Economic nationalism / Mastering transactions

Fighting economic nationalism in M&As

Many companies do not consider how countries protect key stakeholders, such as shareholders and workers. Laurence Capron and Mauro Guélin explain why the issue merits attention.

The playing field for cross-border acquisitions is not level, even when there is no political interference

That exists between Japanese bondholders and their shareholders, and to the fact that bondholders are the ones who usually are in a position to evaluate and supervise the company, while shareholders are not.

In the case of dark M&As, debt is the dominant force in the deal, and the interests of the bondholders are prioritized over the interests of the shareholders.

The particular difficulties of cross-border M&As

Cross-border M&As have always been considered more complex. This is partly because of the legal and regulatory differences between countries, but also because of the cultural and linguistic differences that can arise. In some cases, cross-border M&As may also be affected by political and economic factors, such as exchange rate fluctuations and economic sanctions.

Different countries require different approaches

The different approaches to M&As in different countries vary significantly depending on the country. For example, in the United States, the main focus is on protecting the interests of shareholders, while in Japan, the interests of bondholders are prioritized. In France, the government plays a significant role in regulating M&As, while in the United Kingdom, the market is left to regulate itself.

You may need to end up being as important a consideration as what you acquire

When a company is considering whether to acquire another company, it must consider a number of factors, including the financial performance of the target company, the cultural fit, and the legal and regulatory environment.

Our message is straightforward. As Nikil Janssens-Pauw says, "In 1980, he put it in his book. M&As are 'one of the most obvious symptoms of a fluency in the strategy of the target's management.'"