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The cross-border hostile bid fight between Scania in Sweden and the two German companies MAN and Volkswagen: institutional change and the mandatory bid rule

Sophie Nachemson-Ekwall[1]

Abstract International hostile takeovers provide a unique context for studying how corporate governance mechanisms migrate across countries. This paper is prompted by a case study of the cross-border takeover fight between the target companies Scania (Sweden) and MAN (Germany) and the involvement of the owners of Volkswagen, Porsche (both Germany) and Investor (Sweden), 1999–2014. It reveals how incumbent owners in Germany and Sweden—two countries with a history of corporate control through blockholdings, corporatist-governance, state control (Germany) and multiple voting shares (Sweden)—manage to take advantage of the minority shareholders through arbitraging the differences in implementation of a new governance device across borders. The study focuses in particular on the mandatory bid rule (MBR) that forces a shareholder who passes a certain threshold of ownership to bid for the rest of the shares. The study reveals over twenty incidents of breaches of the idea of the MBR, to the detriment of minority shareholders. Building on institutional theory and sociology, the study provides useful insight into how incumbent actors may use bargaining power to capture a new regulation and circumvent it. Furthermore, the case illustrates the importance of legitimacy in the efforts to converge corporate governance systems. Thirdly, it adds to the critique of the mandatory bid rule in countries with a governance system supporting blockholders. Overall, the study raises a number of important issues regarding how national politics shape corporate governance and responds to new actors and coalitions of actors entering the scene. A convergence of takeover regulation not compatible with the legal framework might result in a less efficient than anticipated outcome of the market for corporate control. These results

✉ Sophie Nachemson-Ekwall
sophie.nachemson-ekwall@hhs.se

1 PhD Center of Governance and Management Studies, Stockholm School of Economics Institute of Research (SIR), Saltmätargatan 13-17, Box 6501, 113 83 Stockholm, Sweden

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