



Cultural Combination and International Acquisition Performance of Multinational Corporations in Nigeria

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Abstract

International acquisitions constitute the most frequently used means through which multinational corporations undertake foreign direct investment, however, majority of these transactions are not successful. The purpose of this study was to investigate the effects of the Critical Factors (CFs) of successful cultural combination and international acquisition performance (IAP) of Multinational Corporations (MNCs) in Nigeria, that have implemented international acquisition as a strategic imperative in the past one decade. 516 senior and management staff of 13 multinational corporations operating in Nigerian were randomly selected from a business-to-business database maintained by a national list provider. Using Rottig (2007) Five-C's Framework of successful international acquisition management, factors manifesting International Acquisition Performance were regressed on the critical factors, manifesting successful cultural combinations. Findings based on the survey revealed that successful cultural combinations positively affected international acquisition performance. The results suggests the positive effects of the CFs of successful cultural combinations (Cultural due diligence- $\beta=0.34$, $p=0.043$; Cross-cultural communication- $\beta=0.29$, $p=0.041$; Connection- $\beta=0.31$, $p=0.028$; and Control- $\beta=0.36$, $p=0.038$) on successful cultural combinations in MNCs operating in Nigeria. In addition, Cultural due diligence, Cross-cultural communication, Connection, and control contributed 38%, 30%, 17% and 17% respectively, towards positive variations in international acquisition performance of MNCs operating in Nigeria during the study period. The model contrived provides predictive implications on improved international acquisition performance, given the activities of CFs manifesting successful cultural combinations. This paper suggests that it is not cultural distance per se, but ineffective management of cultural differences that may be the main reason for the high failure rates of international acquisitions.

Keywords—*Successful Cultural Combination, International Acquisition Performance, Multinational Corporations (MNC), Regression analysis, Nigeria.*

1.0 Introduction

Internationalization, usually in form of Greenfield investment, mergers and acquisitions, licensing, franchising or other cooperative agreements, are among the key corporate strategies multinational corporations (MNCs) use to expand, diversify, or consolidate their businesses (Saigol and Politi, 2007; Rottig, 2007). Hence, due to the general perceived benefits of international engagement, the past two decades have seen most developing and emerging economies changed from a radical view of internationalization, toward a more friendly view, by using international mergers and acquisitions as strategies for improved sustainable competitive advantages (Hennart, 1991). While mergers usually involves two or more companies in which shares are exchange but in which only one company survives, acquisition is the purchase of a company that is completely absorbed by the acquiring company (Larsen, 2007). However, when the parties or companies involved are from different countries, it is referred to as international mergers and /or acquisitions (DeNoble, Gustafson and Hergert, 1997; Rottig, 2007).

The year 2006 was a record year for acquisitions worldwide when, for the first time, the annual value of these transactions exceeded US\$ 4 trillion, and cross-border acquisitions alone amounted to a record high of US\$ 1.3 trillion (Larsen, 2007; Rottig, 2007). This trend continues in 2007, given that the transaction value of global acquisitions in the first three months of the year reached US\$ 1.13 trillion, setting up a record for the busiest first quarter in acquisition history (Saigol and Politi, 2007; Rottig, 2007). Through acquisitions in culturally distant markets, an MNC may be able to access crucial resources and capabilities that are not available in culturally similar markets. Researchers have suggested that through internationalization into distant foreign markets, MNCs may expand their knowledge bases, access innovative technological capabilities, and gain valuable international experience (Zahra, Ireland and Hitt, 2000; Rottig, 2007). Furthermore, researchers have noted that expansion into distant international markets allows MNCs to deal with a diverse set of competitors and customers, which may create a significant competitive advantage over purely domestic firms (Barkema and Vermeulen, 1998) and allow MNCs to preempt rivals (Rottig, 2007; Martin, Swaminathan, & Mitchell, 1998).

Despite the recent upsurge in international acquisition activity, up to 83 percent of these transactions are unsuccessful (Moeller and Schlingemann, 2005; Sirower, 1997; Rottig, 2007). Scholars have shown that the majority of these transactions fail to achieve pre-acquisition objectives. For example, Datta and Puia (1995) analyzed 112 cross-border acquisitions between 1978 and 1990 and discovered that cultural distance was negatively related to shareholder value creation (Rottig, 2007; Martin, et al., 1998). In addition, based on a sample of 301 international acquisitions

conducted over a nine-year period, from 1975 through 1983, Doukas and Travlos (1988) suggested that MNCs can create shareholder value through international acquisitions (Rottig, 2007). Furthermore, while examining 170 international acquisitions between 1990 and 1993, Uhlenbruck (2004) opined that cultural distance impedes post-acquisition sales growth. The opposite, however, was found by Morosini, Shane & Singh (1998), by revealing a positive relationship between cultural distance and post-acquisition sales growth.

In addition, Stahl and Mendenhall (2005) observe that despite the extensive body of research on mergers and acquisitions (M&A) in the past three decades, the critical factors (CFs) for M&A success and failure remain poorly understood. These contradicting empirical findings imply that the relationship between cultural distance and international acquisition performance may be more complex than extant research suggests (Rottig, 2007). It therefore becomes important to examine the causes of international acquisition failure, and to develop strategies that may mitigate these problems (Rottig, 2007). Thus, international acquisitions constitute an unexplained paradox. Consequently the aim of this paper was to examine the effects of the critical factors (CFs) of successful cultural combination on international acquisition performance (IAP) of Multinational Corporations in Nigeria, that have implemented international acquisition as a strategic imperative in the past one decade. This study aims to fulfill this inquiry by examining the CFs of successful cultural combination, as well as, its mediating effects on international acquisition performance measures. Since an extensive longitudinal study of the rise and fall of international acquisition performance with respect to the relationship-factor of the important variables has hardly been done, in the Nigerian context (Nnanna, 2004; Ojo, 1991; Oke, 1994), this study intends to bridge this gap.

This study was motivated by the submissions of Rottig (2007), Ezeoha (2007), Gunu (2009), Nnanna (2004), Ojo (1991) and Oke (1994). According to Rottig (2007) and Ezeoha (2007), despite the significant investments in international acquisitions initiatives by MNCs around the world, formal efforts to determine their success and the underlying CFs have been very limited. Although a considerable body of research has developed considering cultural distance as the main reason for the failure of international acquisitions, empirical findings are mixed and inconclusive (Rottig, 2007). This study constitutes a first step towards reconciling these contradictory findings. In addition, contending with the measurement of international acquisition performance, which was often focused on financial metrics, Gunu (2009) and Nnanna (2004) specifically identified this gap in the literature. This is on the premise that many researchers often use objective measures such as turnover and profit as a form of measuring international acquisition performance from the various internationalization strategies. However, according to Saigol and Politi (2007), perceived measures can replace objective measures of performance. Lastly, Uhlenbruck (2004) posit that much effort is needed in developing a model for successful cultural combinations, since many CFs should be considered for it, whether for private organizations or for public organizations in a developing economy (Rottig, 2007; Ezeoha, 2007; Gunu, 2009).

2.0 Review of Relevant Literature

2.1 Theoretical Framework

A large number of theories have been used to explain international acquisition decisions. Among the most commonly applied are transaction cost analysis (TCA), the resource-based view, institutional theory, and Dunning's eclectic framework; these four theories are used as the theoretical foundation for almost 70-90% of the published internationalization studies (Brouthers and Hennart, 2007). However, many existing literature shows no agreement regarding the conceptual framework and constructs that should be used to explain a firm's internationalization, while a theoretical framework can be based on more than one theory (Andersen, 1997). Consequently, the theoretical framework for this study was based on these four most common theories of international acquisition decisions (Brouthers & Brouthers, 2001; Brouthers and Hennart, 2007).

Transaction Cost Analysis argues that managers suffer from bounded rationality, whereas potential partners may opportunistically act if given the chance (Brouthers and Hennart, 2007). This analysis seeks to identify the environmental factors that together with a set of related human factors explain how companies can organize transactions to reduce the costs associated with these transactions (Andersen, 1993). The most important environmental factors are asset specificity and uncertainty; the most important human factors are bounded rationality and opportunism (Uhlenbruck, 2004). The resource-based theory views internal organizational factors as the determinants of international acquisition performance (Rottig, 2007). The resource-based view suggests that valuable firm resources--comprising tangible and intangible elements--are usually scarce, imperfectly imitable, and lacking in direct substitutes (Brouthers and Hennart, 2007). These valuable resources often aid MNCs to embark on international acquisition efforts (Rottig, 2007). It is about producing the most value from one's existing capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarity is paramount (Johanson, 1990). The resource-based view suggests that firms develop unique resources that they can exploit in foreign markets or use foreign markets as a source for acquiring or developing new resource-based advantages (Luo, 2002). Luo (2002) suggests that firms develop resource-based advantages by developing or acquiring a set of firm-specific resources and capabilities that are valuable, rare and imperfectly imitable and for which there are no commonly available substitutes.

In defiance to the institutional-based theoretical perspective of international business strategies, the influence of the "environment" (Lawrence & Lorsch, 1969) has long been featured in the industry- and resource-based views. What has dominated the research is a "task environment" view, which focuses primarily on economic variables such as market demand and technological change (Dess & Beard, 1984). However, not until recently, scholars had rarely looked beyond the task environment to explore the interaction among institutions, organizations, and strategic choices. Instead, a market-based institutional framework has been taken for granted, and formal institutions and informal institutions have been assumed away as "background" conditions (Rottig, 2007). Institutional theory research suggests that a country's institutional environment affects firm decisions on international acquisitions because the environment reflects the "rules of the game" by which firms participate in a given market (Brouthers and Hennart, 2007). Research in this area has tended to concentrate on host country institutional environments or differences between home and host country.

The Dunning's eclectic theory of internationalization identifies three components or conditions: ownership advantages, location advantages, and internalization advantages. Dunning's eclectic theory is a transaction cost-based theory that seeks to explain the transfer, internationalization, and firm-specific ownership advantages (Brouthers and Hennart, 2007), consequently, the theory suggests the importance of firm- and location- specific factors to explain international acquisitions. Dunning's (1993) eclectic or OLI (ownership, location, internalization) framework is also among the most frequently applied perspectives in internationalization strategy research, and can be conceptualized as a tool that combines insights from resource-based (firm-specific), institutional (location), and transaction cost (internalization) theories (Brouthers and Hennart, 2007). In this study, an empirical assessment and the applicability of the antecedent factors of internationalization to both manufacturing and service industry context was examined (Javalgi, Griffith and White, 2003).

2.2 Conceptual and Empirical Reviews

2.2.1 Organizational Culture

In the context of acquisitions, two dimensions of culture are particularly important: national culture, relevant for international acquisitions, and organizational culture, relevant for both, domestic and international acquisitions (Rottig, 2007). According to Rottig (2007), the latter is generally defined as an interrelated and interdependent system of practices, norms, assumptions, and beliefs that members of an organization collectively bear (Gertsen, Soderberg and Torp, 1998). These assumptions, practices, and norms are mostly unconscious, learned through organizational socialization, reflect shared perceptions of daily practices, and generally determine 'the way in which things are done' within an organization (Cartwright and Cooper, 1996; Gertsen, Soderberg & Torp, 1998; Weber, 1996; Rottig, 2007). National cultures comprise the prevailing values of a society, encompassing language, religions, traditions, customs, and historical heritages (Gertsen, et al., 1998; Lubatkin, Calori, Very and Veiga, 1998; Rottig, 2007; Very and Schweiger, 2001). Perhaps the most widely used definition of national culture is the one offered by Hofstede, that describes culture as the "collective programming of the mind that distinguishes the members of one group or category of people from another" (2001: 9). Similarly, Rottig (2007) observe that research in the realm of international acquisitions emphasizes the role of national culture, and began with Hofstede's (1980) seminal study on international differences in work-related values. Hofstede developed four cultural dimensions that he asserted could be used to explain and predict international acquisition success, and concluded that both mergers represent "true marriages" (1980: 394) that may explain the success of these transactions.

Nahavandi and Malekzadeh (1988) developed a conceptual model of the acculturation process in acquisitions, that suggested four different modes of acculturation: *integration* (a process characterized by structural assimilation of two cultures that, however, preserves the cultures and identities of both the acquirer and the acquired organization), *assimilation* (a unilateral process whereby the acquired organization willingly relinquishes its culture and identity by adapting to the culture of the acquirer), *separation* (where minimal cultural exchange between an acquirer and acquired organization ensures both cultures remain completely separated), and *deculturation* (a process whereby the acquired organization disintegrates as a cultural entity, but refuses to be assimilated into the culture of the acquirer) (Rottig, 2007). In addition, Nahavandi and Malekzadeh (1988) suggest that successful cultural combination in domestic acquisitions depends on the level of congruence between an acquirer's and an acquired organization's preferred modes of acculturation. If both organizations agree on a mode of acculturation, then different organizational cultures may be made compatible during the post-acquisition integration process (Rottig, 2007).

Furthermore, Ghemawat (2003) also discusses the concept of cultural arbitrage, defined as the exploitation of differences in national cultures. He notes that most of contemporary global strategy overemphasizes the minimization of differences between countries, and instead calls for such strategies as cultural arbitrage that may exploit these differences (Rottig, 2007). Consequently, differences in national (and organizational) cultures, if managed effectively, may be beneficial rather than detrimental for MNCs undertaking international acquisitions (Rottig, 2007).

2.2.2 Critical Factors (CFs) of Successful cultural combination

Critical Factors is defined as the few things which must go right for the cultural combination to happen successfully (Rottig, 2007). In focusing this study, the operationalizations of the CFs of cultural combination (Table 2) were distilled from various articles and empirical research on international culture distance and management. The framework depicted in Figure 1 suggests that cultural due diligence, cross-cultural communication, connection, and controls are the key determinants of successful cultural combination that, in turn, constitutes a key driver of international acquisition performance.

Acquisitions across national borders, however, are often complicated by stereotypes, prejudices, and nationalism that may entail conflict, lack of trust, and reduced commitment (Olie, 1990; Vaara, 2003; Rottig, 2007). It is therefore usually quite difficult to achieve a consensus between a foreign acquirer's and local target's preferred modes of acculturation. It seems rather unlikely, for example, that a local target will agree to the assimilation mode of acculturation that would entail complete adoption of a foreign acquirer's organizational and national cultures (Rottig, 2007). Consequently, the applicability of the acculturation model to international acquisitions, therefore, seems very limited. Based on the aforementioned considerations, it becomes important that MNCs recognize the importance of, and need for, successful cultural combination in international acquisitions. However, the question arises of how to successfully combine dissimilar cultures. Cultural due diligence may constitute a first step towards an answer to this question (Rottig, 2007).

2.2.3 Cultural Due Diligence

Cultural due diligence refers to the determination of cultural compatibility in international acquisitions (Rottig, 2007). According to Rottig (2007), cultural compatibility does not necessarily equal cultural similarity, but rather refers

to whether two cultures are “combinable”. This is on the premise that many studies has shown, however, that sound cultural analyses were neglected by a large number of acquirers and may have caused the failure of these transactions. Consequently, the most obvious strategy an acquirer may use to avoid cultural problems in international acquisitions is to refrain from acquiring a target if cultural due diligence indicates the cultures of the organizations are incompatible (Rottig, 2007). Doing so may result in a systematic and comprehensive cultural profile. Such a cultural profile may facilitate a crude comparison of an acquirer’s organizational and national culture characteristics with those of a potential target organization. Based on such a comparison, an acquirer may be able to identify whether the involved cultures are compatible, and how to best combine dissimilar cultures (Adler and Kwon, 2002; Rottig, 2007). Systematic cultural due diligence prior to an acquisition may determine whether the cultures of the acquirer and target organization are compatible, and how the different cultures may best be combined (Rottig, 2007; Nahapiet and Ghoshal, 1998). Such a sound cultural analysis lays the foundation for the management of cultural differences, and therefore may contribute to successful cultural combination during the post-acquisition integration process, and the consequential effects on international acquisition performance (Rottig, 2007). Therefore, it is hypothesized that:

H₁: Cultural due diligence has positive relationship with successful cultural combination in international acquisitions.

2.2.4 Cross-Cultural Communication

Acquisitions of culturally different organizations are often characterized by prejudices and stereotypes about “the others”, and it therefore may be important for an acquirer to effectively communicate with all employees of the combined organization to avoid the development of hostile attitudes among the involved workforces (Schweiger and DeNisi, 1991; Rottig, 2007). Since international acquisitions are usually characterized by language barriers, ethnocentrism, nationalistic attitudes and, in extreme cases, xenophobia (Vaara, 2002, 2003); these problems may not only create hostile feelings against the workforce of “the other organization”, but also fuel employees’ fears of losing their jobs (Adler and Kwon, 2002; Rottig, 2007). Lack of effective cross-cultural communication in such situations may exacerbate uncertainties, fears, and rumors about layoffs among the involved workforces. It therefore becomes particularly important to effectively communicate with employees during the integration process of international acquisitions (Rottig, 2007; Nahapiet and Ghoshal, 1998). Effective two-way communication may also prevent the voluntary turnover of key managers and employees who are not scheduled to lose their jobs. Such voluntary turnover often occurs when managers and employees irrationally fear dismissal and, therefore, seek employment with other organizations (Krug and Hegarty, 1997; Rottig, 2007; Krug and Nigh, 1998).

Furthermore, such communication may preempt uncertainties and rumors about potential layoffs, decrease the likelihood of voluntary turnover, and increase employee identification with the combined organization (Rottig, 2007). This, in turn, may contribute to successful cultural combination in international acquisitions. Therefore, it is hypothesized that:

H₂: Cross-cultural communication has positive relationship with successful cultural combination in international acquisitions.

2.2.5 Connection

Drawing from contemporary social capital theory in organizational analysis (Adler and Kwon, 2002; Rottig, 2007; Nahapiet and Ghoshal, 1998), connection is conceptualized in this paper as the structural and relational social ties and networks between the organizations involved in international acquisitions. A formal organizational structure, however, merely represents the opportunity for the involved workforces to connect with each other. If no advantage is taken of these opportunities, the managers and employees of the acquirer and acquired organization may not develop ties and network relationships (Rottig, 2006; Adler and Kwon, 2002; Rottig, 2007; Nahapiet and Ghoshal, 1998). Relational ties, the second type of connection, go beyond the mere formal organizational structure and concern an organization’s informal structures and communication channels (Ghoshal, Korine and Szulanski, 1994; Rottig, 2007). Given the significant developments in communication and information technology, an acquirer could offer innovative opportunities to encourage employees from different cultures to connect to one another. It therefore is important that an acquirer provides opportunities for key managers and employees from both organizations to interact in informal and social settings. Such opportunities for socialization may include mutual visits of key managers and employees from both organizations, and informal gatherings as simple as having lunch or dinner together (Adler and Kwon, 2002; Rottig, 2007). This socialization may facilitate mutual understanding and appreciation of cultural differences, enable connection between the workforces of the acquirer and acquired organization, and contribute to successful cultural combination (Rottig, 2007). Therefore, it is hypothesized that:

H₃: Connection between an acquirer and acquired organization has positive relationship with successful cultural combination in international acquisitions.

2.2.6 Control

A significant problem in a large number of international acquisitions is lack of control. Often, mistaken expectations among acquired managers and employees are caused by announcing an acquisition as a “merger of equals”, creating the impression that control of the combined organization will be shared equally among the acquirer and the acquired company (Adler and Kwon, 2002; Rottig, 2007). This is on the premise that deals announced as mergers of equals, that later turn out to be acquisitions, create confusion among the acquired organization’s managers and employees, lowering their confidence in, commitment to, and cooperation with the acquirer and impeding successful cultural combination (Rottig, 2007; Nahapiet and Ghoshal, 1998). Therefore, multinational corporations acquiring companies across borders are advised to refrain from creating false expectations by announcing an acquisition as a

merger of equals. Instead, acquirers should ensure that the acquired workforce understands which organization is in control. Due to mutual socialization of organizational members, an “organic solidarity” (Ouchi, 1980: 135; Rottig, 2007) may develop that entails the creation of common values, norms, beliefs and trust. International acquirers can implement this type of control by creating opportunities for interaction between key managers and employees from both organizations (Rottig, 2007; Nahapiet and Ghoshal, 1998). In sum, clearly signaling which organization is in control and using types of control that create commitment, trust and cooperation among the combined workforce is likely to contribute to successful cultural combination in international acquisitions (Rottig, 2007). Therefore, it is hypothesized that:

H₄: Control by a foreign acquirer over the post-acquisition integration process has positive relationship with successful cultural combination in international acquisitions.

2.2.7 Successful cultural combination

Ouchi (1980) revealed that the ability to successfully integrate an acquired organization is one of the most important determinants of international acquisition performance. Studies has shown, however, that a large number of acquirers do not have a clear strategy of how to integrate culturally different organizations, which may have caused the high failure rates of these transactions (Adler and Kwon, 2002; Rottig, 2007). In international acquisitions, integration problems due to dissimilar organizational cultures are often exacerbated by differences in national cultures. International acquirers, therefore, often experience a “dual cultural clash” (Larsson and Risberg, 1998: 45; Rottig, 2007; Nahapiet and Ghoshal, 1998). In order to avoid dual cultural clashes, international acquisitions require “double layered acculturation” (Barkema, et al., 1998: 151; Rottig, 2007), which addresses the combination of different organizational and distant national cultures.

2.2.8 International Acquisition Performance

Business performance refers to how well an enterprise performs, and is an important construct in determining organizations success (Khong and Mahendhiran, 2006). International acquisition performance outcomes can be considered both in financial and non-financial terms (Bontis, 1998; Bontis, Chua and Richardson, 2000). While international acquisition performance of the enterprise determine the objective measures such as return on investment, profits and sales turnover, perceived measures of international acquisition performance of the enterprise relates to perceived organization’s target of foreign sales as a percentage of total sales, management satisfaction with the current level of international acquisition performance and security of enterprise’s future international acquisition performance. In this paper, the latter was used to measure international acquisition performance because perceived measures can replace objective measures (Dess and Beard, 1984). Additionally the reliabilities and correlations between objective measures and perceived measures are strong (Bontis, 1998).

A considerable amount of management research has developed that focuses on the cultural perspective of international acquisition performance (Arikan, 2004; Rottig and Reus, 2005). Researchers argue that a lack of national cultural fit (i.e. cultural distance) may lead to cultural clashes between the involved workforces (Larsson and Risberg, 1998; Rottig, 2007). This may lower employee commitment and cooperation (Cartwright and Cooper, 1996), cause voluntary turnover of acquired top managers (Krug and Hegarty, 1997), and complicate the post-acquisition integration process (Very and Schweiger, 2001). However, empirical research testing this notion focused mainly on a direct relationship between cultural distance and acquisition performance, which has led to mixed and inconclusive findings. Some studies revealed a negative impact of cultural distance on the performance of international acquisitions (Datta and Puia, 1995; Olie, 1994; Uhlenbruck, 2004; Rottig, 2007), while others identified a positive relationship (Doukas and Travlos, 1988; Morosini, Shane and Singh, 1998). Still other studies indicate that cultural distance either has no direct effect on international acquisition performance (Markides and Ittner, 1994) or is one of the least significant variables affecting performance (Kanter and Corn, 1994; Rottig, 2007). Therefore, it is hypothesized that:

H₅: Successful cultural combination has positive relationship with international acquisitions Performance

These contradicting results raise the question of whether the widely proposed direct relationship between cultural distance and international acquisition performance is more complex than the literature on the topic suggests. This perspective suggests that it is not cultural distance per se, but ineffective management of cultural differences that may be the main reason for the high failure rates of international acquisitions (Rottig, 2007). Research method follows.

3.0 Methodology

Surveys were the primary source of data collection for field studies conducted in this research. Using random sampling, 516 management staff of 13 MNCs operating in Nigerian was selected from a business-to-business database maintained by a national list provider. The unit of analysis of this study is the firm. Although items contained in the survey instrument had been validated by previous studies, to get insights into the essential CFs of successful cultural combinations in the Nigerian context, all items representing CFs and international acquisition performance were validated and accepted individually by two professors in Management studies and seven experts in MNCs’ internationalization, specifically in the Nigerian context. Recommendations from experts were processed after effecting necessary modifications and then, the final version was accepted. In all, based on the sample frame of 34,330 permanent senior and management staff, the sample size for this study was determined using the modified Yamane (1967:886) formula, as used by Khong (2005). Consequently, a total of 516 questionnaires were administered to all the participating firms. In the questionnaire, participants were asked to answer two important sections; one with regards to the CFs of successful cultural combinations and the other to international acquisition performance. In CFs manifestation successful cultural combinations, they were asked to rate the degree of usefulness of 22 variables (table 2) in association with their firms’ international acquisition management efforts. In international acquisition performance, they were also asked to rate 3 variables (table 3) in relation to their companies’ post acquisition performance. Each of the variables contained

questions with the rating based on an interval scale from 1 to 5, where 1 is “strongly disagree” while 5 is “strongly agree”. n/a (not applicable or no comment) option was also included, so as not to force the respondents to select from the available options.

Table 1: Participating Multinational Corporations (MNCs) in the survey

Name of Industry	Number of Company	Total Questionnaire
Manufacturing	2	71
Oil and Gas	3	105
Banking and Finance	2	88
Agriculture	1	62
Building and Construction	3	121
Telecommunications	2	69

The management staff (executives) respondents from the participating companies were expected to be an active participant of the implemented international acquisition strategies. These respondents were selected based on the premise that they are among the most knowledgeable informants on international acquisition efforts and the derived international acquisition success in their respective organizations.

Questionnaire: Instrument Development and Operationalization

The framework depicted in Figure 1 suggests that cultural due diligence, cross-cultural communication, connection, and controls are the key determinants of successful cultural combination that, in turn, constitutes a key driver of international acquisition performance (Rottig, 2007). Given the background of the extensive literature reviewed to identify dimensions contributing to internationalization entry decisions, this research focuses on identifying factors impacting the dimension of improved international business performance success as a consequence of international entry decisions.

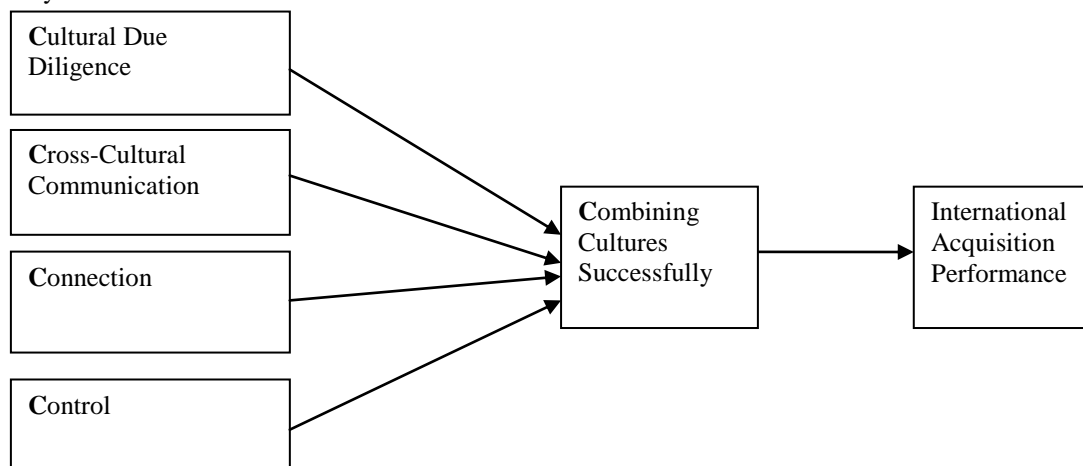


Figure 1: The Rottig (2007) Five-C’s Framework of Successful Cultural Combinations

The model suggests that performance is a function of successful cultural combination which, in turn, is determined by cultural due diligence, cross-cultural communication, connection, and control (Rottig, 2007). In summary, the results from the reviewed literatures were used to construct a questionnaire, similar to the variables and factors (shown in Tables 2 and 3) distilled from previous studies.

Table 2: The measure of Successful Cultural Combination

Vari able	Description of factors	Critical Factors (CFs)	Author
A1	There was a conscious effort by the acquirer to determine whether a combination of different cultures in the post-acquisition stage has high chances of success.	Cultural Due Diligence	Angwin’s (2001)
A2	Our enterprise analyzes its own organizational and national cultures prior to undertaking international acquisitions.		Krug and Hegarty, 1997; Krug and Nigh, 1998
A3	Our organization’s cultural profile was refined based on cross-cultural acquisition experience.		Krug and Nigh, 1998
A4	The cultures of the acquirer and target organizations were very different prior to the acquisition, but made compatible after the acquisition.		Veiga, Lubatkin, Calori and Very (2000)
B1	Our acquisitions were characterized by effective communication between the managers and employees of the acquirer and acquired organization	Cross-Cultural Communication	Schweiger and DeNisi, 1991
B2	Our organization encourages cross-cultural exchange through effective communication		(Vaara, 2002).
B3	Language barriers, ethnocentrism, nationalistic attitudes and, xenophobia were adequately managed through proper communication		Astrachan, 1990; Krug and Hegarty, 1997; Krug and Nigh, 1998
B4	Open communication with all employees and reasonable explanations for why jobs have to be eliminated was encouraged by management		Vaara, 2003
B5	Two-way communication between the workforces of the involved organizations ensures that managers and employees are able to express their		(DeNoble, et al., 1997)

	worries and voice their concerns		
C1	The establishment of an organizational hierarchy that spans the combining organizations allows interaction between the workforces of the acquirer and acquired organization.	Connection	Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998
C2	A formal organizational structure, however, merely represents the opportunity for the involved workforces to connect with each other.		(Rottig, 2006; Lajoux, 1998; Wall, 2001).
C3	Relational ties was encouraged by our organization to facilitate the development of commonly shared values, norms of reciprocity, trust, and collective identification		(Bourdieu, 1986; Coleman, 1990; Fukuyama, 1995; Putnam, 1995).
C4	Our organization often schedule formal and informal meetings, establish inter-subsidiary committees, specialized task forces, and cross-cultural teams, and rotate key personnel between the acquirer and acquired organization		(Lajoux, 1998; Wall, 2001).
C5	Our organization create structural ties (such as formal hierarchical structures), so as to encourage the involved workforces to develop relational ties and network relationships.		Tushman and Scanlan, 1981
D1	Our organization uses a type of control that encourages commitment and cooperation among the acquired managers and employees.	Control	Blumencron and Steingart, 2001
D2	There was the creation of correct expectations among the workforce of the acquired organization by determining who is actually in control.		Weber, Shenkar and Raveh, 1996
D3	Development that entails the creation of common values, norms, beliefs and trust was enshrined by our organization.		Forstmann, 1998
D4	In clearly assigning authority and decision-making responsibilities to each task force member and in setting specific time frames for the completion of assignments, such cross-cultural teams had little time to become distracted by cultural differences.		Ouchi, 1979
E1	Our organization focused on cultural issues in the post-acquisition integration process	Combining Cultures Successfully	(Barkema, et al., 1996: 151)
E2	Our organization developed adequate strategies that may have facilitated the post-acquisition cultural combination process.		Leung et al. (2005)
E3	Relational, interpersonal networking facilitated the exchange of knowledge and information among the foreign subsidiaries of our organization, and therefore contributed to the connection of managers and employees.		Ghoshal, Korine and Szulanski (1994)
E4	The creation of task forces motivate managers and employees from both organizations to socialize, to appreciate the value of cultural differences, and to build mutual trust and commitment without the need for hierarchical control or extrinsic pressures.		Ouchi, 1979

According to the framework of Bontis et al. (2000), Rottig (2007) and Javalgi et al. (2003), the variables manifesting international acquisition performance are depicted in table 3.

Table 3: The measure of International Acquisition Performance

Variable	Key factors manifesting International Acquisition Performance	Author
F1	Our organization's target of foreign sales as a percentage of total sales are met	Javalgi et al., 2003; Rottig, 2007
F2	Management is satisfied with our current level of international acquisition performance	Javalgi et al., 2003; Rottig, 2007
F3	Enterprise's future international acquisition performance is secure	Bontis et al., 2000; Rottig, 2007

Source: Bontis (1998); Rottig (2007) and Javalgi et al. (2003)

However, since the purpose of this study was to examine the perceived impact of successful cultural combinations on international acquisition performance, it is expected that the former will positively improve the latter. Results and findings follows.

4.0 Results and Findings

In order to analyze the data collected via the survey instrument, an appropriate statistical procedure was subsequently formulated using the methodologies recommended by Hair et al. (1998). From the formulated methodologies, specific relationship between CFs of successful cultural combinations and international acquisition performance were established. In sequential order, the recommended methodologies are:

1. Reliability and Validity analysis
2. Factor analysis

3. Regression Analysis

4.1 Reliability and Validity Analysis

Since reliability analysis is conducted in order to measure the internal consistency of variables, measured by interval scale items, in a summated scale; the summated scales are CFs of successful cultural combinations and international acquisition performance. Using the regression tool in SPSS (statistical package for social scientist), the robustness of Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (0.633); and the Bartlett's test of sphericity (1031.342) were also used to reject/accept the fact that the population correlation matrix is an identity matrix (table 5). To assess internal consistency, Cronbach's Alpha, composite reliability and average variance extracted coefficients were used (Hair et al., 1998).

Table 4: Summary of Test Result- Reliability Analysis

Constructs	Number of Questionnaire items	Cronbach's Alpha (mean)	Composite Reliability (CR)	Average Variance Extracted (AVE)
Cultural due diligence	4	0.936	0.815	0.845
Cross-cultural communication	5	0.945	0.823	0.734
Connection, and control	5	0.910	0.854	0.724
Control	4	0.877	0.823	0.776
Successful cultural combination	4	0.911	0.844	0.745
International acquisition Performance	3	0.876	0.876	0.766

From the results of the reliability analysis, shown in table 4, the cronbach's alpha of all the six constructs measuring CFs of successful cultural combinations and international acquisition performance were well above the recommended minimum of 0.70, hence, the set of variables are consistent in what it is intended to measure (Hair et al., 1998).

Table 5: Summary of Test Result- Validity Analysis and KMO and Bartlett's Test

Model	Collinearity Statistics		Durbin- Watson:
	VIF	Tolerance	
(Constant)			2.133
*Cultural due diligence	1.132	.956	
*Cross-cultural communication	1.057	.976	
*Connection	1.231	.989	
*Control	1.031	.976	
*Successful cultural combination			
*International acquisition Performance	1.212	.943	
	1.125	.922	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.633
Bartlett's Test of Sphericity			1031.342
Approx. Chi-Square			406
Df			.000
Sig.			

Discriminant Validity was tested using factor analysis, via "Principal Components extraction", applying an Orthogonal Varimax rotation with Kaiser's normalization (Khong, 2005). Based on these conditions, 6 factors were obtained (Kaiser's criterion of retaining factors with eigenvalues greater than 1), which was consistent with the 6 variables used in the model. All the items load significantly on their respective factors ($t > 2.00$). All indications suggest the reasonableness of the indicators and their proposed constructs. In addition, from the results of external validity tests shown in table 5, Tolerance and VIF coefficients are also within the acceptable range (Hair et al., 1998) to maintain that there is no evident multi-collinearity problem. The assumption of independent errors was tested with the Durbin-Watson, which monitors for serial correlations between errors. A value of 2.133 complies with the assumption of no independent errors (Khong, 2005).

4.2 Factor Analysis

The purpose of factor analysis, in this study, was to reduce the 25 variables, of which 22 were manifesting CFs of successful cultural combinations and 3 manifesting international acquisition performances, to a more manageable set of factors (Aaker and Day, 1986). In order to define which factors determine the successful cultural combinations and international acquisition performance, confirmatory factor analysis method was employed (Hair et al., 1998). Consequently, variables with high factor loadings were assigned to describe the respective factors. Therefore, variables that have low loadings on respective factors were constrained to zero (Hair et al., 1998). Using SPSS, the results of this factor analysis, with the assumption of extracting via principal components method and rotating via varimax, are shown in tables 6.

Table 6: Rotated Factor Matrix

Variable	FACTOR					
	1	2	3	4	5	6
C4	.858					
C5	.854					
C2	.802					
C1	.799					
C3	.767					
A3		.809				
A4		.805				
A2		.758				
A1		.702				
B4			.811			
B2			.784			
B5			.765			
B3			.744			
B1			.737			
E2				.893		
E1				.855		
E3				.798		
E4				.722		
D1					.884	
D2					.870	
D4					.776	
D3					.723	
F2						0.856
F3						0.770
F1						0.722

Extraction Method: Principal Component Analysis (6 factors Extracted)

Rotation Method: Varimax with Kaiser Normalization.

The factor matrix for successful cultural combinations and international acquisition performance revealed six significant factors, that is, factors 1,2,3,4, 5 and 6 respectively; and the six factors were extracted. Consequently, factors 1,2,3 and 5 will manifest the CFs of successful cultural combinations, while factor 4 and 6 will manifest successful cultural combinations and international acquisition performance. The retained variables, with factor loadings of above 0.7, were used in estimating a model via regression analysis.

4.3 Multivariate Analysis- Regression analyses

Although Hair et al. (1998) observes that multiple regression analysis is a convenient statistical technique to be used when the researcher requires analyzing the relationship between a single dependent variable and several independent variables, however, since a mediating effect (successful cultural combination) was defined in the model, the Path Analysis Technique was applied to test proposed hypotheses. Path Analysis is a regression-based technique widely used for analyzing the direct and indirect effects in model encompassing mediating variables (Khong, 2005). It must follow a three-step regression procedure to assess the hypotheses, as suggested by Hair et al. (1998):

- Step 1: Regression between Mediator and Independent Variables.
- Step 2: Regression between Dependent Variable and Independent Variables.
- Step 3: Regression between Dependent Variable and Independent Variables plus Mediator.

4.4 Hypothesis testing

In order to examine the relationships between CFs of successful cultural combinations (exogenous constructs) and international acquisition performance (endogenous constructs) of MNCs operating in Nigeria, the following hypotheses were tested:

H₁: Cultural due diligence has positive relationship with successful cultural combination in international acquisitions.

H₂: Cross-cultural communication has positive relationship with successful cultural combination in international acquisitions

H₃: Connection between an acquirer and acquired organization has positive relationship with successful cultural combination in international acquisitions

H₄: Control by a foreign acquirer over the post-acquisition integration process has positive relationship with successful cultural combination in international acquisitions.

H₅: Successful cultural combination has positive relationship with international acquisitions Performance

H₁, H₂, H₃, and H₄ were set to examine the effects of CFs on Successful cultural combination, while the mediating effects of Successful cultural combination on International acquisition performance was tested via H₅. Failure to accept the null indicates that the alternatives are accepted. By testing these hypotheses, an overview of successful cultural combinations towards improved international acquisition performance of MNCs in Nigeria can be determined.

Table 7: Testing the Hypotheses

a. Step 1: Regression between Mediator and Independent Variables.

R²=0.6433		Sig <.0001				
Durbin Watson= 1.969		Successful cultural combination				
Construct Association	'α' Level	Beta	ρ-value	Significant (yes/no)	Hypothesis	Validation
Cultural due diligence with Successful cultural combination	0.05	0.34	0.043	Yes	Accept H1	Yes
Cross-cultural communication with Successful cultural combination	0.05	0.29	0.041	Yes	Accept H2	Yes
Connection with Successful cultural combination	0.05	0.31	0.028	Yes	Accept H3	Yes
control with Successful cultural combination	0.05	0.36	0.038	Yes	Accept H4	Yes

b. Step 2: Regression between Dependent Variable and Independent Variables.

R²=0.4426		Sig <.0001				
Durbin Watson= 2.147		IAP				
Construct Association	'α' Level	Beta	ρ-value	Significant (yes/no)	Hypothesis	Validation
Cultural due diligence with International acquisition performance	0.05	0.38	0.031	Yes		Yes
Cross-cultural communication with International acquisition performance	0.05	0.30	0.041	Yes		Yes
Connection with International acquisition performance	0.05	0.17	0.047	Yes		Yes
control with International acquisition performance	0.05	0.17	0.044	Yes		Yes

c. Step 3: Regression between Dependent Variable and Independent Variables plus Mediator.

R²=0.5926		Sig <.0001				
Durbin Watson=2.365		IAP				
Construct Association	'α' Level	Beta	ρ-value	Significant (yes/no)	hypothesis	Validation
Cultural due diligence with International acquisition performance	0.05	0.37	0.021	Yes		Yes
Cross-cultural communication with International acquisition performance	0.05	0.21	0.048	Yes		Yes
Connection with International acquisition performance	0.05	-0.09	0.152	No		No
control with International acquisition performance	0.05	0.16	0.021	Yes		Yes
Successful cultural Combination with International acquisition performance	0.05	0.30	0.011	Yes	Accept H5	Yes

Note: α level denotes significant level

4.5 Discussion of Findings

Findings based on the survey revealed that successful cultural combinations positively affected international acquisition performance. The results suggests the positive effects of the CFs of successful cultural combinations (Cultural due diligence- $\beta=0.34$, $p=0.043$; Cross-cultural communication- $\beta=0.29$, $p=0.041$; Connection - $\beta=0.31$, $p=0.028$; and Control- $\beta=0.36$, $p=0.038$) on successful cultural combinations in MNCs operating in Nigeria, and were corroborated empirically. In addition, the results also suggests the positive effects of successful cultural combinations on international acquisition performance (Firm Size induced decision - $\beta=0.38$, $p=0.0030$; Competitive Advantages induced decisions - $\beta=0.30$, $p=0.0041$; Market Characteristic induced decision - $\beta=0.17$, $p=0.0577$) of MNCs in Nigerian during the study period, and were also corroborated empirically.

However, validation of H5: was done based on Khong (2005) established conditions for mediation: 1. the independent variables must affect the mediator in Step 1 (table 7a confirms this condition). 2. The independent variables must be shown to affect the dependent variable in Step 2 (table 7b. confirms this condition). 3. The mediator must affect the dependent variable in the Step 3 (table 7c confirms this condition). 4. The effect of the independent variables on the dependent variable must be less in the Step 3 than in the Step 2 (this was also confirmed by the difference between tables 7b and 7c, however, only connection between an acquirer and acquired organization experienced full mediation).

In addition, Cultural due diligence, Cross-cultural communication, Connection, and Control contributed 38%, 30%, 17% and 17% respectively, towards positive variations in international acquisition performance of MNCs operating in Nigeria during the study period. Hence, implementations of effective cultural combinations toward improving international acquisitions performance by MNCs in Nigerian should begin with Cultural due diligence (A3, A4, A2, A1); Cross-cultural communication (B4, B2, B5, B3, B1); Connection (C4, C5, C2, C1, C3) and Control (D1, D2, D4, D3) respectively. Cultural due diligence were the most influential in carrying out successful cultural combinations by MNCs operating in Nigerian. All results are significant at $p < 0.05$.

In summary, these results indicate that all the hypotheses were supported and validated, meaning positive and significant relationship exist between CFs of successful cultural combinations and international acquisitions performance variables of the MNCs surveyed. A positive and significant relationship obtained in this study agrees with the findings of Doukas and Travlos (1988) and Morosini, Shane and Singh (1998). Still other studies indicate that cultural distance either has no direct effect on international acquisition performance (Markides and Ittner, 1994) or is one of the least significant variables affecting performance (Kanter and Corn, 1994; Rottig, 2007).

However, the positive findings of this study differ from many empirical studies (Larsson and Risberg, 1998; Rottig, 2007; Cartwright and Cooper, 1996; Very and Hegarty, 1997; Very and Schweiger, 2001; Datta and Puia, 1995; Olie, 1994; Uhlenbruck, 2004). This is on the premise that many researchers argue that a lack of national cultural fit (i.e. cultural distance) may lead to cultural clashes between the involved workforces (Larsson and Risberg, 1998; Rottig, 2007). This according to Cartwright and Cooper (1996) may lower employee commitment and cooperation, while Krug and Hegarty (1997) believed it may cause voluntary turnover of acquired top managers and complicate the post-acquisition integration process (Very and Schweiger, 2001). Despite the fact that many of these empirical research focused mainly on a direct relationship between cultural distance and acquisition performance, which has led to mixed and inconclusive findings, many other studies also corroborates the negative impact of cultural distance on the performance of international acquisitions (Datta and Puia, 1995; Olie, 1994; Uhlenbruck, 2004)

5.0 Conclusion and Implications for Practice

5.1 Conclusion

In this paper, an empirical framework was created to assess specific relationships between the CFs of successful cultural combinations in international acquisitions management and international acquisition performance of MNCs operating in Nigerian. Based on a randomly selected 516 senior and management staff of 13 multinational corporations operating in Nigerian, factors manifesting International Acquisition Performance were regressed on the critical factors, manifesting successful cultural combination, using Rottig (2007) Five-C's Framework of successful international acquisition management. Findings based on the survey revealed that successful cultural combinations positively affected international acquisition performance. The results suggests the positive effects of the CFs of successful cultural combinations (Cultural due diligence- $\beta=0.34$, $p=0.043$; Cross-cultural communication- $\beta=0.29$, $p=0.041$; Connection - $\beta=0.31$, $p=0.028$; and Control- $\beta=0.36$, $p=0.038$) on successful cultural combinations in MNCs operating in Nigeria. In ascending order of importance, Cultural due diligence, Cross-cultural communication, Connection, and control contributed 38%, 30%, 17% and 17% respectively, towards positive variations in international acquisition performance of MNCs operating in Nigeria during the study period. As a result, the measurement and structural equation contrived offered a mathematical interpretation of how CFs of successful cultural combinations can affect international acquisition performance of MNCs in Nigeria. Hence, to enhance their competitive position in the global market place, MNCs in Nigerian should give high priority to improved Cultural due diligence, Cross-cultural communication, Connection, and control during their international acquisition efforts.

Specifically, for international acquisition implementations to be properly consummated there should be a conscious effort by the acquirer to determine whether a combination of different cultures in the post-acquisition stage has high chances of success. Organizations must also analyzes its own organizational and national cultures prior to undertaking international acquisitions; while organizational cultural profile must be refined based on cross-cultural acquisition experience. Most significantly, the cultures of the acquirer and target organizations prior to the acquisition must be made compatible after the acquisition (Angwin, 2001; Krug and Hegarty, 1997; Krug and Nigh, 1998; Veiga et al., 2000)

5.1 Theoretical Implications

The main assumption made in this paper is that cultural differences may not necessarily represent a detrimental force impacting international acquisitions. Instead, poor management of the cultural combination process in the post-

acquisition stage may be responsible for the large number of poorly performing cross-border acquisitions. The framework developed in this paper suggests that successful cultural Combination is determined by Cultural due diligence, cross-cultural Communication, Connection and Control. In conducting cultural due diligence, effectively communicating across cultures, encouraging the connection of the involved workforces, and using social types of control, MNCs may be able to manage the cultural combination process. Successful cultural combination, in turn, is likely to contribute to the performance of acquisitions in culturally distant markets (Rottig, 2007). This research can help in demonstrating how some CFs manifesting successful cultural combinations can determine successful international acquisition efforts, stimulating Nigerian MNCs to embrace international acquisition strategies that can impact their competitiveness. Moreover, the corroborated findings provide valuable implications for practice.

This study seems to be among the few examining the CFs of cultural combinations by MNCs, and the related success, in the perspective of how organizations fare after implementing international acquisition. The notion of internationalization success was analyzed explicitly by assessing the value derived from implementing it. This gap was originally positioned as a critical area for future research by Moeller and Schlingemann (2005), Sirower (1997) and Rottig (2007). Another contribution of this study is the measurement of performance, which was not limited to or focused on financial metrics, but encompasses diverse indicators and perspectives, like Perceived International acquisition Performance Measures.

In addition, this study seems to be one of the few that aims at investigating the success of cultural combinations by MNCs in a developing economy, like Nigeria, by proposing a model and validating it empirically. Lastly, Rottig (2007), contends the stringent necessity to provide a model that amalgamates the CFs of cultural combinations with international acquisition performance. Hence, this study integrates the CFs of successful cultural combinations, with international acquisition Performance Measures as related drivers of the effectiveness and success of international acquisition efforts in MNCs operating in Nigeria. Very few studies have been performed to investigate and understand this issue.

In addition, this study offers a theoretical model that can be considered as a step forward in developing an integrated model toward investigating the relationship between the CFs of successful cultural combinations and internationalization success as expressed by international acquisition performance and might serve as a basis for future research. Finally, this research adds to the body of knowledge by providing new data and empirical insights into the relationship between the CFs of a successful cultural combinations and international acquisition performance of MNCs in Nigerian.

5.1 Managerial Implications

This study is expected to provide specific direction to companies contemplating international expansion, as a strategic imperative for sustainable competitive advantages. Hence, the study is expected to be beneficial to Nigerian MNCs and other Nigerian companies alike, policy makers in private and public sectors of the Nigerian economy by, enabling better strategic and tactical judgments with regards to internationalization strategies. It will help Nigerian companies understand international acquisitions as a business philosophy, its key components and benefits. It is therefore important that MNCs in Nigeria consider the need to successfully combine different cultures in order to improve the performance of these transactions. Based on this framework, practitioners may gain a better understanding of why such a large number of acquisitions fail to achieve pre-acquisition objectives. The Five C's framework also provides insights into how multinational corporations may overcome the problems that plague international acquisitions.

However, since only one perspective in each organization was collected (senior and management staff that actively participated in the international acquisition process; and for the fact that few respondents were chosen from each participant MNCs, it is not unreasonable to claim that a method bias may limit the research findings. Consequently, future research may combine different rater classes to elicit information from respondents. In addition, future research may also identify determinants of international acquisition performance beyond culture, for example, the role of the institutional environment and institutional distance between an acquirer-home and target-host country.

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