

# Transnational merger and acquisition enterprise culture conformity pattern research

JIN Yong

School of Management & Economic  
Wuhan University, P.R. China, 430070  
E-mail: jy6509@163.com

TIAN Yilin

School of Management  
Wuhan University of Technology, P.R. China, 430070  
E-mail: jy6509@21cn.com

**Abstract**—This article analyzes cross-border M&A enterprise is faced with the grim challenges of cultural differences, it takes the system theory as the theoretical support, applies soft systems methodology in systems engineering methodology, exerts quantitative and qualitative methods such as expert judgment method in fuzzy mathematics and fuzzy opinion centralism decision-making method to construct cultural integration mode of cross-border M&A enterprise. Meanwhile, this paper proposes constructing enterprises communication mechanism and training mechanisms in the process of corporate culture mode in order to achieve innovation of corporate culture integration through continually learning, running-in and modifying the original enterprise culture model.

**Key words:** corporate culture; cross-border M&A; soft systems methodology; expert judgment method; opinion concentrated decision-making method

## I. INTRODUCTION

The enterprise M&A (M&A refers to merges and acquisitions) is the advanced form of the capital operation and exterior developmental strategy of enterprise. It is a kind of enterprise's exterior investment, and it is the important way for the capital in the implements of a particular industry to enter or draw back. It also is the important method for enterprise to carry on the structure adjustment, the resources integration. In 2001, global transnational investment was more than one trillion U.S. dollars, including through mergers and acquisitions to achieve the ratio of higher than 80%. Enterprises through cross-border M&A to expand market have become a global trend. However, in reality, due to in the process of enterprise M&A, it appears complex interactions between heterogeneous ethnic culture and organization culture so that 70% of international M&A end in failure [1]. Therefore, the study of transnational M&A organization cultural integration theory and countermeasure will undoubtedly be of great theoretical and practical significance.

Currently, there are quite a lot foreign scholars on cross-border M & As enterprise culture integrated research, the most representative: Schneider and Baersukeshi [2] put forward control and adaptation the two major strategic culture model; Harris & Moran [3] proposed four types of cultural integration model, namely, the lead, compromise, teamwork and isolation; Nonaka Yu Jiro [4] brought forward SECI (Socialization, Externalization, Combination, Internalization) mode. Some

domestic scholars have also made the beneficial exploration to organization culture integration of the enterprise transnational M&A, such as Zhao Shuming [5] from fusion method stimulation cultural difference to organization efficiency promotion; Liu Yongqiang and others' [6] flexible organization culture strategies; Yu Fei [7] advanced Trans-Culture management strategy suited to local conditions, and so on.

On the basis of summarizing the latest research at home and abroad, this article is attempting to take the system theory as the rationale, use for reference Chechland Soft Systems Methodology, apply fuzzy mathematics method, and explore cultural integration in transnational M&A enterprises which will provide a new angle of view for innovation of cultural integration and provide theoretical supports and methods for cultural integration in cross-border M&A enterprises..

## II. TRANSNATIONAL M&A ENTERPRISES FACING THE CHALLENGES OF CULTURAL DIFFERENCES

Enterprise is a complex system, enterprise organizational culture is subsystem of enterprise system, and is the soul of the enterprise operation. Any business has its own unique corporate culture. In enterprise transnational mergers and acquisitions, there is not only the bilateral enterprise own cultural differences, but also both sides country the cultural difference, namely so-called dual cultural conflicts (Caloyi. 1994). Scholars say that the cultural differences are the primary cause of enterprise transnational M & As failure. Therefore, cross-border M & As enterprises face the challenge of cultural differences is grim.

### A. Cultural differences show the differences of value-viewpoint

From the perspective of behavioral science, culture determines people's values. Different cultural backgrounds decide that people hold different values and codes of conduct. Therefore, M&A enterprises will inevitably be two or more different values. For example, managers mainly manifest the difference of the concept of risk. Due to the effects of China's long-term planned economy and traditional culture, enterprise managers advocate "Moralize", emphasize the process from "Cultivating oneself" to "pacify others", pursue stability and fear change, dare not to take the risk, thus it is very hard for them to grasp unanticipated opportunities; while the managers in western countries go in for excellence and have a strong risk

perceptions. Another example is the common staff, their values manifest the attitude of the work and achievements. In China, because of the lack of flexibility incentive mechanism in the enterprise management, the staff lack initiative, even appear but not labor. In western countries, enterprise employees can obtain more material satisfaction and fun usually through their own efforts, the staff embrace the value of working very hard at work and enjoying desperately after work. Value differences also reflect in the differences of talent evaluation. Among Chinese enterprises in practice, the evaluation of talent is the first look at the moral quality "outstanding", and selecting top leadership is often to the political quality, personal history and interpersonal relationships, leading to the neglect of professional competence and management capability, innovation and concerning comprehensive capacity quality. Western managers in selecting senior leaders more focus on capacity rather than quality and virtue. In human resources development, the Chinese enterprises pay great attention to the effect of moral indoctrination of ideological and political education; Western enterprises pay more attention to the training of staff skills.

#### *B. Cultural differences form the differences of management model*

Any enterprise has its own unique management style. Owing to cultural differences and enterprise management ideas, they adopt different management model. China's management modal is "soft" management, which stresses people's importance, attach importance to people's initiative in the management, emphasis subjective activity, and strive to build harmonious interpersonal relations. Western mode of management focuses on the use of objects in the hope of getting a high utilization rate, emphasize management system, and standardize management and regulation management to achieve the orderly management and effective. In terms of management cultural differences, the Chinese culture embodied power differential, risk avoidance, lack of the spirit of adventure. Western management culture highlighted individualism, small power differential.

Thus it can be seen that cultural differences are the grim challenge of transnational mergers and acquisitions of enterprises. M&A enterprises must adopt scientific attitude, scientific theory as a guide, and apply scientific methods in order to effect M&A enterprise culture integration.

### III. CULTURE INTEGRATION MODE OF CROSS-BORDER M&A CORPORATIONS BASED ON SOFT SYSTEMS METHODOLOGY

Transnational M&A have strong changes of thinking mode and the great cultural impact among different enterprises. Remodeling M&A enterprises Cultures is a complicated systematic project. Must not act in haste, without the guidance of scientific theories and without applying the scientific method to make out M&A corporate culture integration model, it is bound to create greater internal friction and greater consumption in M&A corporate. Therefore, the M&A corporation need for setting up separately a corporate culture integration team, selected by the enterprises of both sides having the corporate culture of management theory and

experiential staff who is responsible for the whole process of cultural integration. Because of the cultural differences among people, the differences of judging values, there need scientific theory as a guide and apply scientific method in order to construct scientific M&A enterprise culture integration.

#### *A. Soft Systems Methodology*

Soft Systems Methodology, which is put forward by British Lancaster University P. Checkland, is a kind of systems engineering methodology. He assumed that it will confront with a lot of difficulties in accordance with the settlement engineering ideas to solve social problems and soft science completely. As to what is "optimal", as people different standpoint, different interests and different values judgment, it is difficult to obtain unanimous view easily, hence, the "feasible", "satisfactory" "non-inferior" concept gradually replace the "optimal" concept. There is also a problem only through discussing and analyzing concept models or awareness models, only made the name of the game have further understanding, through consultations, then through constant feedback, gradually made clear, and finally come to the satisfactory feasible solutions. Based on the above ideas, Checkland put forward his method, called "Soft Systems Methodology."

The core of Checkland's soft systems methodology is not "optimal" but for "comparison", and find out emphatically feasible satisfied results. "Comparison"---- the process need to organize discussion, listen to the views of the staff, search for a viable satisfied results, constantly engage several feedback, so it is a "learning" process.

#### *B. Cross-border M&A corporate culture integration model*

Based on Soft Systems Methodology, the process of model constructing for cultural integration of transnational M&A enterprises and is shown in figure 2.

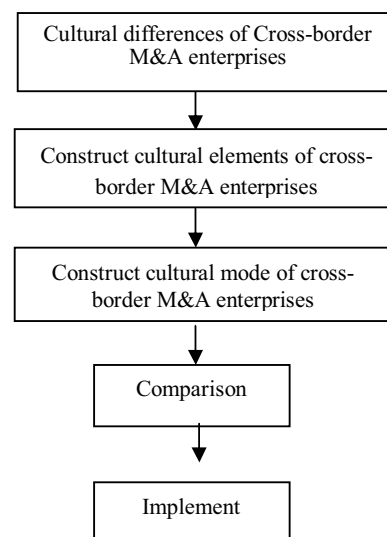


Figure 1. Cultural mode construction of cross-border M&A corporation

1) The first step is to take a thorough evaluation on the merged corporation ,then study systematically business of termini corporation .Visible culture and potential culture contain corporation culture integrity, how much they degree manager pay to it ,the confirm degree of worker pay to it , organization condition(human resource ,information resource), and so on.

2) It is a relatively complex task to constructing culture elements of cross-border M & As corporate. Due to people's different values, positions and different perspectives, the various elements can be made. For these elements, they should apply expert judgment method in fuzzy mathematics.

- Experts Team

Everyone in this team must master deep practical experience, knowledge.

- Set the elements. Group members will set for the elements set of constructing cross-border M & A enterprises cultural like

$$U = \{u_1, u_2, u_3, \dots, u_n\}$$

- Set Up Weight Study Form (as table 1). Every expert points out the best suitable index by himself, denoting it with mark.

TABLE I. THE RESEARCHING TABLE OF THE TACT DISTRIBUTION

index $u_j$	$u_1$	$u_2$	...	$u_n$	$\Sigma$
tact $a_j$					1

- As the study form collected back, they should make weight experiment, the result as table 2.

TABLE II. THE COMPUTING TABLE OF THE TACT ANALYSIS

expert	Inbex						$\Sigma$
	$u_1$	$u_2$	$\dots$	$u_i$	$\dots$	$u_n$	
expert 1	$a_{11}$	$a_{21}$	$\dots$	$a_{i1}$	$\dots$	$u_{n1}$	1
expert 2	$a_{12}$	$a_{22}$	$\dots$	$a_{i2}$	$\dots$	$u_{n2}$	1
$\vdots$	$\vdots$	$\vdots$		$\vdots$		$\vdots$	
expert m	$a_{1m}$	$a_{2m}$	$\dots$	$a_{im}$	$\dots$	$u_{nm}$	1
tact $a_i$ ( $i=1, 2, \dots, n$ )	$\frac{1}{m}\sum_{j=1}^m a_{1j}$	$\frac{1}{m}\sum_{j=2}^m a_{2j}$	$\dots$	$\frac{1}{m}\sum_{j=1}^m a_{ij}$	$\dots$	$\frac{1}{m}\sum_{j=1}^m a_{nj}$	1

The average of form 2 is the last weigh.

$$a_i = \frac{1}{m} \sum_{j=1}^m a_{ij} \quad (i = 1, 2, \dots, n)$$

namely

$$A = \left( \frac{1}{m} \sum_{j=1}^m a_{1j}, \frac{1}{m} \sum_{j=1}^m a_{2j}, \dots, \frac{1}{m} \sum_{j=1}^m a_{nj} \right)$$

- Selection of Evaluation Index. The experts select some from big to small one by one after discussion. When there are different views of the index, just experience it again as above.

3) On the basis of culture elements selected of cross-border M & As corporate, the experts can formulate cultural patterns. Usually, they make out two or three schemes to select more appropriate model in the final decision. In constructing enterprise culture model, the following problems must be paid attention to:

- Culture integration of M & A enterprises, is not only affected by the different culture itself, but also the social environment. Therefore, when making model, the social politics, economy, law and other factors ought to be considered ;
- Owing to different enterprise cultures, enterprise systems and management systems, at the beginning of M & As, enterprise cultural mode may take cultural compatibility strategy in order to conceal the subjective culture of most vulnerable to cultural conflicts and to retain more prosaic part. Due to losing the principal culture of different nationality people with a strong influence, people in the different cultural backgrounds can coexist harmoniously. Despite differences of opinion, it will be very easy for the two sides to correspond through effort in the same enterprise;
- Constructing initial cultural patterns of cross-border M & As enterprises should be feasible and flexible. Some of the rules and regulations formulated need from the flexible fuzzy constraints to gradually achieve common run-binding. When two or three M & A culture models are released, we should apply fuzzy views concentrated decision-making method, seek out a more suitable M&A enterprise culture model, and then consult among experts, compare the conceptual model and the status quo again and again, gradually draw satisfied and viable cultural integration model.

4) Constructing cultural integration model of transnational M&A enterprises in the implementation must continually be improved, and gradually achieve innovation of enterprise culture integration. To achieve this goal, the M&A enterprises should establish communicating mechanisms and training mechanisms, which is the fundamental guarantee for enterprise cultural management.

The construction of communicating mechanism in M&A enterprises is that enterprises establish multi-level, systemic, formal and informal communication forms. It is the basis for ensuring the flow of information and effective communication, and also ensuring one of the keys of cultural management success in M&A enterprises. Meanwhile, only constant communication can generate understanding and trust, and finally achieve cultural integration innovation. The construction of communicating mechanism in M&A enterprises, at first, is the communication between the CEO. It includes mutual understanding, trust, mutual respect, and striving to create a strong, harmonious cultural atmosphere. Second is the communication between management. It is very important for the management team to the leading role, because they directly contact with the staff. Third is the communication between management and the staff and between employees. M&A enterprises should establish consciously all kinds of

official communication organization and channels in enterprise culture. Such as, the regular meeting, business, trade unions and various activities. Publicity enterprise idea, corporate image, business vision, advantages and disadvantages of enterprise production and management, senior management changes, welfare changes, the rules and regulations of enterprises and career opportunities. Enterprises can also establish Communication Day. The staff at the specific time can communicate with the management directly, and have the opportunity to express their views, which can strengthen internal information exchange and make management understand the attitude and aspirations for work and life, can form a sense of trust and rapport relation between employees and managers. M&A enterprises should actively create conditions, and foster open communication channels, including a variety of special events, skill competitions, and association. Between employees and managers, between employees and staff have the opportunity to exchange and share experiences and knowledge. Peter Keeling, Canadian distinguished experts of joint venture, pointed out that sincerity and technology is the key to success for joint venture, in comparison, the main experience is not the technique, but in interpersonal relationships, in joint venture, the most important thing is to establish a kind of relationship which makes people from all quarters and from different companies work together. The key lies in being able to correctly harmonize the surrounding environment. M&A Enterprises, through the efforts of all parties, create a coordinated and harmonious environment. Under different cultural ways of thinking in the mutual impact have effects beyond the top of the two new ideas and new culture, which will lay a good foundation for innovation of culture integration mode in cross-border M&A enterprises.

The Construction of training mechanisms of corporate culture in transnational M&A means that they carry out corporate culture training for managers and employees in M&A enterprises cultural training. It is the important means of implementation of M&A enterprises cultural mode. The purpose of the training is to make the management and staffs understand different culture and traditions in different countries, to learn to respect each other's culture, to resolve the crisis in everyday work caused by cultural differences. For example, Korean companies such as Samsung will send potential young managers to other countries every year. The plan will be put forward by the participants themselves, but company has its own conditions, such as participants can not travel by plane and can not live in expensive hotels. Apart from improving their language skills, they also need to understand in depth the host country's culture and traditions, etc. In this way, Samsung has trained a large number of talents who are familiar with international markets and culture. If M&A enterprises want to break the cultural barriers and role constraints in the staff's hearts, they can gather employees who have different cultural backgrounds together, then carry out cultural training. In this way, the enterprises can form a certain organizational culture so that the individuals and groups in the organization all can accept training. It will understand more about the global economy and world cultural, strengthen their cultural self-awareness and improve different cultural exchange and cooperation skills, gradually learn different way of thinking,

understand each other's culture key and reached a basic consensus values. M&A enterprises, through cultural training, have established understanding, respect, trust, communication, better understand among management and staff, which reduce the obstacles for the implementation of cultural modes in transnational M&A enterprises.

#### 5) *Cultural integration innovation in cross-border M&A enterprises*

Cultural integration innovation in cross-border M&A enterprises refers to different cultures through mutual contacts, exchanges, absorption, permeability, and then becoming a whole. Finally, it gets formation of management process with a new international M & A corporate culture characteristics.

With initial construction of corporate culture model, and implementation of corporate culture communicating mechanism and cultural training mechanism strategy, constantly interacting in order to make the original enterprise culture models from different cultures absorb some new cultural features. With a long period of time, they have a consensus and form a new M&A culture system. This new system shows new features from values, code of conducts and interpersonal aspects: the mutual trust between employees and management, between employees; using M&A culture mode to regulate their own behaviors, being loyal to enduring M&A enterprises for long time without change, making individuals and teams and the entire M&A enterprises harmony and unity, identifying with M&A corporate culture and improving it continually in order to realize innovation of culture integration in cross-border M&A enterprises.

#### IV. CONCLUSION

Cross-border M&A is a complex system project, among which cultural integration is one of the difficult issues. It is crucial for cross-border M & As enterprises to the success. In this study, the author takes system theory as a guide, applies soft system methodology, and adopts an quantitative and qualitative methods to construct culture integration model of cross-border M & As corporate. This research is precedent, which need to be continually perfect.

#### REFERENCES

- [1] Xiaolei. Chinese Enterprises Overseas M&A Leap Risky [N], Defense Times, 2005.8.12.
- [2] Schneider, Baersuokeshi. Cross-cultural Management [M], Beijing: Economic Management Press, 2002.176.
- [3] Harris, P., & Moran. CHINA. Managing Cultural Differences. Culf Publ ishing Company, 1987.82.
- [4] Nonaka Ikujiro. The Knowledge-creating Company; Drucker, Peter. Knowledge Management [M], Beijing: People's University Press, 1999.25.
- [5] Zhao Shuming. Transnational Corporation in China Facing Challenges: Cultural differences and Cross-cultural Management [J]. Management World, 1997 (3).
- [6] Liu Yongqiang, Zhao Shuming. Cultural Integration Strategy of Flexible Organizational Culture Knowledge-based Enterprises in International M& A [J], Jianghai Periodical. 2006 (3).
- [7] Yu Fei, Duan Jindong. Analysis Cross-cultural Management Strategies in International Operation [J]. Business Studies, 2005 (23).