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Cross-border M&As and cultural differences: the Chinese acquisitions in the Made in Italy Fashion & Luxury sector

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Introduction

Nowadays, the international business panorama is characterized by plenty of companies that aim to enlarge their presence on the market as well as to catch opportunities for expanding their activities and gaining economic advantages. A means that companies have available to reach these goals is undertaking cross-border M&A operations. A cross-border M&A is a transaction that involves an acquirer firm and a target one that are located in two different countries. Such strategic operations have become always more diffused during the last years and being aware of their features as well as their opportunities and drawbacks is a know-how that every savvy managers should possess. In particular, one of the most relevant cross-border M&As' pitfall lays behind cultural differences, both from a national and organizational point of view. Statistics speak for themselves: in a recent study, culture was found to be the cause of 30% of failed integration in cross-border M&A deals (Deloitte, 2009).

The aim of this paper is to deal with cross-border M&As starting from their origins for then concentrating on their last years' trends and study their interdependence with cultural differences. In particular, this analysis will focus on the Made in Italy Fashion&Luxury sector, an industry whose company are a real Italian excellence and that have been recently targeted by many foreign investors. Among these foreign buyers, China wins the title as the most active one, being the number one according to the number of deals concluded. The study of two of these acquisitions, Sergio Tacchini and Ferretti Group, will allow to examine in depth many of cross-border M&As' facets and how they are influenced by cultural differences. The paper is structured as follows:

In chapter 1, a general overview on cross-border M&As is going to be provided. I am going to illustrate the trend of these transactions starting giving some brief historical hints and then focusing on the last six years. Moreover, I am going to illustrate the prominent role that cultural differences are playing in such international scenario.

In chapter 2, I am going to illustrate how culture can influence cross-border M&As. In the first part, I am going to deal with cultural issues and international M&As separately in order to obtain a wide knowledge of both topics. Then, I am going to deal with them together for analyzing which are the effects that cultural differences can have on this type of international transactions.

In chapter 3, I am going to describe the various topics seen in the previous ones according to the Made in Italy Fashion&Luxury point of view, putting a particular focus on the Chinese

acquisitions that have recently taken place this sector. Then, I am going to study two recent acquisitions: Sergio Tacchini-Hembly International Holdings and Ferretti Group-Weichai Holding Group.

In the conclusion, the two empirical case studies are going to be compared, highlighting their differences as well as their similarities and illustrating some advice in order to carry out a successful cross-border M&A operation.

Abstract

Al giorno d'oggi, il panorama del business internazionale è caratterizzato da una miriade di aziende che sono continuamente alla ricerca di rafforzare la loro posizione sul mercato, nonché di allargare la propria gamma produttiva ed accedere ad economie di scala. Uno dei mezzi che esse hanno a disposizione per raggiungere tali obiettivi è quello di intraprendere operazioni di fusioni e acquisizioni internazionali, le cosiddette cross-border M&As. Tali operazioni sono diventate sempre più diffuse negli ultimi anni ed è fondamentale per gli operatori del settore essere al corrente delle caratteristiche così come dei possibili vantaggi e svantaggi che esse presentano. In particolare, una delle insidie nelle operazioni cross-border M&As è costituita dalle differenze culturali. I numeri parlano da soli: in un recente studio, le differenze culturali sono state rilevate come la principale causa del 30% dei fallimenti di fusioni e acquisizioni internazionali (Deloitte, 2009).

Lo scopo di questo elaborato è quello di trattare il fenomeno delle cross-border M&As e il ruolo delle differenze culturali nel mondo del business separatamente, per poi studiare il loro grado di interdipendenza. In particolare, tale analisi sarà effettuata ponendo un focus sul settore del Made in Italy Fashion&Luxury, settore che è stato recentemente target di considerevoli flussi di investimento da parte di paesi esteri, soprattutto la Cina, che si è aggiudicata il titolo di investitore numero uno, concludendo il maggior numero di deals. L'analisi di due aziende acquisite da cinesi, Sergio Tacchini e Ferretti Group, permetterà di esaminare in profondità i molteplici aspetti delle operazioni cross-border M&As e come esse siano influenzati dalle differenze culturali.

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CHAPTER 1

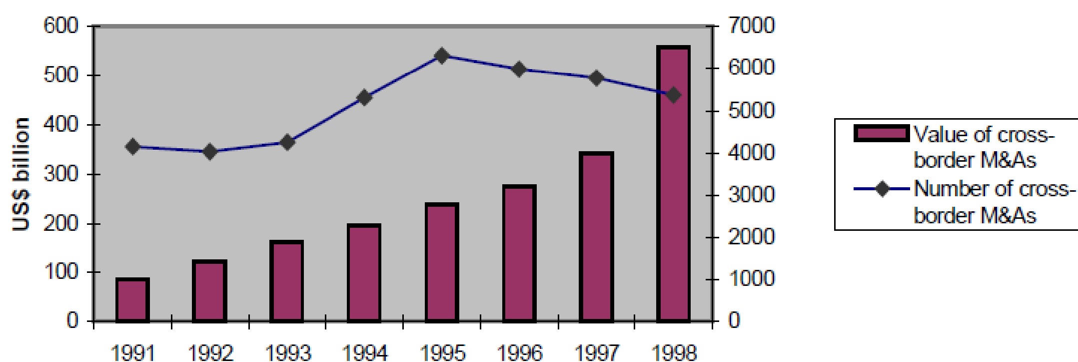
1.1 Historical hints

Mergers and acquisitions firstly started in the US at the end of the XIX centuries. In this period in fact, the US faced the first wave of mergers and acquisitions, to which other five have followed. All together, these six waves are called the "wave pattern of mergers" and each one is characterized by a different trend and was triggered by specific reasons. While the first wave (1890-1905) and the second wave (1920s) aimed to strengthen the companies' market position, establishing monopolies and oligopolies, the target of the third wave was the diversification and the increase of a company's presence on different markets (Sudarsanam, 2003). M&A transactions were spreading always more and they reached the European continent around the 60s. UK's companies were the first starting merging and acquiring while the other European companies began twenty years later. For this reason, we can state that Europe faced the first real M&A wave starting from the early 80s. Although M&As' origin draws back to more than a hundred years ago, until 1990 they have been mainly a domestic issue. We can therefore state that the real beginning and spread of cross-border M&As coincides with the start of this decade (Vancea, 2013).

Decade 1990-2000

It is not a coincidence if the real affirmation of international M&As started in this period. In fact, during this decade some favorable economic and political events that fomented cross-border M&A took place. When talking about Europe, the constitution of both the EU and the EMU represented an important driver in fostering the development of M&As and "almost doubled M&As in manufacturing towards [EU] members from all over the globe" (Coeurdacier, De Santi, & Aviat, 2009, p. 4). If we are then defining the factors that boosted cross-border M&As under a global perspective, we can find as common denominator the economic growth of some countries, which increased inward as well as outward FDI, the globalization of financial markets, the technological progress and last but not least government policies such as investment liberalization and privatization (Kang & Johansson, 2000/01).

***Figure 1**: Cross-border M&As, 1991-1998*



Source: KPMG Corporate finance, 1999. In: (Kang & Johansson, 2000/01)

The graph above gives a strong visual impact about the trend of cross-border M&As. It points out how starting from the 90s, cross-border M&A transactions have been registering an exponential growth, especially as for the value of the transactions. This increasing pace was so strong that by the end of the century "most of the growth in international production had been via cross-border M&As rather than greenfield investment" (UNCTAD, 2000, p. XIX). We can therefore infer that international M&As not only intensified, but also became companies' main mode of entering a new market. When taking a closer look to these outstanding figures, we can pinpoint the distribution of cross-border M&A transactions according to geographical areas.

***Figure 2**: Cross-border M&As: sales and purchases, by region, 1990-1999 (US$b)*

	Sales					Purchases				
Region/economy	1990	1995	1997	1998	1999	1990	1995	1997	1998	1999
Developed countries	**134.2**	**164.6**	**234.7**	**445.1**	**644.6**	**143.2**	**173.7**	**272.0**	**511.4**	**677.3**
of which :										
European Union	62.1	75.1	114.6	187.9	344.5	86.5	81.4	142.1	284.4	497.7
United States	54.7	53.2	81.7	209.5	233.0	27.6	57.3	80.9	137.4	112.4
Japan	0.1	0.5	3.1	4.0	15.9	14.0	3.9	2.7	1.3	9.8
Developing countries	**16.1**	**15.9**	**64.3**	**80.7**	**63.4**	**7.0**	**12.8**	**32.4**	**19.2**	**41.2**
of which :										
Africa	0.5	0.2	1.7	0.7	0.6	-	0.1	-	0.2	0.4
Latin America and the Caribbean	11.5	8.6	41.1	63.9	37.2	1.6	4.0	10.7	12.6	24.9
Europe	-	-	-	-	0.3	-	-	-	-	-
Asia	4.1	6.9	21.3	16.1	25.3	5.4	8.8	21.7	6.4	15.9
Pacific	-	0.1	0.3	-	0.1	-	-	-	-	-
Central and Eastern Europe[a]	**0.3**	**6.0**	**5.8**	**5.1**	**10.3**	**-**	**0.1**	**0.3**	**1.0**	**1.6**
World[b]	**150.6**	**186.6**	**304.8**	**531.6**	**720.1**	**150.6**	**186.6**	**304.8**	**531.6**	**720.1**

Source: UNCTAD, cross-border M&A database, based on data from Thomson Financial Securities Data Company. In: (UNCTAD, 2000)

Figure 2 highlights how a positive trend of growth from both a purchase and a sale point of view was experienced. We can see that the main contributors to the volume of cross-border M&A were the developed countries, especially European countries and United States. Despite that, we can also notice an increase, even if modest, in the numbers registered by the developing

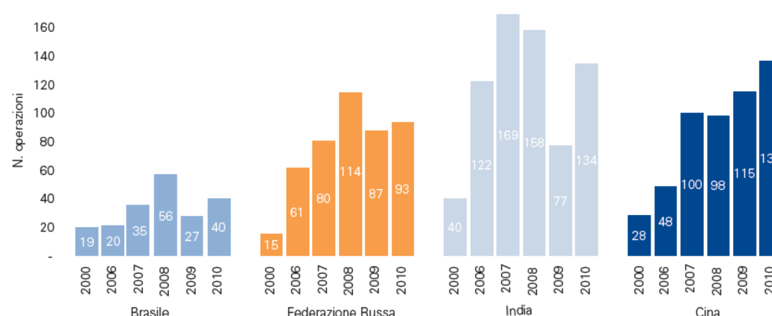
countries. Among all, notable is the performance of Latin America and the Caribbean, which held the leadership in volume of international M&As.

Aforementioned figures reflect what is said in the OECD report (2000/01) too. In other words, that the majority of cross-border transactions was registered in OECD countries. As one can expect, the growth of cross-border M&As has not been homogeneous across sectors. Despite that, a common one between world cross-border M&As purchases and sales can be found. As the data of UNCTAD 2000 Report point out, the sector that observed more M&As was the manufacturing one, followed by the tertiary, when only a minimum percentage of international deals affected the primary one. To be underlined is the rising number of transactions involving the service sector as we get closer to the new millennium. The main industries in this sector were telecommunications, financial and business services (UNCTAD, 2000, p. 124).

Decade 2000-2010

This decade shows a particular trend in cross-border M&As because it has been hit by the financial economic crisis that starting from 2008 spread its negative effects on the markets. As a matter of fact, the crisis brutally dampened the positive trend of cross-border M&As, which started showing some signs of recovery only three years later, in 2010 (KPMG Advisory, 2011). Despite the collapse of the global market, EU and the US always confirmed their first places in cross-border M&A transactions ranks, but the most positive performance was displayed by the BRIC, which started gaining a more central position in the international business panorama. They managed to maintain a good presence on the cross-border M&As scenario, showing a good capability to conclude international deals despite the presence of the financial crisis. Numbers confirm this evidence: "between 2000 and 2009, Indian firms finalized 812 deals abroad, Chinese firms finalized 450, Brazilian firms finalized 190, and Russian firms finalized 436" (UNCTAD, 2010, p. 7). One further confirmation is provided by the graph below which illustrates BRIC's international deals during 2000-2010.

***Figure 3**: BRIC's abroad acquisitions, number of completed deals, 2000-2010*



Source: KPMG Corporate finance based on data from Thomson Reuters. In: (KPMG Advisory, 2011)

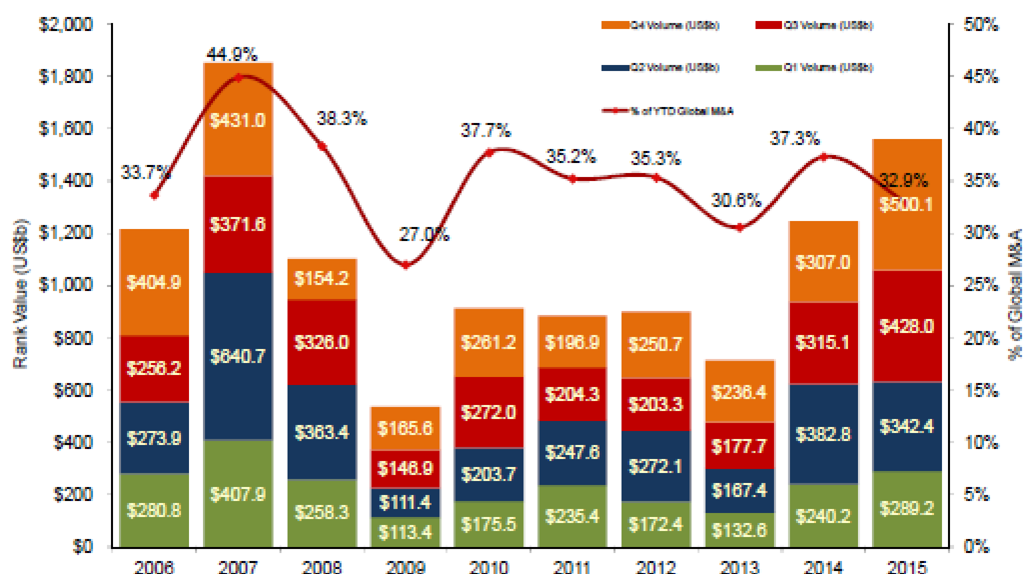
As for the main sectors interested by cross-border M&A transactions, data are provided by UNCTAD tables (UNCTAD, Annex Table 13, from WIR 2015, 2015) (UNCTAD, Annex Table 14, from WIR 2015, 2015). The services sector catches the eye: noteworthy industries in this sector were the financial, the business services and information and communications ones. In the manufacturing sector, the main player was the food, beverage and tobacco industry followed by the chemical one. In the primary sector, the only relevant industry was the mining, quarrying and petroleum one.

1.2 2010-today

Since the aim of this paper is to deal with cross-border M&As issue under a recent point of view, I am going to conduct a deeper analysis describing cross-border M&A's trend for each year separately starting from 2010. The reliability of the data and figures is guaranteed by the sources I have consulted. In particular, Thomson Reuters M&As Financial reviews, KPMG M&As report and UNCTAD World Investment Reports (especially for the statistics regarding sales/purchases per industry and sectors, which I am going to summarize in pie charts). In order to carry out 2015 and 2016 analysis, I also had available the "Cross-border M&A Index" provided by the multinational law firm Baker & McKenzie. Such instrument "assesses the strength of worldwide cross-border M&A activity in each quarter since Q1 2010. Based on a weighted average of cross-border deal values and volumes in each quarter, we calculate a score from a baseline figure of 100, which represents the level of activity in 2009. That score provides one easy-to-understand indicator of how cross-border deal activity changes from quarter to quarter, enabling viewers to identify patterns" (Baker & McKenzie, 2016). I am not going to provide the exact value of this index for each year, but when interested, one can get a more detailed information, in particular according geographical trends, on the company's website.

A worldwide, general overview of cross-border M&As trend can be given by figure 4, displaying the volume of cross-border transactions per year quarter and its contribution to the total M&As volume.

***Figure 4**: Worldwide Cross Border Volume*



Source: (Thomson Reuters, 2015)

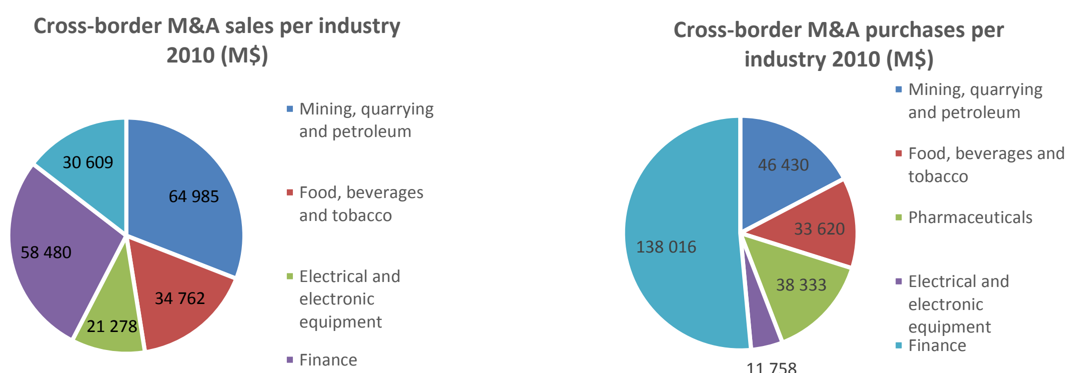
Once more, we can notice the shock caused by the financial crisis. Cross-border M&As volume started dropping from year 2008, reaching its negative peak in 2009 and beginning recovering slowly in 2010. Although the remarkable fall in volume of cross-border transactions, can be stated that their percentage in comparison with overall M&As volume has been stable, swinging slightly around 30%. Later on, I am going to describe each year separately.

2010

"Cross Border M&A activity totalled US$ 952.5 billion during full year 2010, accounting for 39,1% of overall M&A volume, compared to 27.6% last year at this time". This statement, contained in the Thomson Reuters Mergers and Acquisitions Review of the year 2010 (p.1) proves once more that in 2010 the economy finally restarted (Thomson Reuters , 2010). Talking about the phenomenon in terms of geographical area, Europe "demonstrated that it was the continent where cross-border M&As … remained the highest" (KPMG Advisory, 2011, p. 81). In total, cross-border operations involving European companies as target or bidder enterprises were 4814 (KPMG Advisory, 2011). BRIC countries kept on achieving notable performaces. In this year, fomented by the double-digit pace of growth that characterized their economies, they acted like real drivers in cross-border M&As accounting for "14% of cross-border transactions worldwide" (KPMG Advisory, 2011, p. 81). As for the main sectors and industries, leading industries in sales were the mining, quarrying and petroleum one together with the financial one registering transactions for approximately 60 000 M$. From the purchase

side, we find the supremacy of the financial industry involving about the half of cross-border M&A transactions in terms of value.

Figure 5: *Cross-border M&A volume per industry, sales and purchases, 2010*

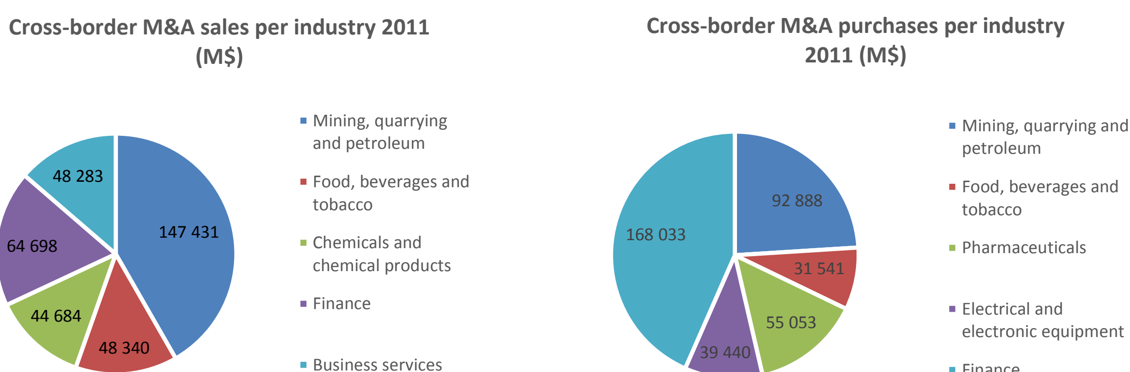


Source: personal elaboration on (UNCTAD, 2015) and (UNCTAD, 2015).

2011

During year 2011 cross-border M&As amounted to US$ 908.4 billion, accounting for 35,3% of the total M&A transactions (Thomson Reuters, 2011). 2011 was a particularly positive year for cross-border M&A operations, which were fomented by the increasing globalization and economic integration processes. Similarly to 2010, Europe maintained its title as the most interested region by cross-border M&As flows. Relevant European players were Russia and UK, completing respectively 19% and 20% of all European cross-border M&A operations of the year. The Americas also showed positive figures (+31% overall, with the US alone contributing for the 43% of it) (KPMG Advisory, 2012). Even if these numbers testify a flourishing scenario, the situation was not comparable to the pre-crisis one. This evidence is stated in the UNCTAD WIR of the year 2011 which declared that even if the value of M&As has grown 36% in 2010 it amounted "only around one third of the previous peak in 2007" (UNCTAD, 2011, p. XII). Concerning the industries where cross-border M&A transactions took place, we find the supremacy of mining, quarrying and petroleum on the sales side (147 431 M$) and of the financial one on the purchase side (168 033 M$).

***Figure 6**: Cross-border M&A volume per industry, sales and purchases, 2011*

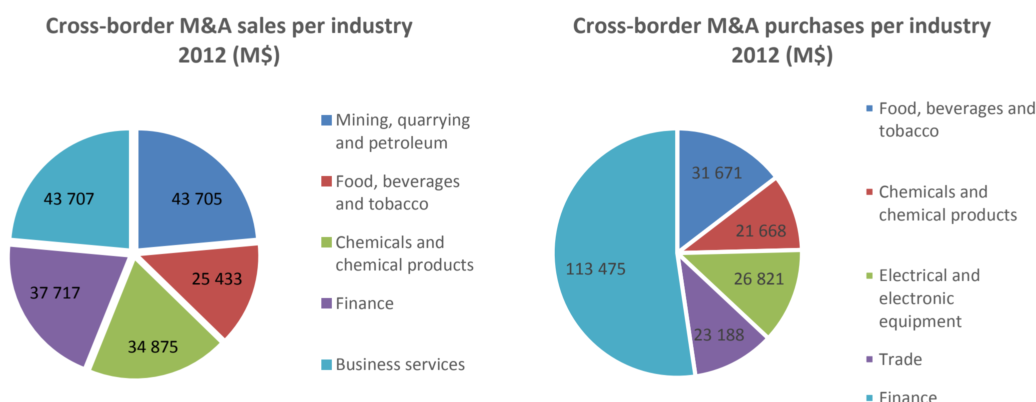


Source: personal elaboration on (UNCTAD, 2015) and (UNCTAD, 2015)

2012

During this year, cross-border M&A operations grew 6% respect to the previous one with a value of US$944.1 billion (Thomson Reuters, 2012). A noteworthy increase was observed by BRIC's cross-border activity: "accounting for over one quarter of worldwide announced merger activity, M&As involving companies located in emerging markets showed a 9% increase from 2011" (Thomson Reuters, 2012, p. 1) . Even if in absolute terms, the value of cross-border M&A had increased, it had demeaned when compared to the total value of M&A: in 2011 it accounted for more than the half of it, while in 2012 only for the 43% (KPMG Advisory, 2013) . Despite Europe always stayed the continent more interested by cross-border M&As flows, it was also the one accusing the heaviest reduction in its operations volume: the countries losing the most were France, -64%, and Spain, -70%. Relevant drop in cross-border M&As volume is to be found in India too (-65%). In addition, the Americas registered a negative trend with respect to the previous year (-21%). Africa and Middle east do not show different numbers: cross-border operations dampened of 24%, contrary to the domestic M&As that were growing in these geographical areas (KPMG Advisory, 2013). When considering the main sectors interested by cross-border transactions, we find an equality situation in the sales statistics, with mining, quarrying and petroleum industry standing out together with the business services one, while in purchase statistics the sovereign industry was the financial one, accounting for more than the half of the overall volume.

Figure 7*: Cross-border M&A volume per industry, sales and purchases, 2012*

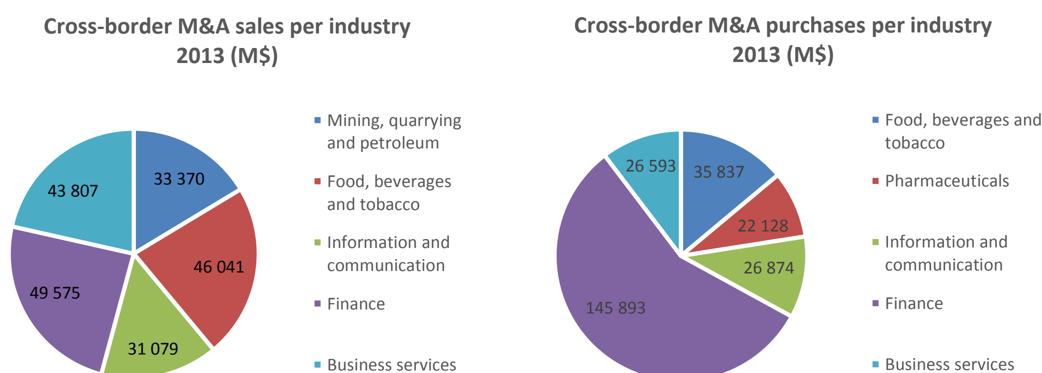


Source: personal elaboration on (UNCTAD, 2015) and (UNCTAD, 2015)

2013

This year faced a drop in cross-border M&A operations: they decreased by 18% with respect to 2012 reaching a value of only US$ 737.3 billion (Thomson Reuters, 2013). All geographical areas were characterized by a decrease in M&As activity. In order of intensity, we have: Europe (-25%), America (-12%) and Africa and Middle East (-1%). Among these negative figures, only Germany showed a positive performance registering +25% in cross-border activities leading European international cross-border operations. Europe was the continent that had contributed the most to the global M&As volume, realizing 43% of the total value alone, followed by America 30% and an Asia Pacific 22%. Asia Pacific is the only geographical area that did not display negative numbers. It showed 9% growth in cross-border M&As with peaks in Japan (+21%), China (+23%) and India (+31%) (KPMG Advisory, 2014). The equality situation among the leading industries in cross-border M&As sales persisted as well as the sovereignty of financial sector in the purchases, which even increased.

Figure 8*: Cross-border M&A volume per industry, sales and purchases, 2013*

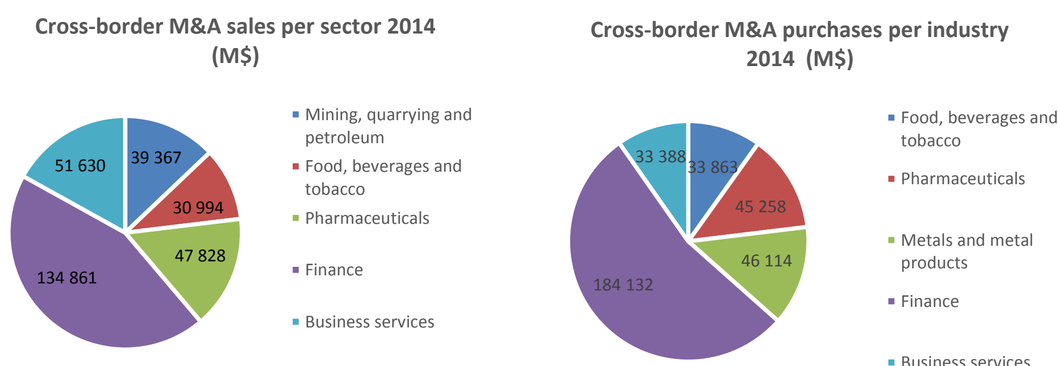


Source: personal elaboration on (UNCTAD, 2015) and (UNCTAD, 2015)

2014

2014 is an awakening year for cross-border activities. As matter of fact, cross-border deals reached levels that the global economy had not seen since 2007. This evidence comes from Thomson Reuters Mergers and Acquisitions review of year 2014 which states that "cross border M&As activity totaled US$1.3 trillion during full year 2014, accounting for 37% of overall M&As volume and a 78% increase over full year 2013 levels" (Thomson Reuters, 2014, p. 1). The major contributor to this improvement was Europe. In fact, as stated in KPMG M&A Report 2014, its presence on the global cross-border M&As market increased of 6%, more precisely to 35% to 41 %. At second place, we find the US participating 27% of the global cross-border M&A volume. They also registered a more significant growth respect to overall America's one: 55% against 44% (KMPG Advisory, 2015). About the industries involved in cross-border transactions during year 2014, we find a new scenario: financial industry obtained a supremacy role in sales as well, in addition to the one that used to cover in the purchases since 2010.

Figure 9*: Cross-border M&A volume per industry, sales and purchases, 2014*



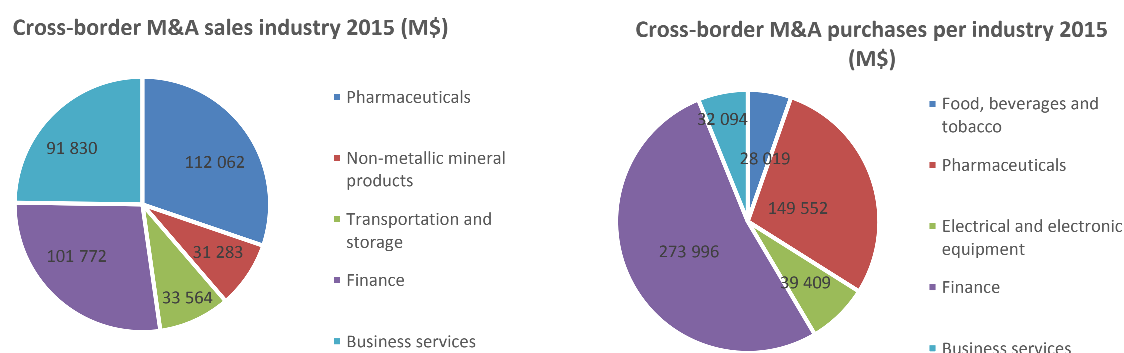
Source: personal elaboration on (UNCTAD, 2015) and (UNCTAD, 2015).

2015

The growth of cross-border M&A operations continued in year 2015, increasing 27% over 2014 levels and accounting for one third of the overall M&A volume (Baker & McKenzie, 2015). From the purchase side, Baker & McKenzie individuated the "most aggressive buyers": North America, Asia Pacific, Africa and the Middle East. Every one of them showed double-digit growth in outbound M&As flows: America +48%, Asia

Pacific +39%, Africa +84%. Nonetheless, the most remarkable performance was shown by the Middle East of which outbound M&As flows tripled. On the target side, we find Europe with +52% in comparison to the previous year and a decrease of Latin America (-55%), caused by Brazil's economic slowdown (Baker & McKenzie, 2016). This situation of general growth in M&As flows gained headlines in the international press. In December 2015 the Financial Times stated "Record year for M&A with big deals and big promises". With "big deals", it referred to the Royal Dutch Shell planning to take over BG Group, concluding the "largest oil and gas cross-border deal on record". "Big promises" were the one made by the world's business leaders who warranted" to create additional value this year equivalent to the annual gross domestic product of Canada or Brazil — or more than $205 per person on the planet" (Gordon, 2015). A significant increase can also be seen in the volume totalized by the top five industries involved in cross-border M&As: their overall volume increased of 70 M$ in sales and of 80 M$ in purchases. As for the entity of these industries, we observe a drop of the financial one in sales, in favor of an increase in volume of the pharmaceutical one. On the other hand, that is to say on the purchases side, the centrality of the financial sector raised at a phenomenal rate, accounting for about the 60% of the total transactions.

Figure 10: *Cross-border M&A volume per industry, sales and purchases, 2015*

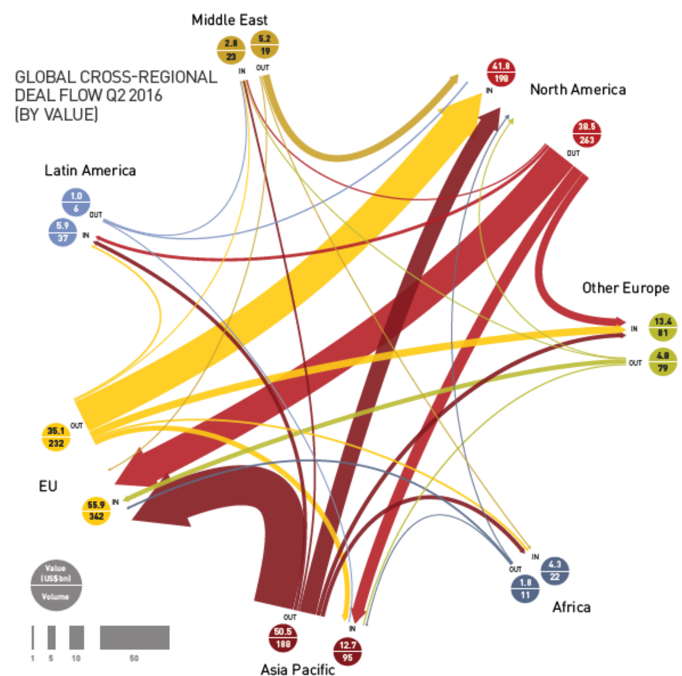


Source: personal elaboration on (UNCTAD, 2015) and (UNCTAD, 2015).

2016

As year 2016 is still ongoing, we cannot have available the information for the full year trend but only for the first two quarters. In contrast with the excellent Q4 of 2015, year 2016 began with a general climate of instability and volatility on the global markets due to a series of circumstances like the announcement of the Brexit, the presidential nomination campaigns in the US, China's slowdown and the slump of oil prices.

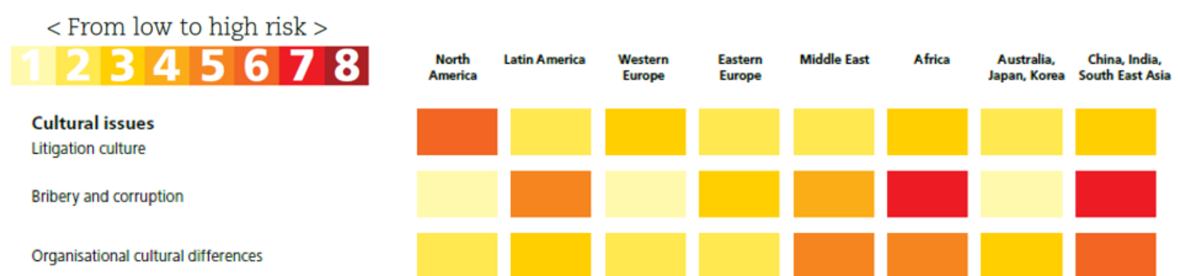
These events have continued to make investors more cautious in the second quarter too, dampening cross-border M&A transactions even more. This reduction affected especially the number of deals. Baker & McKenzie in its report of Q2 2016 states: “Cross-border M&A made up 31% of all deal value and 35% of all deal volume in Q2 2016, compared to 37% and 30% for the same period in 2015” (Baker & McKenzie, 2016, p. 2). As for regional areas, China wins the title as most active bidder country targeting deals especially in business services, chemicals and consumer sectors. In particular, in Q2 it “continued to drive the value … with 97 outbound deals worth US$40.7 billion – 23% and 132% higher than the same period in 2015” (Baker & McKenzie, 2016, p. 5). China’s leading place as most aggressive bidder country is also displayed by the following image; the thicker arrow in outbound cross-border M&A flows is exactly the dark-red one starting from Asia Pacific. To have a clearer idea in terms of numbers, Chinese M&A deals values have increased of US$30bn in Europe and of US$3bn in the US from 2009 to 2015. As for the sector, at the end of Q2 the most active sectors in terms of deals are the “industrial one (199 deals), technology (182 deals) and business services (172 deals)”. (Baker & McKenzie, 2016)



After having analyzed the trend of cross-border M&A transactions, we can state that if on one side they are quite a young phenomenon, on the other one, they affirmed their presence on international markets very fast. Of course, their pace is strongly influenced by macroeconomics factors such as economic crisis, slowdown of countries’ economies and so on. Even if they display some advantages as mode for entering a new market, like the possibility of enlarging a company’s size and gaining some critical resources without the need of building a new business from scratch, they hide several pitfalls. One of them is taking for granted that the two merging companies will integrate themselves and cooperate perfectly. One of the issues that impede this mechanism to start automatically is the difference that companies display in their culture.

1.3 The importance of culture in cross-border transactions

Cross-cultural issues and skills have kept on gaining a growing importance in international business transactions. In fact, if we have a look at the literatures of some decades ago, we find culture being considered just as a secondary issue, putting focal importance on other questions concerning earning-related features. “People issues once were considered soft issues, but organizations have learned there are harder consequences to ignoring or mismanaging people issues during a deal” (Appelbaum, Roberts, & Shapiro, 2009, p. 34). This sentence points out how over the years, the attitude towards cultural and human dimensions has changed, especially due to some empirical evidences that have led people to change their consideration about them. In particular, culture and people cover an utmost importance when talking about cross-border M&As. When two companies merger or acquire internationally, their cultures (national one as well as organizational one) meet and have to learn to live together and to cooperate in order to create a successful deal. Diversity of culture in cross-border M&As is a two-edged sword: it may enhance the outcome of the transaction becoming a source of competitive advantage or it may have a damaging effect rendering the companies’ integration process more difficult, and in the worst case, being the cause of deal’s failure. History has already displayed some cases in which cultural difference had such catastrophic consequence. Two of the most famous are to be found in the automotive industry: Daimler-Chrysler and Ford-Volvo mergers. In both cases, cultural differences resulted into different management styles: more open and flexible at Chrysler and Volvo, while more formal and traditional at Daimler and Ford (Appelbaum, Roberts, & Shapiro, 2009). These differences made the integration process very long and troubled as well as impeding the creation of a common shared vision. These two failures are just some of those who made the warning bell ring. Simalar negative experiences of cross-border M&As transactions have made the business environment more conscious towards cultural issues. As a matter of fact, we can find them in the “Global heat chart”, which illustrates the top variables that have to be considered when concluding transactions beyond borders (Marsh, Mercer, Kroll, 2008).



As displayed by the image, the chart considers cultural issues under three variables (litigation culture, bribery and corruption, organizational cultural differences) underlying the intensity of their risk according to geographical areas. The relevance of cultural integration in cross-border takeovers is also pointed out by several consulting societies which advice their customers about the subject. Considering the reports of McKinsey Company, Deloitte and Bain & Company we can find some common utterances about culture. Both McKinsey & Company and Deloitte start clearing the definition of culture because "80% [of managers] .. admitted that is hard to define" (McKinsey & Company, 2010, p. 4). Reading all three reports, we can find out that the way of managing culture in cross-border M&As cannot be something to think about only when the deal is concluded. It is something that has to be considered since the beginning in order to integrate companies and their people properly taking advantage of all benefits this can bring, which not only include making the deal work, but also enhancing its performance reaching an output that could not have been realized by the companies just on their own.

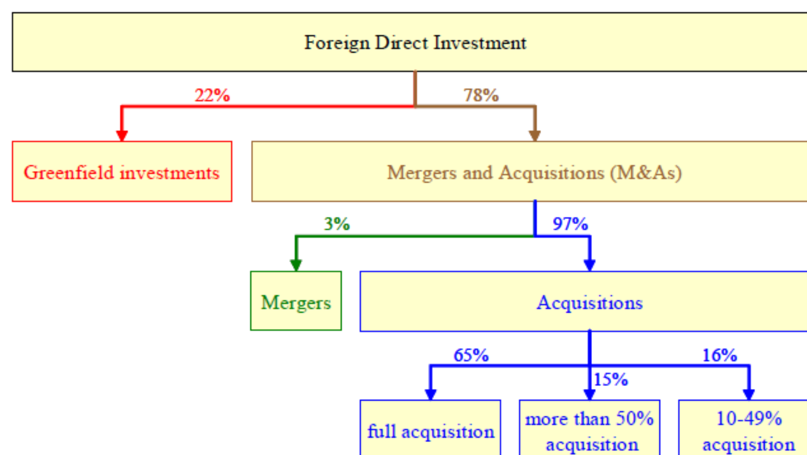
CHAPTER 2

2.1 Cross-border M&A

Definition

When defining a cross-border M&A, the first difference to be pointed out is the one between the term merger and the term acquisition. A cross-border merger takes place when two companies operating in two different countries decide to integrate themselves on a relatively equity basis (Hitt, Harrison, & Ireland, 2001). In this case we are in front of what is called a "merger of equals", assuming that the two involved companies have a similar size. An acquisition happens when a bigger company buys a smaller one in order to expand its business. The acquired company often becomes a business unit of the acquirer one (Hitt, Harrison, & Ireland, 2001). Since an acquisition supposes the prevalence of one of two firms involved in the transaction, we can classify it as a takeover. In fact, a takeover operation "implies that the acquirer is much larger than the acquired" (Sudarsanam, 2003, p. 3).

***Figure 1**: Distribution of different types of FDI*



Source: (Brakman, Garretsen, & van Marrewijk, 2006)

From the above picture, we can see how M&A transactions are the main component of FDI flows and how acquisitions are by far preferred in comparison to mergers. In particular, data points how about three third of total cross-border M&As are represented by full acquisitions. Despite the difference between the terms merger and acquisition is straightforward under a theoretical point of view, the empirical evidence has shown that the border between them can be blurry. For instance, DaimlerChrysler transaction should have been a merge of equal on

paper, but evidence showed that in the end Daimler had acquired Chrysler and contradicted what announced (Hitt, Harrison, & Ireland, 2001).

Literature commonly defines there types of cross-border M&As: vertical, horizontal and conglomerate (Investopedia, 2016). Vertical M&As are transactions involving two companies operating in the same industry but at different stages of a production chain. They can occur in two directions: upstream or downstream (Besanko, Dranove, Shanley, & Schaefer, 2013). Upstream is when a firm merges or acquires another one that is located on an upper level of the product chain and downstream when it is to be found at a lower level of it. Horizontal M&As concern companies operating in the same industry that have the same product line and are competitors. Finally, conglomerate are mergers involving companies that have nothing in common. We can distinguish this type of M&A in pure and mixed (US Department of Commerce, 2016). Pure ones involve companies that have nothing similar at all, while mixed ones concern firms that aim to extend their market or product line.

Reasons for undertaking a cross-border M&A

The reasons that lead a company to merge or acquire are multiple and vary dependently on the type of operation that is chosen: vertical, horizontal or conglomerate. Nonetheless, we can individuate some of them that are behind any kind of cross-border M&A transaction. These are the possibility of reaching scale economies, scope economies and learning economies. Going more into details, the advantages achievable through a vertical merger are technical efficiencies, coordination efficiencies and avoiding agency and influence costs. When considering horizontal mergers, the causes that make them arise are inherent in the market structure where they are operating. “Horizontal mergers often characterize industries and markets whose products are generally in the mature or declining stages of the product life cycle” (Sudarsanam, 2003, p. 97). In fact, by acquiring or merging with firm of the same industry, a company has the possibility to enlarge its range of products or customer base to renew itself and stay competitive on the market. Moreover, merging allows to increase the share on the market to face the fewer but large competitors that characterize mature firms. As for conglomerate mergers, they allow the two merging companies to diversify their business, reaching a larger target audience as well as a stronger market position reducing the overall risk.

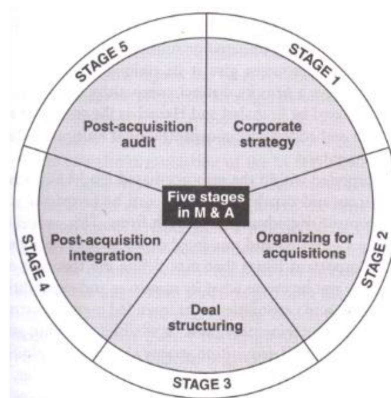
As we have seen, the advantages coming from undertaking a M&A operations are disparate but in order to achieve any of them a synergy between the two companies has to be reached. Synergy “refers to the ability of two or more units or companies to generate value working together than they could working apart” (Johnson & Johnson & Roche, 1998). When engaging

in a merger or acquisition activities, the management of the companies should set a strategy including all the necessary steps to make sure synergy to be achieved. If it is not reached, companies will keep on operating as two separate entities frustrating the merger operation. "One plus one makes three" (Investopedia, 2016): this is a special alchemy and a goal to bear in mind when undertaking M&As operations.

Cross-Border M&A process: the 5 stages model

To describe cross-border M&A process and its steps, I am going to use a model drawn by Sudarsanam (2003). The author's model refers to domestic transactions, but one can assume that cross-border M&A process and domestic one display the same stages. Rather, the differences are to be found in the content of each one of them. Since cross-border M&As assume starting doing business with a foreign country, additional issues have to be taken into consideration when planning, operating and concluding a deal. For this reason, I am going to use Sudarsanam's five stage model only as a frame which I am going to fill in with information gathered from other studies in order to describe the deal process under an international point of view. Noteworthy is the contribution of Schwinger and Very who individuated the problems commonly faced during the process of international cross-border M&A (Very & Schweiger, 2001).

Figure 2*: The five stage model*



Source: (Sudarsanam, 2003)

I am going to describe each stage separately, but some general observation about the overall process can be stated. First, difficulties in cross-border M&As are not triggered by dealing with a foreign country itself, but by the experience that a company has/has not had within that country (Very & Schweiger, 2001). In fact, if some kinds of relationships have already been entertained with a country (e.g. partnerships or collaborations), the company has already some information available or it has reliable sources from where to get some.

Another concept that is worth it to be pointed out is the one of due diligence. Due diligence is a process during which "hundreds of items in such areas as balance of equity and debt capital, sale of assets, transfer of shares, environmental issues, financial performance, tax issues, human resources, and many other business aspects" (Hitt, Harrison, & Ireland, 2001, p. 18) are analyzed in order to get all the information that a company needs to set up the M&A agenda as best as possible. Due diligence process is carried out by specialized people like accountants, lawyers, bankers and management consultants. This process starts from the beginning of an M&A transaction and supports the whole deal procedure until its end. Due diligence process is even more complicated in case of cross-border deals because differences such as in legal structures, accounting practices, laws and currencies may exists between the acquiring and acquired country.

A description of the 5 stages model is then going to be provided:

1.**Corporate strategy**: this phase gives birth to entire process and for this reason it has to be executed in the best way in order to have a good start. First, a company has to make sure that the M&A deal going to be undertaken is supporting the corporate strategy and is in harmony with it (Uhlaner & West, 2008). Every cross-border transaction has to be considered as a strategic instrument to help a company in reaching the goals it has set (e.g. increasing market share and position). To pursue this achievement, the company has to conduct thorough analysis "about target's future revenues, costs, investment needs, and assets and liabilities [and these operation] is one of the major challenges faced by executives undertaking acquisitions" (Very & Schweiger, 2001). These difficulties are particularly exacerbated in case of cross-border M&A, where a company has to analyze a market and business reality way different from the one it is used to. For this reason, the choice of a reliable team of experts is paramount. The information collected has to point out compatibility between the acquiring and acquired company in order to create the conditions to reach the aforementioned synergy and generate value.

2.Organizing for acquisitions: the company has to organize internally before concluding the deal. Some companies see the cross-border process under a "one-size-fits-all" approach, for instance by using the same process to integrate acquisitions for back-office cost synergies and the ones for sales force synergies (Uhlaner & West, 2008). Believing that once a strategy for a deal is drawn it can be used as a passe-partout in every transaction is wrong and such assumption is the reason for many M&A's failures. A company should treasure experiences from past operations but should not use them as a "copy-paste" tool because each deal has its own peculiarities and needs an ad hoc approach. In organizing the company before the deal, great

importance is played by teaching employees and choosing the right people to be put at the guidance of the operation. People involved in the transaction should participate in the procedure since the beginning, even if their task is only referred to a specific part of it. In this way, every participant has a complete knowledge of the deal's agenda and have the background to adopt the best decisions. With regard to this, the integration manager is a good example. Despite his tasks concern the integration phase, he is involved in the procedure since the very beginning. In fact, he "should drive the end-to-end merger management process to ensure that the strategic rationale of a deal informs the due diligence as well as the planning an implementation of the integration effort" (Uhlaner & West, 2008).

3.Deal structuring: this is a focal stage because through the negotiations process the company has to show its ability in achieving the goals and the conditions it had planned in the previous phases. "Even though a buyer may accurately value a target, he may fail during the negotiations to pay an "acceptable" price" (Very & Schweiger, 2001). Price is forecasted on the basis of the expected discounted cash flows and evidence shows a lot of cases where companies were not able to close the deal at target price. This is sometimes due to its over-estimation or to the lack of proper negotiation abilities. Therefore, people involved in the negotiation have to be highly prepared. They are called "deal owners" and are high performing managers or executives (Uhlaner & West, 2008). In case of cross-border transactions, difficulties faced in deal structuring are tougher because the company has to get in contact with another institutional environment, legal system and negotiation style (Uhlaner & West, 2008). Once that the deal is closed, the company does not have to consider it as an arrival. Managers can compute a first performance success ratio measuring how much of the planned objectives were reached, but they should already start thinking how to act in order to translate them from paper to reality.

4.Post-acquisition integration: this phase represents the moment of the truth**,** because, "the success of an acquisition depends on the ability to create added value after it has taken place" (Quah & Young, 2005, p. 68). In fact, is right here when the two involved companies truly meet. For this reason, the post-integration process is so complex as delicate. Leading this process is the integration manager who is involved in the transaction since the beginning. The integration between the two firms has to be homogenous, involving all layers of a company as well as business units. Commonly, firms face three major problems during these phase: (I) overcoming cultural barriers, (II) choosing the new management team, (III) preparing the organization to welcome target employees (Very & Schweiger, 2001). The first problematic is going to be treated separately in the following pages, after having dealt with culture and the issues related to it. As for the second one, a good solution to overcome it is to promote the

retention of the acquired top management. This is warmly suggested when entering a new country because the acquired management team is familiar with the local context. Moreover, this approach allows to create a collaboration climate that certainly helps in starting running the newborn firm. To prepare the organization to welcome new employees in an easier way, a company should have an "acquisition-friendly" structure. In other words, planning an organization system that can easily adapt to structural changes like the ones caused by hosting a new firm.

5.Post-acquisition audit: Often, companies don't pay the due attention to this stage. The common mistake is to consider internal audit issues (IA) not as fundamental. This happens because an M&A deal is often considered as an unique event and therefore interest in codifying the experience and treasure it for future cases is not shown. This is wrong because involving internal auditing in the post-transaction phase "can create organizational efficiencies and ascertain proper control monitoring of new or changes in processes" (Ernst & Young, 2016). Since many acquisitions turn into failure, post-acquisition audit ought to be taken more into consideration to gather more information and analysis to allow companies to obtain a self-awareness that can be useful in facing multiple future circumstances.

All in all, we can state that process of a deal involves a lot of issues, very diverse one from another:

- Strategic issues: planning, forecasting and analyzing;
- Organizational issues: adapt the company's structure to host a new company;
- Human resource issues: choosing the people to involve in the deal and teaching the personnel;
- Cultural issues: get in touch with a new country and organizational culture;
- Legal and institutional issues: tax system, country restrictions and disparate legal hurdles;

As seen before, reaching the preparation level to be ready to handle successfully all of them is very demanding and requires high competences. Despite that, we can individuate an element that is necessary to manage all these variables profitably. It is what Hitt, Harrison and Ireland (2001) call the "global mindset" (p. 147). This way of thinking includes many components like "multicultural values, basing status on merit rather than nationality, being open to ideas from other cultures, being excited rather than fearful in new cultural settings, and being sensitive to cultural differences without being intimidated by them" (Dutton, 1999). A similar attitude renders people more positive towards the challenges posed by a cross-border M&A and helps

in acquiring mental and behavioral elasticity, an ability that is crucial when dealing and getting in touch with a new business reality.

2.2 Cultural differences in international business

When talking about international business, culture appears in two different forms: national and organizational. Even if they are two different concepts, they are strongly connected and separating them is difficult, if not impossible (Schuler & Jackson, 2006).

National Culture

One of the most accredited definition of national culture is the one provided by Geert Hofstede in 1980. The Dutch social psychologist defines culture as “the collective programming of the mind which distinguishes the members of one group or society from those of another” (Hofstede, 1984, p. 82). Such “programming of the mind” is given by some patterns of thinking determined by variables like the upbringing, education and so forth. Culture influences meanings that people give to various aspects of life. Hofstede interviewed more than 100 000 IBM employees in different countries and individuated four dimensions that characterize every single national culture:

1. Individualism vs. collectivism: the degree of interdependence a society maintains among individuals;
2. Large vs. small power distance: the extent to which members of a society accept that power is distributed unequally within it;
3. Strong vs. weak uncertainty avoidance: the degree to which members of a society feel uncomfortable with uncertainty and ambiguity;
4. Masculinity vs. femininity: the first one means a preference for achievement and success while the second one is characterized by the attention towards relationship, caring for the weak and the quality of life.

Hofstede classified 50 countries according to the scores that each one totalized in every dimension (for results see Hofstede, 1984).

Another definition of culture I think is worth it to underline is a recent one that comes directly from the business world, more precisely the coming from Deloitte. The consulting society defines it as “the longstanding, largely implicit shared values, beliefs, and assumptions that influence behavior, attitudes, and meaning in a societies” (Deloitte, 2009, p. 1). From this definition, three major features of culture are underlined. First, culture is implicit. This means

that members of a society find their culture challenging to recognize. Only external people can observe it completely as cultural givens are not implicit to them. Second, as seen in the previous studies, culture influences how people behave and understand their own actions, and last but not least, culture is resilient and not a matter of fad. It is a product of an historical social process and is deeply rooted into people.

Organizational culture

Organizational culture is defined as "the specific collections of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organizations" (Appelbaum, Roberts, & Shapiro, 2009, p. 35). As the definition points out, organizational culture is the product of the country culture into which the company is embedded: "on average, predictable differences can be found when comparing organizations in different countries" (Schuler & Jackson, 2006, p. 58). On the other side, in the international and multicultural scenario, nowadays this connection is not univocal anymore. Employees who have disparate cultural backgrounds characterize multinational corporations and the sum of these can have a strong influence on the organizational culture, independently from where a company is located. Organizational culture can also be a source of competitive advantage. To have this potential, it has to be unique and inimitable and so that to create a corporate way of acting, thinking that make a company stand out from the competitors.

Cross-cultural conflicts and cross-cultural competence

When getting in contacts, two different cultures often observe several difficulties in communicating, negotiating and sharing a common goal provoking a conflict. According to Avruch (1998) a cross-cultural conflict is "a competition by groups or individuals over incompatible goals, scarce resources, or the resources of power needed to acquire them. This competition is also determined by individuals' perceptions of goals, resources, and power and such perceptions may differ greatly among individuals. One determinant of perception is culture, the socially inherited, shared and learned ways of living possessed by individuals in virtue of their membership in social groups" (Avruch, 1998, p. 1). From the definition, we can understand how culture is the main origin of people's attitudes when communicating and entertaining a relationship with individuals coming from other cultures. Dependently on their cultures, people have a different communication styles (language, body language and way of presenting their selves) and different priorities. For this reason, cultural distance covers a crucial role in cross-cultural negotiations and communication. The more cultural distance is strong, the more the difficulties arising during a cross-cultural conflict are likely to be exacerbated.

Nevertheless, there are some actions that can be undertaken in order to avoid cross-cultural conflicts or at least to dampen their intensity. One of them is training and acquiring a "cross-cultural competence" (CC) which is defined as "individual effectiveness in drawing upon a set of knowledge, skills, and personal attributes in order to work successfully with people from different cultural backgrounds at home or abroad" (Johnson, Lenartowicz, & Apud, 2006, p. 530). This competence can be taught. In fact, people can attend some cross-cultural trainings in which they learn how to handle situations involving people having different cultures. Nevertheless, the level of cross-cultural competence that one can obtain is highly dependent from personality and motivational factors characterizing one individual. People having willingness of learning how to interact with different culture are expected to reach a higher level of CC given the amount of information available. One further point determining the effectiveness of cross-cultural competence is how good a person can apply practically what theoretically learnt during the several trainings. To carry out this final operation, people should possess what Kawar calls "cultural intelligence ability" (Kawar, 2012, p. 107). It includes language intelligence, which refers to learning about the counterpart's native language, intrapersonal intelligence, which suppose to be aware of one's own cultural style in order to make adjustments when talking to an international counterpart, and interpersonal intelligence, which refers to the ability of understating people and their motivation. This underlines the importance of having a knowledge of the counterpart's culture but also of being aware of one's own one in order to improve it and adapt it to according to the situations.

2.3 The influence of culture on cross-border M&As

Now that we have acquired a general understanding of cross-border M&As and cultural issues in international business, we are going to deal with them together to see their interdependence. As we saw before, culture is one of the main issues to be taken into consideration in an M&A activity. To display the various sides that culture affects, I am going to use information collected from reports of the consulting societies Deloitte and Bain&Company so that to guarantee a level of reliability.

In a recent study, "culture was found to be the cause of 30 percent of failed integrations" (Deloitte, 2009, p. 1). This percentage underlines that fact that managing culture is very insidious and not all companies turn out to overtake the hurdles related to it. In fact, culture influences many aspects of the M&A process and a company has to be able to manage each one

of them in order to guarantee a successful integration process. Deloitte displays the several aspects that culture touches during an M&A transaction in the following table:

***Figure 3**: M&A sides affected by culture*

Culture affects	
Decision-making style (for example: consensus contrasted with top-down)	How people work together (for example: based on formal structure and role definitions or based on informal relationships)
Leadership style (for example: dictatorial or consultative, clear or diffuse)	Beliefs regarding personal "success" (for example: organizations that focus on individual "stars," or on teamwork, or where people rise through connections with senior practitioners)
Ability to change (willingness to risk new things, compared with focus on maintaining current state and meeting current goals)	

Source: Adpatation from (Deloitte, 2009)

When merging, the different decision making styles can slow down the decisional process, or in the worst case prevent executives to find a shared decision. Furthermore, the leadership style can also affect the turnover rate. If employees are not satisfied with the decisions coming from the top management, they can leave the company. This mainly happens with high skilled employees. In order to avoid such situation, the ritention of the acquired management is a good tool to increase the general consensus. Last but not least, the way that people work together and their perceptions about goals may create disorder under an organizational point of view (e.g. who should do what) and mine the efficiency and efficacy of the operations. All these complications can be prevented through careful actions. Dealing with cultural issues is complex, deriving from the fact that culture is hard to assess and define precisely. This is confirmed by top managements' opinion: "most executives feel more comfortable in dealing with costs and synergies than culture" (McKinsey & Company, 2010, p. 3). To help managers and executives in dealing with cultural integration in cross-border M&A, many consulting societies counsel on the thematic. In particularly, we are going to compare some advice given by Deloitte and Bain&Company.

According to Deloitte, the starting point to manage cultural issues successfully is to set up a rigorous cultural program that includes all the objectives the company wants to reach as well as making sure that they are measurable. The crucial element to guarantee during the integration phase is the communication between the merged firms. The change management is accountable for this and has to carry out aforementioned task together with its main one which has decisional nature. Later, each company has to choose the organizational representatives that speak for all

its members. Normally they are the senior HR and Organizational Development practitioners. When melding the two organizational cultures, the "best side" of each company should be preserved, but sometimes corporate strengths are incompatible. One way to integrate them without eroding their value is to maintain core capabilities separate. For example, in HP-Compaq merger, the new company kept HP's Printer Division with minimal change in order to maintain its excellence. Finally, a company has to make sure that the decisional process adapts to the new organizational culture. A comparison of the two decision styles characterizing the merging companies has to be carried out in order to find a common one that can fulfil all expectations and deadlines desirable.

Bain&Company immediately put attention on the strategy as well, setting as priority the composition of a cultural integration agenda. The first step is to define the cultural objective in broad terms, in particular define which kind of culture the firm wants to build. In order to meld the two cultures successfully, cultural differences between the acquired company and the acquiring one have to be measured. A company can use many tools to obtain a detailed knowledge of the two companies' cultures. They include management interviews to gather information about the managerial styles, video or audio of people in their jobs so that to compare the different ways of working, and customers interviews to identify their perception about each organization. All the information collected build the necessary knowledge to individuate which actions have to be taken and the potential gaps that may arise when the two cultures meets. A powerful tool to help employees working together productively are workshops. In these meeting people discuss and individuate of how they should collaborate and which targets they should achieve. The integration of the two cultures has to involve all layers of the organization, but top management always plays a prominent role in the process. At every single stage, "employees always watch for signals from the top of the organization" (Bain & Company, 2013) and so the top executives have to make sure they are constantly up-to-date and able to answer whatever question in order to guarantee the success of the integration procedure.

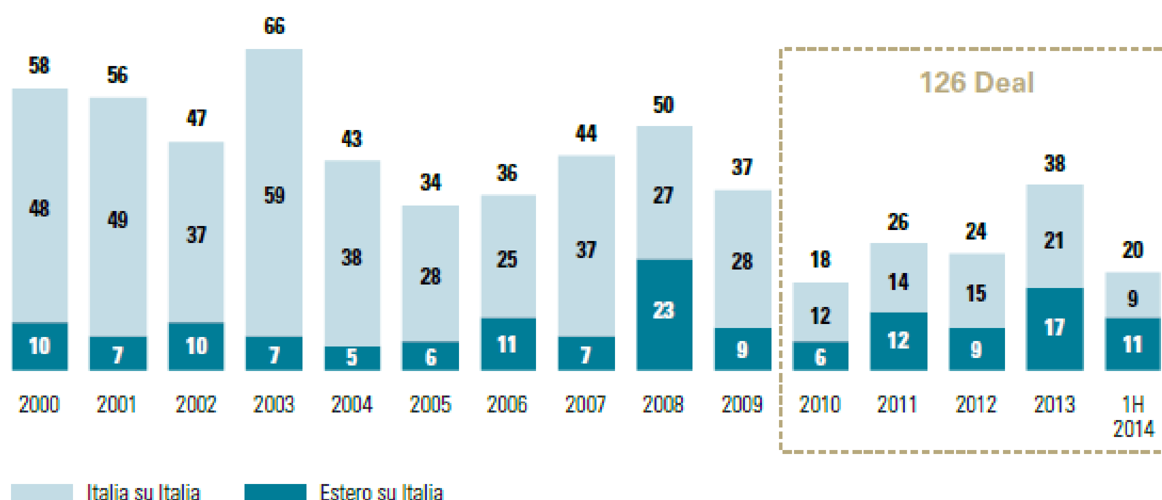
Summarizing, we can state that both consulting societies put their focus on the fact that taking the due actions to manage with culture is not something that can wait until the deal is concluded. All companies ought to adopt a "proactive post-merger people integration" (KPMG, 2011). A careful and precise integration strategy can avoid the emergence of problems as well as representing a landmark throughout the overall process.

CHAPTER 3

3.1Cross-border M&As trend in the Made in Italy Fashion&Luxury sector.

When considering the overall trend of the M&A market in Italy, the financial crisis and the adverse conditions of the economic and political background have demeaned Italy's role both as a buyer and as a target company. Nevertheless, this trend has changed in the last 5 years and the FDI flows targeting Italian companies have started again to increase. In particular, companies of the F&L sector are highly appealing for foreign investors. According to KPMG data, since the beginning of the new century 597 Italian F&L companies have been acquired, and when considering the period 2010-2014, 126 deals have been concluded (KMPG, 2014).

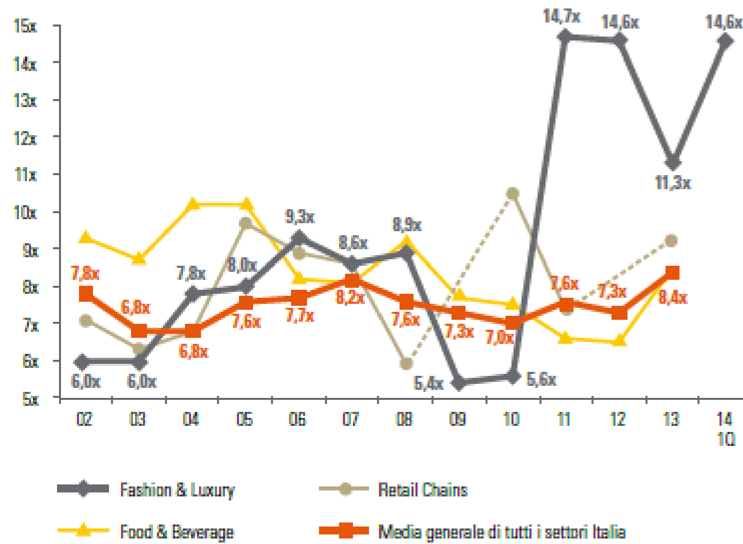
Figure 1*: Number of deals in Italy*



Source: (KMPG, 2014)

From the figure above, we can see how the composition of M&As in this sector have changed: the amount of deals concluded by foreign bidders have remarkably increased when compared to the total number of operations in the last fifteen years. According to the value of the transactions involving a foreign buyer and an Italian company as target, they have generated €20bn, four of which only between 2012 and 2014. This means a constant increase of the value produced by M&As in the Made in Italy F&L sector. Such increasing numbers are justified by the high value of the EBITDA multiple that characterizes the companies of this sector: on average, its was 14 times the EBITDA in 2011, an even more outstanding value when compared to the mean one of the Food&Beverage and Retailing, which is around 7-8 times the EBITDA (KMPG, 2014).

***Figure 2**: EBITDA multiple per sector*



Source: (KMPG, 2014)

These very high EBITDA multiples are not generated by the entity of companies' earnings but rather by intangible aspects that characterize them. First, the value of the brand, a product of a unique process that is strongly embedded in the history and heritage of the company. It cannot be imitated and has the ability to generate value as well as being source of competitive advantage. Other components of the aforementioned intangible aspects are a solid customer relations and base, expertise in the production process and all those that typically form a company's goodwill.

The motives that lead foreign buyers to invest in Italian F&L companies are various. Made in Italy is very regarded and admired abroad and, according to Altagamma data, it is even more appreciated than Made in France (Dainsese & Zanzi , 2016). Made in Italy means Italian creativity, design and a unique production process which is often characterized by a sartorial and artisanal concept that guarantees high quality and sought-after goods. The composition of the sector presents favorable conditions for foreign investors too. It is composed by small-medium sized enterprises that bended by big competitors find themselves in difficulties. The need of funding required by Italian companies meets the demand of foreign companies looking for profitable businesses where to invest their money.

The majority of buyer countries used to be from the West like France, the US and the UK, but in the last years the presence of emerging economies like China, Korea and EMA has changed this trend. The rapid growth of their economies is enriching these countries which are seeking

foreign activities where to invest their money. Among the new emerging buyers, China is holding the leadership.

China and its role in the M&A Made in Italy F&L market

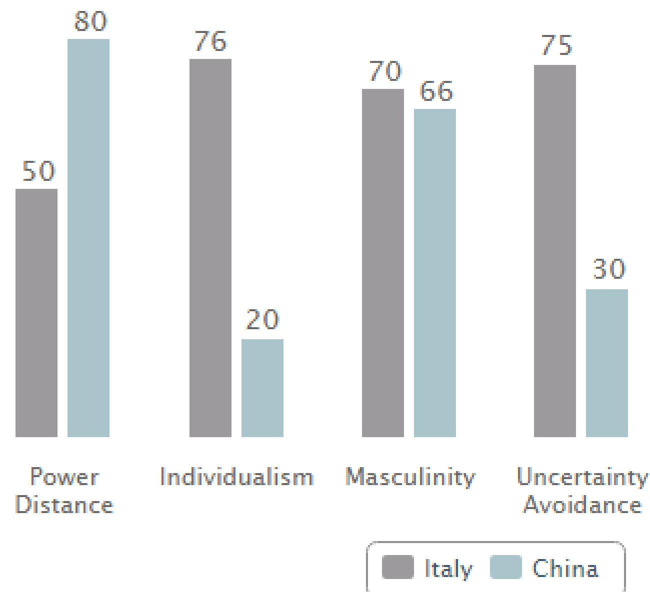
The main investor coming from the Far East is China. Between 2010-2014 it concluded 13 deals, one more than France, showing a significant growth in comparison the previous decade during which it only signed six (KMPG, 2014). What is driving China to invest so much in the Italian peninsula? First of all, financial reasons. Companies in F&L sector, guarantee a high profitability. Nonetheless, these earnings are not immediate but Chinese investors are willing to wait years to see an economic return on their investment. Second, they are interested in learning the technology and know-how implemented in the production process of Made in Italy companies. In fact, since in China the majority of the businesses are concentrated on the mass market, Chinese manufacturers do not possess the competences to work in a market niche. For this reason, Italian companies' takeovers by Chinese investors are often triggered by the desire to learn Italian expertise to export it to their homeland where the cost of labor is lower. The Chinese investment wave towards Italian companies is called "inverse Marco Polo effect". Exactly like the Italian explorer who got fascinated visiting China and took to take to Italy some knowledge and methods, Chinese investors are now aiming to gain techniques and expertise from Italian companies (Vecchi & Brennan, 2014).

3.2 Italian vs. Chinese culture

Chinese and Italian culture present some similarities and differences. During their analysis, I am going to stress the divergence points, since they are the ones that have to be taken more into consideration when acquiring or merging internationally. Both national and organizational culture are going to be described. To deal with the national culture, I am going to use the classification provided by Hofstede (of which we have already discuss the previous chapter), while for describing the organizational one, I am going to use a research based on some face to face interview to Italian companies who have some connections with the Chinese market (Battaglia, Nadin, & Gobbini , 2004).

Chinese and Italian cultures according to Hofstede's cultural dimensions.

Figure 3*: Italy and China scores according to Hofstede's cultural dimensions*



Source: (Hofstede, Cultural Dimensions, 2016)

With a score of 50, Italy is a low power distance country, with a preference for power and decision-making decentralization. This attitude is particular shown among the younger generations, which opt for an open management style. On the other side, China shows an opposite result. With a score of 80, it is the number one country of the power distance ranking. In China, inequality within the society are acceptable and there is no defense against power abuse by the superiors. The two cultures differs according to their level of individualism too. Italian society is considerably individualistic, putting first the single individual rather than on the group, while Chinese people give a lot of importance to the collectivistic dimension and values like trust and cooperation. These two different mindsets turn out into different friendship relationships evaluation at the workplace: for Italians, a friend is just someone that you know and can be useful to introduce you to important or powerful people while for Chinese friendship relationships come before any business or company's task. Despite the strong dissimilarities in power distance and individualism scores, Italy and China totalized a similar score in their degree of masculinity, considering success and assertiveness relevant within their societies. Even if both cultures evaluate competition as important and the workplace the mean through which achieve success, they have different way of acting to pursue it. Italians work to reach higher positions in their company and show their success through status symbols items like cars, boat and exotic vacations. On the other hands, Chinese pursue success mainly under a quantitative point of view. They work until very late and are sacrifice their family and leisure time to gain more money. The two countries return displaying different scores in the extent of

uncertainty avoidance. Italians do not feel comfortable in front of ambiguous situations. The attempts to regulate as much situations as possible has given rise to a complex system of rules that is not easy neither to interpret nor to comply with and this is something that makes Italians very stressful. These endeavors in trying to discipline all the cases that may arise is to be found in the business plans too, which tend to be very detailed and exhaustive. On the other side, Chinese feel at their ease in uncertain situations. They consider rules as adaptable according to the situation and give primary importance to trust and truth, which stand at the basis of their social groups values. These attitude turns out into doing business mainly with trustworthy and close people: 70% of Chinese enterprises tend to be medium-small sized and family owned (Hofstede, Cultural Dimensions, 2016).

If one investigates the differences between Italian and Chinese organizational structures, will realize that they are strongly influences by the national cultures. Chinese organizational culture is very hierarchical with a low level of decisional autonomy, reflecting the high level of power distance that characterizes the Chinese society. Italian companies' tend to have a flatter structure and the delegation of power is high. Another difference between Italian and Chinese organizations concerns the decision-making and problem solving approaches. In Italian companies, they follow a rational scheme, based on certain steps and procedure. In Chinese ones, they follow an instinctive process carried out with a nonlinear approach. The rationales of two contrasting styles are connected to the different extent of uncertainty avoidance of their societies. When considering the similarities between Italian and Chinese organization, they have a similar degree of formality, which is medium, and a similar decisional horizon, which is mainly long-lasting oriented.

3.3 Empirical cases

The following pages are going to be dedicated to the description of two recent Chinese acquisitions that targeted Italian companies: Sergio Tacchini-Hembly International Holdings and Ferretti Group-Weichai Group. These cases have been chosen because they display many differences and give therefore the opportunity to highlight the numerous faceted that characterize a cross-border deal and their interconnection with cultural issues. The cases' analysis is built through information collected from journal articles, the companies' corporate websites and the intelligence server AIDA (as for financial and economic data). The narration of each deal is structured in the same manner: I) companies' outlines, II) acquisition process and its objectives, III) acquisition strategy analysis.

1.Sergio Tacchini and Hembly International Holdings

Companies' outlines

Sergio Tacchini company was founded in 1966 by the homonymous, well-known tennis player with the aim to create a tennis clothing line characterized by the Made in Italy style and quality. Sergio Tacchini is famous for having introduced the colors in the typical white tennis outfit and to have clothed many of the biggest tennis champions. Within a short space of time, Sergio Tacchini became one of the most appreciated Italian brands abroad, appearing in the top five in Italy and France. Sergio Tacchini's success started declining twenty years ago because of the problems in overcoming the big competitors like Nike and Adidas. To stand in the competition arena, the company was forced to start delocalizing the production beyond the European continent. The lack of managerial capacities in pursuing this goal created negative performances and the company started to get into debts. (Kwong, 2008).

Hembly International Holdings Limited is a leader in the provision of apparel supply chain services and was founded in 2000 by its president Billy Ngok. The company boast a lots of collaboration with many prestigious brands like Stonefly, Sisley and Moschino (Hembling Intenrational Holidings Limited, 2008). Headquartered in Hong Kong, Hemby has strong European sales and marketing arms in Italy, France, Sweden and Germany and many operation arms in China (Hembling Intenrational Holidings Limited, 2008).

Acquisition process and objectives

The negotiation process started in May 2007. Hembly already knew Sergio Tacchini because a team assembled by Billy Ngok had run it during the previous year (Kwong, 2008). This allowed Hembly to have already available a lot of information about the Italian company, which lightened the due diligence process necessary for getting to know the acquired company. Moreover, Ngok used to wear Sergio Tacchini creation and was an estimator of the brand. "It's very famous in the Far East," he said. "There is a huge growing middle class here in China and I think the Chinese will like Sergio Tacchini". (Celeste, 2008).

As said before, Hembly's aim was to acquire companies that guaranteed a margin coming directly from the value of their brands. This need espoused perfectly with Sergio Tacchini's one to relaunch its image. The complementarity of the two businesses was promising and the deal was signed in April 2008. Hembly founded an ad-hoc company to speed up the acquisition procedure and save immediately Sergio Tacchini from its debts: H4T, Hembly for Sergio Tacchini. This temporary company would have become effectively part of Hembly

International after the three initial years and the Sergio Tacchini one together with it (Vinciguerra , 2007). Hembly bought " Sergio Tacchini's assets for €27m ($42m) and injected an extra of €33m into the business" (Kwong, 2008). From that moment, the Italian company was named "Sergio Tacchini International" and Hembly became the sole shareholder.

After the conclusion of the deal, the perspectives seemed to be very encouraging. Hembly's plan was to relaunch the brand and to expand Sergio Tacchini in new markets, starting from the Chinese one. Moreover, Chinese aimed to enlarge the company's product range as well. Ngok wanted to expand the core business, which was represented by the tennis clothing line, creating a new line addressed to young people who dress sporty-casual and love Italian style (Vinciguerra , 2007). "We have started to plan several restyling operation, using a mix of our production and distribution expertise and the heritage of the brand. Our goal is to reposition the brand, returning to be direct competitors of Fred Perry and Lacoste" said Billy Ngok (Bottoni, 2008). According to the plan, a part of the production was going to remain in Bellinzago and the other part of it executed by H4T in China. The strategy also foresaw to intensify the presence of the sale points in Italy and Europe and reach a turnover of €100m within 2010 (Bottoni, 2008). In addition, by 2012, 200 sales points should have been open in China and the country should have accounted for about 30% of the brand's global sales. "China will be the engine of growth for Sergio Tacchini" stated Hembly's president. (Kwong, 2008)

However, these promises were not maintained: the totality of the production was dislocated abroad, all sales point in Italy were closed and plenty of Italian employees got fired. A brand that at one time made of its roots and its culture its strength, had lost almost all the connections with its home country. The only Italian things left were the name of the brand and a dozen of employees of the former commercial department in Milan. "When the acquisition took place, investment on the Novara area were promised, but all sales points was closed and the production exported. Sergio Tacchini has not been producing a single model in Bellinzago since many years" said Domenico Turri, responsible of the textile department of CISL trade union. (Giordani, Bellinzago, incubo mobilità alla Sergio Tacchini, 2014). The new Chinese management did not give importance to the heritage of the brand and did not make any effort to maintain the production in house, preferring to give primary importance to the international expansion and to sell production licenses to third parties, limiting Sergio Tacchini only to brand company. All these actions eroded the production's quality and prevented the company from reaching the target image and market it had planned. It is sufficient to have a look at the corporate website and skim a couple of images of the collections to realize that the product is way far from the stylish, affordable-luxury image that Sergio Tacchini International wanted to

give (www.sergiotacchini.com). The Chinese management not only made Sergio Tacchini lose all the Italian character it used to have, but also erode value of the brand and worsened the financial performance. This negative outcome can be seen in Sergio Tacchini International's revenues account.

Figure 4*: Sergio Tacchini International's financial outline*

Bilancio non consolidato	30/06/2015 EUR	30/06/2014 EUR	30/06/2013 EUR	30/06/2012 EUR	30/06/2011 EUR	30/06/2010 EUR	30/06/2009 EUR	30/06/2008 EUR
	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS	12 mesi Dettagliato ICS
Ricavi delle vendite	0	741.939	11.689.865	24.872.226	34.027.255	35.442.844	40.243.700	50.468.764
EBITDA	-1.495.403	-3.705.067	-7.379.361	-6.973.502	-3.136.553	1.189.999	2.956.750	3.959.439
Utile Netto	1.136.141	-1.680.307	-11.913.185	-17.067.216	-6.278.180	-4.548.668	-3.089.323	1.172.380
Totale Attività	11.238.852	17.330.006	21.215.663	33.739.945	47.389.295	51.680.310	57.086.178	67.523.231
Patrimonio Netto	-8.297.989	-18.602.089	-16.921.782	-5.008.597	11.123.612	17.401.792	21.950.460	25.039.783
Posizione finanziaria netta	8.226.212	11.181.470	8.522.408	9.001.854	11.100.764	n.d.	16.032.914	18.539.060
EBITDA/Vendite (%)	-284,85	-244,58	-48,62	-23,69	-8,86	2,89	7,21	7,75
Redditività delle vendite (ROS) (%)	n.s.	n.s.	n.s.	-34,28	-15,09	-8,41	0,33	2,98
Redditività del totale attivo (ROA) (%)	-13,31	-21,38	-55,83	-29,91	-11,27	-6,71	0,23	2,25
Redditività del capitale proprio (ROE) (%)	-13,69	n.s.	n.s.	n.s.	-56,44	-26,14	-14,07	4,68
Debt/Equity ratio	-1,07	-0,64	-0,64	-2,06	1,06	n.d.	0,80	0,78
Debiti v/banche su fatt. (%)	n.s.	n.s.	70,87	35,08	33,16	n.d.	42,24	38,08
Debt/EBITDA ratio	-5,92	-3,20	-1,46	-1,48	-3,74	n.d.	5,97	4,91
Rotaz. cap. investito (volte)	0,00	0,04	0,55	0,74	0,72	0,69	0,70	0,75
Dipendenti	7	71	132	162	171	176	174	176

Source: (Bureau Van Dijk, 2016)

The situation was so critical that Hembly had to ask for help as well. In 2013 Wintex Italy a subsidiary of the Chinese company Wintex, leased under its management the company with the aim to relaunch the brand and strengthen the licenses' net. (Fattorini, 2014). Two years ago, Mr. Sergio Tacchini, the founder of the company, expressed his disappointment about the operations that had been undertaken since the acquisition during an interview with Radio Capital. In front of the disastrous situation, he proposed to rebuy his brand offering €5mln but his offer was refused in favor of Wintex's one. He stated that although Chinese had good capabilities in production, they totally lacked marketing and communication skills and that rebuying Sergio Tacchini at that moment would have meant restarting from zero, with no infrastructures and employees (Tacchini, 2014). Sergio Tacchini International is going to be managed by Wintex Italian until 2017 (Fattorini, 2014).

Acquisition strategy analysis

Sergio Tacchini's acquisition is apparently a case of failure which was caused by wrong choices rooted into a bad understanding of the acquired company and its brand. Among the reasons that made the Italian company collapse even more, several can be related to cultural issues and incompatibility. Once acquired, Hembly forgot about Sergio Tacchini's Italian dimension. The Chinese management gave primary importance to cost-related issues and did not do any effort to maintain the production in house, licensing all product lines to third parties. To this operation followed the closure of all Italian sales point, which cut definitively all Sergio Tacchini's tied

with its homeland. These operations were undertaken without any opposition because after the acquisition the former management was not retained and the leadership passed all into Ngok's executive men's hands. As Mr. Tacchini stated, he has been out of its company since the moment it was acquired. (Tacchini, 2014) The new management was not alert enough to understand that delocalizing would have meant destroying part of Tacchini's heritage and value. These decisions displays some sides that may have been affected by cultural differences and a wrong approach in integrating the two companies. As we have seen before, Chinese culture evaluate success under a quantitative point of view, related to money and to gain the countrymen's regard. This evidence was confirmed by Hembly's president words, who after the conclusion of the deal stated that one has to be successful in his home country (Celeste, 2008). These words also reflect the general attitude that Chinese enterprises have when acquiring foreign companies: their first goal is to bring profit and new expertise to their homeland, concentrating more on their country and companies (KMPG, 2014) and putting little attention to the acquired ones. This is exactly what happened in Tacchini-Hembly acquisition. Evidence of this is the way the post-acquisition integration phase was carried out. The acquirer approach was rather hierarchic: the former management was totally replaced and no efforts were made in trying to establish a collaboration with employees, who were disappointed by the new management and regretted Mr. Tacchini's era (Giordani, 2014). Such hierarchical approach can be justified by the companies' organizational cultures. Sergio Tacchini was a family owned company, characterized by a flat organization in which human dimension and values played an important role, while Hembly, with its huge structure, was more performance oriented. Within the Chinese giant's structure, precise hierarchical roles were established and human-related issues did not have primary importance. If Hembly would have had approached the acquired company differently, trying to cooperate with it and maintaining its heritage, it might have been able to understand better its identity and the necessary choices to take the company back to its old splendor.

2.Ferretti Group and Weichai Group

Companies' outlines

Founded in 1968 by the Ferretti brothers, Ferretti Group is nowadays one of the world's largest luxury yacht manufacturer. Ferretti owns a portfolio of eight unique and top quality brands and boasts modern shipyards located across Italy, which combine the efficiency of industrial production with typical world-class Italian craftsmanship. The group is also present in the USA, through its subsidiary Ferretti Group America and in 80 countries through a net of 60 selected dealers, ensuring customers the best assistance (Ferretti Group, 2016).

Weichai Holding Group was founded in 1946 and is the largest wholly-owned subsidiary of the state-owned Shandong Heavy Industry Group. It is one of the biggest automobile and equipment manufacturing groups and describe itself as an "interdisciplinary, multi-industry international company", with branch companies located in Europe, North America and Southeast Asia as well as with wholly owned or holding subsidiaries located in many Chinese cities. (Weichai Group, 2016).

Acquisition process and objectives

The acquisition process took place between the end of 2011 and the beginning of 2012. A press leased issued by Ferretti Group, dated 10th January 2012, represented the official declaration of the deal's conclusion. Weichai Group acquired 75% of the society paying €374m. With its participation, the Chinese enterprise became the main shareholder while the other 25% of the company kept on being controlled by the creditors. Furthermore, the acquisition changed the structure of Ferretti's capital as well: the equity capital increased of €100m and the debts were reduced of €120m (Ferretti Group, 2012). Before the acquisition, Weichai started putting its eyes on Ferretti Group because was looking for a partnership in order to integrate the yacht business within the company, operation that was one of the next goals of its corporate strategy. Ferrettti Group represented a perfect partner, characterized by a huge production expertise that Chinese manufacturers craved. (Montlake, 2012) The increasing debts and bad financial position that were bending Ferretti Group rendered Weichai's acquisition proposal even more advantageous. The pre-acquisition, enthusiastic perspectives were confirmed after the deal's conclusion by the chairmen of both groups: Tan Xuguang for Weichai and Norberto Ferretti for Ferretti Group.

"Through the acquisition, the Group will cooperate closely with this world-renowned yacht maker, providing Ferretti with new channels to market and capital support as well as other

resources with which it can expand more effectively into emerging markets, a key area of potential growth for Ferretti. Synergies between the Group and Ferretti can be unleashed through the sharing of resources and industrial integration. Ferretti's overall competitive advantages in production cost, sales channels, after-sales service and financial strength will be improved, creating a win-win situation that will allow Ferretti to consolidate its leading position in the luxury yacht market.", said Mr. Xuguang. (PR Newswire, 2012) Mr. Ferretti expressed esteem and optimism as well: "We are very proud of this agreement with a prestigious partner such as SHIG-Weichai Group. We are strongly convinced that this partnership will lead to very satisfactory results and will provide Ferretti Group with a strong capital base that will allow the development of long-term growth plans. Moreover, China is one of the most rapidly developing countries for the yachting sector and has great potential for the coming 5 to 10 years." (PR Newswire, 2012)

Although Weichai Group entered the company with a controlling interest, its integration approach with the Italian yatchmaker was gradual. The former management was retained and Norberto Ferretti continued to play a role in the company, despite Mr. Xuguang started covering his role after the acquisition. The production sites remained the same as well, that is to say for the major part in Italy and for a minor part in Miami (Sakoui & Dinmore, 2011) and (Byrne, 2012). As from the words stated from its chairman, Weichai group acted under a financial and distributive point of view, while the production and the design remain exclusively Italian. The acquisition achieved very positive results and improved remarkably Ferretti's financial position. Alberto Galassi, Ferretti's CEO, announced that the group "will end the year with a profit for the first time since 2009" (bsnell, 2016)

***Figure 5**: Ferretti Group's financial outline*

Bilancio non consolidato Visualizza bilanci consolidati	31/12/2015 EUR	31/12/2014 EUR	31/12/2013 EUR	31/12/2012 EUR	31/08/2011 EUR	31/08/2010 EUR	31/08/2009 EUR	Colonne 31/08/2008 EUR
	12 mesi Dettagliato Origin. IFRS ICS	12 mesi Dettagliato Origin. IFRS ICS	12 mesi Dettagliato Origin. IFRS ICS	16 mesi Dettagliato Origin. IFRS ICS	12 mesi Dettagliato Origin. IFRS ICS	12 mesi Dettagliato Origin. IFRS ICS	12 mesi Dettagliato Origin. IFRS ICS	12 mesi Dettagliato Origin. IFRS ICS
Ricavi delle vendite	306.632.000	244.454.000	302.756.000	28.046.000	351.260.000	209.836.000	271.052.000	380.048.000
EBITDA	20.937.000	-23.860.000	-16.110.000	-16.292.000	25.606.000	-668.000	6.732.000	98.087.000
Utile Netto	-4.881.000	-49.016.000	-67.391.000	-25.393.000	-451.399.000	-38.720.000	-1.129.710.000	6.855.000
Totale Attività	780.019.000	812.951.000	811.318.000	775.348.000	738.069.000	1.117.763.000	1.116.349.000	2.195.940.000
Patrimonio Netto	194.498.000	145.014.000	194.129.000	261.413.000	-315.701.000	135.573.000	174.293.000	348.370.000
Posizione finanziaria netta	-55.869.000	52.073.000	228.657.000	178.390.000	669.549.000	600.079.000	638.917.000	725.553.000
EBITDA/Vendite (%)	6,72	-9,56	-5,19	-52,96	7,02	-0,29	2,32	24,49
Redditività delle vendite (ROS) (%)	0,69	-16,01	-10,50	n.s.	n.s.	-4,92	n.s.	21,78
Redditività del totale attivo (ROA) (%)	0,28	-4,92	-4,02	-2,84	-44,02	-1,01	-56,17	3,97
Redditività del capitale proprio (ROE) (%)	-2,51	-33,80	-34,71	-9,71	n.s.	-28,56	n.s.	1,97
Debt/Equity ratio	0,01	0,64	1,23	0,74	-2,19	4,86	3,69	2,39
Debiti v/banche su fatt. (%)	0,00	35,70	75,44	n.s.	n.s.	n.s.	n.s.	n.s.
Debt/EBITDA ratio	0,14	-3,88	-14,82	-11,87	26,94	-986,24	95,64	8,50
Rotaz. cap. investito (volte)	0,39	0,30	0,37	0,04	0,48	0,19	0,24	0,17
Dipendenti	1.120	1.164	1.206	1.228	1.039	841	1.021	992

Source: (Bureau Van Dijk, 2016)

In addition, Weichai Group convinced Piero Ferrari, the son of Ferrari's founder Enzo Ferrari, to become Ferretti's shareholder and member of the executive board. Ferrari's family owned holding F.Investment holds 13,2% of the shares (ANSA, 2016). The old Ferretti Group, burdened by financial problem and unable to produce value, is just a bad memory. Now the group has restarted to grow and is oriented towards future successes. These results would have not been possible without Weichai Group's cooperation.

Acquisition strategy analysis

Ferretti's acquisition by Weichai Group is a successful deal: the companies were able to individuate their weak and strength points and established a synergic collaboration that is keeping on producing value. The credit for this success belongs especially to Weichai Group and its ability in carrying out a forward-thinking acquisition process and in undertaking many of the actions that are needed in a successful acquisition. Weichai choose Ferretti as a target firm because this was fitting with its corporate strategy's goals. Since the beginning, the Chinese company has shown to have understood the acquired company's heritage and the importance of its connection with the Italian country. Despite of Ferretti's bad financial situation, the production sites and process were maintained in Italy and entrusted exclusively to Ferretti. This is a correct choice because the presence of cultural differences, in this case the difference between Italian and Chinese culture, can often implies differences in aesthetical sense and design. This could have had a bad impact on the final product and on the customers' approval. Moreover, Weichai Group was able to adopt a proper post-acquisition integration approach: the management was retained, except for Norberto Ferretti who was replaced by Mr. Xuguang, but continued the same to play an important role in the company, and the whole integration process was based on collaboration. As we have seen in the previous chapter, retaining the management is a crucial choice in leading a successful acquisition: people from the former executives teams know the company and its people and possess fundamental knowledge about the market as well as the other issues that may indispensable for overtaking various hurdles that may arise. The integration process was simplified thanks to the similarity and compatibility that Ferretti and Weichai display in their organizational culture, which are both based on passion, innovation and quality. A further action that proves Weichai's willingness to collaborate and to maintain Ferretti's connections with Italy was the invitation of Piero Ferrari to become shareholder. The presence of a paramount personality of the Made in Italy like Mr. Ferrari as both as a shareholder and as a member of the executives board, is something that enhance Ferretti's credibility and its role as Made in Italy ambassador enterprise.

CONCLUSION

As we have seen in their analysis, Tacchini and Ferretti acquisitions display several differences under many points of view. I am going to summarize the main characteristics of the two deals in a table so that to have a general overview on their process and to compare them easily.

	Deal's rationale	Acquisition process	Integration phase	Acquisition's outcome
Tacchini-Hembly	-Strategic purpose: acquire brands that guarantee high margin	-€27m+€33m into the business -Relaunch brand and enlarge product range -Production: Italy and China -China engine of ST	-Hierarchical approach -No managment retention -Organizational culture incompatibility	-Brand value destruction -Bad financial performance -Hembly asks for help
Ferretti-Weichai	-Strategic purpose: partnership to integrate yacht business into the company	-€374m+€100m equity capital+ €120m debts reduction -Synergic strategy: Ferretti's production + Weichai financial support and market channels	-Gradual integration -Management retention -Organizational culture compatibility	-Ferretti's performance improvement -New shareholder: Piero Ferrari

We can see how both the acquirer firms, Hembly and Weichai, undertook the acquisition as it represented an opportunity to realize their strategic goals. Starting from the acquisition process, we can individuate two diverging approaches. A first difference can be found in the composition of the investment made on the acquired companies: Hembly paid the price for the acquisition and injected an additional sum into the business, while Weichai's investment aimed to restructure Ferretti's financial position, reducing its debts and increasing the equity capital. A further contrast is to be found in the actions undertaken to reach the deal's objectives. Weichai built its strategic process on cooperation, promoting synergies between the two companies, preserving their excellence areas and supporting the former management. Hembly, on the other side, hinge its strategy on itself and on the Chinese market, putting little attention on Tacchini, reducing its activities and dislocating them abroad.

An element that played a fundamental role on the deals' outcome is represented by how each company carried out the integration phase. Once having acquired Sergio Tacchini, Hembly imposed itself through a hierarchical approach, avoiding management retention and starting leading the new Italian company on its own. Moreover, the incompatibility that the two companies displayed in their organizational culture was an addition hurdle that prevent the two companies from integrating properly. On the other side, Weichai lead its integration phase with a completely different approach: the management was retained and the Chinese firm put collaboration as a primary issue.

The comparison between the two deals points out the importance of choosing the right strategy, not only before the deal's conclusion, but also throughout its entire process. This includes considering many issues that go beyond the mere earnings-related ones. Even if on paper both acquisitions showed good prerequisites for being successful, the crucial element in reaching a positive outcome was played by the actions taken by the companies in implementing their strategies, particularly during their integration phase. This represents an evidence of the theoretical contents seen in the first two chapters: cultural differences and integration strategies between companies should systematically being considered and be put among the central issues to regulate when undertaking a cross-border M&A operation. Not only managers, but the totality of the employees ought to be constantly trained to acquire an elastic mindset and the proper knowledge in order to behave correctly and learning to collaborate with people having different cultural backgrounds. Acting proactively creates the premises to carry out the integration phase more easily, promoting the synergies between the two companies and running a successful deal.

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