Culture Differences and M&A Performance: A Literature Review

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ABSTRACT

Context: Previous studies have tried to find out the role of national culture in context of cross-border M&A and further tested the relationship with performance. However, the results seem to be inconclusive.

Purpose: We will do a literature review based on peer reviewed articles regarding how national culture relates to the performance of cross-border M&A.

Methodology: Literature review is based on various journals, academic articles, books through electronic databases and library.

Discussion: We argue that this is a complex subject where current methods cannot measure this relationship accurately. We also see different levels of cultures that should be included in the analysis.

Conclusion: National culture could enhance performance but not necessarily as other researchers have implicated. Future research needs more grounded theory based on these assumptions before they go any deeper into this area.

Keywords: National culture, Culture distance, Merger and Acquisition, Performance, Cross border, Literature review,
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1 INTRODUCTION

Due to the rapid change in global market, mergers and acquisitions have been embraced wholeheartedly by the business world. Today it is considered as a wealth creation strategy for rapid growth and sustainability in the market. It has been believed that M&A could help companies gain a competitive advantage by having greater market share, however, the actual outcomes is disappointing with a high failure rate range from 50 to 60 percent (Cartwright & Cooper, 1993), the rate could be even higher when it comes to cross-border M&A (Ravenscraft & Scherer, 1989). Culture conflicts then have been blamed for these unsatisfied outcomes (Very P., Lubatkin, alori, & Veiga, 1997). But unlike other criteria, the nature of culture makes it hard to quantify and measure; managers tend to neglect culture differences unless it directly related to companies’ benefits.

Most scholars and researchers have had a sense that national cultural differences in cross border M&A do matter, but to what extent and how they really matter has not been clearly outlined. Still it is believed that it can inform managers with better decisions on its targets and leading to ‘organizational and cultural fit’ (Cartwright, 1998). Scholars started to realize relationships between culture and performance in M&A but they mainly focused on organizational culture in domestic deals in the first place. With the accelerating process of globalization, more and more multinational corporations are involved in international M&A, and the “risk of incompatibility” behind different cultural backgrounds has also emerged. In the meantime, a growing theoretical literature addressing national culture and its impact on cross-border M&A has been published. Nevertheless, empirical evidence provided by those researchers has given different conclusions making this topic even more controversial. Unlike organizational culture which can be detached when people move from one firm to the other, national culture is rooted in people’s mind and highly influence organizational behavior. This also attracts our interest in investigating this specific area.

Given this background, we would like to gain a deeper understanding of the impacts of national culture distance on merger and acquisition through literature
review. Hence the purpose of our thesis is to review relevant studies and answer the central question: *How national culture relates to cross-border M&A performance?* During the process, we have found conflicting and inconclusive results from extant researches. In order to come up with our final conclusion, it is necessary to clarify the reasons for those different results as well. However, compared to organizational culture which has been published way earlier in the 1980’s, our topic in regards to cross border M&A performance and national culture has only been based on recent research from the early 90’s. There hasn’t been a wide research on the topic which limits our understanding of what is really of essence. Although “merger” and “acquisition” are two different concepts, most studies didn’t distinguish them. It is also said that only 3% of M&A are really mergers (UNCTAD, as cited in Teerikangas & very, 2006). Thus to simplify, we will use merger or acquisition or M&A to express the same meaning without differentiating them even though they are not exactly the same.

In this paper, we sort out crucial concepts and theories of culture in workplace from prevailing studies; providing an extensive overview of research on national culture-performance relationship in M&A; and explaining reasons of the differences among these extant studies. Consequently, contribute to the understanding of how culture and performance relates in international M&A. The structure of this paper is thus as follows: in the next section, we first begin with a detailed description of our method. Then we conduct theory development to interpret key concepts of different cultures and their associated terminologies. We go on to summarize key findings from existing empirical studies and critically review their methodology. Before we draw our final conclusion, a discussion is presented with a model explaining why and how other cultures should also be included in examining national culture impacts.
2 METHODOLOGY

The basis of our thesis is literature review which focuses on collecting evidence from existing studies in order to answer the review question: *How national culture influences merger and acquisition performance.* Therefore, related literature especially peer-reviewed articles and other published books are essential, and have been carefully assessed by us.

2.1 Specific Research Approach

Our main research method is based on secondary data where theories, concepts and results are collected from previous studies that have been done by other professionals related to this subject. We then provide our own understanding on this information and give final conclusion.

*Figure 1: Research approach*

The interpretation of the whole literature review will be under a thematic manner, which means reviews are organized by different topics or issues instead of time progression (The Writing Center, n.d). However, we will still use time progression when conducting specific themes (e.g. summary of extant research as shown in table 1), since the chronological way could help us understand the theoretical development through time.

While researchers have come up with different results on the same topic regarding
national culture distance impacts on M&A performance, we will thoroughly study and compare them. A “feature map” is used to summarize articles we are going to compare on this particular topic (see table 1). Feature maps are methods which can systematically analyze and record different articles in a standardized format, thus to locate similarities and dissimilarities between each studies (Hart, 1998).

2.2 Data Collection

Search strategy: in order to obtain full-range information regarding culture influence on M&A performance, our approach is from ‘broad to specific’. After identifying some key words like: culture, merger (or) acquisition, performance, we outlined the initial search and accessed online databases searched for “culture” plus “merger or acquisitions” first in order to gain a general idea and basic theories about this subject. Then we further searched culture and M&A performance relationship. Our focus then is on “national culture” plus “acquisition” plus “performance”. Several specific articles and authors were also identified during our reading of other papers, and we searched for detailed titles or author names. Main articles were obtained primarily from different databases including: ProQuest, Ebrary, Emerald, JSTOR, ScienceDirect. And we were able to acquire most full-text articles online through Mälardalen University Library. Language was restricted to English. Peer-review was also selected if possible. Besides, we made use of Google, Google scholar, few physical journals and books were obtained from the school library as well.

Selection criteria: In this stage, we first checked all the papers for relevance, eliminated articles with unclear definition between national and organizational culture, and put the rest of them into different categories: national culture, organizational culture, and several cultures. Six studies directly investigating on relationship between national culture difference and acquisition performance were selected for comparison due to the similar approach they’ve used and their comparability.
3 CONCEPTIONS OF CULTURE

Most researchers have built upon Edward Hall’s classic anthropological understanding of culture, in which he is particularly known for his high and low context (Hall, 1976). Almost all researchers have followed similar trend to form theoretical basis on their research using this classical culture concept, for example Hofstede’s (1980) national culture dimensions, Schein’s (1985) organizational culture, Trompenaars’ Universalism (low context) and Particularism (high context). The classical concept views culture as objectively described series of practices, assumptions, value and norms (Hastrup, as cited in (Gersten, Søderberg, & Torps (Eds.), 1998)).

Different types of cultures have been mentioned throughout the study of culture specifically in the field of organization studies and management. When it comes to M&A, researchers have mainly focused on national and organizational culture, where national culture primarily involves a deep sense of values through people’s life; organizational culture mainly represents shared beliefs within the organization activities (Hofstede, Neuijen, Ohayv, & Sanders, 1990). Professional culture also appeared in few studies (Bloor & Dawson, 1994; David & Singh, 1994; Sirmon & Lane, 2004) but has been treated differently. It is defined as occupational related beliefs, values and norms that developed through people’s working experience (Sirmon & Lane, 2004). Bloor and Dawson (1994) views it as a sub-culture of organizational culture, but Sirmon and Lane (2004) in their article argued that professional culture is the most relevant and important one compared to national or organizational culture. Since professional culture comes much later and hasn’t been considered heavily, in the following part, we will mainly review the two types of culture in detail: national and organizational culture. And then see how different cultures are connected.
3.1 National Culture

Hill (as cited in Sirmon & Lane, 2004) defined national culture as common norms, values, priorities that constitute and guide people’s way of living. There is a similar growing process in national culture, and those similarities can be easily found in our daily activities, through symbols (e.g. similar taste towards clothes), heroes (e.g. watch the same TV program and read the same newspapers that can give the same heroic images) and rituals (e.g. similar hobbies and activities during spare time) (Sliburyte, 2005). Moreover, national culture offers individuals a meaning on how things should be and should be done. It is said that these shared values are acquired in early life of one’s family, schools and other socializing practices which can have strong and long lasting impacts (Berger and Luckman, as cited in Sirmon & Lane, 2004, p.309).

However, national cultures vary from country to country and a cultural distance is assumed among them. In cross-border acquisition perspective, national culture distance can be explained by the degree to which the shared values in one country differ from those in another (Morosini, Shane, & Singh, 1998). Kougt and Singh (1988) expresses it as the standard distance in the routines, values for building up an organization, R&D development, as well as other management respects between two countries. Some studies (Datta & Puia, 1995; Weber, Shenkar, & Raveh, 1996) found there are only few theoretical and empirical researches focusing on national culture distance in cross-border M&A compared to organizational culture studies. Nevertheless, Hofstede, who has been treated as the most influential scholar in the field of national culture distance has developed four dimensions of national culture, to measure how values of one culture is relative to the others (Sliburyte, 2005).

**Hofstede’s four dimensions**

**Individualism/Collectivism:** Individualism describes individuals in a society that only take care of themselves or their immediate family, whereas collectivism expects people to combine as strong and integrated groups, which requires its members a high degree of loyalty in order to get life-time protection. (Hofstede G., 1984)
**Power Distance:** This dimension refers to the extent to which inequality is accepted when power spread among top managers and subordinates. In high power distance countries, top managers have absolute power compared to subordinates; in low power distance countries, people prefer high degree of individual autonomy, and are more likely to challenge authority. (Hofstede G., 1984)

**Masculinity/Femininity:** In masculine culture, people focus on the material success through ambition and assertiveness; in feminine culture, people concern on the quality of life by ethic pursuit, environment and service caring (Hofstede G., 1984). This dimension influences performance if difference between two countries’ scores is large, because it will be difficult for a ‘cultural fit’.

**Uncertainty Avoidance:** This dimension can be explained as the extent to which the members of a culture feel threatened by uncertain or unstructured situations. The higher scores on this dimension, the lower tolerance for uncertainty and ambiguity, and more rule-oriented the society is (Hofstede G., 2001).

Hofstede uses scores on each dimension to measure national culture distance among different countries. Here we selected a form of scores in four dimensions of three countries to see the differences in the dimensions in various countries:

*Table 1: Culture Dimension Index Scores (Hofstede G., 1980; 1984; 1998)*

<table>
<thead>
<tr>
<th>Country</th>
<th>Individualism</th>
<th>Power distance</th>
<th>Masculinity</th>
<th>Uncertainty avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>America</td>
<td>91 high</td>
<td>40 low</td>
<td>62 high</td>
<td>46 low</td>
</tr>
<tr>
<td>Sweden</td>
<td>71 high</td>
<td>31 low</td>
<td>5 low</td>
<td>29 low</td>
</tr>
<tr>
<td>Arab</td>
<td>38 low</td>
<td>80 high</td>
<td>52 middle</td>
<td>68 high</td>
</tr>
</tbody>
</table>

We have also found in few studies the fifth dimension named Long-Term Orientation (initially called "Confucian dynamism") which tries to distinguish whether people’s behavior and thoughts are affected by the past or future. But in here we only focus on four dimensions instead of five, since most studies used the four dimensions in their research.
3.2 Organizational Culture

Organizational culture could be described as set of shared norms, values and attributes that stands for and make up an organization (Jones, 2005). It could also be explained as the standard behavior adapted by people towards organizational practices. In other words “Making people speak the same language” within the organization (Cartwright & Cooper, 1992). Compared to national culture, organizational culture identity equips its members with more proximal guidance on their actions (Smircich.L, 1983). Although organizational culture to some extent can shape people’s behavior, it cannot overtake or surpass the influence of national culture. (Hofstede G., 1991). Culture in an organization is formed through shared experience of its members and is transmitted to its member via socialization and role orientation (Jones, 2005). A well designed organizational culture can enhance the effectiveness of performance and allow members to coordinate activities successfully. Contrarily, a poor organizational culture will reduce the trust among employees and induce underperformance especially in the case of M&A activities (Weber & Colin, 2003).

Empirical studies indicates that cultural typologies —role, task and person culture —should fit with the M&A firms (Gersten, Søderberg, & Torps (Eds.), 1998). These typologies have to match to ensure that no clash exist among employees thus affecting operational effectiveness of a firm, which in turn might affect organizational performance. Companies with similar organizational culture merging together are not bound to succeed without having a well functioning culture that works for both contexts of the organization (Cartwright & Cooper, 1992). However, distinct from national culture, organizational culture differences between two firms can be managed or changed through some ways by:

1. Absorbing: either acquired company abandon its own culture and adapt the acquirer’s culture or vice versa;
2. Integrating: meaning two cultures inter-penetrate and adjust to each other (especially for two similar cultures);
3. Separating: both firms keep their own culture independently;
4. Creating a new culture: both sides waive their initial culture and create a new one based on the newly formed cooperation (Gao & Zhao, 2002).
Managers could choose the most appropriate model to deal with organizational cultures of the two companies.

### 3.3 Interconnection and Impacts of Different Cultures

Some studies have explored simultaneous impacts of these cultures in M&A. Olie (1990) noted that clashes of national or organizational culture in cross-border M&A depend on the integration level. Larsson & Risberg (1998) stated in their article that with similar organizational culture in domestic M&A, firms are likely to result in the highest degree of acculturation. But with higher organizational culture distance in cross-border M&A there could be an increase in cultural clashes (as illustrated in figure 2). Whilst Sirmon and Lane (2004) suggested that national culture impacts is mediated by organizational and professional culture differences, national culture distance increases organizational culture differences of the two merging firms. An example also showed by Datta and Puia (1995) in their studies that Japanese and U.S. firms have been widely realized by their huge organizational cultural differences due to their national cultural distance, which indicates that national culture has influences on organizational culture.

*Figure 2: Corporate and/or National Culture Clashes in M&A*

Sources: (Larsson & Risberg, 1998)

When these cultures come to performance relationship, (Weber, Shenkar, & Raveh, 1996) confirmed the necessity of studying different levels of cultures and concluded that both national and organizational culture are important determinants for international M&A outcomes. They found organizational culture differences had negative impacts on domestic mergers and acquisitions (DM&As) that could result in lower management commitment and cooperation, but in International mergers and acquisitions (IM&As) they have a positive impacts probably due to
the reason national culture could better predict potential conflicts. Morosini, Shane, & Singh (1998) also proposed future studies to include organizational culture when determine national culture influences on IM&A performance.

4 RELATIONSHIP BETWEEN NATIONAL CULTURE AND CROSS-BORDER M&A PERFORMANCE

4.1 What is Performance?

Performance is another key factor in our case besides national culture distance. It could include transforming strategies into desired behaviors and outcomes, communicating these expectations, supervising processes and giving feedback (Chow & Van Der Stede, 2006). This could be financial or non-financial performance. The definition of performance does not really matter in our case, but the performance measures are of concerns. For a long time, performance is based on accounting measures which subjectively evaluate how well a firm can use its assets to generate revenues (Investopedia, n.d). But as the realization of customer relationship management and production practices, managers have also implemented non-financial performance measures, such as balanced scorecards (Chow & Van Der Stede, 2006). Relating to our chosen studies, M&A performance is mainly evaluated through financial measures, for example, sales growth rate, profits, market share, etc.

4.2 Overview of Extant Studies

The national context influences the way managers from different countries approach the integration phase in acquisitions (Lubatkin, Calori, Very, & Veiga, 1998). Studies have shown that for any organization, it is essential to include cultural differences into its integration process, decision-making and evaluation in order to reach greater performance (Very, Lubatkin, & Calori, 1996). It is reasonable to think that the higher the distance between two different cultures, the harder the efforts it will take to avoid cultural clashes when mergers and acquisitions occur regardless of organizational or national culture, which would eventually result in lower value creation. Unexpectedly, empirical studies on the
relationship between national culture distance and acquisition performance have generated different results. Datta (1990) in his research concludes that international acquisition usually do not create value for shareholders in acquiring firms, since high culture differences will decrease wealth creation ability. More arguments tend to against this presumed negative impact of national culture. Researchers found national culture difference could be a factor that promotes success rather than hinder M&A performance, since an acquiring firm can gain competitive advantages by accessing diversified sets of routines and sharing resources to achieve economies of scale and scope (Morosini, Shane, & Singh, 1998; Very P., Lubatkin, alori, & Veiga, 1997). This result in some ways proved what was mentioned by (Haspeslagh & Jamison, 1991) in which organizations from two different cultures can enhance performance either through learning from each other or through specialization; meaning two firms can interact at various operating levels and pooling organizational routines, acquisitions of a firm in another country enables it to access new routines and target firm can specialize in its local framework. Later research further explored other influences together with national cultural distance, indicating that national culture impacts also depend on variables like autonomy level and relatedness, etc (Slangen, 2006; Stahl & Voigt, 2008).

Table 1 summarizes six extant research findings on the relationship between national culture differences and M&A performance by describing the key results, methods, limitations and other variables. Since these studies have followed similar pattern and methods, putting them in the table makes it easier to compare and analyze results.
<table>
<thead>
<tr>
<th>NATIVE COUNTRIES</th>
<th>EXPERIMENTAL FINDINGS</th>
<th>LIMITATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTROLS (Ethiopia, Korea)</td>
<td>Negative correlation in subsidiary culture dimension</td>
<td>Low sample size, non-representative sample</td>
</tr>
<tr>
<td>HIGHER CULTURE DISTANCE</td>
<td>Correlation coefficient high</td>
<td>Non-comparable cultural distance measures</td>
</tr>
<tr>
<td>LOWER CULTURE DISTANCE</td>
<td>Correlation coefficient low</td>
<td>Non-comparable cultural distance measures</td>
</tr>
<tr>
<td>CROSS-BORDER ACQUISITIONS</td>
<td>Sample size small</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Summary of studies regarding relationship between national culture differences and M&A performance

References: (Weber, Shane & Verhees, 1999) (data: Deloitte, 1999)
<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variables</th>
<th>Method and sample size</th>
<th>Key results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural distance</td>
<td>Performance</td>
<td>Survey by questionnaires of 2 companies</td>
<td>National culture distance has negative effects on performance (Stahel &amp; Vögele, 2008)</td>
</tr>
<tr>
<td>Cross-border acquisition</td>
<td></td>
<td></td>
<td>(Stahel, 2008)</td>
</tr>
<tr>
<td>Cultural distance and cross-border acquisition</td>
<td></td>
<td></td>
<td>(Stahel, 2008)</td>
</tr>
<tr>
<td>National culture distance</td>
<td></td>
<td></td>
<td>(Stahel, 2008)</td>
</tr>
</tbody>
</table>

Table 2 (continued)
4.3 Other Influences on M&A Performance

Merger and acquisition is a very complicated process where numerous factors could also affect its performance besides culture. How does national culture alone affect cross-border merger and acquisitions? In order to get accurate answers, previous research tried to distinguish those important variables from culture and made control of them in their empirical studies. Most commonly mentioned is the relatedness between acquiring and acquired firms. Related acquisitions can enhance the market power and performance of acquiring company, due to the economies of scale and scope. Combining specialized resources could also contribute to value creation (Datta & Puia, 1995). A simple measure is whether they are in the same industry or not (Morosini, Shane, & Singh, 1998; Datta & Puia, 1995). Integration strategy is also regarded as a key element for successful financial performance of an acquisition, and could be defined in three categories: “Integration”, “restructuring” and “independence” (Morosini, Shane, & Singh, 1998).

Olie (1990) in his findings expresses the impact of national cultures through nationalism in cross border mergers, suggesting that these differences are mediated by the integration level. For example, if integration is low, the target will be kept as a stand-alone or rather detached, then the cultural integration is also likely to be low. If the strategy is about whole integration, then the requirement for cultural integration will be high to enable cultural fit. Economic conditions during specific periods should also be taken into account. On the other hand, Teerikangas and very (2006) provided propositions to guide future research: integration strategy, the process of integration, and managerial efforts through M&A process will mediate the cultural impacts on performance.

4.4 Methodology Concerns

We argue that the conflicts results from extant studies are caused by some factors within their research methodology, and in this section we will present our critical review on their methodologies.
**Measures on Performance**

Measurement of key variables directly linked to findings and different measures could cause different results. Take performance for example, researchers have used abnormal returns, sales growth rate or managers’ perception to measure financial performance, which are not equally the same. Moreover, as merged firms are normally bigger than pre-M&A, they will definitely have larger market and sales, this cannot be taken as performance improvement and higher sales growth rate does not necessarily mean higher profits or returns. In the case where actual return is lower than the expected one, even if sales grew, shareholders would not consider it as a good performance, whereas sales managers would.

King et al. (2004), Teerikangas and Very(2006) have even indicated the limitation of accounting measure that are only based on firm’s financial benefits but ignore other gains from M&As, proposed that multiple dimensions of performance should be examined in order to get a complete picture. To eliminate prejudice between different people, we find it is better to use manifold measures based on both financial and non-financial areas associated with national cultural influences. For example, the four perspectives of balanced scorecard tool which includes measure of financial; customer; internal business process; organizational learning and growth (Kaplan & Norton, 1992; Gates & Very, 2003).

Another crucial question is when to measure performance, during the process or few years after M&A will most likely give paradoxical results. Someone chooses a time period of two years after the acquisition because this time is critical to overall performance. But this method posts a static point of view on a dynamic changing process of M&A activity. Even if firms are only concerned about post-M&A performance, ignoring the influence during M&A process may cause misunderstanding that national culture differences can always benefits firms no matter what. But what if well performed firms have managed the cultural gaps even from the pre-planning step, and this awareness is the real success factor? The question still remains unexplored.
**Samples**

Samples in this case include two major concerns: time and location. The samples on M&A are in different time zones between 1978 and 2001. The very first sample collected by Datta & Puia in 1995 was between 1978-1990. Whereas extensive studies involve national culture in M&A only started in 1990 (Teerikangas & Very, 2006). Later research after that time mostly suggested positive impacts exist. This makes us doubt whether the increasing attention on national culture has helped firms to enhance their performance. If so, this could also imply that national culture initially has a negative effect on performance, but since managers have noticed the importance, they may find tools to deal with it or even make use of it to gain benefits. Sampling location could also affect the final results. As indicated in most studies, one limitation of their research is the empirical findings are restricted to Western based countries. Results could be different if larger distant cultures are included for evaluating such as Asia or other developing countries (Very P., Lubatkin, alori, & Veiga, 1997; Morosini, Shane, & Singh, 1998; Datta & Puia, 1995).

**Control variables and moderators**

We found the most complicated and confusing thing when accessing this topic is how to separate national culture from other aspects that also influence M&A outcomes. Organizational culture has been suggested to include in the control variables (Morosini, Shane, & Singh, 1998; Slangen, 2006). National culture could affect organizational culture, and they can both influence final M&A performance, ignoring the similarity between two organizational cultures would overestimate national culture differences. Other aspects still need further exploration and clarification.

So far we can identify several other variables from existing research: relatedness; size; strategy; administrative; uncertainty avoidance; economic conditions; industry; experience; autonomy removal; domestic vs. cross-border. And the list may not even complete. Although efforts have been made by researchers to identify these influences, still no comprehensive studies have been done regarding this particular side. Stahl and Voigt (2008) pointed out that most of the studies
they investigated had insufficiently controlled variables that could moderate the effects between cultural–performance relationship. Furthermore, the role of some aspects has been considered differently. Some researchers treat relatedness and strategy as control variables (Morosini, Shane, & Singh, 1998; Very P., Lubatkin, alori, & Veiga, 1997), whereas others think they are moderators that are different from control variables (Stahl & Voigt, 2008). And some put them into different propositions (Teerikangas & Very, 2006). Few studies even tested process-oriented variables together with cultural impacts, including autonomy level (Weber, Shenkar, & Raveh, 1996; Slangen, 2006), relatedness and culture dimensions (Stahl & Voigt, 2008), and they believe culture per se cannot influence performance. For instance, Slangen (2006) who uses autonomy as a separate variable accompanied with national culture distance and performance, came up with the finding that the relationship also depends on degree of autonomy. If the results are changing all the time with different variables, and scholars fail to isolate national culture from other influences, it’s impossible to get reliable results.

5 DISCUSSION

Researchers assume there is an existence of relationship between national culture differences and performance in M&A activities. They further tested this relationship by using statistical method. However, whether it is negative, positive or complex is still remaining undetermined due to contradicting findings. Although each paper alone seems convincing, they are only valid for specific backgrounds; for example specific countries, year, management style, etc. and none of them can explain the overall relationships. As we identified previously this is because of the inconsistent and deficient methods they took when examining this issue: The simplistic one measure of performance induces ambiguity understanding of performance could lead to uncertain results; different samples lead to different findings; inadequate control of variables causes inaccurate results on independent relationship between culture distance and performance. Furthermore, we found the relationship has been examined without
grounded theory support. Culture is something that cannot be quantified, we doubt if it is appropriate using quantitative way to measure it.

The necessity of studying different cultural levels when assessing national culture impacts have been mentioned, but no one has answered how and they have only been measured separately so far. Here we provide a model revealing why this is important and how they are connected:

*Figure 3: A Model of Cultural Levels*

![Diagram of Cultural Levels]

Due to the definition of professional culture, we treat it as a sub-culture that is included in and partly determined by organizational culture. National Culture can thus influence M&A performance either directly or indirectly through organizational culture, since national culture can affect organizational culture. Therefore, ignoring organizational culture in regards to national culture – performance relationship would wrongly estimate its impacts.

The above reasons limited our opportunity to get direct answer (either positive or negative relationship) from existing studies since we cannot simply choose which one to believe. What we can summarize so far from our review is that national culture differences is not necessarily a dreadful thing in cross-border M&A as people normally believe. In some ways it could enhance firms’ M&A performance by: better predicting future conflicts; learning from each other and adapting “the best of both”; making the acquiring firm easier to access the
routines and values of its target’s market. So understanding these cultural differences gives a clearer view about organizational fit and the issues that need to be addressed early, what also create a platform to engage and communicate with employees effectively ensuring that every party involved in the M&A work towards one goal.

6 CONCLUSION

We started this thesis by finding the relationship between national culture and performance of cross-border M&A activities. Although national culture differences have been confirmed as key elements that affects M&A outcomes, we found that current methods used by researchers is insufficient to give clear direction on whether it is negative or positive. Studies which prove with a positive relationship have the tendency in luring readers to believe that national culture distance is always strong enough for the success of M&A no matter what, instead, this is a very complex phenomenon and cannot simply be judged in “black or white”. What we can conclude from extant studies is that national culture differences could have positive influences on performance. Still managers need to realize the importance even before the final M&A and they should be aware of it throughout the whole process. There is no way to change or obliterate these differences, but two engaged firms can learn from each other and adapt the “best of both”.

We further argued the methods used by previous researchers which have threatened the validity of the results and narrowed the comparability among studies. This includes: measures on performance; samples they collected; and other variables control. The first problem is that they are inconsistent, with different measures, sample time and locations, control variables, the findings are hard to compare and rely on. Second, the understanding and definition of performance is questionable, since different people have different attitudes towards a good performance, this would lead to different perceptions and confusion. Third, whilst there are only two major variables in this relationship, national culture distance and performance, the effects could be enhanced or mediated by other variables, neglecting this will result in inaccurate answers. All
these imply the difficulties of the problem, which also need more effort to dig inside.

Extant studies give us the impression that this research field is still immature, current methods cannot accurately measure the relationship between national culture distance and performance in cross-border M&A. Before they go on with even more intensive empirical investigation on this topic, there is a call for grounded theory basis. Scholars better take a step back to find systematic model and theories to guide their research. For future researchers, they should also take into account the elements as we mentioned earlier eliminating the problems caused by it, these can briefly be summarized as follows: first, use consistent and overall measurements on M&A performance; second, thoroughly study other variables that could also influence this relationship, sufficiently control them or provide with adequate propositions. Organizational culture should be included in the analysis, as the model we constructed, interconnection between levels of culture makes this problem more challenging; third, besides survey-based quantitative methods, more qualitative research should also be conducted in order to improve and perfect current findings.

Since our thesis is based on the review of previous studies, having sufficient documents and taking comprehensive assessment of these documents become essential and crucial for us. Even though we have put as much effort as we could, we still feel our literature review is just a tip on the iceberg among numerous studies because of limited time and resources. Besides, our lack of knowledge and capability also affected our studies. For example, we found there are some experts holding suspect on the exactitude and reliability of Hofstede’s theory and recommend to use alternative culture distances measures, such as Euclidean distance index developed by Drogendijk and Slangen, or Psychic distance proposed by Dow and Karunaratna (Gunter & Andreas, 2008). However, with the deficient knowledge, we are not able to go any deeper and question Hofstede’s theory. We thus take it as given since majority of studies relied on Hofstede’s four dimensions to measure the national culture distance, and at least this is the same thing they share in common.
7 REFERENCES


http://www.unc.edu/depts/wcweb/handouts/literature_review.html


