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„Effects of country-level cultural and economic differences on the success of cross-border and domestic M&A negotiations, evidence from Turkey “

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Abstract

Turkey`s investment environment revised by numerous incentives and governmental reforms over the last decade is attracting more and more foreign investors. Performance of Mergers and Acquisitions, the most common use of FDI is very critical for Turkey`s economic future.

My objective during the study was to investigate the effects of national level cultural and economic differences on the success of these M&A negotiations. Using a sample of 115 cross-border and domestic M&A deal approaches between 2006 and 2012 and necessary variables, I created a probit regression model. Considering deal & economy specific and culture related variables, I found out that economy specific variables are statistically significant and determine the success of a negotiation. A serious concern between First World Countries and Turkey, national cultural disparities, measured by Hofstede determinants were found to be insignificant in my analysis. The theory of M&A, possible reasons of the transaction, M&A deal stages and Turkey`s M&A statistics are also presented in the paper.

Being unaware of any academic research in the finance area researching the effects of cultural and economic disparities on the negotiation results of mergers and acquisitions, I hope that my thesis can be a starting point for further researches.

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List of Abbreviations

CB M&A	Cross Border M&A
CF	Cash Flow
EU	European Union
FCF	Free Cash Flow
FDI	Foreign Direct Investment
FTA	Free Trade Agreements
FZ	Free Zones
GDP	Gross Domestic Product
GSM	Global System for Mobile Communication
G-20	Group of 20 Finance Ministers & Central Bank Governors
IDV	Individualism
IMAA	Institute of Mergers, Acquisitions, and Alliances
LLSV	La Porta, Lopez, Shleifer, Vishny
MAS	Masculinity
M&A	Mergers & Acquisitions
NPV	Net Present Value
OECD	Organization for Economic Co-operation and Development
OIZ	Organized Industrial Zones
PDI	Power Distance Index
R&D	Research & Development
SME	Small & Medium Sized Enterprises
TDZ	Technology Development Zone
UA	Uncertainty Avoidance
UNCTAD	United Nations Conference on Trade and Development
USD	US American Dollar
WTO	World Trade Organization

Introduction

As a consequence of globalization and correspondingly increasing competition, today's economy pushes organizations to implement various innovative managerial strategies in order to survive and expand. Because of the complex organism of economics, butterfly effects can simply be observed, where an economic disturbance in a First World Country can shake a developing country quite easily. In such an intense competitive situation, mergers and acquisitions are considered to be the front line strategic option for companies attempting to have competitive advantage over their competitors[1]. With almost vanishing of the term *domestic market*, mergers and acquisitions eliminate borders while promising new opportunities and unexplored markets.

M&A transactions experienced a new challenge towards 2000. This challenge was the cross border deals, questioning the success rate of M&A while bringing too many new aspects to the topic. Cross border deals require not only the removal of physical borders but also the acceptance of mutual differences in every kind. Supported by the technological innovations that the world has been going through, people are now communicating faster, simpler and cheaper. Easily accessible information, wide range of Internet and emerging of new financing opportunities enhance the applicability of cross border deals.

Despite being applied numerous times, M&A especially cross border deals still do not own an optimum structure that would lead to success. While trying to catch the attractive 2+2=5 effect, about 80%[2] of the transactions can't reach its financial objectives and 50% completely fail[3]. Scholars trying to interpret the reasons of the failure found themselves in a more puzzling situation, mostly because of the arrival of the cross border trend and its new aspects.

[1] Mohibullah (2009), p. 255.
[2] Appelbaum, Roberts, Shapiro (2009), p. 33.
[3] Cartwright (1995), p. 33-42.

Appelbaum et. al. (2003) criticized the common M&A evaluation methods, complaining that only financial figures, technological advantages and rising market share are taken into account where the soft M&A issues like productivity of individuals, citizenship, satisfaction and/or integration are left behind[4]. Such "soft" issues, almost all related to culture carry great importance in the success or failure of the deal. Stahl and Voigt (2003) argued that the cultural differences might become the source of confusion, hostility and distrust between the employees and keep the organizations away from the aimed benefits of the transaction[5]. Executive teams should ask themselves if a deal creates a cultural synergy, if a cultural fit between the organizations may exist. Papadakis (2007)[6] mentioned the difficulty of anticipating, analyzing and quantifying the cultural integration and called it as the most often quoted reason for the M&A failures. While treating a cross border case, national culture and its effects can not be underestimated or left out. For a faster and painless integration process, merging parties should invest also time into understanding and communication efforts where different beliefs and values could probably clash as an outcome of the post-acquisition process.

My research objective is on the other hand about the pre-acquisition process, where two sides, domestic or foreigner negotiate. I will investigate the influence of national cultural and economic differences on the success of M&A negotiations by applying a probit regression analysis. I chose the pre-acquisition process because I think, that is the first stage of the transaction where two sides should interact directly. Fisher and Ury (1981)[7] emphasized the importance of negotiation by claiming that the achievement of objectives required negotiation skills such as the sensitivity to the way in which people see things and accepting them. It is well-expected that these sides have similarities and differences in the way they talk, they evaluate, they think and they act. Evolving from the theory of Professor G. Hofstede about the dimensions of national culture, I preferred to implement the model to my homeland, Turkey. So close to Europe but yet far from the cultural perspective, Turkey tries to create a better investment environment since the beginning of the new millennium.

[4] Appelbaum / Gandell (2003), p. 370-409.
[5] Stahl / Voigt (2003), p. 4.
[6] Papadakis (2007), p. 43-50.
[7] Fisher / Ury (1981)

As mentioned in Fisher et al. (1991)[8], "Even though negotiation seems to be a simple act of getting what you want from others that we experience in our daily life, it gets more and more complex when the discussion shifts to international negotiating process". Turkey sets a good example both because of its geography and its increasing M&A stats.

Next section will be the theory part of my thesis, where I inform you about different M&A aspects. After defining the M&A, and cross border M&A, the driving forces behind those activities will be discussed. Stages of an M&A process, defensive strategies against an unwanted takeover will be presented and some reasons for failure of M&A will be given. After explaining the merger waves in the global economy, M&A activities of Turkey will be introduced. This extensive part of my thesis starts with a brief information about the national and corporate culture in Turkey. The rest will be consisting of Turkey`s advantages for an investor, governmental activities to attract FDI in general and impressing M&A statistics of Turkey.

All similar researches and cultural theories will be presented in relevant literature section and in its subsections. I will go deeper in Hofstede`s theories, because in my research, national culture is the focus to measure cultural differences in cross-border M&A. After explaining my information sources and research technique in Data & Methodology, I will perform my regression analysis. Further explanations will be given in the conclusion part.

[8] Fisher / Ury / Patton (1991)

1. Mergers & Acquisitions

Covering wide range of corporate activities such as takeovers, fusions, business combinations or consolidations, the definition of M&A now carries a bigger meaning as it did before. While defining the merger as a combination of two previously separate entities creating one surviving entity, acquisitions happen when a firm purchases the assets or common stocks of a target company. Two parties bringing their operations together in an economic and juridical way creates such transactions.

As cited in Buckley & Ghauri (2002)[9], Puranam et al. (2000)[10] stated that with one single move you can change the course of your company, the careers of your managers and create value for your shareholders. Copeland and Weston (1988)[11] claimed that expanded range of M&A activities includes issues of corporate restructuring, corporate control, and changes in the ownership structure. Although many explanations have been presented in the literature, the dominant reason behind the M&A activities is external growth. Schall et al. (1983) pointed out the objective of external growth as maximizing the market value[12].

In order to create a better overview, we can use two classifications; Areas of M&A activity and categorization of M&A.

Providing a detailed look at the possible M&A activities, Figure 1 explains simply all-possible tactical thoughts behind M&A transactions.

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[9] Buckley / Ghauri (2002), p. 1.
[10] Zollo / Puranam / Singh (2000), p. 2-4.
[11] Copeland / Weston (1988), p. 676.
[12] Schall / Chanes (1983), p. 711.

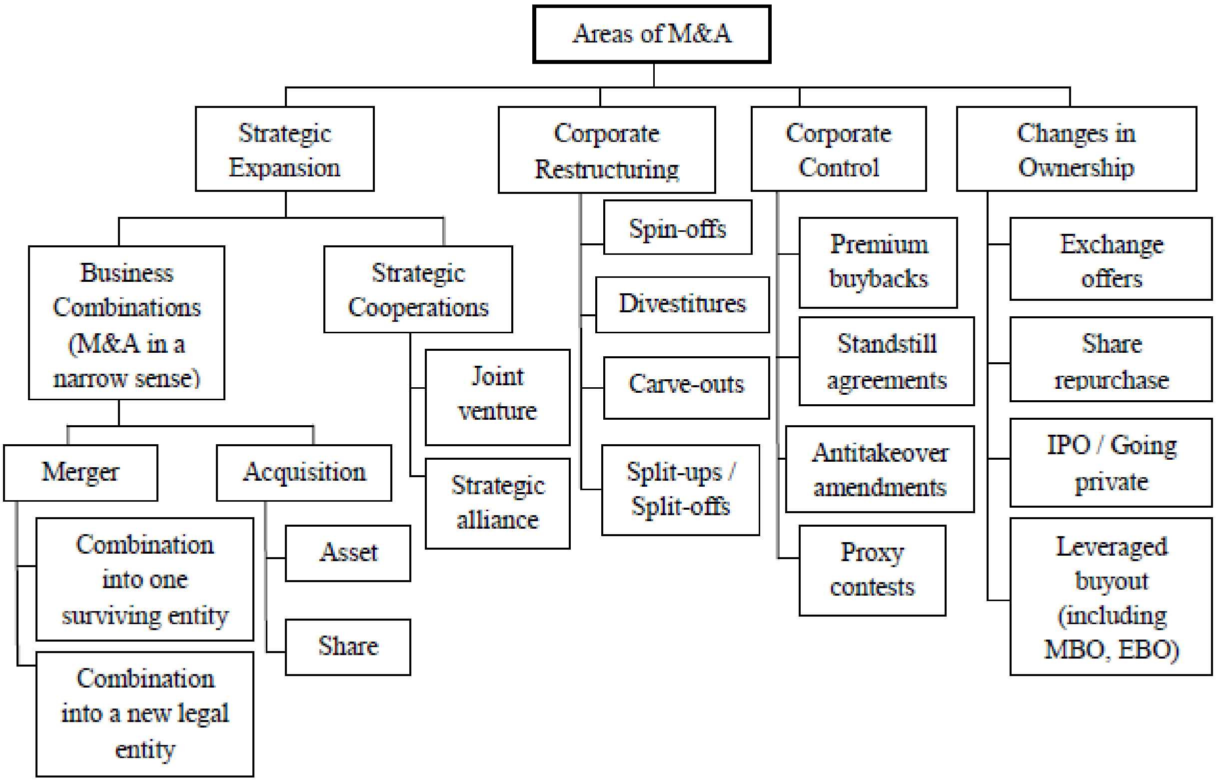

Figure 1 Areas of M&A activity[13]

After giving the information that M&A can be categorized from different perspectives by different criteria such as deal structure, target status, financing or deal approach, we will focus on the strategic direction. This criterion categorizes M&A as;

-Horizontal M&A
-Vertical M&A
-Concentric/Congeneric M&A
-Conglomerate M&A[14]

[13] Wübben (2006), p. 6.
[14] Brigham / Gapenski (1994), p. 1061.

Criteria for Categorizing Mergers and Acquisitions			
Type of Business Combination	**Strategic Direction**	**Acquisition Structure**	**Status of the Target**
- Acquisition - Merger	- Horizontal - Vertical - Conglomerate - Concentric	- Asset Deal - Share Deal	- Private - Public
Attitude	**Form of Payment**	**Financing**	**Geographical Focus**
- Friendly - Hostile	- Cash - Securities	- Equity - Dept - Hybrid	- Domestic - Cross-border

Table 1 Categorizing Mergers and Acquisitions[15]

Horizontal mergers require firms in the same industry and same level of the production process. The acquirer and the target firm should be competitors. Know-How and advanced technology of the acquirer and more efficient management of the production factors, brand image, easier market entrance and raising the market share are determinants of such deals. Savings in marketing, transport and advertisement would be observed.

Vertical transactions involve companies at different stages of the production. This various stages can be anywhere on the supply chain of that product. Vertical integration creates a complex environment for the company, assuming that it is now responsible for a whole new era. Vertical integration would be backwards if a company acquires a target, which is on the previous stages of the production process starting from the raw material procurement. This would give a firm the opportunity to have a superior control over its costs. Forwards integration involves transaction with the firms, which are closer to the end of supply chain, to the customers. Basic example would be a deal with a company that works as a distribution channel for our product.

Concentric mergers require parties that are both horizontally and vertically irrelevant. The emerging companies should not be producing the same stuff, as non-competitors and also should not be on the same supply chain[16]. They can have

[15] Wübben (2006), p. 7.
[16] Weston / Brigham (1973), p. 790.

similar production strategies, technology level or related markets. Companies mostly use this, which wants to have a bigger impact on the industry.

Conglomerate mergers and acquisitions differ from the concentric mergers in requirement for the same industry. Such transactions need no relation between the parties and refer to a diversified corporation by investment in other industries. That is why they are also called economic diversifications.

2. Motives of M&A

While knowing that every M&A has its own complex objectives, understanding these key motives makes it easier for both parties to evaluate the likely success or failure of the transaction.

Through the years, different researches ending up with different classifications of these motives made it hard to categorize them correctly. Lubatkin (1983)[17] claimed to find 3 classes of purposes namely technical economies, pecuniary economies and diversification economies. Jensen and Ruback (1983)[18] identified 4 main groups of intentions; cost reductions, financial motivations, market power and eliminating inefficient target management. Berkovitch and Narayan (1993) found 3 leading reasons; synergy, agency and hubris. McCann (1996)[19] expanded the categorization and added 3 more aspects; the ability to provide new services, added name recognition and transfer of lacking expert talent. Brouthers and van Hastenburg (1998)[20] came up with 17 merger motives, grouped into three categories – economic, personal and strategic motives. As we see, various categorizations exist in the literature. I will examine the motives of M&A topic with the method of Trautwein (1990)[21]. He handled the motives from 2 perspectives. First one is shareholder value perspective, which aims to capture the best use of financial resources to look for the maximization of the wealth of the shareholders. Second one is managerial motives,

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[17] Lubatkin (1983), p. 219.
[18] Jensen / Ruback (1983), p. 24.
[19] McCann (1996), p. 835-841.
[20] Brouthers / van Hastenburg / van den Ven (1998), p. 347-353.
[21] Trautwein (1990)

which focus on growth, abilities & skills, risk diversification and sometimes self-interest of managers.

<table>
<tr><th colspan="3">Merger Motives</th><th>Theories</th></tr>
<tr><td rowspan="5">Mergers as rational choices</td><td rowspan="4">Merger benefits bidder` Shareholders</td><td>Net gains through synergies</td><td>Efficiency theory</td></tr>
<tr><td>Wealth transfers from customers</td><td>Monopoly theory</td></tr>
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<tr><td colspan="3">Merger as macro-economic phenomenon</td><td>Disturbance theory</td></tr>
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Table 2 Motives of M&A[22]

2.1 Efficiency Theory

Efficiency theory, also known as economies of scale & scope and experience, occurs as a result of planned transactions, which support the shareholder value

[22] Trautwein (1990), p. 284.

maximization perspective. The term efficiency represents the synergies, can be gained after a transaction. Synergy is ability of a merged company to generate higher shareholders wealth than the standalone entities.

Trautwein (1990) describes three types of synergies;[23]

Financial synergies: Achieving a lower cost of capital is the main point of financial synergies**.** This enables a firm to compete more effectively, by venturing more long-term and more risky projects. Investing in unrelated businesses and therefore sharing the risk of the company is an important path to securing a preferred cost of capital. A cheaper source of finance can also be gained by increasing the company's size, which provides an easier access to cheaper capital.**[24]** Another way of reaching a lower cost of capital is to engage in an efficient capital market. Urs C. Peyer (2002) argued that *diversified firms with an efficient internal capital allocation display a higher propensity to use external capital relative to comparable single segment firms*.[25] A well-operating internal market may supply superior information and therefore lead to a low cost financing.

A combination of firms with different cash flow positions and investment opportunities may generate a *cash slack*, which lets the new firm experience both the advantages of being cash-rich and having handful of operations to invest in. In such situations, where the cash flow rate of the acquirer is greater than that of the acquired firm, capital should be relocated to the acquired firm in order to use those investment opportunities.

An expanded debt capacity can be achieved, if the two firms have no or little capacity to carry debt before combination. M&A makes it possible for them to join and create the capacity to carry the debt through decreased leverage. This merger of two companies brings stability of cash flows which in turn reduces the risk of insolvency and enhances the capacity of the new firm to manage a larger amount of debt.

[23] Ibid.
[24] Ibid.
[25] Peyer (2002), p. 1.

Depending on the tax law of the country, merged firms can also gain tax advantages. Combined firm may pay less tax when one side has unused tax benefits and the other side high profits.

Operational synergies: The term basically refers to a state of an organization where the people and processes work together to continuously expand the ability of the organization to deliver products and services to its customers, while maintaining competitiveness. This can be achieved by combining operations of separate units or from knowledge transfers.[26] These potential advantages must eventually be compared to the cost of combining or transferring assets. Learning curve outcomes and the exchange of management know-how are the main aspects of these synergies. A disciplined process and a right managerial perception lead an organization to a consistent mixture of skills and capabilities which creates the perfect environment for operational synergies.

Operational synergies are mostly related to the financial synergies. They have been reached mostly by savings from reductions in investment expenditures and changes in cash flow related to operations. We can basically say; if a merger can create financial synergies due to scale or scope economies, this would eventually lead to operating synergies. It can be defined as the increase in after-tax operating profits less the changes in investments.[27] Operating and financial synergies are closely connected but the difference between them is also not to underestimate (overlook).
Straub (2007) points out this thin line; *as economies of scale indicate the efficient utilization of production technologies and machinery throughout a certain time, while economies of experience are difficult to grasp and refer to each company employee's cumulative knowledge.*[28]

Managerial synergies: They are mostly linked to operational synergies and are realized when the acquirer's managers own superior planning and monitoring abilities that benefit the target's performance**.**[29] This synergy gained is an important factor in mergers within related industries where managerial shortages can be defined more easily. As a precautionary move, the roles of the combined executive team must be

[26] Trautwein (1990), p. 283-295.
[27] Devos / Kadapakkam (2009), p. 2-7.
[28] Straub (2007), p. 54.
[29] Trautwein (1990)

defined during the negotiations so that, once the transactions is over, new firm`s managerial skills could be shared more productively. Managerial synergies shouldn`t be just gained from the upper levels of management but also middle or lower level skill exchange should be done in order to become a perfect fit. [30]

Differences between the managerial abilities and thinking may help an executive unit view their options and choices from different perspectives. A better managerial counsel, brainstorming and interaction during a decision process increase the probability of the success.

2.2 Monopoly Theory

A significant motive for M&A is that it helps increase the firms' market power through increase in size. While horizontal M&A propose a simpler way to increase the company's market share and reduce competition in a specific industry, vertical integration helps the firm get control over its value chain.

Trautwein (1990) suggested 3 methods to gain the monopoly power;[31]

1) The firm can cross-subsidize products. When a firm has related products it may choose to charge a price that is at or below cost for one product and sell the other at a price above cost. The expensive product should carry the loss from the cheap one.

2) The firm can try to limit the competition in more than one market. This was the main point of the mutual forbearance theory by Edwards (1955)[32]. A tacit collusion with competitors, reciprocal dealing and combining business functions are effective instruments of this approach.

3) Preventing possible newcomers from entering the market, which can now-a-days may cause lots of anti-trust problems and law causes.

If the monopoly theory is the main reason behind a merger, this merger is likely to happen in a concentrated industry, where more profitable deals can be signed and

[30] Hitt / Harrison / Ireland (2001), p. 94.
[31] Trautwein (1990), p. 286.
[32] Edwards (1955), p. 331-359.

the firm can use tools like predatory pricing, price squeezing and reciprocal dealings in order to reach the monopoly position.[33] Such industries offer critical advantages like controlling the industry by setting the legal and technological norms or controlling the demand and supply levels for the intermediary services.[34]

2.3 Raider Theory

According to this theory identified by Trautwein, the so called Raider finds a target with undervalued assets which is vulnerable to hostile attacks, acquires that company partially or fully then becomes of course the main shareholder. The Raider´ next step is absorbing the assets of the company, splitting his shares and selling them in smaller parts in order to realize profits. In theory, in a hostile takeover situation, existing shareholders of the acquired company use *Greenmail* and get the shares back from a higher price. [35]

This wealth-transfer from the shareholders is in practice illogical due to the fact that greenmail process hurts the acquired firm and therefore the Raider himself. Secondly, a Greenmail plan is only activated when a higher bid from a third party can be expected or when the company can raise its own stock price.[36]

2.4 Valuation Theory

Trautwein´ next theory, the valuation theory is depending on the inefficiency of the capital market. Resulting from an information asymmetry, managers try to take over a target firm, which is undervalued by the stock market. This action would be triggered when the bidder´ executive team has reached superior information or useful hints about the possible advantages that can be gained through a merger of two companies.

Conflicts of this theory are within itself. The bidder with the private information is going to expose this advantage in his bid. This unusual offer will take the stock prices high which causes an unavoidable winner´s curse situation. Next conflict is the uncertainty of this information advantage. This ambiguity makes the expectations

[33] Sang Kwon Kim (2010), p. 75.
[34] Lubatkin (1983), p. 218-225.
[35] Büttgenbach (2011), p. 24.
[36] Trautwein (1990), p. 289.

from the merger incomputable and therefore riskier. Last conflict is caused mainly by the other capital market participants. Several other bidders with other pieces of the puzzle can take the advantage of your information away where every individual bidder wants to discourage competitive bids.[37]

2.5 Empire Building Theory

Empire Building Theory is a motivation for the mergers that benefit managers who thereby maximize their own utility instead of their shareholders' value. [38] This kind of a motivation for a merger is being considered as harmful because managers blinded by the power in their hands or thinking they have already overinvested may try to protect their personal wealth and automatically eliminate better growth opportunities.[39]

Several authors have investigated this motivation. Rhoades (1983), after his survey about the 1960s merger wave, defined the empire building as a power motive rather than a profit motive.[40]

Black (1989) focused on the overpayment due to the empire building motivation which according to him, is caused by the over optimism.[41]

The theory presented by Scherer and Ross (1990) referred to the cases where the managers, due to the overestimation of their capabilities and the empire building motivation, engage in numerous takeover transactions. Loss of control and failures are more probably to occur as a consequence of such actions.[42]

Jensen and Meckling (1976), presenting a milestone survey about this topic, described the issue as a Principal/Agent Problem, which is found in most employer/employee relationships, for example, when stockholders hire top executives of corporations. [43] Agents need to be motivated with profit sharing,

[37] Ibid.
[38] Ibid.
[39] De Bondt / Thompson (1992), p. 31-44..
[40] Rhoades (1983)
[41] Black (1989), p. 597-660.
[42] Scherer / Ross (1990)
[43] York University Website

efficiency wages or thread of being fired in order to eliminate the chance of a conflict while managing the firm.[44]

Fama (1980) suggested solutions like number of repayment arrangements and the market for managers.[45]

Jensen (1986), who defined a firm's FCF as a "CF in excess of that required to fund all projects that have a positive NPV when discounted at the relevant cost of capital", pointed out the problem how to motivate managers to disgorge the cash rather than investing it below the cost of capital or wasting it in organizational inefficiencies. He recommended debt payments in order to reduce the sources of manager and prevent an empire-building attempt.[46]

2.6 Process Theory

The next theory, less significant than the empire building motivation is known as strategic decision process. The theory, influenced through 3 below described main ideas, claims some actions can produce outcomes including M&A decisions that are not purely rational. [47]

Case 1: Simon (1957) criticized limited information processing capabilities of individuals. This slightly variable and maybe low capability prevents the firm from a deeper information research or alternative actions and finally causes incomplete evaluations.[48]

Case 2: Organizational routines topic studied by Allison (1971), focuses on organizational solution process. It is predicted that the multiplicity of arbiters and complexity of ideas hinder the firm from reaching an optimum solution. Therefore the management uses its access channels to old solutions in order to solve the present and future problems. New solutions are only produced when a totally new problem occurs or the old ones have failed. [49]

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[44] Jensen / Meckling (1976), p. 305-360.
[45] Fama (1980), p. 39-57.
[46] Jensen (1986), p. 323-329.
[47] Trautwein (1990)
[48] Simon / Herbert (1957)
[49] Allison / Graham (1971)

Case 3: Again Allison (1971) and later on Pettigrew (1977) analyzed the political power pattern. Good or bad, managerial decisions are the results of political strife between an organization's subunits and outsiders.[50]

Disturbance Theory

Coase (1937)[51] claiming that the technological change would lead to merger activities, led the path for a wider research by Gort (1969)[52]. Economic shocks resulting from deregulations, volatilities in market or demographic & technological changes, influence the expectations while boosting the uncertainty. This causes the merger waves. [53]

A shock can trigger differences in opinions and expectations. Assets can be priced higher than their value for their owners or a group of firm may be forced to survive the shock only through a merger.

Critiques like Gort only presenting a macro-level explanation and is lack of explaining the sectorial pattern of merger did not make his theory void. [54]

3. Motives of CB MA

Besides the well-known motives of mergers and acquisitions such as financial and operational synergetic gains[55], risk diversification[56] and economies of scale[57], there are additional motives of cross-border m&a, which we will examine in 3 parts[58].

3.1 Competitive considerations

Increasing market power:

Firms with more market power can charge higher prices than those realized in competitive markets[59]. That power gives the firm an enormous advantage. The

[50] Pettigrew (1977), p. 78-87.
[51] Coase (1937)
[52] Gort (1969), p. 624-642.
[53] Sang Kwon Kim (2010), p. 75.
[54] Trautwein (1990)
[55] Trautwein (1990), p. 283-285.
[56] CFA Institute (2010), p. 262-263.
[57] Dinler (2002), p. 165.
[58] Cantwell / Santangelo (2002), p. 402.
[59] Alvarado (1998), p. 1.

market power can be gained by higher market shares, which can be achieved by acquiring firms within the same industry[60].

Defensive Strategies:

There are two main defensive strategies to consider in M&A. The first one is where the firm acquires another firm to increase its size and thereby prevent a takeover by other firms. The second strategy is to acquire another firm to hinder the firm from being acquired by a third-party. This strategy is useful while preventing a competitor from increasing its market power[61].

Economies of scope and synergy

Operating synergies are synergies realized through combining operations or activities. The increasing firm capacity and the decreasing costs through large-scale production, combining of R&D are key factors while achieving this synergy. Financial synergy created through a merger or an acquisition reduces cost of internal financing. Acquiring firms with a high level of cash can lower the cost of capital. Additionally, the acquirer gains access to the financial network of the target[62].

Reduction of transaction and information costs

Within the value chain built by the completed M&A, the reduction of transaction and information costs is very critical.[63] This competitive advantage can be achieved by internalizing every single step of the activities such as selling, buying, manufacturing, and servicing.

3.2 Response to a changing environment

Regulation

Regulatory reasons could force the market to have M&A activities. Sometimes just a minor change in the legal approach can put the firms in the target position.

[60] Ahammad / Glaister (2010), p. 4.
[61] Cantwell / Santangelo (2002), p. 403.
[62] Ahammad / Glaister (2010), p. 3.
[63] Cantwell / Santangelo (2002), p. 403.

Production limitations, export-import limitations are key factors.[64] Tax savings may also trigger M&A activities.[65]

Access to resources or technologies

Acquiring abroad resources and technologies is an important motive for CB M&A. Capturing new skills and knowledge can sometimes be the only reason for the M&A. By acquiring an existing foreign company, the acquirer gains access to resources and technologies, such as patent-protected technologies, better management and marketing skills.[66]

3.3 Inefficient capital markets

Removal of inefficient management

The belief of managers that they can lead the target better than the management of the target leads eventually to the point, where the profits of the shareholders of the acquirer shift to the shareholders of the target[67]. Because of the asymmetric information, which is greater in CBM&A than in the domestic ones[68], errors can be made in the assessment of the target. Managers should keep in mind that, as the small company grows, management skills requirements grow too.[69]

Corporate Hedging

Diversification is an important tool, which allows firms to achieve growth and reduce overall risk. Firms with single product line are more volatile to the fluctuations in the market. The uncertainty during the production process is more important and thereby the probability of making a loss is higher.[70] However, diversification is not value maximizing from a financial perspective. Shareholders can generate these benefits to lower costs individually by diversifying their portfolios. [71]

[64] CFA Institute (2010), p. 265.
[65] Cantwell / Santangelo (2002), p. 403.
[66] Desyllas / Hughes (2008), p. 160.
[67] Ahammad / Glaister (2010), p. 5-6.
[68] Seth et. al. (2002), p. 925.
[69] Ahammad / Glaister (2010), p. 6.
[70] Aydin (1990), p. 16-17.
[71] Ahammad / Glaister (2010), p. 5.

Managerial Ego

The Empire-Building motive is meaningless from the economic point of view. Managers putting their own interest before the shareholders`, try to increase their power, wage and reputation. Unfortunately, this uncontrolled overgrowth leads to a lower corporate performance and shareholder value.[72]

4. M&A Process

Late 19th century was the starting point of M&A history[73] and since then there has been countless number of transactions, which however do not directly mean that M&A's are always successful. Factors determining the success in every specific deal should be analyzed carefully. It is a risky and costly process, where timing has an incredible importance.

Every single company may initiate M&A for different reasons, for different needs. A transaction, which seems to be a win-win, can turn easily into a disaster for both sides. There are too many cases where the mergers are unsuccessful despite the lingering integration efforts.

Accepting that the long-term achievement indicator in these transactions is maximizing the shareholder value[74], many researches give us a disappointing 60-70% rate of failure[75], which should push the firms to be more careful during M&A planning process.

M&A Process has four important stages; [76]

- M&A Planning
- Finding the perfect target
- Financial analysis of the target
- Transaction & Results

[72] Hope / Thomas (2008), p. 595.
[73] Picot (2002), p. 13.
[74] Horne / Wachovicz (1992), p. 526.
[75] The McKinsey Quarterly (1998), p. 56.
[76] Green / Milford (1990), p. 19.

I will regroup the second and the third stage and analyze totally three stages in this thesis.

4.1 M&A Planning

Since every single stage of M&A process is very important, planning as the leading one deserves great devotion. An M&A process is not only adding assets and liabilities of two firms to one another, it is also the transfer of tangible and abstract values within the firms. Such a decision involves a firm's management, staff, clients, creditors, shareholders and the society where the firms are located in.
A well-designed M&A planning must be able to foresee possible problems and their solutions and should keep the process running despite various obstacles. Many complicated problems such as post-merger integration can be eliminated in the planning stage.

An accurate M&A planning should include;[77]

-Determining the long-term objectives of the firm, which are crucial for investment decision and optimal resource utilization. It also helps clearing the future contradictions and choosing the target firm
-Determining the tools regarding the firm's objectives
-Deciding the criteria to be looked for in a potential target (Those criteria computes the value of target firm from the acquirer's side)
-Analyzing the M&A
-Negotiations
-Merger/Acquisition
-Distribution of budget and responsibilities
-Measuring the success

[77] Burstein (1973), p. 4.

4.2 Finding the Target & Negotiations

Looking for a fit

This is the step, where a company should use the criteria determined in the planning stage and -after eliminations- identify the target firm. It may not be possible to hit bull's eye every time but it helps the firm to come close to the most matching target.

While gathering information about the possible targets, markets and industries, firms should be aware of the fact that the credibility of this data is extremely essential for the evaluation. As small and mid-sized enterprises appeal to their personal contacts, larger ones turn to consulting firms, law firms or investment banks. This requested help might increase the total expenditures but on the other hand, certainty of the collected information and time not wasted enhance the operation efficiency and are therefore very precious in M&A transactions. Same evaluations must be applied to own company in order to see the weaknesses and strengths of the organization.[78]

Searched criteria must be certain and specific in order to help the firms through the elimination of the less suitable targets. A fitting company must be providing at least one of these[79];

-Product diversification
-Decline in costs
-Geographic expansion
-A kind of specialization, which is needed

Researchers must also analyze the business criteria very well.[80] If the firm aims to have a bigger market share then the target must be in the same industry. For a geographical expansion or product diversification, another industry can be chosen. Critical figures such as industry growth rate or company growth rate must be calculated precisely. Legal arrangements within the industry, entry barriers must be

[78] Payne (1987), p. 11.
[79] Johnson (1999), p. 23.
[80] Sabine (1978), p. 137.

assessed carefully. Management & Labor force analysis is also critical for the compatibility and cooperation between the companies.

However, not everything can be measured by figures. Analyzers must also focus on the suitability of the target companies[81]. A detailed qualitative research must be undertaken for all possible targets. This investigation measures the level of technology, human resources activities and marketing organizations and environmental suitability of the target candidates.

Negotiations

Confidentiality and timing are very important during the negotiations. The most important subject next to the payment sum is the control transfer[82]. Target firm would demand the maximum payment possible with the managers looking to create more advantages for themselves. Strategic advantages and synergic gains might increase the asked price but also have an important role in progress of completion[83].

Important points are[84];

-Picking up the right crew for the negotiations

-Not just focusing on the payment

-Understanding the other side

-Not skipping the critical factors

-Sticking to the plan

-Being open to good alternative solutions

-Timing

-Knowing the value of the target for other bidders

-Deciding the offer strategy

What not to do:

-Making a low offer

-Having unreasonable expectations from the other side

[81] Celik (1999), p. 62.
[82] Brigham (2003), p. 144.
[83] Brigham (2003), p. 145.
[84] Aiello / Waktins (2000), p. 104.

-Making no effort
-Having high ego
-Not compromising
-Losing the motivation
-Giving up

4.3 Financing

Deciding the size of the payment and choosing the suitable financing tools depend on many factors. Merger gains, synergetic benefits, tax advantages, or being a monopoly after the merger affects these decisions[85].

Cash, stock and bonds or a mixture of these can be offered.[86] The biggest advantage of paying cash is keeping the control unchanged in own company. Another advantage is paying low transactions costs as possible. In this kind of a payment, target’s shareholders won’t be able to benefit from the post-merger advantages and add to that, they will have to pay taxes because of being paid by cash.

Insufficient cash pushes the firm to debt or issuing new equity, which in both cases leads to higher transaction costs compared to the cash payment. A leveraged buy-out can be chosen, if the prospect target has steady future cash flow to finance the issued debt and the interest payments. This kind of debt financing brings tax advantages. The payment with stock refers to the payment in the form of the acquiring company's stock, issued to the shareholders of the acquired company at a given ratio proportional to the valuation of the target firm.

Potential results of a transaction

As I already wrote, planning process has an immediate impact on the success of the M&A. We can observe the progresses after the deal from different angle of views[87]. It is most common to notice a decline in the stock value of the acquirer. The usage of debt while financing the deal potentiates this fall in share prices. The shareholders of

[85] Healy / Palepu / Ruback (1992), p. 136.
[86] Longman Group (1990), p. 44.
[87] Ulgen / Mirze (2004), p. 316.

the target firm mostly benefit from the post-merger share price increases, unless –of course- they are paid cash. The deal would consolidate the position of the acquirer’s managers by giving them more working area and personal gaining. On the other hand, the managers of the target are in a riskier position depending on if the acquirer wants to keep them on board. Although it is a rare concern for the acquirer’s staff, target’s staff may lose their job under a restructuring or an austerity programme.

5. Takeover Defense Strategies

5.1 Pre-Offer Tactics

Shark Repellents

This is one of the elementary defenses against undesired takeovers. Firms put some deterrent clauses in their main agreements such as a super majority rule, which in a case of takeover demands the approval of 85% of the votes.[88]

Poison Pills

Having two arts, called flip-in and flip-over, poison pills give the existing shareholders of the target firm the right to purchase the rest of the shares in a discount or below the market price in case of an hostile takeover attempt. This makes the target firm unattractive for the acquirer.[89]

Staggered Board of Directors

It is about electing a smaller group of members from the board of directors and giving this concentrated party classified rights over a certain period. This is a very effective defense method against takeovers.[90]

Restricted Voting Rights

Target firms might restrict the voting rights of the acquirers in case of a block transaction. This is usually active beginning from the 15-20% limit.[91]

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[88] Richard / Myers / Allen (2008), p. 904.
[89] Ross et. Al. (1999), p. 23.
[90] Faleye (2007), p. 501.
[91] CFA Institute (2010), p. 275.

Fair Price Amendments

This clause demands bidder to pay all stockholders the same price. It prevents two-tier takeover attempts and creates a fairer environment for the shareholders.[92]

Golden Parachutes

One of most used defensive strategies, which gives executives and/or employees high change-in-control benefits. This art of agreements promises bonuses, high severance pays and sometimes stock options. It is done in order to raise the cost of the transaction for the acquirer side.[93]

5.2 Post-Offer Tactics

Just Say No

It is a basic rejection. Board of directors may –just say no- to fend off an undesired hostile bid.[94]

Litigation

Starting court proceedings against the attacker firm is a very useful defensive tool. Target Company should claim that antitrust violation or unduly competition may occur during the transaction. [95]

Green Mail

In case of an undesired purchase of company shares, when the board thinks that it's a threat against the ownership dispersion, it may offer a higher price for those shares and purchase them back.[96]

Crown Jewel Defense

Target firm sells its valuable assets to a third party in order to make the takeover less worthy for the acquirer. [97]

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[92] Ruback (1987), p. 54.
[93] Bebchuk et. al. (2010), p. 11.
[94] Gula et. al. (2006), p. 2.
[95] Ruback (1987), p. 62.
[96] Dufa (1984), p. 95.
[97] Auerbach (1987), p. 50.

Pac-Man Defense

This tactic is named after the famous game Pac-Man. After a threat of an hostile takeover, target firm attempts to acquire the attacker firm. It includes the counter-purchase of shares, rights of claim, debts or bills of exchange.[98]

White Knight

Target firm may need the help of a third party, a so-called 'white knight'. This third party offers a bigger sum in order to eliminate the hostile bidder.[99] This higher offer would make the target unattractive by creating a winner's curse situation.

6. Unsuccessful Mergers

Failure is also a possible result for M&A. Sometimes a perfunctory process planning, sometimes an incalculable effect causes such an outcome. Cooperation problems and information asymmetries prevent the M&A from meeting the mutual expectations. Besides financial and strategic factors, greater interest should be on human factors.[100]

Well-known Reasons for Failure

Overpricement of the target company can cause failures due to future financial difficulties.[101] This overpayment may be resulting from a bidding war with the other competitors or an overvaluation of the acquired firm. Where the buyer´ shareholders insisting on a reasonable purchase and target firm´ shareholders try to get the highest price possible, overpayment is the easiest way to destroy shareholder value. Another issue is the cutbacks in the financial distribution system. Once the overpayment is realized by the executive unit, reductions in the financial support will be planned in order to even things up, which can cause inefficiencies and finally failure in M&A.

[98] CFA Institute (2010), p. 277.
[99] The Guardian Business Glossary Website
[100] Cartwright (2009), p. 1.
[101] Cartwright (2009), p. 2.

Poor strategic fit is a critical factor for M&A failures. [102] Deep pre-merger discussions about the strategic goals after the transaction are highly essential for success. It should be carefully investigated if the two companies have strategies and objectives that are too different and they conflict with one another. This misinterpretation of strategic and financial goals creates a poor strategic fit, which would reduce the effectiveness of the merger and block the integration of mutual interests. [103] Insensitive strategic management, slow communication, capabilities of executives and lack of trust may lead to this problem.[104]

Diseconomies of scale occur when the merger fails to achieve potential economies of scale because of financial mismanagement or incompetence[105] and this leads to failures. Economies of scale need the coordination of both parties and the harmony in the production process. High coordination costs would increase the average costs in the long run and hits profitability of the firm. In order to prevent this from happening, realistic calculations must be proceeded by financial analysts to expect reachable, rational post-merger results.

Unexpected changes in market conditions can cause disasters for mergers. [106] This topic has to be analyzed in the early stages of planning to set the critical break-even points of the organization. Market conditions, including future demand or supply rates, industry regulation, upcoming market trends should be precise. Companies should focus on such terms because sudden or unpredicted changes can upset future M&A plans.

Cultural issues subject, despite being underestimated, is one of the most important building stones of the integration process. During the adjustment period, cultural- and psychological fit is as critical as financial and strategic fit, which puts it on the priorities list. The problem is called culture clash, an expression used to describe the

[102] Cartwright (2009), p. 2.

[103] Stahl / Mendenhall (2005), p. 348.

[104] Mohibullah (2009), p. 259.
[105] Cartwright (2009), p. 2.
[106] Ibid.

conflicts in terms of norms, philosophies, and objectives between two merging companies.

Including complications such as communication problems and mismanagement of integration, culture clash is a common reason for M&A failure. [107] A cultural harmony is hard to build; Covin (1997) claims that, even under right conditions for M&A, employees require at least 5 years to overcome cultural differences.[108]

7. History of M&A in Globe

Looking through the history of Mergers and Acquisitions helps us to understand the evolution of the concepts of Mergers and Acquisitions in the world. The USA leads in the number of transactions followed by Europe, Asia, Latin America and Middle East. Detailed analysis of the History of Merger of Acquisitions, takes us to 1880´s, where the First Merger Wave had begun.

First Wave (1887-1904)

The wave, caused mainly by the 1983 economic crisis, forced indebted firms to merge or to be undertaken, created horizontal mergers and shaped those industries into monopolistic ones.[109] Mining industry, telephone, oil, machinery industry and railway industry were in great request.[110] The US tried to establish the merger law in order to solve the antitrust problems and to encourage the competition.

Second Wave (1916-1929)

This Post- WW1 merger wave caused mostly vertical mergers and acquisitions. Banks were very active in financing these transactions. Communication and service industry, automobile industry was affected during this wave. The US put The Merger Law in force in 1914, which created a fairer environment and oligopolies rather than monopolies.[111]

107 Mohibullah (2009), p. 256.
108 Covin et. al. (1997), p. 22.
109 Gaughan (1999), p. 20.
110 Nelson (1959), p. 50.
111 Halibozek et. al. (2005), p. 23.

Table 3 Announced US M&A between 1985 and 2011[112]

Third Wave (1965-1969)

Terms such as “Economies of scale” and “Mass production” became very important during this wave. US Corporate managements were obsessed with the idea of acquiring firms from other markets. These conglomerates then experienced a crash in their share prices during the early 1970’s, which consequently ended this era.[113]

Fourth Wave (1981-1989)

Bad economic conditions of 70`s slowed down the M&A transactions. With the beginning of 80`s, technological innovations, high costs of R&D pushed firms to merge. Mega mergers and highly leveraged takeovers dominated that decade. Seperation of friendly and hostile takeovers began during this wave and the market was driven by hostile takeovers. This aggressive strategy caused banks` capital structure to collapse.

[112] IMAA Website
[113] Ibid.

Fifth Wave (1992-2000)

Globalization and deregulations caused the Fifth Wave of M&A´s. These trends increased the number of cross-border transactions. Network and transport industry, financial markets were affected from those mergers. Six of the 10 largest deals in M&A history took place from 1998 to 2000.[114]Privatization of state-owned monopolies started also during this wave. Scandals such as millennium bubble, Enron and Worldcom brought the end to this wave.

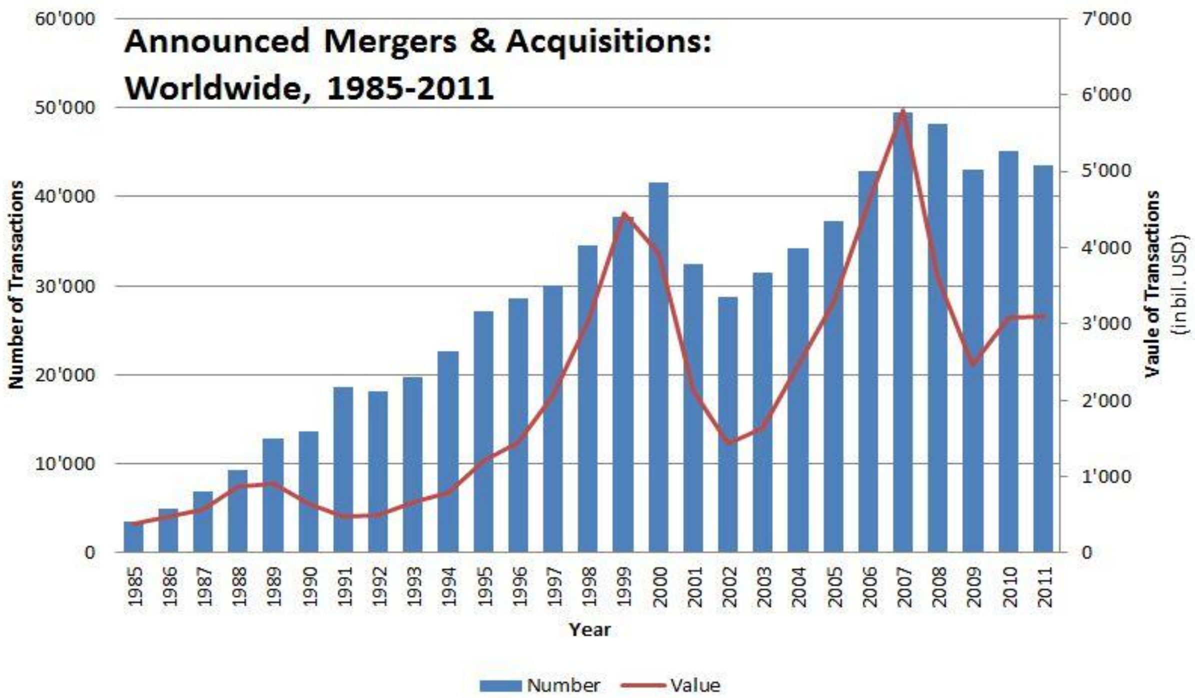

Table 4 Announced Worldwide M&A between 1985 and 2011[115]

Sixth Wave (2003-today)

Declining number of transactions has begun to rise in 2003. In 2005, worldwide 30% growth rate in deal values resulted a gain of $716 billion. 2007 doubled the gain and reached $1.6 trillion. Effects of globalization continue in this era. Multi-national companies are trying to be built. Terms such as shareholder activism, private equity and LBO are deeply discussed.

[114] Ibid.

[115] Ibid.

Rank	Year	Acquirer	Target	Value in bill. USD
1	1999	**Vodafone AirTouch PLC**	**Mannesmann AG**	202,8
2	2000	**America Online Inc**	**Time Warner**	164,7
3	2007	**Shareholders**	**Philip Morris Intl Inc**	107,6
4	2007	**RFS Holdings BV**	**ABN-AMRO Holding NV**	98,2
5	1999	**Pfizer Inc**	**Warner-Lambert Co**	89,2
6	1998	**Exxon Corp**	**Mobil Corp**	78,9
7	2000	**Glaxo Wellcome PLC**	**SmithKline Beecham PLC**	76,0
8	2004	**Royal Dutch Petroleum Co**	**Shell Transport & Trading Co**	74,6
9	2006	**AT&T Inc**	**BellSouth Corp**	72,7
10	1998	**Travelers Group Inc**	**Citicorp**	72,6

Table 5 Top Deals Worldwide[116]

8. M&A in Turkey

8.1 Corporate and national culture in Turkey

Based on the findings by Li and Harrison (2008)[117] and Mbuya (2009)[118], confirming the influence of a country's socio-cultural feature on corporate structure, we can easily argue that, Turkey shaped by Islam, located just between Europe, Asia and Arabian World, has its own unique advantages and disadvantages for foreign direct investment (FDI).

Turkish economy is basically dominated by small and medium-sized enterprises (SMEs), which are unfortunately behind the SMEs in the European Union or in most other OECD countries in terms of average work force and turnover. While supplying working places for the 77% of total employees, SMEs are only responsible for 27% of

[116] IMAA Website
[117] Li / Harrison (2008), p. 607-621.
[118] Mbuya (2009), p. 15.

total output. Turkey`s larger companies, more efficient that the SMEs, carry the 73% of the production with only 23% of the total work force.[119]

Developing service sector, not very technologic but still profitable industry (manufacturing) and recently less attractive agriculture sector are significantly important for the Turkish economy.[120]

In addition to SMEs, Business Groups can set an example for the typical Turkish corporate governance. Such a group, formed as a holding company including a bank, usually belongs to a single family. Family members are concerned they could lose the control over the companies that's why they mostly run them instead of professional managers, which doesn't always let an efficient organizational structure to occur. An acquisition through a hostile takeover is hardly possible when we consider the high concentration ratio[121] of the ownership.
These compulsory family run SMEs and intentionally family run business groups might experience some difficulties while adjusting to unfamiliar legal procedures because of lacking professionalism in the executive team.[122]
Therefore, a potential deal between a westernized company and a Turkish company can create challenges in the early phases, even before the negotiations. The slow decision making process can bother the opposite company where they probably think, "Time is money". For Turks, mutual trust is more important than a signature on a shareholder's agreement but it is hard to build. An offer is only negotiable when you are trustworthy enough. The head of the family makes decisions. This ethnocentrism arising from the submissive behavior of the lower echelon executives and family members, combined with the respect without questioning factor can cause long-term monitoring and ethical problems.

Researches of Professor Geert Hofstede in the field of cultural dimensions let us understand the situation in Turkey. Turkey scores 66 in power distance dimension, which means there is a high level of acceptance of the power distribution inequity by

[119] OECD (2004), p. 27.
[120] Schiereck / Oelger (2011), p. 42-43.
[121] Yurtoglu (2003), p. 7.
[122] Kellerhals Website

the less powerful member of organizations.[123] As a consequence of the geographical position, Turkey is far away from Sweden (11)[124], the Netherlands (38) or Germany (35) but also not so close to Arab World (80)[125]. A score of 66 indicates a dependent and a hierarchical order, where the ideal boss is the elder, more experienced family member.

Professor Hofstede defines Turkey as a collectivist society. People belong to groups, where everybody tries to take care of each other in exchange for higher moral values such as trust, loyalty and honesty. This index of individualism refers to the fact that, for Turks, “We” is important than “I”. Finding the harmony and resolving conflicts comes before achieving success at work.

Turkish people not motivated by the competition, success or being a winner, rely more on general well-being or comfort of the society. Looking after the poor ones, obligations like alms at the close of Ramadan help us understand and maybe level the things up between the poor and rich.

Turkey scores 85 on uncertainty dimension, which claims that Turkish folk feel threatened or at least nervous about the upcoming or unknown situations.[126]
Turkish organizational structure would reflect the features of clan and hierarchy in the Competing Values Framework of Cameron and Quinn.[127]

Unintentional, improper contact approach of the foreign side or possible future controversies necessitate a conciliator, a local law firm. A co-operation with a local law firm would make the things easier for both sides. Fulfillments like managing the legal requirements, being a communication channel, clearing the misunderstandings makes this need for a local law firm crucial.

[123] Geert Hofstede Website
[124] Geert Hofstede Website
[125] Geert Hofstede Website
[126] Geert Hofstede Website
[127] Cameron / Quinn (1999), p. 35.

8.2 Why Turkey?

Strategic Location

Turkey, reaching an area of 785.347 km2, is an incomparable gateway to Europe, Middle East, North Africa and Central Asia.[128] The Black Sea, the Mediterranean and the Aegean Sea, while surrounding the country, provide an intriguing coastline of nearly 9.000 km. Besides its eight neighbors; Bulgaria, Greece, Armenia, Georgia, Azerbaijan, Iran, Iraq and Syria, Turkey offers an ultimate access to various markets in Western Europe, Central Europe, Caucasian and Central Asian Turkic Republics.

International agreements

Turkey as a developing country knows the significance of international agreements. In order to attract foreign investors, expand possible business opportunities and staying on good terms with the rest of the world, international agreements should be done.

A kind of these agreements, Free Trade Agreements (FTAs) play a huge role for Turkey in the relationships with the neighbors. FTAs are advantageous; as long as Turkey is not a member of EU, it is not obligated to apply the common rules of competition, besides it can lay down its own beneficial rules regarding the customs. Parties sign such agreements to support the exporters by helping these facing better conditions regarding custom duties or quantity restrictions.[129] Turkey has currently 16 FTA partners including Israel, Serbia, Chile and some North African countries and negotiates with other 18 countries in Eastern Europe, Central America and Africa.

Bilateral Investment Treaties signed with 82 countries all over the world is also a promising attractiveness of Turkey. These agreements are mostly singed to ensure a

[128] Turkish Embassy Oslo Website
[129] Turkish Ministry of Economy Website

suitable investment environment for foreign investors. They protect the investors in case of a disadvantageous change in the current commercial framework.[130]

Turkey is connected with the western World as a member of WTO, OECD, G-20 and UNCTAD, where it is a part of the team, which researches, develops or implements new ways of economics to achieve stability.

As a leader Islamic country with stable relationship with its neighbors, Turkey is also a member of The Organization of Islamic Cooperation, Economic Cooperation Organization, Organization of the Black Sea Economic Cooperation and Developing 8.[131]

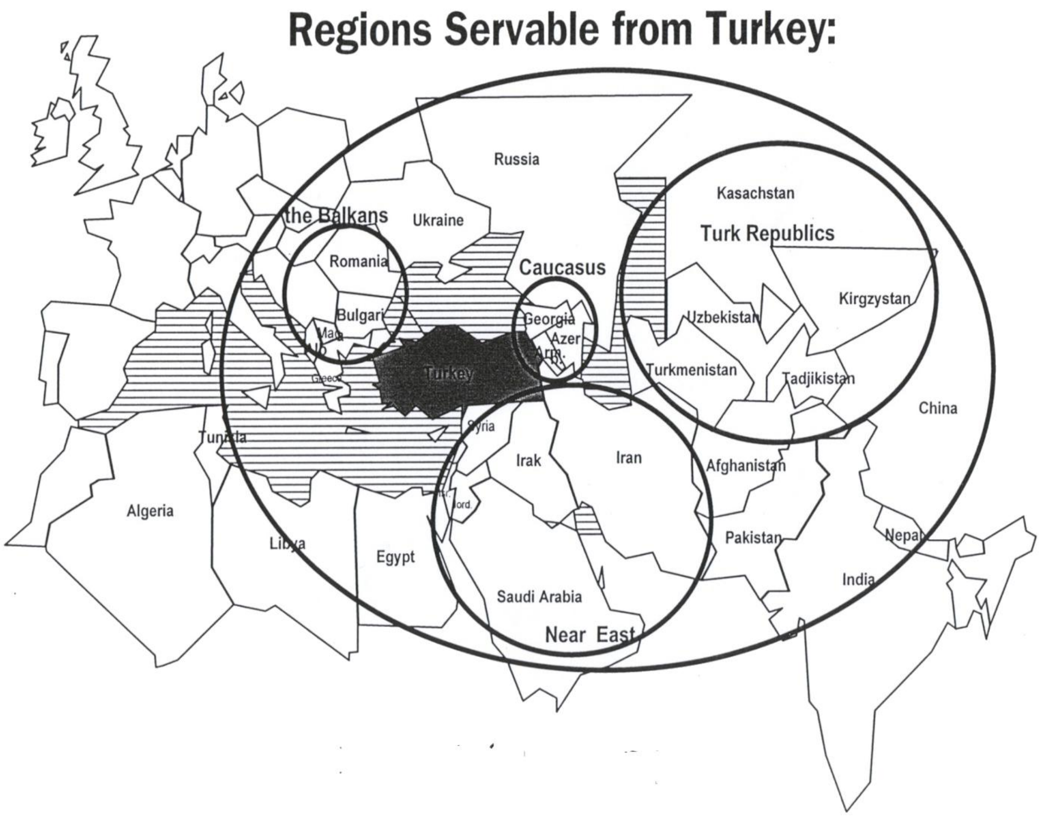

Figure 2 Regions Servable from Turkey[132]

[130] Turkish Ministry of Economy Website
[131] Turkish Ministry of Economy Website
[132] YASED International Investors Association of Turkey Website

Population and Labor Force

Registered on 31st of December 2011, Turkey has a living population of 74.724.269, where 50.2% of the total population is males and 49.8% is females.[133] Calculated with the current and estimated future population growth rate, in 2050, Turkey is expected to have 95 million citizens.[134] Istanbul with 13.624.240 persons, followed by Ankara with 4.890.893, İzmir with 3.965.232, Bursa with 2.652.126 and Adana with 2.108.805 persons are 5 most crowded cities of the country.[135]

	Turkey	Czech Republic	Romania	Hungary	Poland
Labor Force in millions	***26,7***	5,3	9,9	4,3	17,9
Availability of Qualified Labor Force	***6,82***	6,29	5,62	5,97	6,23
Hours Worked Per Week	***52,9***	42,2	40,8	40,6	42,1
Number of Graduates in Tertiary Education	***573159***	102898	305060	70358	***625000***

Table 6 Overall View of Turkish Labor Force[136]

[133] Turkish Statistical Institute Website
[134] Ibid.
[135] Ibid.
[136] Turkey Prime Ministry Investment Support Website

Turkey provides a great human capital with a total population of 75 million, but more importantly with half of it aged below 30.[137] Most important aspects of this topic are the productivity and wages. Turkish government aims constant productivity of this young, competitive and well-educated labor force. Statistics reflect a productivity growth from 4.4% to 8.4% yearly after the 2001 crisis.[138] Compared to near European countries, Turkey has a numerical advantage in terms of work force with approximately 25 million people where others have mostly 5-6 million.[139]

Reforms in educational system had long-term effects on wages. Turkish universities, focused on providing world-class education, send yearly 600.000 skilled work forces out of their 3.5 million students to markets.[140] Due to reforms, participation of women in business world has risen. Accounting for 28%[141] of total work force, workingwomen are the sign of independence, self-confidence, freedom and individuality in Turkey. This also brings its own advantages such as strengthening the social equality fact between genders, preventing marriages which occur only because of the economic independency of women and building a more modern and a fairer community.

High population, involvement of women and a well-known problem of Turks, tax burden derange the balance of the business world in Turkey, resulting higher wage expectations, which have unfortunately, negative effects on the attractiveness of Turkey. One can easily see the remarkable labor cost difference between Turkey and China, caused by taxes, where an employment costs $500 and $34 respectively.[142] According to Recai Coskun (2001), Turkey´s labor skills do not attract foreign investors due to the relatively higher wage standards compared to ex-eastern Bloc countries and nearly located Middle Eastern ones.[143] Although it does not affect the overall attractiveness, Turkish government knows the importance of this topic and deals with it efficiently since 2005.

137 Turkey Prime Ministry Investment Support Website
138 Ibid.
139 INVESTMENT ENVIRONMENT AND FOREIGN DIRECT INVESTMENTS IN TURKEY (2004), p. 15-17.
140 Turkey Prime Ministry Investment Support Website
141 INVESTMENT ENVIRONMENT AND FOREIGN DIRECT INVESTMENTS IN TURKEY (2004), p. 15.
142 YASED International Investors Association of Turkey Website
143 Coskun (2001), p. 224.

Table 7 Productivity and Real Unit Wages in Industry (per worker 2005=100) [144]

Turkish Government prepared recently a new Labor Law and is currently working on foreign personnel employment by Ministry of Labor and Social Security, simplification of key personnel permits and creating a healthier labor security system.[145]

Logistics

While improving the investment environment, great attention must be paid on logistical developments of a country. Despite having a geographical competitive advantage for years, Turkey began very lately with the improvement of its basic infrastructure and still tries to match the world standards.

Turkish government was aware of this deficiency and a study was conducted by International Energy Agency in 2003, which suggested a USD 16 trillion investment in infrastructure between 2001 and 2030.[146] Besides perfect land, air and sea

[144] Turkey Prime Ministry Investment Support Website
[145] YASED International Investors Association of Turkey Website
[146] Republic of Turkey Prime Ministry Undersecretariat of Treasury (2008), p. 76.

transportation opportunities via modern services, Turkey also has to offer advanced telecommunication.

The rate of 62 million mobile phone users and nearly 17 million Internet subscribers, still behind EU levels, keeps on increasing since the disposal of the monopoly situation in this sector by new entrants. Privatization of Turk Telekom stocks, appearance of new GSM and Internet providers brought diversity to the telecommunication market.[147]

Frugal and reliable transportation is a prerequisite for providing competitive logistic services. An investor can enjoy his/her choice of strategic location only with the concomitant shipment effectiveness. Newly built, EU standard highways and railways total of 75000 km, 34 international & 99 domestic airports carrying over 100 million passengers per year, Ro-Ro ferries and international harbors are signs of infrastructural developments in Turkey.[148]

Turkish Government also serves special investment areas with various advantages in order to attract foreign and domestic investors. Technology Development Zones, so called Technoparks are built to encourage entrepreneurs for a breakthrough in the field of high technology, quasi in Silicon Valley. Turkey has currently 41 TDZs and accords various economic advantages to spark R&D activities in Turkey. [149] Innovative researches are led by universities, research institutions and industrial organizations to cut down the needs for outsourcing and help the sector to expand. Employment and progress opportunities for the qualified work force of Turkey and attracting the foreign funds are other aims of these Technoparks.[150] Turkey, putting great value on R&D, organized a Technical Committee under TUBITAK [151] and presented many financial incentives for the investors.

- Tax incentives in revenues, sales and salaries up to 100%
- Government Support for equipment and software expenses up to 50%

[147] Turkey Prime Ministry Investment Support Website
[148] Ibid.
[149] Kaplan (2011), p. 1.
[150] E-practice Website
[151] Republic of Turkey Prime Ministry Undersecretariat of Treasury (2008), p. 72.

- Project financing aid up to 50% of the costs[152]

Organized Industrial Zones is another project to attract entrepreneurs. These over 250 zones creating economies of scope, provides cheaper water, gas and telecommunication services to the businesses.[153] A land acquisition in an OIZ is simpler and cheaper which helps the inhabitants of these OIZs benefit from general investment and tax incentives of Turkish Government later on.

Export-based businesses are supported through Free Zones. These zones are located outside the customs and close to international ports. Turkey hosts 20 FZs in its political borders whereas they are not obligated to apply all the commercial rules.[154] They provide advantages in storage, tax on income and salaries and transfer of funds.

Turkey is also interested in getting its share in the energy market. Investing yearly USD 550 million in projects[155], focused on electricity production through renewable energy, Turkey made a step towards success through the reforms in this area. The Energy Market Regulatory Authority of Turkey has established serious regulations since 2001 Electricity Market Law. The institution engages also in gas, oil and LPG regulations. Market reform and privatizations would help Turkey play a role as energy hub for the region.

Turkey secures its geopolitical advantage also through pipeline projects. Benefiting from being a bridge between continents, Turkey carries great responsibility and therefore, voice in international affairs. Baku-Tbilisi-Ceyhan, Interconnector (Turkey, Greece, Italy) and Nabucco (Turkey, Bulgaria, Romania, Hungary, Austria) are only 3 of 10 important projects to achieve this goal.[156]

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[152] YASED International Investors Association of Turkey Website
[153] Turkey Prime Ministry Investment Support Website
[154] Turkey Prime Ministry Investment Support Website
[155] Republic of Turkey Prime Ministry Undersecretariat of Treasury (2008), p. 67.
[156] Turkey Prime Ministry Investment Support Website

8.3 Government Activities

Stability

In the 90´s Turkish Government realized how unattractive its investment environment and investment legislation are. Ensuring political stability should be the first step before introducing reforms. Political stability reduces the risk or any possibility of undesired future fluctuations such as economic crisis, corruption or bureaucratic changes. After the 61st parliamentary election of Turkish Government, run by a multi-party democracy since 1946, the AK Party triumphed as a single party for the third consecutive time, which is a grate proof of stability, considering the fact that no party has been elected for two consecutive terms since 1983.[157]

Following the peace in Iraq, things turned out well for the highly criticized Turkish Government, who had its hands full with IMF backed economic program, EU-Membership and social problems of secular-democratic Turkish folk. Developing manufacturing industry, constant macroeconomic growth with GDP increasing by 234% between 2002-2011[158], successful disinflation program leading to interest rate cuts by The Central Bank, decreasing public debt stock and budget deficit gave AK Party the needed confidence. [159]

Trying to become a commercial model for the region and be an economic power, Turkey redesigned its political scheme regarding foreign direct investments.

Turkish M&A Law

Stated by WTO as "The Act prohibits agreements, decisions and concerted practices in restraint of competition, and abuse of dominant position", Law No.4045 on The Protection of Competition has been the regulatory source for the M&A´s in Turkey

[157] US Department of State Website
[158] Turkey Prime Ministry Investment Support Website
[159] YASED International Investors Association of Turkey Website

since the 13th of December, 1994.[160] Article 7 of Law No.4045 describes which transactions are illegal and prohibited. Communique 1997/1, standing out with its 7th article on the Assessment of M&A in Turkey, determined and announced the M&A calling for authorization by notifying to the Competition Board, in order to be legally valid, pursuant to Article 7 of Law No.4045.[161]

In 2001, Turkey took action. The bureaucracy, functioning with the speed of a snail, causing not only waste of time but also waste of money had to be changed and revised through reforms. In order to eliminate the unnecessary barriers for foreign and domestic investors, Turkish Government instituted Coordination Council for the Improvement of the Investment Climate, which is responsible for the Principle Decision on the Reform Program for Improving the Investment Climate in Turkey.[162]

Law concerning the revision of Commercial Law, Foreign Direct Investment Law, Law concerning the Employment of Foreigners in Turkey, Law Concerning the Amendment of Public Procurement Law, Law No. 4916 amending the Registry of Title Deed Law[163], tax incentives, regulatory changes in Energy and Healthcare sector, a convertible currency, 100% foreign ownership, 100% repatriation of profit and dividends, lowered tariffs and non-tariff trade barriers to conform to EU standards[164], international accounting systems and New Turkish Commercial Code are prominent successes of the council.

FDI Law

Law No.4875 on Foreign Direct Investment set a milestone for the above mentioned reforms. Coming into force in 2003, the FDI Law brought transparency to the topic by regulating all necessary principles to encourage foreign direct investment.[165] The intention was to assure foreign investors that Turkey now follows a fast, modern and a healthy policy. The council tried to debug the system by defining the parties clearly, protecting the investor and removing the uncertainties. FDI Law, with its international standards guaranteed a secure investment atmosphere. Law No.4875 brought the

[160] WIPO Website
[161] Concurrences Website
[162] Yased (2008), p. 18.
[163] Yased (2008), p. 19.
[164] Coskun (2001), p. 223.
[165] Turkey Prime Ministry Investment Support Website

foreign investors to the same level with the domestic investors by cancelling the former unnecessary pre-approval processes during business set ups, share transfers, capital increases, change of field of activity and license registration.[166]

Communique 2010/4

Next landmark of Turkish M&A Law came after 8 years. Issued on 7th of October 2010 and effective as of 1st of January 2011, the new Communique 2010/4 replaced Communique 1997/1 after 13 years to regulate the procedures regarding the notification of M&A to the Turkish Competition Board. As the old Communique 1997/1 did, the new one also functioned pursuant to Law No.4045. The main changes were in the threshold regulations, which is decisive if a project would be subject to authorization by Turkish Competition Board. Past regulation, allowing a control of maximum 25% of total market shares or a total turnover of maximum TL 25 million after an M&A[167], was preventing big deals from happening in Turkey. Communique 2010/4 permits a total turnover of TL 100 million in Turkey, TL 30 million individually and TL 500 million worldwide.[168]

Turkey's Investment Incentives System

Cited from the original decree on Turkey Prime Ministry Investment Support Website

"The purpose of the this Decree is to set the procedures and principles to channel savings to investments with high added value, enhance production and employment rate, encourage regional and big scale investments and strategic investments with a large research and development content and capacity to increase international competitiveness, increase direct foreign investments, dispel regional development differences, support investments aimed at aggregation and environment and research and development activities in accordance with the targets estimated in development plans and annual programs."

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[166] Yased (2008), p. 16.
[167] Today`s Zaman Website
[168] WIPO Website Communiqué Concerning the Mergers and Acquisitions Calling for the Authorization of the Competition Board, No.2010/4 article 7. (2010), p. 3.

Turkish Government´s latest incentive program, in force since 1st of January 2012, carries both foreign and domestic investors forward with simplicities in bureaucracy, tax advantages, less custom duties and many other inducements.

4 main schemes with different specific amount of advantages are presented;[169]

Instruments/ Schemes	Minimum Investment in TRY	VAT Exemption	Custom Exemption	Tax Reduction	Land Allocation	VAT Refund
General	500,000 – 1,000,000	✔	✔			
Regional	500,000 – 1,000,000	✔	✔	✔	✔	
Large Scale	50 million- 1 billion	✔	✔	✔	✔	
Strategic	50 million	✔	✔	✔	✔	✔

Table 8 Own structure based on Turkey Prime Ministry Investment Support Website

New Turkish Commercial Code

Turkey took the next revolutionary step in 2012 by revising its commercial code, which was untouched since it came to force in 1956.[170] Not only focusing on FDI but also setting a new business order for Turkey, the new TCC is a crucial maneuver. The need for a new law manifested itself distinctly after the full EU membership negotiations and WTO requirements.

Influencing topics such as registrations, accounting, capital structure including shareholder rights, maritime commerce and insurance law[171], the new TCC aims a

[169] Turkey Prime Ministry Investment Support Website
[170] UK Trade&Investment (2012), p. 1.
[171] UK Trade&Investment Website

higher explicitness and the usage of a better technology in the Turkish business world, purged of unnecessary bureaucracy.

New TCC, active since July 2012, serves also purposes of foreign investors[172];

-Adoption of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) makes the accounting audits simpler by bringing it to EU standards and increases the attractiveness of Turkish firms and therefore enhances the possibility of involvement of a foreign shareholder

-A faster bureaucracy for a foreign investor during a branch set up in Turkey eliminates the obligation of founding a legal entity such as a joint stock company or a limited liability company, removes the burden of approval of the Ministry of Commerce and gives that branch the status of a Turkish based firm

-Squeeze out ability gives companies flexibility in crisis with minority shareholders. By putting the allowed reasons for a squeeze out or a buy out in the articles of association, the company gains voice during a blockage of a strategic move such as merger, termination or change in articles against the minority holders.

-Allowance of a one-shareholder joint stock company or limited liability company saves the foreign entrants from the fear of termination by excluding the requirement for additional shareholders

-Regulation of online board meetings is a time-saving modern concept which is advantageous for directors or shareholders living abroad.

-Flexibility of buying its own shares or taking on security in its favor up to 10% of the capital stock is another arrangement of the new TCC that keeps the manipulation effects away from the publicly traded companies.

[172] Yüksel Karkin Kucuk Attorney Partnership (2011), p. 4-5.

8.4 Effect of EU Enlargement

As Emmanuel Volland, the London-based director of financial services ratings at Standard & Poor underlines, for foreign investors and banks, EU membership is not the main factor for investing. It's the sounder economic environment.[173] We should highlight the fact that the path leading to EU, requirements to reach the standards of EU already increase the attractiveness of the country.

EU-Turkey relations began in 1963 with the adoption of ECC (European Economic Community) Common External Tariff continued with the signing of Association Agreement in 1964. After the first official membership application in 1987, first remarkable step had been taken through the Customs Union deal at the beginning of 1996 forcing Turkey to level its standards up. Candidate status was given in 1999 and 6 six years later, in 2005 the negotiations for a membership has begun.[174]
Additional to the related chapters of acquis communautaire[175], change in the monetary currency, implementation of Law No.4875 on FDI and the new TCC are the most recent efforts of adaptation by Turkish Government regarding FDI. EU, focusing on increasing the level of competitiveness by reducing the administrative burden, would bring confidence and growth to Turkish economy by enhancing the predictability in every area.

8.5 M&A and FDI Statistics

Rising attractiveness of Turkey supplied by governmental reforms can be seen more clearly through statistics. Numbers belonging to the years of milestones such as 2003 FDI Law, 2005 start of EU-Membership negotiations, 2008 world economic crisis and 2010 new Communique and incentives, give us a pursuable projection of M&A activities in Turkey.

[173] High Beam Website
[174] German Auswartiges Amt Website
[175] US Department of State Website

Until reaching 2003, Turkey had presented a weak FDI appeal. With only 185[176] concluded mergers, predominantly in the field of chemistry, food products and textiles and with the impact of the 2001 bidding process for the GSM operators in Turkey, a total FDI deal value of $ 1329 million between 1999 and 2003[177] has been reached.
Starting in 2003, heavily influenced by the new FDI law, Turkish M&A activity has begun to accelerate. 47 of 69 successful mergers carry the signature of a foreign firm in 2003[178]. While drawing the attention of German-, UK- and French based firms, Turkey reached a deal volume of $ 1.4 billion.[179] English Tesco targeting a deal with the retailer Kipa ($124 million), Deutsche Bank with Profilo ($88.3 million) and French Danone Group with Sabanci Holding ($72 million) were top cross border deals of 2003[180].
2005 was the year of privatizations and EU negotiations. Cross border deals surpassed the local deals for the first time in Turkish M&A history. Telecommunication, energy and financial services were the most intriguing sectors attracting investors from Saudi Arabia, the UK, the US and Russia.[181]

YEAR	VOLUME ($ million)	CHANGE
2003	**1400**	**-**
2004	**2500**	**78%**
2005	**30400**	**1216%**

Table 9 Progress of Turkish M&A[182]

Cross border deals in the financial sector left their mark in 2006. Huge deals between National Bank of Greece and Finansbank, Belgian Dexia and Denizbank, American Citigroup and Akbank reached a sum of $ 10 billion.[183]
The world suffered through a financial crisis in 2008, which also hit the Turkish M&A market. Compared to 2007, an increased number of deals generated a value loss of 6.6%.[184] The interest of foreign investors for Turkey continued, cross border deals accounted for the 51.8% of total FDI in 2008.[185] Verbund, ABN Ambro, Lukoil and

[176] Competition Board Website
[177] Uygur (2012), p. 92.
[178] Competition Board Website
[179] Ernst&Young (2005), p. 3.
[180] Ernst&Young (2004), p. 7.
[181] Ernst&Young (2006), p. 10.
[182] Based on Ernst&Young (2005), p. 3.
[183] Ernst&Young (2007), p. 8.
[184] Republic of Turkey Prime Ministry Undersecretariat of Treasury (2008), p. 7.
[185] Republic of Turkey Prime Ministry Undersecretariat of Treasury (2008), p. 17.

Akcez in rising energy sector, British American Tobacco in tobacco production, Palmali and Sibirskiy Russia in cement production, Axa in financial services sector signed the biggest deal in 2008.[186]

After an expected decrease in 2009 numbers, Turkey carried on with increasing M&A in 2010. Operations for more public listings in Istanbul Stock Exchange, more qualified brokerage firms and education of the customer were induced. Privatization program, already successful in 2006 by generating $ 8.4 billion[187], was taking on where it left off. Both domestic and foreign investors, trying to take advantage of the continuing incentives of the Turkish Government, were very active in 2010. A record sum of $ 10.2 billion[188] had been reached through privatizations in essential sectors including energy, healthcare and infrastructure.

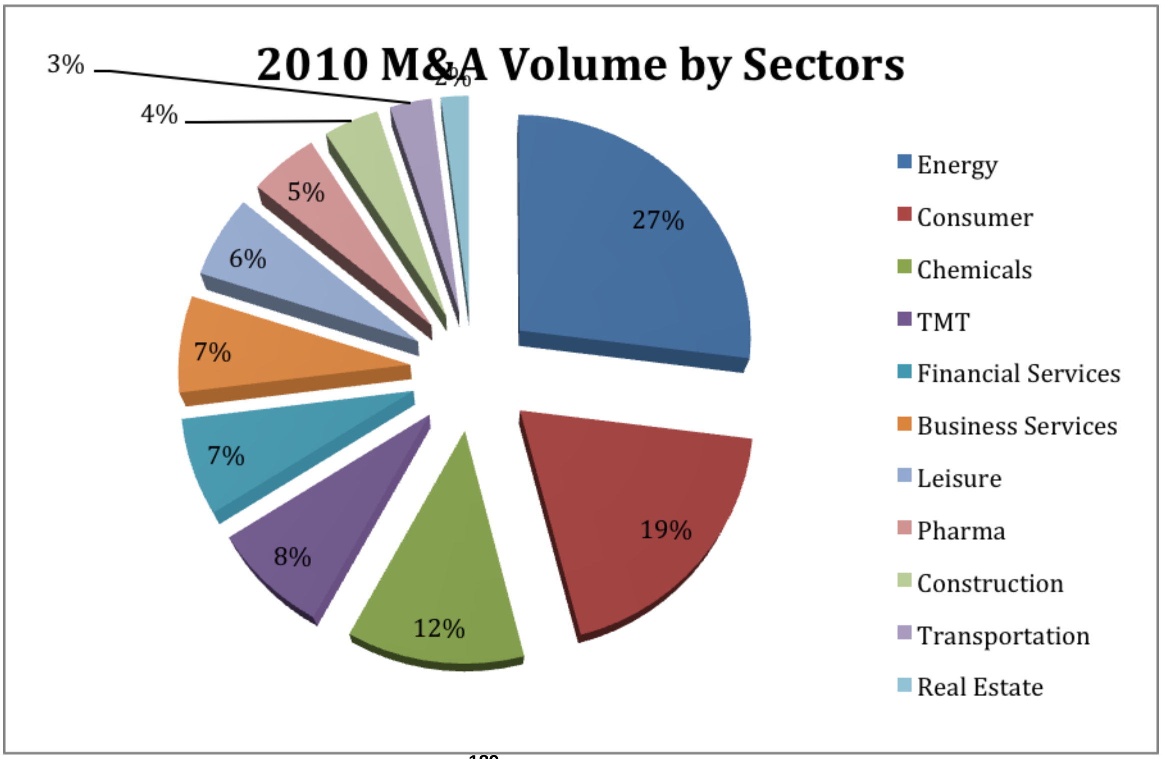

Table 10 M&A Volume by Sectors[189]

Legislative reforms by Turkish Government continued, especially in the field of energy. A new tariff structure was presented under The Law Amending the Law on Utilization of Renewable Energy Sources. This new incentive, almost guaranteeing a

[186] Ernst&Young (2009), p. 15.
[187] KPMG, Turkey M&A Outlook 2010 p. 24.
[188] KPMG, Turkey M&A Outlook 2010 p. 24.
[189] KPMG, Turkey M&A Outlook 2010 p. 25.

risk-free investment helped the sector to build the 56% of the total M&A value in 2010[190].

2011 came with a political unrest in the Arab region and a financial turbulence in Europe but could not hinder Turkey´s M&A progress. Without the big privatizations, accounted for almost 50% of the deals in 2010[191], Turkish M&A market survived with the existence of the middle market transactions. The transactions less than US $ 50 million presented the 83% of all transactions and built the 22% of total deal value in 2011[192].

YEAR	2010	2011
NUMBER OF DEALS	**203**	**241**
TOTAL VALUE	**$ 29 bn**	**$ 15 bn**
PRIVATIZATIONS	**50%**	**7%**
FOREIGN INVESTORS	**36%**	**74%**
AVERAGE DEAL SIZE IN $	**$ 140 mn**	**$ 62 mn**

Table 11 Deloitte Annual Turkish M&A Review 2011

Transactions of foreign investors, conducting 74% of the total activity, reached $ 11.1 billion[193]. In 138 deals signed by non-residents from the US, Europe, the Gulf Region, the Far East and other regions, food & beverage, financial services, energy, e-commerce and manufacturing got the biggest attention.

[190] KPMG, Turkey M&A Outlook 2010 p. 25.
[191] Deloitte, Annual Turkish M&A Review 2011, p. 2.
[192] Deloitte, Annual Turkish M&A Review 2011, p. 1.
[193] Deloitte, Annual Turkish M&A Review 2011, p. 4-5.

8.6 Prospects

Year after year, the Turkish Government strives for a better investment environment for both domestic and foreign investors. 3 big changes in last 2 years; the new Communique, Investment Incentives Program and the new TCC are the signs of these effort.
After breaking the M&A deal number record of central and southeastern European countries with 264 deals (including privatizations) in 2011, Turkey´s 2012 M&A deal volume is expected to be $ 20 billion. A higher participation compared to 2011 is anticipated from local investors while the participation of foreign investors is expected to remain the same around $ 12 billion. Foreseen leading sectors are again energy, retail and food.[194]
Deloitte Turkey Finance Team emphasizes the standing interest of the foreign investors for Turkey despite the uncertainties in politics. It is also mentioned that the expected increasing total value of 2012 Turkish M&A deals is heavily dependent on the scheduled privatizations of the Highways, Bridges and Electricity Assets.[195]

[194] International Financial Law Review Website
[195] Deloitte, Annual Turkish M&A Review 2011, p. 11.

9. Relevant Literature

In this section, the literature related to my topic "The influence of national cultural and economic differences on the success of M&A negotiations" will be presented. As it is hard to find exact mathematical works related to my topic, I will try to investigate the literature in various parts.

9.1 Defining Culture

Culture is surely a complex idiom to define from only one perspective. First modern definition came in 1924 as Edward Tylor defined the term culture in his work "Primitive Culture" as a complex whole including knowledge, belief, art, morals, law, custom, and any other capabilities and habits, was acquired by man as a member of society.[196] One can see that the definition, besides covering all aspects of life, can not provide a complete enlightenment.

Without knowing the exact definition, we are directed by culture is in our daily lives, shaping our reactions for every single event. Although we might think that our perception of happenings and attitude towards them are sometimes instantaneous, they are mostly influenced by the culture we grew with. "The total way of life of a people, composed of their learned and shared behavior patterns, values, norms and material objects" is the culture definition of Rogers and Steinfatt (1999) in their book about intercultural communication.[197]

The theory regarding culture, that it has been carried on throughout the generations is also accepted by De Wit and Meyer (1998) as they called the culture as "a shared set of norms, values, beliefs, and expectations. This shared set of norms, values, beliefs, and expectations is developed over time and passed down or forward through the generations of managers".[198]

Famous Dutch researcher Geert Hofstede, known for his works in the fields of organizational studies focused on organizational culture and cultural economics and

[196] Tylor (1924)
[197] Rogers / Steinfatt (1999)
[198] de Wit / Meyer (1998), p. 466.

management[199], illustrated The Onion Diagram[200] in order to specify the integral aspects of culture, a model to explain how culture develops.

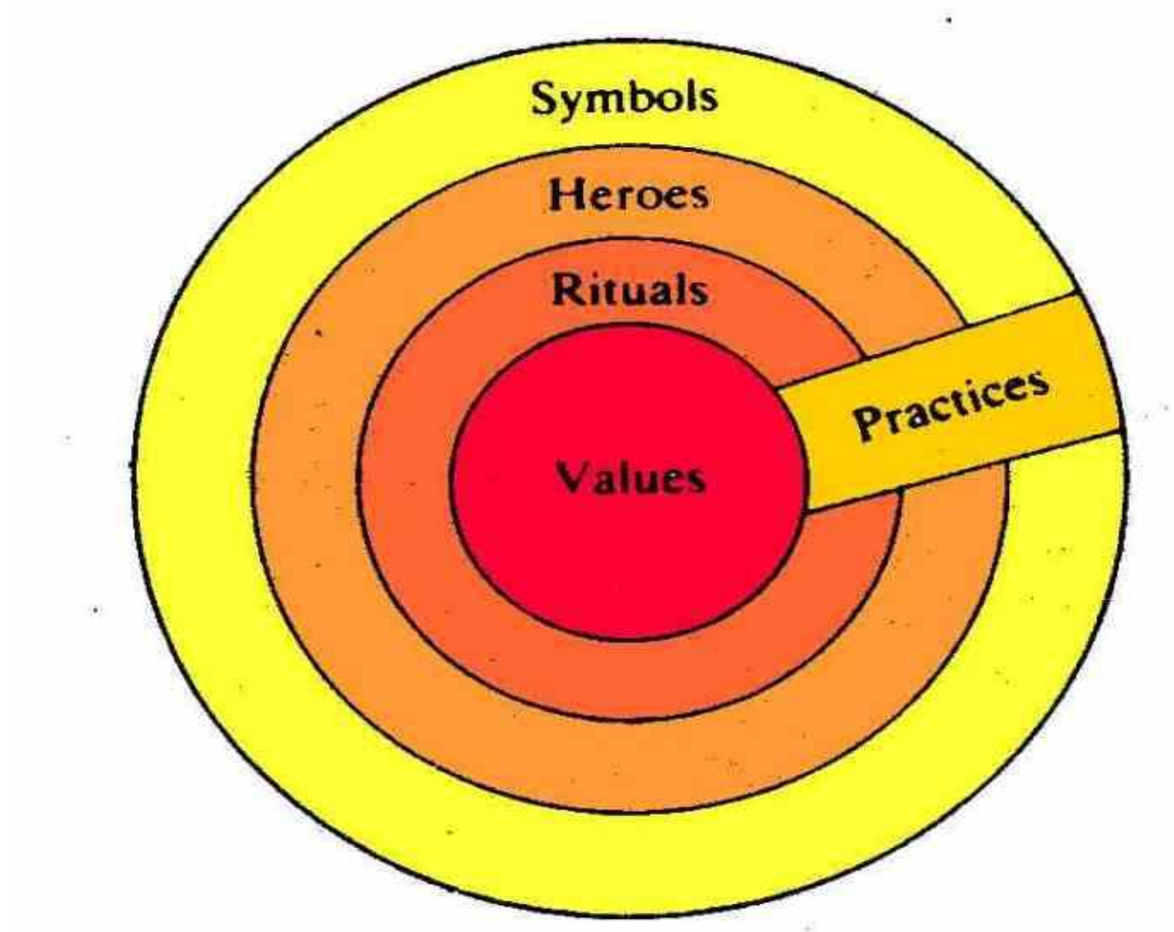

Figure 3 The Onion Diagram

With this Onion Diagram, where cultural differences manifest themselves in several ways - symbols, heroes, rituals and values, Hofstede (2001) tried to define culture through visible elements, tried to put culture in a more reachable, understandable and plausible position. Hofstede interpreted the *symbols* as "words, gestures, pictures and objects that carry often complex meanings when recognized as such only by those who share the culture"[201]. Jargons, dress or hairstyles even flags belong to this easily imitable category, which makes it an outer, therefore a less important layer. The second layer, *heroes* are persons, alive or dead, real or imaginary, who possess characteristics which are highly prized in a culture, and who thus serve as models for behavior. A fictive cartoon character, a hero or a role model for the society can influence the culture. *Rituals* or better-described traditions are

[199] Geert Hofstede Personal Website
[200] Hofstede (2001), p. 11.
[201] Hofstede (2001), p. 10.

collective activities that are technically unnecessary, but that within a culture are considered socially essential. The effect of rituals, heroes and symbols comes to life through practice of the insider. The core of the onion, *values* are on the other hand the sum of all inner inclinations of a human being. Decision making mechanism is active since the early years of life, takes unconsciously what it sees. Such values are observable only when they become apparent in behavior under various circumstances. Basic examples would be evil vs. good, unnatural vs. natural or rational vs. irrational.

9.2 Culture in M&A

The importance of culture has already been recognized in numerous branches of study. Maybe a bit late, but financial researchers also started to consider culture as the missing determinant in their studies. Topics such as management of cultural integration, cultural fit, cross-national cultural differences in transactions became more popular. Researches began to treat culture as a huge effect in success or failure of M&A activities.

Haspeslagh and Jemison (1991)[202] took the first step by claiming that a poor pre-acquisition strategy and an insufficient post-acquisition integration process could be the main reason of failures. A financial or managerial analysis of the target is inadequate without the analysis of cultural differences. The expression *cultural fit* has gained importance. Chatterjee et al. (1992)[203], Cartwright & Cooper (1993)[204] and Weber et al. (1996)[205] put cultural fit before strategic fit in the list of determinants of success in M&A.

Bijilsma-Frankema (2001) [206] claimed that the choice of primary conditions as business and financial fit leaving cultural issues as an inferior concern is the main reason behind M&A failures. She also discovered the term *culture clash* during her work *"On managing cultural integration and cultural change* processes in mergers

[202] Haspeslagh / Jemison (1991), p. 5.
[203] Chatterjee et. al. (1992), p. 319-334.
[204] Cartwright / Cooper (1993), p. 57-70.
[205] Weber et. al. (1996), p. 1215-1227.
[206] Bijilsma-Frankema (2001), p. 192-207.

and acquisitions", which refers to conflicts between to merged firms resulting from the differences in their styles, norms, philosophies and objectives.

Cultural differences can also cause individual problems, which eventually can also damage the integration process itself. Shraeder and Self (2003) focused on cultural integration and challenges. They pointed out the psychological outcomes of a not well organized integration process on the employees such as feeling of loss, uncertainty and fear.[207] C.W. Hill (2005) cited Walsh in his book *International business: competing in the global marketplace*; "After an acquisition, many acquired companies experience high management turnover, possibly because their employees do not like the acquiring company's way of doing thing".[208]

The significances of particular complementary elements of culture such as religion, language or legal origin were also researched in the field of finance. In their work *Mars-Venus Marriages: Culture and Cross-Border M&A*, Chakrabarti et al. (2004) claimed that distant societies developed distinct languages and cultures[209]. That's why such related elements could be used as proxies of culture. LLSV (1999) treated religion as a proxy for culture[210]. The paper presented by Stulz and Williamson (2003)[211], influenced by the study of LLSV also confirmed that a country's primary religion proxies better for creditor rights than language or legal system.

National Culture in M&A

Although the companies are now experienced and well informed about the importance of culture and the consequences in case of disregard of this topic, their hands are still tied when it comes to finding a solution structure. An effective process is hard to create while culture, an abstract term is still complex and hard to measure.

In order to make it more computable, this complicated concept should be handled in two main topics; national culture and corporate culture. Hofstede (1991) defines national culture as "*The collective programming of the mind which distinguishes the members in one human group from another*".[212] Process of creating a society, building and possessing an accumulated knowledge, awareness, experience and motivation can take hundreds or even thousands of years. National culture is like

[207] Shraeder / Self (2003), p. 511-522.
[208] Hill (2005), p. 498.
[209] Chakrabarti et. al. (2004), p. 6.
[210] La Porta et. al. (1999), p. 222–279.
[211] Stulz / Williamson (2003), p. 313–349.
[212] Hofstede (1991), p. 5.

bridges between the generations carrying over the values of that nation.

Corporate culture, less complicated but more alterable than national culture sets the core values of an organization. It can be influenced by national culture in terms of management concepts, staffing policy, greetings or even dress code. Also cited in Chakrabarti et al. (2008) [213], Schneider and Constance (1987)[214] found that corporate culture is heavily affected by national culture.

Researches on national culture gained more importance towards the end of 80´s. Scholars, using different assumptions, approaches and methods reached very interesting results. Olie R. (1990)[215], who also focused on national culture in his studies, handled culture and integration problems in cross border mergers. He found out that the problems arising from the differences in national culture can only be prevented if one deal partner is clearly dominant over the other side, so that the dominant party uses this asymmetric power to impose its culture on the target.[216] G. Hofstede (2001)[217] proposed the same impact from the targets side by claiming that if the targets are weak enough, they would be easily dominated and this increases the chance of success in M&A.

Calori et al (1994) [218] investigated the effect of national administrative and management heritage on the post-merger integration performance. They claim that being aware of such differences should lead to the right integration mechanism. Lubatkin et al (1998)[219], exploring the same topic, analyzed the managers and their perceptions of the administrative approach. They proposed that the national context has an effect on how managers from different countries act differently during the integration process.

Some researchers wanted to ascertain if cultural distances could create better work efficiency. Cited in Stahl & Voigt (2005)[220], Morosini, Shane and Singh (1998)[221]

[213] Chakrabarti et. al. (2004), p. 4.
[214] Schneider / Constance (1987)
[215] Olie (1990), p. 206–215.
[216] Stahl / Voigt (2005), p. 51–82.
[217] Hofstede (2001)
[218] Calori et. al. (1994), p. 361-379.
[219] Lubatkin et. al. (1998), p. 670-684.
[220] Stahl / Voigt (2005)

claimed that cultural diversity can create a competitive advantage for the company as it enhances the combination potential and boosts performance by providing access to the diverse set of practices and capabilities. Their findings about cross border M&A, suggesting that these perform better as the distance between the national cultures involved increased, were also reached by Schweiger and Goulet (2000)[222].

Javidan and House (2002)[223] pointed out the importance of national cultural differences throughout the whole M&A process. Negotiations, deciding strategic objectives, working together and the organizational unity are all depending on the mutual understanding of the parties. It should be clear that adaptation process may be strained because of the external conditions of the country. Schneider and Barsoux (2003)[224] calls attention to the effort of the acquirer about this topic since it has to plan the integration and build an appropriate organizational culture.

9.3 Dimensions of National Culture

Throughout the time, different researches proposed different explanations in order to enlighten the national culture effects. Scholars presented their point of view through their findings, described their way of thinking in their works. This diversity of different perspectives motivated various theories.

Shalom Schwartz (1992)[225] suggested ten universal human values to explain the cross-national differences. Self-direction (creativity, independence), stimulation (variety and excitement in life), hedonism (pleasure, self-indulgent), achievement (intelligence, social recognition), power (authority, wealth), security (health, sense of belonging), conformity (politeness, self-discipline), tradition (humble, spiritual life), benevolence (helpful, honest and forgiving) and universalism (nature, wisdom and harmony) are values which reflect needs, social motives and social demands.

221 Morosini / Shane / Singh (1998), p. 137–158.
222 Schweiger / Goulet (2000), p. 61-91.
223 Javidan / House (2002)
224 Schneider / Barsoux (2003)
225 Schwartz (1992), p. 1-65.

Trompenaars and Hampden Turner (1997)[226] identified 7 comparable dimensions while investigating the cultural aspects. Universalism vs. particularism (formal rules vs. relationships), individualism vs. communitarianism (feeling of belonging to a group), neutral vs. affective (hiding/showing feelings), specific vs. diffuse (work life/private life), achievement vs. ascription (status from performance vs. gender/family), sequential vs. synchronic (being on time, on schedule vs. relationship is what matters), internal vs. external control (controlling the decisions or waiting for things to happen) build one of the most used dimension schemes accepted by the scientists.

Bjerke (1999)[227] proposed ten variables to classify a natural culture. Class culture (vague/distinct), power distance (short/long), problem solving (scientific/traditional), modes of thinking (pragmatic/universalistic), decision making (democratic/autocratic), achievement (unbalanced/balanced), communication (low/high context), personal orientation (individualistic/collectivistic), managers (rank/class dependent), kinship (weak/strong) help us compare different nations.

Schneider and Barsoux (2003)[228] described the effect of national culture on organizations through 5 principal aspects; architecture and design depending on your status in hierarchy, greetings rituals such as handshakes, individual greetings or bending, forms of address and dress regarding the formality rules in business world, making contact concerning the physical space between individuals and written vs. verbal contracts.

Effects of a nation`s dynamics on organizational structures are also examined by Lees (2003). He pointed at 5 features including its political characteristics, the nature of the economy, the legal context, the socio-cultural background and the national history. He also claimed that all these relevant dynamics taking cognizance of the evolution between the generations shape the behaviors, perceptions and the way of thinking of individuals in an organization.[229]

[226] Trompenaars / Hampden Turner (1997)
[227] Bjerke (1999)
[228] Schneider / Barsoux (2003), p. 24.
[229] Lees (2003)

Hofstede Dimensions

Layers of culture are also studied deeply by the world famous Professor Geert Hofstede. He enlightened the topic through his research in the late 1970's and early 1980's and he has continued to add. To make the researches on cross-national differences more computable, he decided to compare the nations by four dimensions. Between 1967 and 1973 [230] Hofstede inquired over 88,000 IBM employees, employees of a multinational company for his research. The questionnaire covered participants from 72 IBM subsidiaries from different countries in 20 different languages.[231] As it helps to observe and compare the nations on a numerical basis, Hofstede´s work, Cultures Consequences (1980) is still a very comprehensive work 30 years after the first publishing.
To create a four-dimensional model of cross national differences, Hofstede questioned the participants in four basic problem areas representing the dimensions of culture. First area is the social inequalities including the relationship with authority. This area interprets the *Power Distance* dimension. This so called Power Distance Index (PDI) refers to the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.[232] It shows the reaction of the society to inequalities. A higher power distance refers to expected inequalities among people. Privileges and status symbols are distinctive, obedience and respect are dominant terms, large income differentials are normal and the general idea is that the less powerful people should be dependent on the more powerful.

The second part of the survey was about the relationship between the individuals and the group. Illustrating the *Individualism* (IDV) dimension, this index represents the solidarity of that nation. Higher individualism means that everyone is expected to look after himself or herself and his or her immediate family.[233] Identity is individual, "I" is more important than "We", and tasks and self-respect prevail over relationships.

The third area handles the concepts of masculinity and femininity. This so-called *MAS* index indicates the extent to which the dominant values of a society are

[230] Hofstede (2001), p. 42.
[231] Agents2Change Website
[232] Geert Hofstede Website
[233] Hofstede (1991), p. 114.

masculine. Countries, in which gender roles are clearly distinct, have higher MAS. Men are ambitious, tough and obsessed with material success. Lower MAS refers to higher *Femininity*, which pertains to nations where both men and women are modest, tender and interested with the quality of life.[234] Sympathy for the strong is an expected reaction in high MAS countries. Philosophy of *live in order to work* is assimilated, men are dominant, and they deal with the facts while women deal with the feelings.

Individuals' ways of dealing with uncertainty is covered in the fourth section. This last dimension is an extent to which the members of a culture feel threatened by uncertain or unknown situations and try to avoid such situations[235]. Hofstede defines this dimension as *Uncertainty Avoidance.* A high UA Index means that the country sticks to its traditions and avoid innovations because of uncertainty and risk. Higher stress level and anxiety is expected. Resistance to new technology, fear from the unknown, inner need for the written rules and laws, suppression of new ideas would be observed in that society.

Level/Dimension	PDI	IDV	MAS	UA
High	Discipline	Management mobility	Mass production, efficiency	Precision
Low	Acceptance of responsibility	Employee commitment	Personal service, custom-made products	Basic innovations

Table 12 Competitive Advantages of Hofstede Dimensions [236]

Hofstede`s survey is one of the most used and cited cultural frameworks. Scholars, interested in international business, management or even psychology have used his index. Hofstede`s studies helped researchers to use a numerical variable for the culture which could have stayed as an incomputable abstract term.

[234] Geert Hofstede Website
[235] Hofstede (1991), p. 113.
[236] Based on Hofstede (1991), p. 240-245.

Rank/Dimension Points	PDI	IDV	MAS	UA
1st	**Malaysia 104**	**USA 91**	**Japan 95**	**Greece 112**
2nd	**Guatemala, Panama 95**	**Australia 90**	**Austria 79**	**Portugal 104**
3rd	**Philippines 94**	**Great Britain 89**	**Venezuela 73**	**Guatemala 101**
Worst	**Israel 13** **Austria 11**	**Ecuador 8** **Guatemala 6**	**Norway 8** **Sweden 5**	**Jamaica 13** **Singapore 8**
Turkey	**18th with 66**	**28th with 38**	**32nd with 45**	**16th with 85**

Table 13 Country rankings for each dimension [237]

Markides & Ittner (1994) used Hofstede Index in their studies examining the impact of cultural differences on stock market based measures. They found that the acquirer`s stock market performance is unrelated to cross national differences.[238] On the other hand, in 1995 Datta & Puia found a negative correlation between wealth of the acquiring firm`s shareholders and national cultural distance.[239] They reasoned it with increased acquisition costs due to trust issues, uncooperative managers and long integration processes.

Using Hofstede Index, Barkema et al. (1996)[240] found a positive impact of national differences on acquirer`s return on equity. As cited in Stahl & Voigt (2005), Berkama, Bell & Pennings explained this by the term *double layered acculturation,* whereby corporate cultures as well as national cultures have to be combined.[241]

In 1998, using a cross border M&A sample and Hofstede Index, Morosini, Shane and Singh found that national cultural differences enhances post acquisition performance. They claimed that the combination of both parties` diverse set of routines and capabilities is the reason behind it.[242]

[237] Based on Geert Hofstede Website
[238] Markides / Ittner (1994), p. 343–366.
[239] Datta / Puia (1995), p. 337-359
[240] Barkema et. al. (1996), p. 151-166.
[241] Barkema et. al. (1996), p. 151.
[242] Morosini / Shane / Singh (1998), p. 137–158.

In 2004, both Olie & Verwall[243] and Chakrabarti et al. reached the same positive results using Hofstede Index. Chakrabarti et al. (2004) suggested minimizing the integration costs by allowing the target firm to continue its operations under its autonomy.[244]

9.4 Culture in M&A Negotiations

Our national culture is decisive on our way of communication. Negotiations, first serious step of M&A process is depending on the communication skills and therefore depending on our cultural background. Gelfand & Brett (2004)[245] claimed that the national culture is a definite influential force during the negotiations between different countries. Also cited in Horst (2007), Jeswald Salacuse (1993)[246] said “Culture is a powerful tool in shaping how people communicate, think, behave and therefore negotiate”.

Mingst et al. (1996)[247] suggested that cultural differences influence the bargaining strategies and therefore outcomes of the negotiations.

Many communication problems occurring in the negotiation phase are culture-related problems. Boughton (2009) expressed this in his work by citing from John Graham (1980)[248] asserting that cultural differences can cause several types of problems in international negotiations including the language, non-verbal behaviors, decision making process and values.

Paul Kimmel (1994)[249] drew the attention to the differences between domestic and international deals. While investigating the cultural perspectives on international negotiations, he claimed that a person can see his/her assumptions as normal or realistic but that’s because they are familiar and unquestioned while negotiating domestically. Managers have to empathize with the foreigner side in order to agree on a deal.

[243] Olie / Verwaal (2004)
[244] Chakrabarti et. al. (2004), p. 26-32.
[245] Gelfand / Brett (2004).
[246] Salacuse (1993), p. 199.
[247] Mingst et. al. (1996), p. 169-188.
[248] Graham (1980)
[249] Kimmel (1994), p. 179-180.

Glen Fischer (1980)[250], in his favorite work *International Negotiation*, mentioned that besides language and non-verbal gestures, the nature and value of social relationship is also decisive in the success of cross cultural communications.
Some scholars took a step forehead and focused on specific determinants of cultural differences. Forst (1998)[251] built a cultural analysis method to be performed during negotiations. He pointed out the importance of firm`s cultural pre-merger preferences. Faure et al. (1993)[252] argued that different aspects of the participants towards the negotiation process are also decisive. A negotiator can see the process as a power confrontation where the other one has a cooperative perspective. Pfetsch (1999)[253] dealt with the negotiation actors, claiming that the more participants in a negotiation the longer it takes to reach a consensus.
Two of Hofstede Dimensions, *Uncertainty Avoidance* and *Individualism* also reflect the possible stages of a negotiation. People from nations with high UAI are more concerned about the uncertainties, risks and foreigners[254] , which creates a concern about the outcome of the negotiation. They are not ready to compromise because of their suspicion against the counterpart. It is also mentioned that collectivist nations, because of their group psychology, treat a non-resident investor differently from an investor from their own country.

10. Data and Methodology

As I was researching the effects of national culture on possible stages of an M&A transaction, I came up to Chakrabarti et al. (2004)`s work *Mars-Venus Marriages: Culture and Cross-Border M&A*. Chakrabarti and his colleagues tried to measure the effect of country-level economic and cultural differences on long-term performance of a cross-border M&A.[255] They used Hofstede measures for cultural distance and added some critical dummies in order to calculate the all cultural aspects of a deal.
Inspired from the work of Chakrabarti et al. (2004), I decided to find the effects of country-level cultural and economic differences on the success of cross-border or

[250] Fisher (1980)
[251] Forstmann (1998), p. 58.
[252] Faure et. al. (1993), p. 9.
[253] Pfetsch (1999), p. 199.
[254] Hofstede (1980), p. 186.
[255] Chakrabarti et. al. (2004), p. 1.

domestic M&A negotiations. My idea, evolving out of the method of *Mars-Venus Marriages*, was running an empirical test using Hofstede determinants as my instructive measure of cultural distance. My idea was simply to set up a sample of all completed and cancelled M&A transactions in Turkey with the necessary data. Second step was adding the deal-, economy- and culture related variables, which will be used as dummies in the further stages. In order to measure the above mentioned effect, I decided to use a probit-regression model, which is suitable for equations where the dependent variables, in our case the success of M&A negotiation, may only take two values, namely successful or not.

While comparing the deals on a cultural and economic basis, I used pci_diff, hofs_dis, sizelnb, language, religion, legal origin, method of payment, size of the wanted share as a majority or a minority, and the pci_diff_sizelnb as my independent variables.[256]

I started with creating a sample of all M&A deals in Turkey. I used S&P Capital IQ as my information supplier. All necessary deal information was provided explicitly in the database of S&P Capital IQ.

Limitations

While preparing a sample of M&A from S&P Capital IQ database, I decided on some limitations to make my research more reliable. First, I collected data from only 01/01/2006 to 01/01/2012. Previous years were excluded from the research to see a better reflection of the latest governmental actions regarding M&A process. Targets were always Turkish firms, in order to see the differences in reaction against a foreign and a domestic counterpart. I excluded the acquirers from financing sector in order to eliminate the effect of new structuring in the banking sector. Next limitation was due to the unavailability of total asset information for the acquirer, which was necessary to reach the size of the acquirer. I only used the information of registered companies. The last limitation was relevant to the second part of the table, cancelled or lapsed deals. I chose cancelled deals, which are not rejected by The Competition Board but by one of the parties. This was done to see the effect of culture on negotiations clearly.

[256] All necessary information will be given in the following pages of Data & Methodology.

Sample and Variables

My sample of M&A transactions in Turkey consists of 101 successful and 14 lapsed deals, which are listed chronologically either by closing date of the deal or the cancellation date. Rejected deals are also checked from mergermarket.com, a reliable source for merger activities all over the world. Domestic deals made up to 45.22% of all activities and most active foreign nations were the USA, Austria, Germany and the Netherlands. While 83.47% of the involved parties were from Europe, the USA and India were the most active non-European countries. Charkabarti et al. (2004)[257] claimed that economic differences between two countries have a substantial effect on the outcomes of a deal. I wanted to see the effect of these differences in the negotiation phase. To calculate the economic distance between two nations, I used the *PCI_DIFF* formula taken from Chakrabarti et al. (2004)[258] computed as;

$$\text{PCI\_DIFF} = \frac{[(\text{per capita GDP of Target Nation}) - (\text{per capita GDP of Acquirer Nation})]}{[(\text{per capita GDP of Target Nation}) + (\text{per capita GDP of Acquirer Nation})]}$$

GDP per capita information, defined as the gross domestic product divided by midyear population[259], has been taken from the CIA The World Fact Book and the database of The World Bank as the current $ US. Turkey`s largest and narrowest differences can be observed between Luxemburg with -0,840 in 2008 and -0,833 in 2011, Norway with -0,801 in 2009 and Egypt with 0,690 in 2007, India with 0,818 in 2008.

Next column, representing the cultural distance is hofs_dis, calculated from Hofstede dimensions, Individualism, Uncertainty Avoidance, Masculinity and Power Distance. Dimension data of 23 different countries has been copied from Geert Hofstede Website.

[257] Chakrabarti et. al. (2004), p. 14.
[258] Chakrabarti et. al. (2004), p. 45.
[259] Worldbank Website

$$\textbf{Hofstede\_distance} = \frac{\sqrt{\sum_{i=1}^{4}(S_{A,i} - S_{T,i})^2}}{4}$$

$S_{A,i}$ = Acquirer Score on Dimension i ; $S_{T,i}$ = Target Score on Dimension i

Largest distances of Turkey measured were 21,091 with Sweden and 18,375 with the USA. Egypt with 3,400 is the closest nation to Turkey.

The next important column refers to the size of the acquirer. Sizelnb is the measure of the bidder size, computed as log of acquirer's total asset value. This information is collected from Capital IQ, missing ones from the Isyatirim website[260] and Garanti Bank Website[261], websites of two important banks of Turkey. Different currencies have been transformed to Turkish Lira with the necessary information gathered from X-rates website[262] and Currency Website[263], where I reached the historic exchange rates. HSBC Holdings Plc. from UK, Goldman Sachs and Citigroup Inc. from the USA owned the largest total asset values.

Other important features of the deal, method of payment and matter of share size are also taken from S&P Capital IQ. Cash variable, computed from the method of payment statistics is 1 if the deal is cash financed only, 0 otherwise. Share size dummy is 1 if the wanted share is a majority, 0 if it is a minority. 93 of 115 deal approaches were cash offers.

Religion, language and legal Origin are the following national-level cultural variables. Religion data has been provided as a percentage from Nationmaster Website[264], presenting the percentage of Muslims to total population and as a binary model from the CIA Fact Book if the nation`s primary religion is Islam or not. Although I will be using the 1/0 model, my table shows UAE with 96%, Egypt with 90% and Kazakhstan with 47% owns the highest rates of the sample after Turkey.

Language dummy was selected to measure if the countries belong to same language family. Information was taken from *An Etymological Dictionary of the Altaic Languages* (3 volumes) by Sergei Starostin, Anna V. Dybo, and Oleg A. Mudrak

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[260] Isyatirim Website
[261] Garanti Bank Website
[262] X-rates Website
[263] Currency Website
[264] Nationmaster Website

(2003)[265], which includes both the main database for Altaic etymology and the subordinate databases for Turkic, Mongolic, Tungus-Manchu, Korean, and Japanese etymology. *Telling general linguists about Altaic* by Stefan Georg, Peter Michalove, Alexis Manaster Ramer and Paul J. Sidwell also refers to the fact that only Japan and Kazakhstan belongs to the same language family as Turkey.

Legal Origin dummy shows if the countries have the same legal origin as Turkey, the French Legal Origin. Data is taken from *The Economic Consequences of Legal Origins*[266] and government statistics of www.nationmaster.com. Dummy variable is 1 if the bidder firm`s country also has the French Legal Origin.

My last variable is the pci_diff_sizelnb which is the result of the multiplication of pci_diff and sizelnb. This variable has been chosen to see the joint effect of those two. It helps us consider the large firms from low GDP per capita countries.

Deal-specific Variables	Economy-specific Variables	Cultural Variables
Sharesize dummy	Pci_diff	Hofs_dis
Cash Dummy	Sizelnb	Language family dummy
	Pci_diff_sizelnb	Religion dummy
		Legal origin dummy

Table 14 Regression Variables

Probit Regression Model

Regressions with binary dependent variables require probit regression analysis. My dependent variable in this case is the success of M&A negotiations. By adding a success column in a 1/0 system, where the completed deals are signaled by 1 and the lapsed ones by 0, we can create a regression set.

[265] Starostin et. al. (2003)
[266] La Porta et. al. (2008), p. 285-332.

Modeled as p = ϕ (a+bx), probit model uses cumulative standard normal distribution. P is for the probability of a negotiation ending with success, ϕ represents the distribution and bx stands for the vector of the dependent variable[267].

11. Analysis

As said before, I used a probit regression model to measure the effect of different kind of variables on the success of the M&A negotiations. Inspired by Chakrabarti et al. (2004)[268], I built up 4 different models of variable combinations to investigate these effects in detail. The binary variable in every model is of course the success of the negotiation.

First explanatory variables are the deal-specific variables. Share size variable refers to the deals where the control changes hands. Cash variable is symbolizes the deals, which are financed by cash. Economic variables related to the acquirer or its origin come into play in the second model, where I combine pci_diff (GDP per capita difference between countries), sizelnb (log of total asset value of the acquirer), and pci_diff_sizelnb with the deal-specific variables. I started with analyzing the results of the first two models before adding the cultural variables.

1. Model Deal-specific variables

sf	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
sharesize	-.0477351	.3048841	-0.16	0.876	-.6452969	.5498268
cash	.3303149	.3583439	0.92	0.357	-.3720262	1.032656
_cons	.9324582	.3502402	2.66	0.008	.2459999	1.618916

Table 15 Model 1: Deal specific Variables

Reading the results of the first model, I clearly saw that deal-specific variables alone do not have an impact on the success of the M&A negotiations. P-values greater than 0.10 show that these variables are insignificant.

[267] Wikidot Website
[268] Chakrabarti et. al. (2004), p. 18.

2. Model Economy & Deal variables

sf	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf. Interval]	
pci_diff	-4.537214	1.349512	-3.36	0.001	-7.182209	-1.892219
sizelnb	.2844505	.0924551	3.08	0.002	.1032418	.4656592
pcidifsizelnb	.5448424	.1596661	3.41	0.001	.2319026	.8577823
sharesize	.1405603	.345099	0.41	0.684	-.5358214	.8169419
cash	.7509861	.4048425	1.86	0.064	-.0424907	1.544463
_cons	-1.288698	.8231757	-1.57	0.117	-2.902093	.3246966

Table 16 Model 2: Economy & Deal variables

As seen in table above, after adding the economy-related variables into our model, I started observing some significant variables. The difference in GDP per capita as measured by pci_diff is significant at the 1% level; the explanatory variable has a negative coefficient sign. As I explained it in the Data & Methodology section, pci_diff refers to the economic disparity between the target`s and the acquirer`s nation. A relatively higher pci_diff occurs, when the GDP per capita rate of the target, in our case Turkey`s, is greater than the GDP per capita of the acquirer`s nation. This negative coefficient of the economic disparity indicates that the sides are more open to a deal, if there is a larger GDP per capita difference between the acquirer`s and the target`s nation. Second explanatory variable of the regression is also statistically significant at the 1% level. The size of the acquirer, sizelnb, has a positive sign. A positive sign of the coefficient suggests that as the size of the acquirer rises, so does the probability of success in negotiations.

The pci_diff_sizelnb variable indicating the joint effect of economic disparity and the size of the acquirer is significant at the 1% level. Positive sign refers that larger companies from low GDP per capita countries have a higher probability of success during negotiations.

Sharesize variable is robust in the second model. Whether an acquirer takes the control of the firm by acquiring more than 50% does not affect the probability of success. Cash dummy, which was irrelevant in the first model, becomes statistically significant at the 10% level. Cash financed deals enhances the probability of success.

In the third model, I added the cultural variables to the mixture of economic- and deal-specific explanatory variables. The Hofstede measure of cultural distance calculated from the 4 dimensions of Hofstede, resemblance of language family, legal origin and religion dummy are added to the regression model.

3. Model Cultural & Economic & Deal-specific Variables

sf	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
pci_diff	-4.515485	1.671948	-2.70	0.007	-7.792443	-1.238526
hofs_dis	.0439263	.0815818	0.54	0.590	-.1159711	.2038237
lnggfamily	-1.08206	.9987336	-1.08	0.279	-3.039542	.875422
religion10	2.080179	1.236189	1.68	0.092	-.3427079	4.503066
legalorg	.3791815	.5249892	0.72	0.470	-.6497784	1.408141
cash	.3630221	.3720464	0.98	0.329	-.3661755	1.09222
sharesize	.0546075	.3529977	0.15	0.877	-.6372553	.7464703
sizelnb	.2986009	.1304895	2.29	0.022	.0428461	.5543557
pcidifsizelnb	.5100999	.206718	2.47	0.014	.1049401	.9152597
_cons	-2.128058	1.698118	-1.25	0.210	-5.456309	1.200192

Table 17 Model 3 Cultural & Economic & Deal-specific Variables

After building the complete model for our regression, we can observe that pci_diff is robust and statistically significant at the 1% level, possessing a negative coefficient sign.

The explanatory hofs_dis variable, the main measure of cultural distance is statistically insignificant. The language family dummy is as irrelevant as the legal origin dummy while explaining the success in negotiations. The only statistically significant cultural proxy in my analysis is the religion dummy. At the 10% significance level, religion dummy has a positive regression coefficient. As we know, a positive coefficient sign enhances the possibility of success in negotiations. This is not a big surprise accepting the fact that Islamic norms have a big impact on the Turkish life-style.

After observing the third model, we can say that cash dummy is not robust as it becomes insignificant again. A deal-specific variable, sharesize is also irrelevant as in the previous models. The second and the third economy-specific variable, sizelnb and pci_diff_sizelnb referring to the size of the acquirer and its joint effect with its origins GDP per capita respectively, are both statistically significant at the 5% level. Both possessing positive coefficient signs, these variables enhance the success probability.

After observing that Hofstede distance is not what determines the success of negotiations, I decided to take a closer look to its 4 element to see how they affect it separately.

4. Model Hofstede Dimensions, Deal and Economy Variables

sf	Robust Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
pci_diff	-1.995098	1.655422	-1.21	0.228	-5.239666	1.249469
d_pdi	-.0187391	.0160478	-1.17	0.243	-.0501922	.012714
d_idv	.044444	.0227309	1.96	0.051	-.0001078	.0889958
d_mas	-.0076274	.0121664	-0.63	0.531	-.0314732	.0162184
d_uai	.0465588	.0216642	2.15	0.032	.0040978	.0890198
sizelnb	.2633863	.1002909	2.63	0.009	.0668197	.4599529
cash	.8386419	.4007724	2.09	0.036	.0531424	1.624141
sharesize	-.1346314	.3439246	-0.39	0.695	-.8087113	.5394485
pcidifsiz~b	.4238561	.1755414	2.41	0.016	.0798012	.767911
_cons	-.9536445	.8710524	-1.09	0.274	-2.660876	.7535868

Table 18 Model 4 Hofstede Dimensions, Deal and Economy Variables

Our last table consists of deal-specific and economic variables plus the four dimensions of Hofstede. All four new variables d_pdi, d_idv, d_mas and d_uai calculated as (Acquirer – Target), symbolize the differences in Hofstede measures and help us understand the relative impact of these dimensions.

Pci_diff still keeps the negative sign although it is insignificant in our last model. We observe that Individualism dimension is statistically significant at the 10% level. Positive sign suggests that acquirers from nations with higher individualism have a higher probability of success. My explanation to this result is that individualistic nation`s people are more open to foreigners because they do not have the group psychology. This trust-based psychology, which makes them see the non-residents as a threat, creates definitely a pullback during negotiations.

Uncertainty avoidance index is the next significant dimension. Statistically significant at the 5% level, positive sign of the coefficient means that on average higher UAI enhances the chances of success. As I already interpreted in the previous section, higher UAI means that a nation is more concerned about the uncertainties, risks and foreigners. Such countries are in need of written rules to avoid such situations. These kinds of behaviors could push them to be more careful during the negotiation process and create a better environment for both parties. Size of the acquirer at the 1%, cash payments and pci_diff_sizelnb at the 5% level are the remaining explanatory variables, all three raising the possibility of success with their positive coefficient signs.

12. Conclusion

After analyzing various economic, deal-specific and cultural elements that might affect the chances of success in negotiations, I found out that economy-specific factors have the most constant and robust impact on it.

The measure of economic disparity between the sides´ origins, pci_diff, is a variable which is constantly significant in the first three models before I investigate the separate effects of Hofstede`s national culture dimensions. The significance level at the 1% rate indicates that the economic disparity is a very dominant factor. The new trend of First World Countries investing into Developing or Third World Countries could have triggered this result. Foreign investors from countries with higher GPD per capita than Turkey can find the necessary investment environment in Turkey.
Size of the acquirer plays a very dominant role in my analysis. High significance levels in the last two models reflect that the chance of success is higher while negotiating with a dominant acquirer.

Deal-specific variables considered, cash performs relatively better than share size in determining the success of M&A negotiations. Statistically significant at the 10% level in the second and 5% level in the last model, cash financing works better in negotiations.

On the other hand, our main concern, the cultural disparity was insignificant in the third model. My first comment to this result is that the corporate cultures of large companies in such important transactions do not differentiate from each other, which makes the national cultural differences irrelevant in the negotiation process. Number of multi-cultural companies in Turkey is on the rise. They hire occasionally non-residents in their executive teams, which could change the negotiation process in every direction. Another reason could be that the Turkish side, despite the cultural differences, makes compromises in order to have a stronger partner or a bigger parent company, which could make everything easier in the future.

We can never be sure how much of his/her cultural identity an executive would reflect in a negotiation process or how understanding both sides are. Although Hofstede used dimensions to measure the culture, it is obvious that some actions and reactions cannot be measured precisely, which limits my analysis.

My investigation of Turkey`s large cultural disparity and undeniable need to First World Countries is a very interesting topic that needs further research.

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Appendix

1	Closing D	Target	pci_diff	hof_dis	Bidder	Total Asset	T.A in TR	sizeln	Geo	PDI	IDV	MA	UA	GDP p	Lng	Religio	Religi	Lega	Share	Contr	Metho
2	sep 27/2011	Petkim Petrokimya Holdings AS	-0,603	8,533	L'Air Liquide SA	22537,6 euro	46428,580	10,746	France	68	71	43	86	42,377	0	7,5%	0	1	1	1	1
3	sep 14/2011	Dr F Frik Ilac San Tic AS N.L	-0,550	12,505	Recordati SpA	901,1 euro	1856,310	7,526	Italy	50	76	70	75	36,116	0	1,6%	0	1	1	1	1
4	aug 25/2011	Sok Marketler Tic. AS N.L	0,000	0,000	Bizim Toptan Satis Magazalari A.S. +	279,6+78,4 try	358,000	5,881	TR	66	37	45	85	10,498	1	100,0%	1	1	1	1	1
5	aug 8/2011	Banvit Bandirma Vitaminli Yem San	-0,626	7,786	Aabar Investments PJSC N.L but has	36223,1 aed	15452,267	9,646	UAE	90	25	60	80	45,653	0	96,0%	1	0	0	0	1
6	aug 3/2011	Entek Elektrik Üretimi A.S. N.L	0,000	0,000	KOC Holding AS	81142,5 try	81142,500	11,304	TR	66	37	45	85	10,498	1	100,0%	1	1	0	0	1
7	jul 11/2011	Best Buy Turkey N.L	0,000	0,000	Teknosa Ic Ve Dis Tic. A.S	389,2 try	389,200	5,964	TR	66	37	45	85	10,498	1	100,0%	1	1	1	1	1
8	jun 8/2011	Donkasan Donusen Kagit Hammad	0,000	0,000	Olmuksa International Paper Sabanci	275 try	275,000	5,617	TR	66	37	45	85	10,498	1	100,0%	1	1	0	0	1
9	may 26/2011	Advansa Sasa Polyester Sanayi A.S	0,000	0,000	Haci Omer Sabanci Holding A.S.	130059,9 try	130059,900	11,776	TR	66	37	45	85	10,498	1	100,0%	1	1	1	1	1
10	feb 28/2011	Entek Elektik Uretim A.S. N.L	-0,644	18,375	The AES Corporation	40511 usd	62439,600	11,042	USA	40	91	62	46	48,442	0	0,6%	0	0	0	0	1
11	feb 28/2011	Arcelormittal Ambalaj Celigi San Tic	-0,833	9,536	ArcelorMittal	130904 usd	201762,335	12,215	uxembur	40	60	50	70	115,038	0	2,0%	0	1	0	0	1
12	feb 2/2011	Ray Sigorta A.S.	-0,651	17,194	Vienna Insurance Group	39472,9 euro	81316,147	11,306	Austria	11	55	79	70	49,707	0	4,2%	0	0	0	0	1
13	dec 27/2010	Enbati Elektrik Uretim San N.L	0,000	0,000	Kardemir Karabuk Demir Celik San	1219,5 try	1219,500	7,106	TR	66	37	45	85	10,050	1	100,0%	1	1	1	1	1
14	dec 22/2010	Petrol Ofisi AS	-0,634	17,194	OMV AG	21415,2 euro	45996,637	10,736	Austria	11	55	79	70	44,885	0	4,2%	0	0	1	1	1
15	dec 22/2010	Nortel Networks Netas Telekomunik	0,000	0,000	Vakif Girisim Sermayesi Yatirim Ortak	4595,7 try	4595,700	8,433	TR	66	37	45	85	10,050	1	100,0%	1	1	1	1	1
16	nov 29/2010	Arena Bilgisayar Sanayi ve Ticaret A	0,759	12,217	Redington ltd.	36339,2 inr mar	1225,721	7,111	India	77	48	56	40	1,375	0	13,4%	0	0	0	0	1
17	nov 4/2010	Borcelik Celik Sanayii Ticaret A S N.	0,000	0,000	Borusan Holding AS	2438,7 usd	3635,858	8,199	TR	66	37	45	85	10,050	1	100,0%	1	1	0	0	2
18	oct 1/2010	DS Smith Çopikas AS N.L	0,000	0,000	Olmuksa International Paper Sabanci	213,6 try	213,600	5,364	TR	66	37	45	85	10,050	1	100,0%	1	1	1	1	1
19	aug 31/2010	Akfen REIT GYO	0,000	0,000	Akfen Holding A.S.	3322,3 try	3322,300	8,108	TR	66	37	45	85	10,050	1	100,0%	1	1	0	1	1
20	aug 25/2010	Amity Oil International and Zorlu Pet	-0,646	18,375	Transatlantic Petroleum Ltd	307,1 usd	457,855	6,127	USA	40	91	62	46	46,702	0	0,6%	0	0	1	1	1
21	jul 30/2010	ITD A.S N.L	-0,101	7,738	Asseco South Eastern Europe SA	683,1 pln	361,902	5,891	Poland	68	60	64	93	12,303	0	1,3%	0	0	1	1	3
22	jun 1/2010	Anel Elektrik Proje Taahhut ve Tic A	-0,597	12,995	Ralos New Energies AG	54,9 euro	117,917	4,770	Germany	35	67	66	65	39,852	0	3,7%	0	0	0	0	5
23	apr 15/2010	Yatik Gold Project in Western Anato	0,000	0,000	Koza Altin Isletmeleri A.S.	335,7 try	335,700	5,816	TR	66	37	45	85	10,050	1	100,0%	1	1	1	1	1
24	mar 18/2010	Havas Ground Handling Co. N.L	-0,565	20,319	HSBC Holdings Plc	2364452 usd	3525161,487	15,075	UK	35	89	66	35	36,186	0	2,7%	0	0	0	0	1
25	dec 31/2009	Eczacibasi Saglik Urunleri and EÖS	-0,697	16,989	Zentiva N.V. N.L but has total asset i	32816,8 czk	2618,813	7,870	etherland	38	80	14	53	47,998	0	5,8%	0	1	0	0	5
26	sep 1/2009	Ray Sigorta A.S.	-0,684	17,194	Vienna Insurance Group	33665,1 euro	71987,767	11,184	Austria	11	55	79	70	45,638	0	4,2%	0	0	0	0	1
27	aug 26/2009	TAV Tunisie S.A. N.L location:tunis	-0,682	18,375	International Finance Corporation not I	51483 usd	78534,742	11,271	USA	40	91	62	46	45,192	0	0,6%	0	0	0	0	1
28	jul 21/2009	Entek Elektrik Üretimi A.S. N.L	0,000	0,000	Aygaz A.S.	2465 try	2465,000	7,810	TR	66	37	45	85	8,554	1	100,0%	1	1	0	0	1
29	jun 30/2009	Grundig Elektronik A.S.	0,000	0,000	Arcelik AS	6859,8 try	6859,800	8,833	TR	66	37	45	85	8,554	1	100,0%	1	1	0	0	4
30	jun 23/2009	Yesil Enerji Uretim Sanayi ve Ticare	-0,801	17,398	Statkraft AS N.L but has total asset i	144299 nok	31701,769	10,364	Norway	31	69	8	50	77,610	0	1,8%	0	0	1	1	2
31	may 21/2009	Ceytas Madencilik Tekstil Sanayi Ve	0,000	0,000	Park Elektrik Madencilik Tekstil Sanayi	283,7 try	283,700	5,648	TR	66	37	45	85	8,554	1	100,0%	1	1	1	1	4
32	may 18/2009	Kent Gida Maddeleri Sanayii ve Tica	-0,682	18,375	Kraft Foods Inc.	63173 usd	96367,253	11,476	USA	40	91	62	46	45,192	0	0,6%	0	0	0	0	5
33	may 14/2009	Akenerji Elektrik Uretim A.S.	-0,372	7,013	CEZ, a.s.	473175 czk	37759,838	10,539	ech Repu	57	58	57	74	18,707	0	0,2%	0	0	0	0	1
34	apr 7/2009	Arcelik AS	0,000	0,000	KOC Holding AS	64890,1 try	648901,100	13,383	TR	66	37	45	85	8,554	1	100,0%	1	1	0	0	1
35	feb 20/2009	Metro Turizm Seyahat Organizasyo	0,000	0,000	Van-Et Ticari Yatirimlar Gida Sanayi T	203,2 try	203,200	5,314	TR	66	37	45	85	8,554	1	100,0%	1	1	1	1	1
36	jan 15/2009	Turk-Pirelli Lastikleri A.S. N.L	-0,608	12,505	Pirelli & C. SpA	6933,2 euro	14825,608	9,604	Italy	50	76	70	75	35,073	0	1,6%	0	1	0	0	1

37	jan 9/2009	Koc Statoil Gaz Toptan Satis A.S N	0,000	0,000	Aygaz A.S.	2465 try	2465,000	7,810	TR	66	37	45	85	8,554	1	100,0%	1	1	1	1
38	dec 31/2008	Dogan TV Radyo Yayincilik A.S N.L	0,000	0,000	Dogan Yayin Holding AS	4064,1 try	4064,100	8,310	TR	66	37	45	85	10,298	1	100,0%	1	1	0	0
39	dec 17/2008	Entek Elektrik N.L	0,000	0,000	Aygaz A.S.	2294 try	2294,000	7,738	TR	66	37	45	85	10,298	1	100,0%	1	1	0	0
40	nov 7/2008	GY Elyaf ve Iplik Sanayi Ticaret Ano	-0,674	16,989	Royal Vopak NV	2133,1 euro	3647,814	8,202	etherland	38	80	14	53	52,951	0	5,8%	0	1	1	1
41	sep 5/2008	Otoyol Sanayi AS N.L	0,000	0,000	Otokar Otobus Karoseri Sanayi AS	292,2 try	292,200	5,677	TR	66	37	45	85	10,298	1	100,0%	1	1	1	1
42	aug 28/2008	Olta Otomotiv Lastikleri Tevzi As N.	-0,622	12,995	Continental AG	27737,6 euro	47434,070	10,767	Germany	35	67	66	65	44,132	0	3,7%	0	0	1	1
43	aug 21/2008	Celikord + Turk Pirelli Lastikleri As b	-0,556	12,505	Pirelli & C. SpA	8953,2 euro	15310,867	9,636	Italy	50	76	70	75	36,116	0	1,6%	0	1	1	1
44	jul 24/2008	Beksa Celik Kord Sanayi ve Ticaret	-0,643	10,022	Bekaert SA	2312,6 euro	3954,777	8,283	Belgium	65	75	54	94	47,376	0	3,5%	0	1	0	0
45	jul 23/2008	Kav Danismanlik Pazarlama ve Tica	0,000	0,000	KOC Holding AS	59707,1 try	59707,100	10,997	TR	66	37	45	85	10,298	1	100,0%	1	1	1	1
46	jul 21/2008	Koç Allianz Sigorta AS N.L	-0,622	12,995	Allianz SE	1061149 euro	1814670,905	14,411	Germany	35	67	66	65	44,132	0	3,7%	0	0	1	1
47	jun 23/2008	Beyaz Filo Oto Kiralama	0,000	0,000	Flap Kongre Toplanti Hizmetleri	44,8 try date:20	44,800	3,802	TR	66	37	45	85	10,298	1	100,0%	1	1	0	0
48	jun 13/2008	Eregli Demir ve Celik Fabrikalari T.A	-0,840	9,536	ArcelorMittal	133625 usd	155285,613	11,953	uxembur	40	60	50	70	118,219	0	2,0%	0	1	0	0
49	jun 12/2008	TEKBAU Yapi Malzemeleri Madenci	-0,621	8,533	Total SA	113541 euro	194166,464	12,176	France	68	71	43	86	43,992	0	7,5%	0	1	1	1
50	may 30/2008	Migros Turkey T.A.S.	-0,556	12,505	DeA Capital S.p.A.	855,4 euro	1462,820	7,288	Italy	50	76	70	75	36,116	0	1,6%	0	1	1	1
51	may 30/2008	Petkim Petrokimya Holdings AS	0,095	7,558	Joint Stock Company KazMunayGas N	3777905 kzt	36733,343	10,511	azakhsta	93	39	36	95	8,514	1	47,0%	1	0	1	1
52	mar 31/2008	Asmas Agir Sanayi Makinalari A.S N	0,000	0,000	Soda Sanayii A.S and Turkiye Sise ve	653,9 try + 5197	5851,300	8,674	TR	66	37	45	85	10,298	1	100,0%	1	1	1	1
53	mar 25/2008	Solectron Elektronik Uretim ve Paza	0,000	0,000	Anel Telekomunikasyon Elektronik Sis	126,8 try	126,800	4,843	TR	66	37	45	85	10,298	1	100,0%	1	1	1	1
54	mar 18/2008	Alamsas Alarko Agir Makina Sanayii	0,000	0,000	Alarko Holding	1292,4 try	1292,400	7,164	TR	66	37	45	85	10,298	1	100,0%	1	1	0	0
55	mar 11/2008	Entek Elektrik Uretimi N.L	0,000	0,000	Aygaz AS	2294 try	2294,000	7,738	TR	66	37	45	85	10,298	1	100,0%	1	1	0	0
56	jan 10/2008	Pilsa Plastik Sanayi A.S. N.L	-0,674	16,989	Wavin N.V	1491,5 euro	2550,614	7,844	etherland	38	80	14	53	52,951	0	5,8%	0	1	1	1
57	dec 31/2007	Beko Elektronik N.L	0,000	0,000	Arcelik AS	6378 try	6378,000	8,761	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1
58	dec 31/2007	Dogadan Gida Urunleri Sanayii ve P	0,000	0,000	Coca-Cola Icecek A.S.	1458,2 try	1458,200	7,285	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1
59	dec 28/2007	Exsa Export Sanayi Mamulleri Satiş	0,000	0,000	Haci Omer Sabanci Holding AS	67216,5 try	67216,500	11,116	TR	66	37	45	85	9,246	1	100,0%	1	1	0	0
60	nov 25/2007	Akfen GYO A.S.	-0,667	18,375	Goldman Sachs Group Inc	838201 usd	1181025,209	13,982	USA	40	91	62	46	46,349	0	0,6%	0	0	0	0
61	sep 28/2007	Harranova Besi ve Tarim Urunleri A.	0,000	0,000	TAT Konserve Sanayii AS	331,2 try	331,200	5,803	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1
62	nov 12/2007	TAV Havalimanlari Holding A.S.	-0,660	17,194	Meinl Airports International AG	1001 euro	1857,806	7,527	Austria	11	55	79	70	45,181	0	4,2%	0	0	0	0
63	oct 5/2007	Temel Ticaret Ve Yatirim AS N.L	0,000	0,000	Turk Demir Dokum Fabrikalari AS	701 try	701,000	6,553	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1
64	oct 5/2007	Koc Finansal Hizmetler A.S. N.L	0,000	0,000	KOC Holding AS	57252,9 try	57252,900	10,955	TR	66	37	45	85	9,246	1	100,0%	1	1	0	0
65	oct 5/2007	Ram Dis Ticaret AS N.L	0,000	0,000	KOC Holding AS	57252,9 try	57252,900	10,955	TR	66	37	45	85	9,246	1	100,0%	1	1	0	0
66	sep 28/2007	Boyner Buyuk Magazacilik A.S.	-0,667	18,375	Citigroup Inc	1884318 usd	2655004,062	14,792	USA	40	91	62	46	46,349	0	0,6%	0	0	0	0
67	sep 5/2007	Demrad Döküm Ürünleri Sinai Ticar	0,000	0,000	KOC Holding AS	57252,9 try	57252,900	10,955	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1
68	sep 3/2007	Tire Kutsan Oluklu Mukavva Kutu ve	0,219	12,974	Mondi Limited	6839 euro	12692,842	9,449	outh Afric	49	65	63	49	5,930	0	1,5%	0	0	1	1
69	aug 1/2007	Innova Bilisim çözümleri AS N.L	0,000	0,000	Turk Telekomunikasyon AS	13025 try	13025,000	9,475	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1
70	jul 24/2007	Neteks Iletisim N.L	-0,667	18,375	Westcon Group European Operation I	812,6 usd date:2	1508,145	7,319	USA	40	91	62	46	46,349	0	0,6%	0	0	1	1

71	jul 17/2007	Birlesic Oksijen Sanayi A.S. N.L	-0,628	12,995	The Linde Group	27918 euro	51814,412	10,855	Germany	35	67	66	65	40,403	0	3,7%	0	0	1	1	1
72	jul 6/2007	Tav Esenboga Yatirim Yapim ve Isle	0,000	0,000	TAV Havalimanlari Holding	1350 try	1350,000	7,208	TR	66	37	45	85	9,246	1	100,0%	1	1	0	0	1
73	jul 2/2007	Eczacibasi Saglik Urunleri and EÖS	-0,676	16,989	Zentiva N.V. N.L but has total asset ir	18267,5 czk	1242,172	7,125	etherland	38	80	14	53	47,771	0	5,8%	0	1	1	1	1
74	jun 8/2007	Ray Sigorta A.S	-0,660	17,194	Vienna Insurance Group	22483,5 euro	41728,252	10,639	Austria	11	55	79	70	45,181	0	4,2%	0	0	1	1	1
75	jun 1/2007	Enerji S.A. N.L	-0,660	17,194	Oesterreichische Elektrizitaetswirtsch	6440,2 euro	11952,689	9,389	Austria	11	55	79	70	45,181	0	4,2%	0	0	0	0	1
76	may 31/2007	Enerji S.A. N.L	-0,660	17,194	Oesterreichische Elektrizitaetswirtsch	6440,2 euro	11952,689	9,389	Austria	11	55	79	70	45,181	0	4,2%	0	0	0	0	5
77	may 2/2007	Iskenderun Plant Assets/Products	0,000	0,000	Adana Cimento Sanayii T.A.S	589,5 try	589,500	6,379	TR	66	37	45	85	9,246	1	100,0%	1	1	1	1	1
78	apr 12/2007	Bati Cimento	0,690	3,400	Orascom Construction Industries Cor	28616,3 egp	7251,370	8,889	Egypt	70	25	45	80	1,696	0	90,0%	1	1	0	0	1
79	mar 5/2007	Componenta Dökümcülük Ticaret v	-0,669	13,233	Componenta Corp.	484,2 euro	898,651	6,801	Finland	33	63	26	59	46,538	0	0,2%	0	0	0	0	1
80	jan 12/2007	Izocam Ticaret ve Sanayi A.S.	-0,627	8,533	Compagnie de Saint-Gobain	41676 euro	77348,572	11,256	France	68	71	43	86	40,342	0	7,5%	0	1	1	1	1
81	jan 4/2007	Opet N.L	0,000	0,000	Turkiye Petrol Rafinerileri AS	7026,3 try	7026,300	8,857	TR	66	37	45	85	9,246	1	100,0%	1	1	0	0	1
82	dec 25/2006	Dogan TV Radyo Yayincilik A.S. N.L	-0,642	12,995	Axel Springer AG	2612 euro	4177,163	8,337	Germany	35	67	66	65	35,238	0	3,7%	0	0	0	0	1
83	dec 25/2006	TAV Havalimanlari Holding A.S.	-0,650	17,890	Prime Infrastructure Group	7522,6 aud	7533,658	8,927	Australia	36	90	61	51	36,226	0	1,5%	0	0	0	0	1
84	dec 12/2006	Componenta Dökümcülük Ticaret v	-0,674	13,233	Componenta Corp.	269,1 euro	430,350	6,065	Finland	33	63	26	59	39,487	0	0,2%	0	0	1	1	1
85	dec 11/2006	Koc Finansal Hizmetler A.S. N.L	0,000	0,000	KOC Holding AS	36567,8 try	36567,800	10,507	TR	66	37	45	85	7,687	1	100,0%	1	1	0	0	1
86	dec 11/2006	Entek Elektrik Üretimi A.S. N.L	0,000	0,000	KOC Holding AS	36567,8 try	36567,800	10,507	TR	66	37	45	85	7,687	1	100,0%	1	1	0	0	1
87	nov 27/2006	Depa Ilac Aktif Maddeleri Sanayi ve	-0,680	20,319	EastPharma Ltd.	404 usd date:20	544,943	6,301	UK	35	89	66	35	40,342	0	2,7%	0	0	0	1	1
88	nov 17/2006	Turcas Petrol AS, Aliaga Oil Produc	0,051	7,558	Open Joint Stock Company Oil compa	40345 usd	54420,160	10,904	Russia	93	39	36	95	6,947	0	12,5%	0	0	1	1	5
89	nov 2/2006	Huzur Radyo TV A.S. N.L	-0,706	18,375	News Corp.	54692 usd	73772,398	11,209	USA	40	91	62	46	44,623	0	0,6%	0	0	1	1	1
90	sep 29/2006	Koc Finansal Hizmetler A.S. N.L	0,000	0,000	KOC Holding AS	36567,8 try	36567,800	10,507	TR	66	37	45	85	7,687	1	100,0%	1	1	0	0	1
91	sep 29/2006	Entek Elektrik Üretimi A.S. N.L	0,000	0,000	KOC Holding AS	36567,8 try	36567,800	10,507	TR	66	37	45	85	7,687	1	100,0%	1	1	0	0	1
92	sep 18/2006	Avea Iletisim Hizmetleri A.S. N.L bu	0,000	0,000	Turk Telekomunikasyon AS	12872,3 try	12872,300	9,463	TR	66	37	45	85	7,687	1	100,0%	1	1	0	1	1
93	sep 1/2006	Brisa Bridgestone Sabanci Lastik S	-0,632	13,167	Bridgestone Corp.	2709962 jpy	30866,467	10,337	Japan	54	46	95	92	34,102	1	1,0%	0	0	0	0	5
94	aug 9/2006	A-tel Pazarlama ve Servis Hizmetle	0,000	0,000	Turkcell Iletisim Hizmetleri AS	5215,1 try	5215,100	8,559	TR	66	37	45	85	7,687	1	100,0%	1	1	1	1	1
95	jul 1/2006	Ihlas Sigorta N.L	-0,642	12,995	Talanx AG	61100,3 euro	97712,822	11,490	Germany	35	67	66	65	35,238	0	3,7%	0	0	1	1	1
96	may 22/2006	Dogan Ofset Yayincilik Ve Matbaaci	0,000	0,000	Hurriyet Gazetecilik ve Matbaacilik AS	935,6 try	935,600	6,841	TR	66	37	45	85	7,687	1	100,0%	1	1	0	0	1
97	may 22/2006	Dogan Daily News Inc	0,000	0,000	Hurriyet Gazetecilik ve Matbaacilik AS	935,6 try	935,600	6,841	TR	66	37	45	85	7,687	1	100,0%	1	1	1	1	1
98	may 16/2006	OMV Petrol Ofisi A.S at that time it v	-0,673	17,194	OMV AG	15451,3 euro	24710,028	10,115	Austria	11	55	79	70	39,300	0	4,2%	0	0	0	0	1
99	apr 10/2006	Kent Gida Maddeleri Sanayii ve Tica	-0,680	20,319	Cadbury Limited N.L but has total ass	10992 gbp	25931,227	10,163	UK	35	89	66	35	40,342	0	2,7%	0	0	0	0	1
100	jan 31/2006	Tansas Perakende Magazacilik Tica	0,000	0,000	Koc Holding AS	36567,8 try	36567,800	10,507	TR	66	37	45	85	7,687	1	100,0%	1	1	0	0	1
101	jan 26/2006	Bati Cimento	0,688	3,400	Orascom Construction Industries Cor	17610,4 egp	4168,734	8,335	Egypt	70	25	45	80	1,422	0	90,0%	1	1	0	0	1
102	jan 26/2006	Turkiye Petrol Rafinerileri AS	-0,687	16,989	Royal Dutch Petroleum Co. NV	117299,4 usd	158221,642	11,972	etherland	38	80	14	53	41,459	0	5,8%	0	1	1	1	1

Rejected Deals

104	Cancellati	Target Company	PCI_DIFF	ofs_DI	Bidder	Total Asset	T.A in TR	SIZE (l	idder G	PDI	IDV	MA	UA	GDP p	Lng	Religi	Religi	Lega	Share	Contr	Meth
105	oct 31/2011	Trakya Elektrik Dagitim N.L (under li	0,000	0,000	AKSA Enerji Uretim AS	2360,5 try	2360,500	7,767	TR	66	37	45	85	10,498	1	100,0%	1	1	1	1	1
106	oct 8/2010	Turkcell Iletisim Hiz A.S	-0,661	21,091	Telia Sonera AB	269670 sek	56983,968	10,951	Sweden	31	71	5	29	49,257	0	4,0%	0	0	0	1	1
107	feb 20/2010	Dogan yayin Holding	-0,597	12,995	Axel Springer AG	2934,3 euro	6302,436	8,749	Germany	35	67	66	65	39,852	0	3,7%	0	0	0	0	1
108	jun 18/2009	Plastik Kart	0,000	0,000	Anelsis N.L	no info			TR	66	37	45	85	8,554	1	100,0%	1	1	0	0	1
109	jan 16/2009	Atakule Gayrimenkul	0,000	0,000	Manag N.L	no info			TR	66	37	45	85	8,554	1	100,0%	1	1	1	1	1
110	oct 31/2008	AFYON Cimento Sanayi TAS	-0,064	7,558	Siberian Cement	716,5 usd	832,645	6,725	Russia	93	39	36	95	11,700	0	12,5%	0	0	1	1	3
111	oct 7/2008	Borusan telekom iletisim N.L	0,818	12,217	Dhanus Tech ltd	1119,041 inr jun	32,228	3,473	India	77	48	56	40	1,028	0	13,4%	0	0	1	1	1
112	aug 12/2008	Cemas Dokum	-0,613	20,319	GIH Group and Koor Metals N.L	no info			UK	35	89	66	35	42,935	0	2,7%	0	0	1	1	1
113	june 6/2008	Merko N.L	0,000	0,000	Reysas Tasimacilik	219,3 try	219,300	5,390	TR	66	37	45	85	10,298	1	100,0%	1	1	1	1	1
114	april 24/2008	Anadolu Isuzu Otomotiv	-0,573	13,167	Isuzu Motors Ltd	1245947 jpy	13069,984	9,478	Japan	54	46	95	92	37,972	1	1,0%	0	0	0	0	5
115	dec 26/2007	Koc Finansal Hizmetler N.L	0,000	0,000	KOC Holding AS	57252,9 try	57252,900		TR	66	37	45	85	9,246	1	100,0%	1	1	0	0	1
116	nov 1/2006	Componenta Dökümcülük Ticaret v	0,807	12,217	Ashok Leyland Ltd	36925,9 inr	1093,376	6,997	India	77	48	56	40	0,820	0	13,4%	0	0	1	1	5
117	july 11/2006	Deva Holding AS	-0,843	9,536	Advent Pharma Holding N.L	no info			Luxembur	40	60	50	70	90,032	0	2,0%	0	1	0	0	1
118	feb 22/2006	Eregli Demir Ve Celik Fabrikalari Ta	-0,843	9,536	Arcelor S.A. N.L but public	35864 euro	57354,426	10,957	Luxembur	40	60	50	70	90,032	0	2,0%	0	1	0	0	5

Zusammenfassung

Das Anlageumfeld der Türkei, verbessert durch zahlreiche Anreize und staatliche Reformen im letzten Jahrzehnt, zieht mehr und mehr ausländische Investoren an. Die Leistung von M&A Transaktionen, die häufigste Verwendung von FDI sind sehr kritisch für die Türkei `s wirtschaftliche Zukunft.
Mein Ziel während der Studie war es, die Auswirkungen der auf nationaler Ebene kulturellen und wirtschaftlichen Unterschiede auf den Erfolg dieser M & A-Verhandlungen zu untersuchen. Anhand einer Stichprobe von 115 grenzüberschreitenden und inländischen M&A Deal Ansätze zwischen 2006 und 2012 und notwendigen Variablen, habe ich ein Probit Regressionsmodell erzeugt. Angesichts Deal & Wirtschaft spezifischen und Kultur Variablen, fand ich heraus, dass die Wirtschaft Variablen statistisch signifikant sind und den Erfolg einer Verhandlung bestimmen. Ein ernster Besorgnis zwischen Erste Welt Ländern und der Türkei, die nationalkulturelle Unterschiede, die an Hofstede Faktoren gemessen wurden, sind insignifikant in meiner Analyse. Die Theorie der M&A, mögliche Gründe den Transaktionen, M&A-Deal Stufen und die M&A-Statistiken der Türkei werden auch in der Studie vorgestellt.

Als sich keiner der akademischen Forschung im Bereich Finanzen mit der Erforschung der Auswirkungen der kulturellen und wirtschaftlichen Disparitäten an die Verhandlungsergebnisse von M&A beschäftigen, hoffe ich, dass meine Diplomarbeit ein Ausgangspunkt für weitere Forschungen sein kann.

CV – Mehmet Copuroglu

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Staatsangehörigkeit	Türkei
Familienstand	Ledig

Schulische Ausbildung

1994-1998	Istek private Grundschule Istanbul
1999-2001	Marmara private Realschule Istanbul
2001-2006	Sankt Georg österreichische Schule Istanbul

Studium

2006-2010	Universität Wien BWL Bakk.studium
2010-	Universität Wien BWL Magisterstudium
	Vertiefung Corporate Finance und Industrial Management

Berufliche Erfahrung

Erfahrung als Buchhalter und Verkaufsassistent im Familienunternehmen Textil-Handels-Geschäft

Sprachkenntnisse

Muttersprache Türkisch

Fliessend Deutsch

Fliessend Englisch

Einstiegsstufe Franzözisch

Edv-Kenntnisse

Bedienen von Windows, Word, Excel und den Rest von MS-Office