

Cultural Differences in Cross-Border M&As: Source of Conflict ~ Source of Learning

By Dr. Taco Reus

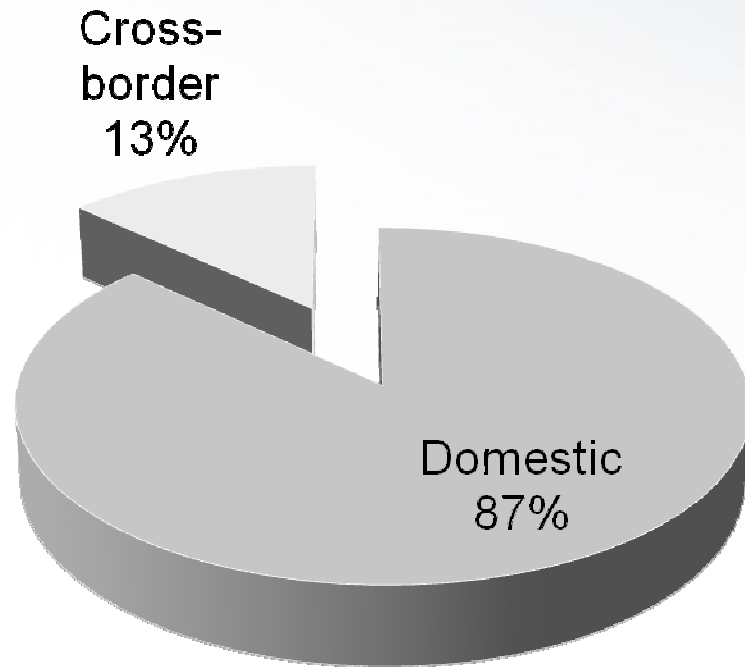


PMLG International Corporate Forum

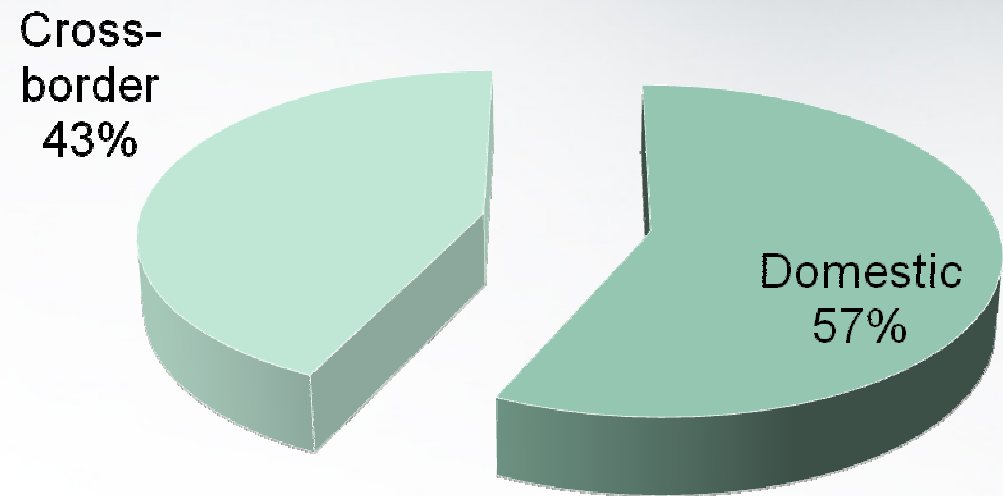
2002-2005 M&A Activity



US



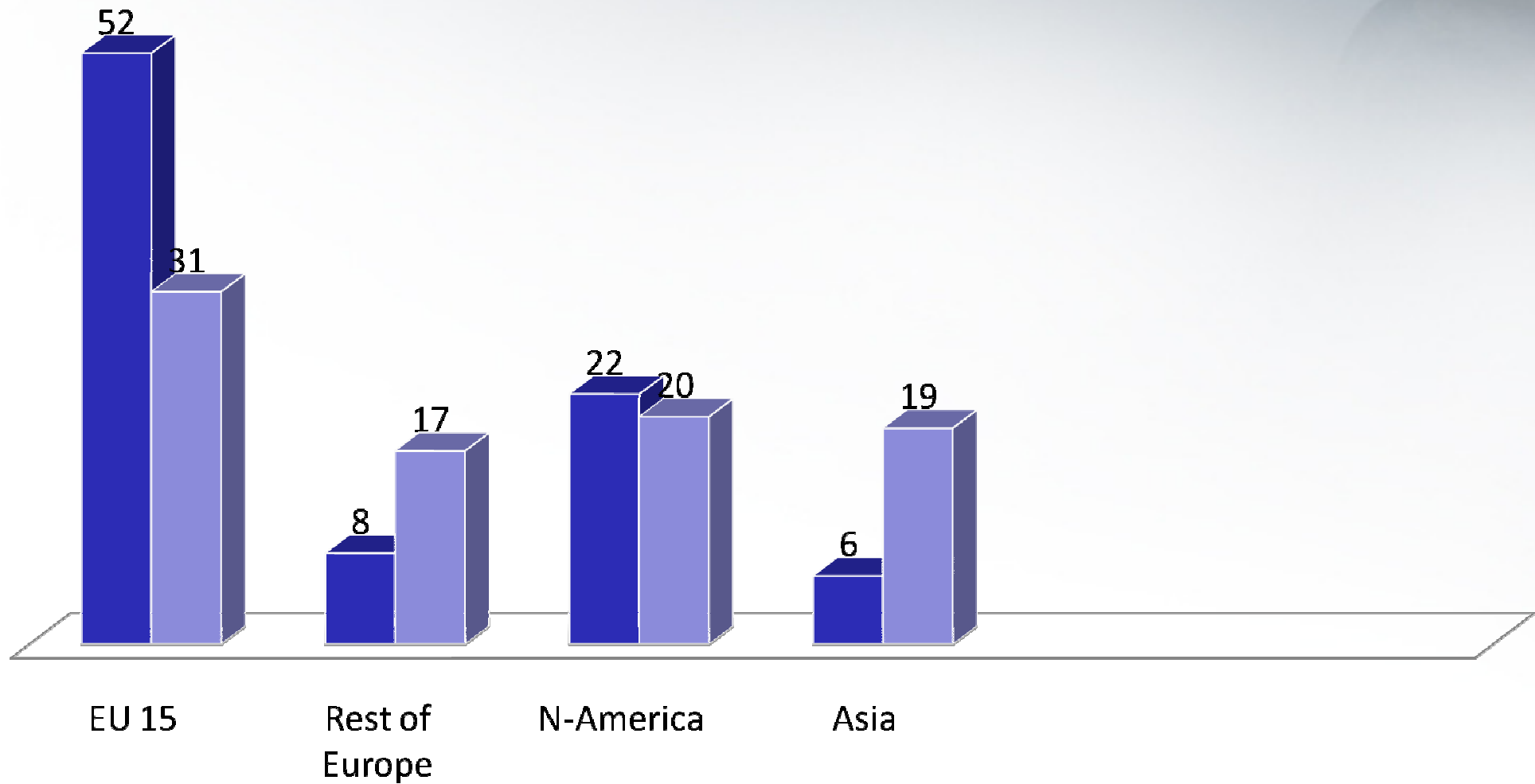
Europe



Cross-Border Targets as % of Total Number of Targets

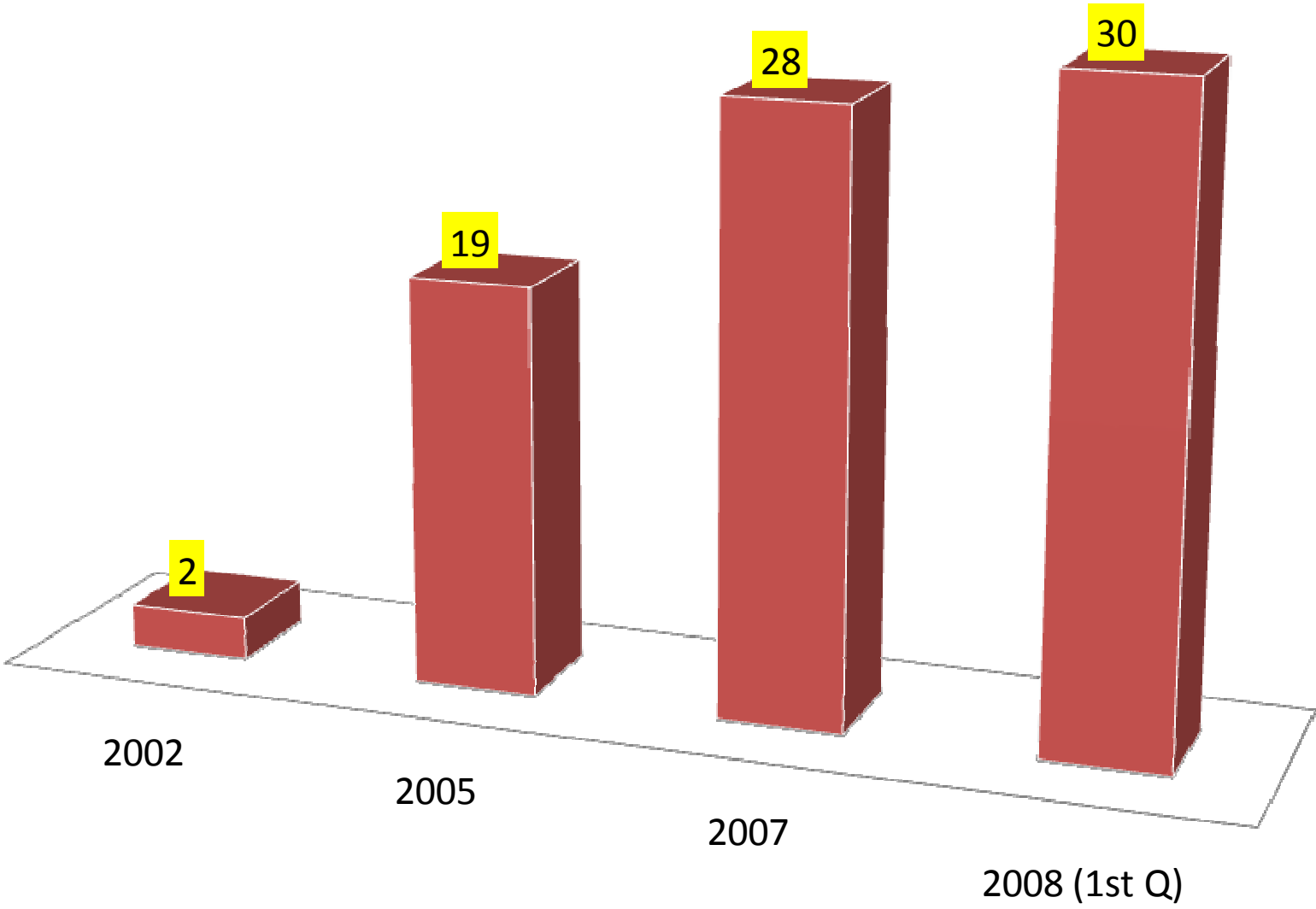


■ Early 1990s ■ Early 2000s





China as Bidder in Billions



Culture



- Culture
 - Norms: rules for behavior in specific situations
 - Values: what is valuable, important, preferable to people
 - Patterns of thinking; feeling; and potential acting
 - Collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede)

Meinung

expressing opinions

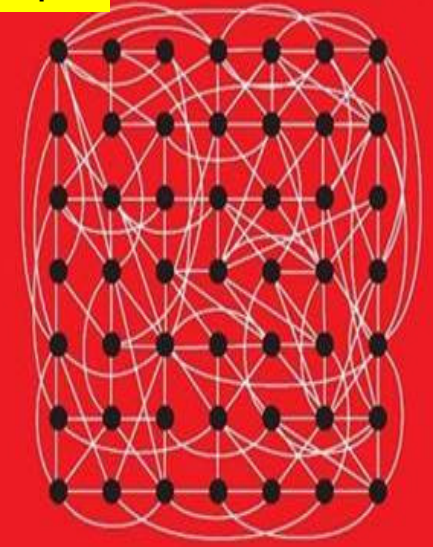
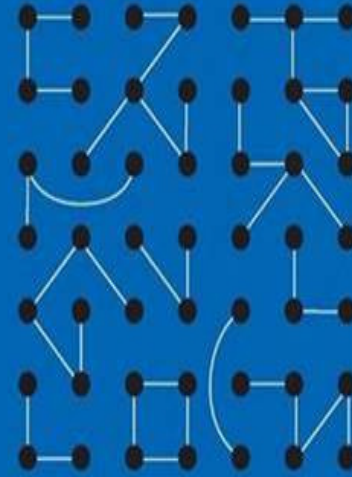
意见



Kontakte

relationships

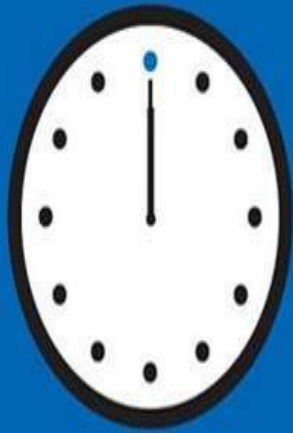
人际关系



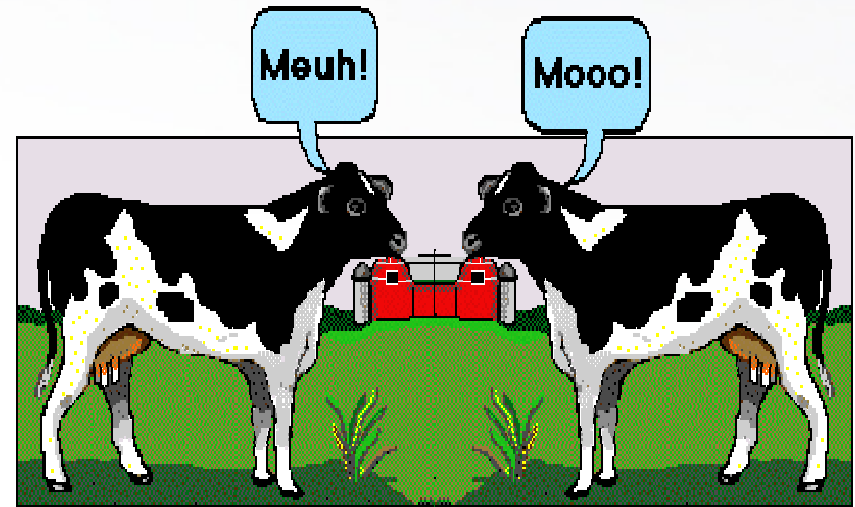
Pünktlichkeit

punctuality

准时



Talk, walk, work, eat, drink, act, etc



Source of conflict



- Differences in patterns of thinking/feeling/action
 - Misunderstanding
 - Different approaches to post-merger integration
 - Differences in what is considered important
 - Differences in expectations
 - Differences in (managing) emotions
 - Distrust
 - Us vs. them
 - Culture clash

Cultural differences as source of conflict



Samuel Huntington: *“...the fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural.”*

Geert Hofstede: *“Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster.”*

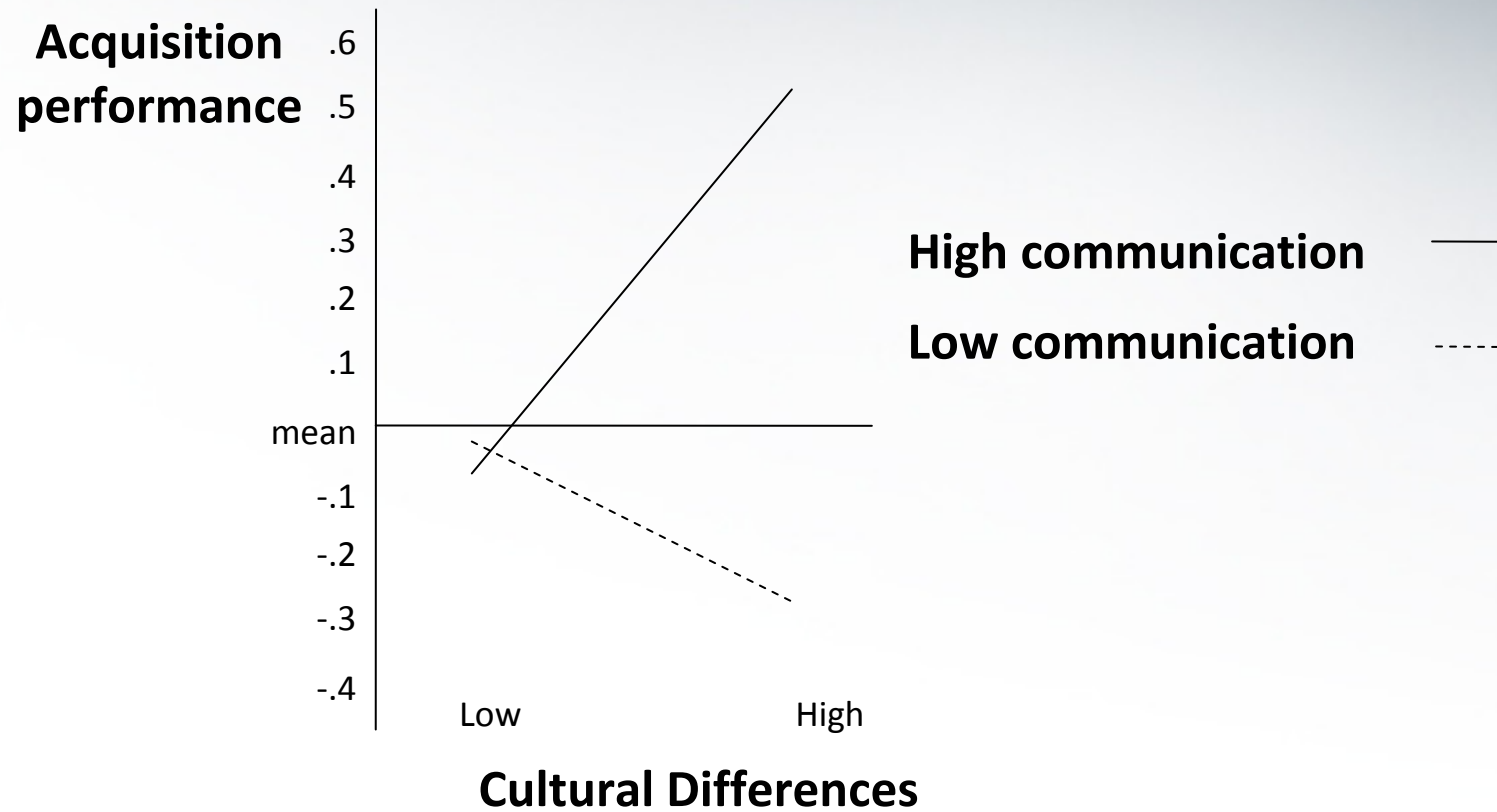
Source of Learning



- Cultural idiosyncrasies
 - What values and norms are important to bidder and target?
 - Humane-oriented culture and post-merger integration

- Can cultural diversity be a source of learning?
 - Only when “integration capabilities” are in place

Gaining from Cultural Differences





- Cultural differences matter
 - Source of conflict
 - Source of learning
 - How can integration managers overcome conflict, while advancing learning?
- Cultural similarities matter
 - Surface similarities may conceal real differences