992). At the same time, methodological research demonstrates that event-window specification, expected-return estimation, cross-sectional characteristics, and the statistical properties of abnormal returns require careful consideration if inference is to be reliable (Campbell et al., 2010; Ederington et al., 2015; Park, 2004).

This methodological discipline is particularly important in the present setting because acquisition announcements do not necessarily produce market reactions exclusively on the calendar announcement date. Information may begin to affect prices shortly before the formal event because of market expectations, media discussion, negotiation signals, or information leakage. Conversely, investors may require additional trading time after the announcement to interpret the strategic implications of a transaction. Research examining abnormal returns in other financial contexts demonstrates that unusual price effects can persist beyond a single trading day and that the timing of market adjustment itself can contain economically meaningful information (Clarke, 2022; Plastun et al., 2024). Accordingly, restricting the analysis to day zero could overlook economically relevant responses occurring immediately before or after the announcement.

Against this background, the present study evaluates Microsoft's acquisition announcements over the seven trading-day event window extending from three trading days before to three trading days after the event, $[-3, +3]$. The full window is further decomposed into a pre-announcement interval $[-3, -1]$, an announcement interval $[0, +1]$, and a post-announcement interval $[+2, +3]$. This structure allows the analysis to distinguish anticipatory market movements from the immediate valuation response and subsequent price adjustment. Daily abnormal returns are aggregated into average abnormal returns (AAR), cumulative abnormal returns (CAR), and cumulative average abnormal returns (CAAR), enabling the analysis to consider both individual event days and economically meaningful multi-day intervals. The objective is not merely to establish whether Microsoft's stock price increased or decreased around particular acquisitions, but to determine whether those movements differ systematically from expected market-related performance and whether the pattern varies between domestic and cross-border transactions.

The study therefore addresses three interconnected research questions. First, do Microsoft's acquisition announcements generate statistically significant abnormal shareholder returns during the period 2014–2019? Second, does the timing of the market reaction differ across the pre-announcement, announcement, and post-announcement intervals? Third, and most importantly, are the abnormal returns associated with domestic acquisitions systematically different from those generated by cross-border acquisitions? These questions permit the analysis to move beyond a simple evaluation of whether Microsoft's acquisition programme was successful and instead examine whether the geographic dimension of acquisition strategy is reflected in short-run shareholder valuation.

Methodologically, the study applies a conventional market-model event-study framework to daily Microsoft equity prices. Returns are calculated logarithmically, while expected returns are estimated over a pre-event estimation period extending approximately from trading day –100 to trading day –10. Separating the estimation period from the event window reduces the likelihood that the parameters used to estimate normal performance are themselves contaminated by the acquisition announcement. Abnormal return for each transaction is then calculated as the difference between Microsoft's realised return and its estimated normal return. The procedure is implemented separately for domestic and cross-border acquisitions before the observations are aggregated to obtain group-level AAR and CAAR measures. Statistical tests are subsequently used to determine whether abnormal performance differs significantly from zero and whether the two geographical groups exhibit materially different shareholder responses. This sequential design follows the underlying principle of event-study methodology that abnormal performance should be inferred relative to an explicitly estimated counterfactual rather than from observed price movement alone (de Jong et al., 1992; Park, 2004).

The empirical analysis points toward a more nuanced interpretation than a simple proposition that domestic acquisitions create value whereas cross-border acquisitions destroy it. Domestic transactions display comparatively favourable abnormal-return behaviour at points in the event window, including mildly positive performance before announcement and stronger positive movement during parts of the post-event period. Cross-border acquisitions, by contrast, exhibit a weaker and at times negative post-announcement pattern. Nevertheless, the differences are not sufficiently uniform across event days and cumulative windows to support the conclusion that acquisition geography by itself systematically determines Microsoft shareholder value. Much of the statistical evidence is concentrated on trading days rather than consistently sustained across the broader event intervals.

This result is economically important because descriptive differences in abnormal returns can otherwise be interpreted too readily as evidence of a general superiority of one acquisition strategy. A positive average return for domestic transactions and a negative average return for cross-border transactions do not necessarily establish that investors categorically prefer domestic expansion. Statistical significance, persistence across alternative event windows, the magnitude of cumulative effects, and cross-deal heterogeneity all matters for such an inference. Moreover,

Microsoft's acquisitions differ substantially in strategic purpose and target characteristics. Some transactions provide specialised technical capabilities, others strengthen existing products or platforms, and still others provide access to developer communities, gaming assets, enterprise applications, data capabilities, or international talent. Geographic location therefore represents only one dimension of acquisition heterogeneity. The evidence suggests that the market may evaluate the strategic content of individual transactions more strongly than whether the target is located inside or outside the United States.

The paper makes three principal contributions. First, it contributes to the analysis of M&A value creation by examining domestic and cross-border acquisitions within a single repeated acquirer. Rather than comparing heterogeneous acquiring firms, the Microsoft setting allows the geographic dimension of acquisition activity to be investigated while holding the identity of the publicly traded acquirer constant. This provides a focused setting for examining whether investors impose a systematic valuation differential on international relative to domestic expansion. The analysis therefore complements the broader internationalisation literature, which emphasises that global expansion depends on the accumulation, coordination, and deployment of firm-specific resources across different markets (Cavusgil et al., 2004; Gabrielsson et al., 2008).

Second, the study contributes empirically by reconstructing the transaction sample from the underlying deal records before conducting the event analysis. This distinction is consequential. A company-deals database can contain observations in which the focal company appears in several different transaction roles, and the inclusion of investor-side or target-related records can materially alter both the number and classification of events. By restricting the sample to completed acquirer-side transactions and preserving the original announcement dates associated with each target, the study establishes a closer correspondence between the economic event under investigation and the stock-market response attributed to it. This strengthens the interpretation of abnormal returns as reactions to Microsoft acquisition announcements rather than to a broader collection of Microsoft-related corporate transactions.

Third, the paper emphasises the distinction between visual return patterns and statistically supported shareholder wealth effects. The analysis combines daily AAR with cumulative measures across economically defined event intervals and interprets the results within the methodological cautions developed in the event-study literature (Campbell et al., 2010; de Jong et al., 1992; Park, 2004). This is particularly valuable for a repeated-acquisition setting because individual transactions can generate unusually large positive or negative returns, potentially affecting simple group averages. Evaluating both daily and cumulative responses provides a more disciplined basis for determining whether apparent differences between domestic and cross-border transactions represent persistent market valuation effects or episodic reactions concentrated around particular deals.

The findings have implications for both corporate decision-making and investment analysis. For managers, the absence of a uniformly superior geographic category implies that acquisition location should not be interpreted as an independent guarantee of shareholder value creation.

Cross-border acquisitions may provide access to valuable capabilities and international networks even when their immediate market response is less favourable, while domestic acquisitions may benefit from greater familiarity without necessarily producing positive abnormal returns in every case. Strategic evaluation should therefore consider target quality, technological complementarity, integration requirements, acquisition price, and expected contribution to the firm's broader platform rather than relying primarily on geographic proximity. For investors, the results suggest that Microsoft's acquisition announcements should be assessed at the deal level. Geographic classification can provide useful contextual information, but the short-run wealth effect remains heterogeneous across transactions.

More broadly, the evidence illustrates the relationship between corporate internationalisation and capital-market evaluation. Firms may internationalise in pursuit of long-term strategic resources even when investors respond cautiously to the immediate uncertainty associated with an international transaction. Conversely, a positive short-run abnormal return does not establish that an acquisition will ultimately produce successful integration or long-run operating gains. Event studies measure the market's contemporaneous reassessment of expected shareholder value, not the realised long-term success of the acquired business. The distinction is particularly relevant in technology industries, where the value of acquired knowledge, personnel, intellectual property, and digital platforms may unfold over a much longer horizon than the announcement window considered by financial markets.

The remainder of the paper is organised as follows. The next section reviews the literature on M&A, corporate internationalisation, shareholder wealth effects, and the theoretical differences between domestic and cross-border acquisitions and develops the study's hypotheses. The methodology section subsequently describes the Microsoft transaction dataset, sample reconstruction, domestic and cross-border classification, stock-market data, return measurement, estimation and event windows, market-model specification, abnormal-return calculations, and statistical testing procedures. The empirical results section presents descriptive characteristics of the acquisition sample and reports AAR, CAR, and CAAR outcomes for domestic and cross-border transactions. The discussion then interprets the findings in relation to geographic acquisition strategy, internationalisation, and shareholder value creation. The final section concludes by summarising the principal findings, implications, limitations, and avenues for future research.

Literature review

M&A, Strategic Renewal, and Technology Firms

Mergers and acquisitions (M&A) provide firms with a mechanism for obtaining resources, capabilities, technologies, and market positions that may be costly or time-consuming to develop internally. This strategic function is particularly relevant in technology-intensive industries, where competitive advantage is strongly influenced by knowledge, innovation, specialised human capital, intellectual property, and the capacity to respond rapidly to technological change. Research on high-technology firms emphasises the interaction between technological

competence, entrepreneurial development, financial resources, and market opportunities in sustaining corporate growth (Roberts, 2011). At the same time, digital transformation has increasingly dispersed innovation beyond conventional firm boundaries, creating new opportunities for established firms to access externally generated technologies and entrepreneurial capabilities (Nambisan et al., 2019). From this perspective, M&A can be understood not merely as an expansion of firm size, but as a mechanism through which companies accelerate strategic renewal and incorporate complementary resources into their existing businesses (Spulber, 2019).

The strategic importance of acquisition becomes particularly pronounced for firms operating through interconnected digital ecosystems. Platform-oriented firms derive value not only from individual products but also from complementarities among users, developers, services, technologies, and organisational resources. Spulber (2019) demonstrates that digital platforms reshape traditional relationships between firms and markets through coordination and participation mechanisms, while Nambisan et al. (2019) show that digital technologies alter the organisation and geography of innovation. These characteristics create incentives for established technology firms to acquire external capabilities rather than relying exclusively on internal research and development. Nevertheless, the acquisition of potentially valuable technology does not necessarily create share-holder value. The benefits of new capabilities must exceed the acquisition price, integration costs, and uncertainty surrounding their successful incorporation into the acquiring firm's broader strategy (Nambisan et al., 2019; Roberts, 2011).

Domestic and Cross-Border M&A

The geographical scope of an acquisition introduces an additional dimension to corporate strategy. Domestic acquisitions allow firms to expand within a relatively familiar institutional, regulatory, and competitive environment, whereas cross-border acquisitions provide opportunities to access resources and markets located outside the acquirer's home country. Internationalisation research suggests that firms expand internationally in part to obtain resources, networks, market opportunities, and organisational capabilities that can strengthen their competitive positions (Cavusgil et al., 2004; Gabrielsson et al., 2008). For multinational companies, however, international expansion also requires the coordination of activities and knowledge across geographically dispersed units. Consequently, the economic value of cross-border expansion depends not only on acquiring attractive resources, but also on the ability to integrate and exploit those resources effectively within the wider organisation (Cavusgil et al., 2004; Gabrielsson et al., 2008).

This creates competing expectations regarding domestic and cross-border M&A. Cross-border transactions may increase firm value by providing access to international technological expertise, new customer markets, specialised talent, and geographically distinctive innovation networks. Yet such benefits may be accompanied by greater informational, institutional, regulatory, and organisational complexity. The literature on internationalising firms emphasises that international growth involves learning, network development, resource accumulation, and exposure to

additional risks (Gabrielsson et al., 2008). Similarly, research on digital-platform internationalisation indicates that geographic expansion remains influenced by competition, innovation, cultural and political barriers, and the spatial reach of network effects even when firms operate in predominantly digital markets (García-Canal et al., 2024). Thus, digitalisation may reduce some traditional geographic constraints without eliminating the challenges associated with operating and integrating resources across national boundaries (García-Canal et al., 2024; Nambisan et al., 2019).

Domestic acquisitions may avoid some of these cross-border frictions because the acquiring and target firms operate within the same national institutional environment. Greater familiarity can reduce uncertainty surrounding regulation, business practices, labour markets, and post-acquisition coordination. Nevertheless, domestic transactions do not inherently generate superior value. A domestic target may still be overpriced, strategically unsuitable, or difficult to integrate, whereas a foreign target may possess capabilities that are highly complementary to the acquirer's existing technological ecosystem. The internationalisation literature therefore does not imply an unambiguous hierarchy between domestic and foreign expansion. Instead, value creation depends upon how successfully firms identify, acquire, coordinate, and exploit complementary resources (Cavusgil et al., 2004; Gabrielsson et al., 2008; García-Canal et al., 2024). This theoretical ambiguity makes the domestic and cross-border distinction an empirical question rather than an assumption about which acquisition strategy should necessarily perform better.

M&A Announcements and Shareholder Value

The shareholder-value perspective provides a direct way to assess how investors evaluate acquisition decisions. When an acquisition is announced, investors reassess the expected benefits and costs associated with the transaction and incorporate this information into the acquiring firm's market valuation. A positive market reaction indicates that investors perceive the expected benefits of the acquisition to exceed its anticipated costs, whereas a negative reaction may reflect concerns over acquisition premiums, integration difficulties, strategic fit, or uncertainty. Because security prices are also influenced by general market conditions, however, observed stock-price movements cannot automatically be attributed to the acquisition itself. Event-study research therefore focuses on abnormal returns around identifiable corporate events to isolate market responses from normal return behaviour (de Jong et al., 1992; Park, 2004; Campbell et al., 2010).

The event-study literature also demonstrates that estimates of shareholder wealth effects are sensitive to research design. de Jong et al. (1992) emphasise the importance of the statistical properties underlying abnormal-return estimation, while Park (2004) discusses additional complications arising when event studies involve international settings. Campbell et al. (2010) further show that statistical test performance can differ across event-study specifications, particularly when returns are evaluated over multi-day windows. These studies collectively indicate that conclusions about shareholder value should not be based solely on the direction of an observed stock-price movement. Reliable inference requires careful identification of the event,

appropriate estimation of normal returns, suitable event windows, and statistical assessment of whether abnormal performance differs meaningfully from zero (de Jong et al., 1992; Park, 2004; Campbell et al., 2010).

Evidence from broader event-study applications reinforces the importance of examining the timing of market adjustment. Corporate information can influence returns before, during, and after a formal event, meaning that a single announcement-day observation may not capture the entire market response. Studies of abnormal returns show that price effects may persist, reverse, or evolve following unusual corporate or market events (Clarke, 2022; Plastun et al., 2024). Methodological research similarly demonstrates that the aggregation of returns and the selection of event periods can affect statistical inference (Campbell et al., 2010; Ederington et al., 2015). For M&A research, this suggests that shareholder reactions should be considered across both individual event days and short cumulative intervals rather than interpreted solely from the announcement date.

Microsoft, Acquisition Geography, and Research Gap

These strands of literature are particularly relevant to Microsoft because its acquisition strategy takes place at the intersection of technological innovation, platform development, and international expansion. The broader technology literature suggests that externally generated innovation and complementary digital capabilities can become important inputs into firm growth (Nambisan et al., 2019; Spulber, 2019). Internationalisation research simultaneously indicates that geographically dispersed resources may enhance corporate capabilities while increasing the demands associated with coordination and organisational learning (Cavusgil et al., 2004; Gabrielsson et al., 2008). For Microsoft, therefore, domestic and cross-border acquisitions may both contribute to strategic development, but investors may evaluate their expected benefits and risks differently.

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An important gap remains between these strategic and capital-market perspectives. Internationalisation studies explain why firms seek resources and opportunities beyond their home markets, whereas event-study research provides methods for measuring how financial markets respond to corporate information (Cavusgil et al., 2004; Gabrielsson et al., 2008; Park, 2004).

However, considerably less attention is directed toward repeated domestic and cross-border acquisitions undertaken by the same technology acquirer. Focusing on one acquiring firm offers an important advantage because the publicly traded acquirer, home market, broad corporate strategy, and organisational identity remain constant across transactions. The principal variation instead concerns the acquired targets and their geographical location. This provides a relatively focused setting for identifying whether investors systematically distinguish between domestic and international acquisition activity.

The literature also provides no compelling theoretical basis for if either category must consistently dominate the other. Cross-border acquisitions may provide superior access to international capabilities but introduce greater integration uncertainty, while domestic transactions may involve lower geographic and institutional complexity without necessarily offering equally distinctive resources (Gabrielsson et al., 2008; García-Canal et al., 2024). Accordingly, this study evaluates whether Microsoft's acquisition announcements generate abnormal shareholder returns and, more importantly, whether those reactions differ systematically between domestic and cross-border transactions. The literature leads to the following hypotheses:

- H1: Microsoft's M&A announcements are associated with significant abnormal shareholder returns around the announcement period.
- H2: The shareholder-market response to Microsoft's domestic M&A announcements differs significantly from the response to its cross-border M&A announcements.
- H3: The relative market response to Microsoft's domestic and cross-border acquisitions varies across the pre-announcement, announcement, and post-announcement periods.

These hypotheses preserve the theoretically ambiguous nature of acquisition geography. Rather than presuming that domestic acquisitions create greater value or that international expansion necessarily produces superior opportunities, the study allows the empirical evidence to determine whether geographic scope represents a systematic source of differences in shareholder valuation.

Methods

Data and Sample Construction

This study applies an event-study approach to examine the shareholder-value effects of Microsoft's domestic and cross-border mergers and acquisitions (M&A) during 2014–2019. Event-study methodology is appropriate because it evaluates whether stock returns around a clearly identified corporate event differ from the returns that would normally be expected in the absence of that event (de Jong et al., 1992; Park, 2004; Campbell et al., 2010).

The M&A data are obtained from the Thomson Reuters Eikon Company Deals database. The original dataset contains information on announcement dates, target companies, acquirors, Microsoft's role in each transaction, transaction status, geographic classification, and other deal characteristics. Daily closing prices for Microsoft Corporation (MSFT.O) and the FTSE All-Share Index

(.FTAS) are also obtained from Thomson Reuters Eikon. Additional observations from 2013 are included to provide sufficient pre-event price data for acquisitions announced early in 2014.

The transaction sample is reconstructed from the original deal-level records to ensure that each target remains associated with its correct announcement date. The study includes only completed transactions in which Microsoft or a Microsoft-affiliated company appears on the acquiring side. Transactions in which Microsoft appears solely as an investor, target, or target-related parent are excluded. This procedure yields 56 acquisition transactions, consisting of 32 domestic and 24 cross-border acquisitions.

Domestic transactions are those classified as home (*HM*) in the source database, whereas foreign-target transactions are classified as cross-border (*CB*). Where more than one acquisition is announced on the same trading day, the events are treated cautiously because Microsoft has only one observable stock return for that date. Same-day transactions belonging to the same geographic group are therefore represented by a single event-date observation in the principal statistical analysis.

Acquisition Type	Transaction	Share (%)
Domestic	32	378
Cross-border	24	372
Total	56	368

Table 2. Bibliographic Corpus Construction

Event-Study Design

The announcement date reported in Thomson Reuters Eikon is defined as event day zero ($\tau = 0$). When an announcement occurs on a non-trading day, the first subsequent trading day is treated as event day zero. Event time is therefore measured in trading days rather than calendar days.

The analysis employs a seven-day event window extending from three trading days before to three trading days after the acquisition announcement:

$$[-3, +3].$$

To examine the timing of the shareholder response, the full event window is divided into three shorter intervals:

$[-3, -1]$ pre-announcement,

$[0, +1]$ Announcement,

and

$[+2, +3]$ post-announcement.

The relatively short event window reduces the likelihood that unrelated corporate or market information dominates the estimated acquisition effect while still permitting limited anticipation

and post-announcement adjustment. The use of multi-day windows is also consistent with the event-study literature, which shows that inference can depend on both event-window selection and the timing of market adjustment (Campbell et al., 2010; Ederington et al., 2015).

Normal-return parameters are estimated using approximately 91 trading observations from day -100 to day -10 relative to each acquisition announcement. The gap between the estimation window and the event period reduces the possibility that acquisition-related information influences the estimation of normal Microsoft returns.

Return and Abnormal-Return Estimation

Daily continuously compounded returns are calculated as

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

where P_t and P_{t-1} represent the closing prices on consecutive trading days. The same calculation is applied to Microsoft and the market index:

Expected Microsoft returns are estimated separately for each acquisition using the conventional market model:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}, \quad (2)$$

where R_{it} is Microsoft's return, R_{mt} is the market return, α_i is the intercept, β_i measures Microsoft's sensitivity to market movements, and ε_{it} is the residual term. The coefficients are estimated over the pre-event estimation window using ordinary least squares.

Importantly, the model relates Microsoft returns to market returns, rather than relating stock returns to the level of the market index. This provides a consistent return-based specification of expected performance in accordance with conventional event-study methodology (de Jong et al., 1992; Park, 2004; Campbell et al., 2010).

The abnormal return for acquisition i on event day τ is calculated as:

$$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt}) \quad (3)$$

A positive abnormal return indicates that Microsoft performed better than predicted by general market movements, whereas a negative abnormal return indicates relative underperformance.

Average and Cumulative Abnormal Returns

Because the study examines repeated Microsoft acquisitions, individual abnormal returns are aggregated separately for domestic and cross-border events. The average abnormal return (AAR) on event day τ is

$$AAR_{(t)} = \frac{1}{N} \sum_{i=1}^n AR_{it} \quad (4)$$

The cumulative average abnormal return (CAAR) is subsequently obtained by averaging the individual CARs:

where N represents the number of acquisition events within the relevant geographic group.

To measure the shareholder effect across several event days, cumulative abnormal return (CAR) is calculated for each acquisition as:

$$CAR_{(T1,T2)} = \sum_{t=T1}^{T2} AR_{it} \quad (5)$$

The cumulative average abnormal return (CAAR) is subsequently obtained by averaging the individual CARs:

$$CAAR_{(T1,T2)} = \frac{1}{N} \sum_{i=1}^N CAR(t_i t_1) \quad (5)$$

AAR is reported for each day from -3 to +3, while CAAR is calculated for the pre-announcement [-3, -1], announcement [0, +1], post-announcement [+2, +3], and full [-3, +3] windows. Considering daily and cumulative abnormal returns jointly prevents an isolated movement on one trading day from being interpreted automatically as a persistent shareholder wealth effect (Campbell et al., 2010; Ederington et al., 2015).

Statistical Analysis

The empirical analysis consists of two complementary comparisons. First, Microsoft abnormal returns are tested separately within the domestic and cross-border groups to determine whether the average market response differs significantly from zero. Two-tailed t-tests are applied to both daily AAR and cumulative abnormal returns, with statistical significance evaluated at the 1%, 5%, and 10% levels.

Second, the study directly compares domestic and cross-border acquisitions. This step is important because statistical significance within one group but not another does not itself establish that the two groups are statistically different. Differences in mean CAR between domestic and cross-border acquisitions are therefore evaluated using a two-sample Welch t-test. The Welch specification is preferred because it does not require equal variances or equal sample sizes across the two geographic groups.

The principal hypotheses are evaluated according to the sign, magnitude, and statistical significance of AAR and CAAR. H1 is supported where Microsoft exhibits significant abnormal returns around acquisition announcements. H2 is evaluated from the direct domestic and cross-

border comparison, while H3 is assessed by comparing the relative responses across the pre-announcement, announcement, and post-announcement windows.

The analysis consequently retains a deliberately parsimonious empirical structure. Rather than introducing multiple competing return models, the study employs one consistent market-model specification and focuses on whether the principal shareholder-value conclusions differ between Microsoft's domestic and cross-border acquisitions. This approach preserves the central economic question of the study while limiting unnecessary methodological complexity.

Result and Discussion

Table 2 provides a detailed profile of the reconstructed Microsoft acquisition sample. The final transaction-level sample contains 56 completed acquisitions between 2014 and 2019, comprising 32 domestic transactions and 24 cross-border transactions. Domestic acquisitions therefore represent 57.14% of the sample, compared with 42.86% for cross-border acquisitions. This distribution indicates that Microsoft remained active on both sides of the geographic boundary rather than relying predominantly on one acquisition strategy.

The sample reconstruction also reveals the importance of distinguishing Microsoft's actual transaction role. Of the 56 acquisitions, Microsoft is recorded as the direct acquiror in 45 transactions, comprising 27 domestic and 18 cross-border deals. The remaining 11 transactions identify Microsoft through an acquiring-parent role. After consolidating same-day acquisitions and excluding one date on which both a domestic and cross-border acquisition occurred, the principal event-study sample contains 52 unambiguous announcement dates: 31 domestic and 21 cross-border events. Important to note that transaction values are calculated only from observations with a positive Rank Value reported in the source database. Zero or missing values are treated as undisclosed. Accordingly, the value statistics should not be interpreted as Microsoft's total acquisition expenditure.

Characteristic	Assignments	Cross-Border	Total
Completed acquisition transactions	32	24	56
Share of transactions (%)	57.14	42.86	100.00
Event dates used in main analysis	31	21	52
Direct acquiror role	27	18	45
Acquiring-parent role	5	6	11
Transactions with disclosed value	4	1	5
Deal-value disclosure rate (%)	12.50	4.17	8.93
Disclosed transaction value (US\$ million)	32,192.47	2,500.00	34,692.47
Mean disclosed value (US\$ million)	8,048.12	2,500.00	6,938.49
Median disclosed value (US\$ million)	3,780.00	2,500.00	2,500.00
Largest disclosed value (US\$ million)	24,617.47	2,500.00	24,617.47

Table 2. Descriptive Profile of Microsoft M&A Sample

An important feature of Table 2 is the limited availability of transaction values. Only five of the 56 acquisitions, or 8.93%, report a positive deal value in the underlying extract. Four are domestic and one is cross-border. The disclosed domestic values are also dominated by a small number of large

transactions. Consequently, it would be inappropriate to infer that domestic acquisitions were generally larger than cross-border acquisitions or to employ transaction size as a full-sample explanatory variable. The high degree of missingness provides an additional justification for maintaining a parsimonious event-study design centred on acquisition geography.

The temporal distribution in Table 3 reveals additional heterogeneity. Acquisition activity was greatest in 2015, when Microsoft completed 18 transactions, followed by 13 transactions in 2018 and 10 in 2014. More importantly, the geographic composition changes considerably across the sample period. Seven of the ten transactions in 2014 were cross-border, while domestic and cross-border activity was evenly divided in 2015. Cross-border transactions subsequently became less prevalent: only one of seven acquisitions was cross-border in 2017, four of thirteen in 2018, and none of the three transactions recorded in 2019.

expenditure.

Year	Domestic	Cross-Border	Total	Cross-Border Share(%)
2014	3	7	10	56
2015	9	9	18	100.00
2016	2	3	5	52
2017	6	1	7	45
2018	9	4	13	11
2019	3	0	3	2,500.00
Total	31	24	56	42.56

Table 3. Annual Distribution of Microsoft Acquisitions, 2014–2019

In aggregate, 17 of the 24 cross-border acquisitions, or approximately 70.8%, occurred during 2014–2016. By contrast, 18 of the 32 domestic acquisitions, or 56.3%, were undertaken during 2017–2019. The pattern therefore suggests a shift in the geographic composition of Microsoft's acquisition activity over the sample period, although the descriptive evidence alone cannot determine whether this reflects a deliberate change in acquisition preference or changes in the availability and strategic attractiveness of potential targets.

Figure 1 visualises this evolution. The peak in 2015 is driven equally by domestic and international acquisitions, whereas the later part of the sample becomes more domestically concentrated. This temporal variation is relevant when interpreting the event-study results because geographic classification captures only one dimension of Microsoft's acquisition strategy. Internationalisation research emphasises that foreign expansion involves combinations of resource acquisition, organisational learning, network development, and cross-market coordination rather than geography alone (Cavusgil et al., 2004; Gabrielsson et al., 2008; García-Canal et al., 2024).

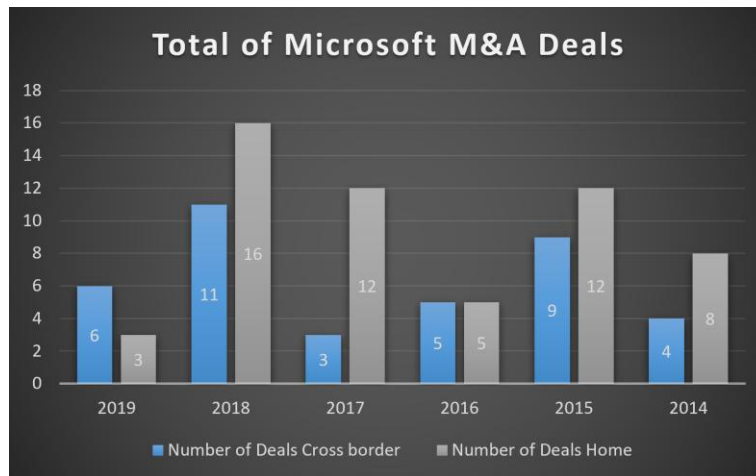


Figure 1. Microsoft M&A Transactions by Year, 2014-2019

Actual, Expected, and Abnormal Return Patterns

The first stage of the event analysis compares Microsoft's average actual returns with the returns predicted by the market model. Figures 2 and 3 reproduce the principal graphical structure of the original analysis but use the reconstructed acquisition sample, validated announcement dates, and corrected return-based market model.



Figure 2. Cross-Border Acquisition Return Patterns

The cross-border series displays a relatively distinctive temporal pattern. Average abnormal returns are positive during all three pre-announcement days: 0.343% on day -3, 0.365% on day -2, and 0.020% on day -1. The return becomes negative on the announcement date, at -0.245%, before recovering to 0.226% on day +1. The subsequent two days are both negative, with AARs of -0.249% and -0.277% on days +2 and +3, respectively.

Thus, the corrected cross-border results preserve a directional pattern in which positive pre-event returns are followed by weaker post-event performance. However, the statistical evidence presented below shows that the individual daily effects are not sufficiently precise to conclude that cross-border acquisitions systematically generate abnormal shareholder losses.



(a) Expected return



(b) Actual return



(c) Abnormal return

Figure 3. Domestic Acquisition Return Patterns

Domestic acquisitions present a somewhat different pattern. Pre-announcement abnormal returns are positive throughout days -3 to -1, although their magnitude is modest: 0.287%, 0.070%, and 0.104%, respectively. Event day zero is essentially neutral, with an AAR of only 0.004%. The return then declines to -0.281% on day +1 and -0.190% on day +2, before recovering to 0.230% on day +3.

The domestic pattern is therefore characterised less by a sharp announcement day reaction than by alternating short-run adjustment. Importantly, Microsoft's actual and abnormal returns do not move identically because part of the observed stock return is attributable to broader market movements. This distinction reinforces the usefulness of evaluating acquisition effects relative to expected rather than raw returns (de Jong et al., 1992; Park, 2004; Campbell et al., 2010).

Daily Average Abnormal Returns

Table 4 presents the formal daily AAR results. None of the domestic or cross-border daily abnormal returns is statistically significant at the conventional 5% level. Moreover, the direct Welch tests indicate that no individual event day exhibits a statistically significant difference between domestic and cross-border acquisitions.

Day	Domestic				Cross-Border				Domestic- Cross-Border	
	AAR (%)	t	p		AAR (%)	t	p		Difference (%)	p
-3	0.287	1.474	0.151		0.343	1.038	0.312		-0.056	0.884
-2	0.070	0.314	0.756		0.365	0.714	0.483		-0.295	0.602
-1	0.104	0.455	0.653		0.020	0.092	0.928		0.085	0.788
0	0.004	0.016	0.988		-0.245	-0.988	0.335		0.249	0.464
+1	-0.281	-1.217	0.233		0.226	0.619	0.543		-0.507	0.248
+2	-0.190	-0.461	0.648		-0.249	-0.808	0.429		0.059	0.910
+3	0.230	0.948	0.648		-0.277	-0.855	0.403		0.506	0.218

Table 4. Daily Average Abnormal Returns

Several observations are noteworthy. First, both groups display positive average abnormal returns throughout most of the pre-announcement period. Second, the announcement date itself produces little evidence of positive shareholder revaluation: domestic AAR is essentially zero, while cross-border AAR is negative but statistically insignificant. Third, the largest daily domestic and cross-border difference occurs on day +1, when domestic AAR is -0.281% compared with 0.226%

for cross-border acquisitions. Even this 0.507 percentage-point difference remains statistically insignificant ($p = 0.248$).

Figure 4 makes the distinction clearer. Cross-border acquisitions outperform domestically classified events immediately before the announcement and again on day +1, whereas domestic acquisitions exhibit stronger performance on days 0, +2, and particularly +3. The lines repeatedly cross, which provides an initial indication that the market does not apply a stable geographic premium or discount to Microsoft acquisitions.

The absence of persistent daily dominance is consistent with the theoretical ambiguity identified in the internationalisation literature. Cross-border transactions may provide access to knowledge, technological resources, networks, and markets but may simultaneously introduce additional coordination and integration demands (Cavusgil et al., 2004; Gabrielsson et al., 2008; García-Canal et al., 2024). Geographic location alone therefore need not determine whether investors perceive a particular acquisition positively.

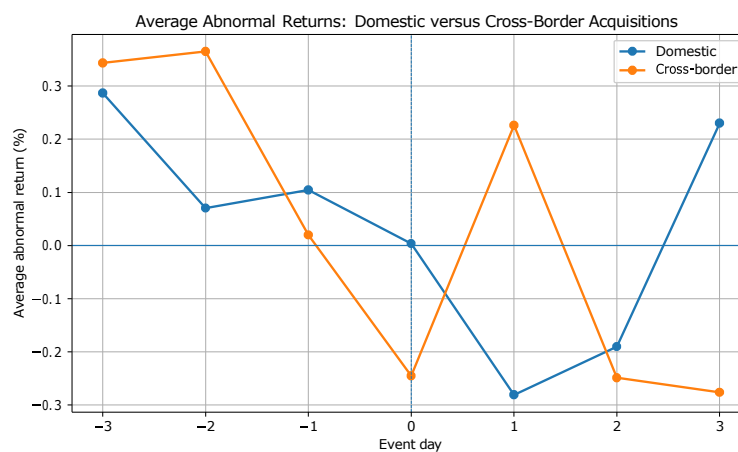


Figure 4. Average Abnormal Returns: Domestic versus Cross-Border Acquisitions

Cumulative Abnormal Returns

Daily observations provide only part of the shareholder-value picture because market adjustment may extend across several trading days. Table 5 therefore reports the distribution of CAR across the principal event windows. The table includes the mean, median, standard deviation, and proportion of positive observations for both geographic groups.

The descriptive evidence reveals important differences between mean and median performance. In the pre-announcement window, cross-border acquisitions generate a higher mean CAR of 0.728%, compared with 0.462% for domestic acquisitions. However, the cross-border median is only 0.057%, indicating that its higher mean is influenced disproportionately by a relatively small number of strongly positive observations.

Window	Domestic				Cross-Border			
	Mean (%)	Median (%)	SD (%)	Positive (%)	Mean (%)	Median (%)	SD (%)	Positive (%)
Pre [-3, -1]	0.462	0.299	1.348	58.06	0.728	0.057	2.568	52.38
Announcement [0, +1]	-0.278	-0.219	1.610	41.94	-0.020	-0.037	1.894	47.62
Post [+2, +3]	0.040	0.599	2.961	61.29	-0.525	-0.106	2.219	47.62
Full [-3, +3]	0.224	0.996	3.246	64.52	0.183	-0.731	4.114	42.86

Table 5. Descriptive Statistics of Cumulative Abnormal Returns

The announcement window produces negative average CAR for both categories, although the cross-border average is close to zero. Domestic transactions record a mean of -0.278%, compared with -0.020% for cross-border events. This evidence does not indicate an immediate positive revaluation of Microsoft following acquisition announcements.

The post-announcement window produces the clearest descriptive geographic contrast. Domestic acquisitions generate an average CAR of 0.040%, while cross-border acquisitions average -0.525%. More strikingly, the domestic median is 0.599% and 61.29% of domestic observations are positive, compared with a cross-border median of -0.106% and a positive share of 47.62%. Nevertheless, the large domestic standard deviation of 2.961% demonstrates that outcomes are highly dispersed.

For the full [-3, +3] window, average shareholder effects are remarkably similar: 0.224% for domestic acquisitions and 0.183% for cross-border acquisitions. The means therefore differ by only 0.041 percentage points. Yet their distributions differ descriptively. The median domestic CAR is positive at 0.996%, with 64.52% of observations above zero, while the cross-border median is -0.731% and only 42.86% are positive. This suggests that domestic transactions were more frequently associated with positive full-window returns, whereas cross-border outcomes had a wider and more asymmetric distribution. These distributional differences, however, should not be interpreted as statistically established geo-geographic effects without formal testing

CAAR and Statistical Significance

Table 6 reports formal tests of cumulative abnormal returns. Domestic acquisitions generate a pre-announcement CAAR of 0.462%, which is weakly significant at the 10% level ($p = 0.066$), but not at the conventional 5% level. Cross-border pre-event CAAR is larger at 0.728%, yet its greater dispersion results in a considerably weaker test statistic and a p -value of 0.209.

The pooled sample provides an additional insight. When geographic classification is ignored, the pre-announcement window generates a statistically significant CAAR of 0.569% ($p = 0.037$). In contrast, the announcement, post-announcement, and complete event windows remain statistically insignificant. The result suggests that the clearest abnormal performance is concentrated before formal acquisition announcements rather than immediately afterwards.

This pre-event effect should nevertheless be interpreted cautiously. A positive return before an announcement can be consistent with anticipation, information diffusion, or market expectations, but an event study alone cannot identify which mechanism is responsible. Nor can the analysis

establish that the pre-event return is caused exclusively by acquisition-related information. Research on event-study timing similarly cautions that abnormal performance can evolve around rather than precisely on the formal event date, making multi-day interpretation preferable to reliance on a single observation (Campbell et al., 2010; Clarke, 2022; Plastun et al., 2024).

Window	Domestic			Cross-Border			Difference		All Events	
	CAAR (%)	<i>t</i>	<i>p</i>	CAAR (%)	<i>t</i>	<i>p</i>	D-CB (%)	<i>p</i>	CAAR (%)	<i>P</i>
Pre [-3, -1]	0.462*	1.907	0.066	0.728	1.299	0.209	-0.266	0.666	0.569**	0.037
Announcement [0, +1]	-0.278	-0.960	0.345	-0.020	-0.047	0.963	-0.258	0.612	-0.173	0.470
Post [+2, +3]	0.040	0.074	0.941	-0.525	-1.085	0.291	0.565	0.436	-0.189	0.614
Full [-3, +3]	0.224	0.384	0.704	0.183	0.204	0.841	0.041	0.970	0.207	0.678

Table 6. Descriptive Statistics of Cumulative Abnormal Returns

Note: * $p < 0.10$; ** $p < 0.05$. D-CB denotes domestic minus cross-border CAAR. Between-group p -values are based on Welch tests. "All Events" pools the 52 unambiguous event dates

More importantly for the principal research question, none of the direct domestic–cross-border comparisons are statistically significant. The difference is -0.266 percentage points in the pre-event window ($p = 0.666$), -0.258 percent-age points during the announcement window ($p = 0.612$), and 0.565 percentage points after the announcement ($p = 0.436$). Across the entire $[-3, +3]$ period, the geographic difference is only 0.041 percentage points, with $p = 0.970$. Thus, although the post-event means appear visually different, the statistical evidence does not support a systematic domestic acquisition premium.

Cumulative Market Adjustment

Figure 6 traces CAAR cumulatively from day -3 through day $+3$. The figure provides a useful interpretation that is not immediately visible from the individual AAR observations. Cross-border CAAR increases relatively rapidly before the announcement, reaching approximately 0.728% by day -1 .

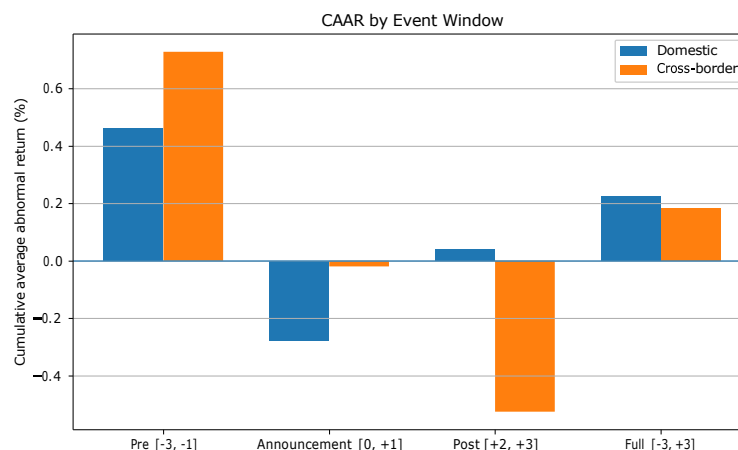


Figure 5. CAAR by Event Window

It subsequently declines on day zero, rebounds on day +1 and then falls following negative abnormal returns on days +2 and +3. By the end of the complete event window, cumulative cross-border abnormal performance has fallen to only 0.183%.

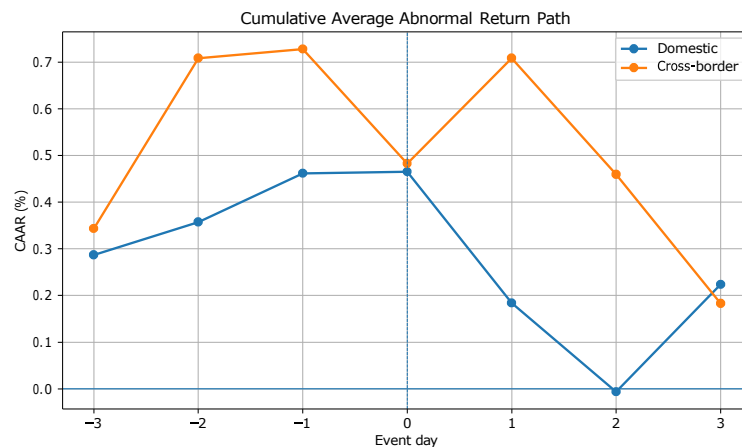


Figure 6. Cumulative Average Abnormal Return Path

Domestic CAAR follows a less pronounced path. It reaches approximately 0.462% by day -1 and remains almost unchanged on the announcement date. Negative abnormal returns on days +1 and +2 largely eliminate the pre-event gain before a recovery on day +3 produces a final CAAR of 0.224%.

The most striking feature is therefore convergence. The two categories follow different paths during the seven-day period but finish with almost identical average cumulative shareholder effects. This distinction between the path and the endpoint is important. Cross-border acquisitions experience greater pre-announcement accumulation and a larger subsequent reversal, whereas domestic acquisitions experience more moderate pre-event appreciation and a late recovery. Neither pattern, however, generates statistically different full-window share-holder value.

This finding reinforces the methodological importance of evaluating both individual-day and cumulative evidence. Event-study research demonstrates that conclusions can depend materially on event-window construction, return dispersion, and aggregation across observations (de Jong et al., 1992; Campbell et al., 2010; Ederington et al., 2015). A conclusion based solely on the negative cross-border returns at days +2 and +3, for example, would overlook the positive abnormal returns accumulated before the announcement.

Cumulative Market Adjustment

Average returns can conceal substantial deal-level heterogeneity. Figure 7 therefore presents the distribution of full-window CARs for domestic and cross-border acquisitions. The distribution confirms that the lack of a statistically significant mean difference does not imply that individual acquisitions generated similar outcomes. Domestic full-window CAR ranges from approximately

–13.66% to 4.33%, while cross-border CAR ranges from approximately –5.43% to 13.59%. The cross-border group therefore contains a comparatively strong positive tail, whereas the domestic sample contains a particularly large negative observation.

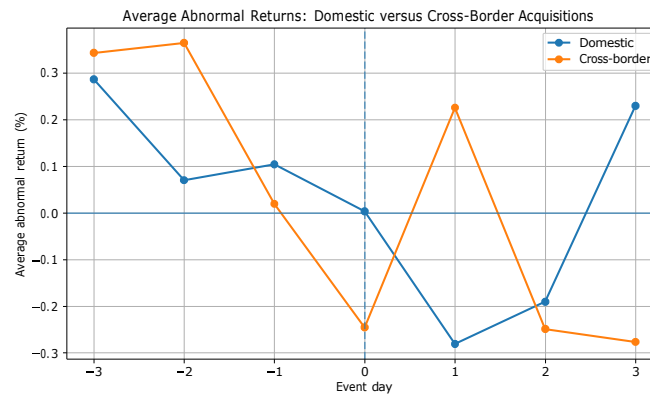


Figure 7. Distribution of Full-Window CAR [-3, +3]

This is also reflected in the difference between means and medians. Although domestic and cross-border mean full-window CARs are almost identical, their medians have opposite signs. The domestic median is 0.996%, compared with –0.731% for cross-border acquisitions. The domestic sample also records positive full-window CAR in 64.52% of events, compared with 42.86% for cross-border events. These are economically interesting descriptive differences, but the relatively small samples and considerable dispersion prevent them from producing statistically reliable differences in mean shareholder value.

Several event-specific observations illustrate this heterogeneity. The relatively high cross-border pre-event mean is influenced by the KCS net Holding AG event, which records a pre-event CAR of approximately 10.76%. Conversely, the domestic post-event distribution contains a particularly negative observation associated with Revolution Analytics Inc., with CAR of approximately –13.45% over days +2 and +3. These cases should not be interpreted as causal evidence that the acquisitions themselves generated the entire stock-price movement. Rather, they demonstrate why aggregate event-study conclusions should be resistant to individual extreme observations.

The high degree of heterogeneity is economically plausible for a technology acquirer. Acquisitions can differ substantially in intellectual property, specialised personnel, product complementarity, platform relevance, customer networks, and expected integration benefits. Research on digital innovation and platform economics similarly suggests that corporate value increasingly depends on the complementarity and coordination of technological capabilities rather than on simple geographic expansion (Nambisan et al., 2019; Roberts, 2011; Spulber, 2019).

Domestic versus Cross-Border M&A and Shareholder Value

Taken together, the results provide little evidence that geographic scope alone determines the short-run shareholder value of Microsoft acquisitions. Cross-border transactions display stronger

positive abnormal returns before announcements but weaker performance after them. Domestic acquisitions exhibit less pronounced pre-event appreciation, a weakly negative announcement response, and a more favourable descriptive recovery toward the end of the event window. Yet these different trajectories ultimately converge to nearly identical full-window CAARs.

This finding is compatible with the competing mechanisms identified in the internationalisation literature. Cross-border acquisitions can provide access to technological knowledge, talent, networks, and capabilities located outside the firm's home market, but they also require greater coordination and organisational learning (Cavusgil et al., 2004; Gabrielsson et al., 2008; García-Canal et al., 2024). The absence of a systematic cross-border discount therefore should not be interpreted as evidence that international complexity is irrelevant. Rather, it suggests that the potential costs of geographic distance may be offset by the strategic value of the resources being acquired.

Likewise, the absence of a statistically significant domestic premium suggests that familiarity and geographic proximity are insufficient, by themselves, to guarantee shareholder value creation. Microsoft operates within a technology environment in which acquired knowledge, software capabilities, developer communities, digital platforms, and complementary innovation can potentially be integrated across geographic boundaries (Nambisan et al., 2019; Spulber, 2019; Roberts, 2011). Investors may therefore evaluate the economic content of individual acquisitions more strongly than the domestic or foreign location of the target.

The findings also qualify interpretations based solely on post-announcement returns. Cross-border acquisitions record a negative post-event CAAR of -0.525% , compared with 0.040% for domestic acquisitions. Viewed in isolation, this could be interpreted as evidence that investors react less favourably to foreign acquisitions. However, the between-group difference is statistically insignificant ($p = 0.436$), cross-border acquisitions entered the announcement period with a higher accumulated pre-event return, and their final full-window CAAR re-mains positive. Methodological research emphasises precisely this need to consider event-window selection, return distributions, and cumulative rather than isolated responses when interpreting shareholder wealth effects (de Jong et al., 1992; Campbell et al., 2010; Ederington et al., 2015).

Hypothesis Assessment

Table 7 summarises the empirical implications for the three hypotheses. Accordingly, the principal finding is not that domestic M&A consistently creates shareholder value while cross-border M&A destroys it. The evidence instead points toward heterogeneous and transaction-specific market reactions. The only statistically meaningful aggregate result occurs before the formal announcement when all events are pooled. Once acquisitions are separated geographically, the differences are too small relative to their underlying dispersion to establish a systematic geographic effect.

The result gives the paper a more nuanced interpretation. For Microsoft during 2014–2019, the location of an acquisition target appears to influence the timing and shape of short-run market reactions more than the final average shareholder wealth effect. Cross-border acquisitions accumulate stronger gains before announcement but surrender much of those gains afterwards, whereas domestic acquisitions finish the seven-day window with a slightly higher CAAR and a greater proportion of positive observations. Nevertheless, both groups end with economically modest and statistically indistinguishable average cumulative returns.

Hypothesis	Empirical Evidence	Conclusion
H 1	The pooled pre-announcement CAAR is positive and significant (0.569%, $p = 0.037$), but the announcement, post-announcement, and full- window effects are statistically insignificant	Partially Supported
H 2	No domestic and cross-border difference is significant in the pre-announcement, announcement, post- announcement, or full event window. The full- window difference is only 0.041 percentage points window difference is only 0.041 percentage points	Not Supported
H3	Domestic and cross-border acquisitions display different descriptive return paths across the three intervals, but the differences are not statistically significant.	Not Supported

Table 7. Summary of Hypothesis Testing

The evidence therefore supports the broader proposition that the shareholder value of technology acquisitions cannot be reduced to a simple home-versus-foreign distinction. Strategic complementarity, technological capability, platform relevance, acquisition price, integration requirements, and investor expectations are likely to interact with geographic scope in determining how individual trans-actions are valued.

Conclusion

The empirical findings provide a more nuanced interpretation of Microsoft's acquisition activity than a simple distinction between successful domestic M&A and unsuccessful cross-border M&A. Although the two geographic groups display different return patterns around announcement dates, the differences do not translate into statistically distinct cumulative shareholder wealth effects. Domestic acquisitions generate a full-window CAAR of 0.224%, compared with 0.183% for cross-border transactions, and the difference between the two groups is statistically insignificant. The central implication is therefore that geographic scope, by itself, does not appear to determine the short-run shareholder value of Microsoft's acquisitions during 2014–2019.

This result is consistent with the broader internationalisation literature, which presents cross-border expansion as a combination of potential benefits and additional organisational challenges. International operations can provide access to new technological capabilities, knowledge,

networks, markets, and specialised resources, but they also require greater coordination across geographically and institutionally diverse environments. The absence of a significant cross-border discount in the present study suggests that these competing forces may partially offset one another. Investors may recognise the additional uncertainty associated with foreign acquisitions while simultaneously valuing the strategic resources that international targets can contribute to Microsoft's wider technological ecosystem.

The findings similarly provide little support for the proposition that domestic acquisitions necessarily produce superior shareholder value because they are easier to integrate. Domestic transactions exhibit a more favourable descriptive post-announcement pattern and a larger proportion of positive full-window CAR observations. However, their average cumulative return remains statistically insignificant. Geographic proximity may reduce some informational and institutional frictions, but it does not remove other determinants of acquisition success, such as acquisition price, technological complementarity, organisational integration, and the commercial potential of the target. The value of an acquisition therefore appears to depend more strongly on the quality and strategic relevance of the acquired resources than on domestic location alone.

This interpretation is particularly relevant for Microsoft as a technology and platform-oriented company. Technology acquisitions often involve assets whose value is not primarily geographic, including software, intellectual property, specialist employees, developer communities, data capabilities, and digital networks. Such resources can potentially be transferred and deployed across Microsoft's international operations. Research on digital innovation indicates that technological development increasingly occurs through distributed and interconnected ecosystems rather than entirely within the boundaries of individual firms. Similarly, platform economics emphasises that the value of a technological asset may arise from complementarities and interactions with existing users, services, and networks. Consequently, an internationally located target can create substantial strategic value when its capabilities are complementary to the acquirer's existing ecosystem, while a domestic target can fail to create value when strategic fit is weak.

An important finding concerns the timing of market reactions. Cross-border acquisitions exhibit comparatively strong positive abnormal returns before the formal announcement, with a pre-event CAAR of 0.728%, compared with 0.462% for domestic transactions. When all events are pooled, the pre-announcement CAAR reaches 0.569% and is statistically significant at the 5% level. In contrast, the announcement and post-announcement windows do not generate statistically significant cumulative effects. The clearest aggregate market reaction therefore occurs before rather than after the formal announcement.

Several interpretations are possible, although the event-study design does not allow them to be distinguished conclusively. Pre-announcement abnormal performance may reflect market anticipation, information diffusion, speculation, or unrelated contemporaneous information. For this reason, it should not automatically be interpreted as evidence of information leakage. Event-study research demonstrates that market reactions can occur around rather than precisely on the

formal event date and that the choice of event window can materially influence empirical conclusions. Evidence from broader abnormal-return studies similarly indicates that price responses may emerge before an event or continue afterwards rather than being concentrated entirely on day zero.

The cumulative return paths provide further insight. Cross-border acquisitions accumulate stronger abnormal gains before the announcement but subsequently surrender much of those gains during the post-event period. Domestic acquisitions display a less pronounced pre-event increase and a weaker immediate response, followed by a partial recovery toward the end of the event window. Despite these different trajectories, both groups converge to very similar cumulative returns by day +3. This convergence suggests that acquisition geography may influence the timing of investor reassessment more clearly than the final short-run wealth effect.

This distinction is important because focusing only on selected event days could produce misleading conclusions. The negative cross-border AARs observed on days +2 and +3, for example, might initially suggest that foreign acquisitions are systematically penalised by investors. However, cross-border transactions had already accumulated relatively strong positive abnormal returns before the formal announcement, and their full-window CAAR remains positive. Event-study methodology therefore requires the interpretation of daily and cumulative effects together rather than relying on isolated.

The dispersion of CARs also indicates that Microsoft acquisitions are highly heterogeneous. Domestic and cross-border transactions produce both substantially positive and substantially negative event-level outcomes. Moreover, the mean full-window CARs of the two groups are almost identical despite notice-able differences in their medians and proportions of positive observations. Such variation suggests that a relatively small number of transactions can materially affect group averages. This is consistent with the argument that M&A out-comes are transaction-specific and depend on the interaction between acquired resources and the strategic characteristics of the acquiring firm rather than on one observable characteristic such as target nationality.

For technology companies, this heterogeneity is economically plausible. In-dividual acquisitions can differ considerably in scale, strategic purpose, techno-logical relevance, integration complexity, and expected contribution to future growth. A transaction undertaken to obtain a specialised engineering capability is economically different from one intended to acquire a major digital platform, customer network, or enterprise technology. The acquisition literature should therefore be cautious about treating all domestic or all cross-border transactions as internally homogeneous categories. The present findings suggest that target geography provides useful information about the context of the transaction but only limited information about its expected shareholder-value effect.

The results also contribute to the internationalisation literature by examining domestic and cross-border acquisitions within a single repeated acquirer. Previous work emphasises that

internationalisation requires resource accumulation, learning, organisational development, and network formation. By holding the identity of the acquiring company constant, the present study reduces some of the heterogeneity that arises when acquisitions undertaken by different firms are compared. Microsoft remains the same publicly traded acquirer throughout the sample, meaning that differences in abnormal returns are less likely to arise from broad differences in acquirer governance, listing environment, or corporate identity. Nevertheless, the absence of a significant geographic effect demonstrates that controlling for acquirer identity does not make acquisition outcomes homogeneous.

The findings further carry implications for Microsoft's corporate strategy. From a managerial perspective, there is little evidence that acquisition decisions should favour domestic targets merely because they involve lower geographic complexity. Cross-border acquisition remains a potentially valuable mechanism for accessing technological resources, talent, networks, and innovation that may not be available within the home market. At the same time, the weaker post-announcement pattern observed among foreign transactions suggests that investors may require clearer evidence regarding integration, strategic complementarity, or future value creation when Microsoft expands through international M&A. The managerial challenge is therefore not to minimise geographic distance itself, but to demonstrate how the acquired capabilities fit within Microsoft's broader technological and commercial strategy.

For investors, the results imply that the domestic and cross-border classification should not be treated as a sufficient trading signal. Neither category consistently produces positive or negative abnormal returns, and the difference in full-window performance is economically small and statistically insignificant. Investors may therefore obtain more useful information from transaction-specific characteristics, including the strategic function of the target, the technology being acquired, acquisition price, expected synergies, and the relationship between the target and Microsoft's existing businesses.

The results also highlight an important methodological issue. The original Microsoft-related dataset contained transactions in which Microsoft appeared in several different corporate roles, including acquiror, investor, and target-related parent. Reconstructing the sample to retain only completed acquiring-side transactions materially improves the economic interpretation of the event study. Accurate identification of event dates and transaction roles is particularly important when a firm undertakes repeated acquisitions because classification errors can lead the same stock return to be associated with economically different corporate events. This reinforces the broader event-study literature's emphasis on event definition, benchmark specification, event-window construction, and statistical inference.

Taken together, the findings provide partial support for the proposition that Microsoft's M&A announcements contain value-relevant information, but they do not support a systematic geographic valuation effect. H1 receives only partial support because statistically significant abnormal performance is concentrated in the pooled pre-announcement period rather than consistently across the announcement and post-announcement windows. H2 is not supported

because domestic and cross-border cumulative abnormal returns are not statistically different. H3 is also not supported statistically, although the two groups exhibit visibly different return paths across the event period.

The broader implication is that the shareholder value of Microsoft's acquisition strategy cannot be reduced to a domestic versus cross-border dichotomy. Geographic scope influences the institutional and organisational context in which an acquisition takes place, but the market response appears to be shaped by a wider combination of strategic characteristics. This conclusion is consistent with research emphasising that internationalisation, technological development, and platform growth depend on the acquisition and coordination of complementary resources rather than geography alone. In Microsoft's case, the evidence suggests that investors evaluate acquisitions primarily as heterogeneous strategic events, with target geography representing one component of that assessment rather than its dominant determinant.

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