A moderated-mediation model of cultural distance in values and norms, M&A type, and M&A performance

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Master Dissertation

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Abstract

The impact of culture has been a topic of interest in mergers & acquisition (M&A) research. Cultural distance has been found to have effects on various business decisions in the process of moving a firm abroad. This dissertation broadens the topic by analysing the remarkably under-researched decision of M&A type, i.e. the extent to which the M&A's operations relate to the parent company's, and how this influences the relationship of culture on the M&A performance. Transaction cost theory is used to argue for a negative effect of cultural differences on M&A survival that are mitigated by the choice of a more related M&A type. Moreover, the field is further broadened by analysing the moderation effects of the relatively recently popularised normative framework of culture. By including tightness-looseness in social norms, the relevance of including both differences in values and norms in cultural difference research is investigated. These effects are analysed in a moderated mediation model by using a panel data set consisting of Dutch M&A ventures spanning fifty years. Moderation and mediation effects are analysed using standardised linear regressions and logistic regressions. The findings reveal that while cultural distance does lead to firms choosing a more related variably type, there is mixed support on M&A type meaningfully mediating the relationship between cultural distance and M&A performance. Furthermore, though adding both cultural variables in the model lead to a negative interaction effect, both were significant with larger effect sizes than the interaction effect, showing that they play distinct roles in M&A research.

Introduction

Mergers and acquisitions (M&As) are known as one of the most frequently used growth strategies that firms deploy, not only for domestic expansion, but also for international expansion (Bartlett & Ghoshal, 1991; Peng, 2012). As the amount of M&As have increased exponentially, so has the literature (Beugelsdijk et al., 2017). In the extensive M&A literature, scholars have uncovered multiple motivations as to why an M&A transaction would be enacted. For instance, firms can access new resources, markets, and capabilities through acquisitions (e.g. Bogan & Just, 2009; Makino et al., 2002; Miettinen & Steinbacka, 2018). By gaining these benefits, firms learn (Barkema & Vermeulen, 1998; Morosini, Shane, & Singh, 1998; Zollo & Singh, 2004), improve the competitive position (Hitt, Harrison, & Ireland, 2001), obtain synergies (Bradley, Desai, & Kim, 1988), overcome shortcomings in the financial markets, and reduce competition (Bradley et al., 1988).

However, the benefits of an M&A venture can be outweighed by the difficulty of successfully performing them. M&A transactions are infamous for their high failure rate (Dikova, Sahib, & van Witteloostuijn, 2010; Zhou, Xie, & Wang, 2016). Mergers and acquisitions can fail due to a plethora of reasons, such as poor strategy, financial issues, lack of organisational fit, but also due to cultural differences (Weber et al., 1996; Mohd & Ayesha, 2022). Operating abroad creates a liability of foreignness (Zaheer, Schomaker & Nachum, 2012). The distance between countries – physically, but also culturally – brings about additional costs for MNEs due to transport and coordination costs, lack of knowledge of the environment, discrimination and lack of legitimacy, and regulatory barriers (Hymer, 1976; Zaheer, 1995; Miller & Eden, 2006). Cultural differences have been a popular topic of research in the last half century as the differences between people can have major consequences for the integration of the acquisitions target due to differences in philosophy, communication practices, (Li & Gelfand, 2022), management styles (Datta & Puia, 1995) and other interpersonal issues (Mohd & Ayesha, 2022). This inability to manage cultural differences takes a toll on management practices which causes M&A failure (Dowling et al.,1999; Johnson, Lenartowicz and Apud, 2006; Malhotra, Sivakumar & Zhu, 2011).

Problem statement

Regardless of the extensive research on cultural differences, the effects of these differences on M&A performance are still not fully understood. Since the direct relationship between cultural distance and M&A performance is unclear (Reus & Lamont, 2009), research should focus on the process of decisions in which an M&A transaction is executed (e.g., Haspeslagh & Jemison, 1991; Pablo, 1994). Such decisions in the process of M&A ventures include location choice (Dunning & Lundan, 2008; Rugman & Verbeke, 2009), entry mode (Brouthers, 2002; Kogut & Singh, 1988), establishment mode, and degree of ownership (Chan & Makino, 2007; Madsen, 2009). By understanding the effects

of culture on M&A process decisions, one can understand better the effects culture has on how M&As perform.

The performance effects of decisions such as location, establishment mode, and degree of ownership have already been determined to be influenced by culture (Beugelsdijk et al., 2017). However, little to no research has been done to determine the effects of culture on extending the business practices abroad in related or conglomerate acquisitions. As M&A transactions seem to only be increasing, research on M&A decisions is increasingly important to understand how firms can capitalise on the possibilities they offer and how culture can influence the outcomes. Therefore, this study aims to research the effects of cultural differences on the M&A type and subsequent M&A performance.

Theoretical gap

Aside from extending the literature with the exploration of the effects of cultural differences on M&A type, this study will extend the cultural distance literature as well. Cultural distance is not without its shortcomings. The assumption of homogeneity and ignoring intra-country variation that is implicit in this framework has been widely criticized (Kogut and Singh 1988; Au 1997, 1999, 2000; Shenkar, 2001, 2012; Mezias et al., 2002; Husted, 2003; Au & Cheung, 2004; Gerhart & Fang, 2005; Tung, 2008; McSweeney, 2009; Steel & Taras, 2010; Tung & Verbeke, 2010). Besides, cultural distance only bases its outcomes on cultural values (what people want), which is only one aspect of culture. Culture consists of norms (what is allowed) and beliefs (what is possible) as well (Beugelsdijk & Maseland, 2011). Nevertheless, most international management research examining cultural differences uses cultural distance (Kirkman et al., 2006). Lopez-Duarte, Vidal-Suarez, and Gonzalez-Diaz (2016) found that more than 80% of the articles discussing culture and firm internationalisation focused on this construct, sometimes over-relying on it rather than searching for novel means of measuring culture (Leung & Morris, 2015). Therefore, this study extends the scope of culture by including tight-loose differences in social norms as an extra variable, which has been largely left unresearched in management theory (Leung & Morris, 2015). Tight-loose differences in social norms depict the differences between countries in how much deviant social behaviour is tolerated (Gelfand et al., 2006; 2011; 2021). As tight-loose differences measure intra-country variation, this is a different effect from the value-based cultural distance and could affect it (Taras et al., 2016; Beugelsdijk et al., 2014). By including the tight-loose differences in this model, the effects of cultural differences are not only investigated by the value-based cultural distance, but also by how strongly this cultural distance is embedded within the norms of the cultures, creating a richer perspective on culture. Consequently, the assumption that cultural differences lead to a different choice in M&A type can be examined not only with cultural distance, but also by the tight-loose differences in social norms.

Research question and objectives

By examining the effects of culture on M&A performance and M&A type, the research objective is to investigate the extent to which the relationship between cultural distance and M&A performance is mediated by M&A type. Additionally, this study examines how tight-loose differences moderate this relationship between cultural distance and M&A type, and M&A type and M&A performance. These relationships are investigated to extend the literature by combining the cultural distance framework with M&A type research. Research on cultural differences is further extended by investigating the interplay between cultural distance and tight-loose differences in social norms. Lastly, the study aims to offer useful insights for firms to modify their strategies depending on the cultural context of the M&A practices they are immersed in.

Thus, the research question for this study is: *To what extent does the M&A type mediate the impact of cultural distance on M&A performance and how do tight-loose differences in social norms moderate the relationship between cultural distance and M&A type?*

Theoretical framework

Cultural Distance

Culture is defined by Hofstede (1980) as the collective mindset that separates groups of people from each other. Culture restrains behaviour to certain values, norms, and beliefs in order to provide meaning to behaviour (Beugelsdijk & Maseland, 2011). This makes social actions and transactions easier to take place. In New Institutional Economics (NIE), economic behaviour is researched by examining the role informal rules and institutions play. In this view, institutions define the “rules of the game” (North, 1990). Due to the embeddedness of institutions in culture, institutions are shared and stable (Williamson, 2000).

Cultural differences can enrich firms by providing unique capabilities. Through acquiring culturally distant businesses, firms can obtain increased learning potential rooted in distinct national cultures (Barney, 1988; Ghoshal, 1987; Morosini et al., 1998). By becoming more culturally diverse, managers may consider more viewpoints, increasing the understandability of critical business problems (Gomez-Mejia & Palich, 1997). In addition, Cox (1991) argued that increased diversity leads to more exploration of resources and capabilities, creating unique ways of doing business. However, due to the embeddedness of institutions into distinct cultures, obtaining these benefits may be difficult since institutions do not necessarily overlap. As such, acquiring parties must adapt to both cultures, becoming multiply embedded. Taking culture into account is therefore extremely important in an international context (Beugelsdijk & Maseland, 2011).

In order to research the consequences of cultural interactions in M&As, scholars have focused on a "process view" of acquisition research. This view states that M&As are considered major organisational transformations and should thus be carefully managed. When cultural differences are profound, integration is harder to achieve. Still, firms can be interested in such ventures due to the elevated potential that is associated with large cultural differences. Venturing into culturally different territory can offer potential for new perspectives and practices, provide opportunities for innovation, and increase creativity and problem-solving skills (Larsson & Finkelstein, 1999). Additionally, access to a new market with a different talent pool and consumer base.

Implementing integration capabilities can aid companies in completing the integration process successfully and ensure that potential synergies can be realised (Reus & Lamont, 2009). Understandability, communication, and employee retention are three such integration capabilities that are particularly pliant to cultural differences (e.g. Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986). Understandability in this case refers to the extent to which employees can codify and learn the practices and routines underlying the potential resource advantages during the integration process (Zander & Kogut, 1995; Zollo & Sing, 2004). Cultural distance impedes understandability because alien business practices in the local culture are likely not understood by the parent companies acquiring them (Luo, 2002; Zaheer, 1995). Codifying that knowledge and integrating it can be a difficult process, as the practices are rooted in a social context, which complicates transferring the knowledge and key capabilities (Kogut & Zander, 1992). Communication is impeded by cultural differences as well. Due to the differences in culture, communication styles differ. In countries with a high power distance, for example, communication is centralised on powerful people, whereas countries with low power distance decentralise their communication (Hofstede, 2001). In general, employees prefer communicating with members of similar cultures rather than distant cultures, even when language differences are not present (Lane, Greenberg, & Berdrow, 2004). Lastly, cultural differences affect employee retainment. Via cultural differences, cultural groups are more likely to take an 'us vs. them' viewpoint (Huntington, 1993). Because of this viewpoint, employees may feel that their position is threatened and will be less willing to adjust and accept practices culturally different from their own (Krug & Hegarty, 1997). In addition, cultural distance restrains organisation members in developing strong relationships (Luo, 2001). Especially when having to work together closely clashes on cultural differences in appropriate behaviour increase, resulting in more conflict and mistrust among acquisition partners (Cartwright & Cooper, 1992; Datta & Puia, 1995).

In comparative analysis between countries, cultural differences must be measured. For this purpose the metric cultural distance is most commonly used. Cultural distance quantifies the extent of cultural differences of the values between two or more cultures or countries. Such differences are measured by dividing culture into dimensions, most famously devised by Hofstede (1980; 2001). The dimensions Hofstede identified were power distance, individualism, masculinity, uncertainty

avoidance, and later long-term orientation and indulgence (Hofstede, 1980; 2001; Hofstede, Hofstede, & Minkov, 2010). Since the inception of cultural distance by Kogut & Singh (1988), it has been applied in a plethora of international management topics, such as foreign entry mode (Barkema & Vermeulen, 1997), compensation strategy (Roth & O'Donnell, 1996), subsidiary performance (Gomez-Mejia & Palich, 1997), expatriate performance (Tung, 1988), and foreign direct investment patterns in general (Erramilli, 1996). Through the construct of cultural distance, the management decisions in the process of internationalisation have been researched as well. When expanding abroad, a company faces difficulties and incurs costs not only due to the liability of foreignness (Zaheer, 1995), but also due to political and economic risks (Alvarez & Barney, 2005; Maitland & Sammartino, 2015), and legitimacy challenges (Kostova & Zaheer, 1999). These complications permeate all stages of a firm's expansion process but can (to some extent) be addressed with appropriate internationalisation strategies. In the pre-investment stage, strategies are considered regarding the location choice, entry mode, establishment mode, and degree of ownership. In this stage, management makes decisions based on the perceived benefits and synergies weighed by the costs of the cross-border venture.

In the literature, entry mode is a collective term encompassing both establishment mode and itself. Entry mode can be defined as the choice of equity mode in which to enter a country. A firm can enter as a wholly owned subsidiary or as a joint venture (Brouthers, 2002). Establishment mode refers to the choice of an acquisition or an expansion built from the ground up known as a greenfield (Brouthers & Hennart, 2007). The same theoretical perspectives are used in entry mode and establishment mode research. There are three theoretical perspectives that are prevalent in cross-border M&A research that can be used effectively (Zhao et al., 2004; Yiu & Makino, 2002). These perspectives previously used on entry mode are used to propose effects cultural distance may have on M&A type.

The first theoretical perspective and the one primarily used in entry mode research is transaction-cost economics (Williamson, 1985). In this view, the choice of entry/establishment mode depends on the anticipated costs of the transactions. These transaction costs are in turn determined by the firm's asset specificity or the transaction's uncertainty. Naturally, the mode that is considered to have the least transaction costs will be preferred. In this perspective, the market potential must be higher than the perceived transaction costs in order to consider entering at all. Transaction costs are dependent on transaction-specific assets, external uncertainty, internal uncertainty, and free-riding potential (Anderson & Gatignon, 1986). Transaction-specific assets are specialised investments that cannot be used outside of the M&A transaction, limiting the usability of them in case of failure and increasing the sunk costs. External uncertainty relates to the unpredictability of the entrant's external environment, whereas the internal uncertainty originates from the ability to determine the

acquisition's performance accurately. Lastly, free-riding potential is the acquirer's ability to receive benefits without bearing the associated costs. If no costs need be made, transaction costs go down.

The second theoretical perspective regarding entry/establishment mode is the resource-based view (RBV). Devised by Barney (1991), this view focuses on firm resources in explaining the choice of entry mode (Delios & Henisz, 2000) and establishment mode (Klier et al., 2017). Generally, the RBV perspective suggests that the bigger the resource base a company resides over, the higher the likelihood of choosing more complex organisational arrangements (Brouthers & Hennart, 2007; Brouthers et al., 2008). In the context of this study, this can be explained by involving integration capabilities. Larger firms with a large resource base are more likely to preside over integration capabilities than smaller firms.

Lastly, besides transaction costs economies and the resource-based view, entry mode is viewed through the lens of institutional theory (Martin, 2013). According to this theory, firms mimic others of the same organisational class. This implies that in the entry mode choice is made because other firms in the same industry or country have used it before (Lu, 2002). Logically, this can be understood as avoiding the unknown factors by choosing the road most travelled by.

Thus, cultural distance is seen as a source of uncertainty, complexity, and incurrence of additional costs to cross-border M&As (Beugelsdijk et al., 2017). Management decisions to avoid cultural distance occur and can be effective. In entry mode research, integrating with a culturally distant target will lead to higher costs, so firms look for ways of alleviating the risk such as joint ventures or greenfields. Extrapolating these outcomes to create a theory on M&A type, one expects that the M&A type that is considered to lead to the least amount of costs is preferred, this being the one that reduces integration costs. Next, M&A type will be explained and what the proposed effects of cultural distance are on this construct. For this study, transaction-cost theory will be used to explain the management decision of M&A type via the integration process (Morschett et al., 2010).

M&A type

Before explaining the potential effects of cultural differences on M&A type, we must know what M&A type means. In the pre-investment stage of an acquisition many decisions must be made. M&A type, or the type of business it brings to the acquiring party is such a choice. There are considered to be five mutually exclusive acquisition types, as defined in the Federal Trade Commission's *Statistical Report on Mergers and Acquisitions* (1975):

1. Horizontal: this is when the acquisition target produces one or more of the same, or closely related, products in the same geographic market.
2. Vertical: this type occurs when two companies had a potential buyer-seller relationship prior to the M&A transaction.

3. Product extension: an acquisition is considered to be a product extension in type when the acquiring and acquired companies are functionally related in production and/or distribution but sell products that do not compete directly with one another.
4. Market extension: when companies manufacture the same type of products but in different regions, an acquisition is considered to be a market extension.
5. Unrelated: In this type two firms unrelated to each other via products or market field integrate.

These can be reclassified into two distinct firm categories: related or conglomerate. Related acquisitions are horizontal or vertical, whereas conglomerate firms acquire based on a diversification strategy through product extension, market extension, or unrelated acquisitions. This distinction is of importance as the potential benefits that can be obtained from the target vary. Conglomerate acquisitions aid in size maximisation rather than profit objectives (Reid, 1968; Mueller, 1969). Further motives for conglomerate acquisitions are context-dependent, such as defensive positioning (Weston & Mansinghka, 1971), instantaneous profit (Mead, 1969), or financial leverage-related arguments (Lewellen, 1971; Lintner, 1971). However, in the view of synergy, Singh & Montgomery (1987) argue that conglomerate acquisitions at best produce financial and administrative synergies, whereas related acquisitions provide the possibility of economies of scale and scope on top of the benefits from conglomerate strategies.

The same underlying principles for the effects of cultural distance in the integration process adhere to the potential benefits of M&A types: when firms are more alike, familiarity with the industry reduces the need for learning the business environment and speeds up the learning from the acquisition process (Hitt, Harrison & Ireland, 2001; Roberts & Berry, 1985). According to this argument, related acquisitions will perform better than conglomerate ones, since with these acquisitions acquirers have the benefit of industry familiarity. Industry familiarity implies that acquirers have more expertise in managing the acquisition and can find more synergistic benefits (Healy et al., 1997). Familiarity reduces misinterpretations of motives and intentions when 'the way work is done' is similar, decreasing interpersonal conflict in merging groups (Bruton et al., 1994). Added benefits of related acquisitions on a corporate level are that income streams become more stable when acquisitions occur in related product markets, decreases the number of rivals, and increases the combined market power of the firms (Salter & Weinhold, 1987).

Due to these factors, strategy researchers expect that related acquisitions lead to more value creation than conglomerate ones. Empirical research validates the preference of related acquisitions. Conglomerate acquisitions are deemed less profitable than related ones in both short- and long-term timespans (Gregory, 1997; Hubbard & Palia, 1999; Maquiera et al., 1998; Walker, 2000). In a

worldwide sample of M&A's, Gugler et al. (2003) found that related M&A transactions perform better than conglomerate ones with respect to profits and sales.

On the interaction between cultural distance and M&A type little research has been done. Homberg et al. (2009) researched the effects of cultural relatedness and business relatedness on M&A performance separately but did not investigate the interaction effect. Still, on the basis of transaction cost theory and the process view on acquisitions, certain expectations can be created. As seen previously, transaction cost theory dictates that cultural distance should be avoided as it leads to increased integration costs (Beugelsdijk et al., 2017). In the choice of M&A type, transaction costs are deemed higher for conglomerate acquisitions because of lower potential synergistic benefits and unfamiliarity with the industry. With decreased familiarity, the acquisition is more difficult to integrate (Buono et al., 1985), leading to more integration costs. As cultural distance increases, management will see integration costs rise. Therefore, I argue that the more complex conglomerate acquisitions that compound the difficulty of the integration process will be avoided in preference of related acquisitions.

(**H1**) *As cultural distance increases, related acquisitions are more likely to be executed than conglomerate acquisitions.*

These strategic decisions are made in order to provide value to the company. It is expected that firms choosing the M&A type that is more aligned with their culture and business are expected to have a better performance. A company venturing in culturally distant territory will be more likely to choose the related acquisition type, which in turn affects the M&A performance of the firm. Even though the cultural distance is not likely to have an effect on the M&A performance directly (Reus & Lamont, 2007), through the M&A type its effects on the M&A performance can be measured.

(**H2**) *the direct effect of cultural distance on M&A performance is mediated by M&A type.*

Tightness – Looseness

Aside from the differences in values measured by cultural distance, one of the fundamental differences between cultures is how strictly a group adheres to the social norms and how much deviant behaviour is tolerated. This is referred to as cultural tightness-looseness (Gelfand et al., 2006, 2011, 2021). Tight cultures have rigidly defined social norms and a low tolerance for deviant behaviour, whereas loose cultures have weakly defined social norms and a high tolerance for deviant behaviour. No culture type is preferable over another, as both have their strengths; tight groups have a lot of order and discipline, while loose groups have a lot of creativity and openness.

While this difference brings potential for learning new practices, cultural variation in social norms have adverse effects as well. Social norms have aided humankind in cooperation and coordination within cultures, though because they can diverge drastically across cultures, they can pose great issues during intercultural interactions (Brett, 2014). Returning to the process view in acquisitions, Li & Gelfand (2022) theorised that differences in social norms influence the combined firm's ability to interact efficiently, blend operations, and agree on shared goals, processes, and structures. As tight and loose cultures vary fundamentally, such differences are reflected in various aspects of an organisation such as business practices, leadership styles, and people themselves (Gelfand et al., 2006; Gerhart, 2009; Lee & Kramer, 2016).

In organisational practices, tight-loose differences can be seen in rules and training practices. Predictability and rules are emphasised in tight cultures, whereas loose cultures tend to prefer flexibility and experimentation, encouraging innovation (Gelfand et al., 2006). Consequently, training practices are more intensive and performance-monitoring systems more developed in tighter cultures, whereas loose cultures are more lenient to those who violate organisational standards (Gelfand et al., 2006; Rabl et al., 2014). Due to the differing workstyles and subsequent interpersonal conflict (Bruton et al., 1994), firms expanding to countries with different attitudes to social norms can lead to more transaction costs.

Concerning leadership, naturally norm violations by leaders are seen more negatively in tight cultures (Stamkou et al., 2019). The way leaders are allowed to and are preferred to operate can differ as well. In loose cultures, charismatic leaders that disrupt the status quo are favoured, whereas tight cultures favour autonomous and independent leaders (Aktas et al., 2016). CEOs in loose cultures are allowed more strategic leeway, while those in tight cultures have less managerial discretion (Crossland & Hambrick, 2011)

Lastly, tight-loose differences in social norms affect people themselves as well. People in tighter cultures expect greater monitoring, evaluation, and punishment because they feel more accountability (Frink & Klimoski, 1998). To adapt to the high levels of normative stringency, other characteristics are required, such as impulse control, self-monitoring, and need for structure (Gelfand et al., 2011; Harrington & Gelfand, 2014).

Due to these differences, conflict and lack of cooperation is more likely, so that synergies cannot be created which results in a lower M&A performance (Buono & Bowditch, 2003; Chua, 2013). Evidence of the effects of social norm variance exists in the form of Li & Gelfand (2022), who found that differences in the strength of social norms affected the financial performance of cross-border acquisitions. When there are larger differences in tight and loose structures, a larger negative effect on the return on assets is found. Moreover, this effect is even stronger when the acquirer is

tighter than the target of the acquisition, at greater levels of tightness, and particularly in high-tech industries (Li & Gelfand, 2022).

Assuming that executives recognise and are aware of these tight-loose differences in social norms, when these differences are greater, the greater are the executives' perception of transaction costs of the acquisition integration. To avoid this risk, executives will have an even higher preference of related M&A types over conglomerate M&A types, reinforcing and multiplying the effect of cultural distance. This way, the tight-loose differences in social norms bring a moderating effect to the relationship between cultural distance and M&A type.

(**H3**) *The effect of cultural distance on M&A type is further increased as tight-loose differences in social norms are higher.*

Conceptual model

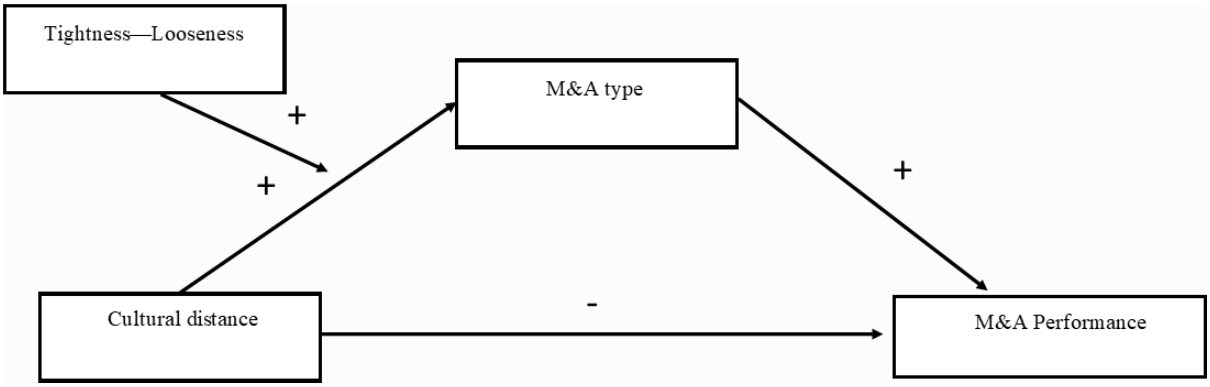

Figure 1: the conceptual model involving cultural distance, M&A type, M&A performance and tightness-looseness in social norms and the proposed direction of effects.

Research design

Method

Considering that the conceptual model contains both mediating variables and moderating variables, a moderated mediation model will be used to assess it. This can be done using the steps provided by Preacher, Rucker and Hayes (2007). As the PROCESS model by Hayes (2013) cannot be used due to dichotomous dependent variables, statistical analysis will be done manually in SPSS. For simplicity's sake analysis will commence with a linear regression model with cultural distance as the predictor

variable. Afterwards, a logistical regression is executed to confirm the significance and the direction of the effects.

Data

Research on the topic of international acquisition patterns delves into broad economic patterns, which must be reflected in the research method. Therefore, panel data consisting of 6899 acquisitions compiled and supplied by Anna Nadolska will be used. This data consists of various acquisitions done by 65 Dutch firms spanning from 1966 to 2006. Although this has the limiting factor of being able to research only the acquisition patterns from a relatively loose culture, the data spanning half a century ensures that time-based biases are less likely to occur.

Measures

Cultural distance

Cultural distance can be derived from multiple measures. Three methods of measuring cultural distance have been profound in cross-cultural research. These are Hofstede (1980; 2001), GLOBE (House et al., 2004), and Schwartz (1994). World Values Survey is used in a lesser sense in management and economic research because of its vastness and intangibility relative to the other indexes (Beugelsdijk et al., 2017).

For the purposes of this study, Kogut & Singh's (1988) index and the underlying dimensions of Hofstede (1980; 2001) will be used. Although Kogut & Singh's index usually is measured with only four dimensions of Hofstede, all six are created as well to obtain a broader cultural view. As most research with Kogut & Singh's index uses an erroneous squared cultural distance (Konara & Mohr, 2019), in this study the Euclidean distance between countries is measured for both the 4-dimensional measure and the 6-dimensional one. Here, the square root of the sum of the squared differences in cultural value dimensions between countries is measured. The larger the index, the bigger the cultural distance between the host and home country. The choice of which measure to use depends on which has more explanatory power.

M&A type

The M&A type can be assessed quantitatively by a diversification index or entropy index (Palepu, 1985), qualitatively through classification (Rumelt, 1974; Porter, 1985), or by subjective measures. In this study, the acquisitions are organised by the FTC classification. Vertical and horizontal acquisitions make the related acquisitions while the remaining three acquisition types are deemed conglomerate acquisitions. By knowing the horizontal and vertical relatedness, one can judge whether the acquisition is related or conglomerate. Horizontal relatedness is easily measured by SBI codes,

which are codes for Dutch regulation on what corporate main and side activities are. When the SBI codes do not coincide, the acquisition is deemed not horizontally related.

Vertical relation is harder to measure, as the activities between vertical links are fundamentally different. Previous research has used SIC-codes of U.S. enterprises and created linkages across industries from input-output tables in order to produce a vertical relatedness coefficient (Fan & Lang, 2000; Fan & Goyal, 2006). Matching this to SBI codes, vertical relatedness can be found for the Dutch companies as well. As previously demonstrated by Alfaro & Charlton (2009) and Herger & Mccorriston (2016), a cut-off point of 5% will be used in this study. Above this point, acquisitions are deemed vertically related. Related acquisitions will be listed as 1 and conglomerate acquisitions as 0.

M&A performance

As the performance of companies is an important variable in international management, many metrics have been used to measure M&A performance (Das & Kapil, 2012). Such measures can be divided by whether they measure post-acquisition performance in the short term or long term. In the short term, the financial performance indicators of return on investment (ROI) and cumulative abnormal returns (CAR) on the stock price (e.g. Chatterjee, et al., 1992) are used generally. For this study however, long term measures are more interesting, as the effects of culture can be seen on a longer timescale. Long term measures for M&A performance review whether an M&A is successful by checking if they have survived or are divested. A divestment is assumed to be result of inadequate results. In this study, survival in the coming 5 years and the coming 10 years for each year the M&A is active will be computed. If an M&A in a certain year still has survived in 5 and 10 years, the corresponding measure will record a 1 (survival) or 0 (divestment).

Tightness-looseness

Tightness-looseness differences can be calculated by dividing the acquirer nation's tightness score by the target nation's tightness score. The tightness scores can be obtained from Eriksson et al.'s (2021) study. This data was obtained from convenience samples of 22863 participants spanning 57 countries. The countries used in this study are dispersed over Africa (7), America (10), Asia (18), Europe (21) and Australia. A higher tightness score indicates a tighter culture. The data ranges from -1 (loose social norms) to 1 (tight social norms). The Netherlands has a tightness score of around -.545. As the dataset only consists of Dutch M&As, the tightness-looseness differences in social norms can only be researched from loose to tight cultures. Tight-to-tight and tight-to-loose M&As cannot be observed in this study.

Confounding variables

To make the findings of cultural distance and M&A type on M&A survival more robust, control variables are added. Returning to the resource-based view, larger companies are more likely to have integration capabilities and are thus more likely to venture into more complex operations such as conglomerate acquisitions (Boateng et al., 2019; Wang et al., 2020). As this would interfere with the aim of this research, size of the organisation should be taken into account as a confounding variable. A commonly used proxy for size is the number of employees, which will be used in this study as such.

Prior experience with expansions must be accounted for as well. Integration capabilities are likely fully developed for organisations that regularly make use of M&A transactions to expand through experiential learning (Huber, 1991; Levitt et al., 1999), reducing their transaction costs and changing their cost-balance outlook (Kaul & Wu, 2016). Following most studies, this study will measure expansion experience in the number of previously conducted expansions (Schweizer et al., 2022). This is a cumulative variable that counts how many expansions the parent company executed every year.

Another important control variable is profit. Understandably, a profitable endeavour is less likely to be divested. Since the effects of the M&A themselves are more difficult to observe, the profit of the parent company will be included in this analysis instead. Therefore, the net profit adjusted for inflation of the parent company is used in this analysis. A positive effect is estimated as M&A survival is likely higher when the profits are high. For more robustness on the measurement of a firm's operational efficiency and profitability, the return on assets can be used (ROA) (Das & Kapil, 2012). The return on assets measures the growth of assets of the parent company.

Debt-to-equity ratio is used as a control variable as well as it examines that the effects of cultural distance are valid irrespective of the risk profile that comes from the firm's capital structure. If a firm experiences high leverage it is less likely to choose more risky decisions, impacting the effects of the assumed transaction costs cultural distance and M&A type bring. As these strategic decisions can be impacted and possibly confound the effects of cultural distance and M&A type they must be accounted for (Chatterjee, 1986; Reus & Lamont, 2009).

Results

In total 53.354 cases are extracted from the database. These consist of 1742 international M&As and corresponding data of the parent company for each year it has been active. Looking only at cases when the M&As are active, 14.935 cases remain. The timespan of an M&A in the dataset ranges between 1 and 39 years. This data is not evenly dispersed over the 23 countries, as the United States takes up 5041 (33.8%) entries and Saudi Arabia only 4 entries (0.0%). In the time that M&As are active, 69.4% (10368) of entries have been coded as surviving for the coming 5 years. As for long-

term survival, 40.1% (5995) is indicated to have survived for the coming 10 years per year of recording.

After recoding the SBI values into related or conglomerate acquisitions, conglomerate acquisitions are observed to have been executed in 23.9% (9460) of the entries, whereas related have been considerably more popular (63.3%, 3564). The variables of net profit adjusted for inflation, debt-to-equity ratio, and employees are converted to log variables as the skewness is deemed too high.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
NetProfitAdjInflation (in millions of euros)	14791	-16552.16	44787.87	213.49	2054.162	16.464	.020	308.127	.040
ROA (%)	14822	-.32	.42	.06	.059	2.209	.020	13.806	.040
Debt-to-equity ratio (%)	14791	.18	118.95	2.84	8.774	12.851	.020	167.113	.040
Employees	14794	965	278486	27458.19	45332.301	3.936	.020	15.608	.040
Tightness-looseness	14935	-.60	1.24	-.07	.237	.935	.020	2.551	.040
Experience in Expansions (number of expansions done previously)	14935	0	233	90.70	53.199	.550	.020	-.410	.040
Survived 5 years	14935	0	1	.69	.461	-.843	.020	-1.289	.040
Survived 10 years	14935	0	1	.40	.490	.402	.020	-1.838	.040
Cultural distance 4 dimensions	14935	.42	20.52	4.93	1.904	2.833	.020	16.826	.040
Cultural distance 6 dimensions	14866	.46	14.63	3.85	1.365	2.585	.020	14.330	.040
M&A type (1 = related, 0 = conglomerate)	13024	0	1	.73	.446	-1.016	.021	-.969	.043
log_prof	13724	-3.16	10.71	3.37	1.421	.654	.021	3.548	.042
log_debt	14791	-1.70	4.78	.63	.677	.962	.020	7.245	.040
log_emp	14794	6.87	12.54	9.66	.938	.638	.020	1.262	.040

As the cultural distance variable with all six Hofstede dimensions shows more explanatory power (R = .007) than the more commonly used 4-dimensional variable devised by Kogut & Singh (R = .004), the six-dimensional variable will be used for this analysis.

The explanatory power of the model without covariates is very poor for the regressions with M&A type as dependent variable. While the regressions on M&A survival fare slightly better, this is still not sufficient to reliably predict anything (R^2 <.01). However, adding covariates increases the explanatory power significantly to around .15 (table 2) for survival in 5 years and .26 (table 3) in 10

years. Although this still shows a weak explanation of the observed data, it demonstrates that the findings with control variables should be weighed higher over the singular effects.

Interestingly, the control variables are overall mostly significant but with a surprising negative direction. In the standardized linear regressions in the medium term (Table 2) the effects of a higher ROA is positive on the M&A survival, but effects that were expected to be positive of net profit and experience in expansions showed that as these increased, the M&A was more likely to be divested. Debt-to-equity ratio showed the hypothesised negative effect of increased risk-taking in M&A type as a parent firm experienced high leverage, but also showed positive effects on M&A performance. Lastly, while the effects of firm size measured by number of employees was not significant in the medium term, in the long term, it did show a negative effect on M&A performance (Table 3). This goes against the hypothesised effect of larger firms possessing more integration capabilities and thus have more successful M&A ventures.

To find support for the first hypothesis (H1: *As cultural distance increases, related acquisitions are more likely to be executed than conglomerate acquisition),* a linear regression model was constructed to show the effect of cultural distance on M&A type. After standardising the independent variables, the effect of culture on M&A type is significant with a positive direction (Table 1, column 2). A difference of a standard deviation in the cultural distance leads to an effect of .038 (SE = .002, $p < .001$) on M&A type. This demonstrates that as cultural distance is larger, a related acquisition is slightly more likely to be performed. Though not a large effect, this does not change when adding the covariates to the model. As the effect of cultural distance on M&A type does not depend on the M&A performance, these effects are consistent for the models of 5 and 10 years. The logistic regression (Table 4, column 3) shows a significant effect with the same direction as well. Therefore, **H1** is supported both in medium term and long term effects.

To support the second hypothesis, *the direct effect of cultural distance on M&A performance is mediated by M&A type,* a direct effect of cultural distance on M&A survival must be found that is either not significant or less effective after contrasting it with the model including M&A type. Looking at the standardised linear regression model again, a positive relationship of M&A type on M&A performance is found (Table 2, column 2), indicating that a change of one standard deviation in M&A type has a .036 (SE = .004, $p < .001$) effect on M&A performance. This effect being positive shows that a related acquisition is slightly more likely to have survived in 5 years than a conglomerate one. Accounting for covariates, this becomes a smaller effect, but nonetheless significant (B = .012, SE = .004, $p <$,001). In the medium term, cultural distance does not significantly impact the M&A performance in the linear regression, nor does it increase the effects of M&A type on M&A performance. However, the logistic regression (Table 4) does show a significant effect for the cultural distance on the M&A performance (B = -.037, SE = .003, $p < .05$). In this regression an increase in the

cultural distance between the Netherlands and the host country makes the company less likely to survive in 5 years. However, with the effects of M&A type on M&A performance being significant (B = .146, SE = 281, $p < .001$), companies mediate this difference by choosing a more related M&A type, hence the positive relation of cultural distance to M&A type. The relationship between cultural distance and M&A performance is only partially mediated by M&A type, as cultural distance is still significant at the .1 level in the logistic regression model adding both pathways (B = -.029, SE = .016, $p < .1$). The effect size has decreased, demonstrating a partial mediation effect of M&A type on the direct relationship of cultural distance on M&A survival. Thus, there is mixed support for **H2** in the medium term. While there is no significant cultural distance effect to mediate in the linear regression, a partial mediation can be found in the logistical regression.

In the standardised linear regression on the long term, cultural distance does impact the M&A performance negatively. A change of one standard deviation in cultural distance leads to a decrease of .016 (SE = .004, $p < .001$) in M&A survival, showing that culturally distant M&As are less likely to have survived over 10 years. M&A type on its own has a positive relationship to subsidiary survival (B = .044, SE = .004, $p < .001$), showing that related acquisitions are more likely to have survived than conglomerate ones. Adding both pathways together changes the effects from cultural distance to -.013 (SE = .004, $p < .05$) and from M&A type to .045 (SE = .004, $p < .001$), indicating that the effects of cultural distance on M&A performance are partially mitigated when accounting for the choice of M&A type. Curiously though, this effect is not found when covariates are accounted for. The logistical regression does not change any relationships or significances except M&A type in the full model (B = .058, SE = .95). However, this relationship is only significant at the .1 level. Considering this with a high standard error relative to the coefficient, the effect is dropped. Concludingly, M&A type is not a factor in long term M&A survival compared to the other factors of net profit, debt-to-equity ratio, and especially return on assets. Therefore, **H2** is not supported in the long term.

To analyse the third hypothesis, *The effect of cultural distance on M&A type is further increased as tight-loose differences in social norms are higher,* a standardised linear regression model was constructed using tightness-looseness in social norms and cultural distance as independent variables and M&A type as the dependent variable. In this model, the effect of cultural distance on M&A type is still significant (B = .035, SE = .002, $p < .001$), though its effect size is slightly smaller than the .038 recorded excluding social norms. Tightness- looseness in social norms has a positive relation to the M&A type (B = .030, SE = .002, $p < .001$), indicating that M&As in countries with more tight norms are more likely to be of the related M&A type. This follows the logic that as more transaction costs are expected from interacting with a more different culture, transaction costs in setting up a more different M&A type is avoided. The inclusion of control variables does not change the outcomes of either variables. From the effect size can be derived that both have a nigh equal effect on the decision of what M&A type to choose. The fact that both the value and normative measures are

significant shows that they measure distinctly different differences in the regression and that both can be used in cultural analysis simultaneously.

Furthermore, the interaction effect between cultural distance and tightness-looseness in social norms is also significant with a negative direction ($B = -.037$, $SE = .010$, $p < .001$). This relationship being negative means that with increasing cultural distance, the effects of tightness-looseness decrease. **H3** is not supported, as instead of the proposed positive moderation effect of high tightness-looseness differences in social norms a negative effect is found. This can be explained by the fact that as cultures are more different from the Netherlands, they have a higher tendency to already be a tighter norm culture, decreasing the marginal effects of adding both measures. Concluding from the negative direction the two measures do not reinforce each other, though the sum of the regression coefficients both increases the effect of culture more than the decrease of the marginal effects. Thus, while they do not reinforce each other, adding both does increase the explanatory power of culture overall.

Table 2: standardised linear regression effects of mediation and moderation with and without covariates on the medium term

Dependent variable	1 direct 5 year survival	2 indirect 5 year survival	3 indirect M&A type	4 all together 5 year survival	5 moderation M&A type	1 Direct 5 year survival	2 indirect 5 year survival	3 indirect M&A type	4 all together 5 year survival	5 moderation M&A type
Constant	.695*** (.011)	.702*** (.004)	.696*** (.002)	.702*** (.004)	.696*** (.002)	.806*** (.004)	.803*** (.005)	.696*** (.002)	.803*** (.005)	.694*** (.002)
M&A type	-	**.036*** (.004)	-	**.036*** (.004)	-	-	**.012** (.004)	-	**.012** (.004)	-
Cultural distance	**-0.003** (.003)	-	**.038*** (.002)	**-0.004** (.004)	**.035*** (.002)	**-0.006** (.004)	-	**.038*** (.002)	**-0.004** (.004)	**.035*** (.002)
Tightness	-	-	-	-	**.032*** (.002)	-	-	-	-	**.030*** (.010)
Interaction C*T	-	-	-	-	**-.017*** (.002)	-	-	-	-	**-.016*** (.005)
Log employees	-	-	-	-	-	-0.005 (.005)	-0.008 (.005)	0.005 (.003)	-0.008 (.005)	.005* (.003)
ROA	-	-	-	-	-	.082*** (.004)	.076*** (.004)	-0.003 (.003)	.076*** (.004)	-.002 (.060)
Log profit					-	-.020*** (.004)	-.021*** (.005)	-.012*** (.003)	-.021*** (.005)	-.012*** (.003)
Log debt_equity	-	-	-	-	-	.011** (.004)	.012** (.005)	-.026*** (.003)	.011** (.005)	-.025*** (.003)
Experience expansions	-	-	-	-	-	-.137*** (.004)	-.131*** (.004)	-.041*** (.003)	-.131*** (.004)	-.042*** (.003)
Observations	14866	13024	42698	12973	42698	13581	11917	39566	11871	39566
R^2	.000	.006	.007	.006	.012	.151	.142	.020	.143	.024

*significant at the .10 p level, **significant at the .05 p level,*** significant at the .001 p level. Standard errors are in brackets.

Table 3: Linear standardised regression effects of mediation and moderation with and without covariates on long term

Dependent variable	10 year survival	10 year survival	10 year survival	10 year survival	10 year survival	10 year survival
	1 direct	2 indirect	3 All together	1 indirect	2 direct	3 All together
Constant	.402*** (.004)	.423*** (.004)	.423*** (.004)	.576*** (.004)	.582*** (.005)	.583*** (.005)
M&A type	-	**.044***** (.004)	**.045***** (.004)	-	0.005 (.004)	0.005 (.004)
Cultural distance	-.016*** (.004)	-	**-.013**** (.004)	**-.017***** (.004)	-	**-.012**** (.004)
Tightness	-	-	-	-	-	
Interaction C*T	-	-	-	-	-	
Log employees	-	-	-	-.045*** (.005)	-.047*** (.005)	-0.048*** (.005)
ROA	-	-	-	.040*** (.004)	.043*** (.004)	.042*** (.004)
Log profit	-	-	-	-.063*** (.005)	-.056*** (.005)	-.056*** (.005)
Log debt_equity	-	-	-	-.089*** (.004)	-.077*** (.005)	-.078*** (.005)
Experience expansions	-	-	-	-.178*** (.004)	-.181*** (.004)	-.181*** (.004)
Observations	14866	13024	12973	13581	11917	11871
R^2	.001	.007	.008	.276	.263	.265

*significant at the .10 p level, **significant at the .05 p level,*** significant at the .001 p level. Standard errors are in brackets. The effects of independent variables on M&A type are the same as in 5 year survival and can be found in table 2.

Table 4: Logistic regression effects of mediation and moderation on medium and long term with covariates

Dependent variable	1 Direct 5 year survival	2 indirect 5 year survival	3 indirect M&A type	4 all together 5 year survival	5 moderation M&A type	1 Direct 10 year survival	2 Indirect 10 year survival	3 All together 10 year survival
Constant	1.680*** (.276)	1.690*** (.295)	.497*** (.135)	1.835*** (.300)	.507*** (.135)	4.808*** (.278)	4.365*** (.289)	4.544*** (295)
M&A type	-	**.129**** (.050)	-	**.138**** (.050)	-	-	**.090** (.050)	**.058*** (.095)
Cultural distance	**-0.037**** (.003)	-	**.146***** (.281)	**-0.029*** (.016)	**.143***** (.009)	**-.058***** (.015)	-	**-.038**** (.016)
Tightness	-	-	-	-	**.582***** (.049)	-	-	-
Interaction C*T	-	-	-	-	**-.228***** (.030)	-	-	-
Log employees	.025 (.030)	-.002 (.033)	.025 (.015)	-.004 (.033)	.030** (.015)	-.251*** (.031)	-.251*** (.032)	-.253*** (.032)
ROA	17.511*** (.830)	15.948*** (.867)	-297 (.281)	16.005*** (.871)	-.214 (.281)	5.310*** (.523)	5.527*** (.551)	5.536*** (.553)
Log profit	-.1.65*** (.019)	-.154*** (.019)	-.040*** (.009)	-.155*** (.019)	-.037*** (.009)	-.216*** (.017)	-.192*** (.017)	-.194*** (.017)
Log debt_equity	.134** (.043)	.142** (.047)	-.211*** (.021)	.135** (.047)	-.202*** (.021)	-.777*** (.044)	-.638*** (.047)	-.614*** (.047)
Experience expansions	-.014*** (.000)	-.014*** (.000)	-.004*** (.000)	-.014*** (.000)	-.004*** (.000)	-.020*** (.001)	-.020*** (.001)	-.020*** (.001)
Observations	13581	11917	39566	11871	39566	13581	11917	11871
Nagelkerke R^2	.223	.208	.029	.210	.036	.352	.349	.352

*significant at the .10 p level, **significant at the .05 p level, ***significant at the .001 p level. Standard errors are in brackets.

Conclusion

Culture has been used as an explanation for why mergers and acquisitions are performed as well as why they fail or succeed. Cultural differences can offer new ways of thinking, but precisely because of this integration is complicated. Many previous studies have used cultural distance as a predictor for management decisions in the process of internationalisation such as location choice, entry mode, establishment mode, and degree of ownership. However, the effects of the relatedness of an M&A type have not been investigated. Transaction cost theory, which has been used in entry mode research before, is used here to explain these effects. The theory dictates that as managers perceive more transaction costs in a venture, interest wanes. Seeing as cultural differences are mostly seen as a source of uncertainty, complexity, incurring additional costs to cross-border M&As (Beugelsdijk et al., 2017), an M&A venture to a culturally distant location would lead to a strategy of related acquisitions, as these more closely resemble the activities of the parent company and incur less perceived transaction costs. The results of this research support this idea.

Furthermore, it was expected M&A type could function as a mediator between the effect of cultural differences directly on M&A performance. Although there was no significant effect of M&A type on long term (10 years) survival, this effect was found on survival for 5 years. There was mixed support for a partial mediation of M&A type on the relationship between cultural distance and the M&A survival in 5 years, indicating that M&A type might mitigate the transaction costs that managers might envision with a larger cultural distance, but that this effect is not very robust.

Lastly, the effects of cultural differences on the survival of M&A ventures can be researched by both the value framework and the normative framework of culture. Both the cultural distance measure as well as the tightness-looseness in social norms had mutually exclusive significant positive effects on the choice of M&A type, demonstrating that perceived transaction costs in differing cultural values and norms lead to a preference of related acquisitions over conglomerate ones. Adding both measures to the model did not show a reinforcing effect but rather a negative interaction effect, though not to the extent that cultural distance of tightness-looseness on their own would lead to a greater effect of culture on M&A type. Therefore, both values and norms perform mutually exclusive roles in international M&A research and can be used together to find a more comprehensive effect of culture.

Discussion

Some aspects of this research can be ameliorated by changing the design. As the dataset used here only contained M&A activities from Dutch parent companies, the effects of tightness-looseness in social norms could only be analysed going from loose cultures to tight cultures. As a result, the relationship of tight to tight cultures as well as tight home countries to loose host countries cannot be found in this research. Such effects can be analysed in following research with a more comprehensive dataset that comprises of multiple home and host countries with differing levels of tightness-looseness in social norms.

Moreover, medium and long term effects of 5 and 10 were chosen as the dependent variable arguably arbitrarily to simplify the analysis of the model. However, this reduced the flexibility of the data. By treating the data this way, only effects for five and ten years could be found while other potentially interesting observations at other M&A ages remain unobserved. Future research could use survival analysis to see if the conclusions found here still hold in a less controlled dataset. Perhaps a survival analysis could improve the explanatory power in the dataset as well.

Lastly, the effect of cultural distance is theorised to be mitigated by the extent of integration capabilities the parent firm possesses. In this model, the integration capabilities were measured by the experience in expansions which had a strong but curiously negative effect. For future research it would be interesting to dissect this effect, possibly with extra measures. Reproducing the effects of this study with multiple integration capability measures such as team composition and individual experience would provide a more robust result and could ascertain which part is better able to predict M&A performance.

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Appendix

Table 5: linear regression effects of mediation and moderation with and without covariates on medium term

	1 direct	2 indirect	3 indirect	4 all together	5 moderation	1 Direct	2 indirect	3 indirect	4 all together	5 moderation
Dependent variable	5 year survival	5 year survival	M&A type	5 year survival	M&A type	5 year survival	5 year survival	M&A type	5 year survival	M&A type
Constant	.704*** (.011)	**.648*** (.008)**	.593*** (.006)	.657*** (.013)	.612*** (.006)	.967*** (.047)	**.956*** (.049)**	.641*** (.028)	.975*** (.050)	.651*** (.028)
M&A type	-	**.077*** (.009)**	-	**.079*** (.009)**	-	-	**.026** (.009)**	-	**.027** (.009)**	-
Cultural distance	**-0.002** (.003)	-	**.027*** (.002)**	**-0.003** (.003)**	**.025*** (.002)**	**-0.004** (.003)**	-	**.027*** (.002)**	**-0.003** (.003)**	**.025*** (.002)**
Tightness	-	-	-	-	**.134*** (.009)**	-	-	-	-	**.123*** (.010)**
Interaction C*T	-	-	-	-	**-.040*** (.005)**	-	-	-	-	**-.037*** (.005)**
Log employees	-	-	-	-	-	-0.006 (.005)	-0.008 (.006)	0.005 (.003)	-0.009 (.006)	.005* (.003)
ROA	-	-	-	-	-	1.651*** (.079)	1.534*** (.082)	-0.054 (.060)	1.526*** (.082)	-.032 (.060)
Log profit					-	-.014*** (.003)	-.014*** (.003)	-.009*** (.002)	-.015*** (.003)	-.008*** (.002)
Log debt_equity	-	-	-	-	-	.017** (.007)	.019** (.008)	-.043*** (.004)	.018** (.008)	-.040*** (.004)
Experience expansions	-	-	-	-	-	-.003*** (.000)	-.003*** (.000)	-.001*** (.000)	-.003*** (.000)	-.001*** (.000)
Observations	14866	13024	42698	12973	42698	13581	11917	39566	11871	39566
R^2	.000	.006	.007	.006	.012	.151	.142	.020	.143	.024

*significant at the .10 p level ** significant at the .05 p level *** significant at the .001 p level. Standard errors are in brackets.

Table 6: Linear regression effects of mediation and moderation with and without covariates on long term

Dependent variable	10 year survival	10 year survival	10 year survival	10 year survival	10 year survival	10 year survival
	1 direct	2 indirect	3 All together	1 indirect	2 direct	3 All together
Constant	.466*** (.012)	.357*** (.008)	.391*** (.014)	1.428*** (.047)	.1.377*** (.050)	1.419 *** (.052)
M&A type	-	**.096***** (.010)	**.099***** (.010)	-	0.010 (.009)	0.012 (.009)
Cultural distance	**-.011***** (.003)	-	**-.009**** (.003)	**-.012***** (.003)	-	**-.009**** (.003)
Tightness	-	-	-	-	-	
Interaction C*T	-	-	-	-	-	
Log employees	-	-	-	-.048*** (.005)	-.050*** (.006)	-0.051*** (.006)
ROA	-	-	-	.806*** (.079)	.860*** (.084)	.847*** (.084)
Log profit	-	-	-	-.044*** (.003)	-.039*** (.003)	-.039*** (.003)
Log debt_equity	-	-	-	-.143*** (.007)	-.124*** (.008)	-.125*** (.008)
Experience expansions	-	-	-	-.004*** (.000)	-.004*** (.000)	-.004*** (.000)
Observations	14866	13024	12973	13581	11917	11871
R^2	.001	.007	.008	.276	.263	.143

*significant at the .10 p level, **significant at the .05 p level,*** significant at the .001 p level. Standard errors are in brackets. The effects of independent variables on M&A type are the same as in 5 year survival and can be found in table 2.