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► **To cite this version:**

Jonathan Labbé, Mélanie Robert. English Private Equity financing and merger in Luxembourg: study of the cultural forces on the corporate governance of an SME in the Luxembourg financial sector. 46th EIBA Annual Conference, International Business in the Pandemic and Post-Pandemic Era, Dec 2020, Online, France. hal-03043138

**HAL Id: hal-03043138**

**<https://hal.science/hal-03043138>**

Submitted on 7 Dec 2020

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# English private equity financing and merger in Luxembourg: study of the cultural forces on the corporate governance of an SME in the Luxembourg financial sector



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## Abstract

This research in progress aims to understand the governance of managerial intercultural relations in the context of a merger of two SMEs in Luxembourg financed by a British Private Equity firm. An analysis of the intercultural environment of the company and of the structure of the forces at play exposes the influence of the multicultural factor on the implementation of the merger. The literature review, focused on intercultural management and approaches in terms of varieties of capitalism, highlights the cultural behavioral variables of the relationship between the decision-makers of the merged company. These perspectives allow us to build a framework explaining the relationship between intercultural strength and governance mechanisms in a company merger process. The qualitative methodology used is based on four interviews and a study of contextual elements in order to provide material for a content analysis. The results highlight the tensions exacerbated by the SME merger context in the exercise of governance by its actors and show the influence of the intercultural forces on the implementation mechanism of the merger project. We conclude by underlining the limits of the study and related other research opportunities.

## Objectives

- A company merger is in itself a complex phenomenon that must be understood in its context, especially when it involves SMEs, which according to Torrès (1997) are an extremely contingent environment, i.e., subject to internal and external factors of influence.
- We will focus here on the cultural variables that can be found both in the environmental context and in the organizational context, i.e., in the location of the organization and in the structure of its staff in the case of collaborators of various geographical and cultural origins.
- Therefore, it will be relevant in this respect to observe the elements of the environmental context of our company that may influence the course of the merger process, in this case a dense international context concentrated in a small geographical area with no less dense financial core business: Luxembourg.
- Our central problem is to understand how cultural forces manifest themselves in the implementation of the merger.

## Qualitative methodology

- Longitudinal case study of a Luxembourg based SME owned by an English Private Equity company during merge process
- 4 semi-directive interviews pre-merge – more to be planned post-merge :
  - 1- Luxembourg CEO
  - 2- UK group Deputy CEO
  - 3- Luxembourg HR Head
  - 4- Luxembourg CEO

## Results

- Alignment of operating and cognitive modes between anglo-saxon PE investors, group deputy CEO and local COO that prevails over host country national culture effects.
- A nuanced perception of uncertainty, risk and performance.
- The merge as a tool for regulating cultural individualities and conflicts.

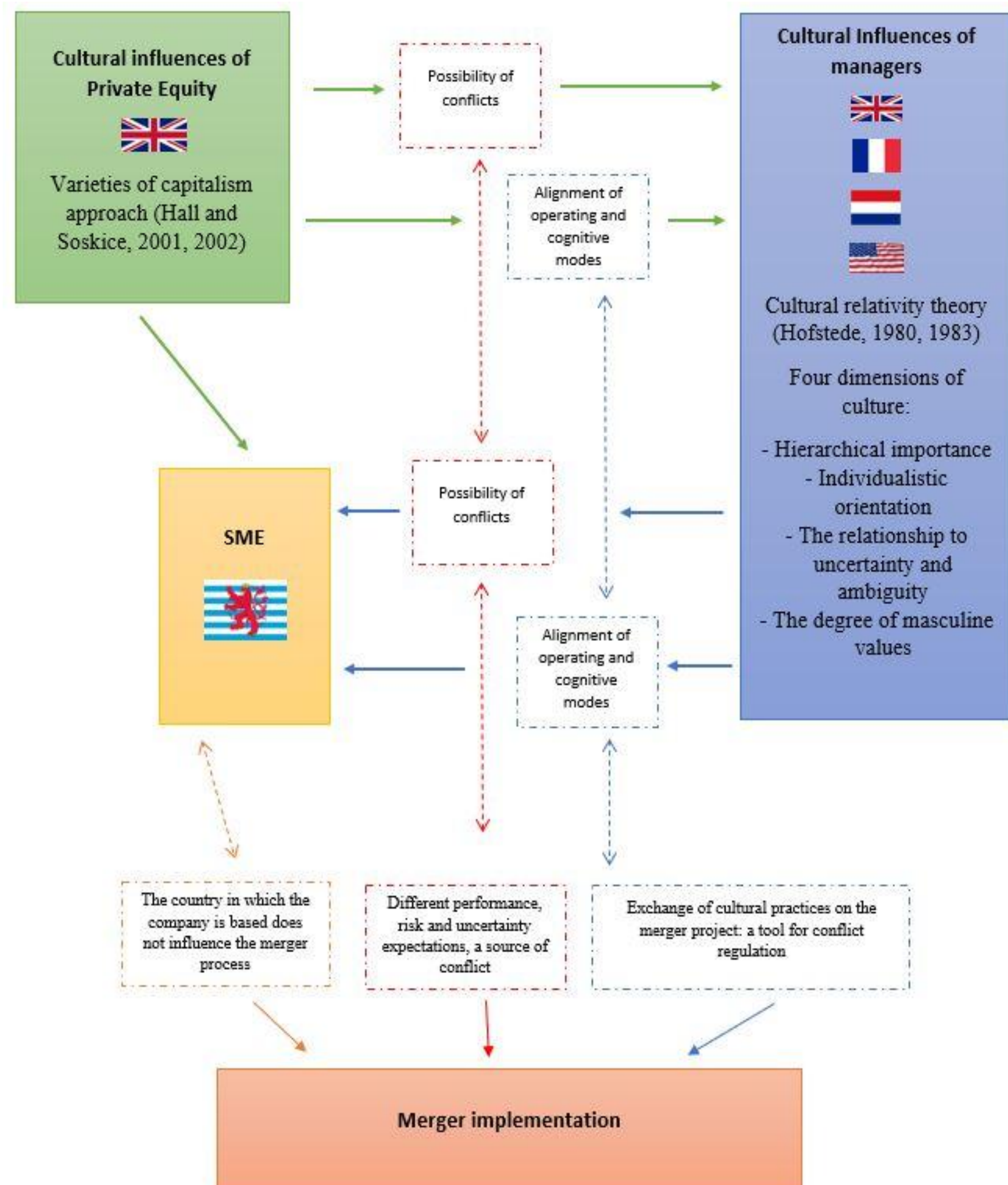
## Limits and points for development

- Limited content induced by limited number of interviews => interest and constraint of a “on-the-spot” merger case study
- Fine-tuning of theoretical cultural dimensions through further results
- Selective review of state of the art : SME, international M&A, private equity and governance => choices to be made
- Coincidental COVID temporal framework of the study => a further contextual dimension or a new study ?

## Next steps

- Cross perspectives through additional interviews, thematic content analysis assisted by NVIVO software.

## Scheme of the research question



## Cultural relativity theory applied to the case studied

