Open Journal of Business and Management, 2023, 11, 2890-2907
https://www.scirp.org/journal/ojbm
ISSN Online: 2329-3292
ISSN Print: 2329-3284

Is Board Gender Diversity the Key to Understanding Culture's Impact on International Merger and Acquisition Success?

Brooke Xu

Westwood High School, Austin, USA
Email: brooke.lingxi@gmail.com

How to cite this paper: Xu, B. (2023). Is Board Gender Diversity the Key to Understanding Culture's Impact on International Merger and Acquisition Success? *Open Journal of Business and Management, 11,* 2890-2907.
https://doi.org/10.4236/ojbm.2023.116160

Received: October 1, 2023
Accepted: November 7, 2023
Published: November 10, 2023

Abstract

Since its rise in popularity in the late 20th century, cross-border M & A deals have become an increasingly commonplace practice among businesses seeking to internationalize. Despite the abundant literature, findings on the correlation between cultural distance and M & A success have been contradictory. Due to the complex nature of culture, many authors suggest the existence of other external factors to be the cause of this inconclusiveness. The purpose of this study is to reassess culture's effect on M & A success within a more recent context and determine if board gender diversity moderates this relationship. The results show a positive relationship between cultural similarity and M & A success but do not suggest board gender diversity to be a moderator in this relationship. This paper concludes with a discussion of the findings and recommendations for future research. This is the first exploratory research done that investigates board gender diversity as a moderator in this context, seeking to stimulate further research in this area and make theoretical contributions.

Keywords

M & A, Gender, Culture, Business, Diversity

1. Introduction

Mergers and Acquisitions (M & A) rapidly grew in frequency in the late 20th century and are now a popular and common business strategy among firms, with trillions of dollars being transacted for M & A deals annually (Pitchbook, 2016). Especially with today's increasingly globalized market, cross-border M & A's have become one of the most popular tools for companies to extend markets and internationalize (Evenett, 2003). M & A offers several advantages including accessing scarce resources, economies of scale, and exploiting foreign market opportunities (Chakrabarti et al., 2009).

There has been extensive research focused on the impact of national culture on M & A success, but the results have been inconclusive and contradictory. There's also been a lack of literature on culture and M & A performance completed since the early 2000s, and evaluating this relationship in a newer context can encompass the changes brought by new developments and trends. Rottig and Reus (2018) recommend further research on external factors that potentially moderate culture's impact in their comprehensive literature review on culture and international acquisition performance. This exploratory study investigates whether board gender diversity of the acquiring company moderates the complex relationship between M & A success and culture. Few studies have been conducted that investigate the effect of gender in M & A deals, despite the fact that gender has been shown to have an impact on M & A (Bazel-Shoham et al., 2020). This paper will be the first exploratory research to explore board gender diversity as a moderator in the relationship between national culture and M & A success, striving to fill in knowledge gaps and stimulate further research in this area.

Drawing upon a qualitative analysis of nineteen completed M & A deals, cultural similarity was found to positively influence M & A performance, but there was a lack of evidence to suggest board gender diversity as a moderating factor. Further research is recommended to solidify these findings and advance the holistic understanding of this area in general.

The following section provides a review of the existing literature. Section 3 discusses the theoretical background and hypotheses development, Section 4 details the methodology, Section 5 discusses our findings, Section 6 includes the discussion, Section 7 provides concluding remarks and recommendations and Section 8 provides future research.

2. Literature Review

2.1. National Culture and M & A

Beginning in the 1970s, M & A research has vastly increased and expanded. There exists a multitude of literature that identifies and analyzes the different factors that affect the likelihood and returns from international M & A: culture being a prominent and highly complex one. As Rottig and Reus (2018) noted in their comprehensive literature review, the impact of national culture on M & A performance is still largely murky and incomplete, as literature found contradicting findings over the years. Over half of M & A deals ultimately result in failure (Cartwright & Cooper, 1993), and cultural differences are often blamed for the high failure rate. Datta and Puia (1995) studied 112 cross-border M & A deals and found cultural distance to be negatively associated with abnormal returns. Olie (1994) and Hsu (2022) are both case study-based literature that concluded that national cultural differences lead to M & A failure. Uhlenbruck

(2004) used archival data of over 170 M & A deals and found cultural distance to reduce the sales growth of acquired firms because acquirers learn less from experiences abroad. Ahammad and Glaister (2011) found cultural distance limits communication between involved firms and indirectly has a negative impact on M & A performance. However, they also noted that cultural distance enhances the positive effects of communication on acquisition performance.

Nonetheless, there exists a multitude of studies that have found that greater cultural distance positively correlates to international M & A success in the long run, contrary to intuitive beliefs that cultures will clash in a negative way. Chakrabarti et al. (2009) studied over 1150 international acquisitions between 1991 and 2004 and found cultural distance to be positively correlated with long-term stock market performance. This relationship persisted even after controlling for external variables. Morosini et al. (1998) found similar results when measuring success based on sales growth.

There have been several explanations brought up to explain these counter-intuitive findings. Bauer and Matzler (2014) explain that cultural differences give firms both efficiency synergies and value created from mutually supportive differences. King et al. (2004) find complementary differences to be critical for M & A success: complementary being defined as "different characteristics that are independent and mutually supportive" by Tanriverdi and Venkatraman (2005). Kim and Finkelstein (2009) point out that these differences give firms a wider array of opportunities that could not be created alone. Chakrabarti et al. (2009) notes anticipation of cultural challenges could lead firms to "take better due diligence". Very et al. (1996) found greater cultural distance to cultivate perceptions of attraction rather than stress. However, large cultural differences are known to slow down and lessen the degree of integration, prompting the question of whether the benefits of long-term financial success offset the increased integration troubles experienced in the post-merger phase (Bauer & Matzler, 2014). In fact, Chakrabarti et al. (2009) found that differences in the masculinity/femininity dimension had a particularly negative impact on integration, which could harm M & A performance.

As noted by Rottig et al. in their 2014 literature review on the impact of culture on mergers and acquisitions and again by Rottig and Reus in their 2018 comprehensive literature review on culture and international M & A, the effect of culture on M & A continues to be unclearly defined, despite the wide array of international M & A research on this topic. Both literature reviews recommend further research to explore external factors that could be affecting this relationship. This paper chooses to explore board gender diversity as a possible moderator. Additionally, there has been a notable drop in literature created in this field since the early 2000s as Rottig and Reus (2018) only list two studies done past 2010 in their table of "Studies on National Culture and International Acquisition Performance". Thus, re-evaluating this relationship within a more recent context is important.

2.2. Board Gender Diversity

Despite the large array of literature focused on M & A, there have been considerably less studies focused on the role of gender within this field. Croson and Gneezy (2009) study economic experiments to conclude that women are less inclined to risk and competition than men. The process of conducting a merger or acquisition and how the firm is subsequently managed certainly depends on factors such as risk and competition tolerance. Thus, gender should play a role in the success of M & A's (Bazel-Shoham et al., 2020).

Additionally, Adhikari (2012) found that women's confidence level and self-resilience tend to be lower than men's. When put in the context of M & A, Levi et al. (2014) found women's lower confidence to decrease their estimate of possible gains from mergers. As a result, women are less likely to participate in M & A and pay lower bid premiums than men if they do. In fact, Levi et al. (2014) also found empirical evidence that suggests that for each 10% of female directors on a board, a 7.6% reduction in acquisition bids and lower bid premium of 15.4% follows. A greater number of female board members is negatively correlated with the level of acquisitiveness of a company (Dowling & Aribi, 2013). This finding was echoed by Bazel-Shoham et al. (2020), where 4795 cross-border M & A deals were studied from 1998 to 2014.

However, Bazel-Shoham et al. (2020) also concluded that overall, greater board gender diversity results in better work environments and organizational performance, with support from Zhang and Hou (2012) and Herring (2009). Additionally, Erhardt et al. (2003) have found that a larger proportion of women on boards leads to higher company performance on ROI and ROA. Levi et al. (2014) note that women destroy less shareholder value than men because they are less motivated by empire-building. Subramanian (2021) found companies with over 30% of female board members to outperform their less gender-diverse counterparts in 11 out of the top 15 S & P 500 sections during the pandemic and 54% of companies with a board gender diversity percentage of more than 30% women experienced positive year-over-year revenue in 2020.

There exists a lack of knowledge on the effects of gender on M & A performance. This paper seeks to not only fill in knowledge gaps, but also to study how gender affects a more widely covered topic: culture's impact on M & A. A better understanding of the impact of gender and culture on M & A deals can affect firms' decisions and inspire further research to be pursued on this topic.

3. Theoretical Background and Hypotheses

3.1. Cross-Border Mergers and Acquisitions (International M & A)

The United Nations Conference on Trade and Development (UNCTAD) defines cross-border M & A in their 2000 World Investment Report. Cross-border mergers are defined as a transaction such that "the assets and operation of the two firms belonging to two different countries are combined to establish a new legal entity." In cross-border acquisitions, the control of assets and operations is transferred from a local to a foreign company, the former becoming an affiliate of the latter (UNCTAD, 2000). For the purposes of this study, mergers and acquisitions will be treated as one and the same due to their similar nature.

The term "acquirer" or "acquiring firm" is used to refer to the firm that acquires the foreign firm in the case of an acquisition. For mergers, the acquirer refers to the firm that initiated the deal. The term "target" or "acquired firm" refers to the firm being acquired in an acquisition, or the firm chosen as an attractive merger in the case of a merger.

3.2. Culture

It is important to distinguish between organizational culture and national culture, as both are commonly referred to and researched within the M & A field. Organizational culture is defined by Jones (2013) as "the set of shared values and norms that control organizational members' interaction with each other and with people outside the organization". However, Schneider (1988) fined that national culture heavily influences organizational culture. Likewise, Weber et al. (1996) concluded that national culture is more influential on some key success factors such as attitudes and cooperation than organizational culture. Thus, this study will focus on national culture, defined by Schwartz (2014) as "a set of values that are shared in a given social group and distinguish this group from others". The earliest and most influential work taken on in the field of international business and culture was done by Dutch management researcher Geert Hofstede, who defines national culture as "the collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 1980). Since then, hundreds of studies based on Hofstede's work have taken place which have greatly expanded our understanding of culture and its effects on international business. Hofstede originally came up with four dimensions that would define culture and would later add two more dimensions after realizing the need for more indicators to define culture more narrowly and accurately. Hofstede also provided country indexes on these dimensions, which made comparisons across countries easier.

Hofstede's six cultural dimensions are as follows. The individualism/collectivism (IDV) dimension assesses whether the society places more emphasis on the goals of the individual and close relatives or more emphasis on attaining the goals of a broader group. The Power Distance Index (PDI) measures the extent to which a culture accepts an unequal distribution of power; a higher PDI tends to have a very strong hierarchically structured society influenced by traits such as social status or gender. The Uncertainty Avoidance Index (UAI) measures a culture's tolerance for uncertainty; a high UAI is a society that is highly intolerant of society and seeks to avoid it, usually with conservative choices and many regulations. The masculinity/femininity (MAS) dimension defines whether a society prefers achievement and assertiveness (typically viewed as masculine) or whether a society prefers compassion and modesty (viewed as feminine). The long-term orientation (LTO) dimension looks at whether the society is focused on the present/near future or emphasizes future goals and is willing to delay short-term success to achieve long-term goals. Lastly, the indulgence vs restraint dimension measures the extent to which a society fulfills its desires and attempts to control their impulses. A loosely controlled society where enjoyment can easily be attained is indulgent while a regulated society where that suppresses easy access to joyful activities would be restrained.

Hofstede's dimensions have become a standard tool for calibrating cultural differences between countries (Kirkman et al., 2006). There also exists extensive evidence of the reliability and validity of Hofstede's work including literature such as Shane (1992) and Kogut and Singh (1988). This study will use Hofstede's cultural framework to define cultural distance between countries.

3.3. Success

In Thanos and Papadakis' (2012) comprehensive review on acquisition performance literature, they provide seven categories of ways to measure acquisition success: short-term financial performance, long-term financial performance, account-based performance, key informants' retrospective assessments of performance, integration process performance, divestiture, and innovation performance. They also reveal that short-term financial performance is the most used performance measure in general empirical acquisition performance literature. However, it is important to note that the majority of literature specifically on culture and cross-border M & A performance use integration process performance to measure success (Rottig & Reus, 2018). However, this study will use long-term financial performance as an indicator of M & A success for the following reasons.

1) Chakrabarti et al. (2009) illustrate the limited use of long-term financial performance as an indicator of success, this study seeks to diversify and fill in knowledge gaps within culture and cross-border M & A performance research.

2) Using long-term financial performance avoids possible issues with subjectivity that can arise from survey data. This method can also take into account the importance of the integration phase.

There have been mixed findings about the amount of time it takes for integration to complete and the most accurate time to collect financial data which is indicative of success. Jemison and Sitkin (1986) argue that after two years, the integration process is usually completed. More recent literature has pointed out that it takes three to five years to effectively measure M & A success (Ellis et al., 2009; Homburg & Bucerius, 2005; Zollo & Meier, 2008). But, too large of a window leaves room for more and more external variables to affect findings. Thus, this study will measure the change in stock value one year after the M & A completion date as the measure of success, similar to how year-over-year (YoY) growth is a common measure used for general business comparisons.

Hypothesis 1A

Because this study uses a specific time-period after M & A completion to measure success for all M & A deals, it's likely that some deals will still be amidst their integration process. This study considers integration problems to be an undeniable effect of cultural distance that will be considered in this paper's measure of success. Because culturally similar M & A deals experience faster integration phases, a positive correlation between the cultural similarity of M & A partners and the financial success of the M & A after one year is expected.

However, the contradictory results of several notable papers such as Chakrabarti et al. (2009) cannot be ignored. The complex and undefinable nature of culture leads me to hypothesize a weak positive correlation, suggesting that external factors may be moderating the relationship. Thus, the following hypothesis is proposed:

H1A: There is a weak positive correlation between the cultural similarity of M & A partners and the financial success of the M & A which suggests the existence of a moderating factor.

3.4. Board Gender Diversity

Board gender diversity will be determined by the percentage of female board members or the percentage of female top executives if board member information cannot be found. The global average percent of board seats filled by women is 19% in 2016 (Vinsrygg & Smelt, 2016). Thus, if the acquirer has a percentage of female board members greater than 19%, the M & A deal will be considered as featuring high board gender diversity and vice versa.

Hypothesis 1B

When compared to their male counterparts, women have proven to be less overconfident and tolerate less risk when it comes to finance. This is evident in acquisition deals taken, mutual fund investments, and even stock trading (Levi et al., 2014; Barber & Odean 2001; Dwyer et al. 2002). However, Liu et al. (2014) found board gender diversity to be positively related to firm performance after studying over 2000 Chinese firms from the period 1999-2011. Similarly, Zhang and Hou (2012) find greater board gender diversity to create better work environments and organizational performance.

Literature on differences in personality between genders has found males to be more assertive and self-confident, while females scored higher in trust, anxiety, extroversion, and particularly higher in tendermindedness. Campbell (2013) found males to be more competitive and self-assertive than females.

Assertiveness and overconfidence during the integration phase can lead to increased challenges and cultural clashes. More female board members may lead to a smoother integration process and faster collaboration between two culturally different firms, leading me to hypothesize that board gender diversity reduces the likelihood of failed M & A between culturally distant firms. Therefore, Hypothesis 1B is proposed:

H1B: The success of culturally similar M & A partners is moderated by the level of board gender diversity of the acquiring partner, such that more diverse boards will be positively correlated with M & A success.

4. Methodology

4.1. Time Frame

This exploratory research paper gathers data on a handful of publicly announced international M & A deals to provide insight into the effect of cultural distance on the financial success of an M & A within a more recent timeframe and explores the possibility of board gender diversity as a moderating factor. The paper studies M & A deals completed between the years 2014 and 2018, with most deals having been completed in 2016. This time frame was specifically chosen because M & A activity globally peaked in 2015 and cross-border M & A activity in North America peaked in 2016 (Pitchbook, 2021). Limiting the data to this four-year timeframe helps to control for external factors (such as the COVID-19 pandemic) that may skew the results. The timeframe was not reduced further to provide an opportunity for more M & A deals to be studied, especially with the limited amount of information about Chinese-US M & As.

4.2. Countries & Culture

To calibrate the cultural distance between countries in a way such that all six of Hofstede's cultural dimensions are accounted for, an equation based on the one used in Chakrabarti et al. (2009)'s study is utilized:

$$\text{Cultural Distance Formula} = \frac{\sqrt{\sum_{i=1}^{6}\left(S_A - S_T\right)^2}}{6}$$

S_A represents the acquirer's source on dimension i and S_T represents the target's score on dimension i, for all six of Hofstede's dimensions.

For this study, the following four relationships will be studied:

1) United States-China Merger/Acquisition with the Chinese firm being the target.

2) China-United States Merger/Acquisition with the American firm being the target.

3) United States-United Kingdom Merger/Acquisition with the UK firm being the target.

4) United Kingdom-United States Merger/Acquisition with the American firm being the target.

The countries China, the US, and the UK were chosen because of the UK's notable cultural similarity to the US and China's notable cultural distinctions to the US. This will allow both ends of the cultural differences spectrum to be studied and lead to more insightful evaluations of data. The following table specifies the Hofstede indexes of the three countries and their cultural distance score from the US (Country Comparison Tool, 2023).

As intuitively expected, Table 1 shows the US and UK to be similar culturally, with the only major difference between long term orientation; the UK being more long term oriented than the US. On the contrary, China and the US have major differences in all aspects except for Masculinity, resulting in a cultural distance score that is almost four times higher than the UK's. It's interesting to note that all three countries score nearly the same for their masculinity/femininity index, which could be significant as Chakrabarti et al. (2009) found differences in the masculinity/femininity dimension to have a particularly negative impact on M & A performance.

4.3. Sources

The M & A deals chosen to study were first identified through various sources: The UK's Office for National Statistics, Beauhurst Blogs, Yahoo! News, and Baidu. Then, deals not completed, deals completed outside the years 2014-2018, and deals that weren't between the US and China or US and UK were eliminated. Nexis Uni's Mergerstat M & A Database was then used to verify that the M & A was completed and to obtain the exact completion date. M & A deals that were not in the Mergerstat M & A Database were eliminated.

To assess the financial success of the deal, the market value (stock price) of the acquiring company is attained through Yahoo! Finance. I compare the stock price from 1 month prior to acquisition completion and one year after completion. Some UK companies weren't listed on Yahoo! Finance and market value information was instead obtained from the London Stock Exchange. Acquirer companies whose historical stock value data could not be found on these two sources were removed from the data.

The percentage of board members who were female in the acquiring company was obtained through either the company's annual report from the year of the M & A completion date or from the company's official website. For certain companies, the percentage of female higher executives was used instead of board members if the latter information could not be found. Deals for which no board member or executive team data could be found were eliminated (Figure 1).

Table 1. Hofstede indexes and cultural distance score of the US, UK, and China.

	Hofstede Index		
	United States	United Kingdom	China
Power Distance	40	35	80
Individualism	91	89	20
Masculinity	62	66	66
Uncertainty Avoidance	46	35	30
Long Term Orientation	26	51	87
Indulgence	68	69	24
Cultural Distance Score	0	4.69	18.69

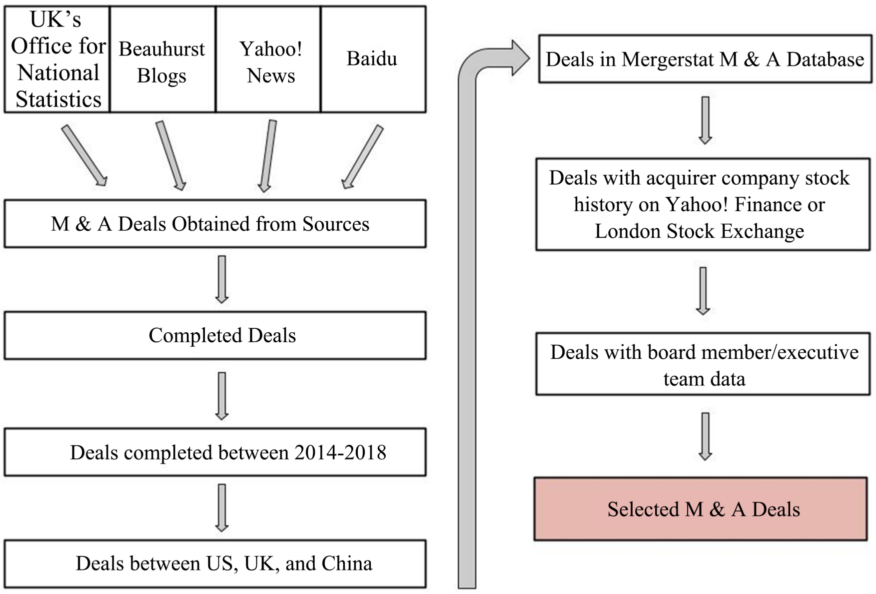

Figure 1. Data filtering diagram.

4.4. Analysis

In total, four China-US deals, two US-China deals, nine US-UK deals, and four UK-US deals were used in this study. The percentage change in the stock price from one month before the acquisition to one year after the completion date will be used to analyze whether cultural distance positively or negatively impacts M & A performance by assessing which country pair has the greatest number of positive returns and the average size of the percentage change in stock price. Then, the percentage of female board members will be used to evaluate whether more female board representation leads to greater returns/smaller losses and whether it helped culturally distant firms to experience growth.

5. Findings

The following tables summarize six deals between the culturally different countries of the US and China and thirteen deals between the US and the UK, two culturally similar countries. Table 2 combines China-US M & A deals and US-China M & A deals.

5.1. Cultural Distance

Combining Table 2 and Table 3, there are nineteen M & A deals studied between the US and the UK. Table 4 shows all four (100%) of the UK-US deals resulted in positive returns a year after the deal completion date. Table 4 shows five out of the nine or 55% of the US-UK deals yielded a positive stock price change. In total, nine out of thirteen or 69% of deals between the US and the UK resulted in financial success. The average percentage stock growth for successful M & A deals between the US and the UK is +26.5% while the average decrease in stock value for unsuccessful deals is −19.4%. This shows that successful deals

Table 2. China-US and US-China M & A deals.

Acquirer Company	Target Company	M & A Completion Date	Stock Price 1 Month Prior ($)	Stock Price 1 Year After ($)	Stock Price % Change	% Women On Board
Dalian Wanda Group (China)	Legend Pictures (US)	January 11, 2016	68	37.13	−45.4%	7.7% (1/13)
Tianjin Tianhai Investment Co. (China)	Ingram Micro Inc. (US)	December 5, 2016	5.59	3.01	−46.2%	20% (1/5)
Qingdao Haier Co. (China)	General Electric Co. (US)	June 6, 2016	9.15	15.05	+64.5%	22% (2/9)
Lenovo Group (China)	Motorola Mobility (US)	October 30, 2014	29.75	18.54	−37.7%	17% (3/18)
Nestle (US)	Yinlu (China)	July, 2018	77.43	106.08	+37%	36% (5/14)
Xilinx (US)	DeePhi Technology (China)	July 17, 2018	70.07	105.51	+50.6%	18% (2/11)

Table 3. UK-US M & A deals.

UK Acquirer Company	US Target Company	M&A Completion Date	Stock Price 1 Month Prior ($)	Stock Price 1 Year After ($)	Stock Price % Change	% Women On Board
Unilever Plc	Seventh Generation Inc. & Dollar Shave Club	Oct 20, 2016 Aug 10, 2016	3533.50	4269.50	+20.8%	50% (6/12)
Informa Plc	Penton Business Media Inc.	November 2, 2016	626.05	722	+15.3%	20% (2/10)
Melrose Industries Plc	Nortek Inc.	August 31, 2016	273.97	467.16	+70.5%	12.5% (1/8)
Dechra Pharmaceuticals Plc	Putney Inc.	April 22, 2016	1206	1690	+40.1%	37.5% (3/8)

Table 4. US-UK M & A deals.

US Acquirer Company	UK Target Company	M & A Completion Date	Stock Price 1 Month Prior ($)	Stock Price 1 Year After ($)	Stock Price % Change	% Women On Board
Equinix Inc.	Telecity Group Plc	January 15, 2016	302.4	384.98	+27.3%	9% (1/11)
STERIS	Synergy	November 2, 2015	74.95	89.96	+20%	20% (2/10)
Cooper Companies	Sauflon Pharmacies	August 6, 2014	151	177	+17.2%	20% (2/10)
TransUnion	Callcredit	June 19, 2018	65.37	70.92	+8.5%	22% (2/9)
Acadia Healthcare	Priory Group Ltd.	February 16, 2016	61.03	44.72	−33.8%	9% (1/11)
Ball Corporation	Rexam Plc	June 30, 2016	35.33	41.9	+18.6%	17% (2/12)
Hydra Industries Corp.	Inspired Gaming Group Ltd.	December 23, 2016	10.10	9.8	−3%	0% (0/5)
Avnet Inc.	Premier Farnell Plc	October 17, 2016	41.95	40.59	−3.2%	20% (2/10)
Alcoa Inc.	Firth Rixson Ltd.	November 19, 2014	37.94	23.72	−37.5%	33% (4/12)

experience greater benefits and unsuccessful deals experience comparatively fewer losses. A prime example of this can be shown with Hydra Industries Corp.'s acquisition, where only a 3% stock price decrease is experienced.

On the other hand, Table 2 shows that only one of the four China-US deals (25%) stemmed positive returns. Nonetheless, both (100%) of the US-China deals led to market value growth, bringing a total success rate of 50% for M & A between the US and China. The average percentage of stock price growth experienced is +50.7% while the average percentage of stock price loss is −43.7%.

From these findings, Hypothesis 1A is supported. According to Table 3 and Table 4, a larger percentage of M & A deals between the United States and the United Kingdom experienced financial success—69% compared to 50%. The cultural distance between these two countries is small, scoring only 4.69 using the cultural distance formula defined in the previous section. However, it is important to note that there are many limitations to these results which will be detailed in the next section. Additionally, the positive relationship between cultural similarity and M & A performance is not shown to be very strongly correlated from these findings, with only 55% of US acquiring UK deals experiencing success and only 50% of China and US deals resulting in a loss rather than an overwhelming majority of them.

5.2. Board Diversity as a Moderator

The data largely suggests that board diversity is not a moderator in the relationship between cultural distance and M & A success, as there is a lack of a clear pattern in the data. Table 1 shows the deals between US and China, and two of the three successful deals feature a diverse board (female board member percentage greater than 19%), and one of the three unsuccessful acquisitions also possessed diverse boards. The deal with the largest percentage increase had 22% female board members, but the deal with the second largest percentage increase only had 18% female board members, barely labeling it as a non-diverse board. Nestle had the most diverse board with 36% of board members being female, and this led to a 37% stock price increase.

Table 3 and Table 4 show the M & A deals between the United States and the United Kingdom, and seven successful deals featured diverse boards and 3 successful deals did not have diverse boards. However, two of the unsuccessful deals had non-diverse boards and the other two had diverse boards. Unilever Plc had the most diverse board, with 50% of board members being female and this company experienced a 20.8% increase in market value. However, it is important to note that Unilever completed two acquisitions in a short period of time, which could partially be the reason for the size of the increase. Alcoa Inc had the second most diverse board with 33% female yet experienced one of the larger stock price drops. Melrose Industries experienced the greatest stock growth but did not have a diverse board.

Due to the lack of conclusive evidence in the gathered data, Hypothesis 1B is found not to be true. Board gender diversity is not a clear moderator of the relationship between cultural distance and M & A performance and more diverse boards are not shown to be positively correlated with M & A success.

6. Discussion

6.1. Limitations

As this study is an exploratory research paper, its main purpose is to investigate an area of study that has been explored by very little literature, if at all, and encourage further exploration of this topic. The findings of this study should be used as a starting point for future studies, rather than a definitive result. One apparent limitation of this study is the small sample size used. Especially with a country like China, where not all information is published and can be readily found online, it was difficult to identify many M & A deals between US and Chinese companies and numerous deals had to get cut due to a lack of information available online, further reducing the sample size. For companies in the UK, the same problem was faced with private companies, but there was much more information available on stock history and completed deals than when compared to China. There was double the number of M & A deals between the US and the UK than deals between the US and China, which may have led to unreliable and skewed results. With the limited number of observations available for this study, this may have also affected the lack of evidence for gender impact. A future study with a wider range of observations may draw different conclusions.

As a result of the lack of deals available to study, I did not have the liberty to control for as many factors as I would have liked. A four-year time frame was able to be maintained, but it would have been ideal if it was a one-year time frame, as external events likely influenced some stock prices for certain companies. Additionally, the deals studied come from several different industries, which may have contributed to different stock price changes. The age and size of the companies were also not standardized, although most of the deals were large deals by big companies, as those deals receive more publicity and have more information available online about them. Some companies may have also participated in additional M & A's in less than one year of the studied deal that were not as publicized and therefore not included in the data.

Lastly, Thanos and Papadakis' (2012) define seven categories of ways to measure acquisition success. This study uses long-term financial performance to define acquisition success. However, many notable studies such as Chakrabarti et al. (2009) use BHAR to indicate the long-run performance instead of stock price change. BHAR is the excess return over the market that an investor will obtain after buying shares in the same month as the acquisition. This measurement of success may provide more concrete indicators of success or failure in the long run. BHAR was not used in this study due to a lack of information needed to calculate it. Additionally, taking the stock value only one year after deal competition may not be enough time for some companies to complete the integration process, a longer period of time in between would result in the potential for more exogenous variables to affect the results (Ellis et al., 2009).

6.2. Implications

The results of this study seek to bring the focus back to the inconclusive relationship between national culture and M & A, as there has been considerably less research done in recent years on this topic than in the 1990s and 2000s. The findings in this study align with Datta and Puia (1995), Uhlenbruck (2004), and Hsu (2022) while opposing findings from Chakrabarti et al. (2009) and Morosini et al. (1998). Managers should strive to become more aware of differences in national culture when considering taking M & A deals and the implications of these differences for M & A success. However, with the weak correlation found from the data studied and the limitations listed above, it's apparent that new research studying more recent deals needs to be undertaken to solidify the findings of this paper and to seek out the mediators and factors that cause culture to have such a diverse effect on M & A deals.

Secondly, the notable success rate differences when the acquiring company's country is swapped lead to the question of whether institutional factors play a role in moderating this complex relationship. For example, UK-US deals had 100% positive returns while US-UK deals only had a 55% positive return rate. The same can be seen in the US-China deals and the China-US deals.

Lastly, there has been a severe lack of literature focused on the effect of gender diversity among board members in managerial and financial literature and much less on the influence of gender on M & A. This paper is one of the first to explore board gender diversity as a moderating factor. Although the data did contain enough evidence to identify board gender diversity as a moderating factor, there were some notable cases where a company experienced high returns in a culturally distant M & A deal and possessed a diverse board. In addition to the small sample size used, perhaps the fact that there was no board with more than 50% female members studied contributed to the lack of correlation present. More research should be done in this area, and high executives and business owners can begin to become more aware of the implications of low board diversity on business performance.

7. Conclusion

This study qualitatively analyzed nineteen M & A deals that were completed between the years 2014 and 2018. Thirteen of these deals were between the US and the UK, two countries of similar national culture. The remaining six deals were between the US and China, two countries of very different national cultures. After one year, it was found that the majority of deals between the US and the UK resulted in stock value growth while only half of the deals between the US and China led to positive stock value change, implying that M & A success and cultural similarity are positively correlated.

The percentage of female board members was also studied, as board gender diversity was hypothesized to be a moderator between culture and M & A success. No clear correlation was found that suggests board gender diversity to be a moderator in this relationship.

8. Future Research

Further research should be undertaken to solidify the findings of this study by using a larger sample size of study with all deals having been completed in the same year and same industry. Countries other than the US, UK, and China should also be studied, and the cultural distance formula from this paper can be used to define the cultural distance between any country. The six Hofstede dimensions can also be looked at separately; research can be done to see which dimension or set of dimensions has the greatest effect on M & A success. The effect of gender on M & A performance can be studied in a more comprehensive way. Future studies could look into the board gender diversity of the target company, female CEO's, or gender diversity on management teams as a moderator. Different ways of quantifying success should also be explored and applied to this area, including short-term financial performance, using BHAR to measure long-term financial performance, and integration process performance.

Overall, this study has shown the important effect of culture on M & A performance. The study did not conclude that board gender diversity has an impact. Given the strong theoretical suggestion that gender may have an impact, continued research on this dynamic is warranted. I hope to stimulate further research in this field to develop a more holistic understanding of the moderators and mediators affecting the relationship between culture and M & A success.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

References

Adhikari, B. K. (2012). Gender Differences in Corporate Financial Decisions and Performance. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2011088

Ahammad, M. F., & Glaister, K. W. (2011). The Double-Edged Effect of Cultural Distance on Cross-Border Acquisition Performance. *European Journal of International Management, 5,* 327-345. https://doi.org/10.1504/EJIM.2011.040909

Barber, B. M., & Odean, T. (2001). Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment. *The Quarterly Journal of Economics, 116,* 261-292. https://doi.org/10.1162/003355301556400

Bauer, F., & Matzler, K. (2014). Antecedents of M & A Success: The Role of Strategic Complementarity, Cultural Fit, and Degree and Speed of Integration. *Strategic Management Journal, 35,* 269-291. https://doi.org/10.1002/smj.2091

Bazel-Shoham, O., Lee, S. M., Rivera, M. J., & Shoham, A. (2020). Impact of the Female Board Members and Gaps in Linguistic Gender Marking on Cross-Border M & A. *Jour-*

nal of World Business, 55, Article 100909. https://doi.org/10.1016/j.jwb.2017.10.005

Campbell, A. (2013). *Mind of Her Own—The Evolutionary Psychology of Women*. Oxford University Press. https://doi.org/10.1093/acprof:oso/9780199609543.001.0001

Cartwright, S., & Cooper, C. L. (1993). The Role of Culture Compatibility in Successful Organisational Marriage. *Academy of Management Executive, 7,* 57-70. https://doi.org/10.5465/ame.1993.9411302324

Chakrabarti, R., Gupta-Mukherjee, S., & Jayaraman, N. (2009). Mars-Venus Marriages: Culture and Cross-Border M&A. *Journal of International Business Studies, 40,* 216-236. http://www.jstor.org/stable/25483372 https://doi.org/10.1057/jibs.2008.58

Country Comparison Tool (2023). *Hofstede Insights*. https://www.hofstede-insights.com/country-comparison-tool

Croson, R., & Gneezy, U. (2009). Gender Differences in Preferences. *Journal of Economic Literature, 47,* 448-474. https://doi.org/10.1257/jel.47.2.448

Datta, D. K., & Puia, G. (1995). Cross-Border Acquisitions: An Examination of the Influence of Relatedness and Cultural Fit on Shareholder Value Creation in U.S. Acquiring Firms. *Management International Review, 35,* 337-359.

Dowling, M., & Aribi, Z. A. (2013). Female Directors and UK Company Acquisitiveness. *International Review of Financial Analysis, 29,* 79-86. https://doi.org/10.1016/j.irfa.2013.04.004

Dwyer, P. D., Gilkeson, J. H., & List, J. A. (2002). Gender Differences in Revealed Risk Taking: Evidence from Mutual Fund Investors. *Economics Letters, 76,* 151-158. https://doi.org/10.1016/S0165-1765(02)00045-9

Ellis, K. M., Reus, T. H., & Lamont, B. T. (2009). The Effects of Procedural and Informational Justice in the Integration of Related Acquisitions. *Strategic Management Journal, 30,* 137-161. http://www.jstor.org/stable/40060253 https://doi.org/10.1002/smj.728

Erhardt, N. L., Werbel, J. D., & Shrader, C. B. (2003). Board of Director Diversity and Firm Financial Performance. *Corporate Governance, 11,* 102-111. https://doi.org/10.1111/1467-8683.00011

Evenett, S. (2003). *The Cross Border Mergers and Acquisitions Wave of the Late 1990s*. National Bureau of Economic Research. https://doi.org/10.3386/w9655

Herring, C. (2009). Does Diversity Pay?: Race, Gender, and the Business Case for Diversity. *American Sociological Review, 74,* 208-224. https://doi.org/10.1177/000312240907400203

Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. Sage.

Homburg, C., & Bucerius, M. (2005). A Marketing Perspective on Mergers and Acquisitions: How Marketing Integration Affects Postmerger Performance. *Journal of Marketing, 69,* 95-113. http://www.jstor.org/stable/30162035 https://doi.org/10.1509/jmkg.69.1.95.55510

Hsu, T. (2022). The Effects of Cultural Differences on Post—Acquisition Success for Multinational Firms. *Journal of Organizational Psychology, 22,* 1-11. https://doi.org/10.33423/jop.v22i2.5168

Jemison, D. B., & Sitkin, S. B. (1986). Corporate Acquisitions: A Process Perspective. *The Academy of Management Review, 11,* 145-163. https://doi.org/10.2307/258337

Jones, G. R. (2013). *Organizational Theory, Design, and Change*. Pearson.

Kim, J.-Y., & Finkelstein, S. (2009). The Effects of Strategic and Market Complementarity on Acquisition Performance: Evidence from the U.S. Commercial Banking Industry, 1989-2001. *Strategic Management Journal, 30,* 617-646. https://doi.org/10.1002/smj.754

King, D. R., Dalton, D. R., Daily, C. M., & Covin, J. G. (2004). Meta-Analyses of Post-Acquisition Performance: Indicators of Unidentified Moderators. *Strategic Management Journal, 25,* 187-200. https://doi.org/10.1002/smj.371

Kirkman, B., Lowe, K., & Gibson, C. (2006). A Quarter Century of Culture's Consequences: A Review of Empirical Research Incorporating Hofstede's Cultural Values Framework. *Journal of International Business Studies, 37,* 285-320. https://doi.org/10.1057/palgrave.jibs.8400202

Kogut, B., & Singh, H. (1988). The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies, 19,* 411-432. https://doi.org/10.1057/palgrave.jibs.8490394

Levi, M., Li, K., & Zhang, F. (2014). Director Gender and Mergers and Acquisitions. *Journal of Corporate Finance, 28,* 185-200. https://doi.org/10.1016/j.jcorpfin.2013.11.005

Liu, Y., Wei, Z., & Xie, F. (2014). Do Women Directors Improve Firm Performance in China? *Journal of Corporate Finance, 28,* 169-184. https://doi.org/10.1016/j.jcorpfin.2013.11.016

Morosini, P., Shane, S., & Singh, H. (1998). National Cultural Distance and Cross-Border Acquisition Performance. *Journal of International Business Studies, 29,* 137-158. https://doi.org/10.1057/palgrave.jibs.8490029

Olie, R. (1994). Shades of Culture and Institutions in International Mergers. *Organization Studies, 15,* 381-405. https://doi.org/10.1177/017084069401500304

PitchBook (2016). *2016 Annual M & A Report*. PitchBook Data. https://pitchbook.com

PitchBook (2021). *2021 Annual Global M & A Report*. PitchBook Data. https://pitchbook.com

Rottig, D., & Reus, T. H. (2018). Research on Culture and International Acquisition Performance: A Critical Evaluation and New Directions. *International Studies of Management & Organization, 48,* 3-42. https://doi.org/10.1080/00208825.2018.1407082

Schneider, S. C. (1988). National vs. Corporate Culture: Implications for Human Resource Management. *Human Resource Management, 27,* 231-246. https://doi.org/10.1002/hrm.3930270207

Schwartz, S. H. (2014). Rethinking the Concept and Measurement of Societal Culture in Light of Empirical Findings. *Journal of Cross-Cultural Psychology, 45,* 5-13. https://doi.org/10.1177/0022022113490830

Shane, S. (1992). Why Do Some Societies Invent More than Others? *Journal of Business Venturing, 7,* 29-46. https://doi.org/10.1016/0883-9026(92)90033-N

Subramanian, R. (2021). *Lessons from the Pandemic: Board Diversity and Performance*. https://www.boardready.io

Tanriverdi, H., & Venkatraman, N. (2005). Knowledge Relatedness and the Performance of Multibusiness Firms. *Strategic Management Journal, 26,* 97-119. https://doi.org/10.1002/smj.435

Thanos, I. C., & Papadakis, V. M. (2012). The Use of Accounting-Based Measures in Measuring M&A Performance: A Review of Five Decades of Research. In C. L. Cooper, & S. Finkelstein (Eds.), *Advances in Mergers and Acquisitions (Advances in Mergers and Acquisitions, Vol. 10)* (pp. 103-120). Emerald Group Publishing Limited. https://doi.org/10.1108/S1479-361X(2012)0000010009

Uhlenbruck, K. (2004). Developing Acquired Foreign Subsidiaries: The Experience of MNES in Transition Economies. *Journal of International Business Studies, 35,* 109-123. https://doi.org/10.1057/palgrave.jibs.8400070

UNCTAD (2000). *World Investment Report: Cross-Border Mergers and Acquisitions and Development*. United Nations Publications.

Very, P., Lubatkin, M., & Calori, R. (1996). A Cross-National Assessment of Acculturative Stress in Recent European Mergers. *International Studies of Management & Organization, 26,* 59-87. https://doi.org/10.1080/00208825.1996.11656674

Vinsrygg, K., & Smelt, E. (2016). *Egon Zehnder Global Board Diversity Analysis 2016*. Egon Zehnder. https://www.egonzehnder.com/what-we-do/board-advisory/insights/2016-global-board-diversity-analysis#:~:text=Across%20the%20globe%2C%20gender%20parity,just%20the%20last%20two%20years

Weber, Y., Shenkar, O., & Raveh, A. (1996). National and Corporate Cultural Fit in Mergers/Acquisitions: An Exploratory Study. *Management Science, 42,* 1215-1227. http://www.jstor.org/stable/2634453 https://doi.org/10.1287/mnsc.42.8.1215

Zhang, Y., & Hou, L. (2012). The Romance of Working Together: Benefits of Gender Diversity on Group Performance in China. *Human Relations, 65,* 1487-1508. https://doi.org/10.1177/0018726712453931

Zollo, M., & Meier, D. (2008). What Is M & A Performance? *Academy of Management Perspectives, 22,* 55-77. https://doi.org/10.5465/amp.2008.34587995