Research Article

Examining Strategic Issues in Merger of Asian and Western MNCs: Holistic Cross Cultural Imperatives

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ABSTRACT

This paper is an extensive comparative study between a Chinese MNC that merged with US MNC in US and a Chinese merged MNC in China, which focuses on a comparison of cultural impact on the organization. The data from two merged firms, one is Chinese MNC merged with Chinese MNC in China and the other is in Chinese MNC merged with US MNC within US are used to identify the cultural values to understand the impacts that were manifested after Asian culture penetrated the Western organization. In this paper, appropriate research methodology was utilized to find valid and reliable statistics which magnified the differences between two Asian MNCs' merges. The statistic significances has shown on the comparison in terms of power distance, uncertainty avoidance and time. It is to say the national culture has great impact on organizations. The findings indicate that national culture is still manifested, and the value of employees, basically, is based upon the local orientation in Asian MNC merged with American MNC in the USA. Given such an empirical study, it is determined that local culture significantly affects their management style in merged organizations.

Keywords: Cross-Border M&A, Cross-culture management, Organizational Culture, International Business, Merger and Acquisition

1. Introduction

In related literature, there have been many studies on issues associated with international business in developing countries; especially Western MNCs transfer their management in the Chinese context, such as China (Fan, 2004). However, research in the field of Chinese MNC's merger and acquisitions with Western MNCs is still few. Although the internationalization of such organizations is rapidly growing, such as Chinese MNC's merger and acquisition of IBM personal computers, RCA television and Dornier aircraft (www.bbc.co.uk, 2005). This paper will start with the meaning of merger and acquisitions and then cross-border merger and acquisitions and finally get into cultural-value-based theory, which will be applied to examine the effects on the merged Asian and Western MNC organizations in the US as well as Asian and Asian MNC organizations in China. The mixed research method was adopted to collect data by using both qualitative and quantitative ways. The findings show that at first, societal culture is a vital factor influence on merged MNCs in US and China. Secondly, the statistics significances between Chinese merged MNCs in China and Chinese merged with US MNC in US show that Asian

culture does not have apparent effect on management style after Asian MNC merged with Western MNC in US. Finally, cultural theory is unlikely to study in cross-border MNCs within a country, which is unable to demonstrate the cultural differences.

2. Literature Review

2.1 Issues in International Merger and Acquisition (M&A)

A merger happens when two firms agree to become a single new company rather than remain separately owned and operated over, the purchase is called. For example, when Daimler-Benz merged with Chrysler, and a new company, DaimlerChrysler, was established (www. en.wikipedia.org, 2008). In this research, the terms, merger and acquisition will be utilized because they are alike, especially in Asian MNCs merged with Western MNCs, such as Sonny merged Ericsson mobile communications, and a new company, Sony Ericsson Mobile Communications was created in 2001

Source:(www.wiki.media-culture.org.au/index.php/Sony_Ericsson_Mobile_Communication, 2008).

Although international merger and acquisitions gain more knowledge and capabilities, which is not available within their home country and they are sharing costs, entering new markets, supplying their capabilities, seeking more radical innovations by integrating knowledge from different areas of science and technology, and creating common platforms for products and services (Sirmon and Lane, 2004) However, there are many problems in a merging process, but a major factor appears to be a poor national cultural fit between the cross-border merging organizations (Bruhn, 2001).

2.2 National Culture in Cross-Cultural M&A

Maurice et al (1980) generated the "societal analysis" for studying organizations is a systemic analysis of social action which emphasizes the reciprocal interaction of people at work, work characters of jobs, systems of HRM practices, industrial relations, which can only be explored by considering historical, economical and political factors (Maurice et al 1980, P.61). The interactive relationship between system and actors is synchronicity (Maurice, 2000, P.22). The property of the system tends to load the individual choices from which actors can choose a specific way. The actor develops a specific program of mind and the interdependence between system and actor links to the culture (Sorge, 2004, P.131-133). Thus, this research hypotheses Chinese MNCs merged with US MNCs in US has greater influence from the society, American culture, than Chinese culture.

Hypothesis: There is impact of local culture on the merged firm in US greater than home Asian culture after merged with home country MNC in US.

Hofstede's work in 1980 has great impact on studying international organizations and later writers such as Trompenaars (1997) and House et al (2004) have all been based on the idea that the values which are embedded in different national cultures can be measured along a number of

suggested dimensions. These dimensions (four in Hofstede's, seven in Trompenaars' and nine in House's model) are held to represent how societies perceive and respond to some universal problems according to deeply held values. Similar distinctions have been made by Romani (2004), the orientations based on relationship with people, time and nature. I will attempt to extract elements from these cultural theorists' categories to illustrate the degree to which the dimensions of culture can directly affect management and organizational practice in different social contexts.

2.3 Relationship with People

2.3.1 Differentiation between Social Groups

A major culture difference is that between high and low contexts, a distinction analyzed by Hall (1976, 1990). Context is defined in this case in terms of how individuals and their society seek information and knowledge. People from high context cultures obtain information from personal information networks. Low-context cultures occur where people are typically distant from each other so that information needs to be very explicit (Hall and Hall, 1990).

Hofstede's (1991) concept of power distance informs us about social inequality, including the relationships with authority. Inequality exists within any culture, but the degree which is tolerated varies between one culture and another "*all societies are unequal, but some are more unequal than others*" (Hofstede, 1980). In Trompenaars' dimensions of Achievement versus Ascription, achievement awards status (to employees for example) by what they have achieved and how they have performed. Trompenaar's dimension of Specific versus Diffuse demonstrates the degree of involvement in an organization, and is similar to Hall's high-low context. Hofstede's masculinity versus femininity dimension recognizes the sexuality of roles in society, and the degree to which a society allows overlap between the roles of men and women. It anticipates the issue of the relative values which society places on the sexes, and on the roles that they carry out.

2.3.2 Preserve/Rule the 'Social Fabric'

Trompenaar's Universalism versus Particularism identified universalist cultures as being based on rules and particularist cultures on relationships (Hampden-Tuner and Trompenaars, 1997). In Trompenaar's dimension of Neutral versus Emotional dimension examines the degree of expressing emotion acceptable in a society and the differences in communication in organizations. Hall's research has shown that at least 75% of all communication is non-verbal, such as touching other people, the space it is normal to keep between you, and assumptions about privacy are all further manifestations of affective or neutral cultures.

2.3.3 Individual's Relationship to Social Groups

Individualism versus Communitarianism (Hampden-Tuner and Trompenaars, 1997) or Collectivism (Hofstede, 1991) dimension describes the degree to which people regard themselves as individuals or as part of a group (Hampden-Tuner and Trompenaars, 1997).

Hofstede (1991) found Collectivist culture is associated with Hall's high-context culture and individual culture is related with low context culture.

2.4 Time Orientation

Attitudes to time and the way societies look at time differ. It is important to know whether time is viewed as sequential, a series of passing events, or as synchronic, with past, present and future all interrelated so that the future idea and the past memory both shape present action (Hampden-Turner and Trompenaars, 1997). Hall and Hall (1990, P.13) divides time into monochronic and polychronic time. Monochronic time means paying attention to and doing only one thing at a time. In addition, it can be found in low context countries By contrast, polychronic time means being involved with many things at once (Hall, 1960; Hall and Hall, 1990).

Table 1: Comparison of cultural dimensions

	Hofstede	*Trompenaar*	*Hall*
Differentiation between social groups	Power Distance Masculinity versus Femininity	Achievement versus Ascription Specific versus Diffuse	High-low context
Preserve/rule the 'social fabric'	Uncertainty Avoidance	Universalism versus Particularism Neutral versus Emotional	High-low context
Individual's relationship to social groups	Individualism versus Collectivism	Individualism versus Communitarianism	High-low context
Time orientation	Long vs short term	Sequential vs. Synchronic	Monochronic and Polychronic High-low context

Source: Chen (2007)

2.5 Effect of National Culture on Organizations

These dimensions of national culture are reflective of the organizational culture which shapes the organizational structure and processes. For example, Dastmalchian (2000) studied 39 Canadian and 40 Korean organizations, and found that some aspects of organizational culture were related to the differences between the national cultures. Steven (cite in Hofstede, 1991), during his organizational behavior course, examined a case study for INSEAD MBA students. Culturalists present similar ideas about the classification of the organization reflecting differences regarding power and uncertainty in the views of organizations as systems of hierarchy, authority, politics and role of formalization (Hampden-Turner and Trompenaars, 1997).

There is some criticism in the above studies, firstly, Hall (1967) builds his model on qualitative insights without precisely ranking different countries in terms of high or low cultural contexts. No country exists exclusively at one end of the scale, and all countries exhibit high-context

cultural behavior and low-context cultural behavior (Mead, 1994). In addition, globalization is a new form of convergence model (Floyd, 1999) which could suggest that national cultures do not play such a role in international management as they did when Hofstede (1991) did his research about 30 years ago. Another criticism is that values sampled were not comprehensive, so that the dimensions identified may not be exhaustive (Smith et al., 1996). The cultural homogeneity cannot be taken for granted in countries, which have diverse groups, such as, US and Belgium (French and Flemish culture).

Based on the societal influence in an organization (Maurice et al., 1980), this research can be assumed that American national cultural values has greater influence than Chinese naitonal culture on Chinese merged MNCs with US MNCs in US. This research will adopt one dimension from the above each group and they are power distance, uncertainty avoidance, individualism/collectivism and time dimensions in order to compare the national culture influence between Chinese MNCs merged with US MNCs in US and Chinese merged MNCs in China.

3. Research Methodology

Two stages of the data collection in this research, one is the qualitative way in 2007 and the other is the quantitative method in 2008. The semi-structure interview was adopted in the first stage of this research and data were collected in February in 2007. The semi-structured interview asks major questions in the same way each time, but is free to alter their sequence and to probe for more information (Gilbert, 2001). The research questions were aimed at two groups of interviewed informants: four Chinese managers and five American managers.

The main survey was conducted from February to March, 2008. Data were obtained from Chinese MNCs merged with US MNCs in the USA. A total number of 150 questionnaires were delivered, and 61 usable samples were obtained. A response rate of 41% was manifested. A total of 25 responses were discarded because they were not fully completed, and 36 questionnaires were used for further data analysis. In addition, 55 usable questionnaires were obtained from Chinese merged MNCs in China at the same time.

A self-administered questionnaire was used to collect the data. The questions in the questionnaire are based on a review of the literature and specific, merged characteristics. The scale for measuring Collectivism/Individualism was generated based on the writings of Hampden-Turner and Trompenaars (1997). The image attributes were measured with respect to the writings of Steven (cite in Hofstede, 1991). The scale for uncertainty avoidance was generated based on Hofstede (1991). Uncertainty avoidance was measured with three items asking respondents to indicate how they feel about uncertainty avoidance. Power distance was measured with three items, which were from House et. al. (2004). The respondents were asked to indicate feelings about the power distance with their superior. The time concept was measured with four items asking respondents to indicate how they feel about time concept, and were commensurate with the writings of Bluedorn et al. (1999), Kaufman et al. (1991) and Hampden-Turner and Trompenaars (1997) were used. The dimensions were measured with five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The second section of the questionnaire asked about the demographic information such as gender, nationality, age, education, position,

working in company and working before merged or after merged via a categorical scale (please see appendix 1).

The data were analyzed using SPSS software. Frequencies and percentage of the items on demographic data survey were compiled for sample descriptive purposes. The "*t*" test analysis was used to test the hypotheses statements. Analysis of variance (ANOVA) was used to determine the effort of variables.

4. Data Analysis

4.1 Demographic Information

Descriptive statistics are used to describe the mean, variance and the categories and characteristics of data. The demographic information from the sample of Chinese MNCs merged with US MNCs in US, the great majority of the respondents are aged below 59 but over 40 (80.6%), USA nationality (91.7%) with majority of male staff (75.0%). In all, 63.9% has an undergraduate degree, are non-managerial personnel (52.8%), has over thirty years of work experience and are working before the merger (66.7%).

Among the 55 usable samples from Chinese merged MNCs in China, males make up the great majority of the respondents (61.8%). Ages 20-29 (65.5%) account for the biggest portion of the sample, followed by ages 30-39 (29.1%). The great majority of the respondents are China nationality (91.7%), while 61.8% have achieved the education level of college, are non-manager personnel (96.4%), has one to five years of work experience.

4.2 Reliability of Samples

The total surveyed data according to the research questionnaire reveals strong reliability by the Cronbach's α test. All the α values show in the Table 2. Reliability for each item was obtained using the calculation of a Cronbach's α coefficient. The Cronbach's α coefficients ranged from -0.18 to 0.44. Means, standard deviation values and Cronbach's α for research variables are listed within Table 2. The mean of items ranged from 2.81 to 3.87 and their standard deviation ranged from 0.84 to 1.31.

4.3 Result of T-Test

Comparing to means of two samples, the results reveal that the sample from Chinese merged MNCs in China has the highest mean score, shows a much higher power distance and long term time orientation comparing with Chinese merged US MNCs in US. In the sample of Chinese MNCs merged with US MNCs in US has the highest mean score, and shows much higher uncertainty avoidance level relative to the sample of Chinese merged MNCs in China.

T-test is comparing differences in study variables among the respondent from samples of Chinese merged MNCs in China and Chinese MNCs merged with US MNCs in USA. The analysis of variance indicated that the two samples differ significantly in terms of variable (uncertainty avoidance, power distance, and time).

Table 2: Mean, Standard Deviation and Cronbach's α (n=91)

Items	Mean	S.D	Item-Total Correlation	Alpha if Item Deleted
Uncertainty Avoidance-Total	3.23	--	--	0.21
Uncertainty Avoidance 1	2.9	1.31	0.13	0.10
Uncertainty Avoidance 2	3.7	0.98	-0.04	0.44
Uncertainty Avoidance 3	2.9	1.08	0.28	-0.25
Power distance-Total	3.19	--	--	0.15
Power distance 1	3.84	0.95	0.08	0.34
Power distance 2	2.81	1.03	0.16	0.17
Power distance 3	2.91	1.07	0.21	0.05
Time-Total	3.50	--	--	-0.18
Time 1	3.12	1.10	-0.29	0.37
Time 2	3.30	1.09	-0.12	0.09
Time 3	3.87	0.84	0.16	-0.43
Time 4	3.71	0.99	0.23	-0.70

Table 4 shows the result of T-test is significant difference between the two samples and uncertainty avoidance1, uncertainty avoidance2 (T = -3.96, P <0.01; T = 3.25, p < 0.01). About power distance dimension, China and USA samples differ in terms of power distance2 and power distance3 (T = -2.05, P <0.01; T = 2.21, p < 0.01). In addition, the result of T-test with respect to a significant difference between two samples and time dimension (1-4) (T = -3.19, p <0.01; T = 3.80, p <0.01; T = 3.11, p <0.01; T = 3.19, p <0.01).

Table 3: T-test

VARIABLE	T-VALUE	P-VALUE
Uncertainty Avoidance1	-3.96	0.00**
Uncertainty Avoidance2	3.25	0.00**
Uncertainty Avoidance3	-1.02	0.31
Power Distance1	1.00	0.31
Power Distance2	-2.05	0.04*
Power Distance3	2.21	0.02*
Time1	-3.19	0.00**
Time2	3.80	0.00**
Time3	3.11	0.00**
Time4	3.19	0.00**

*p<0.05 **p<0.01

4.4 Result of ANOVA Test

The variances within the sample of Chinese MNCs merged with US MNCs in US, please see table 4, which shows the result of ANOVA with respect to a significant difference between the collectivism/individualism2 and power distance1 ($F = -2.576$, $p < 0.05$). Scheffe's post hoc test did not manifest a significant difference. The result of ANOVA is a significant difference between the image and time1 ($F = 3.408$, $p < 0.05$). Scheffe's post hoc test is conducted in order to assess which image group showed the significant difference. The results reveal that family image has the highest mean score and shows a much higher time level relative to market image. A well-oiled machine has the highest mean score, and shows much higher time level relative to market image.

Table 4: Anova On The Sample Of Chinese Mnc Merged With Us Mnc In The Us

Variable	Collectivism /Individualism 1	Collectivism /Individualism 2	Image	Scheffe (Image)
Power Distance1	1.24(0.16)	-2.57(0.01)*	0.15(0.92)	
Time1	-0.35(0.72)	-0.44(0.66)	3.40(0.02)*	A Family>A market A well-oiled machine >A market

In the sample of Chinese MNCs merged with US MNCs in USA, the T-test reveals that there is no significant outcome between gender, merge, age and uncertainty avoidance, power distance, position. Nationality is significantly different with time 2. ($F = 4.07$, $p < 0.05$) Position is significantly different with time 1 ($F = 2.18$, $p < 0.05$). Scheffe's post hoc test was not significantly different. There is a significant difference between education and time1 ($F = 3.36$, $p < 0.05$). The results revealed that respondents who were college educated had the highest mean score and showed much higher time1 level relative to the postgraduate groups. (see Table5)

Table 5: T-Test on the sample of Chinese MNC merged with U
S MNC in the US

Variable	Item	T-value	P-value	Scheffe
Nationality	Time 2	4.07	0.05*	
Position	Time 1	2.18	0.03*	
Education	Time 1	3.36	0.04*	College>Postgraduate

The result of data analysis of Chinese merged MNCs in China presents in table 6, which shows the result of ANOVA with respect to a significant difference between the collectivism/individualism1 and uncertainty avoidance1 ($F = -2.5$, $p < 0.05$). Collectivism/individualism2 is significantly different with uncertainty avoidance 2. Scheffe's post hoc test is not significantly different.

Table 6: Anova on The Sample From China's Merged MNC In China

Variable	Collectivism /Individualism 1	Collectivism /Individualism 2	Image
Uncertainty Avoidance1	-2.50(0.01)*	0.61(0.54)	0.27(0.84)
Uncertainty Avoidance2	0.43(0.66)	2.77(0.00)**	0.56(0.64)

*p<0.05 **p<0.01

The ANOVA results show that there are significant differences among gender and power distance1 (F = 2.36 p < 0.05) (see table 5). Post-hoc test is conducted in order to assess which group shows the significant difference. The results reveal that female has the highest mean score and shows a much higher time level relative to male. Position is significantly different with uncertainty avoidance 1(F = -0.34, p < 0.01). The results revealed that respondents who are non-manager has the highest mean score and shows much higher uncertainty avoidance 1 level relative to the manager position. In addition, work experience is a significant difference between uncertainty avoidance 2, power distance1, time2 and time3 (F = 3.20, p < 0.05; F = 3.59, p < 0.01;F = 3.30,p<0.01;F = 4.04,p<0.01).

Table 7: T-Test On The sample from China's Merged MNC In China

Variable	Item	T-value	P-value	Scheffe
Gender	Power distance1	2.36	0.02*	Female>male
Position	Uncertainty Avoidance1	-0.34	0.00**	non-manager>manager
Working experience	Uncertainty Avoidance 2	3.20	0.02*	
	Power distance1	3.59	0.01**	
	Time 2	3.30	0.01**	
	Time 3	4.04	0.00**	

5. Discussion and Conclusion

The statistic significances has shown that national culture (Hostede, 1980; Hampden-Turner and Trompenaar, 1997) has great impact on organizations, and it does not matter about the characteristics of organizations, such as join venture, foreign direct investment or other characristics.

The critique of national cultural research form Smith et al. (1996), the dimensions identified may not be exhaustive. This research, however, confirms that cultural theorists, Hostede (1980), Trompenaars (1997) and House et al (2004), who designed their research on the comparison among countries without considering the sub-culture, can show national culture differences.

Chinese MNCs merged with Western MNCs in US locates in Texas, where lots of Hispanic populations, Asian mixed and other ethnics in the organization, however, the statistics still shows the differences comparing with Chinese merged firm.

The dimension of power distance shows that the statistics significance between Chinese MNCs merged with US MNCs in US and Chinese MNCs in China. In addition, Chinese MNCs merged with US MNCs in US confirms Hofstede (1980)'s research, the pay and welfare is higher than the one in Chinese merged MNCs in China. Chinese MNCs merged with US MNCs in US shows low uncertainty avoidance orientation, because they believe that the company rule should not to broken. A leader in Chinese firm in China know more than his/her subordinates, but the degree of knowing the answer Chinese merged US MNCs in US may not so apparent.

Although the statistics significances on time orientation shows that Chinese merged firm in China see time as monochronic time, Chinese MNCs merged with US MNCs in US shows polychronic time orientation. It contradicts with Hall's (1967, 1990) model, which US belongs low context countries and has monchroic time orientation. Hofstede (1980) indicated that an Asian organization looks like family and an US organization look like a market, however, the disapproval can be seen in the organizational image in Chinese MNCs merged with US MNCs in US, which is family. On the other hand, almost the items of power distance, uncertainty avoidance, time and individualism in Chinese MNCs merged with US MNCs in US show American orientation; therefore, the image of the organization is family, which may be called in a question.

This research shows that four dimensions are correlation with each other, because the statistics significant on the item of power distance and collectivism/individualism as well as time with image in Chinese merged with US MNCs in US. In addition, the statistics significances show among items within Chinese merged MNCs in China on the item of uncertainty avoidance and collectivism/individualism as well as time orientation with collectivism/individualism.

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