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Effect of Cultural Distance on Cross-Border Merger & Acquisition (M & A) Performance of Chinese Multinational Enterprises (MNEs)[†]

Zhigang Zhang[1] and Pornpen Thippayana[2,*]

[1]*College of Graduate Studies, Walailak University, Nakhon Si Thammarat 80160, Thailand*
[2]*School of Accountancy and Finance, Walailak University, Nakhon Si Thammarat 80160, Thailand*

([*]Corresponding author's e-mail: th.pornpen@gmail.com)

Abstract

This research empirically tested to the influence of cultural distance (CUD) on cross-national M&A performance of Chinese MNEs, and tested whether overseas background of executives (OBE) and firm experience of successful overseas M&As (FEOM) had the moderating effect. Referring to the theory of liability of foreignness, organizational learning theory, and cross-cultural management theory, this research supposed the negative effect of CUD on overseas M&A performance and the significant roles of OBE and FEOM to reduce this negative effect. The overseas M&A performance is measured using financial ratios of Tobin's Q (TOBQ), return on assets (ROA) and earnings per share (EPS), using the one-year lag data. Based on a sample of 189 firm-year observations results from 112 Chinese MNEs during 2008 - 2018, the multiple regression analysis was run and showed: firstly, CUD had a significantly negative influence on overseas M&A performance (TOBQ and ROA). Secondly, FEOM had a directly positively significant effect on overseas M&A performance, but not the significant moderating effect. Thirdly, however, OBE did not have significant direct or moderating effect on overseas M&A performance.

Keywords: Chinese MNEs, Cultural distance, Cross-border M&A, Overseas M&A performance

Introduction

Cultural distance reflects the degree of a nation's culture is different with another nation, in terms of differences in values, social norms, customs and traditions (Liu et al., 2019). Cultural distance has become a vital factor affecting cross-border M&As of Chinese firms (Li et al., 2016; Tao et al., 2017; Boateng et al., 2019). In recent years, more and more Chinese firms have gone abroad to expand in overseas market, with the policy support and encouragement from China government (Li & Wan, 2016; Tu & Zhang, 2021). According to data from the 2020 Statistical Bulletin of China's Outward Foreign Direct Investment, the cross-border M&A transactions of Chinese firms has sharply increasing trend during 2007 (6.3 billion $) to 2016 (135.3 billion), but starts to decrease since 2017. The unfavorable international environment would be the main reason trigger the downturn of overseas M&A transactions of Chinese firms, especially the US-China trade war since 2018, and the global outbreak of COVID-19 since 2020 (Duan et al., 2020; David, 2021). However, only a few Chinese firms have created corporate value via cross-border M&As (Zuo & Yang, 2021). Standing on cross-cultural management theory, liability of foreignness and organizational theory, this research intends to make an empirical test to how CUD would affect cross-border M&A performance of Chinese MNEs, and also examining the roles of executives' overseas background and firm experience of overseas M&As to this effect.

There are 2 aspects of contributions of this research. Firstly, there are still mixed empirical results regarding whether CUD plays directly significant role to affect cross-border M&A performance of bidder firms (Dikova & Sahib, 2013; Liu et al., 2017; Boateng et al., 2019; Liu et al., 2019; Pei & Peng, 2019),

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though the theories emphasize the negative role of CUD to performance in general. Thus, it is valuable to run more empirical tests to test relevant CUD theories. This research employed the overseas M&A transaction cases from the world largest emerging economy (mainland China) to run statistics. This contributes to test whether the relevant CUD theories are applicable to analyze overseas M&As in emerging economies. Secondly, along with more and more Chinese MNEs go abroad via overseas M&As, it is vital to detect whether and how CUD would affect cross-border M&A performance. However, a few empirical studies (Liu et al., 2019; Pei & Peng, 2019) have examined whether firm characteristics (firm experience of overseas M&A and overseas background of executives) would affect the relationship between CUD and M&A performance of Chinese firms. This research purposed to employ the most updating data of Chinese MNEs during 2008 to 2018 to do research. Research outcomes will contribute to guide Chinese MNEs managing cultural differences to realize better performance.

Literature review

Theoretical frame work of CUD and cross-border M&A

The key theories include the cross-cultural management theory, liability of foreignness theory and organizational learning theory. From the perspective of cross-cultural management theory, the larger cultural difference would weaken the efficiency and quality of communication between bidder and target firm due to the more heterogeneous backgrounds, values, and norms bring difficulties to mutual understanding (Bird & Mendenhall, 2016; Sachsenmaier & Guo, 2019). In the meantime, it would be more difficult to effectively integrate the resources after M&A, increasing the difficulties in performance improvement (Kar & Kar, 2017). From the perspective of liability of foreignness theory, the overseas M&As face larger uncertainties in operations compared with domestic M&A (Klossek et al., 2012). The higher CUD would lead to higher difficulties in managerial and technological integration. Doing overseas M&As implies that the bidder firm enters into the new market (Lim et al., 2016). Due to the constraints from nations the target firm located in, the bidder firm is in relatively weak position. Thus, the bidder firm shall spend more additional information cost so as to fast adapt in the unfamiliar local market, brining negative effect on bidder firm performance (Lewis & Bozos, 2019; Galavotti et al., 2020). Regarding the organizational learning theory, the larger CUD would bring more heterogeneous management ideas, concepts and work styles of both sides of the M&A. In this situation, the bidder firm shall adjust the organizational arrangement and management so as to adapt in changes in local market (Jain et al., 2018).

Prior literatures have 2 aspects of gaps. firstly, there are still mixed empirical results regarding the effect of CUD on the cross-border M&A performance (Park et al., 2018; Liu et al., 2019; Pei & Peng, 2019), though key theories argue that CUD is negative to associate with firm cross-border M&A performance (Matarazzo et al., 2015; Stahl et al., 2016). Therefore, it would be important to run more empirical evaluations to this relationship. Secondly, the background of executives in MNEs and firm experiences of overseas M&A would be essential to affect the economic consequences of the cross-border M&A transactions. However, a few empirical studies have integrated them to explore the mechanism of CUD affecting cross-border M&A performance, especially in Chinese MNEs (Boateng et al., 2019; Pei & Peng, 2019).

Hypothesis development

CUD reflects the degree of cultural difference between home country (China) and the host nations. Prior literatures (Park et al., 2018; Boateng et al., 2019; Pei & Peng, 2019) have debates regarding whether CUD plays positive, negative or even non-linear effect on a firm performance in cross-border M&As. This research would suppose the negative influence of CUD on the cross-border M&A performance of Chinese MNEs, referring to studies of Boateng et al. (2019) and Pei and Peng (2019). From the internal perspective of MNEs, after the completion of cross-border M&A transaction, the high degree of CUD would bring more unnecessary work conflicts and divergences to employees in home nation and the host countries (Lee et al., 2015). These divergences and conflicts would consequently weaken the work efficiency but increase the operating costs, leading to poorer profitability. The larger CUD might also make leaders' work concept unfitting with subordinates, which might further drive the

deviation of employees to corporate culture, unfavorable to improve corporate performance (Rahahleh & Wei, 2013; Bauer et al., 2016). From the external perspective, 1 reason why the MNEs' products are with high market sales in home nation but with poor sales in host nations is likely the large CUD. The cultural differences might make the products of MNEs difficult to be accepted by local market consumers, leading to weaker financial performance (Dong et al., 2019).

H1: CUD has a significantly negative effect on cross-border M&A performance of Chinese MNEs.

In overseas M&A activities, the overseas education background and overseas work experience of executives would play positive role to corporate operation. These background and experiences would enable MNEs to have advantages in human resources (Slangen, 2006; Zhu et al., 2020). Also, in the overseas communication and learning, these experiences would strengthen executives' capability to collect information and deal with complicated problems in dynamic international market. Consequently, they would be more capable to integrate resource and technology and introduce the management practices from the target firms, advantageous to enhance the sustainable development (Tu & Zhang, 2021). Thus, executives with overseas education and work background would be expected to reduce the negative effect of cultural difference on performance of MNEs. These executives are likely familiar with the diversified cultures, favorable to adapt in local work model and management. As a consequence, these executives would be valuable to promote the efficient communication of both sides during the cross-border M&A process, favorable to integrate the resources in post-period of the cross-border M&A, playing positive role to improve the performance (Liu et al., 2017; Boateng et al., 2019; Zhu et al., 2020).

H2: Overseas background of executives would weaken the negative effect of CUD on cross-border M&A performance of Chinese MNEs.

As indicated from the organizational learning theory, the learning behavior of corporate management in the bidder firm would drive executives to pay attention to the comprehensive understanding to the target firms during the cross-border M&As (Yildiz, 2014; Lim et al., 2016). Thus, it would be advantageous to drive the effective integration of culture and resources of both sides, increasing the absorptive capability and realize the synergy effect, favorable to improve the performance of cross-border M&As of MNEs (Xie et al., 2017; Jain et al., 2018). To be specific, prior experience of overseas M&As shall be essential to affect the success of future M&As in the international market (Arslan & Dikova, 2015). A firm with prior experience of successful overseas M&As would know better about the entire procedure of the merger from prior experiences, contributing to enhance the organizational learning capability and promoting the effective integration of resources (Vasilaki, 2011; Liu et al., 2019). Thus, they could be more capable to take appropriate measures and implementations to deal with the conflicts and challenges brought by CUD, beneficial to improve the performance in the post-period of cross-border M&As (Liu et al., 2017; Pei & Peng, 2019).

H3: Firm experience of overseas M&As would weaken the negative effect of CUD on cross-border M&A performance of Chinese MNEs.

Methodology

Research model

This research established 3 linear regression models to test the 3 hypotheses, referring to studies of Liu et al. (2017), Boateng et al. (2019), Liu et al. (2019) and Pei and Peng (2019).

$$TOBQ_{i,t} = \alpha + \beta_1 CUD_i + \beta_2 SIZE_{i,t-1} + \beta_3 AGE_{i,t-1} + \beta_4 NOE_{i,t-1} + \beta_5 OWC_{i,t-1} + \beta_6 FIL_{i,t-1} + \beta_7 YEAR_{i,t-1} + \varepsilon \quad (1)$$

$$TOBQ_{i,t} = \alpha + \beta_1 CUD_i + \beta_2 OBE_{i,t-1} + \beta_3 FEOM_{i,t-1} + \beta_4 OBE_{i,t-1} * CUD_i + \beta_5 SIZE_{i,t-1} + \beta_6 AGE_{i,t-1} + \beta_7 NOE_{i,t-1} + \beta_8 OWC_{i,t-1} + \beta_9 FIL_{i,t-1} + \beta_{10} YEAR_{i,t-1} + \varepsilon \quad (2)$$

$$TOBQ_{i,t} = \alpha + \beta_1 CUD_i + \beta_2 OBE_{i,t-1} + \beta_3 FEOM_{i,t-1} + \beta_4 FEOM_{i,t-1} * CUD_i + \beta_5 SIZE_{i,t-1} + \beta_6 AGE_{i,t-1} + \beta_7 NOE_{i,t-1} + \beta_8 OWC_{i,t-1} + \beta_9 FIL_{i,t-1} + \beta_{10} YEAR_{i,t-1} + \varepsilon \quad (3)$$

Definitions of variables are in **Table 1**.

Table 1 Definitions of variables.

Category	Variable		Symbol	Definition
Dependent variables	Cross-border M&A performance	Tobin's Q	TOBQ	TOBQ = Total market value/ Total asset value
		Return on assets	ROA	ROA = Net profit/ Total assets
		Earnings per share	EPS	EPS = (Net profit - preferred dividends)/ Common shares outstanding
Independent variable	CUD	Kogut-Singh index	CUD	$CUD_j = \left[\sum_{i=1}^{6} \frac{(I_{i,j} - I_{i,China})^2}{V_i}\right]/6$
Moderate variables	Overseas background of executives		OBE	Dummy variable: whether the bidder firm executives have the overseas background; if Yes, OBE = 1; if No, OBE = 0
	Firm experience of overseas M&As		FEOM	Dummy variable: Whether the bidder firm has the experience of successful overseas M&A prior to this transaction; if Yes, FEOM = 1; if No, FEOM = 0
Controlling variables	Firm size		SIZE	SIZE = Natural logarithm of total assets of the bidder firm in the year of M&A transaction being done
	Firm age		AGE	AGE = Years of the bidder firm foundation when the M&A transaction is done
	Nature of equity		NOE	Dummy variable: Whether the bidder firm is state-owned; if Yes, NOE = 1; if No, NOE = 0
	Ownership concentration		OWC	OWC = The first largest shareholding of the bidder firm
	Financial leverage		FIL	FIL = Total liabilities/ Total assets
	Sampling year		YEAR	Categorical variable: 2008 = 1, 2009 = 2, …, 2018 = 11

Population, sampling and data collection

The purpose of this research was to evaluate the impact of CUD on cross-border M&A performance of Chinese MNEs. Thus, the total population was Chinese MNEs as bidder firms to do cross-border M&As. Along with the economic integration and trade globalization, more and more Chinese companies have explored the international market via M&A activities, especially after the world financial crisis 2008. Thus, this research took the year 2008 as the starting year of the sample. This research therefore stopped the sampling year at the year 2018, to eliminate the dramatic change of external environment since 2020 (e.g. the Covid-19 pandemic). Since the 1-year lag of data is required, this research ended the sampling at the year 2018 to guarantee the availability of the data in the year 2019. In each case of the sample, the bidder firm is a Chinese MNE located in mainland China, and the target firm is in areas beyond mainland China. Also, only the successful and completed M&A transaction cases would be covered in the sample. Besides, due to the specialty of financial sector, this research would exclude the cross-border M&A transactions of Chinese financial MNEs (as bidder firms).

The data about calculating CUD was from the 6 dimensions of national culture of Hofstede (PDI, IDV, MAS, UAI, LTO, and IVR), available at the website: https://www.hofstede-insights.com/models/national-culture/. The financial data about cross-border M&As of Chinese MNEs were gathered from the database of China Stock Market Accounting Research (CSMAR). This research gathered a sample of 112 Chinese MNEs during the period 2008 - 2018, with firm-year observations of 189. The overseas M&A transactions of Chinese bidder firms cover 26 countries.

Data analysis methods

This research intends to employ E-views software to run statistics. Firstly, descriptive statistical analysis is made to draw the basic situations of sample distribution and the cross-border M&A performance of Chinese MNEs. Secondly, correlation analysis is run to check whether the IV (CUD) closely correlated with the DV (cross-border M&A performance) and with the moderate variables (overseas background of executives, and firm experience of overseas M&As). Thirdly, the major method is regression analysis for hypothesis tests.

Results

Descriptive statistic

In **Table 2** regarding the 3 performance ratios TOBQ, ROA and EPS, there were large differences between maximum and minimum values, indicating sampling firms have heterogenous levels of overseas M&A performance. The mean TBOQ was 1.7747, along with the mean values of ROA 0.0458 and EPS 0.4495. Thus, in average the sampling firms had positive overseas M&A performance. Regarding the variable CUD, it was with the mean value 3.0521, but still with large differences in maximum and minimum values. This was because the overseas M&A activities of sampling firms cover wide range of different nations in the world with large cultural differences. The heterogenous firm-specific factors would be favorable to strengthen the representativeness of the sample.

Table 2 Descriptive statistics.

	Observations	**Mean**	**Median**	**Maximum**	**Minimum**	**Std**. **Dev**.
TOBQ	184	1.7747	1.4765	8.4958	0.0984	1.0493
ROA	189	0.0458	0.0418	0.3324	−0.4305	0.0871
EPS	189	0.4495	0.3835	2.3330	−2.1043	0.6506
CUD	189	3.0521	3.6352	5.2498	0.6355	1.2170

Note: TOBQ = Tobin's Q = Total market value/Total asset value, ROA = Net profits/Total assets, EPS = (Net profit - preferred dividends)/ Common shares outstanding, CUD = Kogut-singh index

Correlation analysis

In **Table 3**, firstly, in terms of TOBQ, OBE did not correlate with it significantly. FEOM had a positively significant correlation but CUD showed negative correlation with it. Secondly regarding ROA, OBE correlated with it positively, but insignificantly. FEOM correlated with it positively but CUD correlated with it negatively. CUD had a significantly negative association with ROA. Thirdly OBE, FEOM and CUD did not have significant associations with EPS.

Table 3 Correlation analysis (n = 184).

	OBE	FEOM	CUD	TOBQ	ROA	EPS
OBE	1					
FEOM	0.356***	1				
CUD	−0.048	−0.193**	1			
TOBQ	0.124	0.593***	−0.209**	1		
ROA	0.023	0.227**	−0.216**	0.218**	1	
EPS	0.087	0.098	−0.069	0.145*	0.707***	1

Note: TOBQ = Total market value/Total asset value, ROA = Net profits/ Total assets, EPS = (Net profit-preferred dividends)/Common shares outstanding, CUD = Kogut-singh index, FEOM = Whether the bidder firm has the experience of successful overseas M&A, OBE = Whether executives have the overseas background, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

Regression analysis

In all the 6 models in **Table 4**, F-statistics was significant, indicating the good overall performance of the regression equation. Also, the Durbin-Watson statistics of all models are very close to 2. So, these models did not have the autocorrelation problem. Hypotheses tests were reported according to the significance level of regression coefficients. Firstly, as shown in Model (2), CUD had a significantly negative influence on TOBQ (Beta = −0.185**, $p < 0.01$). The hypothesis H1 was therefore supported when using TOBQ to measure performance. Secondly, according to Model (5), OBE did not affect TOBQ significantly and the cross term of OBE and CUD did not show significant influence on TOBQ too. Thus, when using TOBQ to measure the performance, the hypothesis H2 did not supported. Thirdly, according to Model (6), FEOM had a positive and significant effect on TOBQ but the cross term of FEOM and CUD did not show significant impact on TOBQ. Thus, the hypothesis H3 was not supported if TOBQ was treated to measure performance.

Table 4 Regression of TOBQ and CUD, OBE and FEOM.

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
CUD		−0.185**	−0.186**	−0.092	−0.132*	−0.091
		(0.058)	(0.058)	(0.052)	(0.066)	(0.071)
OBE			0.132	−0.261	−0.571	−0.261
			(0.159)	(0.148)	(0.346)	(0.148)
FEOM				1.175***	1.183***	1.179***
				(0.155)	(0.155)	(0.339)
OBE*CUD					0.101	
					(0.101)	
FEOM*CUD						−0.001
						(0.101)
AGE	−0.026*	−0.025*	−0.024*	−0.011	−0.010	−0.011
	(0.012)	(0.012)	(0.012)	(0.011)	(0.011)	(0.011)
FIL	−1.019*	−1.084*	−1.039*	−0.045	−0.048	−0.045
	(0.442)	(0.432)	(0.435)	(0.401)	(0.401)	(0.402)
NOE	0.153	0.033	-0.037	0.140	0.156	0.140
	(0.185)	(0.185)	(0.203)	(0.178)	(0.179)	(0.179)
OWC	0.814	0.768	0.696	0.268	0.281	0.268
	(0.457)	(0.446)	(0.454)	(0.399)	(0.399)	(0.400)
SIZE	−0.259***	−0.235***	−0.225***	−0.202***	−0.205***	−0.202***

	Model (1)	**Model (2)**	**Model (3)**	**Model (4)**	**Model (5)**	**Model (6)**
	(0.064)	(0.063)	(0.064)	(0.056)	(0.056)	(0.056)
YEAR	0.066* (0.030)	0.070* (0.029)	0.062* (0.031)	0.062* (0.027)	0.060* (0.027)	0.062* (0.027)
C	7.704*** (1.351)	7.753*** (1.317)	7.554*** (1.340)	5.895*** (1.186)	6.082*** (1.201)	5.892*** (1.204)
R-squared	0.200	0.243	0.246	0.433	0.436	0.433
F-statistic	7.379***	8.093***	7.154***	14.772***	13.393***	13.219***
Durbin-Watson stat.	1.88	1.79	1.81	1.77	1.77	1.77
Number of observations	184	184	184	184	184	184

Note: DV: TOBQ = Tobin's Q = Total market value/Total asset value
IV: CUD = Cultural distance = Kogut-singh index
Moderating variable: FEOM = Whether the bidder firm has the experience of successful overseas M&A, OBE = Whether executives have the overseas background
Controlling variables: FIL = Total liabilities/Total assets, OWC = The first largest shareholding, SIZE = Natural logarithm of total asset, AGE = Years of the bidder firm foundation when the M&A transaction is done, NOE = Whether the bidder firm is state-owned, YEAR = Sampling year
Standardized errors are in brackets
Method: Ordinary least square (OLS) regression
*$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

Robustness test

For robustness test, this research used another 2 profitability ratios ROA and EPS, as the proxy of accounting performance of Chinese MNEs, to replace TOBQ for regression. For the robustness test using ROA, firstly CUD had a significantly negative influence on ROA, supporting H1. Secondly, OBE and the cross term of OBE and CUD did not show significant effect on ROA, which did not support hypothesis H2. Thirdly, FEOM had significantly positive influence on ROA, but its cross term with CUD did not. Therefore, the hypothesis H3 was not evidenced.

For the robustness test using EPS, firstly CUD did not affect EPS significantly. Thus, the hypothesis H1 was not evidenced. Secondly, OBE and its cross term with CUD did not show significant impact on EPS. Therefore, the hypothesis H2 was not supported. Besides, FEOM and the cross term of FEOM and CUD did not affect EPS significantly. So, the hypothesis H3 was not supported.

Discussion and conclusions

Firstly, this research found that CUD plays a negative and significant influence on both TOBQ and ROA of firms, similar with prior studies of Boateng et al. (2019) and Pei and Peng (2019). According to the finding in this research, the higher the degree of CUD, the greater the differences in these 6 aspects on Hofstede's 6 dimensions of national cultural distance, indicating more heterogeneous social norms, beliefs, values, and behavioral norms between China and other nations. Consequently, the CUD will bring difficulties and challenges in cross-cultural communication between Chinese MNEs and its overseas subsidiaries. In the situation of overseas M&A, the bidder firm and the target firm are from different nations with cultural background differences. The cultural difference will increase the costs of resource integration, management and operations in the post-M&A periods, since heterogeneous differences will increase the difficulties in cross-cultural communication (Boateng et al., 2019; Pei & Peng, 2019). In the meantime, executives from bidder firm and target firm will have different managerial concepts and ideas

since they are from different nations. This may result in the managerial conflicts and weaken the financial performance of Chinese MENs.

The finding of negative role of CUD to Chinese MNEs' overseas M&A performance offered the empirical evidence to the theory of liability of foreignness (LOF). That is, on the one hand, Chinese MNEs are unfamiliar with the market environment of host nations (for instance, political, economic and institutional), because of the large CUD (Pei & Peng, 2019). In this sense, MNEs are be likely to make wrong business decisions, threatening the performance. On the other hand, the cultural difference between employees from home country of MNE and from host nations will bring conflicts and weaken the communication efficiency, which will consequently weaken the organizational operation efficiency and work performance of individuals and departments, unfavorable to the integration of human resources but damage the financial performance of MNEs (Dong et al., 2019). In the meantime, Chinese MNEs may be also difficult to establish trusting relationship with local suppliers and distributors, lacking competitive advantage in host nation markets with more heterogenous cultural backgrounds, disadvantageous to the resource integration in post-M&A periods.

Secondly, this research did not find the moderating effect of OBE on the relationship between CUD and overseas M&A performance, differing with the works of Liu et al. (2017) and Boateng et al. (2019), which have emphasized that OBE plays critical role to weaken the negative effect of CUD on overseas M&A performance. There are 2 aspects of explanations to the insignificant moderating role of OBE. On the one side, the time lag effect in overseas M&A transactions may bring uncertain role of OBE to the link between CUD and performance (Liu et al., 2019). This research used the one-year data in post-M&A period to capture the time lag effect but got insignificant result of OBE. Thus, the 1-year time might be not sufficiently to capture the time lag effect. On the other side, this research codified OBE as a dummy variable, whether the bidder firm has OBE or not. This might not fully capture the potential effects of OBE on the overseas M&A performance. The number of executives with overseas background might be more effective to capture the effect of OBE. The larger number or the higher percentage of executives with overseas background (OBE) might be more likely to affect the performance in the post-M&A period.

Thirdly this research did not find the moderating role of FEOM to the relationship between CUD and overseas M&A performance of Chinese MNEs. The regression analysis reveals that FEOM play a positive role to affect TOBQ and ROA. But the moderating role of FEOM was not significant. This result differs with Liu et al. (2017) and Pei and Peng (2019). Importantly, this research found the direct positive role of FEOM to affect overseas M&A performance. This finding is similar with the work of Zhang et al. (2010), which have all emphasized that the experience of overseas M&A plays critical role to decide whether the M&A transactions will be successful in the international market. To Chinese MNEs that make overseas M&A activities, the prior experience of successful overseas M&A (FEOM) will be beneficial to reduce the liability of foreignness brought by heterogenous cultural differences. Thus, they will adapt in the host nation market mode fast and effectively, so that they can timely adjust the operating strategies and risk prevention implementations, advantageous to improve the performance in the period of post-M&As (Xie et al., 2017). However, this research did not reveal the moderating role of FEOM to the association between CUD and performance. The possible explanation may be the time lag effect of cross-national M&A activities brings uncertainty to the moderating effect of FEOM (Liu et al., 2019). This research used the data of 1 year after the M&A to capture the time lag effect but found the insignificant moderating role of FEOM. The future studies should consider employing 2 or 3 years of post-M&A periods to test whether FEOM has the moderating effect. Another explanation is that the frequency of successful experience of overseas M&A will decide whether the moderating effect of FEOM is significant. This research codified FEOM as whether the bidder firm had the successful experience or not. This might not sufficiently capture the moderating role of FOEM. The more times of successful experience of overseas M&A may be more effective to reflect the capability of MNEs to manage the risks in overseas M&A activities.

Implications

From corporate perspective, firstly, this research revealed the negative role of CUD to overseas M&A performance. Thus, Chinese MNEs should especially notify the negative consequences of cultural differences that might bring the cultural conflicts and challenges. Thus, Chinese MNEs should make comprehensive investigation to understand the culture of host nation of the target firm prior to starting the cross-national M&A activities, so as to clearly understand the goal of M&A and the cultural characteristics of host nation markets. Also, during the procedure of M&A transactions, the both sides should have effective communication timely, and flexibly adjust the strategies, in order to reduce the negative consequences of cultural differences. In the stage of post-M&A, Chinese MNEs should unify the value and management system of both sides according to the cultural characteristics of target firms, in order to promote firms realizing the goal of M&A, improve operating performance. Secondly, this research also found the essential role of FEOM to overseas M&A performance of Chinese MNEs. Thus, the rich experience of overseas M&A and professional knowledge would enable Chinese MNEs to manage and prevent potential risks in international market. Also, the experience would be favorable to enhance the capability to adapt in host nation environment, favorable to improve performance. Thus, to Chinese MNEs without FEOM, they should make enough consulting and learning activities from relevant institutions, e.g. the professional service institutions for overseas M&As, in order to grasp sufficient professional knowledge and accumulate the experience of cross-national M&As.

There are 2 aspects of research limitations. Firstly, there was only 189 observations in this research, a relatively small sample size. The generalizability of conclusions might be restricted. Therefore, the future studies might consider enlarging the sample size covering wider range of companies. Secondly, this research used the purely secondary data to discuss the role of CUD to affect performance. It is possible that only using secondary data will not fully capture the content of CUD because cultural differences influence individual thoughts and behaviors. Thus, future studies may consider triangulating data sources by adding primary data, such as using interviews or questionnaires to enrich data. The mixed use of primary and secondary data will be favorable to more comprehensively capture how CUD will affect overseas M&A performance.

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