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Abstract
The aim of this paper is to analyze the cultural, social and political factors that can influence the mergers and acquisition (M&As) decision. Our study analyze if the investors perception towards investment in an economy can be influenced by these factors. The results show that social factors like public spending with health, literacy rate or people skills and abilities, cultural factors like the perception of the bureaucracy and new businesses or political factors like tax rates and democratic development are key determinants of M&As decision. These factors can be also explained in terms of investors' behaviour in making new investments in a specific economy.
Keywords: Mergers and Acquisitions, Investor Behaviour, Cultural Factors, Social Factors, Political Factors

Introduction

Mergers and acquisitions are becoming a strategy of choice for companies attempting to maintain a competitive advantage and to place them in front of other companies. Corporations spend a lot of money every year in pursuit of this strategy and they are in permanent search for the best transaction in order to satisfy their needs.

In the present, the investors are more interest to place their capital in developing economies and are looking for a friendly business environment. A substantive body of theory and research on the role of culture in mergers and acquisitions (M&A) suggests that cultural differences between economies can create major obstacles to achieving integration benefits. Also, social characteristics of a economy can attract or in the contrary can chase away companies who are willing to use M&A transactions to invest in an economy.

Besides cultural and social issues, also political factors can play an important role in attracting investments and can change the perception about an economy.

As we already said above, the aim of this paper is to study whether the cultural, social and political factors of an economy can influence the number of M&A transactions in that particular state. We believe that this study is for the interest of both practitioners and academics as long as the macroeconomic environment is a main interest in all fields and finding some key elements that link this with M&As are an overall interest.

Further, the study is structured as follows. In the next section we are briefly presenting the main findings of other studies in the literature. Then, the data and the empirical methodology is presented. After this we will outline the main analysis results and in the final section contains the conclusions and some directions for the future research.

Literature review

In the general context, the investors' behaviour towards investing through mergers and acquisition in a certain country is driven by those economy characteristics. The level of optimism or pessimism in a society is reflected by the emotions of financial decision-makers. Many studies aimed to analyze what determines an investor to take decision and many times this is correlated to the perception of an economic environment (Nofsinger, 2005; Oprea and Brad, 2015).

The impact of cultural differences on cross-border acquisitions is an important issue to take into account when a decision is taken. Cultural differences affect the post-acquisition capability of transfer due to social integration, potential absorptive capacity, and capability complementarity (Bjorkman et al., 2007), or audit quality (Brasoveanu *et al.*, 2014; Dobre *et al.*, 2015). Also corporate governance can explain the post-acquisition performance (Dobre, 2015), conservatism (Foroghi *et al.*, 2013) and economic environment education level (Iamandi & Munteanu, 2014).

In other studies, both organizational and national cultural differences are determinants of cross boarder acquisitions. Also, the same cultural differences can contribute to the knowledge transfer (Vaara *et. Al.*, 2012). Besides this, the social characteristics can also have an impact on the transfer. Different perception about how the country deals with social issues can influence the investor in such a way that a decision can be taken based only on these factors (Ciobanu, 2014a).

To our knowledge, only a few studies have included national cultural factors in an analysis of the merger and acquisition activities (Larsson and Risberg, 1998; Stahl and Voigt, 2008). We believe that a proper knowledge of these elements can help companies decide on what is best for their future development and if a country can help them do that.

As some studies conclude (Kleppesto, 2005; Riad and Vaara, 2011), the point is not to examine formal cultural differences but rather to focus on subjective interpretations and how they are really can affect an investment. Cultural stereotypes and nationalism are those issues to be discussed whenever is a decision to be taken. In this context our first hypothesis will be:

H₁. National culture and behaviour can influence the level of mergers and acquisitions.

As we all know, M&As are an important way for companies to grow and expand into new markets, incorporate new technologies and innovate in order to develop fast. But decision must not be only financial. To the contrary, many M&As fall short after their the deal is closed due to the numerous social costs, jobs, low income of families and taxes. All these social factors are important to take into account when an investment decision is to be taken.

While some failure can be explained by financial and market factors a large number can be determined by ethical, social and human issues and activities. These issues have to be resolved in order to ensure a successful merger. So, there is a necessity of carrying out cultural and social integration in the process of cross-border M&A (Zhu & Huang, 2007). According to all these, our second hypothesis will be:

H₂. Social factors can influence the level of mergers and acquisitions.

We also want to investigate the influence of political factors on the M&A decision. In the literature there are studies that present such a thing, but to our knowledge ours is the first that explained the number of M&As in a country through political factors. In terms of M&A activity, politic factors usually influence privatization processes. A study showed that in emerging economies were recorded government delays in privatization in regions where the governing party faces more competition from opposition parties for example (Dinc & Gupta, 2011; Ciobanu, 2014b).

In the same idea, an interesting study investigates the disparity of investment protection by country and the impact of this on the financial development of a market. The study of Williamson's (2000) creates a model to explain this disparity using legal, political and cultural variables. Starting with this, many studies analyzed the investor protection though the world based on legal systems, cultures and polities (Jardak, 2012), and our aim is to study what is the impact of these factors on mergers and acquisition also. Our last hypothesis will be:

H₃. Political factors can influence the level of mergers and acquisitions.

In the next section we will present the methodology used to test whether these hypotheses are valid or not. We expect that the number mergers and acquisitions is influenced by the cultural, social and political factors.

Methodology of research

To determine how cultural, social and politic factors that are characteristic for an economy are affecting mergers and acquisition we used a database that includes the number of M&A transactions for each country in the world. The data is provided by Zephyr and includes aggregated data on acquisitions and mergers in the last 5 years. We can see that the highest numbers of M&As in 2014 are recorded in the most developed economies of the world, but there are also states especially in the Asia that are caching up.

Table 1

The number of M&A transactions in 2014

Country	M&A Number	Country	M&A Number
Europe			
Albania	3		
Austria	199		
Azerbaijan	35	US and Canada	
Belarus	239	Canada	3892
Belgium	466	US	14141
Bosnia	109		
Bulgaria	776	Asia	
Croatia	71	China	6005
Cyprus	76	Kyrgyzstan	58
Czech	187	India	2946
Denmark	513	Indonesia	397

Estonia	367	Korea, Rep.	2855
Finland	996	Japan	3379
France	2097	Kazakhstan	148
Germany	1919	Malaysia	1389
Greece	52	Philippines	193
Hungary	187	Singapore	644
Ireland	275	Sri Lanka	137
Italy	1325	Thailand	452
Latvia	269	Vietnam	1083
Lithuania	111		
Luxembourg	123	Middle East	
Macedonia	37	Bahrain	11
Malta	29	Iran	1
Moldova	205	Iraq	2
Montenegro	5	Jordan	80
Netherlands	1357	Kuwait	27
Norway	592	Lebanon	7
Poland	1471	Oman	15
Portugal	221	Qatar	14
Romania	616	Saudi Arabia	29
Russia	2673	UAE	92
Serbia	165	Yemen	1
Slovakia	69		
Slovenia	63	Australia and Oceania	
Spain	2563	Australia	3930
Sweden	1300	New Zeeland	389
Switzerland	445		
Turkey	544		
UK	6218		
Ukraine	914		

Source: Zephyr Annual Report 2014

To make our analysis more appropriate with the aim of our research we studied the characteristics of countries from all continents. We can see that a large number of transactions are recorded in developed countries.

Next we will analyze if the cultural, social and political factors influenced these numbers. We used linear regression models. In order to study these issues, we conducted several regressions by using variables that characterize the countries' economy, variables that can express the cultural, social and political dimension of a specific state. The variables used are documented in Table 2. We used World Bank Databases in order to extract these variables. The values of the indicators are those recorded for 2014, and for literacy rate, Bureaucracy delays and Informal payments to public officials are those recorded for the last known year.

Table 2

Dependent variables used in the model

Indicator	Explanation
GDP	GDP per capita (USD). In regression we used a logarithmic value.
Health	Social factor - Health expenditure (% of GDP)
Informpay	Cultural factor - Informal payments to public officials (% of firms present on the market)
Lifeexp	Social factor - Life expectancy at birth, (years)
Literacy	Social factor - Literacy rate, adult total (% of people ages 15 and above)
Militaryexp	Politic factor - Military expenditure (% of GDP)
Newbusreg	Cultural factor - New businesses registered in a year (number). In regression we used a logarithmic value. This can be a proxy also to the entrepreneurial national character (Munteanu *et al.*, 2015)
Patentsreg	Social factor - Patent applications in a year (number). In regression we used a logarithmic value
Education	Social factor - Public spending on education, total (% of GDP)
Taxrate	Politic factor - Total tax rate (% of commercial profits)
Bureaucracy	Political factor - Bureaucracy delays (days)
Demoindex	Political factor - Democracy index by country. The index is determined by the Economist Intelligence Unit and takes values between 0 and 10. For values between 8 and 10 a state is considered to have full democracy, between 6 and 8 states is considered to have flawed democracies, between 4 and 6 states is considered to have a hybrid regime and between 0 and 4 states is considered to have a authoritarian regime.
Legalsystem	Cultural factor - legal origin. In regression we used a dummy variable. We considered 5 legal systems: French civil law, German civil law, Nordic civil law, Common civil law and Islamic civil law (Ciobanu, 2015)

Source: World Bank databases

The descriptive statistics for the variables used in the models are presented in Table 3. The mean value of the GDP per capita is around 27.000 USD annually, with a maximum of 110.000 recorded in Luxemburg. In terms of social factors the literacy rate can mean a lot for an investors because it is a way to estimate if a country is investing in education and the higher the rate is, the more you expect to have well trained new employees. The mean value is around 96 percent, but developed counties can pass the 99 percent limit. In terms of cultural factors we can make a short analysis on the informal payments to public officials' indicator that shows that averages of 16% of companies are doing this in order to solve their issues with the state authorities. This indicator is correlated with the bureaucratic delays. The democracy index can express political factors that can influence the number of M&A transaction. The higher the value is the more democratic the state is. The average value is 6.45, but we have states, like Norway, that records almost the maximum value.

Table 3 summarizes the characteristics of the variables used to analyze the determinants of the number of M&As. These variables are considered proxies for the cultural, social and political dimension of a state economy.The sample consists of variables recorded mainly for the year 2014 for 69 states spread on 5 continents.

Table 3

Descriptive statistics

	Mean	Median	Standard deviation	Minimum	Maximum
M&A Number	1064.38	239.00	2134.98	1.00	14141.00
GDP per capita (USD)	27107.05	18783.06	25607.30	1263.45	110697.03
Health expenditure (% of GDP)	7.44%	7.42%	2.99%	2.16%	17.91%
Informal payments to public officials (% of firms)	16.44%	13.50%	14.76%	0.20%	73.20%
Life expectancy (years)	76.69	76.59	4.59	62.91	83.10
Literacy rate	96.71	99.02	5.41	66.37	99.90
Military expenditure (% of GDP)	2.13%	1.54%	1.81%	0.31%	11.61%
New businesses registered (number)	56019.01	15760.00	140803.31	35.00	988254.00
Patent applications	20588.87	628.00	80224.22	2.00	535313.00
Public spending on education (% of GDP)	4.94%	5.12%	1.54%	1.72%	8.74%
Total tax rate (% of commercial profits)	37.10%	39.00%	14.06%	7.40%	66.60%
Birocratic delays (days)	5.42	5.23	1.94	1.20	9.52
Democracy index	6.45	6.93	2.20	1.82	9.93

Results

In this section we tested the hypotheses presented in Section 2. As presented in Section 3, we used the linear regression model to analyze whether the cultural, social and political factors mentioned above influence the number of mergers and acquisitions. The study is made on 69 countries of the world, and we used the values recorded for 2014 on every economy. In order to estimate we have conducted 6linear regressions. The results are presented in Table 4.

Table 4 estimates which variables, that express the cultural, social and politic dimension of a state, influence the number of the M&A transactions. The M&A market data is provided by Zephyr Database for the year 2014 and the dependent variables used in the model are provided by the World Bank database. We used the logarithmic value for the number of M&A transaction. We did not consider in the same regression the variables correlated at a higher level than 0.3. T-statistics are in parentheses.

Table 4

The model estimated results

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)
LN(GDP)	0.14 (1.41)	0.01 (0.22)					
HEALTH	-1.41 (-0.31)						
INFORMPAY			-0.01* (-1.86)			-0.01 (-1.43)	-0.03* (-1.71)
LIFEEXP				0.05* (1.98)			
LITERACY		0.07*** (2.99)					
MILITARYEXP			-0.01 (-0.34)	-0.03 (-0.82)		-0.04 (-1.09)	-0.14** (-2.29)
LN(NEWBUSREG)		0.86*** (12.64)	0.91*** (13.27)	0.94*** (15.71)	0.92*** (10.61)	0.96*** (13.91)	
LN(PATENTSREG)	0.51*** (10.03)						0.42*** (4.98)
EDUCATION		14.22** (2.28)	19.38*** (3.06)	14.52** (2.04)			
TAXRATE		0.02*** (2.91)	0.02*** (2.85)	0.02*** (2.71)	0.01* (1.97)	0.02*** (3.22)	0.01** (2.11)
BUREAUCRACY	-0.16* (-1.75)	-0.05 (-0.76)	-0.05 (-0.95)	-0.06 (-0.98)	-0.04 (-0.65)	-0.06 (-0.93)	0.02 (0.04)
DEMOINDEX					0.11* (1.81)		
DFRENCH	0.07 (0.22)	-0.26 (-1.05)		-0.22 (-0.82)		-0.12 (-0.42)	
DGERMAN			0.06 (0.24)		0.17 (0.62)		0.02 (0.04)
DNORDIC						0.77** (2.12)	0.73* (1.96)
DCOMMON	0.89*** (3.38)				0.42 (1.14)		1.11*** (2.73)
DISLAMIC	-4.13***						

	(1) (-3.67)	(2)	(3)	(4)	(5)	(6)	(7)
INTERCEPT	-0.01	-12.13***	-5.61***	-8.93***	-5.26***	-4.52***	2.48**
	(-0.01)	(-6.41)	(-6.39)	(-4.46)	(-6.37)	(-5.41)	(3.01)
R-squared	77.28%	84.06%	82.56%	82.61%	81.02%	81.67%	66.06%
Number of observations	69	69	69	69	69	69	69

Note: The symbols *, **, *** represent significance levels of 10%, 5% and 1%.

Although correlated with other factors, when introduced into a regression, GDP displays positive impact on investing decision. In terms of sensitivity, this factor's evolution does not influence the investing decision strongly: in the two regression equations where we've included it, M&A decision's sensitivity to GDP/capita changes has a low coefficient.

Taking life expectancy into consideration, an expected positive impact is displayed among our results, the mentioned factor being a clear measure of a country's development stage and economic power, partially explaining the positive impact it has on the M&A transaction decision. The total spending on education as a percentage from GDP has a very strong contribution in the M&A decision, this social factor's positive impact is observed in 3 of the 7 equations with a high impact on the investment process.

Military expenditure's negative influence on the number of M&A can be explained by companies' decisions not to invest in countries likely to be involved in conflicts based on the level of armament investment. This factor may suggest the government policy focus not necessarily pointing out to economic welfare thus making companies less likely to involve in M&A's. The result is consistent with those found in the literature, because it was presented before that uncertainty avoidance is a characteristic of a low developed economy.

As a social factor, the number of patents registered has a significant and positive correlation with the mergers and acquisition market. A high number of patents represent a smart and well prepared population which is preferred by investors all the time. Combined with the same effect of literacy rate we can say that the financial decision to invest in economies with good social indicators is preferred by all investors. Even if there can be opportunities in countries with low stage of development in terms of social issues, investors will, in many cases, choose the more safer environment of a social developed country.

The number of new business registered seems to have a very strong impact on the decision to engage in an M&A decision. The higher the number of new business registered, the more M&A's will occur: the probability that the competition authorities might give a negative resolution decreases with each new business that might insure the necessary level of competition, in addition to this the number of new business registered, as a cultural factor suggest that the country in which the M&A will happen has a very mature market dynamic encouraging all types of transformations of new or pre-existent businesses, making the transaction less likely to occur, the deal being signed faster, with a higher success rate.

Informal payments and bureaucracy have both a negative effect on the number of mergers and acquisitions. I can say that is an expected result because a high level of uncertainty in an economic environment can cause instability to investments and so on. Also informal payments can be easily considered as being part of administrative corruption,

problems that any investor will like to avoid from the beginning. The result is in accordance with the literature, because power distance is usually not present in democracies which are the economies where investors would prefer to decide to place their capitals.

In terms of Health expenditure, the factor resulted not to be significant between government efforts to boost health services provided to the population, a possible explanation being the fact that additional measures or expenditures could also be required for private entities in the health sector, i.e. in providing employees with extra health insurance packages. Because we are talking about a social factor, a positive correlation it would be preferred.

One of the most important factors analyzed is the democracy index. There is recorded a positive correlation between the number of mergers and acquisition and the value of the index, so we can conclude that investors are more attracted by countries with a high level of democracy. This result was expected because only democratic states can give someone enough safety that their investment is protected.

However, even if it was recorded the highest average value of 113 million dollars in comparison with other legal systems, the dummy variable for French civil law country is not significant. This high average value of a transaction can be due to the large investments that were realized in this period in the countries of South America, especially in banking and finance. For example, in Brazil according to Zephyr, the M&A almost doubled in 2014 compared to 2012 and increased 5 times compared to 2007, from 33,000 to 160,000 million dollars.

A low value is found in northern states, possible due to the fact that these are already developed countries with lower interest from investors in investing large amounts, but also because of different legal system with many areas not covered enough or the lack of a civil code (Sweden). But, in contrary with the situation of the dummy variable for French civil law countries, the Nordic civil law indicator resulted to be significant and positively correlated with the number of mergers and acquisitions. Even if these economies do not offer the same return on investment than in other state, investor consider a safe and business friendly environment, with a social and cultural development where they can pursue their goals.

Common law countries have an average value of the transaction placed somewhere between French and Nordic civil law countries. There are differences in this group. For example, U.S. and New Zealand have high recordings, above global average. The differences arise from the differences between the M&A regulations, the shareholders protection, and the economic development, but I consider that cultural and social issues are also important. The South-Asian countries had a sustained economic growth after the Asian crisis of 1997-1998. For example, the Malaysian banking industry depended on its efficiency and competitiveness. Therefore, bank managements as well as the policymakers will be more inclined to find ways to obtain the optimal utilization of capacities as well as making the best use of their resources than to continuously expand using M&A operations.

An interesting result was obtained for Islamic countries. We can conclude that generally investors do not want to place their capital in these countries. The explanation can be simple from my point of view. The culture and society is not suitable for large investments and people are, at this moment, sceptical about a success of an investment there.

Conclusions

The aim of the study was to analyse the cultural and social factors that influence the cross-border merger and acquisition decision of investors. The results showed that social

factors like the education and health expenditure, literacy rate or life expectancy and cultural factors like bureaucracy, informal payments, legal system and other, are significant in explaining the number of mergers and acquisitions in the world.

We can see that the highest numbers of M&As in 2014 are recorded in the most developed economies of the world, but there are also states, especially in the Asia, that are caching up. So investors are looking not only for developed countries, but also to states where social, cultural and political factors can help them develop their businesses further.

Further research will analyze the five cultural dimensions of Hofstede (1980) (power distance, individualism/collectivism, masculinity/femininity, and uncertainty avoidance, long term orientation) in every state where there is an important M&A activity. Also, I believe that is important to find out which of this dimension best characterize investors present on this market, and which is the most important of the cultural dimension when someone wants to make a cross-border transaction. In this way we can find a link between sociology and economic sciences.

Acknowledgments

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