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Creating Europe's Multinationals: The International Merger Route†

Although economic necessity for them is not new, the need for European multinational firms has become dramatically apparent since the 1968 publication of Jean-Jacques Servan-Schreiber's book *The American Challenge*.[1] One of the most attractive courses to create European multinationals is the union of two or more national firms. Indeed, it is often argued that in certain sectors the need for European organizations is so bad that the more conventional means of going international (e.g., direct foreign investment) are just too slow and that only the international merger route holds sufficient promise for building European multinationals in due course. Yet, due to a host of obstacles, international mergers have been quite rare. This paper examines these obstacles and points to possible solutions. The data are drawn from interviews with top managers of 154 major European companies in the original six EEC countries and Great Britain.

WHY EUROPEAN MULTINATIONALS?

But what exactly are the reasons for European multinationals? Here are some of the most commonly cited ones.

Increased R&D requirements in many industries.—Particularly in the advanced sectors, where Europe suffers the greatest gap with the United States, American companies have a considerable competitive edge in technical know-how. As an example, ICL, Europe's largest computer manufacturer, has smaller sales revenue than IBM's R&D budget. A lot would be gained from the creation of a large European company that would avoid wasteful duplication of R&D among various national firms.

Marketing.—In many sectors it is necessary to have an international marketing organization in order to distribute one's products throughout Europe. For example, the chairman of a large Common Market (EEC) automobile company stated that the minimum optimal size for a company to support an adequate marketing organization is 1.6 million vehicles produced each year. Virtually no European car manufacturer has reached such a figure.

Penetrating a large third market.—For many European firms, new opportunities lie outside Europe. Quite often a national firm does not have the resources to tackle such a third market by itself. Particularly in the case of

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1. Jean-Jacques Servan-Schreiber, *The American Challenge* (New York: Atheneum Publishers, 1968).

the United States, it is often difficult for a European organization to penetrate the market alone. "The European challenge" can better be met by a large multinational group.

Reasons such as these speak to the managerial point of view. There are also attractive features to European multinationals from the macro point of view.

Avoiding national monopolies.—Today in many European countries there is a definite trend toward industrial concentration. In order to reach more competitive dimensions, there is an effort to pool resources within national boundaries; this effort entails a reduction of competition in each country. It is to be expected that European mergers will create multinational groups competing across national boundaries, thus avoiding restraint of competition along geographical areas.

Increasing social cohesiveness among Europeans.—European societies have little feeling of cohesiveness. National identity is strong, and European community spirit virtually nonexistent. Because it can benefit in the most immediate and tangible fashion from transnational collaboration, industry is motivated to engage in such operations and thus provide the necessary catalyst for the European concept to become a meaningful one. Working together toward common objectives will eventually destroy today's nationalism and strengthen solidarity among Europeans. As Reuter has stated, "It is the industrialists who will create Europe."[2]

Indeed, the development of European multinationals has a substantial bearing on Europe's continued independence, and the international merger appears an attractive shortcut for the creation of such multinationals.

In the face of their apparent attractiveness, there have been relatively few international mergers in Europe. A recent study has shown that between 1961 and 1969 there were 820 international "fusions" or "majority control participations" involving a company of an EEC member state and a company of a nonmember country (mainly the United States).[3] During the same period there were only 257 "fusions" or "majority control participations" involving two EEC countries. These figures include mergers as well as takeovers. If one looks only at mergers (i.e., a union of two or more companies of similar size), there have been less than 10 such marriages of equals. Examples here are Agfa-Gevaert (between a German and a Belgian firm in the photographic industry), VFW-Fokker (between a German and a Dutch firm in the aeronautics industry), or Hoesch-Hoogovens (between a Dutch and a German firm in the mining industry). "Why has this fast short-cut been so slowly exploited? The answer lies in the immense obstacles in the path of the aspiring transnational."[4] Indeed, international mergers stumble over a host of difficulties. But what exactly are these difficulties? From the firm's point

2. Quoted in André Marchal, "Nécessité économique des fusions et concentrations intracommunautaires," *Revue du Marché Commun*, no. 109 (January–February 1968), p. 44.

3. "L'interpénétration dans le Marché Commun" (unpublished study, Opera Mundi Europe, Paris, 1970).

4. Michael B. Stewart, "Transnational Enterprise: The European Challenge," *Columbia Journal of World Business* 7, no. 4 (July–August 1972): 5–13.

of view, the obstacles to transnational mergers can be thought of in two broad sets: external, or environmental, obstacles, and internal, or managerial, obstacles.

LEGAL AND REGULATORY OBSTACLES

The most obvious among the external obstacles pertain to the legal environment. An abundant literature is available describing the legal hindrances.[5] These can be summarized by saying that there is no legal institution providing for international de jure mergers,[6] that is, there is no law explicitly designed to permit mergers to take place across national boundaries. Further, fiscal difficulties can present entirely insurmountable barriers.

While these difficulties can indeed be serious, there are several practical solutions to these problems. Basically, a corporate union altogether avoids the de jure merger, and the companies formalize their marriage through financial ties (typically cross-holdings of stock).[7]

In fact, more serious difficulties lie in a host of regulatory obstacles. Three should be cited here.

First, exchange controls. Most European countries have such controls, which can be a hindrance at the moment an international merger takes place, as well as at the operating level—that is, when two merged companies actually have to work as a single unit. When a merger takes place, exchange controls hinder the outflow of capital to purchase a foreign company, or the outflow of stock in the case of exchange of shares between the merging partners. At the operating level, exchange controls may create some difficulties in that they hinder the free flow of funds between parts of a merged group located in different countries.

Second, accounting can create important difficulties since accounting rules differ from country to country. The sharpest contrast is probably between Germany and the United Kingdom on the one hand, and Italy on the other. In the former two, disclosure requirements are comparable in stringency to those of the United States. In the latter, a company need publish only a few sketchy financial statements of the simplest form. Besides, different treatment is given to virtually all accounts. The greatest differences are probably in the treatment of inventory valuation, depreciation, and reserves. The result of such differences is an incompatibility of figures among firms, which renders consolidation difficult.

The third obstacle is the disparity of technical standards for goods and services. This refers to differences in the characteristics that products or services must have in order to comply with the requirements of national regulations. The major disparities in goods lie in the automotive, food,

5. See, for example, Guido Brosio, "National Tax Hindrances to Cross-Border Concentration in the European Economic Community," *Harvard International Law Journal* 2 (1970): 311–57.

6. A de jure merger is taken to mean a legal operation by which two corporate bodies become a single one. This is distinct from the managerial definition of the word merger, which refers to the economic and organizational union of two firms.

7. For detail, see Paul Morton Goldberg, "The Evolution of Transnational Companies in Europe" (Ph.D. diss., Massachusetts Institute of Technology, Sloan School of Management, 1971).

chemical, and pharmaceutical industries. For example, Saviem and M.A.N. (a French and a German firm having a close cooperative agreement) jointly produce trucks. Each is responsible for certain parts that are then assembled in a common product. Their problem is that the product cannot be a single one for the French and German markets because of differing technical standards that often concern trivial details such as the shape of the lights. Further, the best example of disparities in services is provided by the banking sector. For instance, in Italy banks are not allowed to grant medium- and long-term loans, while in other European countries this is quite customary. In Germany banks typically have substantial stock participation in industrial companies, while this is forbidden in other countries. Such differences in technical standards hinder the integration of two merger partners' operations.

What can be done about these legal or regulatory obstacles? A lot has been said and written about the desirability of creating a statute for a European company.[8] Such a statute would enable companies not to be incorporated in one particular country, but to have a supranational status granted by a code established and recognized by all the EEC countries. This statute, coupled with fiscal reforms, would permit transnational de jure mergers. Today, however, the business community often tends to deem this project a useless one. As a Dutch executive put it, "The development of the statute is so complex that it isn't worth it. Companies can merge through other mechanisms than the de jure merger. Too much attention is given to the European company statute. What should be done instead is to do away with many of the practical obstacles which derive from conflicting regulations."

Indeed, for many of the problems discussed above, harmonization is the key answer, especially since regulations appear relatively easy to bring into line. For things such as the differences in technical standards, harmonization is doubly necessary as "nonharmonization is"—in a French executive's words—"an insult to the wisdom of civilized nations." Indeed, the message that many businessmen read in things like "nonharmonization" is far-reaching: there is no political will to create a United Europe. This is an important area, which will be discussed in the next section.

While harmonization is the most promising solution to many problems, the business community itself should in many instances adapt to the environment. It should become familiar with ways of avoiding difficulties created by the law or become familiar with ways simply to adapt to the law. In particular, solutions to the problem of the impossibility of merging should receive more credit from businessmen. As an executive from an internationally merged group put it, "In Europe mergers and acquisitions are not a way of doing business which is as established as in the U.S. Consequently, people are not as conversant with some of the more exotic ways of doing a merger—such as financial cross-holdings. For international mergers, the result is that, since the 'classical' way of doing a merger—i.e., a *de jure*

8. See, for example, Dennis Thompson, *The Proposal for a European Company* (London: Chatham House, P.E.P., 1969).

merger—is impossible, people believe corporate marriages are virtually impossible. In fact, people should try and cure their myopia and learn about ways mergers can be done even if the law does not provide for them."

BUREAUCRATIC OBSTACLES

Beyond laws and regulations, there is a host of environmental hindrances to transnational mergers. These hindrances are implicit and unofficial impediments which have their origins in the informal behavior of public agencies.

The first among these problems is governments' nationalism: often one of the major obstacles encountered by an international merger is political opposition. This is unexpected and contradicts the official position of most government heads who are eager to picture themselves as Europeans and who frequently express their encouragement for transnational business collaboration. In fact, political opposition to international mergers is rarely an overt process. Rather, a government uses subtle and disguised ways. For example, it may threaten to cut its subsidies if a firm consolidates with a foreign partner. This is particularly the case in high-technology sectors where government help is often substantial. A government can also pressure a management through financial intermediaries. Particularly where banks are nationalized, this is an easy process. Also, pressure can be exercised by reference to informal and nonprofessional ties between public agents and management. In France in particular these ties are very strong, given the similarity of social and educational background between managers and government officials. As a French executive noted, "In most European countries businessmen work so closely with the government and are so dependent on it that politicians' will is followed even without businessmen being coerced to do so."

There are a number of reasons for this attitude of governments. First, there is an element of prestige attached to the preservation of companies' national identity. Besides, governments wish to retain a firm within national boundaries if such a firm has a particular know-how. Military equipment manufacturers are the best example here. Furthermore, governments fear that an international merger may lead a company to invest less domestically, that is, a national company joining forces with a foreign partner may internationalize its scope to the detriment of its domestic investments. A German executive summarized the variety of these reasons: "Politicians do not have a European mentality. They still think national, and they consequently protect their national interests. They have no European Community feeling and they don't feel they are in the same boat with the other EEC countries. Thus they defend their country to the detriment of the Community's best interest."

The second bureaucratic problem is the cumbersome red tape encountered by a transnational merger. A transnational merger often has to rely on special agreements with public authorities. Ad hoc arrangements may be necessary for fiscal- and exchange-control purposes. These arrangements are typically negotiated by top management itself with high-level public authorities. If government has no objection to the merger, these arrangements do not pose major problems. The real problems occur when these arrangements are implemented. At the operating level, representatives of the public administration are normally minor officials. Difficulties arise with these people who are accustomed to applying regulations in a routine fashion and are totally unprepared to cope with unexpected events. In the case of an international merger, there are bound to be unexpected events because of the uniqueness of the operation. No special arrangement can foresee all the cases that may occur. As soon as an unexpected event occurs, the public administrator appeals to his superior, who calls upon his own superior, and so on until the highest echelons are reached. Here the matter is decided upon and passed down until the lower level is reached again. Whereas in northern countries this process can be a relatively swift one, it becomes slow in the south. The more the Mediterranean influence makes itself felt, the greater the number of echelons between lower and higher levels and the more time required for a file to go from one echelon to the other. While a file is in the process of being ruled upon, progress on the issue under consideration is paralyzed.

These bureaucratic difficulties hamper the day-to-day operations of an internationally merged group. Also, any planning becomes difficult because it is hard to foresee bureaucratic bottlenecks, precisely because they are caused by unexpected events. Moreover, management may use its influence to expedite the ruling on a file, but this is a time-consuming process, particularly for foreign executives who normally do not have close contacts with local bureaucrats. This issue of contacts between executives and bureaucrats introduces the third obstacle to be discussed in this section.

The third obstacle is the peculiar informal relationship between public and private administrations which is necessary in some instances to conduct business in a smooth fashion. It is in France and Italy that this problem is most acute.

In France governmental economic planning is particularly extensive. The government tends to encourage business to invest in certain areas, and it tries to coordinate firms' strategies through industry plans. The success of this planning heavily depends upon smooth relationships between government and business. Such smooth relationships rely on informal links between public agents and executives, which are possible because of what a French executive described as "a common social basis between businessmen and government officials, reinforced by an osmosis between the two which is the product of a tradition of collaboration." For a foreign businessman to establish similar relationships with public authorities is a very difficult and long process indeed.

The situation is quite different in Italy. While in France the problem is a complex, overly refined social structure, here the problem is one of values. Italy today is going through a dramatic crisis which has social overtones. Corruption is deeply rooted in every part of the economy, and indulgence in it is often unavoidable. The problem for a foreign manager is twofold. First, he must learn how to bribe. A misplaced bribe can have catastrophic consequences for him personally as well as for his company. Second, there is a moral decision the manager must make for himself: will he do as the Romans when in Rome and indulge in corruption, or will he stick to his own ethical standards?

This problem of peculiar relationships with public authorities is not in itself an obstacle to transnational mergers. A foreign firm merging with a French or an Italian partner can let the French or Italian executives handle the bureaucracy. However, foreign executives feel inhibited by the relationships with the bureaucrats, which they do not understand. It is this inhibition that is an obstacle. In a transnationally merged group, foreign executives feel the Italian or French part is elusive for them due to the interplay between local managers and public agents. This interplay may indirectly hamper the mutual confidence of the two partners. The foreign partner may fear that the French or Italian partner takes undue advantage of his familiarity with his own public authorities. On the other hand, Italian and French executives may believe that the foreign partner has an advantage since he does not have the obligation of complying with a complex bureaucracy.

For the obstacles discussed in this section it is difficult to make specific recommendations. Clearly, governments' opposition to transnational mergers should stop, since it goes counter to the development of a United Europe. Further, it should be clear that the other bureaucratic hindrances would be resolved if further progress toward Europe were made at the macrolevel. Thus, the problem is basically political. As a consultant said, "For these bureaucratic problems the only thing business can really do is to publicize the problems in order to develop public awareness on these issues. Also, a concerted effort would be effective, i.e., the business community as a whole should lobby to promote a more European attitude by politicians."

MANAGERIAL OBSTACLES

Turning now to the internal obstacles, we shift the focus to managers themselves.

The first obstacle is language. Beyond the obvious problem of comprehension, language difficulties hinder the integration of the human assets of a multinational group. The fact that managers have a different mother tongue hinders their socialization. This prevents the smooth blending of two organizations of different nationality since managers of one nationality are attracted to each other, for one thing because of the convenience of having a common language.

Furthermore, it often happens in a transnational merger that one partner's language is adopted as the normal working language. The partner who has to give up his language resents this on the grounds that he subconsciously perceives the other partner as favored. For example, executives may feel they are at a disadvantage vis-à-vis their foreign counterparts because they have a linguistic handicap.

The second obstacle is an appraisal gap. This refers to the difficulties management encounters in sizing up a potential merger partner. At the moment a merger is considered, it is necessary to evaluate the partner's congruency with one's organization. There are differences in the way people behave in a business organization and in the informal structures of companies. These features are intangible and therefore are hard to appraise. Managers express the concern about the difficulty of identifying and then evaluating the appropriate variables. Questions such as the following illustrate this: "What are the right questions to ask?" "What are the parameters along which to evaluate the compatibility of people?" "What makes a collaboration fly?" While these problems exist in any merger—national or international—they are far greater in an international linkup because dissimilarities between people are greater across national boundaries. Further, in a transnational merger companies do not know each other as well and are far less likely to be aware of each other's human characteristics.

The third obstacle is the lack of professional skills. European companies are still managed in an intuitive, nonanalytical fashion. This is noticeable in financial management. At the moment an international merger is evaluated, the effects of the pooling of resources from the financial point of view are not evaluated satisfactorily. Moreover, at the operating level European managers are not trained to control a multinational group effectively. The main problem is represented by the necessity of using different units of account. The risk of fluctuations would warrant, for example, the use of probability theory to take this risk factor into account. European financial managers are typically ill trained for this type of analysis.

Another area of concern is marketing. The lack of analytical approach does not permit a full evaluation of the potential synergies of two companies. Beyond obvious features such as geographical coverage, there is often little appreciation of areas of compatibility between two potential partners. As an executive of a U.S. multinational company put it, "Europeans just don't see the more promising areas for collaboration because they have but a superficial perception of the market."

The final and most important aspect of the lack of professional skills can be referred to as the lack of international business skill. This refers to the inability of many European managers to adapt to foreign business environments. There is no particular body of knowledge involved here. As an executive described it, "It is a sensitiveness which enables to feel the way foreigners think and react." It is an attitude which enables one to overcome dissimilarities in human characteristics of foreigners—such as thought processes or values. As another executive put it, "While it is not essential to have this skill when you make a one shot deal with foreign people, it is the *sine qua non* condition for the success of an international merger; here, people have to collaborate on a permanent basis and it is crucial that they be sensitive to the way others think and feel."

Many Europeans do not have this skill. This skill is acquired by living in various countries and by working with foreign people. Most Europeans do not have this type of experience. As a Belgian executive put it, "Americans often believe that Europeans are very cosmopolitan. This may be true relative to the Americans themselves. But, given the immense requirements Europeans have to constantly work with foreigners, they are by far not cosmopolitan enough." Indeed, Europeans have been raised, educated, and have worked in national environments. There are very few foreign executives working in European companies, and even in many international companies there is a reluctance to put local executives in the key positions of foreign subsidiaries.

The lack of international business skill is a hindrance for transnational mergers, since managers are unprepared to cope with the dynamics of international human relations. As a German executive put it, "Often people are suddenly confronted with a situation in which they have to work with foreigners on a daily basis. It is then that you have the most painful clashes because people just don't understand each other."

With the fourth obstacle, the attention turns to psychological bonds managers have vis-à-vis transnational mergers.

The fourth obstacle is nationalistic attitudes. This includes the chauvinistic desire to keep the company's domestic image, as well as the reluctance to modify work methods in order to comply with a foreign partner's requirements on the basis of sheer resistance to change.

Specifically, the first aspect of this "nationalism" is what a Belgian executive labeled "nationalistic atavism." It refers to the tendency of a manager to stick to the working methods of his environment, which he has been using since the beginning of his career. In any merger there are bound to be differences in work methods between the participating parties. The problem in a transnational merger is that people are less likely to give in and adapt to each other: the differences are subconsciously attributed to cultural differences, and often managers reach the misleading conclusion that what is good in one country is not in the other, with the result that there is less will to implement integration. Ethnocentrism is the end result since both partners become inclined to maintain their independence.

Another aspect of nationalistic attitudes is what an interviewee called "classical nationalism." This refers to nationalism for its own sake, namely, a bias in favor of maintaining the national identity of an organization on the grounds of managerial or economic chauvinism. Managers are chauvinistic because they either take pride in being part of a purely national firm or because they personally have an ethnocentric attitude aimed at safeguarding the particularism of their organization. Although European managers, normally, are not against internationalizing their company's scope, they often resist supranationalization. In other words, international business is desirable as long as the ties with the home country remain strong and unquestionable. European managers are not quite ready yet to lose their national identity as is the case in a transnational merger. They would feel alienated.

These nationalistic attitudes are normally not explicit, and managers do not overtly oppose a transnational merger on the grounds of such bonds. Rather, there is a subconscious feeling which hampers a decision of merging across national boundaries. At the moment the decision is to be made, there is just no "will to make it happen."

The principal cure for the majority of the problems dealt with in this section lies in education. The opinion is widespread in the business community that today managers do not receive the adequate training to be truly European professionals.

First, at the level of general education, people still receive a very nationally oriented education. The teaching of foreign languages is ineffective, and the overall scope of the courses is national as opposed to European. As a Belgian executive put it, "The fact that you study, for example, principally national history or literature leads people to acquire national as opposed to European dimensions. This is the primary cause for nationalistic attitudes."

Then, at the level of managers' professional training, people just are not trained to work in the European environment. At the level of mere managerial techniques, little training is available to manage in a multinational setting. For example, finance courses give inadequate attention to international cash management. Further, at the broader level of developing a European mentality, students are not trained to think of themselves as Europeans. As a French business school graduate put it, "For example, business policy courses typically do not take Europe as a whole, as the firm's environment. Students still are led to think that the natural scope of a firm is national, i.e., they don't take Europe as the natural frame of reference in which to develop the firm's strategy."

Since the bulk of education in Europe is state run, governments should give serious thought to Europeanizing public education. Further, the business community should also realize that it has a major responsibility in sponsoring professional schools that assume a truly European identity. A Dutch chief executive said: "Europeanization of education is the basis not only for creating European industrial groups, but also for Europe's overall social integration."

A LACK OF DRIVING FORCE

Up to now the discussion of why there have been relatively few transnational corporate linkups has focused on restraining forces, that is, on obstacles. In addition to these restraining forces, there is an insufficiency in the main driving force, which should lead to transnational mergers. This refers to the inadequacy of strategic planning in many European companies, which has the result that the desirability of a transnational linkup remains unrecognized. In other words, ineffective planning causes management not to pursue the otherwise-promising transnational merger alternative.

The concept of strategic planning has not yet been introduced in many European firms. It is noteworthy that management in different countries believes planning is inadequate for different reasons.

Italian managers believe that national character is the main cause. Italians allegedly have a natural inclination to improvise. Analytic thinking is deemed unnecessary, and intuition is still considered the principal ingredient of business success. Younger executives tend to have an inferiority complex about analytic thinking. They feel their training is inferior to that of other countries' executives. As a reaction, a cognitive-dissonance phenomenon occurs, and they tend to believe that analytic thinking is a "teutonic" characteristic less effective than their "flair." Since they perceive their analytic skills as inferior to those of foreign managers, they tend subconsciously to denigrate the importance of analysis. Historical developments of the postwar period probably have reinforced the national character. Italy's economic development was all the more remarkable because it was unplanned. As a consequence, Italians have been reinforced in their inclination to improvise.

Great Britain suffers from businessmen's attitude of "gifted amateurs." This expression, which is used by a great number of managers, refers to the unprofessional attitude British executives like to take regarding business. Until recently, executives have tended to be somewhat condescending vis-à-vis the administrative function. The commercial activity has been viewed as low prestige and, as a consequence, the environment has received little attention. This has alienated the planning function. As a British executive put it, "We have suffered from a myopic view of the environment and an overemphasis on finance and accounting. We are not mentally ready for a global analysis of the organization and its environment."

In France (and to a lesser extent also in Belgium and Luxembourg) people are mentally open to the planning concept. By his education the Frenchman tends to be analytic and is used to look at a complex situation in a systematic fashion. As Roger Godino has noted, "The Frenchman likes to look at planning as the main theme of the rational organization of the economy; and the cult of rationality he inherited from a long national tradition will lead him to support the principle of planning with conviction, even if in practice he will often deviate a great deal from it."[9] In fact, Frenchmen often feel hampered from developing a corporate plan because of the uncertainty factor involved. Their training is frequently scientific in emphasis, and they encounter some difficulty in adapting their own rigorous mentality to the inexactitude of the business environment. As a French executive with U.S. business experience put it, "The fact that a business plan is based on conjectural hypotheses and on inputs which are often rough approximations, makes the rigorist Frenchman feel uncomfortable with the planning function."

It is probably in Germany (and Holland) that the planning function is most akin to national character. Germans allegedly have a tendency toward organization and naturally tend to prepare any of their undertakings ahead of time. However, there are two barriers that impede the full acceptance of the planning function among German firms. First, as in Italy, the postwar economic recovery has been dramatic but not programmed. As an older executive put it, "We were too busy increasing our today's sales to plan for tomorrow's growth." Second, Germans are scrupulous planners for

9. Roger M. Godino, "A propos du séminaire international sur le long range planning," *European Business*, no. 4 (February 1965), p. 20. (This quote was translated from the French text.)

tactics. They forecast all the details of a program with great care. But they tend to lack creativity around the strategic decision. As a foreign executive put it, "They lack imagination to develop a strategic breakthrough."

Inadequate strategic planning results in managers often not being aware of the promises of the transnational merger route and of the risks of isolationism. It is the strategic planning function which should identify the type of motives for a transnational merger, described in the first section of this article. The fact that these motives are not present in management's mind results in management's not feeling the urge to merge. This constitutes a major weakness in the driving forces that should create Europe's multinationals. As a Dutch executive concluded, "If we don't start to plan systematically and to rigorously analyze our strategic posture, we will not even be aware of the opportunities we are letting go by."

POSTFACE

The objective of this article has been to point out the advantages of creating Europe's multinationals via the transnational merger route and to highlight the principal difficulties this route encounters. It is believed that without the creation of its own multinationals, Europe may well be condemned to a peripheral role in the world's economy. However, it is also believed that, if proper corrective action were taken, the number of transnational mergers would increase. The movement toward transnational business integration should accelerate—first in high technology sectors, then in sectors requiring a high marketing commitment and finally in all those sectors requiring high investments. This should carry with it considerable promise for European industry. Indeed, it appears to be the best means for the old continent to develop a competitive position on world markets. This is true not only for those industries where transnational mergers are the only hope for achieving a sufficient size to become competitive, but also in great part for the rest of the economy: the industries just mentioned are typically motors for the whole economy. For example, the work of supersonic aircraft manufacturers is a stimulus for a multitude of industries which are subcontractors. A pooling of resources of aircraft manufacturers will make them competitive on a global basis, and improve the EEC economy as a whole. European transnational mergers should thus offer three main advantages: first, they should increase the economic performance of the firms involved; second, they should have positive effects for the EEC economy as a whole; and third, they should serve European sociopolitical integration.

APPENDIX

This appendix presents statistical data. A frequency count of the obstacles is given, that is, how many times an obstacle has been mentioned by executives during the first set of open-ended interviews. Moreover, the relative weight of the obstacles is given, that is, what weight a second set of interviewees attributed to the most significant obstacles to international mergers.

Four tables are presented (one for each of the sections of this article discussing the obstacles to international mergers). Each table has three columns. The first column indicates what obstacle is considered. The second column indicates what percentage of respondents mentioned a given obstacle during the first set of interviews. The third column indicates the average weight respondents attributed to a given obstacle during the second set of interviews; this was done on a five-point scale in ascending order of importance.

Difficulties were encountered in asking executives to attribute weights for the data presented in the third column. It was thus necessary to condense the list of obstacles, that is, solicit responses on a limited number of items. This is why the third column has certain blanks.

Table 1

Legal and Regulatory Obstacles

Obstacles	%	Weight
Impossibility of doing a de jure merger	74	1.6
Fiscal difficulties	73	2.5
Exchange controls	32	...
Accounting	37	...
Disparity of technical standards for goods and services	40	...

Table 2

Bureaucratic Obstacles

Obstacles	%	Weight
Negative attitude of national governments	66	3.6
Red tape	37	...
Informal relationships between public and private administrators	36	...

Table 3

Managerial Obstacles

Obstacles	%	Weight
Language	60	...
Appraisal gap	37	...
Lack of professional skills	45	...
Nationalism	68	3.6

Table 4

Lack of Driving Force

Obstacles	%	Weight
Inadequate strategic planning for transnational mergers	41	4.0