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National Culture in Cross-border M&A

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ABSTRACT

The failure rate of cross-border M&As is still high and culture is often blamed for hampering performance. If substantial research has been devoted to investigating M&As performance, cultural factors remain largely unexplained.

In this research, national culture is the focus to measure cultural differences in cross border M&As. we used Hofstede six dimensions to analyzes two cases, even though Lenovo case cultural dimension distance is higher than TCL case, but Lenovo understand reconciling cultural differences in the shortest time, Lenovo eventually solved the problems and turn into profit. The studies reveal that communication is a necessity, drastically improving the success of a merger, and a cultural assessment of both fit and potential are important factors for providing direction and guidance for necessary decision making and planning initiatives required by management throughout all stages of a merger or acquisition.

The purpose of this conceptual paper is to highlight the tensions generated by national culture in cross-border M&As and Chinese enterprises want to increase the success rate of Cross-border M&As, they have to pay close attention on the cultural problems, make a good cultural assessment and manager the cultural integrating work in the cultural integrating process.

Key words: Mergers & Acquisitions (M&As), National Culture, Cross-borderM&As, Hofstede Cultural Dimensions

TABLE OF CONTENTS

List of Tables

List of Figures

Chapter 1 Introduction

1.1 Motivation and Research Purpose

Cross-border Mergers and acquisitions (M&As) have become common practices in the global business environment. The aim of M&As is to combine two companies' assets to achieve goals such as sharing technology, capital, information, marketing, human resources, increasing production capacity and market share enhancing competitiveness (Rose, 1999).

As the 20th century arrived there was a wave of mergers and acquisitions (M&As), since then, M&As activity has remained a consistent and growing part of the business landscape. Begin the 21st century, we are again facing another major wave, this one is the largest in history and is being driven by globalization, technological change and deregulation. Some largest corporations of the world's keep to find new avenues to expand economic growth lead major acquisitions adjacent to their core business, attempting to improve their current and future strategic positions, domestically, regionally and globally and are doing so by acquiring new technologies, products and services, increasing geographic presence and consolidating within the markets they compete or hope to compete in.

Mergers and acquisitions are so pervasive, according to Thomson Reuters (2015) data, global dollar volume in announced mergers and acquisitions rose 23.1 percent in 2010 to $2.4 trillion. Global mergers and acquisitions were at an all-time high in 2015. The United States with 4,786 deals worth $1.97 trillion, accounted for 46.2 percent of global M&As activity.

Since the 1990s the amount of research in M&As has increased enormously, with the growing of research and literature, according to a literature review by Hunt (2001), most studies have reported failure rates as high as 50%, Marks and Mirvis (2011) present an even higher failure rate by suggesting that 75% of acquisitions fail to achieve their objectives, these results lead to rethink the challenges and opportunities posed by cross-border M&As, the meta-analysis conducted by King, Dalton, Daily Covin (2004) found that none of the strategic and financial variables studied are significant in explaining the variance in post-acquisition performance and recommended that future research pay more attention from strategic and financial perspectives into nonfinancial variables.

It has often been argued that the cultural distance between the country of the acquirer and that of the acquired unit is an important determinant of the success of cross-border acquisitions (Schweiger and Very, 2001). This study outlines the impact of national cultural distance on cross-border acquisition and review different cross border M&As cases of the literature, from a macro level perspective to determine if cultural aspects are present and impact.

1.2 Research Questions

The concept of culture itself is bound with complexity, the integration process is critical in M&As, it is much more difficult if M&As involves the companies from different countries because transnational mergers and acquisitions are not only influenced by the bilateral enterprises own organization cultural differences, but also by national cultural differences, the so-called dual cultural conflicts (Tsuneyoshi, 2004).

When discussing culture in the context of M&As, a further clarification is: 'which culture' are we debating? Based on the research of Dr. Geert Hofstede (1983) there are differences between national and organizational cultures, differences in national culture may lead to different expectations of employees and different organizational practices. National culture hence plays a role in shaping the nature of a firm's organizational culture. This thesis is focusing on cross-bordering M&As, the integration process is more difficult between the companies from different countries, because transnational mergers and acquisitions of an enterprise are not only influenced by the bilateral enterprises own cultural differences, but also by both national cultural differences, the so-called dual cultural conflicts.

This thesis will specifically focus on national culture and following research questions: Do national culture differences arise in cross-border M&As during the integration process and do they impact the deal result?

The aim is to enhance the understanding of emergence of the culture differences and the relationship between cultural distance and the deal result in the cross-border merger cases.

1.3 Research method

This thesis used literature analysis method, and historical and comparative method to collect and analyze related materials, books, journal articles, official documents, etc., the term culture in M&As has two aspects in which the national and organization cultures are distinguished. While analyzing the cases, I will keep the perspective of the national culture, the idea is to consider the impact and influence of culture and principally the national culture has on the results of a merger or an acquisition in order to realize a reliable analysis (Figure1-1)

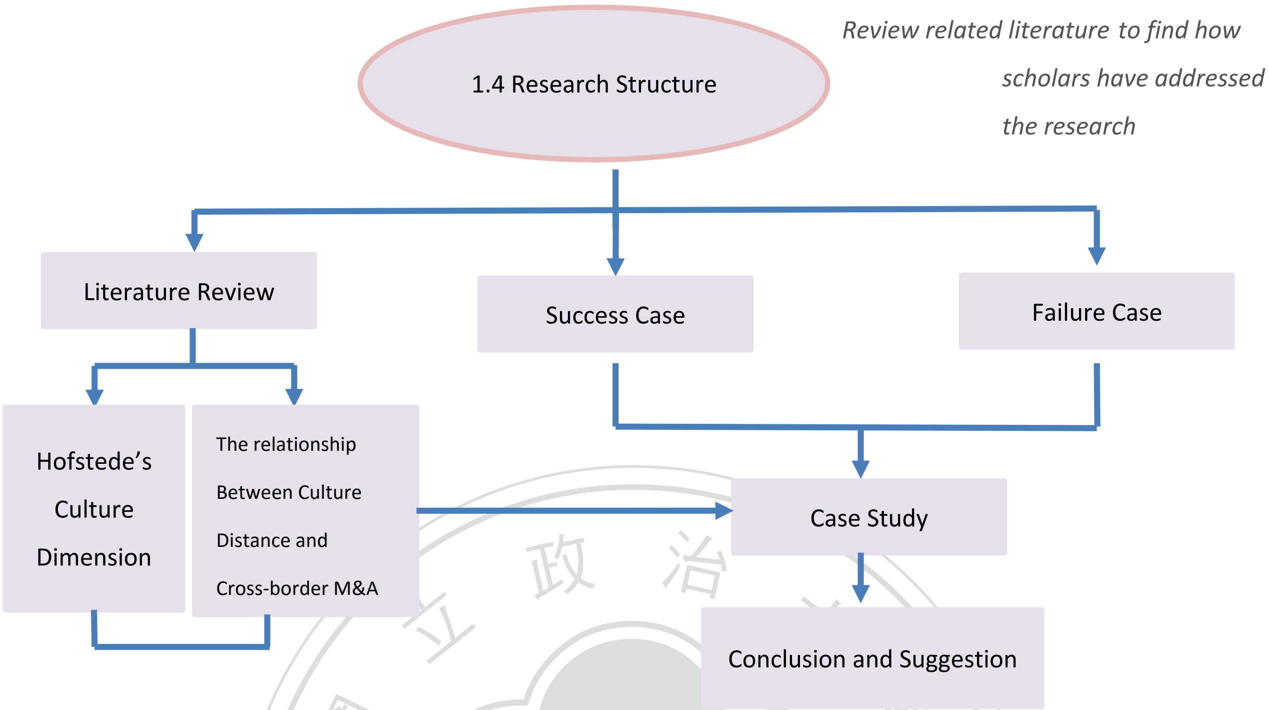

Figure1-1 Research Structure

1.4 Thesis Structure

This study will be divided into five chapters. The first chapter explains motivation, research purposes and research methods of this study. The second chapter explains literature review on related studies including mergers and acquisitions, culture aspect in M&As, based on that explains global historical evolution of cross border M&As, the chapter looks at the past trends and the current development in the merger and acquisition market in order to make statement about the increasing importance and the relevance. The third chapter will review several real-life cases, using existing empirical literature, while comparing and contrasting the information found in selected case studies of successful and failed M&As, to determine the culture factors influence in the success or failure of a merger or acquisition. The fourth chapter analyzes and answer the research questions through case study, cases of both successful and failed M&As, such as TCL and Thomson, IBM and Lenovo analyzes to point out common pitfalls in cultural integration in M&As. In accordance with a case studies we had a picture of crucial factors that are concerned by national culture which lead to success or failure of mergers and acquisitions. Finally, research finding and discussion of this study and conclusions and recommendations will be stated in the end.

Chapter 2 Literature Review of Cross-Border M&As

2.1 Definition of Mergers and Acquisitions

In the 21st century corporate world, mergers and acquisitions has always been one of the very important strategic tool used to achieve specific business objective. Merger and acquisitions happens when two legal entity's assets and liabilities are combined to become one legal entity. If we are to define merger and acquisition separately, acquisition generally means a larger company absorbing a smaller company, with the smaller company either becoming a subsidiary of the larger company, or with the smaller company combined into the larger company, hence losing its identity and larger company will take control of smaller company's assets and liabilities, merger is generally used to reflect consolidation of two companies on an equal status basis. Mergers and acquisitions are generally being used interchangeably and abbreviated as M&As in business world, this is because mergers and acquisitions basically lead to the same outcome whereby two entities become one entity (Shimizu, 2003).

2.2 Types of Mergers and Acquisitions

A domestic acquisition is defined as an acquisition in which the headquarters of the acquirer and the acquired firm are in the same country, an international acquisition is defined as an acquisition in which the headquarters of the acquirer and the acquired firm are located in different countries (Shimizu, Hitt, Vaidyanath, and Pisano, 2004).

Mergers and acquisitions also can be generally classified to congeneric M&As and conglomerate M&As, congeneric M&As can be further brokendown to horizontal M&As and vertical M&As, horizontal M&As happens when the two companies that is going to be merged are from same industry, most probably are competitors (Chen and Findlay, 2003). The motives driving horizontal M&As are mainly to achieve cost saving, increase market and to tap into new market segment, horizontal M&As is increasingly becoming more popular as the business world nowadays is becoming more globalized and liberalized.

The motives behind a vertical M&As will usually be driven by intention to reduce dependencies and reduction of overhead cost and gaining the scale of economies (Gaughan, 2013). A conglomerate M&As occurs when the two companies that were involved in the M&As are from irrelevant industry, with the purpose to diversify capital investment hence diversifying risk and also to achieve scale of economies (Table 2-1)

Table 2-1 Types of M&As and Examples

Type	Characteristic	Example
Horizontal merger	Companies are in the same line of business, often competitors.	Walt Disney Company buys Lucasfilm (October 2012).
Vertical merger	Companies are in the same line of production (e.g., supplier–customer).	Google acquired Motorola Mobility Holdings (June 2012).
Conglomerate merger	Companies are in unrelated lines of business.	Berkshire Hathaway acquires Lubrizol (2011).

Source: Gaughan (2013)

2.3 Motivations of Mergers and Acquisitions

There are several explanations for why M&As occur, the primary reason for an M&A is to achieve synergy by integrating two or more business units in a combination with an increased competitive advantage (Porter, 1985).

Matta & Beamish (2008) mention five sources of synergy, namely reducing threats, increased market power, cost savings, increased financial strength, and leveraging capabilities.(Table 2-2)

2.3.1 Enlarge the product line or complement the products or services

One of the most common causes of merger is capacity augmentation through combined forces. Usually companies target such a move to leverage expensive manufacturing operations, however, capacity might not just pertain to manufacturing operations, it may emanate from procuring a unique technology platform instead of building it all over again. Capacity augmentation usually is the driving force in mergers in biopharmaceutical and automobile companies.

2.3.2 Growth in market power

Without adequate strategies in its pool, companies will not survive this wave of innovations, many companies take the merger route to expand their footprints in a new market where the partnering company already has a strong presence, in other situations and attractive brand portfolio lures companies into mergers.

2.3.3 Increase market share

Sensible companies just do not believe in keeping all eggs in one basket, diversification is the key. By combining their products and services, they may gain a competitive edge over others, diversification is simply adding products in the portfolio. A classic example of this is the acquisition of EDS by HP in 2008 to add services oriented features in their technology offerings.

2.3.4 Spread the risk by investing

Global economy is going through a phase of uncertainty and combined strength is always better in tough times, when survival becomes a challenge, combining is the best option. In the crisis period, 2008-2011, many banks took this path to cushion themselves from balance sheet risks.

2.3.5 Synergy

Economies of scale is the soul of most businesses, when two companies are in the same line of business or produce similar goods and services, it makes perfect sense for them to combine locations or reduce operating costs by integrating and streamlining support functions, this becomes a large opportunity to lower costs.

The math is simple here. When the total cost of production is lowered with increasing volume, total profits are maximized.

Table 2-2 M&As Motives and Corresponding Reference

The Motive	Reference
Enlarge the product line or complement the products or services	Levinson (1970)
Growth in market power	Pennings et al (1994) Trautwein (1990)
Increase market share	Gopinath (2003)
Spread the risk by investing	Pennings et al (1994) Trautwein (1990)
Synergy	Carpenter and Sanders (1970) Porter (1985),Seth et al., (2000,2002) Townsend (1968)

Source: Matta & Beamish (2008)

2.4 Global M&As Evolution and Current Status

The first wave of mergers and acquisitions began in 1897 with the next two waves occurring in 1920s and 1960s. After a short pause, the mergers and acquisitions were back on track with fourth merger wave in the 1980s.

Table 2-3 shows the value and volume of M&As deals from mid 1980s when the economy was in the middle of the fourth merger wave, also known as the takeover wave. In the U.S economic history it was unique and one of the most intense mergers and acquisitions period. Compared to prior historical periods, the volume of mergers and acquisitions in the 1980s was exceptional. Besides the boost in the volume of mergers and acquisitions, there was also a steady increase in the average price of each acquisition. Hostile takeovers and corporate raiders were prominent during this phase. Corporate raiders used junk bond market as a tool to obtain access to millions of dollars to target some of the largest and well established corporations. The period also saw a rapid growth of Leverage buyouts. Another prominent feature of this period was a significant percent of takeovers which included foreign bidders although nothing compared to what was to come in the fifth merger wave.

The fourth merger wave came to an end towards the beginning of 1990s with a recession in row. The economic slowdown, and the fall of junk bond market, which provided financing for the LBOs during the period, can be considered as the reasons behind the fall of the fourth merger wave. After a relatively short recession, in 1993 the economy picked up speed and by 1994 we were headlong into the next full-scale merger wave. The fifth merger wave featured an unprecedented volume of M&As and surpassed the deals values of the 1980s. The prior merger periods were mainly restricted to the United States but the 1990s wave was however a truly international phenomenon. Not only was there a heighted volume of M&As in Europe but also a spike in volume of deals in Asia. This period featured corporate managers preferring long term and strategic deals to the short-term, financially driven deals of the fourth wave. Other features include affinity towards consolidation deals, privatization of state owned enterprises which increased the number of potential bidders and targets and emerging market acquirers.

The record-setting fifth merger wave came to an end with bursting of the 'Millennium Bubble', which resulted in an overall slowdown in economy and recession in the US and other countries in 2000, the period saw many megamergers and a dramatic increase in cross-border mergers and acquisitions.

About three years after the end of the fifth merger wave the sixth merger wave emerged in 2003, from a low of $1.2 trillion in 2002 the pace of merger activity has increased to $3.4 trillion, which is more than double by the end of 2006. The sixth wave came to an end in late 2007. According to Alexandridis, Mavrovitis, and Travlos

(2012) the drivers of this wave is primarily the availability of abundant liquidity, moreover acquirers were less overvalued than the targets.

The trend of cross-border mergers and acquisitions can be explained as a situation where a company from one country is merged with a company from another country or acquired by a company from another country. Assets and liabilities of the companies from two different countries are combined into a new legal entity in case of a cross border merger on the other hand there is a transfer of assets and liabilities from target to acquirer in case of cross border acquisition (Chen and Findlay 2003).

Technological growth and globalization of businesses have hugely effected the expansion and contributed to the popularity of cross border M&As. The first incident of cross-border M&As occurred in 1980s. Throughout the 1980s, the number of cross-border acquisitions occurring each year had more than tripled (Morosini, Shane, and Singh 1998) and in 1999 and 2000 40% of the deals completed were cross border (Hitt, Harrison and Ireland, 2001), until the 1999 the cross-border market within the European nations was dominated by British, French and German firms, however, Spanish, Dutch, Swiss and Nordic firms, gained momentum by exploiting the start of the globalization. The advent of globalization made the market for cross-border M&As a truly global place with acquirers and targets from all over the world.

Table2-3 Merger and Acquitstion Waves (from 1987 ~ 2001)

	First Wave	Second Wave	Third Wave	Forth Wave	Fifth Wave
Time Frame	1897 ~1903	1920~1929	1960~1973	1980s	1990~2001
Location	US	US	US,UK,Europe,Asia	US,UK,Europe,Asia	US,UK,Europe, Asia
Value (billions)	6.9	7.3	46	618	4,500
Reasoning	Creating monopolies	Creating oligopolies	Growth through diversification, managerial self interest, internet	Elimination of conglomerate structures and inefficiencies	International expansion
Drivers	Changes in technology, economic expansion, introductio n of new legislation,	Increase in antitrust laws, economic recovery after WW1	Increase in antitrust regulation, underdeveloped external capital markets	Favorable of economic Conditions, relaxation of antitrust regulation, financial innovations	Globalization, deregulation, privatization
Performanc e Effect	Positive	Positive only for target firm	Mixed effects for acquiring firms, positive effects for target firms	Acquiring firm Effects dependent on relatedness, Positive effects for target firms	Positive only for target firm

Source: Alexandridis et al., (2012)

Global M&As current status, from 1995 - 2004 technological industries were the most dynamic buyers and sellers, but from 2000 the financial sector began to dominate the cross-border take-over market, technological industries were no longer the primary acquirers but continued to be top targets. In 2004, the volume of cross-border M&As rose by 28%. In 2008 due to the financial crisis, there was a steep decline of 35% in the value of cross-border deals compared to 2007. The number and value of megadeals fell by 21% and 31% respectively. Another notable fact is that after mid 2000s several developing countries started acquiring companies all over the world at astounding rates. World Investment Report (2016) report In 2014 the gross value of cross-border M&As was at $900 billion, considerably more than the recent annual average (2010-2014) which was $775 billion, overall, cross border deals represent a major and stable segment of the mergers and acquisitions market with 33% of total M&As volume in 2015, against 37% in 2014 and 31% in 2013. (Figure2-1)

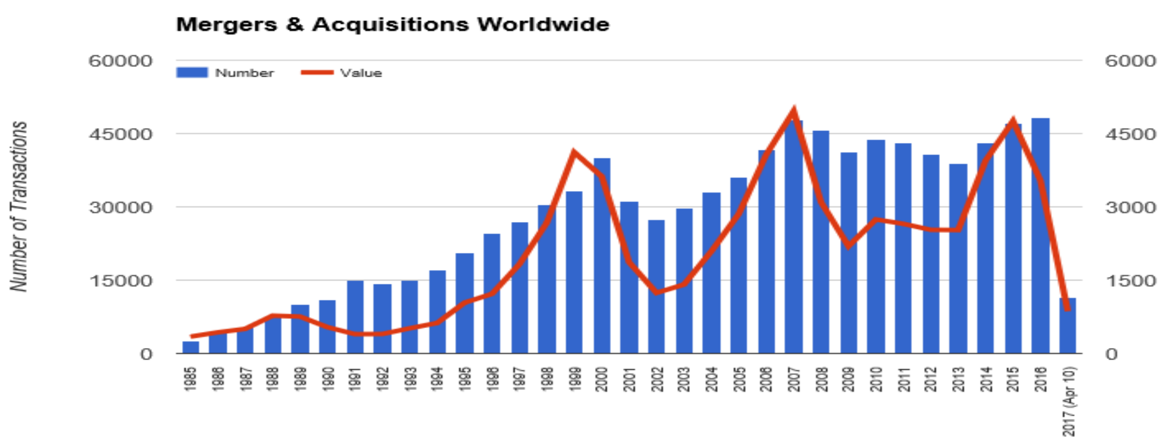

Figure 2-1: Global Value and Number of M&A
(Source: Institute of Mergers and Acquisitions and Alliances)

2.5 Factors influencing of Cross-Border Mergers and Acquisitions

After survey the literature to see what others had written about indicators of cross-border mergers and Acquisitions success, here are a wide range of issues that have been found, which include strategic motive, type and degree of diversification, selection criteria, price of acquisitions, strategic fit, management involved in the process, human resource management, operating managers and key staff, culture, exc.

2.5.1 Strategic Motive

It is important that an M&A's motive is strategic, failing which the acquisition will likely not be compatible with the corporate capabilities and goals. Kitching (1967) wrote that managers have two different approaches to an M&As decision: "golf course" implies that the management jumps at an opportunity that may arise serendipitously and "crystal ball" implies that the management thinks strategically and the decision is a part of an overall corporate strategy of the company. Based on 22 executive interviews, Kitching (1967) concluded that companies which use the "golf course" approach failed and companies which use the "crystal ball" approach succeeded. A few years later, Levinson (1970) added that there can also be two psychological reasons for M&As: "fear" implies that merger derives from the feeling that unless the company grows, larger companies will destroy it and "obsolescence" implies that merger is an attempt to refresh – because organizations, like aging people, become more stereotyped in their ways, less adaptable to changing condition, and less flexible in their efforts to cope with their environments. The psychological terminology aside, these are both examples of strategic motives. Like the "synergy" concept discussed above, and unlike the materialism and hubris motives mentioned by Seth, Song and Pettit (2000) it is important that the M&As begin with some value-creating logic that is consistent with the corporate strategy. A firm that plans an

M&As needs to identify and evaluate its objectives as early as possible (Brockhaus, 1975) or face the likelihood of inconsistent intentions and results.

2.5.2 Type and Degree of Diversification

Still in the strategic domain, the type of the diversification that the acquisition intends to achieve – be it horizontal, vertical, concentric, or conglomerate – influences the match and relationship between the acquiring and acquired company. This match may well influence the performance. Kitching (1967) interviewed executives from 22 companies who were involved in 69 acquisitions. He measured success by the financial results, comparing forecasts to the results two to seven years after the M&As. The results were: conglomerate (45% of the total) accounted for 42% of all failures, concentric marketing (13% of the total) 26% of all failures, concentric technology (14% of the total) 21% of all failures, horizontal (25% of the total) 11% of all failures, and vertical integration (3% of the total) 0% failures. These results imply that horizontal mergers are relatively successful, while concentric marketing and technology acquisitions together have the greatest failure rates.

Porter (1985) shows that horizontal and concentric mergers are more closely associated with higher synergy than conglomerate and vertical mergers and have the potential to outperform the latter. The explanation for the different results in the aforementioned Kitching study, when a corporation puts its eggs in different baskets by diversifying into unrelated and marginally related businesses, it actually decreases its ability to protect each of them, too many businesses to run and too few commonalities among them. Lubatkin and Lane (1996), stated what has become a common assumption in the 40 years since the Kitching (1967) study, namely that related acquisition involves less risk compared with acquisition of unrelated firms and is thus more likely to succeed.

2.5.3 Selection Criteria

Selection criteria are the criteria determined by the acquiring company's search team for selecting potential merger partners. The decision about the criteria is critical since it helps the company to be consistent and not be influenced by emotions or react impulsively (Kitching, 1967). Successful corporate leaders select strategic criteria by consensus to aid the search team in choosing suitable candidates (Mirvis & Marks, 2001). The following two sections discuss the two most common and important criteria used, price and strategic fit.

2.5.4 Price

The price paid for the acquired firm is generally considered to be a key success criterion (Kitching, 1967). According to Severson (1989), before the company decides to acquire, it needs to thoroughly analyze the acquired company's assets in order to verify their market value. The company needs to check if there are any loans or documentation problems. This careful assessment will let the acquirer offer a fair purchase price and maximize the benefits of the deal. Rappaport (1979) emphasized the importance of valuation and pricing of acquisition, and it stands to reason that the acquirer's financial performance will suffer in the long run if the price paid for an acquisition is more than it is worth, even allowing for any synergetic benefits. In contrast, Smith (1997) found that there is little correlation between price premiums and whether the deal creates value. Kusewitt (1985) did not find any relation between the price paid and the performance. There are expensive deals that create value and bargains that lose money. The explanation can be that most important is not only how much you pay but also what you can do with the acquired company in order to turn it to a good transaction.

2.5.5 Strategic Fit

The other important selection criterion is strategic fit, which is defined as "the degree to which the target firm augments or complements the parent's strategy and thus makes identifiable contributions to the financial and nonfinancial goals of the parent" (Jemison & Sitkin, 1986). Schweiger, Weber, and Power (1989) defined strategic fit as "synergies that create competitive advantage." Both of them mentioned that strategic fit could influence on the success of the acquiring companies. According to the literature review by Very, Lubatkin, & Calori,(1996), the company's gains or losses from a merger are dependent on the strategic fit between the competitive strengths and market growth rates of the acquiring and acquired companies. The more they fit, the more gain is possible. This point links back to the strategic issue of “diversification” discussed above.

2.5.6 Management Involved in the Process

Calipha, Tarba, & Brock (2010) mailed questionnaires to a random sample of companies involved in the 2,815 mergers announced during the first half of 1969. The first question asked of the chief executives concerned the consideration they gave to 26 marketing, manufacturing, financial, and personnel aspects during a premerger evaluation of the acquired company, he found that strong consideration by top executives was given to top management talent (76%) and depth of management talent (62%), these managers need to be specialists in different areas and, in spite of the differences, they need to work cooperatively to solve any conflicts.

2.5.7 Human Resource Management

Building on the above logic, it is essential to involve the human resource executives as early in the M&As process as possible. Human resource knowledge about the human side of the employees, for example, motivation, can be essential to managing the post-merger integration. Also, differences between the acquiring and acquired company in job grading, training, performance appraisal, career development, salaries, and other aspects of HR management need to be given attention (Mirvis & Marks, 2011). Schweiger et al., (1989) examined the human resource factor, asking executives from 80 companies to evaluate 15 human resource criteria and whether they were considered in the M&As decision – for example, executive compensation plans and employment agreements. The study found that these criteria did not get a lot of attention, although they are very important to the success of the company. (Calipha et al., 2010).

2.5.8 Operating Managers and Key Staff

When considering inclusion of managers in the M&As process, it is important to remember that operating managers and key staff have the day-to-day knowledge the firm needs to operate. They are the people who implement the acquisition decision. Their involvement in the pre-stage can have a huge contribution, not only to the nuts and bolts of the implementation but also to their general commitment to the future merged organization (Drucker, 1981).

2.5.9 Culture

Most management researchers and practitioners pointed out that cultural differences and integration efforts during the post-merger integration period are critical to performance (Stahl, Mendenhall & Weber, 2005; Shimizu et al., 2004).

However, the interrelationships among organization culture, national culture, and integration approaches, as well as their influence on the success of international mergers, are not clear (Stahl & Voight, 2008). Moreover, the results of empirical studies are often contradictory (Cartwright & Schoenberg, 2006; Teerikangas & Very, 2006). Cultural differences create organizational challenges that impede integration and increase acquisition costs (Brock, 2005; Cartwright & Price, 2003). National cultural differences are often cited as complicating business transactions in general (Hofstede, 1983) and are associated with M&As failure (Li & Guisinger, 1991).

Brock, Barry, and Thomas (2000) show how cultural differences have more powerful effects from the headquarters to subsidiary direction than vice versa, and illustrate how language differences impede inter unit understanding. Weber and Schweiger (1992) recommend that management should pay as much attention to cultural fit (corporate and national) during the premerger search process as it does to financial and strategic factors. According to Appelbaum et al. (2000), the decision of which model of organizational culture will be used needs to be determined in the pre-stage. The different models to be considered are: using one or the other culture, creating a culture that incorporates the strongest aspects of either culture and creating a completely new culture that does not use either as its base.

2.5.10 Difference in Size

Difference in size between acquiring and acquired company can reflect lack of empathy and misunderstandings between organizations of hugely disparate proportions. Common results are lack of knowledge of large acquiring company about the competencies needed for managing a small company, and vice versa. There are a number of ways to measure difference in size, for example, the difference between the numbers of employees of the acquiring and the acquired company or the difference between the sales or the assets. Brockhaus (1975) defined size mismatch as, ‘‘a situation in which the sales of one firm are less than two percent of the sales of the other’’ and asserts that 84% of the mergers deemed failures since World War II were size mismatches by this definition.

Bruton et al., (1994) hypothesized that the ratio of acquired firm to acquiring firm size has an association with performance of acquired distressed firms, but the hypothesis was not supported. The distressed firms were firms in which all the assets were sold to another firm. The study concerned 817 firms that had been acquired between 1979 and 1987 (32 acquisitions were eliminated later because of a number of problems). Relative size was measured as the ratio of the acquired firm’s revenue to that of the acquiring. The performance was measured by subjective measure using a panel of academic evaluators composed of three faculty members from universities. They evaluated the success on a scale of 1 (very unsuccessful) to 7 (very successful). Bruton et al., (1994) conclusion was, ‘‘Perhaps relative size had no effect on acquisition performance because its effect was too weak.'' The lack of effect may also be attributed to good management, as implied by Kitching (1967, p. 92): ''Size mismatch can be overcome with the use of the right organizational structure and reporting relationship.''

2.5.11 Organizational Structure

Organizational structure should be examined at the early merger phases since it is an integral part of management and corporate policies (Brockhaus, 1975). The acquiring company has several decisions to make, including how to structure the resulting firm post-merger. Level of decentralization, for example, is a critical issue. In addition to creating resistance and resentment where autonomy is removed, predominantly centralized decision making has the potential to isolate top management from the rest of the organization (Caliphal et al., 2004). In decentralization, the acquired company can continue with their values and the employees can continue to work within their established operating patterns. This avoids confusion and the acquired company works independently and separately, but is still under supervision by the parent company. .

2.5.12 Control System

An issue related to structure is control. Differences in control systems can lead to defective reporting relationship between the acquiring and acquired company; thus, they should be negotiated as soon as possible in the M&As process to avoid future misunderstandings. Mirvis and Marks (2001) gave an example of this difference, at the time that HP acquired Apollo, HP controlled its divisions formally while Apollo functioned more like a closely knit team. That difference caused integration problems for the merger.

2.5.13 Comprehensive Examination of All Stakeholders

Even though there may be many complex stakeholder groups, such as customers, suppliers, employees, unions, local communities, and stockholders, it is very important to take them all into account, anticipate any resistance, and clearly identify potential threats and opportunities (Mirvis & Marks, 2001). This examination avoids future resistance and possible confrontations with key stakeholder, which can result in lost revenues and other negative outcomes.

2.5.14 Analysis of Future Capital Need

A critical mistake is underestimating the future investment and other capital needs at the acquired company before signing on the deal (Kitching, 1967). Missing something at this level can cause major financial difficulties later on.

2.5.15 Ambiguity

While there usually is substantial ambiguity during the pre-stage, by the end of the due diligence process the managers of successful M&As aim to resolve any outstanding details, obtain answers to questions and generally avoid any misunderstanding (Jemison & Sitkin, 1986). Continuity of the ambiguity to the integration stage can lead to severe misunderstandings.

A summary of all success factors is presented in Table 2-4. The contemporary emphasis on theory development in top quality scholarly journals has led to less emphasis on basic main effects, such as key success factor's influence on performance than was the case three to four decades ago when the strategy research field was in its infancy. Our review thus still relies heavily on older research in which basic M&As correlates such as size and price were more likely to be explored. Still, more recent work is refining our understanding of more complex constructs. More recent research has also added several critical dimensions. For example, simple conceptualizations of national culture are increasingly questioned (Baskerville, 2003; Kirkman, Lowe, & Gibson, 2006; Sivakumar & Nakata, 2001) and researchers are investing more in developing more robust culture measures (House, Hanges, Javidan, Dorfman, & Gupta, 2004). We thus anticipate further advances in understanding cultural factors in M&As in the near future.

Table 2-4 Factors Influencing of M&As and Corresponding Reference

M&As Factors	Reference
Strategic Motives: Strategy or Passion	Brockhaus (1975),Kitching (1967) Levinson (1970),Mirvis and Marks (1992) Seth et al., (2000)
Type and Degree of Diversification	Bruton et al., (1994),Kitching (1967) Lubatkin and Lane (1996),Porter (1985)
Selection Criteria	Bruton et al., (1994),Kitching (1967) Mirvis and Marks (1992)
Price	Kusewitt (1985),Rappaport (1979) Severson (1989),Smith (1997)
Strategic Fit	Jemison and Sitkin(1986) Lubatkin (1983)
Management Involved in Process	Boland (1970), Mirvis and Marks (1992)
Specialists	Schweiger and Weber (1989)
Human Resource	Brown (2005), Mirvis and Marks (1992)
Operating Managers and Key Stuff	Jemison and Sitkin (1986)
Culture	Appelbaum et al (2000), Brichacek (2001) Brock et al., (2000), Gopinach (2003) Hosfede (1980), Li and Guisinger (1991) Mayrhofer (2004), Schien (1985) Weber and Schweiger (1992), Weber et al., (1996)
Different in Size	Brockhaus (1975), Bruton et al.,(1994) Kitching (1967), Kusewitt (1985) Mirvis and Marks (1992)
Organizational Structure	Boland (1970), Brockhause (1975)
System of control	Kitching (1967), Mirvis and Marks (1992)
Examination of all shareholder	Mirvis and Marks (1992)
Analysis of Future Need	Kitching (1967)
Ambiguity	Jemison and Sitkin (1986)

Source: Datta, D. K., Pinches, G. E., & Narayanan, V. K. (2012)

2.6 National Culture and Organizational culture

An area of M&As research receiving significant attention, especially during the 1990s, is that of culture, an objective in studying culture has been to examine how national culture affects acquirer's integration practices and how similarity and dissimilarity between cultures of combining entities affects post-acquisition integration and performance.

Culture has been generally described as the norms, values, beliefs and attitudes of a group of people. These characteristics of culture may be broadly based in societies (Hofstede, 1983), or in organizations (Schein, 1996). Consequently, national culture is of geographical nature and refers to the culture that members of a country share.

Organizational culture may be defined other authors describe organizational culture as the beliefs and assumptions that organizational members share (Nahavandi and Malekzadeh, 1988).

Most M&As studies focusing on differences in organizational culture in domestic deals (e.g., Buono & Bowditch, 1989; Chatterjee, Schweiger, & Weber, 1992; Datta, 1991). These domestic M&As studies are never the less useful in cross-border M&As research as well, as the cultural difficulties of cross-border acquisitions are to a large extent similar to those of domestic ones (Shimizu, Hitt, Vaidyanath, & Pisano, 2004; Schweiger, 2001). In fact, these difficulties are often larger in cross-border deals (Very, Lubatkin, & Calori, 1996).

Employees are more deeply embedded in their national than in their organization culture (Hofstede, Neuijen, Ohayv, & Sanders, 1990). These studies show that cultural factors are important determinants of cross border M&As out comes. This thesis will focus on national culture aspect (Figure 2-2)

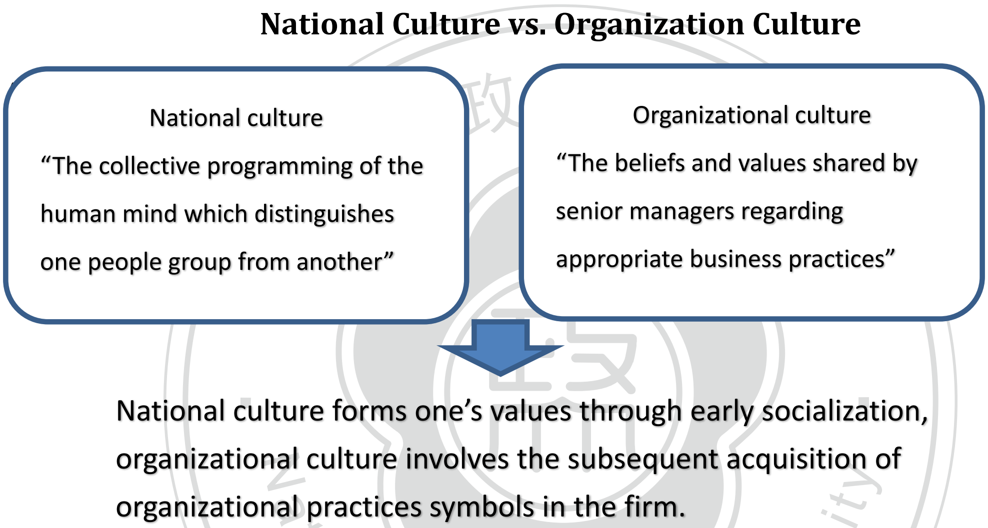

Figure 2-2 National Culture and Organizational Culture
Source: Hofstede (1990)

2.7 Hofstede's dimensions of national culture

Hofstede (1983) defined as national culture in the definition of refers to the collective programming of the minds of people from one nation. In cross-border M&As, the involved workforces come from different nations, and their national cultures are therefore expected to differ.

Hofstede's (1983) studied work-related values across 40 nations, and House and colleagues (2004) project GLOBE explored national cultural differences in 62 societies based on 9 cultural dimensions. Hofstede's (1983) study has been widely used by researchers investigating cross-border M&As, and therefore will be discussed in more detail. In his initial analysis of data from 40 countries, Hofstede (1983) developed his well-known four cultural dimensions. (Table2-5). To recapitulate, power distance refers to the extent to which the less powerful members of organizations accept and expect that power is distributed unequally, reflecting the extent of social inequality in a society.

The dimension of individualism and collectivism refers to the extent to which individuals are integrated into groups. The masculinity and femininity dimension refers to the degree of assertiveness, achievement, and competitiveness as opposed to modesty, care, and social goals. Uncertainty avoidance refers to the degree to which people of a country tolerate ambiguity.

In 1988, based on a smaller sample of 23 countries by Bond, Hofstede added a fifth dimension labeled long-term versus short-term orientation. This dimension refers to (long-term) thrift and perseverance versus (short-term) respect for tradition, fulfillment of social obligations, and protection of one's ''face'' (Hofstede & Bond, 1988). More, a sixth dimension, indulgence versus restraint, which measures the subjective well-being in a society, was added to Hofstede's cultural dimension framework (Hofstede, & Minkov, 2010).

2.7.1 Power Distance Index (PDI)

This dimension implies people's beliefs about unequal distributions of power and status, and their acceptance of this inequity. In countries with a high power distance culture, individuals with higher positions or title receives significant power and employees in these cultures tend to accept such centralized power, which implies that they depend on their superiors for direction because they are less likely to take part in the decision making process. On the other side, in countries with a low power distance culture, people assume to be involved in decision making, and do not accept easily centralized decisions and power. Indeed, employees participation is part of lower distance culture (Hofstede, 1983)

2.7.2 Individualism/Collectivism (IDV)

According to Frank, Hofstede & Bond (1991), individualistic cultures involve a society where individual attaches and commitments are massively movable and everyone is more likely to look out for themselves and their family. On the other hand, in collectivist cultures, people are incorporated at birth into heavily cohesive in-groups, and loyalty to the group lasts a lifetime. In other words, people think in terms of "I" in collectivist cultures while people think in terms of "me" in individualist cultures.

2.7.3 Uncertainty Avoidance Index (UAI)

This dimension describes how well people can cope with anxiety. In societies that score highly for Uncertainty Avoidance, people attempt to make life as predictable and controllable as possible. If they find that they can't control their own lives, they may be tempted to stop trying. These people may refer to "mañana," or put their fate "in the hands of God." People in low UAI-scoring countries are more relaxed, open or inclusive. Bear in mind that avoiding uncertainty is not necessarily the same as avoiding risk. Hofstede argues that you may find people in high-scoring countries who are prepared to engage in risky behavior, precisely because it reduces ambiguities, or in order to avoid failure.

2.7.4 Masculinity versus Femininity (MAS)

This refers to the distribution of roles between men and women. In masculine societies, the roles of men and women overlap less, and men are expected to behave assertively. Demonstrating your success, and being strong and fast, are seen as positive characteristics. In feminine societies, however, there is a great deal of overlap between male and female roles, and modesty is perceived as a virtue. Greater importance is placed on good relationships with your direct supervisors, or working with people who cooperate well with one another.

The gap between men's and women's values is largest in Japan and Austria, with

MAS scores of 95 and 79 respectively. In both countries, men score highly for exhibiting "tough," masculine values and behaviors, but, in fact, women also score relatively highly for having masculine values, though on average lower than men.

2.7.5 Pragmatic Versus Normative (PRA)

This dimension is also known as Long-Term Orientation. It refers to the degree to which people need to explain the inexplicable, and is strongly related to religiosity and nationalism, this dimension was only added recently, so it lacks the depth of data of the first four dimensions. However, in general terms, countries that score highly for PRA tend to be pragmatic, modest, long-term oriented, and more thrifty. In low-scoring countries, people tend to be religious and nationalistic. Self-enhancement is also important here, along with a person's desire to please their parents.

2.7.6 Indulgence Versus Restraint (IVR)

Hofstede's sixth dimension, discovered and described together with Michael Minkov, is also relatively new, and is therefore accompanied by less data. Countries with a high IVR score allow or encourage relatively free gratification of people's own drives and emotions, such as enjoying life and having fun. In a society with a low IVR score, there is more emphasis on suppressing gratification and more regulation of people's conduct and behavior.

Table2-5 Hofstede's Cultural Dimensions and Definition

	Cultural Dimension	Definition and Contrasting Pairs
1.	Power Distance Index (PDI)	The extent to which less powerful members of organizations accept that power is distributed unequally. High power distance countries are more autocratic, low power distance countries are more democratic.
2.	Individualism (IDV)	The degree to which individuals are integrated into groups. Individualistic societies stress personal achievements, individual rights. Collectivist societies stress group affiliations and loyalty
3.	Uncertainty Avoidance Index (UAI)	The degree of tolerance for uncertainty and ambiguity. High uncertainty avoidance cultures are more emotional, and control changes with rules, laws and regulations. Low uncertainty avoidance cultures are more pragmatic, and have as few rules as possible.
4.	Masculinity vs. Femininity (MAS)	The distribution of emotional roles between genders. Masculine cultures are competitive, assertive, materialistic; feminine cultures place more value on relationships and quality of life issues.
5.	Long term orientation (LTO)	The time horizon of a society. Long term oriented societies are oriented to the future, and are pragmatic, rewarding persistence and saving. Short term oriented socieites are oriented to the present and the past, and are steady, rewarding reciprocity in social relations and the fulfilling of social obligations.
6.	Indulgence vs. Restraint (IND)	The ability to show one's inner feelings. Indulgent societies are those that allow the expression of one's inner feelings to others, whereas societies that are restrained discourage this kind of expression.

Source: Hofstede & Minkov, (2010)

Table2-6 Six Cultural Dimensions & Examples of Countries

	High	Medium	Low
PDI	Latin American, Asian, African, Arab countries; Southern and Eastern Europe	United States	Northern Europe
IDV	North America, Europe	Japan, Arab countries	Asia, Africa, Latin America
UAI	Latin American, Germanic countries, Southern and Eastern Europe, Japan	Latin America (varies from country to country)	Anglo, Nordic countries, China
MAS	Japan, Germanic countries		Nordic countries
LTO	East Asia	Eastern and Western Europe	Anglo countries, Arab countries, Africa, Latin America
IND	Latin America, Africa, Anglo and Nordic Europe		East Asia, Eastern Europe, Arab world

Source: Hofstede & Minkov, (2010)

Hofstede's seminal work remains the most popular basis for the examination of cultural effects on M&As, Knowing the difference between cultures can be the first step in avoiding cultural miscues between team members from those cultures and eventually developing cross-cultural leadership.

2.8 Summary

Looking at management literature and management theories, they are usually from a Western perspective and presume that they are universally applicable. These studies show that cultural factors are important determinants of M&As. This study choose Hofstede theory as my basis for the study. There are some reasons for this choice.

First, despite advances in cultural M&As studies, the field has been criticized for being theoretical and fragmented. Several important research gaps remain, Nevertheless, Hofstede's framework has been largely validated and provides a reasonable representation (Weber et. al 1992), it is proven to be valuable especially for national culture perspective.

Second, Hofstede's definition covers the basic elements of culture. It comes from his three levels of mental programming. (Figure 2-3) Every person's mental program is partly shared and partly unique. The basis is a universal level, which is shared by all human beings. It includes expressive behaviors like laughing and weeping. The collective level is shared by a certain group. It includes language, physical distance, eating habits and so on. The individual level is the unique part, it is the level of individual personality and no two people are alike in this respect.

Third, Hofstede's Independent variable is national cultural difference within one organization, which is useful because in the context of cross-border M&As, two national cultures are involved. Therefore I choose Hofstede theory as my basis for the further research.

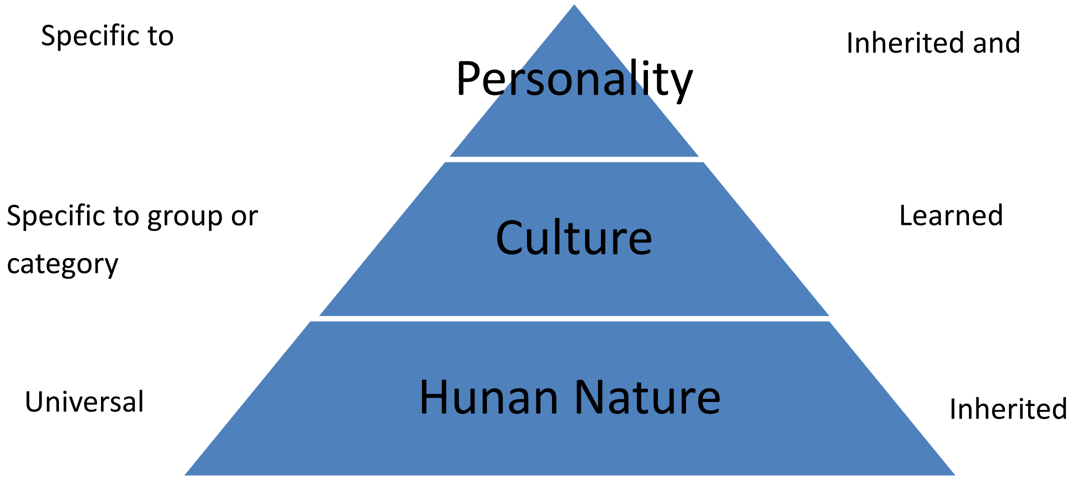

Figure2- 3 Three Levels of Uniqueness (Hofstede, 1983)

Chapter 3 Influence of Culture in Cross Border M&As Cases Review

This chapter surveys some literature, although many studies acknowledge the important role of the "culture" side in these major events in the life of a firm, we do not have up to now a comprehensive and encompassing survey of some cases.

People issues once were considered "soft" issues, but organizations have learned there are hard consequences to ignoring or mismanaging people issues during a deal (Appelbaum et.al. 2009).

Is acquisition a good cultural fit with? Do employees have the same beliefs and values? Are companies open minded or closed to new ideas and change? Are they dedicating the correct amount of time to communicating efforts and providing the vision and direction necessary for integration during the acquisition?

The purpose of this article is to analyze six selected cases, study each case required cultural fit, communication exc., to see success or failure outcomes. This review is significant in that it will directly compare suggested necessities in successful acquisitions regarding cultural integration and create a framework for the skills required by executives to assure success outcomes.

3.1 TATA acquire Jaguar Land Rover

In June 2008, India-based Tata Motors Ltd. announced that acquisition of the two iconic British brands - Jaguar and Land Rover (JLR) from the US-based Ford Motors for US$ 2.3 billion (Carty, 2008). Four years after being bought by an Indian company, the well-known but somewhat faded British brands were regaining some of their lost luster, racking up big sales from Shanghai to London.

The success has stunned analysts and investors, many of whom had said that Tata Motors, the Indian auto company, was making an expensive mistake when it acquired Jaguar Land Rover from Ford Motor for $2.3 billion in June 2008. (Khanna, Palepu, & Bullock, 2008) At the time, Ford was raising money to ensure its own survival, and it sold the brands for several billion dollars less than it had paid to acquire those years earlier.

The TATA managing team believed that for any chance to succeed, issues and challenges arising due to the “cultural clash” between the firms must be dealt with or negative results can be experienced. This was essential as often problems merged after the acquisitions which can possibly destroy the acquisition objectives. So, before the acquisition, TATA Motors gained a significant exposure to assess whether the cultural values of both companies were compatible or could mutually co-exist (Khanna et al., 2008). The fact that Tata Motors had significant presence in the British business environment provided a cushion against any possible cultural challenges & issues.

Firstly, Tata decided to leave the existing management structure intact and keep the British managers. There wasn't any attempt to impose Indian managers on Jaguar Land Rover. All the key personnel were retained their positions.

Secondly, Tata didn't just leave the current managers on their own. Tata managed to motivate them through constantly challenging them and working with them. In other words, help was offered only when it was needed and existing practices remained in place, but at the same time managers couldn't afford to be idle because they had goals to reach and plans to implement.

Thirdly, Tata managed to inspire trust in JLR. First of all, the fact that most of JLR's personnel were kept on their positions showed that Tata trusts JLR, and believed that it is capable of solving their problems. Moreover, more than once in interviews the Managing Director stated that "it is Tata's responsibility" to take care of JLR and that "Tata won't shy away from investments, if it is required". Such clear statements of loyalty contributed positively on the cooperation between the companies (Bruche, 2010).

Finally, Tata kept an open-mind and never hesitated to listen to feedback from subordinates. Tata's top level officials often make trips to their factories and dealerships outside India and collect feedback from local employees. These opinions are being used in the developing company's strategy (Brogiato, 2012).

Analysts and competitors credit the turnaround of JLR to Tata's financial reserves, which helped it weather tough times, and its wisdom in granting autonomy to managers in England. Tata motors now develop its brand value in the world because of this successful acquisition and growth of these two companies.

Table3-1 Case1 TATA and Jaguar Land Rover

Cultural Fit	➢ Tata decided to leave the existing management structure intact and keep the national British managers. ➢ Tata managed to motivate them through constantly challenging them and working with current managers ➢ Tata managed to inspire trust in JLR. the most of JLR's personnel were kept on their positions showed that Tata trusts JLR, and believed that it is capable of solving their problems. ➢ More than once in interviews the Managing Director stated that "it is Tata's responsibility" to take care of JLR and that "Tata won't shy away from investments, if it is required". Such clear statements of loyalty contributed positively on the cooperation between the companies.
Communication	Yes, ➢ TATA holds regular employee orientation sessions where questions can be asked and answered. ➢ one of TATA's integration principles is "communication early, often, and honestly". This avoids the atmosphere of rumor and suspicion that can build up around a fundamental business change like M&As.
Result	Integration

3.2 BNP Paribas acquisition of Fortis

BNP Paribas has extensive experience in working with other companies, with people from different countries and in expanding their operations internationally. One such expansion was the acquisition of Fortis. Far from failing, the merger was an amazing cross-cultural merger success that can today be used as a benchmark for integration best practice.

The first reason for the success of this merger is that BNP Paribas put enormous emphasis on cross cultural awareness; it even included in the policy of the company. BNP Paribas was itself a merger of two banks: Banquet Nationals de Paris and Paribas. The experience of that merger had a tremendous impact on a corporate values and culture of the newly emerged financial company.

Cultural diversity and respect for cultural differences became keynotes of BNP Paribas's way of doing business. As the company grew and expanded to other countries the commitment towards equal opportunities and accommodation of employees from different cultural backgrounds grew and grew stronger. In the "Organization Culture" section of the BNP Paribas's website you can find the "Diversity section", where BNP Paribas not just states its position on the subject, but enlists a number of concrete steps in upholding this commitment. These steps include Professional Training to Fight against Stereotypes, Favoring Professional Equality between Women and Men and A People with Disabilities Policy to Promote Employment and Integration etc.

Such an accommodative approach mainly pre-determined the attitude towards the acquisition. In the statement of BNP Paribas on the acquisition of Fortis it was stated: “This partnership culture, founded on openness to third parties and the pooling of best practices, is a veritable “trademark” of BNP”. This was the general idea while all the integration processes were performed accordingly (Wiggins, Tente & Metrick, 2015). It is worth mentioning here, that in spite of the fact that all the employees are constantly encouraged to keep an open mind and to be sensitive to other cultures, BNP Paribas conducted a number of cultural awareness trainings on how to work with people from Belgium and Luxemburg.

The results of the acquisition are impressive. Swiftly, BNP Paribas acquired secured footholds in Belgium and in Luxemburg. The new venture is constantly generating profits. Only in the first half of 2012 the net income before discontinued operations was EUR 635 million (Fiordelisi.2014).

Another indirect factor, which can be interpreted as success, was that both in 2011 and 2012 BNP Paribas Fortis became Bank of the Year. Such high results shows that BNP Paribas is probably one of the most experienced in terms of managing cross cultural teams and of intercultural communication (Wiggins et. al. 2015).

Table3-2 Case2 BNP Paribas and Fortis

Cultural Fit	➢ Cultural diversity and respect for cultural differences became keynotes of BNP Paribas's way of doing business. ➢ In the "Organization Culture" section of the BNP Paribas's website you can find the "Diversity section", include Professional Training to Fight against Stereotypes, Favoring Professional Equality between Women and Men and A People with Disabilities Policy to Promote Employment and Integration etc. ➢ BNP Paribas conducted a number of cultural awareness trainings on how to work with people from Belgium and Luxemburg.
Communication	Yes, ➢ An integration team formed of key executives was in charge of closely monitoring the merger and kept everyone well informed. The team consisted of division heads, human resources heads and the CEO.
Result	Integration

3.3 Lukoil and ConocoPhillips merger

In 2004 American Oil Company ConocoPhillips acquired the Russian government's 7.6% stake in Lukoil. ConocoPhillips, after this cooperation came about, clearly recognized and respected cultural differences that existed. Being proactive about culture, the company even came up with its own guide to working in Russia. A chapter on cultural differences takes a significant part of the report.

They pointed out several gaps between the cultures which had to be taken into account while working in Russia such as fatalism, employment status, decision making, teamwork, individualism and generation gap .This allowed their employees to feel awareness about their colleagues in Russia, broke down barriers and got people thinking about bridging differences (Legler, Osborn and Whitehorn 2007).

One of the starkest differences lies in individualism. ConocoPhillips noticed that while Americans place great value on individuality and are never afraid of showing it. Russians had a totally different approach to individuality. Russians prefer blending into the crowd rather than separating themselves from it (Legler et al., 2007).

The second difference worth mentioning here is the decision making progress. Russians prefer making decisions based on an enormous amount of data and only after a thorough analysis. Americans, on the other hand, are more inclined to risk taking and consider the thoroughness of their Russian counterparts redundant.

Recognising these differences, which are very subtle, but extremely important and being aware of these differences helped this venture to become profitable for both parties (Legler, et al., 2007). This is a successful example of cultural competence from the heavy industries, cultural differences, rather than being a reactive after-thoughts, were addressed very early allowing for smoother integration and clearer communication between the parties.

Table3-3 Case3 Lukoil and ConocoPhillips

Cultural Fit	➢ ConocoPhillips pointed out several gaps between the cultures which had to be taken into account while working in Russia,this allowed their employees to feel awareness about their colleagues in Russia, broke down barriers and got people thinking about bridging differences. ➢ ConocoPhillips noticed that while Americans place great value on individuality and are never afraid of showing it, Russians have a totally different approach to individuality, Russians prefer making decisions based on an enormous amount of data and only after a thorough analysis. Recognising these differences helped this venture to become profitable for both parties.
Communication	Yes, Close communication during the alliance and continuous follow-ups.
Result	Integration

3.4 The Daimler-Benz merger with Chrysler

The Daimler-Benz merger with Chrysler in 1998 is probably the most famous of all international mergers then ended in failure. Cultural differences and organizational culture are both acknowledged to have played their part.

The cultural gap in organization cultures was one of the main reasons for the Daimler-Chrysler failure. Daimler was a German company which could be described as “conservative, efficient and safe”, while Chrysler was known as “daring, diverse and creating” (Appelbaum, Roberts and Shapiro, 2009).

Firstly, the attitude to hierarchy was quite different. Daimler was a very hierarchical company with a clear chain of command and respect for authority. Chrysler, on the other cultural hand, favored a more team-oriented and egalitarian approach.

The other cultural difference lies in what the companies valued in terms of their clients. Chrysler valued reliability and achieving the highest levels of quality, while Chrysler was placing its bets on catchy designs and offering their cars for competitive prices. These two factors resulted in conflicting orders and goals in different departments. American and German managers had different values which drove and directed their work. Different departments were heading in opposing directions. Apart from differences in corporate culture there was also an issue of trust.

Employees on both sides felt reluctant to work with each other. Mainly this was caused by the realization that the agreed term “merger of the equals" was pretty far from reality. During the initial stages of organizational integration, huge bulks of Chrysler’s key executives either resigned or were replaced by Germans counterparts.

Moreover, Daimler was much more imposing and tried to dictate the terms on which the new company should work (Appelbaum, et al., 2009). Such a situation didn’t inspire trust in Chrysler’s employees and raised some serious communication challenges. The differences in national cultures, values and lack of coordination and severe lack of trust among the employees, all three resulted in communication failures which in turn caused a sharp reduction in productivity.

Table3-4 Case4 Daimler-Benz and Chrysler

Cultural Fit	➢ During the initial stages of organizational integration, huge bulks of Chrysler’s key executives either resigned or were replaced by Germans counterparts,caused employees on both sides felt reluctant to work with each other. ➢ American and German managers had different values which drove and directed their work, different departments were heading in opposing directions.
Communication	No, Values and lack of coordination and severe lack of trust among the employees, all three resulted in communication failures which in turn caused a sharp reduction in productivity.
Result	No Integration

3.5 Daimler alliance with Mitsubishi

In Japanese culture, trust and attention to others' feelings are essential. This means that Japanese business people value personal relationships more than dry facts. What is important is how you value your client and how you treat him. This differs greatly with a strictly fact-based and pragmatic approach of the German counterpart. Not paying any attention to the concept of "localization", Daimler appointed German managers who immediately started giving orders as if they were in Germany. As a result, Japanese subordinates felt extremely reluctant to take orders from them (Froese and Goeritz, 2007), which in turn had a negative impact on overall efficiency.

Moreover, most Germans were seen as guests which exacerbated the situation since guests usually don't have authority in Japan and on top of that it's hard to be "rude" to a guest. Cross-department communication was very weak as well. Apart from the R&D department, communication mechanisms weren't installed properly and a chain of command was not clearly defined (Froese and Goeritz, 2007).

A special task-group was established in order to find a way towards effective and smooth integration. The group was working hard for quite some time. They even produced a report with recommendations on how to achieve the given goal. However, nobody ordered or took any steps to implement those changes (Froese and Goeritz, 2007). All of this questions the very purpose of establishing new departments if all their work isn't used.

Cultures that value long-term orientation over short-term orientation and vice-versa. One of the founders of the intercultural theoretical framework, Professor Hofstede, used this difference as one of the key dimensions of culture. Generally speaking, people in the countries in the West tend to be more short-term goal oriented while their counterpart countries in the East strive for more long-term goal orientation. In practice it means that the financial difficulties which Mitsubishi Motors experienced were perceived quite differently by the by two parties involved in the alliance.

DaimlerChrysler after some time started feeling reluctant to make any further investments into Mitsubishi. They didn't see any short-time profits which eventually led to "pulling the plug" on their Japanese partner. Mitsubishi on the other hand, wasn't really concerned with the losses. They were more long-term oriented. They perceived the difficulties to be an obstacle to overcome, but not as a reason to dismantle the alliance. That is why, when DaimlerChrysler announced, that it refused to make any further investments that the little shreds of trust disappeared. (Sasaki, 1993).

The joint venture didn't work as intended because of the lack of consideration given to cultural factors. The inability to establish proper communication, build trust and recognize the goals of one’s counterpart played a significant role in the outcome of the cooperation. The combination of poor financial performance and the eventual ending of the deal stand as proof for another case of Daimler’s failures to integrate with an international partner.

Table3-5 Daimler and Mitsubishi

Cultural Fit	➢ Daimler appointed German managers who immediately started giving orders as if they were in Germany. Japanese subordinates felt extremely reluctant to take orders from them, which in turn had a negative impact on integration. ➢ Most Germans were seen as guests which exacerbated the situation since guests usually don’t have authority in Japan and on top of that it's hard to be "rude" to a guest.
Communication	No, ➢ Cross-department communication was very weak as well, communication mechanisms weren’t installed properly and a chain of command was not clearly defined.
Result	No integration

3.6 Nomura and Lehman Brothers acquisition

After the collapse of Lehman Brothers, there were a number of companies eager to acquire parts of it. One of them was Nomura who wanted Lehman Brothers' Asian branches.

The project had a lot of potential for both sides. Key players from Lehman Brothers could retain jobs and work in one of the biggest Asian financial companies. Nomura, on the other hand would have another shot in fulfilling their dream of going global. However, this was not meant to be. One can argue that there were a number of reasons for this failure that took place on two different levels: macro level and micro level.

The first set of differences (macro level) lie in the differences of organization cultures and corporate values. Lehmanites were accustomed to a very aggressive, risk-taking and quick decision-making way of conducting business including a stress on team play. Nomura, on the other hand, is really hierarchical, conservative and preferred moderate constant incomes rather than momentous enormous ones (Soon Young Choi, 2011).

As for values, one example is in order. Attitudes to clients were quite different between Lehman and Nomura. Lehman Brothers were prioritizing short-term incomes over long-term relations (another example of long-term thinking vs. short-term thinking). Nomura, on the contrary, preferred to work with old and reliable clients rather than chasing risky but potentially beneficial deal.

Another macro issue was that of trust. For whatever reason, Nomura provided Lehmanites with “shadows”, who were constantly making notes on their performance. Even the top-level executives were constantly followed. Apart from the understandable irritation, this raised suspicions that Nomura didn’t really trust their newly acquired human assets.

Micro level problems were abundant as well. The most surprising and the most vivid example was the treatment of women by Lehman Brothers. Soon after the acquisition of Lehman Brothers, Nomura launched a series of trainings to smooth the integration process. A potentially good idea took a rather peculiar form. Women and men were separated. Women were instructed how to wear their hair, what dress code they should adhere to, even how to serve tea! Moreover, there were a couple of instances when female employees weren’t allowed to take part in a meeting because of “strict door policy”.

Such stark cultural differences and a clear imposition of Nomura’s culture on ex-Lehman Brothers' employees had horrendous results. In first three months the losses were estimated to be about $591 million.

In the very beginning Nomura stated that there were actually two goals of this acquisition, establishing footholds outside Japan and employing and holding the key big figures from Lehman Brothers. Let's now try to compare the goals and the results. Estimated losses in 2008 and first quarter of 2009 were about ¥8,700 billion (Soon Young Choi, 2011). After that, Nomura started generating profits. However, this amount was of no significance when compared to Nomura's competitors. Below are the investment banking profits of Nomura and its competitors (first quarter of 2009). (Fleming, & Sarka, 2014) ; Nomura: $207 million ; Goldman Sachs: $3,46 billion Morgan Stanley: $1,78 billion; Citigroup: $4, 43 billion

As for retaining employees, the long series of defections and retirements ended with the defection of Jasjit "Jesse" Bhattal in January 2012. Throughout the partnership other "heavy-weights" decided to leave including Alexis de Rosnay (2008), Brian O'Connor (May 2009), Jane Wang (2010), Thomas Siegmund (March 2010), Colin Banfield (March 2010), Sigurbjorn "Siggi" Thorkelsson (March 2010), Adrian Mee (April 2010), Glenn H. Schiffman (March 2011), Rachid Bouzouba (March 2011), Philip Lynch (July 2012) and Tarun Jotwani (January 2012). (Fleming, & Sarka, 2014)

A combination of financial difficulties, which cast a dark shadow on Nomura's ambitions, and mass defection of Lehmanites provides grounds to conclude that this partnership hasn't yielded the anticipated dividends. The enormous gap in organization culture and values and the feeling of "suffocation" which eventually caused defections played its role in the downfall of once perspective venture (Fleming, & Sarka, 2014).

Table3-6 Nomura and Lehman Brothers

Cultural Fit	➢ Lehmanites were accustomed to a very aggressive; Nomura is really hierarchical, conservative and preferred moderate constant incomes rather than momentous enormous ones ➢ Attitudes to clients were quite different between Lehman and Nomura. Such stark cultural differences ,In first three months the losses were estimated to be about $591 million.
Communication	No, ➢ Need to sever communication difficulties because they took revolutionary change and disregarded the human capital from the company it acquired. ➢ Inadequate communication.
Result	No integration

3.7 Summary

Despite the initial optimism, many organizational marriages prove to be financially disappointing. Given the consistently high rate of merger and acquisition failure, the selection of a suitable organizational bedfellow is a major financial decision. Selection decisions are generally driven by financial and strategic considerations, yet many organizational alliances fail to meet expectations because the cultures of the partners are incompatible.

This particular literature review provides insight as to the defining success and failures via activities related to acquisitions from a cultural perspective. Researchers agree that the culture and communication/direction/ and forms of leadership are necessary in improving the failure rate among mergers and acquisitions, it can be confirmed that communication is a necessity.

There is increasing evidence that cultural incompatibility is the single largest cause of lack of projected performance, departure of key executives, and time-consuming conflicts in the consolidation of businesses. By not assessing a cultural fit and the cultural potential of two merging companies and also imposing a style of management or lack thereof, only guarantees the fate of the integration, and supports the statistics of failure regarding M&As. Our case suggests that cultural fit, cultural potential and the increased levels of communications, direction, and leadership are all present in the successful acquisitions, while many of these variables are missing in the failed attempts of M&As.

The six case studies revealed that it was very important to understand the differences in culture between the two merging companies. The significant divergence of cultural fit did not necessarily confirm a failure; it just indicated that increased time, effort, and communication were required and critical to bring the companies together.

What was somewhat surprising was that cultural fit was not the fact that two cultures are similar, but that the acquiring company has made an assessment prior to the acquisition of the other company and that it understands the similarities and differences.

From that point, many companies have used this as an advantage for results of increased communication, direction, and leadership. Cultural potential was a necessity for many of the firms that were deemed successful. Innovation, trust, dependence, and an integrative potential were all key factors of success. Companies that lacked these attributes almost always failed and it proved to be a major indication of the success or failure of the merger or acquisition.

Cultural incompatibility is being widely reported as a cause for poor merger performance, however, assuming that issues of culture style may be increasingly recognized by future decision makers as relevant to both the selection decision and post-acquisition management, how is culture audit information to be interpreted? Ideally, these audits are conducted prior to any legal merger. There must also be a predictive framework in which to evaluate the implications of such information on the cultural dynamics of the combination and its likely eventual outcome.

Chapter 4 National Culture in M&As: Investigating Two Cases

In order to describe the impact of cultural differences in M&As, two of cross border cases will be examined in this chapters, one is Lenovo the other is TCL, There main reasons for this choice is Lenovo and TCL cases happened in 2003, cultural integration takes time, that help us obtain the effect of national cultural distance on their long-term performance. First we will instruct companies background of acquiring firm and target firm ,we will initially explore the motivation of acquitting and explain actual problems encountered After M&As ,after knowing the background and motivation, we will move on to Hofstede cultural dimensional , Hofstede's framework is used to analyze how China/U.S. and China/France differ from the national perspective, through Hofstede's different national cultural facets to analyze the main and target company as well as the company and explore that how differences in its national culture impact the acquisition, The last part will discuss how cultural integration is crucial for a successful cross-border M&As.

4.1 Case 1: Lenovo and IBM Companies profile

4.1.1 Lenovo Company profile

Lenovo is a spinoff of the Legend Group, which was established in 1984 by a group of eleven computer scientists led by Liu Chuanzhi. Liu managed with a very authoritarian style.

Legend was the Chinese distributor for Hewlett-Packard Co. (HP) throughout the 1990s, While distributing HP and Toshiba, the company built the country's first nationwide computer distribution network. This would be a key to its dominance of the market for decades to come. The company's state ownership had given it another advantage in the domestic market, which was rooted in the communist system.

In 1997, Lenovo surpassed IBM as the leader in the Chinese market for PCs. It was quick to update its offerings, installing new Pentium chips in its machines while starting, and winning, an aggressive price war with its foreign competitors. By 1999 its market share was about 27 percent. Its closest domestic rival, Founder, had about an 8 percent share. Legend had revenues of $2.4 billion in 1999 (Liu. 2007).

Lenovo 's services unit was spun off as a separate company in June 2001. This included the distribution business, which handled foreign-branded equipment such as Hewlett-Packard PCs and printers and Toshiba notebooks. Lenovo was building up its IT consulting and systems integration businesses through acquisitions.

Legend Holdings Ltd., the parent company of the Legend Computer Systems Ltd. PC manufacturing business, was developing into a conglomerate. In September 2001 it set up a property development unit called Rong Ke Zhi De. It also established a $30 million venture capital fund. Legend Digital China Holdings, formerly Lenovo Technology, handled Legend Group's fourth line of business: software and e-commerce services. The company was itself a dedicated user of e-commerce. According to Business Week, its 2,000 retailers could order from the entire catalog online. The Internet was a key part of Lenovo’s growth plan. It acquired a number of portals in the late 1990s and was in Web-related technology partnerships with Microsoft and others. It also had started manufacturing mobile phones and PDAs.

China's entry into the World Trade Organization opened Lenovo to new competition from abroad as its foreign rivals were permitted to form their own distribution networks. World leader Dell Inc. soon became Lenovo’s top threat, tying IBM for fifth place in the Chinese market, by bringing its famous low-cost, low-inventory techniques to assembly centers in China.

4.1.2 IBM company profile

IBM was incorporated as the Computing Tabulating Recording Company in 1911. The company was formed as a result of the consolidation between the Computing Scale Company of America, the Tabulating Machine Company and The International Time Recording Company of New York.

In 1924, the company changed its name to International Business Machines Corporation. In 1981, the company introduced the IBM Personal Computer or PC

(Ahamed, Inohara & Kamoshida, 2013).

On 2005, IBM was world's largest IT Company. IBM holds more than 22,000 patents and markets more than 100 products and services. IBM's clients include sole proprietorships, large organizations, government organizations and companies from sectors ranging from financial services, public, industrial, distribution and communications industries. The company is organized into five business divisions; global services segment; three hardware product segments - systems group, personal systems group and technology group; software segment; global financing segment, and enterprise investments segment (Collen, 2015).

The global services division manages the company's IT services business and offers a wide variety of business and IT services including consulting, software and system implementation, and outsourcing. The unit is organized into business consulting, infrastructure services and On Demand services. The business consulting group comprises the PriceWaterhouseCoopers consulting unit, which IBM acquired in 2002.The infrastructure services group includes implementation, hosting and strategic outsourcing. The On Demand services draw from IBM's consulting and infrastructure capabilities to offer utility computing capabilities (Collen, 2015).

4.2 The Motivation of Lenovo Mergered IBM

In 2000, IBM had already expressed its willingness to sell their PC unit to

Lenovo. Why would IBM sell its prestigious PC unit? According to the financial report submitted by the IBM in the year 2004, the PC division lost 397million dollar in 2001, 171 million in 2002, 258 million in 2003, and 139 million in the first half of the 2004. For the consecutive years, IBM was in a lost position. The active pricing strategies of enterprises such as Dell, HP had a serious impact on the sales of the IBM PC, for IBM, the PC unit is "tasteless". So that IBM is to leave unprofitable PC market, and put in more effort in the lucrative high-end servers, software and IT services business. But the acquisition price then is up to 4 billion US dollar, Lenovo was unable to pay that mush. Besides, Lenovo played a dominant role in the China mainland market then, so it refused this proposal (Ahamed et al., 2013).

In May 2002, IBM's CEO Sam Parmesan visited Lenovo, the two sides decided to revisit the issues. Lenovo was then enthusiastic about the implementation of diversification strategy, but also was aware of the importance of the internationalization, so it’s possible for later negotiations. From the end of 2003 to December 8, 2004, this merger lasted an entire year.

December 8, 2004, Lenovo officially announced the completion of the acquisition of IBM's global PC business. Lenovo's acquisition of IBM's personal computer division accelerated access to foreign markets while improving both its branding and technology. Lenovo paid $1.25 billion for IBM's computer business, including $650 million in cash, 600 million shares and an additional $500 million of IBM's debt. This acquisition made Lenovo the third largest computer maker worldwide by volume then. After the acquisition, Lenovo took over IBM’s notebook and desktop business and other related business worldwide, including its customers, distribution and marketing channels (Ahamed et al., 2013). After the purchase of IBM's personal computer Lanovo got the ThinkPad brand, IBM's more advanced PC manufacturing technology and the company's international resources, such as its global sales channels and operation teams. These three elements helped Lenovo shore up sales revenue.

4.3 Actual Problems Encountering after M&As

A majority of mergers and acquisitions do not work out well and Lenovo was not exceptional. The company later faced serious problems. Cultural difference, the human resource, high salary cost, troubles in integration, financial distress and supply chain issues where listed by many economic analysts. Fortunately, Lenovo had the solutions to these problems and it survived (Liu, 2007).

4.3.1 To solve the problem of the big gap of the salaries between the employees of the Lenovo and the employees of the IBM PC Unit, Lenovo planed not to change the salary of the employees of IBM within 3 years and their stock options are transformed into the stock option of Lenovo. And in the three years time, Lenovo will adjust and establish a unified salary system (Liu, 2007).

4.3.2 To solve the difficulty of the integration of the brand, Lenovo required a five-year –time to create an independent famous brand. In the agreement between Lenovo and IBM, Lenovo can use the IBM brand in five years, and after that, Lenovo can only use "thinkpad" and "thinkcenter" (Liu, 2007).

4.3.3 To solve the supply chain issues, by the end of 2005, Lenovo had invited William j. Amalio to became the CEO of the Lenovo Group, replaced the former CEO, Stephen m. Ward. Amalio optimized and improved the international supply chain of Lenovo during his tenure. Lenovo launched the "reconstruction project of the supply chain" worldwide through improving the infrastructure of the IT as well as the efficiency of the supply Chain (Liu, 2007).

4.3.4 The financial distress had negative influences on the progress of Lenovo. After the acquisition, the net profit of Lenovo drop significantly from 1092 million Hong Kong dollar in 2005 to 216.528 million Hong Kong dollar in 2006; the EPS also drop from 14.97 HK cents to 1.95 HK cents. The lost of revenue is attribute to the lost of the market share of the IBM PC unit. After hardworking, but in 2007, Lenovo had basically completed the pre-integration of the PC unit. And the financial indicators were all getting better. The profit of Lenovo increased to 1256.88 million Hong Kong dollars, and its EPS increase to 14.35 in 2007. However, Lenovo was far from perfect.

In 2008, Lenovo surrendered the worst financial report since its acquisition of the IBM PC unit. The profit was only $23.3 million dollar, a decrease of 78%, compared with the profit in previpous year. At Feb, 5, 2009, Lenovo announced a loss of 97 million dollar; at the same time, Lenovo found that it had lost the dominant market share in mainland China. It's really a tough time for Lenovo. They made correct decision during this period of time. They adjusted the company's business strategy to maintain a good share of domestic sales and continued to expand overseas markets. Lenovo Group immediately reduced losses in 2010, achieved profitability and got a profit of 1,009 million Hong Kong dollar in fiscal year of 2010 (Liu, 2007).

4.4 Hofstede Cultural Dimensional in Lenovo Acquired IBM Case

Hofstede cultural dimensional framework is used to analyze how China and U.S. differ from each other. (Figure 4-1)

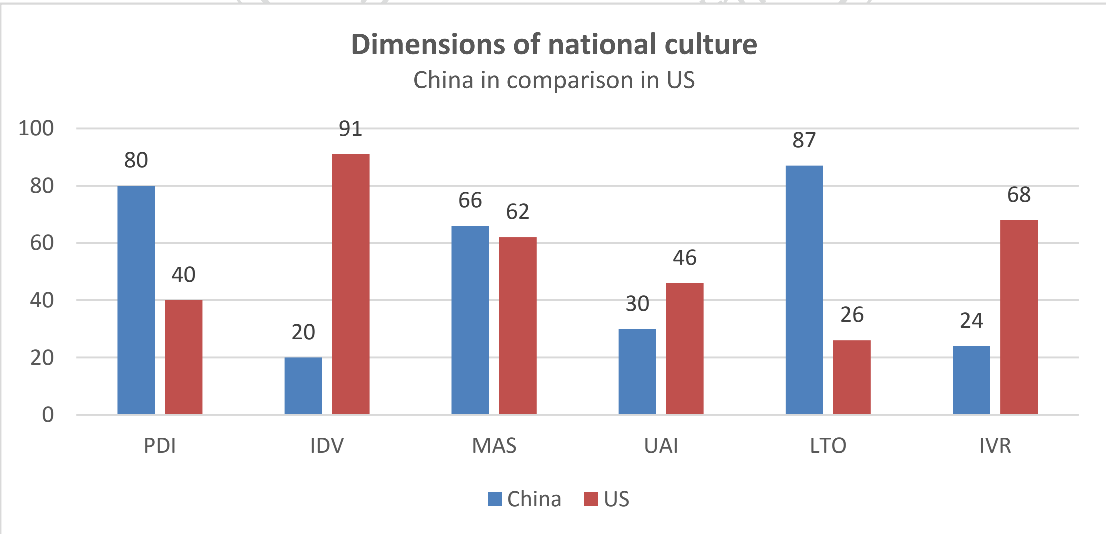

Figure 4-1: Dimensions of National Culture (China vs U.S.)
Source: https://geert-hofstede.com/national-culture.html

4.4.1 Power Distance Index (PDI)

When viewing PDI, US has lower power distance and power is more equally distributed, which indicates the U.S. respect individual rights and does not emphasize hierarchy. In their opinion, all people can stand on the same starting line regardless of origin, social status. For example, people in the superior position do not consider themselves different from the subordinates, while subordinates also do not consider themselves humble compare with the superior. Subordinates can go to their boss' office at any time without hierarchically asking for approval. Conversely. The Chinese have a more cantered power at few persons. The Chinese more maintain the hierarchy, obedience to authority, respect for elders, as well as emphasize doing things to meet their own identity. Even many Chinese compound words, the order of words can full display the "hierarchy" concept, for instance, (father and son), (man and woman), (chief and soldier) and (cadres and masses) etc. Therefore, there is an absolute distance between subordinates and superiors. The America egalitarian characteristics make them prefer achieving goals in their own thinking way rather than being given detail instructions and do not need too much guidance from the superior. While Chinese hierarchical characteristics determine that decision only can be made by the people with higher power, therefore, in order to keep consistency with the superiors, subordinates usually expect micro-management and wish to be given more guidance.

The national culture that is particularly relevant to China is power distance, which is the expectation that power is distributed un-equally (Hofstede, 1983). High level of power distance is evidence in China's pervasive centralized authority and hierarchical structures. This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us. Power distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally (Hofstede, 1983).

4.4.2 Individualism vs. Collectivism (IDV)

According to IDV, The America was concluded to be more individualistic while China found to be more collectivistic. Differences in individualism and collectivism are likely to have some influence on the cross cultural cooperation. We understand this dimension closely connect with PDI. The America individualistic culture considers all values are human-centered, individual has the highest value. All individuals are treated equally, while authoritarianism is unacceptable. The above result shows that, The America have certain advantages in terms of individual development and individual fulfillment. They advocate and encourage individual interests, individual freedom as well as individual achievement, therefore, individual creativity and initiative has been fully exploited. This can be manifested in the America work attitude, which are consciousness of innovation and dare to explore new ideas, new methods. But this cultural environment at the same time strengthens the competition between people. On the other hand, the Chinese collectivistic culture emphasizes individual is one part of the collective, individual interest should obey to collective interest. When there is a conflict between individual interest and collective interest, the later should be protected. Chinese collectivistic culture stresses building up relationship between people, thus emotion of loneliness can be eased and compensated through the communication with friends.

Collective also stresses tolerance and patience, which can promote the harmony of family and the society. Chinese people have high degree of cohesion and combat effectiveness, furthermore, organizational target can be achieved efficiently through unified consciousness and behavior (Hofstede, 1983).

4.4.3 Masculine vs. Feminine (MAS)

In the countries where masculinity is prominent, there is a strong sense of social competition, wealth and social glory are the measures of success. Such societies encourage and appreciate workaholics and competing for championship is widely advocated to resolve conflicts within an organization. The masculine cultures emphasize equity, competition as well as job performance. People who live in such societies believe in that life is short, people should run at full speed in the work in order to accomplish as much harvest within the limited life. Furthermore, people’s attitude towards life is “live to work". Comparatively, in the countries where feminine is prominent, people more emphasize on the quality of life. In America, compromising and negotiating are the ways of resolving conflicts within an organization. Equity and united are highly appreciated by the feminine cultures. People in such cultures consider the most important thing in life is the communication of soul rather than material possession. And people's attitude toward life is "work for a better living" (Hofstede, 1983).

China and the U.S. are close to each other in masculinity. Both of them are inclined to masculinity societies, but still there are some fine distinctions. Masculinity in China is mainly embodied in the competition for power and control; while masculinity in The U.S. stresses for the personality and self-fulfillment rather than pursuing of power in the competition. In recent years, in western developed countries, some mutual feminine traits become more and more obvious, for instance, gradually paying attention to the quality of life, slow down the pace to enjoy the life etc. these factors are also influencing the American culture (Hofstede,1983).

4.4.4 Uncertainty avoidance index (UAI)

In terms of UAI, the Americans have higher awareness of uncertainty avoidance than China. People in the U.S. always have deep anxiety and unease toward the uncertainty of future, they do not like uncertainty, do not accept ambiguity or obscurity. Punctuality and meticulous planning are all the embodiments of their anxiety. In order to control the uncertainty, The Americans would like to do everything possible to take measures to avoid. In the aspect of business management, uncertainty avoidance can be reflected in the regulations, which include the corporate governance modes, operating systems and methods, business rules and so on. From the perspective of employees, they also expect the stability and security of the job, and put the safety factor to the first place of job satisfaction. Furthermore, people in the U.S. accept rules and regulations subconsciously, which reflect that the obedience to rules and regulations is their psychological needs and behaviors. Compare with the Americans, the Chinese have a weak awareness of uncertainty avoidance, which is influenced by the deep-rooted Chinese cultural traits. During thousands of years' cultural accumulation, the Chinese have formed relative conservative values. People usually emphasize on the short term effects and accomplishments. Some Chinese idioms also reflect this characteristic, for instance, 知足常樂 (happiness lies in contentment), 隨遇而安 (to take the world as it is), 見好就收 (quit when you are ahead) and so on. Therefore, the weakness on uncertainty avoidance can lead to incomplete rules and regulations system.

4.4.5 Long-term orientation vs. short-term orientation (LTO)

For LTO, China is an extremely long term oriented culture, which represents the degree of perseverance of Chinese society. Influenced by Confucianism, perseverance and economy are the basic values of Chinese people. Companies prefer to focus on the future development, the develop long-term business strategy and objectives and persist in pursuing. However, during the pursuing of long-term goals, it is easy to neglect the details need to be solved at the moment; place too much emphasis on long-term goals will neglect the quality of short-term plans' implementation. Nevertheless, the long-term oriented characteristic can be further understood as respect and loyalty which makes the Chinese people reliable partners. It can be considered as a good base for long-term business cooperation. The American relatively concentrate on accomplishing short-term goals, and pay more attention on details rather than speed, step by step incremental approaches are highly appreciated (Hofstede, 1983).

4.4.6 Indulgence vs. Restraint (IVR)

One challenge that confronts humanity, now and in the past, is the degree to which small children are socialized. Without socialization we do not become "human". This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called "Indulgence" and relatively strong control is called "Restraint". Cultures can, therefore, be described as Indulgent or Restrained.

China is a restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong (Hofstede,1983).

The U.S. is an indulgent society with relatively high score of 68 on this dimension. In contrast to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong. Based on cultural research assumptions, this could be attributed to the liberty of individuals and wealth of the country. Drug addiction is very high in the U.S. compared to other wealthy countries (Hofstede, 1983).

4.5 Cross-Cultural Integration & Result in Lenovo and IBM Deal

The acquisition of IBM's PC operations enabled Lenovo to increase its sales and production capacity by four times and to reach IBM's extensive global market. It however also resulted in the creation of enormous cross cultural challenges for the company, in its external and internal environment (Peng, 2008).With IBM's operations being handled mainly by Anglo-American executives and its organisational culture been shaped by the remarkably similar national cultures of the UK and the United States, the parent company was called upon to effectively adapt to, and integrate, a vastly different organisation in terms of markets, size, and organisational culture. The table provided in the preceding section details the significant differences between the national cultures of China and the UK and the USA, in areas of power distance, individualism and long term orientation. With IBM's global organisational culture likely to be influenced by the national cultural attributes of the UK and the USA, it is likely that IBM's PC operations would be distinguished by far more open and collaborative and less hierarchical structures, greater vertical and horizontal communication and collaboration between employees, greater scope to employees to voice their opinions and take individual decisions, and more focus on immediate and short term performance.

It was fundamentally critical for Lenovo's management to integrate IBM's operation, markets, and employees without creating negativity and disturbance.

Failures in such assimilation could have resulted in the departure of existing IBM customers, as well as critical organisational staff, with extremely adverse repercussions for the company. Peng (2008) has conducted detailed specific research on Lenovo's acquisition of IBM and its approach towards cross cultural management and cultural assimilation. He stated that the merging of different cultures can create uncertainty, clashes between top managements, and adverse repercussions upon working environment and efficiencies. Such problems can be further aggravated if the merging organisations were erstwhile competitors (Peng, 2008).

Organisational experts state that cultural integration can be brought about by increasing the cultural awareness of the two organisations through training and collaborative work (Peng, 2008). It is also important to resolve cultural conflicts immediately, understand the various facets of the different cultures, identify their individual strengths and weaknesses, and try to create a unique organisational culture that has the best of both cultures (Peng, 2008).

Peng (2008) stated that Lenovo's management approached the issue of cross cultural management with care and thought. Internal surveys were conducted with IBM's PC division's staff to identify gaps, as well as common grounds, in their perceptions of values, structures, behaviours, and management practices. The Lenovo team, after such survey and examination of cultural issues, constituted a cultural committee to encourage interaction between the two sets of employees. The company also deliberately decided against imposing its existing leadership style or management system on the IBM division. It adopted a separation mode, allowing IBM's PC division in the UK,The U.S. and elsewhere, to maintain its own working processes and cultures by keeping it independent and separate from the dominant group.

Whilst Lenovo is allowing IBM's PC division to independently manage its team, it is also taking a number of initiatives, in and outside the workplace to encourage members of the two teams to communicate and integrate with each other (Peng, 2008). Such initiatives include (a) the involvement of the IBM PC team in resolving cultural problems (b) implementing organisational training to increase cultural awareness and (c) taking numerous initiatives to show the concern of the Lenovo Management for the new members in areas of work processes, reporting hierarchies, office environment and encouragement of diversity (Stahl & Lengyel, 2013).

Lenovo's cultural integration effort appears to have met with significant success. The overwhelming majority of IBM's employees have stayed with the organisation. Cultural diversity and number of women in the workforce had increased and there appear to be little conflict between the employees of the two erstwhile organisations.

Experts like Hofstede who have researched various aspects of national cultures in depth, argued that the national cultures are unique to nations and are formed through the interplay of various factors over many generations. Such cultures can moreover be analyzed in terms of specific standard dimensions and shape not only the participants of societies but also the structures, strategies and functioning of business organisations.

Lenovo, a major Chinese firm acquired a large western business, is still in the process of integrating the cultures of two vastly different organisations. The study reveals that the company recognises the importance of culture and cultural integration in the running of business organisations and is approaching the issue with a holistic and long term approach that aims to synthesise the best features of the two cultures and progressively develop a unique organisational culture for the company (Stahl & Lengyel, 2013).

Performance of the deal, before taking over IBM, Lenovo's ambitious goal had been to become the world's leading computer manufacturer. With the acquisition, it became the third largest computer vendor, with an 8% market share in 2005.

However, it slipped to the fourth place in following years, because the financial crisis of 2007–2008 strongly affected the global computer market; negative industry growth reached more than 5% year-on-year in terms of market value. Sales of Lenovo PCs declined by 8.9%, more than the industry average, and Lenovo thus reported losses of US$226 million for the fiscal year 2009 (Stahl & Lengyel, 2013).

At the same time, new industry trends became more visible. Notebooks started to outsell desktop computers while their prices continued to decline by –21.9% on average from 2005 through 2008. Shrinking margins in the hardware industry were a persistent trend. Yet Lenovo remained so focused on its internal challenges that it missed these fundamental shifts in the market. Competitors, and particularly Acer and Asus, grasped the potential of netbooks a lot earlier and thus were able to defend their market position and even grow in economically weak times.

2004 -2006 Sales increased rapidly (Figure 4-2). Lenovo gained market shares in all regions. This quick growth nearly immediately required another organizational change to serve its different markets better.

Global net profits recovered from the 2009 loss to reach US$273.2 million in 2011. In October of 2011, Lenovo finally overtook Dell in terms of computers sold and became the second-ranked contender in the global PC market. Also in 2011, Lenovo's Chinese market and corporate global market generated approximately 70% of Lenovo's US$21 billion revenue (Stahl & Lengyel, 2013).

Revenue of Lenovo from 2004/05 to 2015/16 (in billion USD)

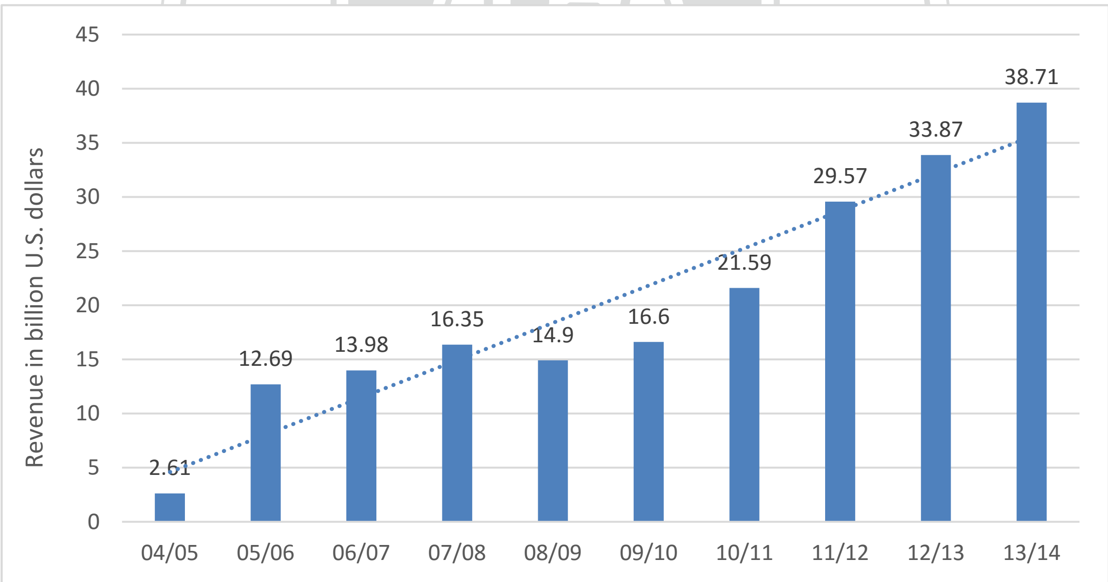

Figure 4-2: The Worldwide Revenue of Lenovo (2004~2014)
Source: https://www.statista.com/statistics/233035/revenue-of-lenovo/

4.6 Case 2: TCL and Thomson companies profile

4.6.1 TCL company profile

TCL Group ("TCL") was established in 1981 in China. The company is now listed on Shenzhen Stock Exchange in China with 85% of its shares owned by the public. It has four major subsidiaries with each subsidiary operating in four different business segments, namely, multimedia (including color TV, TCL's core business), communications, home appliances and tech electronic. It has sales network in 40 countries with over 50,000 employees and a total turnover around RMB44.3billion (or $6.5 billion in equivalent) in 2009. According to a joint research by RREEF (a real estate investment management business unit of Deutsche Bank) and Beijing Famous-Brand Evaluation Co. Ltd (the only Chinese company specified in research on brand value in China), TCL maintained the No.1 TV brand position among the "Most Valuable Brand in the PRC" in 2009 with a brand value of RMB41.7 billion.

TCL is a pioneer in global expansion in consumer electronics industry in China. Its global expansion activities started in 2000. Cross border M&As are more frequently used after 2002. Strategic alliance, a more prudent expansion way is preferred after TCL suffered huge loss from cross border M&As. TCL also prompts its internationalization by cooperating with multinational companies. For example, it established a corporation with Walt Disney which appointed TCL as Walt Disney's agent in China in 2005, and it has cooperated with Intel and Samsung in developing next generation TV recently. Mr. Li, Dong sheng, the Chairman, CEO and one of the key founders of TCL, who also owns 2.8% of TCL Group, is a very charismatic leader with an ambition of building TCL to a "world-class" company. He has received a number of rewards and prizes. He was awarded one of the Top 25 Global Business Leaders by Times Magazine and CNN in 2004; "Asia Businessman of the Year'' by Fortune Magazine in 2004. Mr. Li plays an important role in TCL's strategy construction. He is the key decision maker of all the major events of the company including the acquisition of Thomson (Deng, 2010).

4.6.2 Thomson company profile

Thomson, major French multimedia company and electronics manufacturer that sells products and services under its own name and under popular brands such as RCA and Technicolor.

The original company was formed in 1966 with the merger of Compagnie Française Thomson-Houston and Hotchkiss-Brandt, becoming known as Thomson-Brandt SA in 1972. Because its management was long dominated by career military officers, Thomson-Brandt was generally regarded as a technologically competent but commercially conservative electronics firm. It relied heavily on defence contracts. In

1972, for example, its research and development department invented the videodisc system but overlooked its vast commercial potential in the home-video market, selling it instead only as an audio-visual tool in military training. At the time Thomson derived more than half of its sales from its technology subsidiary, Thomson-CSF, which manufactured telephone systems and switching equipment (He & Lyles, 2008).

With the ascendancy of the Socialist Party in France in 1981, Thomson-Brandt was nationalized in 1982, and the company came under the management of civilian directors sympathetic to the governing Socialist Party. One year later Thomson was reorganized as a holding company, Thomson S.A. In 1987 the firm sold its medical equipment unit to General Electric (GE) and purchased GE's consumer electronics division, including RCA, thereby strengthening Thomson's interests in consumer media products, professional media production, and the broadcast and entertainment industries. This led to the formation of Thomson Consumer Electronics in 1988, which became Thomson Multimedia in 1995. Following the trend toward reprivatisation in France, Thomson became a publicly traded firm in 1999.

Thomson was an early developer of thin ("flat") television screens. By the early 21st century Thomson's Technicolor division had become the world's largest manufacturer of disc-based media products such as DVDs (digital videodiscs) and CDs (compact discs). The firm was also a leading producer of DVD players, video equipment, and television (Rickey, 2015).

4.7 The Motivation of TCL Merger with Thomson

By 2003, TCL Group has remained high growth and was the third largest companies in IT and consumer electronics industry in terms of a turnover of RMB 28.2 billion, according to statists of the Ministry of Industry and Information Technology of China. It was ranked at the first place in TV sales with a market share of 19%, the 1st place in the sales of phones and bolts, and the second place in handsets with a market share of 11% in China (Li and Pu, 2009).

TCL's market share in domestic market has remained stable at around 20% since 2000. At that time, the competition in Chinese TV market (mainly CRT TV) was quite intensive with growing production capabilities and less innovation in products. Price war broke out frequently (Li and Pu, 2008). TCL mainly manufactured middle-end products with progressive extension to the high-end markets which had been dominated by foreign international giants such as SONY and Toshiba. Due to the intensive competition in domestic market, TCL has tried to explore overseas markets since 2000 (Rui & Yip, 2008).

However, due to the anti-dumping sanction, it is difficult for Chinese TV manufacturers to expand their business in the EU and the U.S. which are huge market for color TV. EU charged 44.6% anti-dumping duties on all TV produced in China since 1998. The US also charged high anti-dumping duties on TVs from China with the highest applicable rate of 78.45% interestingly, the U.S. stipulated a preliminary sanction on Chinese TV export after the second day when TCL singed MOU with Thomson (Rui & Yip, 2008).

From global trading point of view, one benefit of this acquisition is that Thomson's overseas plants could provide cover against trade sanctions directed to China. The directly motivation of TCL's acquisition seemed to be an acquisition of "unparalleled R&D capabilities of Thomson" as they disclosed in the announcement on the deal. Combined with both of TCL's fast growing TV business and Thomson's R&D power, TCL aimed to "enhance the product mix, increase our market share in the high-end market, raise the efficiency of resource allocation, and strengthen the Group's competitiveness globally". The chairman of TCL, Mr. Li, Dongsheng once believed the acquisition of Thomson's TV business could help TCL to come close to its objection of becoming a leading player in multimedia electronics in the global market (He & Lyles, 2008).

Given the internal and external market position, TCL had mixed motivation in acquiring of Thomson's TV business with accessing to strategic assets and entering in new market especially the developed markets.

4.8 Actual Problems Encountering After M&As

TTE faces many difficulties in integration

4.8.1 There were many significant differences between the old French company and the new Chinese counterpart, such as languages, culture, management style, corporate governance, labor law, etc. As a traditional manufacture company, TCL used to compete in a labor-intensive industry and its competitive advantages lied in their cost control in the middle layer products. It adopted vertical management for the sake of effective control. And the two most significant characteristics of TCL were “vassal” and “inner entrepreneur”. Both encouraged short term financial performance. However, as a technology-oriented company, Thomson had a more open culture and flexible management style (Wu & Zhu, 2010).

4.8.2 Lack of talents. TCL did not fully prepare itself in a strong middle-management team who could work well in overseas integration. TCL preferred to build its own management team instead of hiring new talents. It used to have its middle level management trained for 3 or 5 years before they were sent to work aboard. However, after TCL’s frequent M&As actions since 2000, the need of more talents became urgent. Therefore, some middle-management with only one year training experience had to be sent to work aboard. Many of the managers could not even speak good English or French and had trouble in communicating with foreign staff.

4.8.3 The high cost of laying-off labors. Different from emerging market with lower labor cost and sufficient labor resource, TCL found it difficult in restructuring the unprofitable plants. In addition, dismissing employees in Europe made it to pay high settlement expenses and the lay-off had damaged TCL/Thomson's reputation in Europe. For example, TTE received a summons to appear in a court hearing on claims. The claim was made by a group of former employees, for a total compensation of approximately EUR17 million, for alleged breach of certain regulations of the French labor laws, alleged-nullity of the redundancy plan and alleged unfair dismissal during the wind down of TTE Europe in 2006 (Ran, 2008).

4.9 Hofstede cultural dimensional in China and France

China and France, as the East and the West has a long history and cultural traditions of the country, there are many differences between them on the Hofstede cultural dimensions. (Figure 4-3)

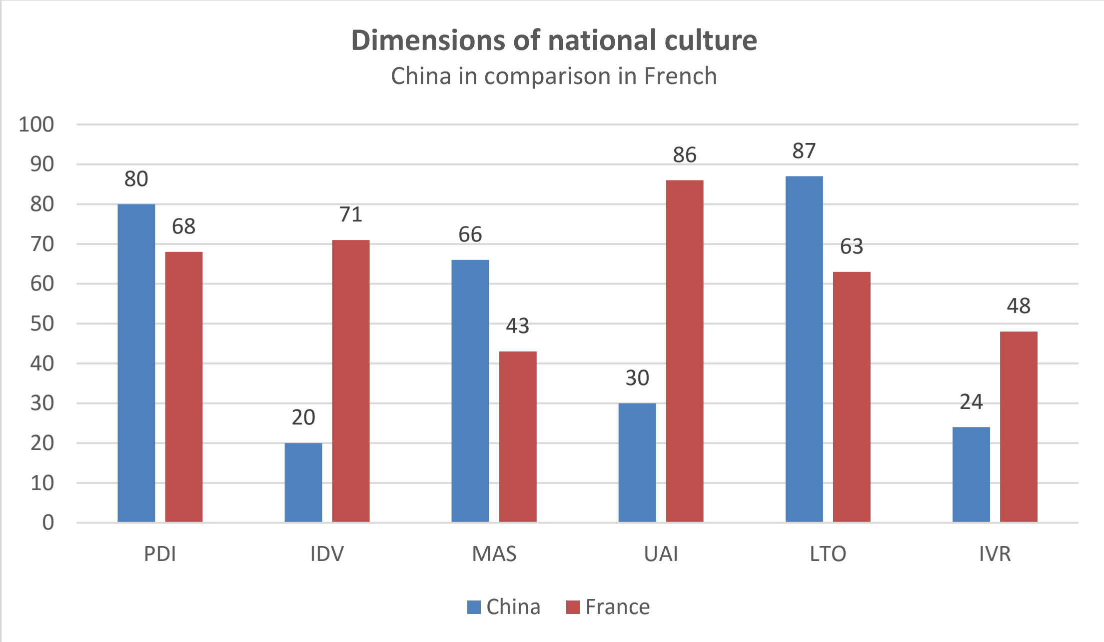

Figure 4-3 Dimensions of National Culture (China vs. France)
Source: https://geert-hofstede.com/national-culture.html

4.9.1 Power Distance Index (PDI)

This score suggests French society, work and families treat people with equality, encouraging collaboration and a fair cultural environment. French managers and employees are often close, because they believe that they are working together to create a good product. In business, the French are known to be assertive, though not aggressive. Decisions are centralised although on occasion consensus is sometimes sought if the situation warrants it. Employees do not question the authority of their managers and are very loyal to their companies. Before most business deals are done, there has been considerable detailed analysis before commitment. Once a project or deal is committed to, staff have high trust in the order and China has a high ranking of 80 than both French and the World Average which means that the power distance remains high in business and in society in general. This means that people are less willing to challenge authority which is likely due to old communism beliefs which still have a strong influence on people's behaviour. China continues to receive criticism for not taking human rights seriously.

When doing business in China one must be aware of this large hierarchy gap. It is often hard to move up on their corporate ladder compared to other cultures (Hofstede, 1983).

4.9.2 Individualism vs. Collectivism (IDV)

France on individualism vs. collectivism scores far more than China. This means that in their society, individualism is the mainstream cultural values, and more respect for the value of the individual .So France values individualism. Sometimes French people do not like to be too intimate with others, in order to avoid loss of independence. At work, however, the French jointly assume responsibilities and achieve goals in group. Negotiating decisions is often referred to committees.

Hofstede found that wealthier countries tended to have higher scores in Individualism (Hodgetts et al., 2006), however, given that China is now the second largest economy in the world and their IND score is only 20 Hofstede's theory can be disputed.

The Chinese rank lower than any other Asian country in the Individualism (IDV) ranking, at 20 compared to an average of 25. This may be attributed, in part, to the high level of emphasis on a Collectivist society by the Communist rule, as compared to one of Individualism. Confucianism also plays a large part as Chinese place value on long term satisfaction than short-term greed. Harmony is achieved by giving "face" to others and avoiding losing your own "face."

In collectivist cultures such as China, people work together in groups and often put the needs of that group ahead of their own personal wants. They embrace shared responsibility.

Chinese business habits tend to stay with the same partners or suppliers to keep loyalty and not to deteriorate relationships. So when doing business with others it is a good idea to select a good strong partnership that has potential to last a long time (Hofstede, 1983).

4.9.3 Masculine vs. Feminine (MAS)

In the Masculinity vs. Femininity, The Chinese scores higher than the French. It shows that The Chinese tends to male values of society, but the French tends to female social values. France focus on harmonious culture (Hofstede, 1983).

Officially, women in China have the same rights as men in the workplace and the party has promoted this sense of equality over the past thirty years or so. However, traditional Confucian thinking does not sit easily with this notion of gender equality and it is somewhat ironic that the liberalisation policies of the last decade might have reversed many of the advances made by women in the Chinese society under the previous hard-line regimes (Hofstede, 1983).

In China, the strong preference f or boys is due to the traditional values. Men hold most of the responsibility and power positions although there is a high level of consensus between genders in China. However, the responsibility for finding childcare still tends to fall with women which may be a contributor to the low numbers of women in senior management positions, women are becoming more accepted in higher positions (Hofstede, 1983).

4.9.4 Uncertainty avoidance index (UAI)

Uncertainty avoidance, as the name suggests, focuses on how and by whom risk is managed. Countries with low levels of uncertainty indicate strong governmental control to maintain as much stability and order as possible for risk elimination. Countries with lower scores tend to allow individuals to manage their France score high on uncertainty avoidance so It has a strong "uncertainty avoidance" culture. It is the idealism, and it pursues absolute truth. The French don’t like surprises. Before meetings and negotiations they like to receive all necessary information (Hofstede, 1983).

Contrary to the French, Chinese society does not feel such an urge to establish strict rules to overcome uncertainty or ambiguity. It is also characteristic of a society that is more tolerant towards opinions, behaviours that are different from its own, and changes. And it is a more meditative society which does not feel the need of controlling its environment (Hofstede, 1983).

4.9.5 Long-term orientation vs. short-term orientation (LTO)

From the number of the long term vs. short term, we know Chinese culture is long-term oriented, however French culture is short-term oriented culture. French people like instant results .For most people, they pay more attention to the current situation. Because in their view, the future is ambiguous, the most real physical presence is here and now. People tend to make decisions and get results quickly. They are accustomed to always adjust policy (Hofstede, 1983).

The French put truth and directness before diplomacy, believing that the fact is the important issue and that personal emotions should not deflect the truth from being spoken. This directness can be interpreted by certain cultures such as China, the Chinese slow and steady wins the race for business deals. Building strong, reliable, lasting relationships is key for the Chinese. A certain amount of trust must be gained before any decision is made. It may take three to four times the length of time to finish the business deal compared to cultural standards. So if you do not come to a fast agreement, don't be discouraged, make the client feel comfortable and show your patience. The Chinese never like to rush into things (Deng, 2010).

In Geert Hofstede analysis China has highest-ranking factor of all countries on Long-term Orientation (LTO) . China has such a high LTO score, it is even 30% higher than the Asian average score which is already nearly twice of the world average. This shows how much emphasis the Chinese place on this dimension, indicating a society's time perspective and an attitude of persevering; that is, overcoming obstacles with time, if not with will and strength (Hofstede, 1983).

This means that perseverance and economy are the basic values in China, these values being taught by Confucianism, which is widely established in China. Also, Chinese culture is neutral, contrary to the French culture which is affective. Which means that in China feelings are not readily expressed and physical contact avoided, while in France like in all other Mediterranean cultures the behaviour is expressive and gestured, and people like to express their feelings and physical contact.

Chinese culture is marked by respect and loyalty, which makes the Chniese reliable partners. They favour the interest of the group and in particular are extremely perseverant and formidable business people (Hofstede, 1983).

4.9.6 Indulgence Versus Restraint (IVR)

One pole of this dimension is characterized by the feeling that people do what they want, spend money and enjoy leisure time activities, with friends or alone, which brings him feeling of relatively big happiness. On the opposite pole is found a feeling that people acting is limited by various social norms and prohibitions and the feeling that enjoying leisure time activities only, money spending and other pleasures are something bad, the French believe the powerful should be treated better, people are responsible for themselves, competition is not a big motivator (Hofstede, 1983).

4.10 Cross-Cultural Integration and Result in TCL-Thomson

Based on the Deng (2010) of information of TCL's integration with its acquired facilities, the company does not seem to put much effort on integrating the culture part, compared to Thomson, a multinational company with established culture built in the past 100 years, TCL did not have integrated and established cultural when the acquisition occurred given its short history as widely criticized by media and researchers and admitted by Mr. Li as well (Deng, 2010).

TCL's measures to integrate the culture and management include:

4.10.1 Wait and see policy

To ensure a smooth transit, TCL did not make major changes on Thomson's existing management and routines at the beginning of the acquisition. Although TTE appeared to be a joint venture, the plants and research center invested by Thomson acted more like an independent subsidiary at the beginning of the integration process. The problem of this loss of control is the potential loss on conveying the value of the new company and integrates the culture both nationally and organizationally (Wu & Zhu, 2010).

4.10.2 An international management team

An international management team was established in TTE to ease the coordination and integration process. The board of directors consisted of 9 directors within which 5 were from TCL and 4 from Thomson. The chairman of TCL Mr. Li, Dong sheng and Thomson Mr. Charles Dehelly are the chairman and vice chairman of the board respectively. The top management team consisted of 7 managers within which 4 were from TCL and 3 from Thomson. In terms of nationalities, more non-Chinese directors and manager were included than Chinese directors and mangers. Generally, the managers appointed by TCL were responsible for financial management and emerging market business while the managers from Thomson were responsible for R&D and businesses in EU and the US market (Wu & Zhu, 2010).

4.10.3 Adjustment of rewarding system

As mentioned before, the two most significant characteristics of TCL are “vassal” and “inner entrepreneur”, both of which mostly focused on short term financial performance. Therefore the compensation packages of the staffs fluctuate significantly with their performance. Before the acquisition, fixed compensation only accounted for a small portion of the total compensation of the sales team, and the flexible payment which depended on the sales performance accounted for larger portion of the payment in TCL. On the other hand, Thomson had a relatively stable rewarding mechanism. TCL adjusted the compensation package of its newly acquired staff according to its own rewarding principles, aiming to promote the short term performance by providing more monetary incentives on one hand and cut fixed cost on the other hand. Since TTE had been suffering loss since it established, the reform of the compensation system actually lowered the salary and was subject to strong resistance from staff from Thomson (Deng, 2010).

In summary, managers cannot ignore to shape the value of the companies jointly. Common values can guide and encourage all employees to achieve business goals and work together. Learn from each other, and exert their own cultural superiority. At work, managers should arrange the main task, and every employee clear their jobs. The most important thing is communication. The French advantage is its advanced management concepts, management system is perfect, standard operating procedures.

Then the company should establish a strict hierarchy, respect the majority people's view. The French tend to female social value, so the company need to ensure the quality of life of employees. The wages make employee satisfaction, and respect for their human rights.

TCL's chairman said TTE could make a profit within 18 months, but the company failed to achieve this goal, TCL experienced difficulty in integrating the Thomson business with its operations (Einhorn, Wassener & Reinhardt 2005). It took a year for TCL and Thomson executives to overcome differences in language, salary and other issues and to develop a 'coherent production strategy' together (Ramstad & Pringle 2004).

TCL expected that TTE would be profitable by the end of 2004, but in 2005 TCL Multimedia reported a second-quarter loss of US $6 million in October 2006, TCL. Announced that most European joint venture operations with Thomson would he 'shrunk, sold, closed, or returned' including a factory in Poland and distribution networks (Wu & Zhu, 2010).

TCL began formulating a restructuring plan for its European business in May 2006. In November 2006, TCL announced restructuring and adjustment in TTE's European employees and sales offices in Europe, including Germany, Spain, Italy, Sweden and Hungary, According to the TCL chairman, the reshuffle gained support from local governments and Thomson. In a research note, Goldman Sachs viewed 'the restructuring plan as positive and stated that the pull-out from Europe would allow TCL to focus on the cash-generative Chinese market (Einhorn et al., 2005).

While Thomson's trademark could be used for 20 years in North America, according to the modified agreement, TTF. Remained free to use Thomson's trademark in Europe only until the end of 2008. Subject to paying the agreed licence fee, however, TTF was allowed to use Thomson's trademarks in some regions, including, Russia and Ukraine, until 2013 However, TCL could not repay its debt and the French law required it to file for insolvency, In May 2007, TCL declared its European operation ‘insolvent’ (Wu & Zhu, 2010). The TCL-Thomson deal is cited as an example of a Chinese company that ‘failed miserably in overseas expansion’. Factors contributing to the failure include TCL’s lack of international M&As experience, a lack of capable managers in the company to help improve communications with European employees, and the inability to transfer its cost advantage due to labour practice-related differences in the two economies (Ramstad & Pringle 2004).

Chapter 5 Conclusion

5.1 Research Findings and Discussion

This study has reviewed many studies of culture integrations behaviours in M&A, logically, the integration is more likely to be successful in companies which have small cultural differences and failed when there are large cultural differences. To measure cultural differences, the study used Hofstede 6 dimensions to analyze two cases, it seems like the effect of national cultural distance did not work in these two cases. The integration of TCL and Thomson is highly possible to be successful since they have a small cultural gap. TCL's inappropriate management turned the M&A into a disaster in the end. On the other hand, there is a high risk of failure in cultural integration process of Lenovo and IBM due to larger cultural gap, but Lenovo understand reconciling cultural differences in the shortest time eventually solved the problems and survived.

As the result, national culture distance would influence the integration, but it does not impact that much on the deal result, no matter how small or large cultural differences are, the matter is how organization members cope with cultural differences will impact the deal result.

As seen in the case of Lenovo and IBM merger, cultural diversity proved to be more important than previously anticipated between the Chinese and Americans. In addition, the case has shown that the merger of two companies having at first sight very good reasons for merging due to complementarities and possible synergies could be led to a failure due to cultural conflicts. Employees of both merging entities will have to work together in a new and different environment, Bridging two cultures implies a lot of communication, which is considered as one of the most important tools in the integration process, communicating and managing cultural differences will become key success factors.

Enterprises want to increase the success rate of Cross-border M&As, they have to pay close attention on the cultural problems, make a good cultural assessment and manager the cultural integrating work in the cultural integrating process. the acquirer's management should try to minimize the harmful impact of national cultural differences by clearly communicating to the acquired unit's workforce why integration is beneficial, so as to minimize the risk of cultural conflicts, further to enhance success rate of cross border M&A.

5.2 Future Research

Research is a never completely perfect and in fact a never ending story, therefore this study provides some interesting avenues for further research.

First, Hofstede's cultural distance is the only measurement of culture difference in my research, for more convincing, different variables regarding the measurement of culture difference or deals should be included, future studies should also investigate whether other, non-culture differences, in particular, risk related variables such as country and political risk. If data collecting and bigger sample could be obtained, this research direction can provide practical input for future M&A companies.

Second, how can a company improves their cultural integration process is interesting, the effect of culture integration on firm performance also can be further studied. For example, Lenovo is keen on to find out how to improve their cultural integration process and what kind of tools should be used to support the process, future research should explore what kind of tool should be used to support the process this, can help firms from emerging economies deal with inter-cultural differences in cross-border M&As.

Third, mergers and acquisitions are a very important process that needs a lot of knowledge about the local culture and environment, quantitative study may be conducted to provide some hypothesis that might be valuable for this interesting topic. Interviews with those who are involved in the M&As may be in need to provide clearer insights and avoid misunderstanding due to our interpretation based on archival cases.

Looking back at the literature and the success rate of merger and acquisition, we may say that most operations of mergers and acquisitions are not successful and we may even state that the successful ones are rare exceptions.

Many organizations leave the cultural issues underlying an M&A deal on the back burner and neglect them until they catch on fire and burn down the house. They most often occur when the cultural issues, both at the national level and at the firm level, are continually positioned as less important than the financial, operational, and strategic issues. In that environment, issues over cultural differences can grow until they begin to threaten to impact these basic business fundamentals.

Therefore it is crucial to have the right understanding about theories and their application in practice. Having many theories about mergers and acquisitions and how to deal with the cultural aspect does not mean that while applied, those theories are undoubtedly working. Indeed, they are still good guidelines for the integration process, but there is not a guaranteed solution for success. Used in the right context in which they are made for, theories may deliver good ideas, awareness and suggestions, which might help the merger to be successful. However, every deal is unique and you must be aware that you will never find any theory or model that will match to 100 % with your situation. Regarding cross-border M&A during the integration process, the cultural aspect plays a significant role and influences the results of the cross border M&A.

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