Cross-Border Mergers and Acquisitions: Analysis of Issues and Challenges

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Abstract

When two companies wish to carry out a Merger or Acquisition, they do so with the intent to either expand their business into overseas markets or diversify their products or services into foreign markets. Companies may face different challenges with respect to the target firms national and organizational culture. It could be the differences in their culture, their legal structure or tax structures which could all make the process of a cross-border M&A extremely complex in the host country. To enter different markets, all facets must be taken into consideration. The companies must not overlook any possible undesirable outcome while reviewing of the deal. All aspects, right from the geographic region to the cultural challenges of the target firm must be identified and assessed. If these challenges are not evaluated properly it could lead to a collapse in the deal.

The paper therefore, goes on to discuss in detail why companies face issues and challenges while carrying out cross-border M&A's, and what are reasons for the occurrence of such challenges. The paper further goes on to discuss certain recommendations and ways in which such challenges can be significantly reduced to a large scale, when carrying out cross-border M&A's.

Key Words: Cross-border, M&A, Challenges, Culture, Business structure

1. Introduction

Cross-border Mergers and Acquisitions (M&A) are those transactions which take place between two companies that are located in two different countries of origin. When a company in one country is acquired by a company in another country, it can be termed as a cross-border M&A. A procedure for a cross-border M&A follows a similar path as compared to domestic M&A's but has almost double the complexities and procedures involved during execution of such M&A's. The strategic considerations for implementing cross-border M&A's also differs from domestic acquisitions.[1]

Cross-border mergers are simply transactions where two companies from two different countries combine their assets and liabilities to become an entirely new entity. Whereas, cross-border acquisitions are those transactions where the assets and liabilities are transferred from a local company to a foreign company which leads to the automatic affiliation of the local company. Such cross-border M&A's are governed by different sets of laws as well as different execution strategies as compared to domestic M&A's.

There are many ways and methods of obtaining control over a public or a private enterprise when one carries out Mergers or Acquisitions. Legal aspects such as a due diligence assessment, negotiation, valuation, assessing the parties obligations, situations and structuring for exiting the contract, internal and external approvals etc. must all be included while executing a cross-border M&A.[2] The process is almost similar to a domestic one but additional procedures are also to be considered in a cross-border M&A.

When both companies are integrated it may however lead to complexities between the company employees, managers and supervisors due to dissimilarity in the language, behaviour and managerial corporate governance. It would make the M&A process complex and would prolong their ultimate goals. To avoid any such complexities, both companies must be reassured with regards to any ambiguities that arise between the companies.

Some examples of cross-border M&A's are; Acquisition of Corus Group (U.K) by Tata Steel for 12 billion USD,[3] and Bristol-Myers Squibb Co.'s acquisition of Celgene Corp. for 74 billion USD.[4]

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[1] Olivier Bertrand, "Performance of Domestic and Cross-Border Acquisitions" *available at*: ebrd.com/downloads/research/economics/workingpapers/WP0129.pdf (last visited on October 30, 2020)
[2] Oyvin Kyvik, "Cross-Border Mergers and Acquisitions: Cultural Complexities," Jun. 5, 2014, *available at:* https://www.researchgate.net/publication/258205977_Cross-border_MA_Cultural_Complexities_Cross-border_Mergers_and_Acquisitions_Cultural_Complexities (last visited on October 30, 2020)
[3] "Tata Steel completes £6.2bn acquisition of Corus Group plc," Apr. 2, 2007, *available at:* https://www.tatasteel.com/media/newsroom/press-releases/india/2007/tata-steel-completes-62bn-acquisition-of-corus-group-plc/ (last visited on October 28, 2020)
[4] "Bristol-Myers Squibb to Acquire Celgene," Jan. 3, 2019, *available at:*

Therefore, M&A's are seen to play a vital role in contributing to the economic growth of the country. It also helps businesses implement progressive strategies, whether they wish to expand in foreign markets or whether foreign companies wish to acquire in Indian markets. M&A acts as a tool for many Indian industries who wish to become global competitors. These Indian industries develop the capability to either expand their markets, or diversify their products or services by entering in foreign markets. Thus, cross-border M&A's come with challenges but, if they are properly assessed, then companies entering foreign markets would be capable of meeting their ultimate goals.

2. Reasons for Carrying out Cross-Border M&A

Companies carry out cross-border M&A's to avail multiple benefits inclusive of market expansion and greater competition. There are several reasons why companies carry out cross-border M&A's. Some of most important reasons as to why cross-border M&A's are carried out are provided as follows:

2.1 Acquiring control:

One of the main reasons for carrying out a cross-border M&A is the control the acquirer gains over the target firm. The main result of an M&A indicates a change in the control of the target firm. In case of mergers the assets and functions of both companies merge to form another entity. This entity combined by two other entities gains control as a single entity. In case of acquisitions the control shifts from the target company to the acquirer or foreign entity.[5]

When a domestic company is willing to enter the international market, it positions itself or its products on the international level. When the acquirer acquires the target firm, it generally constitutes it to become a subsidiary of the acquiring firm. In some acquisitions,

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https://news.bms.com/press-release/corporatefinancial-news/bristol-myers-squibb-acquire-celgene-create-premier-innovative#:~:text=NEW%20YORK%20%26%20SUMMIT%2C%20N.J.%2C%2D%2D(BUSINESS%20WIRE)%2D%2DBristol,an%20equity%20value%20of%20approximately (last visited on October 28, 2020)

[5] Vijay Paradkar, "Key Challenges in Cross-Border M&A," Dec. 18, 2015, *available at:* https://www.assocham.org/upload/event/recent/event_1205/Vijay_Paradkar.pdf (last visited on October 30, 2020)

when the control shifts from one entity to another, the target firm may continue to manage its own functions and operations. This process is carried out to ensure that the companies do not face any issues with regards to differences in opinion or differences in culture.

2.2 Entering foreign markets:

Companies who wish to carry out M&A's across their borders, get an opportunity to enter the foreign markets. This outbound flow into the foreign markets has led to globalization. Since cross-border M&A's are contributing profoundly to globalization, it is also reducing the impact of such transactions at the domestic level.[6] When companies enter the foreign markets, they gain competitive benefits and advantages in those geographical areas. This contributes to an important process which can motivate companies to enter overseas markets.

When a company seeks to enter foreign markets, the decision to either acquire an already existing entity or the decision to set up a new greenfield investment must be made.[7] Therefore, proper and considerable amount of strategies must be put to place when companies decide to enter into foreign markets. Because once such strategies are made and the entity's internationalization process takes place, it acts as an important factor to avail several benefits.

2.3 Access to intangible assets:

When the acquirer acquires the target firm, it motivates the entity to have access to some specific intangible assets like goodwill, new technology, know-how of manpower, trademarks, patents, management process, etc. The value of such intangible assets must be assessed.[8]

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[6] Krishnamurti and Vishvanath S.R., *Mergers, Acquisitions and Corporate Restructuring*, (Sage Publications Pvt. Ltd, 1st ed., 2007)

[7] Anna Olsson Fladby and Andrea Urban, "The Rationale Behind Cross-border Mergers & Acquisitions," 2014, *available at:* https://core.ac.uk/download/pdf/43556613.pdf (last visited on October 29, 2020)

[8] *Id.*

Some examples which testify to this aspect are, Infosys's cross-border M&A of the Australian firm, Expert Information Services, ensured access to the expertise in telecom management and added around 330 manpower to the entity.[9]

If a company wishes to acquire certain assets of a target firm, then the acquirer can enter into an M&A to acquire such assets if no other method is carried out to obtain those assets. Therefore, once a merger or an acquisition is carried out, the assets shall be combined to fully avail ownership benefits and advantages.

2.4 Diversification and expansion of markets:

When a company enters into a new market it can increase its profitability by the expansion into foreign markets. The product life cycle is a cycle which systematically depicts how all products have a limited life span.[10] It describes how the sales rise and increase the firm's growth and earnings.

The company can also diversify their products and operations to ensure more benefits for the entity. When a company enters into such overseas markets, their products must fit into the criteria of their new target audience. They must also provide improved and high-quality products and services to their customers. These aspects must be kept in mind, when the company wishes to diversify its products in foreign markets.

A company may expand its market to enter into other overseas markets as well as avail several benefits, while it may also expand to diversify its products by way of M&A's. Usually, mergers are carried out in case of diversification of products so that companies can enter new markets and also acquire potential growth. Therefore, expansion and diversification play a contributory role towards carrying out cross-border M&A.

2.5 Growth potential:

In order to attain growth potential, several companies carry out acquisitions to enable growth rate. The reason such acquisitions are carried out is because the growth rate would otherwise not be possible if the entity undertakes any new undertakings from the very

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[9] "Infosys Acquires Australian Firm for 22.9 million USD," *Financial Express,* (Dec. 19, 2003)
[10] *Supra* note 7

beginning. That could include the creation of brand awareness, establishment of good networking and management, etc.[11]

Growth of a company also acts as an important factor for creating shareholder value. Growth can be observed in products and sale of such products in new markets. It creates efficiency and also enables proper usage of capital flow into the company.

When companies enter into new markets by way of M&A's, the speed of entering the market is quite rapid. This ensures the company to build and maintain its position in the foreign market and overall expand and obtain growth potential in such markets. Therefore, growth of a company is one of the many reason's entities carry out cross-border M&A.

2.6 Realisation of Synergies:

Synergy is when two companies combine their operations and performances wherein the value of the combined entities is greater than the sum of the value of the entities individually. This value could be created by the synergies resulting from the transfer of skills and technology between both firms which increases the profitability of either one or both entities.[12]

Synergy could also arise if the acquisition by the acquirer provides market access to the target firm's market.[13] It could also arise if the acquiring firm allows the target firm to vertically integrate in the line of production process. Overall, the positive synergies would bring out profitable value of the combined firm. Therefore, in several such ways, synergy can be realised and assessed when cross-border M&A's take place.

2.7 Access to natural resources

[11] Pradhan, Jaya Prakash and Abraham, "Overseas Mergers and Acquisitions by Indian Enterprises: Patterns and Motivations," Jan. 23, 2004, *available at:* https://mpra.ub.uni-muenchen.de/17076/1/MPRA_paper_17076.pdf (last visited on October 29, 2020)
[12] *Supra* note 7
[13] Dr. Rabi Narayan Kar and Dr. Minakshi, *Mergers and Acquisitions & Corporate Restructuring*, (Taxmann Publications (P) Ltd., New Delhi, 3rd ed., 2017)

When companies carry out cross-border M&A's, they eventually expand into new markets. This helps them gain access to the overseas facilities and resources.[14] Several companies enter into foreign markets either by making fresh investments i.e. greenfield investments or by investing in an already established firm i.e. brownfield investments. In cases of greenfield investment, it benefits the acquirer in a way that it can form a kind of subsidiary that it wants. However, some carry out brownfield investments, since a greenfield investment could take a longer process to develop and establish the entity.[15]

With M&A, companies can access the natural resources in those countries thus ensuring a smooth functioning of their business. Example, an oil and gas company may merge with or acquire an overseas company in a country like Russia or Iran, where oil and gas are in abundance.

Apart from access to natural resources, there also occurs an increase in wider market access, widespread requirement of technologies, increasing the smooth flow of information and Diversification, Etc.

3. Issues and Challenges in Cross-Border M&A

Cross-border M&A's are considerably similar to that of domestic M&A's. However, there are some differences between such transactions. The process for cross-border M&A's is significantly extensive and takes place on an international level. Consequently, the challenges faced will also differ as compared to domestic transactions. Such cross-border transactions may face challenges with regards to legal consequences, cultural differences, differences in consumers taste and preferences, as well as differences in the economic

[14] Alexander Hijzen, Holger Görg and Miriam Manchin, "Cross-Border Mergers & Acquisitions and the Role of Trade Costs," Mar. 2006, *available at:* https://poseidon01.ssrn.com/delivery.php?ID=317112116088090095091112127006110004053017063051087026113099065127097027102127073024053029061030029060000120115126123025015046009049033008030097030120126070010005046045102095007069083070081107021097067076020122068012105066118114074091116019111017&EXT=pdf (last visited on October 30, 2020)

[15] Priyam Sen, "Cross-Border Merger and Acquisition," Oct. 8, 2018, *available at:* http://racolblegal.com/cross-border-merger-and-acquisition/ (last visited on October 31, 2020)

structures, etc.[16] Therefore, such issues and challenges could pose as a risk for the companies to achieve their ultimate goals.

There are several challenges which companies must be familiar with while carrying out cross-border transactions. The reasons as to why such challenges occur are simply based on the differences in the culture and business practices of both companies of different countries. Their lifestyle, laws, beliefs, tastes and preferences, their decision-making ability, work practices, etc. all vary on a large scale.

The challenges and reasons as to why such cross-border M&A's face difficulties are hence provided as follows:

3.1 Legal challenges:

The laws of different countries vary from each other. The differences in the laws becomes a challenge for the acquirer company to carry out the M&A process efficiently. Since the laws of the two countries vary significantly, they must be taken into consideration so that, the deal remains enforceable in the both countries.

It is extremely important for companies to meet the various regulations and laws of the host country to avoid entering into a void contract. Since the laws would be applicable in the deal, they cannot be overlooked during the execution of such transaction. The companies must not overlook the challenge of meeting such obligations under the laws of the host country.

If such laws are overlooked by the company then it would lead to a deal deadlock where no progress would be made in the transaction, or the company would have partial knowledge of the laws which could also lead to a collapse in the transaction. Therefore, the challenge of meeting the requirements under the laws must not be avoided.[17]

Various laws in relation to contractual requirements, intellectual property rights, competition and corporate laws along with other additional laws must be taken into account

[16] "Cross-Border Mergers and Acquisition," *Educba, available at:* https://www.educba.com/cross-border-merger-and-acquisitions/ (last visited on November 1, 2020)
[17] *Supra* note 5

while carrying out the transaction. Since the laws from one country differ from the other, many challenges arise with regards to the application of those laws.[18]

However, these laws must be taken into consideration and must be reviewed before taking any further steps in the execution process. Also, antitrust issues like obtaining antitrust approvals is also a challenge and equally important in the overall M&A transaction process. Employment regulations must also be adhered to and dealt with beforehand.

Therefore, the challenge of meeting the various laws of the host country must not be overlooked despite the challenge's the companies may face when carrying out cross-border M&A's in those countries.

3.2 Political challenges:

When the acquirer enters the foreign market, there are certain political issues which may arise in that country. These issues could cause uncertainty in any business transactions carried out in the country of the target firm or the host country. It could pose as a challenge for businesses which are politically sensitive like the securities industry, defence industry, etc.[19]

There may occur several reasons why companies may face political challenges in other countries. The government of the host country may lay down severe restrictions upon foreign entries, or create social or political unrest among the people which could pose has a serious risk for foreign companies. Since the government can play a dominant role in cross-border transactions, the companies must accordingly tackle the interference of such authorities.

It may become difficult for the acquirer to carry out any business if there is heavy government intervention either by political pressure on the company or by way of protectionism. Therefore, all persons, agencies, employees, suppliers, etc. that are

[18] *Supra* note 15
[19] Bhumesh Verma, *Mergers and Acquisitions*, (Bloomsbury Publishing Pvt. Ltd. New Delhi, 2019)

interested in the merger or acquisition must be informed about such scheme along with the public.[20]

The government agencies and other parties must be informed, notified and several discussions must be carried out regarding such overseas transactions. Therefore, political concerns would arise in such operations, and to avoid these risks, the political consequences must be identified and evaluated accordingly.

3.3 Cultural challenges:

Cultural concerns play an important role in the success of a cross-border transaction. It could pose as a risk if not evaluated and addressed in a proper manner. If cultural differences occur between the parties and such differences are not assessed, it may become offensive to the management or government of that country.

The reasons as to why such cultural challenges are faced between the parties is because of the differences in their language, in their tastes and preferences, their different time zones, different lifestyle, beliefs, geographic regions, cultural background, work practices, etc.[21] These reasons could lead to the failure of cross-border M&A's in the host country.

Any disparities in the intercultural agreements could cause great harm to such transactions. Not only do the differences in their national cultural background occur but also, variations in the business culture also prevail and must be taken into consideration. The differences in the business culture could be with regards to their work practices, decision making ability, communication process, their ability to co-ordinate the work properly and most importantly their approach towards managing the company.[22] Therefore, the main reason why certain cross-border M&A's fail is because of cultural conflicts between the parties.

The way businesses operate could considerably affect any cross-border M&A despite the combination of synergies and policymaking process. If one business has more of a loose and entrepreneurial culture while the other has a very hierarchal approach to the business,

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[20] *Supra* note 5
[21] *Supra* note 7
[22] *Supra* note 19

it could lead to severe challenges in the deal. An example of such failure due to cultural issues is of Daimler-Benz and Chrysler which merged to form a transatlantic auto company.[23]

Therefore, if any business variations occur, it could lead to issues of integration of such transaction leading to the failure of the merger or acquisition. Businesses must be aware of such cultural differences which could have a grave impact on their performances and therefore, they must prepare accordingly.

3.4 Tax considerations:

Tax considerations can pose as a serious challenge in cross-border M&A's. The reasons as to why this issue occurs depends upon the tax policy of that country. The tax policy of the host country must be stable and clearly listed. If such policy is constantly changing, then the acquirer will deliberate on whether it shall enter into such market with an unstable tax policy.[24] If there is an unclear understanding of the proportion of debt and equity that is involved in the transaction, it may become a huge challenge for the parties.

The parties to the transaction must be well aware about the accounting terms and conditions in order to ensure a smooth execution of the transaction. The challenge of financial consideration also occurs in the transaction-related taxes and well as the post transactional structure. Therefore, in order to determine which accounting policy is to be followed, the parties must have sufficient knowledge of the accounting terms in the deal.[25]

Therefore, the issues related to tax considerations are extremely challenging as both parties may face the accounting and risk differences.

3.5 Due Diligence:

Due Diligence forms the major part of an M&A transaction. This due diligence is a process which helps parties in verifying, investigating, and gathering all relevant facts and

[23] Lawrence Pines, "Mergers and Acquisitions," Nov. 15, 2019, available at: https://www.investopedia.com/articles/insights/061816/4-cases-when-ma-strategy-failed-acquirer-ebay-bac.asp (last visited October 30, 2020)
[24] *Supra* note 5
[25] *Supra* note 19

information to help close a deal. Due Diligence process has the ability to change and influence the structure of a deal, and affect the terms of the transaction.

It is a proper investigation which gives a detailed background of any risks and opportunities that are likely to arise in the transaction.[26] The assets and operations must be assessed and evaluated along with the intangible assets of the company. In this process the acquirer must take full opportunity to investigate the target company in its entirety and take necessary steps required for the acquisition process.

However, the information that is gathered must be reliable. If such information is inconsistent then it could impact the value of the deal which would lead to a damaging outcome for the parties. If the Due Diligence is inadequate, it could also lead to dissolution of the deal in future or create internal problems for both companies post the deal. Therefore, proper Due Diligence must be conducted and ensure that it is comprehensive and smooth.

Another reason where such issues could occur are when both countries follow different cultures. The Due Diligence process becomes extremely complex and difficult if both parties speak a different language and follow different principles. If their culture, language, and most importantly their operational structure varies, it becomes difficult to gather information, even if the Due Diligence process is a friendly one.[27]

Therefore, the team conducting the Due Diligence must be well oriented with the target company's culture and language skills. They must also have the ability to study their strategic operations. In this way, a Due Diligence process could be as complex as legal challenges which companies may face while carrying out cross-border M&A's.

These are some challenges which parties to a cross-border M&A may face from time to time. However, the challenges may vary for each company and they must accordingly carry out the necessary measures to identify and manage such issues and challenges.

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[26] Umakanth Varottil, "The Impact of Globalization and Cross-Border Mergers & Acquisitions on the Legal Profession in India," Jan. 2012, *available at:* https://www.researchgate.net/publication/272243810_The_Impact_of_Globalization_and_Cross-Border_Mergers_Acquisitions_on_the_Legal_Profession_in_India#fullTextFileContent (last visited on October 29, 2020)

[27] *Supra* note 2

4. Brief Case Study on Issues Faced in Daiichi Sankyo's (Dis) Acquisition of Ranbaxy

Daiichi Pharmaceutical and Sankyo Co. Ltd., two Japanese pharmaceutical giants merged to form Daiichi Sankyo Co. Ltd. (DIS) in 2005. In 2008 DIS acquired a 63.4% stake in India's Ranbaxy Laboratories.[28] This deal was considered to be the largest acquisition in the Indian pharmaceutical industry. It made DIS-Ranbaxy a combined entity, as the 15th largest pharmaceutical company in the world.[29]

However, many problems started arising after the deal was executed. DIS failed to fix the quality problems at the Ranbaxy factories and was unable to ensure growth of the Indian unit. A number of cultural challenges were faced by DIS when it was trying to change the operational structure of Ranbaxy. After the deal was completed, there were many problems in the quality of production in their unit. Even the U.S. Food and Drug Administration (FDA) had banned imports from the Indian Ranbaxy plants due to their low production quality.

DIS despite taking efforts to change the quality of Ranbaxy's products, failed and was unable to fix the situation. The manufacturing, the marketing and the Research and Development (R&D) teams must have a mutual agreement before a product is launched. However, they faced several problems with Ranbaxy wherein DIS said that Ranbaxy had their own process and set of instructions which they followed.

Along with the quality problems in their production process, they also had clashes in their culture and power, where they struggled in changing the behaviour and management of Ranbaxy. The core values of DIS were that of agility, behavioural competency, teamwork and accountability. But, despite all measures taken by DIS they were unable to bring about changes in the Ranbaxy's factories. They said that DIS was able to change Ranbaxy's management process but it failed to change the behaviour of the people from the beginning.[30]

[28] "Closure in Daiichi Sankyo's (Dis) Acquisition of Ranbaxy," 2015, https://www.daiichisankyo.com/media_investors/media_relations/press_releases/detail/006262.html
[29] *Supra* note 13
[30] *Id.*

Therefore, as the two companies faced several cultural and authority problems, DIS decided to sell most of its stake in Ranbaxy to another Indian pharmaceutical company, Sun Pharmaceutical Industries in 2014.

This example of the collapse in the DIS-Ranbaxy acquisition shows that companies may face their own challenges, depending upon the other company's management and policies. It also shows how culture plays such a dominant role in the process of cross-border M&A. Therefore, the culture, the companies background, the management process, their teamwork and values must all be properly assessed and evaluated before entering into a deal with the foreign company.

This is why cross-border M&A's face varied issues and challenges which companies must realise, and recognise to develop a strong and smooth change in the ownership process within the companies.

5. Ways to Eliminate these Challenges

Companies face several challenges based on the target company's business culture and other significant factors. Sometimes, if such challenges are properly analysed and assessed the M&A may become a successful one. On the other hand, if these challenges are not remotely taken into consideration, the deal would collapse.

In order to ensure that the challenges are eliminated or significantly reduced, the companies must ensure proper communication between the parties, more involvement of the public, the employees and the authorities. Each step along the way must be first identified, assessed, and then the necessary changes must be brough to light within the deal. If companies take the extra steps to inform the target firm about their operations, a strong sense of trust is built with the other party. Therefore, it is extremely crucial for companies to work and co-ordinate with the target firm, if they intend to accomplish a successful deal.

There are some key learnings and ways in which the above challenges can be eliminated or reduced to a significant level.[31] They are as follows:

[31] *Supra* note 5

5.1 The Due Diligence process, although a friendly one must necessarily be comprehensive to the other party. The investigation of the company's background must be carried out as well as an HR Due Diligence must be involved in this process.

5.2 The strategies built during the execution of such transaction must incorporate factors which are specific to the companies. This means that the strategies developed must favour both companies, so no complications occur in the deal. It would act as a win-win situation for both parties, as the strategies would not only favour one party but would also benefit them both.

5.3 Where the tax and legal system of a particular country is a complex one, the parties must prepare for a long process to ensure completion of the deal. As mentioned earlier, the tax and legal system of a country can be complex and companies must follow and adhere to the process which will help them close the deal.

5.4 Another fundamental key to eliminate certain challenges are to continually have meetings with the other party to keep them informed and discuss all details in a comprehensive manner. There must definitely be strong communication between the parties. A strong communication leads to a sense of trust between parties, especially when one plans to acquire the other.

5.5 It is very important to understand the target company's business and work pattern. Sometimes, the decision making of the company may lie at the promoter level or at the management level. At such times, it is necessary to understand at which level does the power of decision-making lie. Accordingly, the company can communicate, anticipate and assess any challenges likely to be faced in the future.

5.6 The employees of a company may contribute to certain challenges the acquirer may face. In order to avoid the lack of co-ordination of the employees, the acquirer must pay close attention to the employees and their communications problems. The acquirer must also urge the HR teams to focus on employee retention. This is necessary because even if the acquirer is able to change the management of the company, it may find it difficult to change the behaviour of the people. Therefore, there must be significant focus on employees as well.

5.7 If a company has a complex or rigid operational structure, it may find it difficult to adapt to the culture or business environment of the acquirer. Therefore, it is important that the companies have a flexible working and operational structure, so not only can they adapt to the culture, but also adapt to the social factors that differ across the markets.

5.8 Since political risks are also present in the economic value and markets of countries, it must be mitigated and managed. Companies could have discussions with such government agencies, so they remain aware of the scheme and do not impose pressure on foreign companies.

5.9 Culture plays such a vital role in the process of a cross-border M&A. Sometimes, companies may neglect the cultural or human aspect in a business and focus more on the financial and legal consequences. Therefore, in order to curb these cultural challenges, there must be more focus on the people and labour unions.

5.10 Apart from the human challenges, the difference in language also plays a key role and often leads to misunderstandings and frustration between the parties. In order to avoid such hindrances, the parties must be more communicative and informed each step along the way despite language challenges. They must also invest a good amount of time to get well versed with the local culture and put in efforts to see eye to eye with the other party.

5.11 To avoid any legal challenges, firstly the laws of the host country must not be overlooked and all contractual requirements necessary in the closing of the deal must be adhered to and dealt it from the start. Proper legal expertise and due diligence must be conducted. However, a company must not go ahead with a M&A if during the process of reviewing the deal, it may occur that the deal could indicate incompatibility.

5.12 Lastly when companies come together, they bring with them their organizational culture which includes their business practices, working condition, values, communication and work co-ordination, decision making and hierarchical structure, etc. Along with their organizational culture, also comes their national culture. This includes their beliefs, their lifestyle, their language, their behaviour, etc. All these factors are brought along with the company which plan on a M&A. Therefore, these differences must be recognised, embraced and identified in order to constitute to a successful transaction.

These are some key ways through which such issues and challenges in M&A deals can be eliminated or reduced to a substantial level. The main key that companies could keep in mind, is that of communication and focus on the target firm and ways in which such communication and investigation can be carried out. A proper due diligence is almost mandatory which not only looks into the legal and financial process but also the cultural and human work process in the company. In this way, in order to achieve a successful cross-border M&A the parties must put in a great deal of time and efforts in order to gain fruitful results.

6. Recommendations and Conclusion

Since cross-border M&A's are mostly carried out to expand industries and enter international markets, it is extremely important for such companies to be aware of international business strategies in order to maintain competitiveness. Therefore, the main motive of companies to expand in foreign markets is to increase the competition and rise in the market.

Cross-border M&A's are contributing immensely to an increasing globalised world and are becoming more popular. However, the risks attached to these transactions are equally higher. Companies must have the ability to carry out such transactions of acquiring the assets in new and foreign markets. All international issues which would arise in the transaction must be discussed and negotiated so that the agreement can be finalised. To ensure this smooth process, both parties must have knowledge of every step carried out in the M&A transaction.

Therefore, on the basis of the complexities faced in a cross-border M&A the following are some brief recommendations which can be identified:

6.1 While executing a cross-border M&A, the parties could refer to previous international strategies for expansion and can prepare well if the preceding strategies by other companies are reviewed.

6.2 Before entering into a cross-border M&A, the acquirer must first identify a target firm which has a similar fitting with its own organizational structure, work practices and culture.

6.3 The resources, assets of both companies must be properly assessed and a due diligence team must ensure that all the necessary resources and capabilities of the parties are considered fit.

6.4 Not only the financial matters but also all other factors must be taken into consideration. The human and cultural challenges which contribute majorly to the success of an M&A must not be overlooked with the intent of restructuring their culture without any proper knowledge.

6.5 The parties can remain connected and keep the target firm involved in minor matters so that a sense of trust is built among the parties.

6.6 If a flexible work environment is created, then the parties will find it unproblematic to work with one another and can easily adapt to the other environment. There must be flexible policies so that the deal favours both parties.

6.7 In case the tax and legal process of a country is a complex one, the transaction may take a great amount of time. At such times, persistence is vital and must be followed by both parties, if they aspire for a successful outcome.

6.8 Since the behaviour and culture of the employees is extremely vital to keep an eye on, the acquirer must ensure that post integration, the employee's attitudes and management in all groups and departments is properly assessed and taken into consideration, since their behaviour can greatly affect the efficiency and dynamics of the company.

The growth of cross-border M&A's carried out by Indian companies in foreign countries has increased significantly. The Indian corporate sector has witnessed a significant growth in recent times. The M&A's carried out by these industries are in no way different from those carried out by foreign industries. The risks attached, the negotiations, the investigation, the execution all processes are fairly similar to foreign M&A's.

There are plenty of ideas firms engage in when carrying out cross-border M&A's. They approach some ideas, discuss them and then move forward on that path in the process. Once the ideas are brought into force, the hurdles in the execution process occur and once these hurdles are passed, the deal is negotiated and agreed upon between the two parties. Proper due diligence is conducted and the deal is closed.

The deal making generally starts by selecting a potential target. The negotiation process is also included in exercising of the deal. Once the due diligence process is completed, the deal is taken forward to be closed and settled. However, the closing of such a deal generally depends upon the internal and external approvals which are needed, and other compliances where are necessary to close the deal. After such factors are met, a closing date is proposed and depending upon some predictive factors the deal must be closed on time.

Therefore, it can be concluded that the reasons why M&A's face so many challenges are because of the differences both companies face in their organizational and national culture. However, these risks can be eliminated to a large extent if companies invest a good amount of time as well as efforts to communicate and inform the parties and others concerned regarding all the decision making. If the internal affairs of the target firm like its ownership, management and holding structure are properly scrutinized by the acquirer then the cross-border M&A can gain positive benefits and a better outcome. Thus, despite the risks involved in a cross-border M&A, if all steps are smoothly and effectively followed, the deal can be a successful one, and the challenges which occur in the deal can be significantly reduced.