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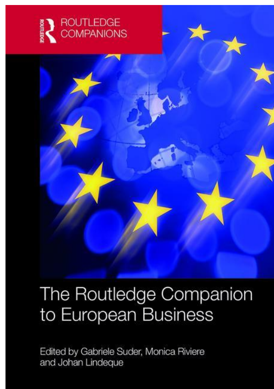

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Managing cross-border M&A

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23

MANAGING CROSS-BORDER M&A

Three approaches to takeovers in Europe

Anna John, Thomas Lawton and Maureen Meadows

Introduction

Since the early twentieth century, there have been seven 'waves' or 'peaks' in cross-border merger and acquisition (M&A) deals in Europe (Fligstein and Merand 2002; Gaughan 2010; Statista 2016). The most recent peaks were due to an increase in deals where domestic firms in the European Union (EU) were targets of foreign firms, either from elsewhere in the EU or from outside the EU (Turvill 2017). Hence, in this chapter, we focus on this type of deal.

Other chapters in this volume consider internationalisation decisions, e.g. the exporting of products and services that presume lower commitment of resources and, therefore, imply lower market and non-market risks. Our chapter adds to these discussions by centring on cross-border M&A, the internationalisation mode associated with higher commitment of resources and hence higher market and non-market risks. A merger may be defined as the combination of two or more companies to create a new entity or form a holding company (Jagersma 2005). By contrast, an acquisition is the purchase of shares or assets of another company to achieve managerial influence (Chen and Findlay 2003), not necessarily by mutual agreement (in this case the acquisition takes the form of a takeover) (Jagersma 2005). Cross-border M&A deals are those between the foreign company and the domestic company in the target country.

As in other parts of the world (Straub 2007; McMorris 2015), cross-border deals in the EU have demonstrated high failure rates (Vaara 2002; Granlund et al. 1998). In this chapter we explore why and how decisions about cross-border M&A are made in an EU context. We consider the underlying value of cross-border M&A, which choices (strategic and organisational) seem to work better for M&A deals and how they take place, that is, the various enablers, or factors – processes and value systems – affecting implementation of the deals.

The chapter is structured as follows. The subsequent sections focus on value, choices and enablers of cross-border M&A within the EU. We explore these themes by looking at three major literature streams, each suggesting its own approach to the successful management of M&A. These are the institutions lens; the resources and capabilities approach; and the firm–environment relations perspective. The chapter ends with conclusions, where we propose directions for future research into failures and successes of European cross-border M&A in the light of recent trends such as integration and disintegration in the EU, devolution of central powers to regional and national jurisdictions in European states and resilience to global recessions.

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Achieving value: Why pursue cross-border M&A in Europe?

In this section, we look into why firms pursue cross-border M&A deals in Europe and we explore this issue from the institutions perspective, the resources and capabilities perspective and the firm–environment relations perspective. Table 23.1 integrates this discussion by referring to examples of such deals for the period 2009–2011.

The institutions lens

Some studies of European cross-border foreign direct investments (FDIs) argue that, despite poorer financial performance, M&As are often preferred to joint ventures and greenfield investments because of a number of institutional factors (Nitsch et al. 1996). First and foremost, they may be viewed as better choices for reducing institutional uncertainty (Rui and Yip 2008). This is because they allow the firm to avoid institutional pressures on its existing markets and to create instant institutional embeddedness in new markets. For instance, through M&A, acquirer firms such as Kraft Foods (US) and Abbott Laboratories (US) may reduce reliance on, or even leave, markets with multiple regulatory checks such as the USA and become embedded into the institutional systems of new European markets and the overseas markets of target European firms (Column 'Institutions' in Table 23.1). This rationale for European cross-border M&A deals was confirmed for some Japanese multinational enterprises (MNEs) targeting firms in Europe (Nitsch et al. 1996). For instance, having experienced multiple checks in the market for generic pharmaceuticals in the USA, the Japanese Takeda Pharmaceutical Company had to consider European targets as bridges to new, less-regulated markets in emerging and developing economies (Column 'Institutions' in Table 23.1).

Second, European cross-border M&As may be viewed as responses to isomorphic pressures. For instance, many MNEs have opted for European cross-border M&A by mimicking the strategic moves of leading firms and by replicating their past successful choices (Yang and Hyland 2012). Some MNEs from emerging economies such as China and India (e.g. Bird, a Chinese telecommunications firm) have entered less familiar markets in Western, Central and Eastern European regions by responding to the M&A strategies of leading firms in these markets (Larçon 2008). Likewise, decisions to acquire firms in Europe were stimulated by the rise of initiatives relating to EU integration, when new legislation and professional bodies were created to support M&A activity in the region (Garette and Dussauge 2000). Garette and Dussauge (2000) stress that, until the end of the 1990s, the political environment in Europe had constrained European and non-European MNEs from acquiring market leaders, or so-called national champions in the region. For instance, it had not been feasible for the Swedish firm Volvo to purchase Peugeot and Renault. Chapman and Edmond (2000) observed a similar trend where a significant proportion of global cross-border M&A activity had been focused on the EU, stimulated by economic integration. Likewise, Rui and Yip (2008) showed that Chinese MNEs preferred M&A in Europe due to the greater development of European market institutions.

A resources and capabilities approach

In line with this approach, firms pursue M&A deals to enhance and renew their resources and capabilities (Riviere and Suder 2016) and/or because they have already developed the dynamic capabilities needed to pursue this growth strategy (Teece 2007). Regarding the former case, Anand et al. (2005) show that firms opt for cross-border acquisitions in Europe to gain access

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Table 23.1 Illustrative examples of the value of European cross-border M&A

Institutions	*Resources and capabilities*	*Firm–environment relations*
The institutions approach suggests that institutional escapism may be one of the reason behind the acquisition of **Cadbury UK** by **Kraft Foods** (now Mondelez International) (U.S.) (2009). Since the mid-2000s the latter had experienced pressures to move into overseas markets to escape multiple checks in the local US context stemming from warnings of voluntary organisations (e.g. Ban Trans-Fat), multiple campaigns and legislative propositions (e.g. Proposition N37 in California) of the US state agencies (e.g. Food and Drug Administration, FDA) against genetically modified foods and trans-fat laden foods (Chopra and Nanda 2012; Jargon and Berry 2012; Eat Local Grown 2017). Targeting a European-based company, such as **Cadbury UK**, with a strong presence in new markets in emerging and developing economies, would help to achieve this goal (Cadbury 2008).	Some European cross-border M&As were inspired by the need to enhance resources and capabilities that could help MNEs to improve their competitive positions and open up new opportunities for future growth. For example, the acquisition of **Synthes** (Switzerland) by **Johnson & Johnson** (US) was motivated by the need to improve its position vis-à-vis key competitors such as Pfizer, GlaxoSmithKline and Merck, whose shares had been rising. In the late 2000s, **Johnson & Johnson** (US) needed to develop expertise in new products and new markets in emerging economies (Das et al. 2011).	Some firms have entered into acquisition deals with European firms in an attempt to reduce their dependence on markets where their bargaining positions were weaker and where ambiguity in relationships with key stakeholders was higher. For example, firms in highly regulated industries such as food and pharmaceuticals have tried to reduce their reliance on the highly regulated US market. In such cases, they were interested not only in less regulated markets but also in those that were highly regulated given the target firm would have the capacity to manage these multiple checks on its home market.
Institutional escapism seems to be the motive behind other M&A investments into Europe by firms relying on US markets. Examples include MNEs in the pharmacetutical industry: **Abbott Laboratories** (US) (Whalen et al. 2009; Wilson 2009), **Takeda Pharmaceutical Company** (Japan) (Whipp and Jack 2011; Topham and Hirschler 2011), **Johnson** & **Johnson** (US) (JnJ News Media 2012; The Street 2012) and **Teva Pharmaceutical Industries** (Israel) (Biotech 2010; Siebelt and Burger 2010).	Similarly, **Takeda Pharmaceutical Company** (Japan) had been slow in entering new markets; hence their interest in the immediate entry into European markets by acquiring a leading firm there (Takeda 2011). Therefore, the acquisition of **Nycomed** (Switzerland) was expected to help develop regulatory expertise and commercialisation capability for new and emerging markets (Whipp and Jack 2011; Topham and Hirschler 2011; Takeda 2011)	Indeed, due to frequent litigation processes and constant checks, the bargaining positions of **Abbott Laboratories** (US) and **Johnson & Johnson** (US) vis-à-vis the US authorities (such as the Food and Drug Administration in the American markets of generic pharmaceuticals and orthopaedic surgery) substantially deteriorated by the end of the 2000s (Rottenstein Law Group 2014; Nussbaum et al. 2011). Likewise, **Takeda Pharmaceutical Company** (Japan) lost its bargaining position in its key market of generic pharmaceuticals in the USA, due to lawsuits filed in response to the company's failure to disclose cancer risks associated with several of its products (Fackler and Pollack 2014). Similarly, **Teva Pharmaceutical Industries** (Israel), specialising in generic drugs, overcame patenting litigations and substantial delays in obtaining patents for one of its leading drugs (Copaxone) in the USA (The Pharma Letter 2011; Grogan 2012). The firms had to consider reconfiguring their resource interdependencies by signing acquisition deals with targets in Europe.
By acquiring **Skype Technologies** (Luxemburg), **Microsoft Corporation** (US) was responding to competitive pressures in the market environment. The company also had to react to earlier mimetic isomorphism in the market, e.g. attempts by Google LLC to buy Skype Technologies in order to become the market leader for video content and online telephony (BBC 2011; Damouni and Rigby 2011).		Some firms opt for European cross-border M&A to gain fast access to resources that help to rapidly enhance their bargaining power in other markets. Arguably, high-tech leaders such as **Microsoft Corporation** (US) gain additional R&D expertise from European acquisitions, which further enhance their bargaining power in new host markets (Financial Times 2016).

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to such an important resource as diversity of markets. For example, the diversity of markets seemed to be one of the key drivers in the acquisition of Synthes (Switzerland) by Johnson & Johnson (US) (Column 'Resources and Capabilities' in Table 23.1). Likewise, they may be interested in M&A deals in Europe as a way to expand brand resources (Capron and Hulland 1999). Furthermore, for acquirers, target firms in Europe may be sources of dynamic capabilities. These may be related to the management of diverse markets in Europe and abroad (Anand et al., 2005). According to Pelzman (2015), these dynamic capabilities come from innovative activity. For instance, unable to induce enough innovation activity internally, MNEs from the People's Republic of China make FDIs by acquiring European firms with high innovative capability (Pelzman 2015).

In the latter case, MNEs opt for European cross-border M&A because they have already developed dynamic capabilities for managing such deals in the European context (Teece 2007; Capron and Hulland 1999).

Firm-environment relations perspective

The firm–environment relations perspective informs us that the major reason for engaging in M&A deals in Europe is the management of resource interdependencies – relationships where both actors depend upon each other in terms of access to critical external resources, such as new markets, raw materials and legal permissions (Pfeffer and Salancik 2003; Hillman et al. 2009). First, such deals help European and non-European MNEs to reduce their critical and ongoing resource interdependencies in existing markets such as the USA and Japan (Walter and Barney 1990; Somlev and Hoshino 2005; Hillman et al. 2009). For instance, as they allow immediate extension of the business resource base to relatively more stable and smaller markets in European countries and to new markets in emerging economies, deals such as the acquisition of Ratiopharm (Germany) by Teva Pharmaceutical Industries (Israel) (Column 'Firm–Environment Relations' in Table 23.1) enhance the overall bargaining power of MNEs, which further helps to negotiate more favourable conditions of access to critical resources in other host markets; hence a possibility of lower resource interdependency (Inkpen and Beamish 1997; Nitsch et al. 1995). Overall, some authors agree that firms investing in European markets would be better off with M&As that offer nearly full absorption of interdependencies than with interorganisational partnerships such as strategic alliances and joint ventures, which offer only partial absorption of interdependencies (Hillman et al. 2009; Harrigan and Newman 1990; Garette and Dussauge 2000; Dussauge 2008).

Second, M&A deals help European and non-European MNEs to reduce uncertainty surrounding their resource dependencies. Through initiatives relating to EU integration, market reforms and privatisation in transition economies in the Central and Eastern European region, the new M&A institutional and regulatory systems in the late 1990s created supportive conditions for cross-border M&A by making this entry mode less risky and by reducing its transaction costs and information assymetries in the European context (Garette and Dussauge 2000). Consequently, many MNEs revised their real options – strategies for progressing from less risky forms of business investments (e.g. alliances/joint ventures) to those with higher risks (e.g. M&A deals) (Luehrman 1998) – in Europe (Garette and Dussauge 2000). The moves to M&A suggested greater absorption of interdependencies due to higher control over resources, easier access to information about potential agents (e.g. host targets, host governments and host deal advisors) and fewer institutional and bureaucratic constraints, leading to lower transaction costs of coordination (Garette and Dussauge 2000; Dussauge 2008; Meyer 2001; Uhlenbruck and De Castro 2000).

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Yet, M&As do not always help firms to reduce resource dependencies and to mitigate uncertainty surrounding such resource dependencies. Indeed, instead of strengthening its power vis-à-vis major stakeholder groups in the home market, an acquirer firm may lose its bargaining position there, and may be forced to withdraw from foreign markets. Kolk et al. (2014) discuss one such case by looking at the example of a state-owned energy utility, Vattenfall, which had to return to its three core markets: Sweden, the Netherlands and Germany.

Making choices: Which strategies work better?

The success or failure of a cross-border M&A deal in Europe depends upon the choices (strategic and organisational) underlying the deal. This section explores what these choices are in three approaches to M&A – the institutions approach, the resources and capabilities approach, and the firm–environment relations approach. We provide illustrative examples in Table 23.2.

Table 23.2 Illustrative examples of choices underlying European cross-border M&A

Institutions	*Resources and capabilities*	*Firm–environment relations*
Institutional factors can define the choices of specific targets. For instance, by acquiring **Cadbury UK**, **Kraft Foods** (US) did not envisage entry into the UK market as its primary objective; instead, it aimed to use Cadbury UK as a route to becoming embedded into institutionally challenging markets in emerging economies, such as countries in Sub-Saharan Africa (Cadbury 2008). Likewise, other MNEs chose to acquire their targets (e.g. **Solvay S.A.** (Belgium), **Ratiopharm** (Germany) and **Nycomed** (Switzerland)) as sources of fast institutional embeddedness in unfamiliar emerging markets such as India, Brazil, Russia and China (Pharmafile 2010a; Dealbook 2010; Takeda 2011). Apart from their institutional embeddedness, **Synthes** (Switzerland) and **Ratiopharm** (Germany) revealed opportunities for **Johnson & Johnson** (US) and **Teva Pharmaceutical Industries** (Israel) respectively to reduce their tax base (coercive isomorphism) (The Street 2012; Siebelt and Burger 2010).	**Takeda Pharmaceutical Company** (Japan) chose **Nycomed** (Switzerland) as the target of an acquistion because of its large resource base (Takeda 2011). At the time of the acquisition, **Nycomed** (Switzerland) had developed a diversified product portfolio, an extensive European commercial network, strong presence in several rapidly growing and emerging markets, a broad brand portfolio, and R&D capability (Takeda 2011). Similarly, by choosing **Ratiopharm** (Germany), **Teva Pharmaceutical Industries** (Israel) would gain immediate access to a large customer base and become the world's second largest generic producer (Dealbook 2010; Siebelt and Burger 2010)	Emerging economies represent an opportunity for pharmaceutical companies. Their large populations can help to substaintially increase their international customer base. However, most of these markets have become highly competitive, suggesting greater bargaining power of their host governments and greater vulnerability of new entrant firms in applications for patents. Finding target firms to help to leverage bargaining positions is critical in these markets. It would appear that US acquirers target European firms (such as Swiss **Nycomed**, Belgian **Solvay S.A.**, Swiss **Synthes** and German **Ratiopharm**) not only to bargain for access to key European markets but also to bargain for new markets and resources in emerging economies such as India, China, Russia, Turkey and Brazil (Pharmafile 2010a; Dealbook 2010; Takeda 2011).

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The institutions lens

In this approach, studies assume that institutions shape the strategic choices of M&A (Akbar and Suder 2006). Multinational enterprises are more likely to fulfil their objectives by selecting targets that can guarantee swift institutional embeddedness, and/or can shape institutional environments to their benefit in new markets (Lebedev et al. 2015). For instance, Takeda Pharmaceutical Company (Japan) chose Nycomed (Switzerland) as an acquisition target, because the latter would guarantee institutional embeddedness into less familiar emerging markets (Column 'Institutions' in Table 23.2).

Furthermore, according to Uhlenbruck and De Castro (2000), the acquisition of privatised firms helps to establish embeddedness into institutional systems and gain access to one of the most critical stakeholders – host governments – in Central and Eastern Europe and former communist countries.

Nonetheless, some studies of European cross-border M&A caution that criteria and approaches to choices of target firms may vary across national systems (Angwin 2001). Differences in softer institutional structures predetermine differences in approaches to managing uncertainty in cross-border M&A in Germany and France (Mayrhofer 2004).

The resources and capabilities approach

In this approach, bidding firms are interested in targets and partners that help to enhance their existing resource base and bring in new capabilities which could not be developed without entering into an M&A deal (Capron and Hulland 1999). For example, Ratiopharm (Germany) appeared to be an attractive target for Teva Pharmaceutical Industries (Israel) due to its large customer base (Column 'Resources and Capabilities' in Table 23.2).

Likewise, whenever possible, target firms will be interested in acquirers and partners having a larger resource base and greater experience in M&A. For example, Forte et al. (2010) conclude that when making the choice to hire a bank advisor, target firms are interested in banks having greater reputational resources (e.g. reputation in M&A and long-term relationships with the target firm) and greater capabilities for managing complex deals (e.g. prior experience in complex M&A).

The firm–environment relations perspective

This approach suggests that, as in other contexts, the success or failure of a cross-border M&A deal in Europe is a function of how strategic choices – such as the choice of a target firm or advisory partner, and decisions about divestments and spin-offs – help to manage resource interdependencies. Multinational enterprises are more likely to fulfil their objectives through M&A if their strategic choices allow them to reduce resource interdependencies and/or reduce uncertainty surrounding these resource interdependencies. For this reason, MNEs tend to target firms that allow greater control over critical resources in the future. Specifically, MNEs may be interested in targets that allow them to absorb direct competitors or supply chain partners in the future (Haleblian et al. 2009; Deng 2009). For instance, Takeda Pharmaceutical Company (Japan) took over Nycomed (Switzerland) as its major rival in the market for generic pharmaceuticals in Europe and emerging economies (Column 'Firm–Environment Relations' in Table 23.2).

Similarly, MNEs tend to choose due diligence advisor partners who can help to reduce uncertainties due to information assymetries in acquirer-target contracts, as well as in negotiations with critical stakeholders such as government authorities and work councils (Meyer 2001; Capron and Guillén 2009).

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Finally, MNEs tend to choose payment methods that are more feasible given multiple dependencies upon certain shareholders. For instance, where measures of financial condition weaken, acquirers would prefer stock financing. However, as in the USA, this method of payment in cross-border M&A in Europe may have implications for the future ownership structure in MNEs with highly concentrated shareholdings or many blockholders (Faccio and Masulis 2005). Stock financing may reduce the share of blockholders with voting control and hence control over managerial decisions of acquiring MNEs. Once their control is threatened by stock financing of the new target, blockholders of the acquirer may be interested in preventing stock financing as a payment method. Therefore, where acquiring MNEs have more concentrated control, cross-border M&As are more likely to be financed by cash (Faccio and Masulis 2005).

Managing enablers: How are M&A strategies facilitated?

In this section, we discuss enablers; these are factors such as processes and value systems affecting the implementation of cross-border M&A deals in Europe. How are M&A strategies facilitated? We explore the institutions, resources and capabilities, and firm–environment relations approaches to this issue. Table 23.3 shows some illustrative examples.

The institutions lens

The institutions approach suggests that the success or failure of a particular M&A is a function of organisational arrangements that guarantee continuing embeddedness into the new institutional environment. For instance, successful M&As are those where organisational culture emphasises continuity of managerial teams in targets as a way to maintain successful interaction with key institutions (Lebedev et al. 2015; Angwin 2001). This was one of the reasons why it was decided that Oliver Windholz, CEO of Ratiopharm (Germany), would stay in post for an integration period after the firm was acquired by Teva Pharmaceutical Industries (Israel) (Column 'Institutions' in Table 23.3).

Also, the success or failure of a particular cross-border M&A may be a function of differences in institutional systems. Different norms and expectations of the acquirer and target firms as to what are the right ways of managing the deal may result in the new firm's inability to fulfil its objectives (Björkman and Søderberg 2006).

The resources and capabilities approach

As in other parts of the world, the success or failure of a particular cross-border M&A in Europe is a function of organisational fit and – supporting it – transition-related resources and capabilities (Altunbaş and Marqués 2008). An organisational culture that allows synergies is an important transition-related resource that enhances the performance of M&A at the post-deal stage (Altunbaş and Marqués 2008). For example, the failure of Hewlett-Packard (US) to assess these synergies at the pre-deal stage resulted in the poor performance of its target – Autonomy Corporation (UK) – at the post-deal stage (Column 'Resources and Capabilities' in Table 23.3).

The knowledge of teams managing the transition is another important resource, which acquiring firms use to create value from the deal (Grant 1996; Hébert et al. 2005). Yet, Hébert et al. (2005) caution about using expatriates as sources of knowledge. The authors conclude that expatriation may help an M&A to survive, but this survival depends upon the type of experience and knowledge expatriates have as well as their capacity to lead the transition. Furthermore, some studies point to the problem that ethnocentric views may inhibit knowledge exchange between expatriates and managerial teams in newly acquired firms (Mayrhofer and Brewster 1996).

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Table 23.3 Illustrative examples of the enablers of European cross-border M&A

Institutions	*Resources and capabilities*	*Firm–environment relations*
M&As have the potential to support organisational arrangements to preserve existing institutional embeddedness and enhance subsequent institutional integration of the acquirer. For instance, the Japanese MNE **Takeda Pharmaceutical Company** adhered to creating a culture such that **Nycomed** (Switzerland) could continue benefiting from its connectedness to market and non-market institutions and Takeda Pharmaceutical Company could learn about the new markets of its target (Takeda 2011). A similar approach was adopted in the acquisition of **Ratiopharm** (Germany) by **Teva Pharmaceutical Industries** (Israel), allowing the latter to benefit from embeddedness into legal and distributional systems created by the Merkle family and the CEO, Oliver Windholz (Pharmafile 2010b).	Examples of the enablers in **Nycomed** (Switzerland) are organisational culture stressing diversified talent and entrepreneurial leadership; and detailed due diligence and assessment of cultural fit at the pre-deal stage (Takeda 2011). By contrast, the impeding factors in **Autonomy Corporation** (UK) were loss of human capital resources, loss of key leaders and lack of capabilities in managing due diligence procedures (Chesters 2012).	An organisational culture with an emphasis on trust and transparency, as well as a commitment to reduce information assymetries, can help to reduce uncertainty in resource interdependency relations between the acquirer's and target's teams. Companies adopt different approaches to enhancing the culture of trust and commitment to mutual goals. For instance, successful acquisitions are supported by similarities in cultures, clear communication of intentions and articulation of mutual goals. These were the principles in the European acquisitions of **Takeda Pharmaceutical Company** (Japan) and **Teva Pharmaceutical Industries** (Israel) (Takeda 2011; Pharmafile 2010b). Alternatively, **Microsoft Corporation**'s (US) experience shows that it may be easier to manage M&A with smaller target companies (Statt 2013). Such companies have smaller teams whose intentions are likely to be more transparent to the acquirer; hence fewer information asymmetries and lower uncertainty in resource interdependencies (Statt 2013).

Likewise, capabilities to redeploy resources such as brands, sales forces and expertise in key areas constitute key transition-related capabilities that lead to cost-based and revenue-based synergies after the deal is complete (Capron and Hulland 1999).

The firm–environment relations perspective

From this perspective, the success or failure of a particular M&A is a function of external and internal interdependencies (Amin et al. 1992; McKiernan and Merali 1995; Norburn and Schoenberg 1994; Angwin and Savill 1997). Regarding the former, cross-border M&As in Europe trigger responses of competitors and other important stakeholder groups in the market

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and non-market environments (Amin et al. 1992). These responses may have implications for external resource interdependencies and the post-deal performance of these M&As (Amin et al. 1992).

Regarding the latter, the effectiveness of a cross-border M&A in Europe is affected by resource interdependencies in its intra-organisational relationships – those between the acquiring MNE and the target firm. Multinational enterprises manage these interdependencies by reducing information asymmetries with the target at the pre-deal stage (adverse selection) and at the post-deal stage (moral hazards) (Angwin 2001). One way of reducing information asymmetries is by choosing targets the systems and values of which are similar to those of the acquiring MNE (Angwin 2001; Epstein 2004). Some authors stress that, as in other territories such as the USA, cultural incompatibility in European cross-border M&As leads to voids in communication systems, which, in turn, cause information asymmetries and undermine post-deal performance (McKiernan and Merali 1995; Schuler and Jackson 2001; Norburn and Schoenberg 1994). Alternatively, some MNEs (e.g. Microsoft Corporation (US)) reduce potential information assymetries by choosing smaller target firms, as the intentions of such targets are likely to be more transparent; hence, there are fewer information assymetries and lower uncertainty (Column 'Firm–Environment Relations' in Table 23.3). Finally, MNEs may attempt to reduce information asymmetries by thorough due diligence (Norburn and Schoenberg 1994; McKiernan and Merali 1995; Angwin and Savill 1997).

Discussion and conclusions

Academics and practitioners have been relentless in their pursuit of a better understanding of the reasons for the success or failure of cross-border M&As. In this chapter, we revisit this issue by making an inquiry into why, which and how decisions about cross-border M&A are made in the European context. Our analysis suggests that, in most cases, these decisions and their role in failures and successes of European cross-border M&A deals have been addressed by following three major approaches: institutions, resources and capabilities, and firm–environment relations.

Each of these three approaches offers its unique view as to why some deals are more successful whereas others fail to fulfil their objectives. For example, the institutions approach helps to explain failures and successes of European cross-border deals as outcomes of institutional factors, including institutional pressures, institutional uncertainty, institutional embeddedness and institutional configurations. It assumes a passive role of firms in the external environment and argues that decisions about M&A are reactions to institutional and regulatory environments. It suggests that M&As are more likely to succeed in environments with more favourable institutional conditions (such as legislation supporting M&A activity), fewer institutional voids and greater institutional embeddedness. The institutions approach may be pertinent for firms that enter countries whose M&A institutions have formed as protectionist responses to a series of hostile takeovers of national leaders. For instance, this approach may be pertinent to firms interested in M&A in Germany, France and the Netherlands (Barbaglia et al. 2017). Inherent to this approach is becoming institutionally embedded by targeting firms and partners with strong links to the national government.

In contrast, the resources and capabilities approach views successes and failures of European cross-border M&A deals as functions of resources and capabilities. It assumes a proactive role of firms in the environment. It suggests that M&As are more likely to fulfil their objectives where the acquirers are successful in developing and using their resources and capabilities. For example, this approach may be more effective in relation to targets from countries such as the UK, France

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and Portugal, which, due to their colonial past, enjoy stronger links with new markets in emerging and developing economies, particularly in Asia and Africa. Such targets serve as bridges to new customers, have broader resource bases, stronger brand names and greater commercialisation capacity in these markets.

Finally, the firm–environment relations approach considers the successes and failures of European cross-border M&A deals as outcomes of resources interdependencies. Both firms and environments depend upon and can influence each other. This approach argues that the effectiveness of M&A deals depends upon the management of resource interdependencies. Fewer resource dependencies and lower uncertainty surrounding these dependencies lead to successful deals.

The study of M&A can benefit from each of these approaches; hence, opportunities to combine them should also be considered. Prior research has not explored complementarities among these distinct views. Future studies might address this issue by developing a multi-theoretical framework for the analysis of M&A deals. In this research, several questions may prove to be particularly important. For example, how can firms use their resources and capabilities during M&A to manage their institutional environments and their resource interdependencies? How do institutions shape resources and capabilities as well as resource interdependencies during M&A? How do the resource interdependencies of firms engaging in M&A affect their resources and capabilities and their institutional environments?

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