Audit Financiar, XXI, Nr. 2(170)/**2023**, *355-368*
ISSN: 1583-5812; ISSN on-line: 1844-8801

The Sustainable Relationship between Investments in Human Capital and M&A

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Abstract

The purpose of this study is to investigate the sustainable relationship between government investment in human capital and the number of mergers and acquisitions (M&A). The analysis is carried out on EU countries grouped into emerging countries, frontier countries and developed countries, considering the FTSE Russell ranking. Specifically, the research looks at the impact of a range of social factors: government expenditure on recreation programmes, community events, festivals (RCR), expenditure on housing and community facilities (HCA), expenditure on schools and universities (EDUC), expenditure on hospitals and general practitioners (HLT), expenditure on social protection (SP) and public order and safety (POS), defence expenditure (DEF) and environmental protection expenditure (EP) on the volume of merger or acquisition operations. Following the study carried out with the help of the panel data methodology and the OLS (ordinary least squares) method, we concluded that a business environment characterized by sustainable government investments in culture and education is more likely to contribute to business success and to attract more foreign investors, including those resorting to mergers or acquisitions. The results of the study could help identify the group of countries that require more attention from governments in terms of spending allocated from GDP for a sustainable human capital environment. Also, entrepreneurs can discover sustainable countries where they can make foreign direct investments with a favourable impact on the performance of the target companies.

Key words*: M&A; human capital expenditures; sustainable relationship; social factors; investors behaviour; COFOG indicators;*

JEL Classification*: G34, M14, M21*

To cite this article:
Chiriac, I. (2023), The Sustainable Relationship between Investments in Human Capital and M&A, *Audit Financiar*, vol. XXI, no. 2(170)/2023, pp. 355-368,
DOI: 10.20869/AUDITF/2023/170/014

To link this article:
http://dx.doi.org/10.20869/AUDITF/2023/170/014
Received: 31.03.2023
Revised: 7.04.2023
Accepted: 12.05.2023

Introduction

Cross-border mergers are an important way for a state to grow economically (Wang and Wong, 2009; Doytch and Cakan, 2011; Hsueh et. al. 2014; Akalpler and Adil, 2017), but due to the lack of knowledge of managers, many mergers go bankrupt shortly after the operation.

The analysis of the specialized literature shows us that among the causes of the failure of the reorganization operations is the improper economic order (Gunther, 2001; Schraeder and Self, 2003; Houwers, 2016; Renneboog and Vansteenkiste, 2019). Studies that have analysed the causes of the failure of many M&A operations have identified cultural differences between countries as a possible cause.

The article is based on the theory of organizational behaviour since the early 1980s, a theory that discusses in several books (Deal and Kennedy, 1982; Peters and Waterman, 1982; Cartwright and Cooper, 2006) about the connection between employee culture and company performance.

We can thus deduce two types of merger-marriage: "collaborative marriages" in which the merging partners take the best of each other's cultures, creating a "best of both worlds" culture, thus creating a win-win scenario and unfortunately the worst and most common scenario, where the dominant company tries to change the culture of the employees of the absorbed company, thus creating a win/loss situation.

Thus, merger or acquisition reorganization transactions are doomed to failure be-cause one of the merging partners does not accept or tolerate the other company's employees' perception of the terms of the merger-marriage. The greater the degree of difference in cultures, the harder it is to bond the two societies, and the longer this reorganization pro-cess will take.

The literature states that the merger and acquisition transactions did not meet expectations. In many cases, the problem of integration is the problem of human capital, which makes it the second most important direct factor (Grunther, 2001; McCarthy, 2011; Godfred, 2016; Groen and Houwers, 2016).

Continuing to study the literature, we try to answer the question: why do some M&As work and others don't?

According to Hoetzel (2005), the failures of reorganization operations were frequently encountered in two phases: pre-acquisition and post-acquisition and were determined by the national cultural differences of the employees of the two companies involved in the process.

National cultural differences make their mark on the organizational culture and negatively affect the performance of the absorbing firm (Gunkel et. al. 2015; Godfred, 2016; Alexandridis et.al. 2022; Farooq et. al. 2022). Mergers and acquisitions are dynamic, multi-faceted processes that incorporate different forms of success and failure, and the integration of an HR manager is key to an optimal outcome of the transaction (Moore, 2021).

There is a negative link between national cultural distance and share turnover and M&A success (Chand et.al., 2021).

Investigating the role of cultural factors (national language, religion, political distance) on M&A it was found that a one percent standard deviation increases in language distance leads to a decrease in the number of mergers by 25% while political distance has no significant effect (Langosch and Tumlinson, 2020).

As far as we know, so far, no comparative studies have been conducted in emerging countries, frontier and developed countries, but only microeconomic studies have been conducted.

In studies conducted on economic societies in various industries, the most common factor in mergers and acquisitions failures is organizational and national culture.

In studies conducted on economic societies in various industries, the most common factor in mergers and acquisitions failures is human capital national environment.

Given the fact that a large volume of mergers and acquisitions do not achieve planed results and synergies and that M&A success is affected by different factors such as, strategy, corporate culture, managerial control, business environment, company size etc., the main aim of this paper is to analyse the impact of sustainable governmental culture expenditures on the success of the absorber company.

Starting from the model proposed by Bouwman (2013), we used panel data on 243 observations that took place between 2012 and 2020.

This paper considers the Classification of the Functions of Government COFOG key indicators, which measures since 1999 the Government expenditure on culture.

The COFOG system comprises government investment of GDP in nine categories namely: education, health, social protection, public order and safety, defence, housing and community facilities, environmental protection, economic affairs, and recreation and cultural and religious services.

Until now, the effects of these indicators on the evolution of mergers and acquisitions have not been analysed, most of the studies already published being focused on foreign direct investments, which include greenfield investments in addition to mergers or acquisitions.

The paper is organised as follows: Section 2 reports the reasons for the failure of mergers and acquisitions found in the literature; Section 3 describes the sample, data and methodology used in the research; Section 4 reports the results obtained as well as the discussions on their account. Finally, the research concludes with concluding remarks and conclusions.

1. Theoretical background

Mergers and acquisitions are a complex phenomenon but also extremely challenging because they exemplify an interesting paradox.

On the one hand, there is an increase in the activity and volume of mergers because these operations have many advantages for companies, while on the other hand, mergers and acquisitions have a high failure rate.

The issue of merger operations and activity has concerned many researchers from both the academic and business environments, being analyzed by financial and strategic aspects, behavioural and intercultural aspects, the synergies associated with these reorganization operations. (Birkinshaw et al., 2000; Cartwright and Schoenberg, 2006; Cai et.al., 2016).

Part of the literature states that about forty to sixty percent of mergers and acquisitions fail to achieve the expected outcome (Uzelac et al., 2015). While another part of the literature even presents a higher M&A failure rate about sixty to eighty percent (Angwin, 2007; Johnson, 2007; Hitt et al., 2009; Groen and McCarthy, 2011).

Although there is a lot of research on mergers and acquisitions, there is no consensus on the reasons for the failure.

The failure of the mergers and acquisitions is largely due to total lack of communication with key personnel of the companies involved in the merger process (Walter, 2020; Castellacci et.al., 2022).

Other authors (Lynch and Lind, 2002; Gadiesh and Ormiston, 2002; Steigenberger, 2016) found five important causes of the failure of the merger and acquisition, namely: poor strategy; different cultures; communication difficulties be-tween the organization's management and employees; poor planning and execution of the integration process; purchase price too high for the target company.

Mergers and acquisitions often fail because of the personal motives of investors, they often invest in a company to seek glory and satisfy their "executive ego". Foreign investors are thus losing sight of the fact that they must worry about the strategy for implementing the merger operations (Depamphilis, 2015).

Selecting a candidate absorbing company may be more of an art than a science (Lubatkin, 1983).

Ritesh (2018) explains in his study that corporate governance influences the post-acquisition performance, Lin et al. (2020) argue that M&As failure is caused by conservatism and Iamandi and Munteanu (2014) found the cause of economic environment education level responsible for the failure of the reorganization procedures.

In other studies, different perceptions of how the country deals with social and cultural issues may influence the investor in such a way that a foreign investor's decision may be made solely on the basis of these factors (Frensch, 2007; Vaara, 2012; Ciobanu and Bahna, 2015; Teti, 2022).

A company should carefully consider all components of the sustainable regulatory framework of the country in which it wishes to operate (institutional infrastructure, foreign trade policy, government position on R&D, health and education, employee code of conduct) so that it can operate and develop normally (Mladen et. al. 2020).

Phuong's (2021) research highlights the strong implications of environment government policies on FDI in various sectors of the economy.

The European Court of Auditors, based on the Eurostat document entitled General government expenditure by function (COFOG), measures public administration expenditure broken down by function.

Not many studies have examined the evolution of FDI using disaggregated data of public expenditure categories (COFOG) and most of them studied the linkage across globe or in a certain country not in Europe and not on type of economy, as we intended to do in this study. However, it must be considered that foreign direct investments are also a tool for the practice of round tripping of capital (Afrasinei, 2015; Afrasinei, 2019; Aykut et. al., 2017; Ledyaeva et al., 2015)

Some authors (Dreher and Gason, 2008) in their research found no significant correlation between FDI and cultural factors, while a researcher (Saahdong, 2010), on the sample of four countries (Denmark, Sweden, Norway, and Finland) discovered a positive effect between FDI and COFOG indicators. A study of OECD countries concluded that year-on-year increases in the indicator measuring trade and financial openness over the past three decades have led to reductions in public spending (Garrett and Mitchell, 2001).

The reason is that foreign investors have borne the expenses of employees in terms of education or health care. Poor efficiency of public investment can cause serious damage to the economy, such as the low investment trap (Bayraktar, 2019).

Kittel and Winner (2005) and Plumber et. al. (2005) performed the same studies, with the same data and rejected the authors' result above, they reach neutral results.

Public spending on education, training, research and development and infra-structure encourages international capital mobility in regions with better opportunities (Tanzi, 2002; Gemmel et. al., 2007; Meglio, 2020).

Figlio and Blonigen (2000) found that communities with more foreign investment are characterized by public spending on transportation and public safety.

Uncertainty of regulatory may diminish corporate investment. According to some authors, there is a significant link between pollution and foreign investment (Keller and Levinson, 2002; Zahoor et. al., 2021).

Apart from the multitude of indicators that measure the performance of the company, investors must evaluate the development capacity of companies in the long term (Carp et. al., 2020).

As a general conclusion of the literature, the factor that is seen by most as the most ubiquitous reason for failure in cross-border M&As is: culture issue.

GDP is considered a standard macroeconomic indicator that characterizes a country's national wealth. There is a statistically significant positive link between the evolution of mergers and acquisitions and GDP (Erel et. al., 2012; Boateng et. al., 2014; Deng and Yang, 2014).

Thus, in our study, government investment in human capital will be considered as independent variables and GDP growth rate will be considered as control variable.

2. Sample, data and methodology

The purpose of this study is to analyse the impact of sustainable governmental expenditures on the success of reorganization operation by merger or acquisition. More precisely we want to establish a link between government expenditures in human capital on the number of mergers and acquisitions. To achieve this purpose, 27 European countries, grouped according to FTSE Russell criteria in emerging nations (EM), developed nations (D), and frontier nations (F).

From the group of developed nations, we analysed the following: Austria, Poland, Finland, Germany, Denmark, France, Belgium, Luxembourg, Italy, Ireland, Spain, Netherlands, Sweden and Portugal; as frontier nations we included Bulgaria, Romania, Croatia, Cyprus, Estonia, Latvia, Lithuania, Slovakia, Malta and Slovenia and in the emerging countries are Greece, Hungary and Czech Republic.

The research is based on data collected from the Institute of Mergers, Acquisitions and Alliances (IMAA 2022) and the European Statistical Institute Eurostat (2022), over a period of nine years (2012-2020). The sample includes 243 observations.

The main hypothesis underlying our study are:

H1: Entrepreneurs are attracted by countries that offers them economic support for a business.

H2: A better rated sustainable environment that is characterized by investments in human capital is more likely to attract more foreign direct investment.

Starting from the model proposed by Bouwman Christa (2013), and ESA (2010) for testing the hypothesis, we used panel data regression models, which were run with the help of the Eviews program. Thus, the equation of the regression model used for the empirical investigation is:

$$M\&A_{it} = \beta 1SUST_{it} + \beta 2\ Zit + \mu_{it} \quad (1)$$

where: I represent the country of absorbing company and t is time (2012 -2020); $M\&A_{it}$ represents the dependent variable which is expressing the number of mergers and acquisitions; $SUST_{it}$ represents the indicators measuring sustainable government expenditures on human capital;

Zit: represents the control variables; β1 and β2 are the coefficients; and μit represents the error term.

To perform the regression analysis, we tested the models with fixed effects, random effects and OLS adapted to panel data. The results of the tests showed that the OLS model fits best to our data.

The variables used for our model are presented in **Table no. 1**.

Table no. 1. Description of variables used in the analysis

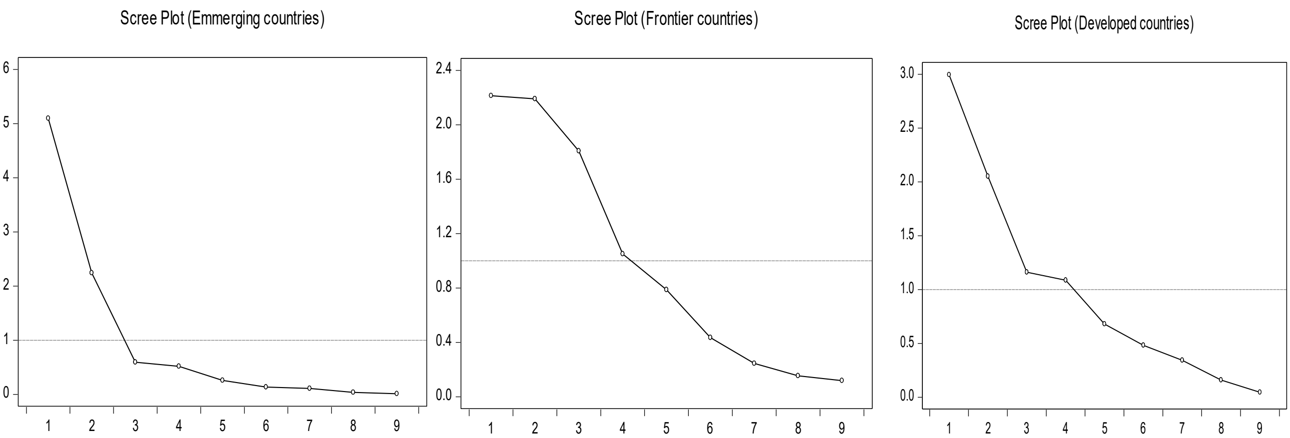
Indicators (Abbreviation)	Definition
M&A	
Mergers and acquisitions (M&A)	Is the number of cross-borders mergers and acquisitions performed at the level of each country included in the analysis
Sustainable investments	
Recreation, culture and religion (RCR)	provide the means to build social capital, public expenditure on programmes of recreational activities, events, festivals, parades, and leisure. Is calculated as percentage of gross domestic product (GDP).
Education (EDUC)	includes government expenditure to support schools, universities, and other public educational institutions. Is calculated as percentage of gross domestic product (GDP).
Health (HLT)	government investment in hospitals and general practitioners, curative care services, rehabilitation services, clinical laboratories, patient transport services, prescription medication, etc. Is calculated as percentage of gross domestic product (GDP).
Social protection (SP)	disbursements for in sickness and disability, old age, survivors of war, support for families with children earning below the minimum wage, unemployment benefits, housing maintenance allowances for low-income families, etc. is calculated as percentage of gross domestic product (GDP).
Public order and safety (POS)	expenditures in police force, fire service, law courts and prison service. Is calculated as percentage of gross domestic product (GDP).
Defence (DEF)	government spends on military measures or resources. Is calculated as percentage of gross domestic product (GDP).
Environmental protection (EP)	government economic resources to improve air quality and prevent, reduce and eliminate pollution and other environmental degradation. Is calculated as percentage of gross domestic product (GDP).
Housing and community amenities (HCA)	disbursements for urban development (construction of housing for people with special needs, purchase of land or housing, ensuring the connection of housing to the public water network and public lighting, etc.). is calculated as percentage of gross domestic product (GDP).
Macroeconomic variables	
Real GDP growth rate (GDP%)	measures the growth of one time against another and is adjusted for inflation or deflation.

Source: the definitions of the variables are taken from the Eurostat database

3. RESULTS AND DISCUSSIONS

The ***Figure no. 1*** shows that at the level of group of emerging countries there exist five factors that together can explain the variability in the original 9 variables. Also, at the level of frontier and developed countries there exists three factors that may explain the variability of the model.

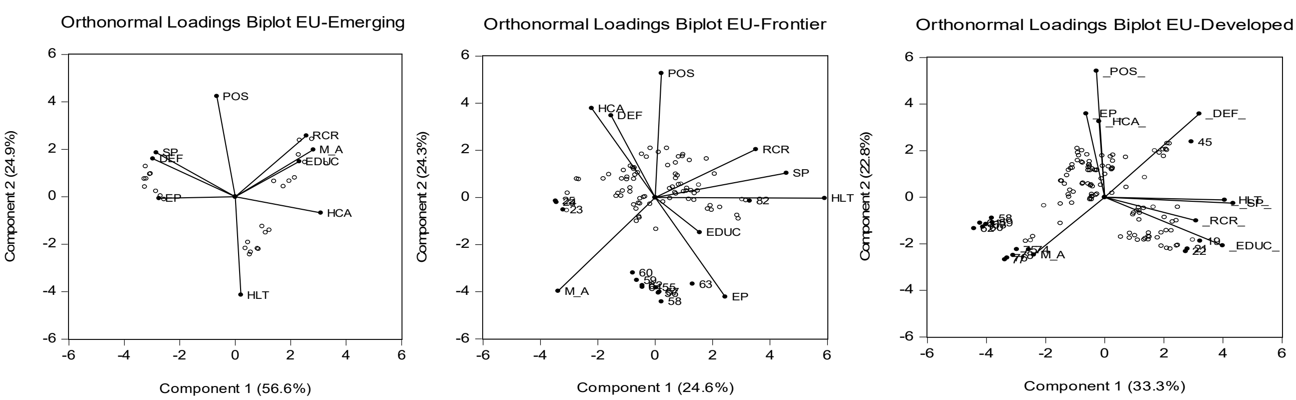
Figure no. 1. Scree plot for the group of emerging, frontier and developed EU-countries



Source: Own processing

Orthonormal Loadings Biplot reveal that between M&As and GDP allocations in recreation, cultural and religion events, in schools and universities, housing and community facilities and in environment protection there is a strong relation, as we can see in ***Figure no. 2***.

Figure no. 2. Orthonormal Loadings Biplot for the group of emerging, frontier and developed EU-countries



Source: Own processing

In **Table no. 2** we can see the outcomes of the descriptive statistics. The variable measuring M&As varies significantly across different types of countries, as we imagined.

Indicators that measure the level of culture of a country are extremely important for entrepreneurs because, it is a proxy for whether a country invests in education and the higher the rate the more investors can hire trained new employees.

Most investments in social capital, recreational programs, community events, festivals and parades have been made in Belgium in 2017 and the fewest in Bulgaria in 2012.

Government expenditure of GDP in schools, universities and other public and private educational institutions varies between a minimum of 2.8 percent in Romania in 2013 and a maximum of 7.2 percent in Sweden in 2020.

More expenditures in hospitals, curative and rehabilitative medical services, patient transport, clinical laboratory tests, prescription drugs, etc. have been made in Austria in 2020 and the fewest in Cyprus.

Bulgaria, Cyprus, and Latvia invested the most in public order and safety and in defense throughout the analyzed period.

Government expenditures devoted to improving the quality of the air breathed, preventing, eliminating, or reducing pollution and any other form of ambient deterioration varies between 1.8 percent in Belgium in 2012 and 0.2 percent in Cyprus in 2013.

The indicator that characterizes government expenditures in housing and community amenities varies a lot. Most government spending on housing and community facilities has been made in Croatia and least in Greece.

The control variable measuring the business environment also varied significantly across nations, as we anticipated.

Table no. 2. Descriptive statistics of the variables

Variable	Mean	Max.	Min.	Std. Dev.	Obs.
M&A	500.256	9052.300	11.700	14.135	243
RCR	1.299	4.600	0.500	0.508	243
EDUC	5.000	7.200	2.800	0.945	243
HLT	6.223	9.200	2.500	1.479	243
SP	16.869	27.300	8.800	4.185	243
POS	1.754	2.800	0.900	0.430	243
DEF	1.177	2.700	0.200	0.513	243
EP	0.766	1.800	0.200	0.346	243
HCA	0.694	2.400	0.200	0.478	243
GDP	1.595	25.200	10.800	3.700	243

Source: Own processing

Table no. 3 is comparing the averages for all considered variables in the analysed country groups.

The highest number of mergers and acquisitions was in the group of developed countries with 654 and the lowest number of 106 in the group of emerging European countries. This is because the EU - Developed countries have a better-rated business environment, with concern for culture also a favourable business environment (fiscal stability, favourable regulatory affairs).

Table no. 3. Comparison of means of variables, by country category

Variable	EU-Emerging	EU-Developed	EU-Frontier
M&A	106.781	654.370	402.537
RCR	1.685	1.219	1.294
EDUC	4.548	5.162	4.910
HLT	6.088	6.968	5.220
SP	16.029	19.481	13.465
POS	2.003	1.553	1.961
DEF	1.348	1.048	1.306
EP	1.066	0.732	0.723
HCA	0.588	0.510	0.984
GDP	0.777	1.269	2.296

Source: Own processing

Table no. 4 assesses which variables, expressing the cultural dimension of a country, influence the number of M&A transactions. There are high correlation coefficients between the variables, and, for accuracy of the results, we ran two regression models.

The total spending on recreation, culture, and religion as a percentage from GDP has a very strong contribution in the mergers and acquisitions decision. This factor has a high impact on the investment process. The more the government invests in cinema, television, theatre, music halls, fairground attractions, circuses, corridas, amusement parks, dances, festivals, the more entrepreneurs want to make more mergers. Recreation and tourism associated with outdoor environments can play a huge role in local economies. The highest values of the coefficient registered in the group of EU-Developed countries (96).

The variable Education is a factor that positively influences the number of mergers in all three categories analysed. The more the government invests in schools and universities, the more mergers and acquisitions are attracted. This is because investors are attracted to smart and well-trained employees. The highest values of the coefficient registered in the group of EU-Developed countries (48).

There is a significant link between environmental protection and M&As. Spending time in green environments, especially participating in physical activity while in these environments, can lead to better overall health and wellness by reducing stress and blood pressure for employees.

Between independents variables public order and safety and defence and dependent variable M&As there is a significant link. Mergers are not attracted to countries where there are large investments in defence and armaments, because investors do not want to invest in countries likely to be involved in conflicts.

Investors are not very interested in investing in the public health system, at the level of developed countries the coefficient is only 17 percent, because the investors probably provide in the salary package of employees, private insurance facilities.

Disbursements for urbanization like construction of housing for the public or persons with special needs, acquisition of land necessary for the construction of houses, community development, water supply or public lighting influences significantly the investors decision.

The values obtained for the adjusted R square show the overall explanatory power of the variables included in the model.

Table no. 4. Regression analysis

Dependent Variable	EU-Emerging		EU-Developed		EU-Frontier	
	M&A (1)	M&A (2)	M&A (1)	M&A (2)	M&A (1)	M&A (2)
GDP	3.001 (4.008)	**4.003* (2.008)**	**7.910*** (2.820)**	6.809 (4.001)	7.528 (1.638)	**7.005** (2.005)**
RCR	**75.057*** (2.350)**	**73.1002* (1.681)**	9.120 (2.107)	**96.660*** (1.970)**	**82.431*** (1.636)**	87.110 (0.850)
EDUC	13.492 (1.892)	**37.875** (0.920)**	**40.623*** (1.306)**	**48.943*** (1.207)**	**31.439*** (7.493)**	**42.520** (6.912)**
HLT	2.924 (1.354)	**15.429* (2.131)**	**17.212*** (1.052)**	16.315 (1.761)	54.490 (6.303)	**62.003** (5.490)**
SP	**25.716** (1.005)**	24.329 (4.108)	**33.148*** (4.308)**	**32.176* (3.203)**	46.666 (3.504)	**51.497** (3.207)**
POS	39.191 (5.092)	**42.731** (4.005)**	**27.964*** (3.613)**	**26.892* (3.512)**	**68.060*** (1.675)**	**67.124* (0.690)**
DEF	**41.947** (1.890)**	40.602 (1.780)	**21.113*** (3.436)**	20.840 (3.200)	23.136 (1.217)	**22.978* (1.459)**
EP	**57.903** (2.764)**	**54.180* (2.690)**	**86.365*** (3.131)**	83.500 (3.200)	**35.420*** (2.317)**	33.168 (2.004)
HCA	**26.209*** (5.305)**	20.850 (4.700)	**81.513** (4.179)**	**80.003* (2.008)**	**44.826*** (8.907)**	41.007 (7.706)
Obs.	27	27	126	126	90	90
R-squared	0.971	0.938	0.813	0.800	0.687	0.645
R-squared adjusted	0.956	0.903	0.799	0.782	0.652	0.599
F-statistic	64.298***	63.824**	56.230***	54.190**	19.584***	20.190***

Source: Own processing

Given that the most M&As were made on the EU-Developed countries, with several 654 transactions and considering the culture coefficients of the analysed model (RCR 96,66; EP 86,36; HCA 81,51), the hypothesis that is validated is ***H2: A better rated business environment that is characterized by investments in culture, is more likely to attract more foreign direct investment***.

Investors do not want to move their capital only in developed countries but also in countries where there are investments in recreational activities, theatre, festivals, in countries where they invest in the education system. For example, investors were attracted to Hungary which is an emerging country, but it has higher spendings on recreation, culture and religion as a percentage from GDP than the average of the group of developed countries (2.72 percent in contrast to the 1.22 percent). The same can be seen in Estonia, with an average of 2.03 percent spendings in RCR and 5.97 percent in schools and universities.

Examples of policy measures for to development of the culture, recreation and entertainment and education segment can be seen in Hungary:

- *To ensure educational success, since September 2015 kindergarten is mandatory for children over 3 years.*
- *Through the Oktatási Hivatal program, the teachers and Higher Educations Institutions are evaluated and may receive accreditation.*
- *From January 2019, teachers are entitled to additional payment if they work with disadvantaged students, for example, Roma children.*
- *The introduction of the School Education Bridge program (Köznevelési Hídprogram), which helps those who leave early school to return to education. The program aims to introduce adults to vocational training that meets the current needs of the labour market.*
- *Introduction of the orientation classes. The aim of these preparation classes is recommended for those students who obtained the primary education certificate and do not know which type of secondary school or profession they should choose. students will find the profession/job they would like to do.*
- *Building professional festival alliances, like CIOFF Hungary, (music festivals), Magyarországi Gasztronómiai Fesztiválok Szövetsége (gastronomy festivals), Magyar MĦvészeti Fesztiválok Szövetsége (art festivals).*
- *In 2019, the Csiky Gergely Theater in Kaposvár was refurbished using cultural development programs and in 2020, was refurbished the Kertész Imre Institute, the Kállay Mansion in Nyregyháza and Veszprém Zoo, the Szigligeti Theatre and Artist Colony in Szolnok, the National Cultural Institute.*

Investors will always look for different ways to run a successful business, therefore they need to find a sustainable business and also cultural environment in with to invest and move the capital, as can be seen in the **Table no. 5**.

Table no. 5. The average of the indicators (2012-2020)

Country	M&A	RCR	EDUC	HLT	SP	POS	DEF	EP	HCA
Austria	68.44	1.39	**6.29**	**8.19**	**21.08**	1.33	0.60	0.42	0.32
Belgium	210.64	**2.04**	4.91	**7.87**	**19.87**	1.76	0.84	1.37	0.34
Bulgaria	87.81	1.27	3.69	5.00	12.57	**2.56**	1.20	0.73	1.40
Croatia	56.43	1.54	4.83	**6.49**	14.70	2.24	1.17	0.67	**2.17**
Cyprus	46.00	0.90	**5.60**	3.14	13.10	1.80	**1.74**	0.28	**1.72**
Czech Republic	77.29	1.37	4.50	**7.72**	13.12	1.80	0.83	0.95	0.71
Denmark	151.99	**1.71**	**6.70**	**8.50**	**23.07**	1.00	1.18	0.42	0.23
Estonia	99.52	1.57	**5.97**	5.54	12.70	1.90	2.04	0.72	0.44
Finland	51.87	1.44	**5.99**	**7.41**	**24.75**	1.22	**1.33**	0.22	0.34
France	44.28	1.47	**5.41**	**8.18**	**24.56**	1.62	**1.80**	**1.00**	**1.13**
Germany	43.51	1.04	4.32	**7.30**	**19.48**	1.57	1.04	0.60	0.42
Greece	16.77	0.97	4.22	5.56	**20.50**	2.12	2.36	**1.45**	0.23
Hungary	226.29	**2.72**	4.92	4.99	14.46	2.08	0.84	0.78	0.82
Ireland	439.30	2.02	3.79	5.77	11.33	1.15	0.31	0.50	0.62
Italy	26.33	0.74	4.01	**7.06**	**21.35**	**1.80**	**1.27**	0.91	0.50

Country	M&A	RCR	EDUC	HLT	SP	POS	DEF	EP	HCA
Latvia	56.43	1.56	5.77	3.92	11.86	2.08	**1.50**	0.62	**1.08**
Lithuania	45.06	1.02	4.92	4.83	13.12	1.55	**1.42**	0.56	0.40
Luxembourg	73.61	1.19	4.67	5.13	**17.94**	1.10	0.37	**0.84**	0.55
Malta	16.69	1.09	**5.27**	5.52	11.76	1.23	0.63	**1.35**	0.34
Netherlands	582.52	1.31	**5.27**	**7.67**	16.70	1.88	1.15	**1.43**	0.47
Poland	49.11	1.21	**5.16**	4.79	16.40	2.18	**1.61**	0.53	0.63
Portugal	80.20	0.91	4.96	**6.46**	**18.14**	1.82	0.94	0.62	0.47
Romania	44.69	1.02	3.17	4.40	11.91	2.18	**1.36**	0.73	**1.13**
Slovak Republic	67.49	0.99	4.11	**6.52**	14.93	**2.37**	1.01	**0.83**	0.54
Slovenia	35.78	1.52	**5.78**	**6.82**	**18.04**	1.65	0.95	0.70	0.58
Spain	64.20	1.16	4.13	6.30	**17.91**	1.90	0.92	**0.90**	0.46
Sweden	87.46	1.30	**6.68**	6.94	**20.11**	1.32	1.06	0.46	0.61

Source: IMAA 2022, EUROSTAT, ESA 2010. Values above average are highlighted in bold.

4. Conclusions

Companies will always look for ways to do business, which in business translates into increased profitability and reduced costs. In this highly inclusive world, companies are now looking around the globe for these opportunities, spending a lot of time and consuming a lot of resources to make more money or save money (to save more money on costs).

However, the task is very difficult, as each country has its own set of rules on trade operations. Although countries are generally open to foreign investors, the nature of each country's unique regulations makes an environment more difficult or easier to penetrate.

Companies should spend resources determining what type of environment government has created in its market so that it is never caught unaware but errors from assumptions or incorrect data can be extremely costly to firms.

The findings of our study point out the significant relationship that exists between the government's culture expenditures on mergers and acquisition. We can see that the highest number of mergers and acquisitions are recorded in the most developed economies from Europe, but there are also states, especially Cyprus, Malta and Hungary, that are caching up.

So, entrepreneurs are looking not only for developed countries, but also to state where cultural and social factors can help them develop their company further. Thus, to help companies survive and boost their performance after M&A, which would generate positive effects on the economy, decision makers should take steps to develop the culture, recreation and entertainment and education segment.

Further research will analyze the impact of the war in Ukraine on the number of M & As. In the context in which several countries announced the increase of the defense budget in the coming years (Romania, Germany, etc.), we are curious to see how the budget impacts on education and RCR and whether investors will be attracted this time by countries with high defense. During the previous period, when there was peace in the world, investors fled the countries where investments were made in defense because their perception was that there were imminent conflicts.

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