

# NATIONAL CULTURE DETERMINES M&A TRANSACTIONS

Final Result: Ethnographic M&A Heat Map

>>> Abstract <<<



InCoH study composed by Dr. Stephan Krufft

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# ABSTRACT

National culture determines M&A transactions

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This InCoH study elaborates on the significance of national culture in conducting Mergers and Acquisitions (M&A) in domestic and cross-border environments. Previous pieces of research assess the failure of M&A transactions but disregard the key causal factor for the higher rate of failure experienced by the companies involved. Specifically, other research papers do not provide a full investigation of the role of culture in trading deals that result in the collapse of a firm. To address this gap, this paper focuses on the spiritual and habitual beliefs of people involved in intra- as well as cross-border M&A transactions, and the role these play in creating success.

While conducting this research, the author<sup>1</sup> could not find any source that provided a clear answer to these issues. Studies conducted in this area either focus on specific management styles (Child, Faulkner, & Pitkethly, 2001) or are very limited in geographical scope (Brock, 2005). The current state of research in this area can be summarized best as follows:

*[...], even after 30 decades of research on cultural issues in M&As, the specific role of culture in determining merger outcomes still remains rather imprecise and muddled and so remains a continuing source of debate. (Cartwright, 2014, p. 378)*

This InCoH research paper aims to close this gap. By making culture measurable, the author will demonstrate that the success of an M&A deal is based mainly on the cultural fit. To accomplish his goal, he articulates hypotheses designed to further develop theories in this field of business. The rejection or acceptance of the tested information creates a

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<sup>1</sup> In this research paper “the author” is a synonym for “Stephan Krufft”.

better understanding of the connection between national culture and successful M&A deals.

The database for this InCoH study includes approximately 3,500 M&A transactions covering countries in four continents which were announced between 2010 and 2016. The final result of the analysis is an ethnographic heat map, which allows a simple analysis of the available data and highlights the expected outcome of the M&A transaction at stake. The major advantage of this approach is access to an ex-ante toolset based on historical data, allowing decision-makers to continue with or exit the deal based on the probability of success.

# TABLE OF CONTENTS

COPYRIGHT NOTICE .....	ii
ABSTRACT .....	iii
TABLE OF CONTENTS .....	v
TABLE OF FIGURES .....	xiii
LIST OF ABBREVIATIONS .....	xv
<b>1 Introduction</b> .....	1
1.1 Problem statement .....	1
1.2 Objective target .....	2
1.3 Structure of study .....	3
1.4 Methodology of study .....	6
1.5 Clarification of concepts .....	8
1.5.1 M&A .....	8
1.5.1.1 Typologies .....	8
1.5.1.2 Strategies.....	9
1.5.1.3 Integration approaches .....	11
1.5.2 Culture.....	12
1.5.2.1 Cultural anthropology and ethnography .....	13
1.5.2.2 Types of culture .....	14
<b>2 Background on M&amp;A</b> .....	16
2.1 Situation.....	16
2.1.1 Looking back.....	17
2.1.2 Current state .....	19
2.1.3 Looking ahead.....	22
2.2 Complications.....	23
2.2.1 Failure rate .....	24
2.2.2 Potential reasons along prime phases of M&A.....	24
2.2.2.1 Pre-acquisition review .....	24

2.2.2.2	Target screening.....	25
2.2.2.3	Due diligence .....	26
2.2.2.4	Transaction execution .....	26
2.2.2.5	Post-merger integration.....	27
2.2.3	Key findings .....	28
2.3	Solution .....	28
2.4	Judgement of this study .....	30
<b>3</b>	<b>Related work and literature review .....</b>	<b>31</b>
3.1	National culture .....	32
3.1.1	Hofstede’s cultural dimensions .....	32
3.1.1.1	Survey .....	32
3.1.1.2	Findings/ critical assessment .....	32
3.1.2	National culture and entry mode by Kogut & Singh.....	36
3.1.2.1	Survey .....	36
3.1.2.2	Findings/ critical assessment .....	37
3.1.3	Seven dimensions of culture by Trompenaars & Hampden-Turner .....	39
3.1.3.1	Survey .....	39
3.1.3.2	Findings/ critical assessment .....	39
3.1.4	GLOBE cultural competencies conceived by House .....	43
3.1.4.1	Survey .....	43
3.1.4.2	Findings/ critical assessment .....	44
3.1.5	World Values Survey .....	47
3.1.5.1	Survey .....	47
3.1.5.2	Findings/ critical assessment .....	48
3.2	M&A performance .....	50
3.2.1	Short- and medium-term financial performance/ e.g. Flugt.....	51
3.2.1.1	Survey .....	51
3.2.1.2	Findings/ critical assessment .....	52
3.2.2	Accounting performance/ e.g. Agorastos et al. ....	53
3.2.2.1	Survey .....	54
3.2.2.2	Findings/ critical assessment .....	54
3.2.3	Key informants’ retrospective assessment/ e.g. Capron .....	55

3.2.3.1	Survey .....	55
3.2.3.2	Findings/ critical assessment .....	56
3.2.4	Post-integration process performance/ e.g. Birkinshaw et al. ....	57
3.2.4.1	Survey .....	57
3.2.4.2	Findings/ critical assessment .....	58
3.2.5	Long-term financial performance/ e.g. Lubatkin .....	59
3.2.5.1	Survey .....	59
3.2.5.2	Findings/ critical assessment .....	60
3.2.6	Divestiture/ e.g. Schoenberg .....	61
3.2.6.1	Survey .....	62
3.2.6.2	Findings/ critical assessment .....	62
3.2.7	Innovation performance/ e.g. Ahuja & Katila.....	63
3.2.7.1	Survey .....	63
3.2.7.2	Findings/ critical assessment .....	64
3.3	National culture and M&A performance.....	64
3.3.1	Stahl & Voigt .....	65
3.3.1.1	Survey .....	65
3.3.1.2	Findings/ critical assessment .....	66
3.3.2	Reus & Lamont .....	68
3.3.2.1	Survey .....	68
3.3.2.2	Findings/ critical assessment .....	69
3.3.3	Chakrabarti et al. ....	70
3.3.3.1	Survey .....	70
3.3.3.2	Findings/ critical assessment .....	72
3.3.4	Gubbi et al. ....	73
3.3.4.1	Survey .....	73
3.3.4.2	Findings/ critical assessment .....	75
3.3.5	Vaara et al. ....	76
3.3.5.1	Survey .....	76
3.3.5.2	Findings/ critical assessment .....	77
3.3.6	Dikova & Sahib.....	79
3.3.6.1	Survey .....	79

3.3.6.2	Findings/ critical assessment .....	80
3.4	General evaluation of related work .....	81
<b>4</b>	<b>National culture as the determining factor in M&amp;A transactions .....</b>	<b>85</b>
4.1	Study design - framework .....	87
4.1.1	Data origin.....	87
4.1.2	Data period .....	87
4.1.3	Geographical coverage and database .....	88
4.1.4	Number of M&A transactions.....	89
4.1.5	Industry sector .....	91
4.1.6	Data methodology .....	91
4.1.6.1	National culture.....	92
4.1.6.1.1	GLOBE .....	92
4.1.6.1.2	Corruption Perceptions Index .....	94
4.1.6.1.3	Religious affiliation .....	95
4.1.6.2	M&A performance.....	96
4.1.6.3	Data structure of framework - example .....	97
4.2	Database - background on bidder and target countries .....	97
4.2.1	United States .....	98
4.2.1.1	National culture.....	99
4.2.1.2	M&A country-specifics .....	102
4.2.2	China .....	103
4.2.2.1	National culture.....	104
4.2.2.2	M&A country-specifics .....	107
4.2.3	United Kingdom.....	108
4.2.3.1	National culture.....	109
4.2.3.2	M&A country-specifics .....	111
4.2.4	Germany .....	112
4.2.4.1	National culture.....	113
4.2.4.2	M&A country-specifics .....	115
4.2.5	France .....	115
4.2.5.1	National culture.....	116
4.2.5.2	M&A country-specifics .....	118



4.2.6	Japan.....	118
4.2.6.1	National culture.....	119
4.2.6.2	M&A country-specifics .....	121
4.2.7	Brazil.....	121
4.2.7.1	National culture.....	122
4.2.7.2	M&A country-specifics .....	124
4.2.8	Italy .....	124
4.2.8.1	National culture.....	125
4.2.8.2	M&A country-specifics .....	127
4.2.9	India.....	128
4.2.9.1	National culture.....	128
4.2.9.2	M&A country-specifics .....	131
4.2.10	Russia .....	131
4.2.10.1	National culture.....	133
4.2.10.2	M&A country-specifics .....	135
4.3	Study design - implementation.....	136
4.3.1	National culture.....	136
4.3.1.1	GLOBE .....	136
4.3.1.2	Corruption Perceptions Index .....	137
4.3.1.3	Religious affiliation .....	138
4.3.2	M&A performance .....	139
4.3.2.1	Bid premium share price one day after announcement day.....	140
4.3.2.2	Bid premium share price one month after announcement day .....	141
4.3.3	Data structure of implementation - example.....	142
4.4	Hypotheses and heat maps .....	143
4.4.1	HY 01: Different countries favor M&A deals to different extents .....	144
4.4.1.1	Survey .....	144
4.4.1.2	Findings/ interpretation of results .....	145
4.4.2	HY 02: Despite lessons learned, number of failed M&A remains high .	146
4.4.2.1	Survey .....	147
4.4.2.2	Findings/ interpretation of results .....	148
4.4.3	HY 03: Company sector does not determine M&A success.....	149

4.4.3.1	Survey .....	150
4.4.3.2	Findings/ interpretation of results .....	151
4.4.4	HY 04: What matters is the countries involved/ intra-country .....	152
4.4.4.1	Survey .....	152
4.4.4.2	Findings/ interpretation of results .....	152
4.4.5	HY 05: What matters is the countries involved/ cross-country .....	154
4.4.5.1	Survey .....	154
4.4.5.2	Findings/ interpretation of results .....	155
4.4.6	Interim result: M&A heat map .....	157
4.4.7	HY 06: Cultural uniformity does not guarantee M&A success .....	159
4.4.7.1	Survey .....	160
4.4.7.2	Findings/ interpretation of results .....	161
4.4.8	HY 07: Cultural difference is not dysfunctional for M&A success rate .....	162
4.4.8.1	Survey .....	163
4.4.8.2	Findings/ interpretation of results .....	165
4.4.9	HY 08: No symmetry in cultural differences that lead to equal results .....	166
4.4.9.1	Survey .....	167
4.4.9.2	Findings/ interpretation of results .....	168
4.4.10	Final result: Ethnographic M&A heat map .....	169
4.5	Summary of results and conclusion .....	174
<b>5</b>	<b>Critical assessment of this work .....</b>	<b>177</b>
5.1	Critical review of study design .....	177
5.1.1	Data origin .....	177
5.1.2	Data period .....	178
5.1.3	Geographical coverage and database .....	179
5.1.4	Number of M&A transactions .....	179
5.1.5	Industry sector .....	180
5.1.6	Data methodology .....	180
5.1.6.1	National culture .....	181
5.1.6.1.1	GLOBE .....	181
5.1.6.1.2	Corruption Perceptions Index .....	182
5.1.6.1.3	Religious affiliation .....	183

5.1.6.2	M&A performance.....	183
5.2	Critical review of hypotheses and heat maps .....	185
5.2.1	HY 01: Different countries favor M&A deals to different extents .....	185
5.2.1.1	Survey of conflicting arguments/ scholars.....	186
5.2.1.2	Findings/ evaluation.....	187
5.2.2	HY 02: Despite lessons learned, number of failed M&A remains high .	188
5.2.2.1	Survey of conflicting arguments/ scholars.....	188
5.2.2.2	Findings/ evaluation.....	189
5.2.3	HY 03: Company sector does not determine M&A success.....	190
5.2.3.1	Survey of conflicting arguments/ scholars.....	190
5.2.3.2	Findings/ evaluation.....	190
5.2.4	HY 04: What matters is the countries involved/ intra-country .....	191
5.2.4.1	Survey of conflicting arguments/ scholars.....	191
5.2.4.2	Findings/ evaluation.....	191
5.2.5	HY 05: What matters is the countries involved/ cross-country .....	192
5.2.5.1	Survey of conflicting arguments/ scholars.....	192
5.2.5.2	Findings/ evaluation.....	192
5.2.6	Interim result: M&A heat map.....	193
5.2.7	HY 06: Cultural uniformity does not guarantee M&A success .....	194
5.2.7.1	Survey of conflicting arguments/ scholars.....	194
5.2.7.2	Findings/ evaluation.....	195
5.2.8	HY 07: Cultural difference is not dysfunctional for M&A success rate.	195
5.2.8.1	Survey of conflicting arguments/ scholars.....	195
5.2.8.2	Findings/ evaluation.....	196
5.2.9	HY 08: No symmetry in cultural differences that lead to equal results ..	197
5.2.9.1	Survey of conflicting arguments/ scholars.....	197
5.2.9.2	Findings/ evaluation.....	198
5.2.10	Final result: Ethnographic M&A heat map.....	199
5.3	Summary of critical review and conclusion .....	200
<b>6</b>	<b>Recommendations for theory and practice .....</b>	<b>201</b>
<b>7</b>	<b>Overall summary .....</b>	<b>203</b>

LIST OF REFERENCES.....205  
APPENDIX A: M&A.....220  
APPENDIX B: GLOBE .....229  
APPENDIX C: CORRUPTION PERCEPTIONS INDEX .....236  
APPENDIX D: RELIGIOUS AFFILIATION .....242  
COMPANY’S PROFIL .....249  
AUTHOR’S VITA .....250

