

**Analysis of National Cultural Distance for Malaysian and Indonesian Acquirers:
A Cross-Border Mergers and Acquisitions Perspective**

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Abstract

This article attempts to provide evidence of the national cultural distance between Malaysian and Indonesian acquirers and twenty-nine countries worldwide using a survey. Thomson One Banker is used as the main database covering completed Malaysian and Indonesian cross-border M&A cases. According to the results, Indonesian target firms are found to have the smallest cultural distance from Malaysian acquirers out of all the countries studied. This implies that cross-border M&As by Malaysian firms are most likely to succeed when the target is an Indonesian firms due to greater understanding and hence collaboration between the two. Likewise, out of the countries investigated, Malaysian targets are found to have the smallest cultural distance from Indonesian acquirers. These results may be strengthened by the fact that the two are neighbouring countries and have similar languages and cultures, particularly in terms of religious aspects. The study also reveals that the Japanese targets are at the greatest cultural distance from the Malaysian acquirers. Meanwhile, the Thai targets are at the greatest cultural distance from the Indonesian acquirers but have the second smallest cultural distance from the Malaysian acquirers.

1 Introduction

Although many mergers and acquisitions (M&As) do not provide clear financial benefits, the number carried out each year is still rising (United Nations, 2005). Surprisingly, this is not only not only the case for domestic but also for cross-border M&A, due to international business expansion, particularly by Asian firms (Chakravarthy & Ghee, 2012). In China, 110 cases of cross-border M&As were completed in 2011, amounting to nearly 28 billion US dollars in value (Yan, 2012), while Japanese firms announced acquisitions worth more than 53 billion US dollars over the same period. However, such deals dropped by 26% compared to the previous year in Western Europe (Bloomberg, 2011).

Many M&As, particularly those carried out across borders, fail to create value (Very & Schweiger, 2001). Some lead to average performance and most to financial disappointment, especially for the acquiring firm (Cartwright & Schoenberg, 2006; Marks & Mirvis, 2011). One of the challenges in cross-border M&As is the national cultural distance between the country of the acquirer and that of the acquired firm, which plays an important role in determining whether the new company is successful (Morosini et al., 1998; Reus & Lamont, 2009). Yet, despite the fact that national cultural distance is relevant to the performance of cross-border M&As, in the literature the topic is scarce when it comes to the context of South East Asia.

Thus, the present study is designed to examine this phenomenon by exploring cross-border M&As in Malaysia and Indonesia. One of the motivations for this paper is to determine the national cultural distances between and compare the 29 nations of firms involved in amalgamations with Malaysian and Indonesian firms over the period 2000-2006, just after the catastrophic South East Asian financial crises of 1997-2000 (Agami, 2002). Malaysia and Indonesia are emerging countries in South East Asia, which are experiencing in particular improvements in financial development that have contributed to a rise in M&As originating from these countries (Brooks & Jongwanich, 2011). An objective of the paper is to demonstrate how acquisition patterns between Malaysia and Indonesia relate to cultural distance.

Thus, this paper aims to contribute to the national cultural distance and cross-border M&A literatures by identifying cultural distances between acquired firms and acquirers from Malaysia and Indonesia in the context of cross-border M&As and comparing the results obtained for these two focal countries. Accordingly, the paper is structured as follows: Firstly, we will present the demographic profile of firms involved in amalgamations with Malaysian and Indonesian firms. Then, we will measure cultural distance using Kogut & Singh's (1988) index and examine the results for Malaysia and Indonesia. Finally, we will present the findings and draw conclusions.

2 Cross-Border Mergers and Acquisitions

The increasing trend for cross-border or international M&As has been motivated by a variety of strategic considerations, which normally differ from the reasons behind domestic M&As. Compared to domestic M&As, cross-border M&As have face more challenges in terms of increasing the firms' value because they involve different environments, cultures, policies and procedures. Despite this, cross-border M&As represent an increasingly popular internationalization strategy especially in the current economic crisis (Aybar & Ficici, 2009;

Ghuri & Buckley, 2003). According to Zaheer (1995), companies engaging in cross-border M&As face unique risks, such as the 'liability of foreignness and double-layered acculturation', which refers to differences in national culture, customer preferences, business practices and institutional forces, such as government regulations. All of these can pose major problems for companies in realizing their strategic objectives.

Historically, research on the international expansion of firms was focused primarily on the decision to export versus the use of foreign direct investment (FDI) (Fladmoe-Lindquist, 1996). However, business expansion via cross-border M&As, which is also known as agronomic business expansion, is popular among multinational companies. Gaughan (2011) points out that expansion is one of the most common motives for a M&A and adds that international M&As can be a quicker way to expand than domestic approaches. However, business conducted through cross-border M&As is more complex, owing to differences in political and economic environments, corporate organizations, culture, traditions, tax rules, laws and accounting rules between the country of the acquirer and the target firm (Sudarsanam, 2003).

Shimizu et al. (2004) noted that cross-border M&As can be used to access new and lucrative markets, effectively expanding the market for a firm's current goods. Firms are able to expand their capabilities as well as their networking via the use of the acquired firms' resources. The authors also stated that the choice of a cross-border M&A as a mode of entry into a foreign market is most often influenced by the following: (1) firm-level factors such as multinational experience, local experience, product diversity and international strategy; (2) industry-level factors such as technological intensity, advertising intensity and sales force intensity; (3) country-level factors such as market growth in the host country, cultural idiosyncrasies between the home and host countries and the specific culture of the acquiring firm's home country (uncertainty avoidance and risk propensity).

Similarly, Hopkins et al. (1999) explained that there are four distinct but related motives behind cross-border M&As: strategic, market, economic and personal. Of these, the market motive, whereby M&A is used as an alternative means to enter a new market in a new country, is most significant to this study.

M&A is considered to be a very quick and sound way to gain a strong position in a new market or at least to be on a par with the local market leader. An example of the potential success of the strategy is provided by the acquisitions in 1997, of Mutiara Telecommunication by Digi.Com, which was owned by Digi Swiss.Com. Today, based on the number of subscribers, they are the third largest cellular telecommunication network service provider in Malaysia (Prathaban, 2006).

In 1999, as a result of a somewhat chaotic pattern of M&As in Malaysia, the banking industry there was urged by the Malaysian Central Bank to integrate and combine into six major groups (Shanmugam & Nair, 2003). These banks were to be known as the 'anchor banks'. The strategy was aimed at preparing local banks to face the liberalization of the banking industry, that had occurred due to the emergence of the Asian Free Trade Area (AFTA). In the end, companies profited by using M&As to cross national boundaries. The best example of this is that of Maybank, one of the leading banks in Malaysia, which now legally owned 93.92% of PT Bank Maybank Indocorp of Indonesia (Abidin, 2008).

The Malaysian government has also recognized the cross-border M&A as one of the tools that can be used to assist its transformation plan for GLCs (government-linked companies) based on cross-border expansion and diversification (Barrock, 2006). Telekom Malaysia Berhad (TM) and Maxis Communication Berhad, two local telecommunications companies, have ventured abroad by using M&As to acquire firms in India and Indonesia (Jayaseelan, 2006). In Indonesia, Maxis owns PT Natrindo Telepon Seluler, while TM has taken over PT Excelcomindo. Meanwhile, in India, Maxis acquired Aircel and TM acquired Spice. The most recent cross-border M&A took place between CIMB and the Manila-based Bank of Commerce for a value of Ringgit Malaysia (RM) 881 million (Ahsan, 2012).

Despite the substantial developments that have taken place regarding M&As, cross-border M&A studies are generally fragmented across many academic disciplines (Larsson & Finkelstein, 1999; Shimizu et al., 2004) and tend to be industry-dependent (Hopkins et al., 1999). Particularly, neglected have been the patterns and trends in cross-border M&As with the exception of a study conducted by Metwalli and Tang (2002).

3 National Cultural Distance and Cross-Border M&As

Cultural distance is an unavoidable factor in international business especially in the context of M&A integration (Ghuri & Buckley, 2002; Reus & Lamont, 2009; Yamin & Golesorkhi, 2010). National cultural distance can be defined as the degree to which the cultural norms in one country are dissimilar from those in another country (Kogut & Singh, 1988). Culture is not easily modified, and this is clearly demonstrated when two cultures are brought into close contact, as typically occurs when two firms merge (Ross, 1999). In M&As, lack of cultural fit is among the factors that contribute to failure (Nahavandi & Malekzadeh, 1988; Yaakov Weber et al., 2009). However, studies such as Morosini et al. (1998) have revealed that national cultural distance can also bring positive outcomes, through the diversity in routines and repertoires that comes from having staff with different backgrounds, which in turn facilitates the building of a unique organizational cultural environment.

Kogut & Singh (1988) claimed that the cultural distance between two countries influences the choice of entry mode from one into the other. They looked at 228 entries into the US through M&As, Greenfield projects and joint ventures. Using Hofstede's indices, they formed a composite index and found that, when cultural distance is greater, firms tend to choose joint ventures over acquisitions. This may indicate that, the greater is the cultural distance between the acquirer and the acquired firm, the lower is the probability of a successful acquisition, making a joint venture a more attractive option.

Another study, conducted by Slangen (2006), investigated the issue of cultural distance in a marketing integration setting within an M&A context. His findings revealed that greater differences in national cultures diminish M&A performance if the acquired firm is being completely integrated into the acquiring firm, but that the M&A performance will not be affected if the extent of the integration is limited. He stressed that it is advisable for the acquirer not to intervene actively in the acquired firm's business dealings. He measured national cultural distance using Kogut & Singh's (1988) index, and looked at differences in country scores along each of Hofstede's (2001) four dimensions.

Similar results were obtained by Reus & Lamont (2009), who revealed that cultural distance negatively affects international acquisition performance because it affects the

integration capabilities during such acquisitions. There is a positive association between integration capabilities and international acquisition performance because the former provides greater learning opportunities. Majidi (2007) examined cultural effects on international M&As, based on low and high cultural distance. The findings showed that managers are less comfortable in high than in low cultural distance international M&As. Furthermore, the higher is the national cultural distance, the more visible and recognizable are the national identities involved. Finally, lower cultural distance is an advantage (asset) while higher cultural distance is a disadvantage (liability). Malhotra & Sivakumar (2011) stressed that the combination of cultural distance and market potential can determine the maximum level of investment a firm should make in a cross-border M&A. Their results for cultural distance are contrary to existing research which showed that optimal cultural distance and the optimal market potential for an unrelated cross-border M&A is higher than those in a related cross-border M&A. This might be due to optimal cultural distance maybe low for related cross-border M&A are more strategic in nature.

Therefore, we would argue that, the greater is the cultural distance, the higher is the risk for the acquired firm in a cross-border M&A. Thus,

H1: The lower is the cultural distance, the greater for Malaysian firms to apply M&A

H2: The lower is the cultural distance, the greater for Indonesian firms to apply M&A

4 Methodology

4.1 Data Administration

A survey was used in 2008 to collect data about cross-border M&A transactions undertaken by Malaysian and Indonesian firms over a period of seven years (2000-2006). This seven-year period was chosen because it represents the recovery period for South East Asian countries, especially Malaysia, Thailand and Indonesia, following the Asian financial turmoil of 1997-1999 (United Nations, 2000). The M&A cases were collected from the Thomson One Banker database. We also confirmed selected cases with the local stock exchange agencies: for Malaysia, the Securities Commission and Bursa Malaysia and, for Indonesia, the Indonesian Business Directory, the Jakarta Stock Exchange and the Indonesian Investment Coordination Board.

We set a minimum value of one million US dollars for the cross-border transactions included in our sample, which is lower than the 10 million US dollars proposed by Kogut & Singh (1988). The rationale behind this is that the currencies of countries such as Malaysia and Indonesia and the strength of their firms are not as high as in developed countries. And most of the transaction values are lower. If we had used a threshold of 10 million US dollars, we would have ended up with a much-reduced sample. On the other hand, according to the transaction values reported by the Securities Commission Malaysia and the Jakarta Stock Exchange, most of the transactions valued below one million US dollars were acquisitions by internal shareholders and unlikely to have involved departmental integration let alone to have been cross-border M&As. We did not restrict the sample to any particular sector or industry.

4.2 Data Collection

Out of the 1,697 M&A cases listed in Thomson One Banker, we identified 250 completed, cross-border cases involving Malaysian acquirers and 18 involving Indonesian acquirers. Of these, nine from Malaysia and three from Indonesia were discarded as they were acquisitions by shareholders or investor groups. Next, we identified those cases with a value greater than 1 million US dollars leaving a final sample of 163 qualifying cases. We then contacted these companies personally to identify contact persons, explaining in detail what we intended to do and what participation in the survey process would involve. As a result, another 17 cases were discarded because the contact person was unwilling to participate, leaving 146 cases remaining.

Next, the multiple follow-up method was applied, following the survey approach of Dilman (2007). The most useful collection method was found to be email (sending the survey as an attachment), followed by collecting the survey in person. Mailed surveys were found to be second, although we sent out additional questionnaires to encourage participation. In the end, we received 112 questionnaires, of which 109 were useable.

4.3 Cultural Distance Measures

This study employs the cultural distance measurement index suggested by Kogut & Singh (1988) as shown in Equation 1. However, we use cultural differences based on the country scores proposed by the Global Leadership and Organizational Behaviour Effectiveness (GLOBE) index (House et al., 2004). The GLOBE index is the latest study to have examined cultural perspectives and improves on Hofstede's cultural index (Javidan, 2007).

We examine the following nine dimensions of the GLOBE index proposed by House et al. (2004):

| | |
|-----------------------------|---|
| Uncertainty avoidance: | The extent to which uncertainty is avoided by relying on established social norms |
| Power distance: | The extent and acceptance of an unequal distribution of power |
| Institutional collectivism: | The degree to which collective distribution of resources is rewarded |
| In-group collectivism: | The degree to which individuals express pride, loyalty and cohesiveness in society |
| Gender egalitarianism: | The degree to which the society minimizes gender role differences |
| Assertiveness: | The degree to which individuals are assertive, confrontational and aggressive in social relationships |

| | |
|--------------------------|--|
| Future orientation: | The degree to which the society engages in future planning, investing and delaying gratification |
| Performance orientation: | The degree to which individuals are rewarded for performance improvements |
| Human orientation: | The degree to which individuals are rewarded for being fair, altruistic and kind |

Equation 1: Cultural Distance Measurement

$$CD_j = \sum_{i=1}^4 \{ (I_{ij} - I_{iu})^2 / V_i \} / n$$

CD_j = the overall cultural distance between countries u and j

n = number of cultural dimensions

I_{ij} = index for the i cultural dimension of the j country (acquirer countries: Malaysia and Indonesia)

I_{iu} = index for the i cultural dimension of the u country (target countries)

V = variance in the scores of the I dimension (calculated using the scores of all countries reported by GLOBE)

According to Hofstede (2006), the GLOBE research project, which used industrial data from 62 nations, is a major piece of cross-cultural research. In fact, GLOBE adopted Hofstede's five cultural dimensions. Conceived by Robert H. House, the project involved 170 voluntary collaborators collecting data from approximately 17,000 managers from 951 organizations worldwide, particularly from the food processing, financial services and telecommunications industries. Consequently, it is more relevant and up to date than Hofstede's original study, and more suitable for determining cultural distance in the present study.

Despite the popularity of this construct in much business and management research, there is some criticisms of cultural distance, and particularly of the phenomenon of culture, which is argued to be difficult to conceptualize and measure through such fixed, objective and homogenous measurements (Shenkar, 2001, 2012). This criticism was also acknowledged by Zaheer et al. (2012) who suggested restoring the credibility of cultural distance by considering more closely the process used to apply the distance construct as an explanatory factor. This could lead to a more in-depth distance construct for capturing the core disciplines that regulate cross-cultural environments, particularly in international business environments.

While acknowledging these limitations, our paper considers Kogut & Singh's (1988) index, the most widely used measure, to be the best measure of national cultural distance, particularly when used in combination with the Hofstede and GLOBE cultural index. This

approach is also in line with cultural distance studies conducted by Slangen (2006), Malhotra & Sivakumar (2011) and Reus & Lamont (2009).

5 Results and Findings

5.1 Industry Background

We conducted a multiple rather than a single-industry survey, mainly due to the relatively low number of cross-border M&As in Malaysia and Indonesia compared to developed countries such as the US and European countries. In fact, many recent M&A studies have employed a multiple-industry approach (Cording et al., 2008; Homburg & Bucerius, 2005; Richey et al., 2008). The industries were identified using an ordinal scale, which allowed the respondents to easily identify their particular industry. The distributions of industries are presented in Table 1. Overall, there were 40 industries involved. This type of industry classification has been used by other researchers in M&A studies (Cording et al., 2008; Homburg & Bucerius, 2005; Richey et al., 2008). It is suitable here as there are not many cases and it serves to highlight each industry in detail. We also specify the actual sample data (cases) obtained from the survey. This is crucial as we can see a pattern in terms of which industries contributed to the study.

5.2 Country of Origin of the Acquired Firm

Table 2 shows the distribution of the countries of origin of the acquired firms involved in the cross-border M&As undertaken by the Malaysian and Indonesian firms surveyed. According to the results, the largest segment of firms targeted by the Malaysian firms came from Indonesia (17 cases). In contrast, the Indonesian firms acquired only one Malaysian firm. The table shows that four other countries also feature highly, namely China (11 cases), India (9 cases), Singapore (13 cases) and Thailand (14 cases). Overall, the target firms came from 29 different countries.

5.3 Types of M&A

As this study looks at multiple industries rather than focusing on a single industry, we divide the sample by type of M&A, as proposed by Kitching (1967). Kitching established the underlying causes for variations in M&A performance using a sample of 22 companies involved in 69 acquisitions. His study investigated five types of M&A, namely, horizontal, vertical, conglomerate, concentric marketing and concentric technology. However, we employed only three of these. We excluded concentric marketing and concentric technology as these M&A types are very specific and may have confused the respondents. Table 3 shows the distribution of our sample by type of M&A. Horizontal M&As dominate (56%). Vertical and conglomerate make up 28% and 16% of the sample respectively.

Table1: Distribution of Collected Cases by Industry

| Industry | Number of Cases | Non Response Cases | Missing / Incomplete | Collected Cases |
|-------------------------|-----------------|--------------------|----------------------|-----------------|
| Automotive | 6 | 2 | | 4 |
| Brokerage and Commodity | 4 | 1 | | 3 |
| Computing and Wireless | 5 | 3 | | 2 |
| Construction | 7 | | | 7 |
| Construction Materials | 2 | 1 | | 1 |
| Chemical | 3 | 2 | | 1 |

| | | | | |
|------------------------------|------------|-----------|----------|------------|
| Clothing | 5 | 3 | | 2 |
| Consulting | 3 | 1 | | 2 |
| Property Developer | 2 | | | 2 |
| Electronics | 7 | 0 | 1 | 6 |
| Engineering | 7 | 2 | | 5 |
| Food and Beverages | 6 | 2 | | 4 |
| Other Financial Services | 6 | 4 | 1 | 1 |
| Furniture | 1 | | | 1 |
| Healthcare Equipment | 3 | | | 3 |
| Health Products | 1 | | | 1 |
| High Technology | 1 | | | 1 |
| Hotel Services | 1 | | | 1 |
| Household and Consumers | 3 | 1 | | 2 |
| Investment Banks | 3 | | | 3 |
| Insurance | 3 | 1 | | 2 |
| Machinery | 6 | 5 | | 1 |
| Manufacturing | 5 | 2 | | 3 |
| Manufacturing Equipment | 2 | 1 | | 1 |
| Media Broadcasts | 1 | | | 1 |
| Metal and Mining | 3 | 1 | | 2 |
| Oil & Gas Products | 8 | | | 8 |
| Publishing and Advertising | 2 | | | 2 |
| Petrochemical | 3 | | | 3 |
| Packaging | 1 | | | 1 |
| Plantation and Agribusiness | 6 | 2 | | 4 |
| Pharmaceutical | 3 | 1 | | 2 |
| Retail Banking | 3 | | | 3 |
| Retailing | 2 | | | 2 |
| Software | 8 | 1 | 1 | 6 |
| Transportation and Logistics | 2 | | | 2 |
| Telecommunications | 7 | 1 | | 6 |
| Trading and Wholesale | 2 | | | 2 |
| Utilities and Infrastructure | 3 | | | 3 |
| Missing | | | | 3 |
| Total | 146 | 37 | 3 | 109 |

Table 2: Countries of Origin of Firms Acquired by Malaysian and Indonesian Firms

| Country | Number of M&A Cases Acquired by Malaysian Firms | Number of M&A Cases Acquired by Indonesian Firms |
|--------------|---|--|
| Australia | 4 | 2 |
| Bangladesh | 1 | |
| Brunei | 1 | |
| Cambodia | 2 | |
| China | 9 | 2 |
| Egypt | 1 | |
| France | 1 | |
| Germany | 1 | |
| Hong Kong | 1 | 1 |
| India | 9 | |
| Indonesia | 17 | |
| Italy | 1 | |
| Japan | 1 | |
| Malaysia | 1 | 3 |
| Mauritius | 2 | |
| Netherlands | 3 | |
| New Zealand | 1 | |
| Pakistan | 1 | |
| Philippines | 2 | |
| Singapore | 8 | 5 |
| South Africa | 1 | |

| | | |
|--------------------------|-----------|-----------|
| Sri Lanka | 1 | |
| Sudan | 1 | |
| Taiwan | 4 | |
| Thailand | 13 | 1 |
| United Kingdom | 5 | |
| United States of America | 4 | 1 |
| Vietnam | 2 | |
| Total | 94 | 15 |

Table 3: Distribution by M&A Type

| Type of M&A | Frequency | Percentage (%) |
|--------------|-----------|----------------|
| Horizontal | 68 | 62.4 |
| Vertical | 26 | 23.9 |
| Conglomerate | 15 | 13.8 |

N = 109 (Number of respondents)

5.4 Experience of Cross-Border M&As between Malaysia and Indonesia

Table 4 shows the distribution of cross-border M&A experience among the sample. The data were grouped into four categories: 1-5 years, 6-10 years, 11-20 years and more than 20 years of experience. The most frequently observed category of 51 firms was 1-5 years of experience indicating that most of the firms involved in cross-border M&As in Malaysia and Indonesia are still new and most probably still learning and adapting to this international business strategy. A further 37 firms fell into the category of 6-10 years and 20 were in the 11-20 years category. Just one company (from Malaysia) had more than 21 years of experience in cross-border M&As.

Table 4: Distribution of Experience in Cross-Border M&As among the Malaysian and Indonesian Acquiring Firms

| Experience of Cross-Border M&As | Indonesia | | Malaysia | | Total |
|---------------------------------|-----------|-------------|-----------|-------------|------------|
| 1 to 5 Years | 11 | 73.3% | 40 | 42.6% | 51 |
| 6 to 10 Years | 3 | 20% | 34 | 36.2% | 37 |
| 11 to 20 Years | 1 | 6.7% | 19 | 20.2% | 20 |
| More than 21 Years | 0 | 0 | 1 | 1.1% | 1 |
| Total | 15 | 100% | 94 | 100% | 109 |

6 Cultural Distance Results

Table 5 shows the results for the national cultural distance between Malaysia and the acquired firms' countries. Altogether, firms from 29 different countries had been taken over by Malaysian acquirers. However, two countries, Brunei and Mauritius, are not included in this analysis as they do not have GLOBE cultural indices.

Table 5: Cultural Distance of GLOBE index between Malaysia and their Acquired firms

| Dimensions | Malaysia | Australia | Bangladesh | Cambodia | China | Egypt | France | Germany | Hong Kong | India |
|---------------------|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PO | 4.34 | 4.36 | 4.25 | 3.93 | 4.45 | 4.27 | 4.11 | 4.09 | 4.80 | 4.25 |
| FO | 4.61 | 4.09 | 4.19 | 3.43 | 3.75 | 3.86 | 3.48 | 3.95 | 4.03 | 4.19 |
| GE | 3.51 | 3.40 | 2.90 | 3.35 | 3.05 | 2.81 | 3.64 | 3.06 | 3.47 | 2.90 |
| AS | 3.87 | 4.28 | 3.73 | 3.64 | 3.76 | 3.91 | 4.13 | 4.73 | 4.67 | 3.73 |
| IC | 4.61 | 4.29 | 4.38 | 4.03 | 4.77 | 4.50 | 3.93 | 3.79 | 4.13 | 4.38 |
| IGC | 5.51 | 4.17 | 5.92 | 5.70 | 5.80 | 5.64 | 4.37 | 4.52 | 5.32 | 5.92 |
| PD | 5.17 | 4.74 | 5.47 | 5.63 | 5.04 | 4.92 | 5.28 | 5.25 | 4.96 | 5.47 |
| HO | 4.81 | 4.28 | 4.57 | 4.81 | 4.36 | 4.73 | 3.40 | 3.40 | 3.90 | 4.57 |
| UA | 4.78 | 4.39 | 4.15 | 3.93 | 4.94 | 4.06 | 4.43 | 5.22 | 4.32 | 4.15 |
| PO distance | | -0.02 | 0.11 | 0.32 | -0.52 | 0.18 | 0.16 | 0.02 | -0.71 | 0.55 |
| FO distance | | 0.52 | -0.10 | 0.76 | -0.32 | -0.11 | 0.38 | -0.47 | -0.08 | -0.16 |
| GE distance | | 0.11 | 0.50 | -0.45 | 0.30 | 0.24 | -0.83 | 0.58 | -0.41 | 0.57 |
| AS distance | | -0.41 | 0.55 | 0.09 | -0.12 | -0.15 | -0.22 | -0.60 | 0.06 | 0.94 |
| IC distance | | 0.32 | -0.09 | 0.35 | -0.74 | 0.27 | 0.57 | 0.14 | -0.34 | -0.25 |
| IGC distance | | 1.34 | -1.75 | 0.22 | -0.10 | 0.16 | 1.27 | -0.15 | -0.80 | -0.60 |
| PD distance | | 0.43 | -0.73 | -0.16 | 0.59 | 0.12 | -0.36 | 0.03 | 0.29 | -0.51 |
| HO distance | | 0.53 | -0.29 | -0.24 | 0.45 | -0.37 | 1.33 | 0.00 | -0.50 | -0.67 |
| UA distance | | 0.39 | 0.24 | 0.22 | -1.01 | 0.88 | -0.37 | -0.79 | 0.90 | 0.17 |
| PO distance square | | 0.00040 | 0.01210 | 0.10240 | 0.27040 | 0.03240 | 0.02560 | 0.00040 | 0.50410 | 0.30250 |
| FO distance square | | 0.27040 | 0.01000 | 0.57760 | 0.10240 | 0.01210 | 0.14440 | 0.22090 | 0.00640 | 0.02560 |
| GE distance square | | 0.01210 | 0.25000 | 0.20250 | 0.09000 | 0.05760 | 0.68890 | 0.33640 | 0.16810 | 0.32490 |
| AS distance square | | 0.16810 | 0.30250 | 0.00810 | 0.01440 | 0.02250 | 0.04840 | 0.36000 | 0.00360 | 0.88360 |
| IC distance Square | | 0.10240 | 0.00810 | 0.12250 | 0.54760 | 0.07290 | 0.32490 | 0.01960 | 0.11560 | 0.06250 |
| IGC distance square | | 1.79560 | 3.06250 | 0.04840 | 0.01000 | 0.02560 | 1.61290 | 0.02250 | 0.64000 | 0.36000 |
| PD distance square | | 0.18490 | 0.53290 | 0.02560 | 0.34810 | 0.01440 | 0.12960 | 0.00090 | 0.08410 | 0.26010 |
| HO distance square | | 0.28090 | 0.08410 | 0.05760 | 0.20250 | 0.13690 | 1.76890 | 0.00000 | 0.25000 | 0.44890 |
| UA distance square | | 0.15210 | 0.05760 | 0.04840 | 1.02010 | 0.77440 | 0.13690 | 0.62410 | 0.81000 | 0.02890 |
| PO value | | 0.00051 | 0.01545 | 0.13078 | 0.34534 | 0.04138 | 0.03269 | 0.00051 | 0.64381 | 0.38633 |
| FO value | | 0.15407 | 0.00570 | 0.32912 | 0.05835 | 0.00689 | 0.08228 | 0.12587 | 0.00365 | 0.01459 |
| GE value | | 0.01793 | 0.37037 | 0.30000 | 0.13333 | 0.08533 | 1.02059 | 0.49837 | 0.24904 | 0.48133 |
| AS value | | 0.14592 | 0.26259 | 0.00703 | 0.01250 | 0.01953 | 0.04201 | 0.31250 | 0.00313 | 0.76701 |
| IC value | | 0.09250 | 0.00732 | 0.11066 | 0.49467 | 0.06585 | 0.29350 | 0.01771 | 0.10443 | 0.05646 |
| IGC value | | 0.33307 | 0.56808 | 0.00898 | 0.00185 | 0.00475 | 0.29918 | 0.00417 | 0.11872 | 0.06678 |
| PD value | | 0.13003 | 0.37475 | 0.01800 | 0.24480 | 0.01013 | 0.09114 | 0.00063 | 0.05914 | 0.18291 |
| HO value | | 0.13005 | 0.03894 | 0.02667 | 0.09375 | 0.06338 | 0.81894 | 0.00000 | 0.11574 | 0.20782 |
| UA value | | 0.10120 | 0.03832 | 0.03220 | 0.67871 | 0.51524 | 0.09108 | 0.41524 | 0.53892 | 0.01923 |
| CD value | | 1.10528 | 1.68151 | 0.96344 | 2.06330 | 0.81248 | 2.77142 | 1.37500 | 1.83656 | 2.18247 |

Table 5: Cultural Distance of GLOBE index between Malaysia and their Acquired firms (Continued)

| Indonesia | Italy | Japan | Netherlands | New Zealand | Pakistan | Philippines | Singapore | South Africa | Sri Lanka | Sudan | Taiwan |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 4.41 | 3.58 | 4.22 | 4.32 | 4.72 | 4.25 | 4.47 | 4.90 | 4.66 | 4.25 | 4.27 | 4.56 |
| 3.86 | 3.25 | 4.29 | 4.61 | 3.47 | 4.19 | 4.15 | 5.07 | 4.64 | 4.19 | 3.86 | 3.96 |
| 3.26 | 3.24 | 3.19 | 3.50 | 3.22 | 2.90 | 3.64 | 3.70 | 3.27 | 2.90 | 2.81 | 3.18 |
| 3.86 | 4.07 | 3.59 | 4.32 | 3.42 | 3.73 | 4.01 | 4.17 | 4.60 | 3.73 | 3.91 | 3.92 |
| 4.54 | 3.68 | 5.19 | 4.46 | 4.81 | 4.38 | 4.65 | 4.90 | 4.62 | 4.38 | 4.50 | 4.59 |
| 5.68 | 4.94 | 4.63 | 3.70 | 3.67 | 5.92 | 6.36 | 5.64 | 5.09 | 5.92 | 5.64 | 5.59 |
| 5.18 | 5.43 | 5.11 | 4.11 | 4.89 | 5.47 | 5.44 | 4.99 | 4.11 | 5.47 | 4.92 | 5.18 |
| 4.69 | 3.63 | 4.30 | 3.86 | 4.32 | 4.57 | 5.12 | 3.49 | 4.34 | 4.57 | 4.73 | 4.11 |
| 4.17 | 3.79 | 4.07 | 4.70 | 4.75 | 4.15 | 3.89 | 5.31 | 4.59 | 4.15 | 4.06 | 4.34 |
| -0.16 | 0.83 | -0.64 | -0.10 | -0.40 | 0.47 | -0.22 | -0.43 | 0.24 | 0.41 | -0.02 | -0.29 |
| 0.33 | 0.61 | -1.04 | -0.32 | 1.14 | -0.72 | 0.04 | -0.92 | 0.43 | 0.45 | 0.33 | -0.10 |
| -0.36 | 0.02 | 0.05 | -0.31 | 0.28 | 0.32 | -0.74 | -0.06 | 0.43 | 0.37 | 0.09 | -0.37 |
| -0.13 | -0.21 | 0.48 | -0.73 | 0.90 | -0.31 | -0.28 | -0.16 | -0.43 | 0.87 | -0.18 | -0.01 |
| -0.16 | 0.86 | -1.51 | 0.73 | -0.35 | 0.43 | -0.27 | -0.25 | 0.28 | 0.24 | -0.12 | -0.09 |
| 0.24 | 0.74 | 0.31 | 0.93 | 0.03 | -2.25 | -0.44 | 0.72 | 0.55 | -0.83 | 0.28 | 0.05 |
| 0.29 | -0.25 | 0.32 | 1.00 | -0.78 | -0.58 | 0.03 | 0.45 | 0.88 | -1.36 | 0.55 | -0.26 |
| -0.12 | 1.06 | -0.67 | 0.44 | -0.46 | -0.25 | -0.55 | 1.63 | -0.85 | -0.23 | -0.16 | 0.62 |
| -0.02 | 0.38 | -0.28 | -0.63 | -0.05 | 0.60 | 0.26 | -1.42 | 0.72 | 0.44 | 0.09 | -0.28 |
| 0.02560 | 0.68890 | 0.40960 | 0.01000 | 0.16000 | 0.22090 | 0.04840 | 0.18490 | 0.05760 | 0.16810 | 0.00040 | 0.08410 |
| 0.10890 | 0.37210 | 1.08160 | 0.10240 | 1.29960 | 0.51840 | 0.00160 | 0.84640 | 0.18490 | 0.20250 | 0.10890 | 0.01000 |
| 0.12960 | 0.00040 | 0.00250 | 0.09610 | 0.07840 | 0.10240 | 0.54760 | 0.00360 | 0.18490 | 0.13690 | 0.00810 | 0.13690 |
| 0.01690 | 0.04410 | 0.23040 | 0.53290 | 0.81000 | 0.09610 | 0.07840 | 0.02560 | 0.18490 | 0.75690 | 0.03240 | 0.00010 |
| 0.02560 | 0.73960 | 2.28010 | 0.53290 | 0.12250 | 0.18490 | 0.07290 | 0.06250 | 0.07840 | 0.05760 | 0.01440 | 0.00810 |
| 0.05760 | 0.54760 | 0.09610 | 0.86490 | 0.00090 | 5.06250 | 0.19360 | 0.51840 | 0.30250 | 0.68890 | 0.07840 | 0.00250 |
| 0.08410 | 0.06250 | 0.10240 | 1.00000 | 0.60840 | 0.33640 | 0.00090 | 0.20250 | 0.77440 | 1.84960 | 0.30250 | 0.06760 |
| 0.01440 | 1.12360 | 0.44890 | 0.19360 | 0.21160 | 0.06250 | 0.30250 | 2.65690 | 0.72250 | 0.05290 | 0.02560 | 0.38440 |
| 0.00040 | 0.14440 | 0.07840 | 0.39690 | 0.00250 | 0.36000 | 0.06760 | 2.01640 | 0.51840 | 0.19360 | 0.00810 | 0.07840 |
| 0.03269 | 0.87982 | 0.52312 | 0.01277 | 0.20434 | 0.28212 | 0.06181 | 0.23614 | 0.07356 | 0.21469 | 0.00051 | 0.10741 |
| 0.06205 | 0.21202 | 0.61630 | 0.05835 | 0.74051 | 0.29538 | 0.00091 | 0.48228 | 0.10536 | 0.11538 | 0.06205 | 0.00570 |
| 0.19200 | 0.00059 | 0.00370 | 0.14237 | 0.11615 | 0.15170 | 0.81126 | 0.00533 | 0.27393 | 0.20281 | 0.01200 | 0.20281 |
| 0.01467 | 0.03828 | 0.20000 | 0.46259 | 0.70313 | 0.08342 | 0.06806 | 0.02222 | 0.16050 | 0.65703 | 0.02813 | 0.00009 |
| 0.02313 | 0.66811 | 2.05971 | 0.48139 | 0.11066 | 0.16703 | 0.06585 | 0.05646 | 0.07082 | 0.05203 | 0.01301 | 0.00732 |
| 0.01068 | 0.10158 | 0.01783 | 0.16043 | 0.00017 | 0.93907 | 0.03591 | 0.09616 | 0.05611 | 0.12779 | 0.01454 | 0.00046 |
| 0.05914 | 0.04395 | 0.07201 | 0.70323 | 0.42785 | 0.23657 | 0.00063 | 0.14241 | 0.54459 | 1.30070 | 0.21273 | 0.04754 |
| 0.00667 | 0.52019 | 0.20782 | 0.08963 | 0.09796 | 0.02894 | 0.14005 | 1.23005 | 0.33449 | 0.02449 | 0.01185 | 0.17796 |
| 0.00027 | 0.09607 | 0.05216 | 0.26407 | 0.00166 | 0.23952 | 0.04498 | 1.34158 | 0.34491 | 0.12881 | 0.00539 | 0.05216 |
| 0.40130 | 2.56062 | 3.75265 | 2.37484 | 2.40243 | 2.42375 | 1.22946 | 2.61263 | 1.96427 | 2.82374 | 0.66021 | 0.60145 |

Table 5: Cultural Distance of GLOBE index between Malaysia and their Acquired firms (Continued)

| Thailand | United Kingdom | United States of America | Vietnam | Variance |
|----------------|----------------|--------------------------|----------------|----------|
| 3.93 | 4.08 | 4.49 | 3.93 | 0.087 |
| 3.43 | 4.28 | 4.15 | 3.43 | 0.195 |
| 3.35 | 3.67 | 3.34 | 3.35 | 0.075 |
| 3.64 | 4.15 | 4.55 | 3.64 | 0.128 |
| 4.03 | 4.27 | 4.20 | 4.03 | 0.123 |
| 5.70 | 4.08 | 4.25 | 5.70 | 0.599 |
| 5.63 | 5.15 | 4.88 | 5.63 | 0.158 |
| 4.81 | 3.72 | 4.17 | 4.81 | 0.240 |
| 3.93 | 4.65 | 4.15 | 3.93 | 0.167 |
| 0.63 | -0.15 | -0.41 | 0.56 | |
| 0.53 | -0.85 | 0.13 | 0.72 | |
| -0.17 | -0.32 | 0.33 | -0.01 | |
| 0.28 | -0.51 | -0.40 | 0.91 | |
| 0.56 | -0.24 | 0.07 | 0.17 | |
| -0.11 | 1.62 | -0.17 | -1.45 | |
| -0.45 | 0.48 | 0.27 | -0.75 | |
| -0.70 | 1.09 | -0.45 | -0.64 | |
| 0.41 | -0.72 | 0.50 | 0.22 | |
| 0.39690 | 0.02250 | 0.16810 | 0.31360 | |
| 0.28090 | 0.72250 | 0.01690 | 0.51840 | |
| 0.02890 | 0.10240 | 0.10890 | 0.00010 | |
| 0.07840 | 0.26010 | 0.16000 | 0.82810 | |
| 0.31360 | 0.05760 | 0.00490 | 0.02890 | |
| 0.01210 | 2.62440 | 0.02890 | 2.10250 | |
| 0.20250 | 0.23040 | 0.07290 | 0.56250 | |
| 0.49000 | 1.18810 | 0.20250 | 0.40960 | |
| 0.16810 | 0.51840 | 0.25000 | 0.04840 | |
| 0.50690 | 0.02874 | 0.21469 | 0.40051 | |
| 0.16006 | 0.41168 | 0.00963 | 0.29538 | |
| 0.04281 | 0.15170 | 0.16133 | 0.00015 | |
| 0.06806 | 0.22578 | 0.13889 | 0.71884 | |
| 0.28329 | 0.05203 | 0.00443 | 0.02611 | |
| 0.00224 | 0.48681 | 0.00536 | 0.39000 | |
| 0.14241 | 0.16203 | 0.05127 | 0.39557 | |
| 0.22685 | 0.55005 | 0.09375 | 0.18963 | |
| 0.11184 | 0.34491 | 0.16633 | 0.03220 | |
| 1.54446 | 2.41373 | 0.84568 | 2.44839 | |

Table 6: Cultural Distance of GLOBE index between Indonesia and their Acquired firms

| Dimensions | Indonesia | Australia | China | Hong Kong | Malaysia | Singapore | Thailand | United States | Variance |
|---------------------|-----------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|----------|
| PO | 4.41 | 4.36 | 4.45 | 4.8 | 4.34 | 4.9 | 3.93 | 4.49 | 0.088 |
| FO | 3.86 | 4.09 | 3.75 | 4.03 | 4.61 | 5.07 | 3.43 | 4.15 | 0.262 |
| GE | 3.26 | 3.4 | 3.05 | 3.47 | 3.51 | 3.7 | 3.35 | 3.34 | 0.036 |
| AS | 3.86 | 4.28 | 3.76 | 4.67 | 3.87 | 4.17 | 3.64 | 4.55 | 0.143 |
| IC | 4.54 | 4.29 | 4.77 | 4.13 | 4.61 | 4.9 | 4.03 | 4.2 | 0.100 |
| IGC | 5.68 | 4.17 | 5.8 | 5.32 | 5.51 | 5.64 | 5.7 | 4.25 | 0.440 |
| PD | 5.18 | 4.74 | 5.04 | 4.96 | 5.17 | 4.99 | 5.63 | 4.88 | 0.071 |
| HO | 4.69 | 4.28 | 4.36 | 3.9 | 4.81 | 3.49 | 4.81 | 4.17 | 0.215 |
| UA | 4.17 | 4.39 | 4.94 | 4.32 | 4.78 | 5.31 | 3.93 | 4.15 | 0.218 |
| PO distance | | 0.05 | 0.04 | 0.39 | 0.07 | 0.49 | 0.48 | 0.08 | |
| FO distance | | -0.23 | 0.34 | -0.28 | -0.58 | -0.46 | 1.64 | -0.72 | |
| GE distance | | -0.14 | 0.35 | -0.42 | -0.04 | -0.19 | 0.35 | 0.01 | |
| AS distance | | -0.42 | 0.52 | -0.91 | 0.8 | -0.3 | 0.53 | -0.91 | |
| IC distance | | 0.25 | -0.48 | 0.64 | -0.48 | -0.29 | 0.87 | -0.17 | |
| IGC distance | | 1.51 | -1.63 | 0.48 | -0.19 | -0.13 | -0.06 | 1.45 | |
| PD distance | | 0.44 | -0.3 | 0.08 | -0.21 | 0.18 | -0.64 | 0.75 | |
| HO distance | | 0.41 | -0.08 | 0.46 | -0.91 | 1.32 | -1.32 | 0.64 | |
| UA distance | | -0.22 | -0.55 | 0.62 | -0.46 | -0.53 | 1.38 | -0.22 | |
| PO distance square | | 0.0025 | 0.0016 | 0.1521 | 0.0049 | 0.2401 | 0.2304 | 0.0064 | |
| FO distance square | | 0.0529 | 0.1156 | 0.0784 | 0.3364 | 0.2116 | 2.6896 | 0.5184 | |
| GE distance square | | 0.0196 | 0.1225 | 0.1764 | 0.0016 | 0.0361 | 0.1225 | 0.0001 | |
| AS distance square | | 0.1764 | 0.2704 | 0.8281 | 0.64 | 0.09 | 0.2809 | 0.8281 | |
| IC distance Square | | 0.0625 | 0.2304 | 0.4096 | 0.2304 | 0.0841 | 0.7569 | 0.0289 | |
| IGC distance square | | 2.2801 | 2.6569 | 0.2304 | 0.0361 | 0.0169 | 0.0036 | 2.1025 | |
| PD distance square | | 0.1936 | 0.09 | 0.0064 | 0.0441 | 0.0324 | 0.4096 | 0.5625 | |
| HO distance square | | 0.1681 | 0.0064 | 0.2116 | 0.8281 | 1.7424 | 1.7424 | 0.4096 | |
| UA distance square | | 0.0484 | 0.3025 | 0.3844 | 0.2116 | 0.2809 | 1.9044 | 0.0484 | |
| PO distance | | 0.003156566 | 0.002020202 | 0.192045455 | 0.006186869 | 0.303156566 | 0.290909091 | 0.008080808 | |
| FO distance | | 0.022434266 | 0.049024597 | 0.033248516 | 0.142663274 | 0.089737065 | 1.140627651 | 0.219847328 | |
| GE distance | | 0.060493827 | 0.37808642 | 0.544444444 | 0.004938272 | 0.111419753 | 0.37808642 | 0.000308642 | |
| AS distance | | 0.137062937 | 0.21010101 | 0.643434343 | 0.497280497 | 0.06993007 | 0.218259518 | 0.643434343 | |
| IC distance | | 0.069444444 | 0.256 | 0.455111111 | 0.256 | 0.093444444 | 0.841 | 0.032111111 | |
| IGC distance | | 0.575782828 | 0.670934343 | 0.058181818 | 0.009116162 | 0.004267677 | 0.000909091 | 0.530934343 | |
| PD distance | | 0.302973396 | 0.14084507 | 0.010015649 | 0.069014085 | 0.050704225 | 0.641001565 | 0.88028169 | |
| HO distance | | 0.086873385 | 0.003307494 | 0.109354005 | 0.427958656 | 0.900465116 | 0.900465116 | 0.211679587 | |
| UA distance | | 0.024668705 | 0.154179409 | 0.195922528 | 0.107849134 | 0.143170234 | 0.970642202 | 0.024668705 | |
| CD Indonesia | | 1.582890355 | 1.864498545 | 2.24175787 | 1.321006948 | 1.766295151 | 5.381900653 | 2.551346558 | |

7 Discussion and Conclusion

In this paper, we have presented the cultural distances between Malaysia and Indonesia and countries that have been involved in cross-border M&As with firms from the two countries. The results indicate that Malaysian firms prefer to acquire foreign firms from nearby countries at a low cultural distance from themselves, such as Indonesia, Thailand, Singapore, China and India. This means that Malaysian multinationals are keen to acquire firms they are familiar with. One of the reasons for this is may be that Malaysian acquirers are still new to the M&A strategy. In fact, approximately 40% of the acquirers in our sample had less than five years of experience in cross-border M&As. Another reason for this could be the similarity of their cultural backgrounds and locations: Malaysia and Indonesia are neighbours. Moreover, the Malaysian people have many ethnic roots that are similar to those in their preferred target countries, such as China and India.

The comparison between the Malaysian and Indonesian acquirers clearly shows that these two countries prefer to expand their market coverage to countries close to their borders. In fact, the influence of religion and history are also clear in their M&A expansion strategies.

Our evidence could help firms, especially those from emerging countries, wishing to engage in cross-border M&As. Although this study has focused on cultural distance, the research also demonstrates patterns in the cross-border M&A conducted by Malaysian and Indonesian multinational firms. The horizontal M&A is found to be the dominant form. Perhaps future studies could expand the study period to the current M&A year. Another practical suggestion would be to explore the in-depth cultural issues relating to cross-border M&As between the two countries. This study also indicates that various industries are applying the M&A strategy to expand their business overseas. The engineering, software and telecommunications industries are among the leading industries from these two countries that are engaged in cross-border M&As, followed by financial services, automotive, machinery and plantation and agribusiness.

Generally, few studies of cross-border M&As have been conducted in the ASEAN region. This research has attempted to address this gap and to come up with satisfactory answers regarding trends in M&As conducted by Malaysian and Indonesian firms.

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