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Article

# When Cross-Border M&As Face Repugnance: Strategies for Overcoming Societal Resistance

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This article provides strategies for multinational enterprise (MNE) leaders to address societal resistance in cross-border mergers and acquisitions (M&As). Rooted in cultural, ethical, and environmental concerns, such resistance threatens M&A success. Using high-profile cases and theoretical insights, this article outlines four strategies: precise stakeholder mapping, proactive stakeholder engagement, strategic transparency, and socially responsible mechanisms. These approaches offer practical tools to transform opposition into collaboration, enhance legitimacy, and align corporate goals with societal priorities. By fostering sustainable value in host markets, this article equips MNE leaders with a structured framework to navigate resistance and achieve long-term success in cross-border M&As.

## INTRODUCTION

The contemporary landscape of mergers and acquisitions (M&A) for multinational enterprises (MNEs) is increasingly shaped by societal resistance. Rooted in cultural, ethical, and environmental concerns, this resistance—often overlooked during deal evaluations focused on economic or strategic merits—has become a critical barrier to success (Yiu, Wan, Chen, & Tian, 2024). Dubbed the "repugnance factor" by Roth (2007), societal resistance reflects widespread objections to transactions perceived as misaligned with local values, regardless of their economic soundness. This opposition is particularly pronounced in cross-border M&As, where the institutional and cultural distance between MNEs and local stakeholders often exacerbates public distrust (Dekker & Gradoz, 2023). For MNE leaders, societal resistance represents a growing source of risk that requires proactive, structured responses. To address this challenge, this article offers four actionable strategies: precise stakeholder mapping, proactive stakeholder engagement, strategic transparency, and socially responsible acquisition mechanisms. These strategies provide MNEs with a roadmap to align corporate objectives with societal priorities, build trust, and secure legitimacy in host markets.

Recent high-profile M&A cases illustrate the growing influence of societal resistance. Bayer's $63 billion acquisition of Monsanto in 2018 faced intense backlash over Monsanto's controversial environmental practices, including genetically modified organisms (GMOs) and herbicides. This opposition persisted post-acquisition, resulting in reputational damage and lawsuits that impacted Bayer's performance (Bender, 2019). Similarly, Canadian Pacific Railway's proposed merger with Kansas City Southern in 2021 sparked protests from local communities and environmental groups concerned about increased rail traffic through populated areas, and public health scare (Lazo, 2023). Coca-Cola's attempted acquisition of China's Huiyuan Juice Group in 2009 also faced major resistance, reflecting fears of cultural and economic domination by a foreign enterprise (Rein, 2013). These examples depict how societal resistance, amplified by cultural narratives and national metonymy (Riad & Vaara, 2011), can derail or complicate cross-border M&As. These concerns underscore the need for MNEs to engage proactively with a broader set of stakeholders beyond regulators and investors.

This article draws on International Business (IB) research and stakeholder theory to analyze and address societal resistance in cross-border M&As. It explains how institutional distance—differences in formal systems (e.g., regulations) and informal systems (e.g., cultural values and societal expectations) between home and host countries (Beugelsdijk, Kostova, Kunst, Spadafora, & Van Essen, 2018; Kostova & Zaheer, 1999)—shapes local stakeholder perceptions and amplifies mistrust toward foreign MNEs. By applying these insights, the article identifies actionable approaches to mitigate resistance. For example, it demonstrates how stakeholder mapping can uncover key local actors most affected by institutional misalignment, enabling MNEs to develop tailored engagement strategies. It highlights how transparent communication can bridge cultural and ethical divides, while socially responsible mechanisms ensure alignment with local priorities, reducing resistance. By translating IB theory into practical insights, this article equips MNEs with a structured framework to enhance legitimacy, build trust, and create sustainable value in host markets.

## SOCIETAL RESISTANCE: A KEY BARRIER TO CROSS-BORDER M&A

Societal resistance to cross-border M&As is an increasingly common challenge for MNEs. As mentioned earlier, societal resistance stems from public concerns over cultural misalignment, ethical conflicts, and environmental harm, which together form what Roth (2007) describes as the "repugnance factor." While societal concerns differ from formal regulatory resistance, they are often deeply intertwined. Public backlash can influence government decisions, particularly in high-profile deals where societal concerns, such as job losses or environmental impacts, generate significant political pressure. For MNEs, this means societal resistance cannot be ignored—it must be actively addressed to secure both public support and regulatory approval.

To address these challenges, it is essential to distinguish societal resistance from regulatory opposition while recognizing their interplay. Regulatory opposition arises from formal frameworks like antitrust laws or foreign investment rules (Wilson, 2021), whereas societal resistance stems from informal institutions—cultural norms, ethical values, and public sentiment (Dau, Li, Lyles, & Chacar, 2022; Yiu, Wan, Chen, & Tian, 2024). Crucially, societal resistance can heighten regulatory scrutiny by mobilizing public pressure on policymakers, compelling them to take a stricter stance. For instance, public backlash against Bayer's acquisition of Monsanto—fueled by fears of GMOs and environmental harm—intensified political pressure on regulators, leading to more regulatory scrutiny. A comparable dynamic emerged in the Canadian Pacific Railway bid to acquire Kansas City Southern in the United States. Public resistance, driven by fears of job losses and reduced competition in the U.S. rail sector, heightened regulatory opposition. Similarly, Coca-Cola's attempt to acquire Huiyuan Juice in China faced not only regulatory scrutiny but also societal concerns over foreign control of a culturally significant brand, influencing regulatory outcomes, and ultimately derailing the deal.

Contemporary IB research offers valuable insights for practitioners navigating these complex dynamics. Sunstein's (2005) work on fairness perceptions shows that public support depends on whether M&As are seen as benefiting society broadly, rather than enriching executives or shareholders. Hope et al. (2011) warn that firms from developing countries are overpaying for target companies in developed countries, often driven by the desire to overcome the liability of foreignness, which can exacerbate societal concerns about fairness. Yiu et al. (2024) further emphasize the importance of addressing local stakeholder emotions and perceptions, as these sentiments often shape both public and regulatory responses to M&As. Ultimately, MNEs must adopt strategies that build trust with local stakeholders, demonstrate alignment with societal priorities, and address repugnance factors head-on. This leads to the central question: *What practical strategies can MNE leaders employ to overcome societal resistance and foster acceptance of cross-border M&As in host markets?*

## KEY INSIGHTS TO OVERCOME SOCIETAL RESISTANCE

Public concerns about cultural, environmental, or economic impacts can derail deals or result in long-term reputational damage. High-profile cases such as Bayer-Monsanto, Canadian Pacific-Kansas City Southern, and Coca-Cola-Huiyuan exemplify the various forms societal resistance can take and underscore the importance of addressing these challenges effectively (see Table 1).

The Bayer-Monsanto merger faced substantial societal resistance globally, particularly in Europe and developing markets. Monsanto's reputation for controversial practices, including its use of GMOs and the herbicide Roundup, generated widespread environmental and health concerns. Activists framed the deal as a threat to sustainable agriculture, citing fears of corporate control over the food supply and ecological damage. Bayer's failure to engage meaningfully with local stakeholders intensified these concerns, demonstrating the critical need for early, proactive communication to counter resistance (Bender, 2019).

The Canadian Pacific-Kansas City Southern merger provides yet another dimension of societal resistance. In the United States, concerns about job losses, reduced competition, and environmental impacts from increased rail traffic fueled public opposition. Local communities and political leaders voiced fears that the merger would benefit corporations at the expense of public welfare. Although Canadian Pacific eventually emphasized the deal's economic benefits, including improved supply chain efficiency, these efforts came late, reinforcing the importance of engaging stakeholders early in the process to address potential resistance (Lazo, 2023).

Coca-Cola's bid to acquire Huiyuan Juice in China encountered a different form of societal resistance tied to nationalism and cultural identity. While the Chinese government officially rejected the deal on monopoly grounds, public backlash against the sale of a culturally significant brand to a foreign company strongly influenced the outcome. Many Chinese consumers feared the acquisition would undermine Huiyuan's local identity, and Coca-Cola failed to address these concerns effectively (Rein, 2013). This case highlights the importance of understanding cultural sensitivities and aligning with local values to build trust.

Across these cases, the need for tailored engagement strategies is evident. Partnering with trusted local organizations and leaders can help MNEs build credibility and address societal concerns. For instance, Bayer could have collaborated with farmer cooperatives to demonstrate the merger's benefits for smallholder farmers, such as access to advanced agricultural technologies and higher-yield crops. Similarly, Coca-Cola could have worked with local advocacy groups to emphasize its commitment to preserving Huiyuan's cultural significance while contributing to the local economy. These partnerships allow firms to align their objectives with community priorities, reducing opposition.

**Table 1. Key Insights for MNEs to Overcome Societal Resistance**

| Societal Resistance Aspect | Natural Environment | Market Efficiency | Nationalism & Cultural identity |
|---|---|---|---|
| M&A Case | Bayer-Monsanto | Canadian Pacific-Kansas City Southern | Coca-Cola-Huiyuan |
| Challenges & Concerns | • Target company's reputation for controversial practices (its use of GMOs and the herbicide Roundup)<br>• Threat to sustainable agriculture and fears of food supply and ecological damage | • Concerns about job losses and reduced competition<br>• Fears that the merger would benefit corporations at the expense of public welfare | • Public backlash against the sale of a culturally significant brand to a foreign company.<br>• Fears the acquisition would undermine the target company's local identity |
| Insights | The critical need for early, proactive communication to counter resistance:<br>• Bayer could have collaborated with farmer co-operatives to demonstrate the merger's benefits for smallholder farmers, such as access to advanced agricultural technologies and higher-yield crops. | The importance of engaging stakeholders early in the process to address potential resistance:<br>• Canadian Pacific might have reduced opposition by presenting detailed plans to minimize environmental and community risks earlier in the process. | The importance of understanding cultural sensitivities and aligning with local values to build trust:<br>• Coca-Cola could have worked with local advocacy groups to emphasize its commitment to preserving Huiyuan's cultural significance while contributing to the local economy. |

Tailored social commitments that directly address public concerns are equally important. Bayer, for example, could have announced targeted initiatives to promote sustainable agriculture, such as funding research into eco-friendly farming methods or training programs for farmers. Coca-Cola could have pledged to maintain Huiyuan's brand identity while investing in local production and job creation. Such initiatives must be transparent and measurable, enabling stakeholders to track progress and fostering trust in MNEs' intentions.

Flexibility and adaptability are also essential when societal resistance evolves during the M&A process. Bayer faced escalating legal and reputational challenges related to Roundup after finalizing the merger. Earlier engagement with critics, public forums to address environmental concerns, or third-party validation of sustainability claims could have mitigated some of the damage. Similarly, Canadian Pacific might have reduced opposition by presenting detailed plans to minimize environmental and community risks earlier in the process. These examples underscore the importance of monitoring public sentiment and remaining responsive to stakeholder concerns throughout the M&A lifecycle.

## ACTIONABLE INSIGHTS FOR MITIGATING REPUGNANCE

Managing societal resistance in cross-border M&As is a critical challenge for MNEs, particularly in culturally and politically sensitive markets. Societal concerns about foreign ownership, environmental harm, or economic exploitation can derail deals or create lasting reputational damage. To address these challenges, MNE leaders can adopt a structured, phased approach involving four interrelated strategies—mapping, engagement, transparency, and responsibility—that foster trust, accountability, and acceptance. Table 2 breaks down each strategy into actionable steps across the pre-M&A, during-M&A, and post-M&A phases. These strategies are illustrated below through real-world examples that highlight both successes and failures in managing societal resistance.

### PRECISE STAKEHOLDER MAPPING

Stakeholder mapping ensures that MNEs can identify key influencers—such as community leaders, regulators, and advocacy groups—whose opinions shape public and political opposition. Canadian Pacific's merger with Kansas City Southern faced resistance due to concerns over job losses and environmental risks. Late engagement with affected communities and local leaders delayed regulatory approvals and exacerbated resistance. Similarly, Bayer's acquisition of Monsanto suffered from gaps in stakeholder identification, as environmental advocacy groups were not effectively addressed during the process. In contrast, AB InBev's acquisition of SABMiller illustrates the value of stakeholder mapping. AB InBev identified key stakeholders across African markets, including local breweries, business leaders, and governments, and aligned the merger with regional priorities such as job creation and support for smallholder farmers. As Table 2 outlines, stakeholder mapping during the pre-M&A phase should include analyzing power dynamics and prioritizing stakeholders based on their potential impact on the deal.

### PROACTIVE STAKEHOLDER ENGAGEMENT

Effective engagement with local stakeholders is critical in mitigating societal resistance, particularly during the pre-M&A phase, when public concerns often emerge. Coca-Cola's failed bid to acquire Huiyuan Juice in China demonstrates how insufficient engagement can fuel opposition. The deal was rejected amid widespread fears of foreign control over a culturally significant brand, which Coca-Cola failed to address adequately. Early collaboration with local stakeholders to emphasize cultural preservation and economic benefits might have mitigated these concerns. In comparison, Nestlé's acquisitions in emerging markets showcase the benefits of proactive engagement. During ac-

**4 Key Strategies**

| Phase | **Mapping** | **Engagement** | **Transparency** | **Responsibility** |
|---|---|---|---|---|
| | *Develop a comprehensive stakeholder matrix to identify key influencers and decision-makers across various domains* | *Involves conducting granular sentiment analysis using advanced analytics to understand cultural nuances and region-specific concerns* | *Includes crafting a phased disclosure plan and adopting accessible communication practices* | *Develop tailored social contracts that directly address sources of repugnance, with clear accountability measures and performance metrics* |
| **Pre-M&A** | • Identify key stakeholders (employees, community, regulator...)<br>• Analyze stakeholder power dynamics<br>• Prioritize stakeholders based on impact and interest | • Conduct surveys to gauge employee sentiment<br>• Organize stakeholder focus groups<br>• Develop an engagement plan for key stakeholders | • Develop a communication strategy<br>• Set expectations for transparency and openness<br>• Prepare FAQs and resources for employees | • Assess social impact of the merger<br>• Align merger goals with corporate social responsibility (CSR) objectives<br>• Plan for community engagement initiatives |
| **During M&A** | • Map stakeholder interests and influence<br>• Engage with critical stakeholders during negotiations<br>• Communicate changes in stakeholder roles | • Host town hall meetings to address concerns<br>• Engage with community leaders<br>• Facilitate workshops for employees and stakeholder | • Share information about the deal openly<br>• Provide real-time updates on the merger process<br>• Create dedicated communication channels for queries | • Address community concerns during the process<br>• Ensure ethical practices in negotiations<br>• Develop a CSR communication plan for stakeholders |
| **Post-M&A** | • Reassess stakeholder map post-merger<br>• Regularly update stakeholders on company direction<br>• Identify emergent stakeholders and reassess priorities | • Establish ongoing communication channels<br>• Provide regular updates on integration progress<br>• Create feedback loops to gather stakeholder insights | • Publish integration reports and outcomes<br>• Conduct transparency audits to evaluate information flow<br>• Maintain transparency in leadership decisions | • Report on social impact and sustainability initiatives<br>• Continuously engage in CSR activities post-merger<br>• Measure and report on social responsibility outcomes |

**Table 2. Repugnance Mitigation Canvas**

quisitions in Africa and Asia, Nestlé worked closely with local farmers and suppliers, integrating them into its supply chain and demonstrating a commitment to local development. This engagement reduced societal pushback and reinforced Nestlé's legitimacy as a positive force in local markets. As Table 2 suggests, stakeholder focus groups and sentiment analysis during pre-M&A can help MNEs better understand cultural nuances and align their actions with local expectations.

### STRATEGIC TRANSPARENCY

Transparency builds trust by addressing societal concerns through accessible and timely communication. For example, during the Canadian Pacific-Kansas City Southern merger, early publication of job protection plans and environmental safeguards could have eased public concerns. Bayer, during its Monsanto acquisition, missed opportunities to reassure stakeholders by failing to publish measurable sustainability targets, which heightened opposition from environmental groups. In contrast, IKEA's entry into India demonstrates the power of transparency and proactive engagement in overcoming societal resistance. Initially, there were concerns about the impact on small, local furniture producers and retailers. To address these concerns, IKEA publicly committed to sourcing a significant portion of its materials locally, creating thousands of jobs, and adhering to cultural norms. By emphasizing the positive social and economic benefits of its expansion, IKEA built trust and credibility with stakeholders, ultimately gaining public and regulatory approval. As Table 2 highlights, transparency during the pre-M&A and M&A phases involves setting clear expectations for openness, providing real-time updates, and creating dedicated communication channels.

### SOCIALLY RESPONSIBLE ACQUISITION MECHANISMS

Integrating social responsibility into the M&A process can transform societal resistance into societal acceptance. For instance, Coca-Cola's failure to highlight how its acquisition of Huiyuan Juice could preserve the brand's identity and support local production alienated key stakeholders, contributing to the deal's rejection. In contrast, Nestlé's socially responsible practices during acquisitions have reinforced its legitimacy. By training farmers in sustainable practices and investing in community development, Nestlé aligned its operations with local priorities, reducing resistance and creating long-term value. Similarly, AB InBev's post-merger support for smallholder farmers in Africa highlights how aligning corporate actions with societal priorities can enhance legitimacy and foster acceptance. As outlined in Table 2, socially responsible mechanisms during the pre-M&A phase involve assessing the social impact of the merger and aligning goals with corporate social responsibility (CSR) objectives. During and post-M&A, ethical practices, community engagement initiatives, and sustainability reporting help ensure that the merger creates tangible value for host markets.

## CONCLUSION

The rise of societal resistance in cross-border M&As reflects a shifting global business environment where public scrutiny over environmental, economic, and social issues has become a decisive force. For MNEs, this is not merely a challenge to overcome but an opportunity to rethink their approach. Stakeholder mapping and engagement, transparency, and socially responsible practices are no longer optional—they are essential tools for building trust, securing legitimacy, and creating sustainable value in host markets. By addressing societal concerns early and meaningfully, MNEs can transform resistance into collaboration, reframing acquisitions as partnerships rather than takeovers. As demonstrated in this article, tools like Table 2 offer essential and actionable guidance, highlighting that success depends on aligning corporate objectives with local priorities and integrating shared value at every stage of the process.

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