# Multiplied Cultures and Market Information Communication Behaviours

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Abstract

After an international merger and acquisition, two or more national cultures and organizational cultures coexist in the newly-created company. Facing the multiplied cultural settings, the company consciously or unconsciously adopts some cross- cultural integration strategy. Prior research shows that under different cultural cross-cultural integrations, the communication behaviours of newly-created company's management and staff may display some variations along with their cultural backgrounds. This study aims to examine:

1）The respective impact of strategic leadership type and organizational culture upon the acquiring company's adoption of cross-cultural integration strategy;

2）Multiplied cultures' impacts upon market information behaviours under two different cross-cultural integration strategies.

Drawing on prior studies by Choo (1998), Hofstede (1980, 1997), and Nahavandi and Malekzadeh(1988), among many others, this study formulated its own theoretical framework and proposed 18 hypotheses. In the hypothesized relationships, the independent variables are national culture, strategic leadership type and organizational culture, and the dependent variables include cross-cultural integration strategies and four market information communication behaviours. To operationalize these independent and dependent variables, this study selected power distance, uncertainty avoidance and high-/low- context to represent national culture, and chose organizational strength and organizational adaptability to represent organizational culture Cross-cultural integration strategy was operationalized as composing of two alternatives—centralization and decentralization. Market information communication behaviours were specified as

information needs, information acquisition, information use and information sharing.

To test the 18 pairs of hypothesized relationship, both quantitative and qualitative methods were applied. The data came from two cases of merger and acquisition between one indigenous Chinese company SBK and two French multinationals Rhomson and Alcotol.The quantitative data was collected through a survey to 800 respondents working at the two newly-created companies and their parent company SBK Group. The qualitative data was obtained through interviews, media coverage, SBK website information, corporate documents and observation. After a data screening process, 386 questionnaires were identified as valid and put into calculation with SPSS. The statistical techniques that were employed include: Logistic Regression, MANOVA, t-test and Bi-Variate Correlation. With a comprehensive analysis of the quantitative results and qualitative information, this study achieved nine findings. The three major ones include:

Firstly, the role of either strategic leadership type or organizational culture is limited in the acquiring company's choice of cross-cultural integration strategy;

Secondly, there is an influence pattern of multiplied cultures upon communication behaviours under two different cross-cultural integration strategies. That is, organizational culture prevails over national culture in affecting market information communication behaviours under a centralized cross-cultural integration strategy, whereas national culture prevails over organizational culture under a decentralized cross-cultural integration strategy.

Thirdly, under a centralized cross-cultural integration strategy,

organizational culture is sometimes the most salient cultural factor in exercising its influence upon each of the four communication behaviours, whereas under a decentralized integration strategy, national culture is always the most salient cultural influence factor.

Besides the aforementioned findings, this study also identified two missing links between culture and company performance after international mergers and acquisitions. These two links are: market information communication behaviours and decision quality or saleability of products/services developed.

In conclusion, this study discussed both the academic and business implication of this research. The potential limitations of this study and suggested future research are also discussed.

Acknowledgement

The writing of this doctoral dissertation has been challenging as well as rewarding. Upon its completion, I would like to express my sincere thanks to individuals and organizations that helped me fulfill this research project.

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On an occasional visit to my current mother university in the summer of 2003, Prof. Zhou Nan took time to analyze to me, a then-stranger to him, my potential as well as disadvantages in applying for a doctoral study in Hong Kong. Taking his suggestion, I chose the current doctoral program and brewed in mind the current research topic. On several occasions later on, he offered me timely and selfless advices. Prof. Zhou's academic achievements are admirable, and his personality and integrity are honorable.

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**Chapter One**

**Introduction**

This study is undertaken against the background of the 5$^{th}$ worldwide mergers and acquisition (M&A), in which Chinese companies were becoming more and more involved. Culture emerged as a common problem in many international M&A cases. This study attempts to make an in-depth exploration into cultures' impacts upon market information communication behaviours with two M&A cases between one indigenous company and two French companies.

**Section 1.1 Merger and Acquisition: A Fifth Wave Worldwide**

M&A has been the traditional path for rapid business expansion and wealth creation in the U.S. and the U.K. (Cartwright, 1998) since the early 1990s. The term is defined as a process or a range of activities that two companies undertake to combine their operations and achieve specific business or strategic objectives (Tang & Metwali, 2006). International M&A, as its name indicates, refers to a similar combining process between companies headquartered in different countries. Large scale M&A activities were first initiated in the early 1890s in the U.S. and occurred in waves over the last decades. It is generally acknowledged (Sudarsanam, 2003; Weston & Weaver, 2001, and others) that five waves of M&As have occurred around the world since the early 1890s, although there remains some slight disagreement on the beginning and ending years of each wave.

Each M&A wave also has displayed its own unique characteristics. Weston and Weaver (2001) and Sudarsanam (2003) identified the major characteristics of each wave, and these are summarized in Table 1.1

Table 1.1 *Five Waves of Mergers and Acquisitions Worldwide*

| Wave | Time Period by Two Studies | | Major Characteristics |
|------|------------------------|------------|----------------------|
| | Weston Weaver(2001) | Sudarsanam (2003) | |
| 1st Wave | 1893-1904 | 1890-1905 | ▌ Aiming at monopoly;<br>▌ Horizontal M&As took place in basic industries, such as steel and oil. |
| 2nd Wave | 1920s | 1920s | ▌ Aiming at oligopoly<br>▌ Vertical M&As mainly occurred in automobile, public utility, petroleum, ar chemical industries |
| 3rd Wave | 1960s | 1960s | ▌ Aiming at conglomeration out of differer industries. |
| 4th Wave | 1980s | 1980s | ▌ No particular aims;<br>▌ Mega M&As were undertaken in telecommunication, banking, pharmaceutical, and airline industries. |
| 5th Wave | 1993-2004 | 1990s | ▌ Aiming at expanding to new markets overseas and, or, obtaining new technology and business synergies<br>▌ Rapid increase in international M&As |

Source:  Adapted from Weston & Weaver (2001); Sudarsanam (2003); Tang & Metwali (2006, p.3)

Studies by Weston and Weaver and by Sudarsanam were published in 2001 and 2003 respectively, and therefore M&A activities beyond 2001 were not included. In Tang and Metwali's (2006) study, the year 2004 and its two preceding years (2002-2003) were

included as part of the 5$^{th}$ wave. One characteristic of the 5$^{th}$ wave, according to Tang and Metwali (2006), is a rapid increase in overseas M&A activities.

**Section 1.2 Chinese Companies and the 5$^{th}$ M&A Wave**

Historically, M&A activities have occurred in industrialized countries, such as USA, France and Japan. During the fifth M&A wave (1990-2004), both acquirers and target companies of the twenty largest M&As were from industrial countries (Tang & Metwali, 2006). With its rapid economic growth, however, the China mainland has been becoming more and more involved in global M&A activities and thus has become one of the major players. As per statistics compiled by Thomson Financial (as in Tang & Metwali, 2006, p. 81), the average M&A deals with the China mainland increased from 273 between 1990 and 1994 to 1417 cases between 2000 and 2004.

Traditionally, the role of Chinese companies in M&A activities has mainly been that of the target (the acquired company). Of the $203.0 billion US, China-related M&A transactions during 1990-2004, mainland Chinese target companies accounted for 56 percent, while acquiring companies accounted for a mere 8 percent. This 8 percent accounted for little in terms of the global M&A wave, but did mark an encouraging turning point for many Chinese companies. The remaining 36 percent of M&A occurred among mainland Chinese companies themselves (Tang & Metwali, 2006).

With repeated successes and fast growth in the Chinese domestic market, many progressive Chinese companies have been seeking to become world-class players in the international business arena by setting up independent companies overseas or entering into joint ventures with local companies in foreign countries. In the mid 1990s, as Lu and Li (2002) noted, M&A with existing multinationals became one of the most efficient ways to attain the goal of internationalization.

Pioneering Chinese companies have been seeking target companies overseas since the

late 1990s and facilitated these deals with enthusiasm whenever there was a possibility. During 1999-2004--the latter half of the 5th wave, Chinese firms acquired two companies in the U.K., 18 in the U.S., 14 in Australia and 50 from other countries (Tang & Metwali, 2006). Of these cross-border M&As, the most sensation-making deal was the Lenovo's acquisition of IBM's PC Department, which was described as "a snake swallowing an elephant" (Ding, Zhang & Wang, 2005, p.56). The most controversial deals, however, were successive M&As that took place between one Chinese indigenous electronics manufacturer, the SBK Group, and two European multinationals, namely Rhomson and Alcotol, within just three years (between 2002 and 2004).

**Section 1.3 Aim of the Study**

Compared with other means of international business operation, such as import and export or joint venture, cross-border M&As attract more public and academia attention, perhaps due to the sensitivity of national pride and interests (Li & Wen, *China Business,* May 23,2005; Tu, *the Investors*, January Issue, 2005 ). Traditionally, much attention of the international community has focused M&As in U.S. and Europe (Tang & Metwali, 2006). In the academic literature, much has been written about the economic, financial and strategic aspects of M&As (Cartwright, 1998). This study turns to address the cultural dimension of M&As that occurred between indigenous Chinese companies and foreign companies. More specifically, this study aims to first examine cultures' impact upon the acquiring company's choice of post-M&A cross-cultural integration strategies, and then to compare cultures' impacts upon communication behaviours among four cultural groups, namely China mainlanders, Frenchmen, Russians and Hong Kong people, under two cross-cultural integration strategies-- centralization and decentralization.

**Section 1.4 The Cultural Issue in International M&As**

In the early 1990's, the majority of M&As was based on a consideration of strategic

complement of resources of the partnering parties. It was expected that these M&As would create synergy and subsequently turn the complementary resources of the partnering companies toward stronger business performance. However, follow-up research (for example, Buono & Ghoshal, 1990; Cartwright & Cooper, 1996; Schmidt, 2002) presented disappointing results: About half of all M&As in Western countries are considered financially unsuccessful, no matter how success was measured. One of the major reasons for this high failure rate, according to Cartwright and Cooper (1996) and Schmidt (2002), was the inability of the new M&A companies to handle cultural issues existing between the partnering companies. Mead (1994) argues that a failure to recognize and manage cultural diversity causes failure and may ultimately produce disaster. A research project (2002) undertaken by the US-based consultancy firm, Towers Perrin, produced a similar finding, namely, " more than half of the survey's respondents identified culture issue as a major obstacle to achieving expected synergies in an M&A, whereas roughly one third reported success in addressing this issue" (in Schmidt, 2002, p.8). In summary, more than half of the failures in M&As were due to neglecting the culture issue. On the other hand, one third of M&As would be successful if the culture issue was addressed appropriately.

**Section 1.5 Cross-Cultural Integration Strategy and its Influencing Factors**

Culture has been widely recognized as a key factor in the success and failure of M&As, and the way to manage culture outstands as a non-negligible issue for both the academia and business community. According to Cartwright and Cooper (1996), when culture is managed during international M&As, at least two issues need to be addressed: cross-cultural integration strategies and the timing factor. This study focuses on the former issue--cross-cultural integration strategy.

Prior research has identified numerous post-merger cross-cultural integration models. The most notable are Berry's (1983) and Nahavandi and Malekzadeh's (1988) acculturation models, and Distefano and Maznevski's (2000) three cultural patterns.

Each consists of four strategies/alternatives, which will be defined in the coming chapter on literature review chapter. Nahavandi and Malekzadeh(1998) further argue that the acculturation process can be a dynamic process that involves at least three factors: business strategy, strategic leadership type, and organizational culture. Due to the limitation of time and resources, this study considers only two impact factors: strategic leadership type and organizational culture.

### 1.5.1 Strategic Leadership Type: An Influencing Factor

Strategic leadership type, according to Nahavandi and Malekzadeh (1993), refers to the extent to which a business' leadership need control and seek challenges. In the case of international M&As, Nahavandi and Malekzadeh (1993, 1998) suggest that strategic leadership types of both the acquirer and the acquired may play a role in the adoption of the post-M&A cross-cultural integration strategy. They associate strategic leadership types of the partnering parties' top leadership with their preferences for certain acculturation modes. To date, however, little empirical evidence has been found to either support or negate the relationships claimed by Nahavandi and Malekzadeh (1993, 1998).

### 1.5.2 Organizational Culture: Another Influencing Factor

Organizational culture is a well used, but perhaps less well understood concept (Cartwright & Cooper, 1996). There is not much consensus on how the concept should be defined in the existing literature (Fisher, 2000; Fortsman, 1998). However, Hofstede's (1997) definition, though simple, can be helpful for a basic understanding of what organizational culture is. Organizational culture refers to "the collective programming of the mind that distinguishes the members from one organization to another" (Hofstede, 1997, p.180). In times of business leaders' choice of post-M&A cross-cultural integration strategy, organizational culture can be a vital factor for business leaders to consider. "Ignoring organizational culture and leadership while focusing solely on national culture can have dire consequences in the success of a merger" (Nahavandi & Malekzadeh, 1998, p.112)

**Section 1.6 Linkages between Post-M&A Cultures and Post-M&A Company**

**Performance**

This study has repeatedly emphasized the significance of the culture issue in international M&As. How does culture relate to post-M&A company performance and even the success or failure of international M&A companies? As generally recognized, culture itself does not produce direct business profit or loss. However, as Adler explains (2002), culture does profoundly influence the behaviour of organizations as well as the behaviour of the people within those organizations. There are numerous organizational behaviours in any business organization that are highly susceptible to culture influence, for example, communication, negotiating, decision-making, staffing, and motivation, (e.g., Adler, 2002; Mead, 1994). This study will not encompass all these behaviours, but instead focuses solely on communication.

The role of communication in the routine operation and business performance of a company has been widely acknowledged. McCall and Cousins (1990) regard communication as a coordinator for all organizational behaviours. Similarly, Shockley-Zalabak (1999) considers communication as "the key to organizational excellence" (p.4). In the case of organizational change, such as what occurs with M&As, organizational communication plays a vital role (Cartwright & Cooper, 1996; Schmidt, 2002). All important aspects of M&As, such as new ownership ratio and re-structuring and re-staffing policy, among others, need to be strategically communicated between top decision-makers and relevant stakeholders. Cheney (2004) argues "How the change is communicated is often central to whether or not it (M&A) is successful" (p. 320).

This study does not intend to examine how specific change itself is communicated during the M&A process. Rather, it attempts to investigate how market information (content) is communicated under diversified cultural contexts after M&As have occurred between Chinese indigenous companies and foreign multinationals. Prior studies have related market information and the way it is communicated to the quality

of organizational decision-making. Some researchers argue (e.g., Huber, 1990; Iselin, 1990) that the quality of an organizational decision is largely a result of both the quality of organizational intelligence (market information) and the decision-making process. Similarly, Cheney (2004) maintain that from the standpoint of decision-making, organizations can be viewed as "information-processing entities" (p.51). Sharing similar stand, other researchers, such as Browne (1993), Herndon and Gary (1993), and Miller (1995), suggest that the quantity and quality of market information communicated into the decision-making process or technological development highly correlates with the quality of the decisions made and the salability of products or services that are developed. In turn, the quality of decisions and the salability of products or services derived can have substantial influence upon business outcomes, and in the case of M&As, even their successes or failures.

Following the above-mentioned arguments, a linkage between culture and post-M&A company performance can be identified. This linkage covers four constructs, namely, culture; communication behaviours; decision-making quality or salability of products/ services developed; and post-M&A company performance (including success or failure of an M&A). These linkages are more explicitly presented in Figure 1.1.

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│   Diversified Cultures after International M&As │
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┌─────────────────────────────────────────────┐
│           Communication Behaviours            │
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┌─────────────────────────────────────────────┐
│              Decision Quality                  │
│     Saleability of Products/Services Developed │
│                   ......                       │
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┌─────────────────────────────────────────────┐
│        Post-M&A Company Performance            │
│       (including success or failure of M&A)    │
└─────────────────────────────────────────────┘
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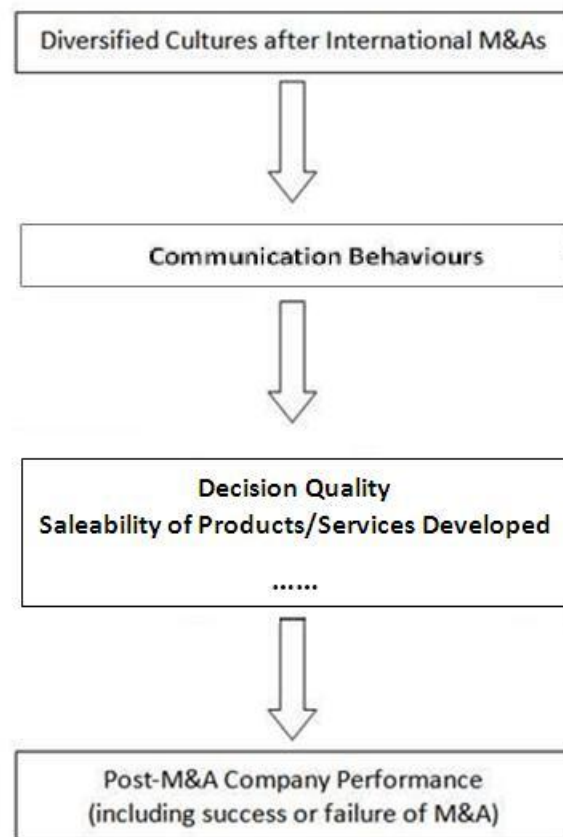
*Figure 1.1* Linkages between Diversified Cultures and Post-M&A Company Performance

As shown in Figure 1.1, there are three pairs of interlocking relationships. The first pair involves culture and communication behaviours. Culture can be diversified after an international M&A, where each of the partnering company brings its original organizational culture as well as its national culture. If two companies are combined together, four cultures coexist in the new company; if more companies are combined together; more cultures coexist, at least for some time, under the same umbrella of the new company. Communication behaviours in this study refer specifically to the acquisition, transmission and sharing of market information (rather than any other information, such as rapport maintenance).

The second pair of relationship covers communication behaviours and decision-making

quality or salability of products/services developed. The third pair of relationship concerns with decision-making quality or salability of products/ services developed and post-M&A company performance, including eventual success or failure of international M&As. This study focuses only on examining the first pair of relationship and its extended relationships, if any, that surround them, leaving the second and third pairs of relationship for future research.

**Section 1.7 Motivations for this Study**

This section outlines the reasons that motivate this study. First, the scarcity of China-related topics in studies of international M&As is discussed. Then, the missing links in the existing literature regarding diversified cultures following international M&As and post-M&A company performance are presented. Finally, a call for more thorough study from both the academia and the business world is examined as a motivating element for this study.

**1.7.1 The Current Scarcity of Research on China-related M&As**

In 1998, Larson and Riseberg appealed to the academia that the international aspects of cultural M&A research deserved to be studied more thoroughly. Four years later, Adler (2002) noticed that "the publishing of cross-cultural management articles is increasing much more slowly than the rate at which businesses have gone global" (p.14). Among the relative few publications on international M&As, China-related topics were even fewer, perhaps due to the insignificant role played by Chinese firms in the international M&A market early on. Inside China, even though Chinese companies had started to acquire foreign firms overseas in the mid-1980s (Tang & Metwali, 2006; Tu, 2005), the term cross-border M&A itself was but a nuisance term to the public before the year 2000. It became a buzz word in the media after SBK's dazzling international M&As and Lenovo's takeover of IBM PC during 2003 and 2004. And yet, China's academia continued to lag behind the international M&A wave. To date, hardly any indigenous Chinese scholars have conducted empirical investigation into the post-M&A operations

between indigenous Chinese companies and foreign multinationals.

## 1.7.2 Theoretical Voids between Diversified Cultures and Post-M&A Company Performance in the Existing Literature

In the existing studies on cultural dimension of international M&As, several investigations (see for example, Buono & Ghoshal, 1990; Cartwright & Cooper, 1996; Schmidt, 2002) have identified a high correlation between culture and business performance and post-M&A success or failure, but little research has been conducted to explain why the correlation at all or how culture turns into business performance. Culture itself can not produce directly economic outcome, such as profit or loss, market share, and so on. What may link post-M&A cultures and post-M&A company performance? Little has been found to address this question directly in the existing literature. Synthesizing from prior studies, this study has identified two links between post-M&A cultures and post-M&A company performance, namely, communication behaviours and decision-making quality or salability of products/services developed (see Figure 1.1). To fill up these two links, several theoretical voids need to be addressed.

First, the identification of these two links was all based on preliminary theoretical reasoning, rather than empirical evidence, and hence the overall linkage between the four constructs (see Figure 1.1) remains questionable.

Second, Nahavandi and Malekzadeh (1993b; 1998) claim that national culture shapes business leaders' strategic leadership types, and that strategic leadership type and organizational culture are both at work when the acquiring and acquired companies consider adopting a cross-cultural integration strategy. But their claim, as they themselves acknowledge (1998), was based on "theoretical integration and review of merger cases" (p.123). Therefore, empirical research is needed to clarify the above-mentioned relationships.

Third, while many researchers acknowledge the importance of communication in business management (see, for example, McCall & Cousins, 1990; Schmidt, 2002; Shockley- Zalabak, 1999), little research has been found to examine the relationship between culture and communication behaviours for a particular task, such as the use and sharing of market information.

Fourth, hardly any research has observed culture's impact upon market information communication behaviours under different cross-cultural integration strategies. Consequently, little is known in the existing literature whether there is any culture impact pattern upon communication behaviours under different cultural settings. If there is, then which cultural factors, between national cultural factors and organizational cultural factors, play a larger role in affecting communication behaviours under one cultural setting, and which cultural factors play a larger role under another cultural setting.

In today's turbulent market environment, the well being and survival of any business is to a large extent dependent upon the acquisition, distribution and use of market information (e.g., Choo, 1998; Kotler, 1997; Kotter & Hesket, 1993; Lambin, 2000). However, as Shockley-Zalabak (1999) noted, although most senior managers recognize the value of environmental scanning ("information acquisition" in this study), many organizations do not participate in systematic scanning efforts. These efforts are the prerequisite to information distribution and information use. Companies vary greatly as to how market information is acquired, disseminated and used. Behind these variances are differences in priority and preference for the market in the mindsets of companies and their employees (Choo, 1998; Kono & Clegg, 1998; Kotler, 1997; Lambin, 2000). After an international M&A, there are at least four cultures coexisting in the new M&A entity, and market information communication behaviours can be complicated, varying not only at organizational level but also at national level. Without understanding of these behaviours, it would be difficult to understand why some companies are very

adaptable to the environment, while others are slow in response to the market change and eventually driven out of the market.

Fifth, Huber (1990) and Isline (1990) maintain that there is high correlation between market information communication behaviours and decision making quality. Cooker (1993) and Edget, Shipley and Forbes (1992) identified high a correlation between market information use in the development of new products and the success of new products/ services in the market. But further empirical evidence is needed for the above-mentioned arguments to be convincing.

Sixth, decision-making quality, salability of products or services, and so on can be the last link to post-M&A company performance. Not much has been found investigating the relationships between them.

This study aims to contribute to filling up the second, third and forth voids. More specifically, these three voids cover: the relationship between national culture and strategic leadership type; the relationship between strategic leadership type, organizational culture, and cross-cultural integration strategy; the relationship between diversified cultures (national and organizational) and market information communication behaviour under different cross-cultural integration strategies. The fifth void, which addresses the relationship between market information communication behaviour and decision-making quality, salability of products/ services, and the sixth void, which concerns with the relationship between decision-making quality, salability of products/services and post-M&A company performance, will not be investigated in this study and are left for future investigation.

### 1.7.3   A Call from the Academia and the Business World

Historically, acquirers in cross-border deals were predominantly from industrial countries, and the acquired companies were from developing countries. In the 5th M&A

wave, however, that scenario began to change. Chinese firms, for example, began to acquire foreign firms. These outward acquisitions were indeed encouraging to the Chinese people, and inspired national pride. Chinese media applauded these M&A events enthusiastically. Before long, however, the voices regarding Chinese enterprises acquiring foreign multinationals became divergent in media coverage and academic articles. Doubts, enquiries and criticism started to become mixed with the praise. However, all viewpoints seemed to converge on one consensus: The cultural factor and cross-cultural integration issue between partnering companies were considered vital factors determining the success or failure of multinationals newly created through M&A (Beebe, Hew & Feng, 2006; Li, 2005; Qiu, 2005).However, none of the media or academic articles has gone further to explain how a diversified culture could specifically contribute to the potential success or failure of these M&As or what specific strategies could be employed to create positive synergy or improve performance following international M&As. In international academia, almost very few articles on cross-cultural communication behaviours indeed based their studies on first-hand data from international M&A companies operating on the China mainland.

As China is becoming one of the largest economic powers in the world (IMF opinion as quoted by *People's Daily*, April 03, 2001; Tang & Metwali, 2006 ), a growing number of Chinese indigenous companies are becoming world-class players in the world economic arena. International business executives and scholars alike, who have either a plan to invest in China or study China-related issues may need to understand more about the business conventions of these Chinese companies. On the other hand, Chinese business executives, who are enthusiastic to go international, also do not know much about foreign cultures or how culture specifically can influence post-M&A management. Consequently, the current international M&As initiated by courageous Chinese entrepreneurs can face unexpected difficulties and disruptions brought about by the cultural diversity issue.

In summary, for the Chinese media, international businesses, and the scholastic

community and their foreign counterparts, there is a growing need to know more about reciprocal cultures and their specific influences on business management in a Chinese cultural context. To meet this need, this study examines how diversified cultures involved in merger and acquisition affect the choice of cross-cultural integration strategies as well as one typical communication behaviour-- the market information communication behaviours. Hopefully, the results of this study will contribute to filling up three of the six theoretical voids in the existing literature. Without filling up these theoretical voids, the claimed correlation between post-M&A cultures and post-M&A company performance in prior studies can be taken as superficial and not sufficiently convincing. And it would be difficult to understand why cultural differences turn into higher profit and larger market share in some M&A companies, while in others they turn into loss of profit and shrinking of market share, and even develop into misunderstanding, hatred and eventually conflict.

**Section 1.8 Two Typical M&A Cases and the Proposed Research Questions**

This study is empirical in nature, investigating two typical cases in depth. These two cases are separate, yet closely related. They are separate in that they are two independent companies formed by M&A deals, one between the Chinese SBK and French Rhomson, and one between the Chinese SBK and French Alcotol. The cases are related in that the two new M&A companies are under the same leadership of the SBK Group. These two M&A cases are typical of Chinese companies becoming internationalized and deserve an in-depth investigation for several reasons.

First, the top leadership personnel of the SBK group and its two subsidiary companies SLS and SBS are typical Chinese mainlanders, who cherish traditional Chinese values, as covered by the media (Li & Wen, 2005; Shen & He, 2006).

Second, the manner in which SBK handles internalization is typical of Chinese indigenous companies seeking internationalization, that is, through international M&As.

SBK Group was very successful in its early development history. As a manufacturer of tape-recorder cassettes in 1981, SBK grew rapidly. By 2000, one year before its 20th anniversary, the company's annual sales volume reached RMB 20 billion (roughly $2.5 billion US) and covered various industries, i.e., TV sets, mobile phones, home appliances, and real estate. In 2002, SBK's brand value was assessed at 18.7 billion RMB (roughly $233 millions of US), ranking the 6th among all business brands on the China mainland. In the same year, its chairman was awarded one of ten "2002 China Economic Annual Figures" (SBK website information, October 12, 2007).

With accumulated economic strength and market share in China, SBK began to accelerate its business expansion by acquiring existing companies. While conducting a number of M&As in the greater China area, SBK also extended its reach into industrial countries, acquiring successively Germen Schneider (October, 2002), French Rhomson (November, 2003) and French Alcotol (October, 2004), and establishing an alliance with Japanese Toshiba (November, 2004). Even after the huge loss of – 1.37 billion RMB within only half a year in 2005, Mr. Lee insisted that nothing was wrong with his internationalization of company, nothing wrong with the company's mergers and acquisitions across the border. The mistakes lay instead in their unpreparedness and being dominated by non-business passion, as he argued in another interview (*China Entrepreneur*, 2006). "Unpreparedness", as commented on by IBM researcher Hew (2006), "is typical of many Chinese companies going international" (see *China Entrepreneur*, Issue 8, p102).

Third, the culture issue stands out as a problem, and corresponds with the theme of this study. As disclosed in the media coverage (see for example, Li & Wen, 2005; Shen & He, 2006), the culture issue was overlooked in the negotiation stage. Soon after the M&As, as reported by Li, (see *The Economic Observer*, May 23, 2005), SBK leadership became deeply frustrated by the cultural conflicts occurring in management, production, marketing, and other areas between the Chinese and French management teams. Mr. Lee, Chairman of the SBK Group, admitted on many occasions that culture was one of the

most difficult issues to deal with after establishing M&As with the two French companies.

Fourth, to manage the emerging cultural issues, the two new M&A companies then adopted two opposite strategies, one that was centralized and the other, decentralized. These two integration strategies constitute two live (rather than simulated) cases for academic research. They jointly allow comparisons of different cultural impacts upon communication behaviours in two opposite cultural settings.

Fifth, both of SBK's M&A companies experienced bitter hardships for t two to three years, but neither has fallen apart. By the end of 2007, the SBK Group had risen from the abyss of loss for two successive years, making a profit of 396 million RMB (SBK official website, March 13, 2008). To date, both M&A companies are working smoothly. The time span of these 2-to-3 years of post-M&A struggle is appropriate for a study to observe the implementation of cross-cultural integration strategies and the impact of culture upon many areas, including communication behaviours.

Sixth, the SBK Group and its two M&A companies are currently the most internationalized company in the China mainland in terms of the percentage of international share in the overall annual turnover and the percentage of international employees in their total work force. By the middle of 2006, SBK Group's half-year turnover amounted to RMB23.5 billion (US$2.9 billion), to which their overseas market contributed 56.26%, surpassing the Group's income from its domestic market (SBK official website, August 30, 2006). Among their total 50,000 plus employees, 16% (N=8000) come from overseas countries/ regions (internal data from SBK Group). With these high percentages in overall revenue and work force constituency from the company's overseas market, SBK can today be considered the most internationalized company in the China mainland.

Seventh, there has been wide public controversy over these two M&A cases. With their

dazzling cross-border M&A activities, SBK became a media star and a multinational company overnight. The public applauded SBK for its vision, courage, and wisdom on its way toward achieving internationalization. The applause reached its climax in December of 2004,when SBK Chairman, Mr. Lee, was awarded in succession one of the "25 Most Influential Global Business Leaders" by U.S. *Time* magazine and one of the ten "2004 CCTV Annual Figures of the China Economy "(CCTV website, December 30, 2004). Meanwhile, another voice appeared from the academia, questioning whether or not it was worthwhile for SBK to go international at such a high cost.

Meanwhile, there was also a common concern regarding SBK's capability to manage post-M&A cultural differences. For example, when commenting on SBK's 2005 semi-year financial report, a prestigious scholar named G..A.Yang, who is known for his research in the internalization of Chinese enterprises, pointed out (*No. 1 Finance Daily*, August 31, 2005) that cultural integration between Chinese, American and European management teams is the most in-depth challenge for the SBK management team after their two international M&A deals. Another well-known scholar, M. Zeng, held a similar view, but extended his stand further to warn all Chinese companies attempting to go international that the success rate for Chinese companies to merge and acquire businesses overseas is at most only 30 percent (*The 21$^{st}$ Economic Herald,* January 13, 2005).

In addition, there was still another voice from the business consultancy industry. It argued that the so-called cultural integration was not a problem at all for SBK and that the essence of SBK's internationalization lay in whether or not the company was able to understand "international consumers" (*The Economic Observer*, May 23, 2005).

Across the China mainland, there have been a number of other big volume cross-border M&A cases, such as the one between Shengda Interactive Amusement Co. Ltd., and Korean Actoz Soft and another between Nanjing Auto and British Rover. Be they successful or not in their post-M&A performance, none is as typical as SBK in

representing Chinese indigenous companies' seeking internationalization in terms of the seven aspects mentioned above. These seven aspects include: national cultural orientations, unpreparedness in international M&As, the salience of the culture issue after the M&As, adoption of cross-cultural integration, bitter hardships experienced, the goal of internationalization achieved, and specific resulting controversy.

These seven aspects are not only typical of Chinese indigenous companies' seeking internationalization, but also are the major concerns of this study. Above all, the two distinct cross-cultural integration strategies adopted by SBK's two new M&A companies allow valuable comparisons of the respective impact of national culture and organizational culture on communication behaviours.

To date, even though SBK has survived the two year-long post-M&A crises and made remarkable progress in its world market share, controversies over SBK's international M&A deals have continued, although they have stopped declining over the past few months of 2008. This study does not intend to join that debate, but rather to explore the two cases from a cultural perspective and seek answers to following questions:

1. Does strategic leadership type and organizational culture play any roles in the acquiring company's adoption of cross-cultural integration strategy?
2. Do national culture and organizational culture play the same or different roles in impacting communication behaviour under different cross-cultural integration strategies?
3. What is the most salient cultural affect factor on communication behaviour under different cross-cultural integration strategies?

Answers to these questions may contribute to filling up three of the six theoretical voids existing in the relationship between post-M&A diversified cultures and post-M&A company performance, and can therefore allow academic researchers as well as business practitioners to move one step closer to a clear understanding of reasons for the success

or failure of M&As between Chinese indigenous companies and foreign multinational firms. Additionally, answers to these questions may consequently be one step closer to the clarification of the on-going controversy over Chinese companies' internationalization through international M&As.

**Chapter Summary**

This study positions itself against the background of Chinese companies' seeking internationalization in the fifth worldwide wave of M&As. Along with M&As between Chinese indigenous companies and foreign multinational companies, came not only applause and praise, but also questions, controversy, and debate. Using preliminary theoretical reasoning, this study identifies six un-filled voids in the relationship between post-M&A cultures and post-M&A performance currently unidentified in the existing literature. This chapter goes on to introduce a call to fill up the voids from both academia and the business world. To answer this call, this study has chosen to examine two M&A cases between the Chinese SBK Group and two French companies. The typicality of these two cases in terms of representing Chinese companies' seeking internationalization was elaborated on in detail. Following this elaboration, four research questions were put forward as a guide to the research.

This thesis also consists of other five chapters. The next chapter (Chapter Two) focuses on the introduction of, as well as the critique to, prior studies on the five dependent variables five independent variables. Expanded studies utilising these eleven variables, if any, are also to be discussed. In Chapter Three, the overall theoretical framework of the study, its constituent models and elements, and the rationale for these models will be discussed. Chapter Four covers the research methods employed for the study, including the development and administration of the survey, the conducting of interviews and observations. Much space of the thesis will be given to Chapter Five, where results of the quantitative survey data will be reported and interpreted. These results will be supplemented by interviews, observations, content analysis, and theoretical reasoning.

The concluding Chapter Six will summarize the major findings of the research, the possible contributions of the findings for the academia and the business world. Limitations of the study and potential future research areas and topics will also be identified in this chapter.

**Chapter Two**

**Literature Review**

This study examines the relationship between culture and cross-cultural integration strategy, and culture and communication behaviours under different cross-cultural integration strategies. This chapter first reviews three concepts in national culture and then two concepts in organizational culture and finally their related theoretical frameworks and models in prior studies. Then four strategic leadership types and two models on cross-cultural integration strategy are discussed and evaluated. Lastly, concepts of four communication behaviours are also reviewed.

**Section 2.1   National Culture in Two Classic Models**

The role of national culture on communication behaviours has been documented extensively in the literature (see for example, Gudykunst, & Kim, 1984; Lustig & Koester, 1999; Varner, 2000; Wiseman & Koester, 1993). By the mid-1990s, however, there had not been much research conducted on the role of culture on communication in multinational organizations (Teboul, Chen, & Fritz, 1994). To date, still less research has examined the differences in proactive communication behaviours across cultures in multinational companies through examining M&As across borders. As a start, two classic national cultural frameworks and their related studies are reviewed.

**2.1.1 Hall's High- and Low- Context Cultures and Related Studies**

Edward Hall's (1976) model of high- and low- context cultures addresses directly the relationship between national culture and communication. In this model, culture is distinguished by the degree to which meaning comes from either background information or from words explicitly expressed. Specifically, when "most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message", the culture is labeled as high context (Hall, 1976, p.79). In contrast, when "the mass of information is vested in

the explicit code," the culture is labeled as low context (p.70).

Cultures that are considered in Hall's study included American, German-Swiss, Scandinavian, Chinese, Japanese, French, Korean, and Vietnamese. According to Hall (1976), American, German-Swiss, and Scandinavian fall on the lower context end of the scale, while Chinese and Japanese cultures are typically on the high end. Koreans and Vietnamese, who were also under the influence of Chinese language and culture, are assumed to be on the high end of the scale, although not explicitly claimed so in Hall's (1976) work. The French culture is classified as a typical mixture of high and low context.

As a pioneering work in the field of intercultural communication, Hall's concept of the contexuality of communication and his classification of countries along the scale of context height is insightful and effective in explaining the nature of diverse cultural differences in communication practices around the world. However, since countries included in his original study are but a few, the majority of other countries around the world can in no way be compared using Hall's research. To increase the utilization of Hall's (1976) model, other researchers (e.g., Gudykunst & Kim, 1992; Lustig & Koester, 1999) add countries or cultural regions to the list of observation in one manner or another. At the lower end of the context scale, the newly added countries include Germany, Switzerland, Norway, Finland, Denmark, and Canada, while Native American, African American, Mexican American, and Latino cultures are added to the higher end of the scale (Gudykunst, 2003; Gudykunst & Kim, 1992; Hall, 1984; Lustig & Koester, 1999). England and Italy are added to the middle of the scale, which display a mixture of high and low context (Gudykunst & Kim, 1984).

Samovar, Porter and Stefani (2000) present a classification of cultures, designed not in terms of countries, but rather in terms of the linguistic coverage of thirteen major languages in the world. This classification enlarges Hall's (1976) model coverage of nations and cultures and consequently increases its utility. In addition, Samovar et al.

(2000) place all nations/cultures along a visible vertical scale. As can be seen from Figure 2.1, cultures can be more explicitly compared by using the scale than without it.

While prior studies have made efforts in improving Hall's (1976) model, two fundamental issues were seemingly overlooked. As Kim, Pan, and Park (1990) noted, Hall's (1976) model had never been empirically tested, and thus Hall's classification of certain cultures as high- or low- context remained an issue to solve. In the same study, Kim, Pan, and Park mentioned another issue, but did not identify it as a specific "issue," namely, "the base which one culture is compared with others in deciding where in the high and low context cultural continuum is not clearly defined" (p.509). As one step toward solving these issues, Kim, Pan and Park (1990) conducted a survey among 242 MBA students from the US, the China Mainland, and Korea. The results confirmed Hall's (1976) classification of American culture as low-context and Chinese and Korean as high-context. Still, the boundary between them remained unclear. In other words, the second issue (the boundary between cultures) was left untouched by Kim, Pan, and Park (1990). They did realize that "given the complexity in establishing a workable scale, it seems much more research is needed before one can measure the concept in an accurate and comprehensive way" ( p.521).

Even with this fundamental issue left unsolved, many a researcher has tried to further develop Hall's (1976) model. Gudykunst and Ting-Toomey (1988) found that a low-context culture correlates with individualism (Hofstede, 1980), while a high-context culture correlates with collectivism. Based on Hall's rationale of contextual cues of communication, Teboul, Chen and Fritz (1994) advanced the following hypothesis as a suggested springboard for future research.

High-Context Cultures

Japanese
|
Chinese
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Korean
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African American
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Native American
|
Arab
|
Greek
|
Latin
|
English
|
French
|
American
|
Scandinavian
|
German
|
German-Swiss

Low-Context Cultures
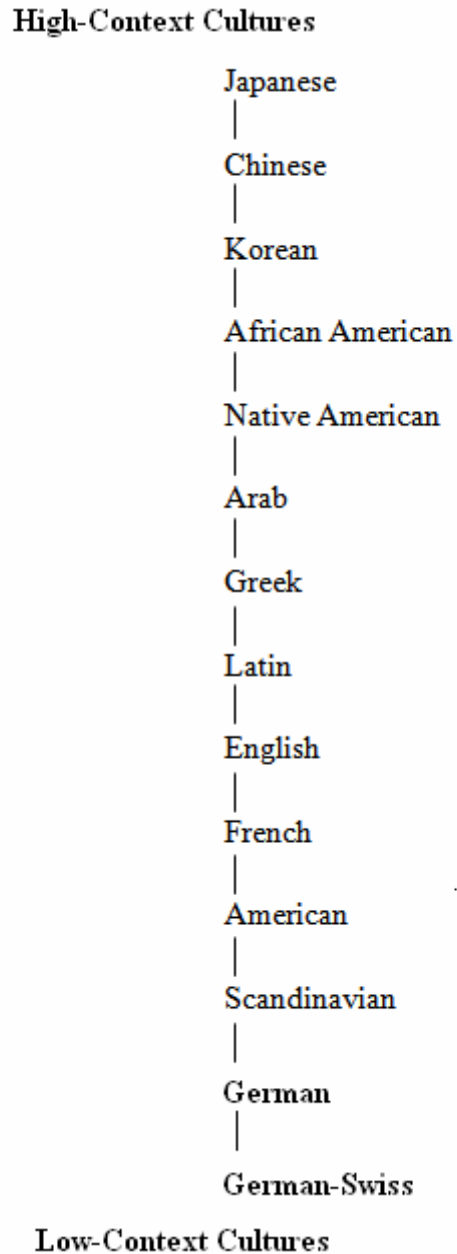
*Figure 2.1* Cultures Arranged along the High-Context and Low-Context Dimension

Source: Samovar, et al. (2000). *Communication between Cultures,* p.80

High-context-culture organizations rely less on ambient and more on oral discretionary forms of communication to socialize their employees than do their low-context-culture counterparts ( in Wiseman & Shutter, 1994, p.25).Researchers in other disciplines also drew insights from Hall's (1976) model. For example, in marketing, "many a

contemporary international marketing textbook includes the concept of high- versus low- context cultures" (Kim, Pan & Park, 1998, p. 509).

With these diversities of perspectives and results of prior studies on or beyond Hall's (1976) model, researchers tended to agree on the fundamental assumption of this model, that is, in a high-context culture, "most of the information is either in the physical context," whereas in a low-context culture, "the mass of information is vested in the explicit code" (Hall, 1976, p.70). Extending then from this fundamental assumption, Gudykunst (2003) further suggests that in low-context cultures, details, hard figures, and logic, are emphasized; whereas in high context cultures, " information integrated from the environment, context, situation , and nonverbal cues gives the message meaning that is unavailable from explicit verbal utterances" (p.83). Mead (1994) then argues that people's cultural experiences determine their understanding of the context of communication, and that qualitative information contains such context more frequently than does quantitative data. Beamer and Varner (2003) associate companies in low-context cultures with focusing on quantifiable results and     hard data in decision-making processes, and those from high-context cultures with preference for qualitative means and soft data in decision making processes. It is noted, however, that all above-mentioned arguments and assumptions have resulted from theoretical reasoning, rather than empirically testing.

## 2.1.2 Hofstede's Theoretical Framework

As a pioneering investigation on national cultures with tremendous quantitative data, Hofstede's framework of national culture has been praised highly since its publication in 1980. It was considered one of the most frequently cited studies in cross-cultural studies (Bhagat & McQuaid, 1982), and indeed "a benchmark for the study of culture, management and organization" (Westwood, 1992, p.35). Hofstede's work will likely remain "one of the major benchmarks of cross-cultural research for many years to come" (Triandis, 1995, p.90). The following discussion of that work covers the

fundamentals of Hofstede's five dimensions, related studies using Hofstede's framework as a whole or using one or more of its dimensions with a focus on power distance and uncertainty avoidance.

### 2.1.2.1 Core Elements of Hofstede's Five Dimensions

Under Hofstede's (1980) framework, national culture was first stratified into four dimensions: individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity. Eight years later (1988), one more dimension long-/short-term orientation (LTO/STO) was added to the framework.

Individualism /collectivism is concerned with whether or not the interests of individuals prevail over those of the group in a society. "Individualism pertains to societies in which the ties between individuals are loose: Everyone is expected to look after himself or herself. Collectivism, on the other hand, pertains to societies in which people from birth onward are integrated into strong, cohesive groups, which throughout people's lifetime continue to protect them in exchange for unquestionable loyalty" (Hofstede,1997, p.51). At the core of the differences between these two different cultural values is the role of the individual versus the role of the group. This dimension, according to Gudykunst (2003), is "used most widely in intercultural communication studies", but is "often used when there is not a clear linkage between individualism/collectivism and the specific communication behaviours under study" (p.156).

Power distance deals essentially with the degree of desirability of unequal relationships among members in a society. At the workplace, it has two key indicators: whether or not subordinates are consulted in the decision-making process, and whether or not subordinates are afraid to express disagreement with their superiors. As a construct in academic studies, power distance is widely used to refer to the control mechanism of a company, because it determines how power is distributed in an organization. In

Hofstede's (1997) discourse, the cultural norms of power distance decides the answer to the question "who has the power to decide" (p.140).

Uncertainty avoidance is concerned with how people or organizations avoid or control uncertainties in the future. In dealing with uncertainties in life and work, according to Hofstede, nations differ significantly in psychology, specifically at home, in school, at the workplace, and in society. Among the many differences listed by Hofstede, two aspects are at the core of uncertainty avoidance as a construct and, therefore, are of particular interest to this study. The first is to what degree individuals in a culture are fearful of ambiguous situations, and the second is, to what degree in a culture rules are honoured at the workplace and in the society at large Hofstede (1980) argues that "the essence of uncertainty is that it is a subjective experience, a feeling" (p.111). This feeling is "expressed through a need for predictability: written or unwritten rules" (p.113).

Masculinity and femininity is concerned with gender-related values and behaviours across cultures. Masculinity pertains to "societies where social gender roles are clearly distinct, i.e. men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with he quality of life. Femininity pertains to societies where social gender roles overlap, i.e. both men and women are supposed to be modest, tender, and concerned with the quality of life" (Hofstede,1997, p.82). Among the many differences that exist between these two gender-oriented cultures, two are essential in order to understand cultural differences at the workplace. The first lies in the role of work in life. In feminine-oriented societies, people work in order to live; whereas in masculine-oriented societies, people live in order to work (Hofstede, 1997). The second view reveals how conflicts are resolved in the two different cultures. In feminine-oriented societies, conflicts are solved through mild ways, such as "compromise and negotiation," while in masculine-oriented societies, they are solved "by fighting them out"(p.96).

LTO and STO were added to Hofstede's framework as a fifth dimension in 1988. This fifth dimension, also called Confucian dynamism, was intended to offset the Western bias in the previous four dimensions (Hofstede, 1997). Hofstede does not give a complete definition of this new dimension. Instead, he explains LTO with descriptive words and phrases, such as "persistence; ordering relationships by status and observing this order; thrift; having a sense of shame. STO is described as "personal steadiness and stability; protecting your 'face'; respect for tradition; reciprocation of greetings, favours, and gifts" (Hofstede, 1997, p.165). Among the many differences between these two orientations, two are most heuristic to cross-cultural studies and business management. These are: first, the ultimate concern "with possessing the Truth" (STO) or "with respecting the demands of Virtue" (LTO); second, "quick results expected" (STO) versus "perseverance towards slow results" (LTO) ( p.173). However, another difference between LTO and STO as suggested by Hofstede is questionable. In STO societies, according to Hofstede, people are more concerned with "face," whereas in LTO societies, people are willing to subordinate themselves for a purpose. In Hofstede's measuring system of LTO and STO, China's index is 118, ranking as the No.1 LTO country (see Hofstede, 1997, p.166). Associating with Hofstede's own claim of LTO as having little concern for "face", one might conclude that Chinese people do not care for "face" issues. This conclusion is both counter-intuitive and contradictory to most studies related to "face" or "*mientze*" ("*mian zi*"), including various established classic studies (see, for example, Gao, 1998; Hwang, 1997, 1998; Ting-Toomey, 1988).

A fundamental problem with the dimension STO/LTO is its low applicability as a cultural variable in other studies because of the divergence of its rationale. More specifically, there is a low correlation among its constituent items. A survey of the literature shows that this dimension is always mentioned as the added dimension of Hofstede's (1980) framework, and little research has applied the dimension of STO and LTO to other studies. It is perhaps the least applied of the five dimensions.

All five of Hofstede's dimensions are listed above and briefly explicated here to offer an

entire view of the theory. Three will not be further explored in this research for different reasons.

Masculinity and femininity and LTO and STO will not be employed in this study for their less relevancy and low applicability to communication behaviours Individualism/ collectivism, as Gudykunst (2003) points out, has been used most widely to explain communication behaviours across cultures, but often mistakenly. The mistake occurs when individualism/collectivism is used to analyse communication behaviours where there is actually no linkage between the two constructs. Gudykunst (2003) further argues that individualism/collectivism may not be related unless it is linked to in-group and out-group distinctions. Even if individualism/collectivism is associated with in-group and out-group distinctions, however, this construct may not exercise its influence individually. Other cultural factor(s) may also be at work. Given the complexity of the application of this construct, a decision was made to leave individualism/collectivism to future communication studies and focus on applying only power distance and uncertainty avoidance in this current research.

## 2.1.2.2 Expanded Studies out of Hofstede's Dimensions

Hofstede's five dimensions, as a fundamental theoretical framework, have generated massive research in diverse disciplines, such as in management (e.g., Adler, 2002; Calori, 1994; Cao, 2006; Harris & Moran, 1996; Roland, 1994); international M&As (e.g., Cartwright, 1998; Gertsen, Soderberg & Torp, 1998; Larson & Riseberg, 1998; Morosini & Singh, 1994); communication (see for example, Gudykunst & Kim, 1984; Lustig & Koester, 1999; Varner, 2000; Wiseman & Koester, 1993); in applied linguistics (e.g., Scollon & Scollon, 2000; Smith,1987). As this study is concerned with post-M&A integration strategy and cross-cultural communication behaviours, the following sections focus on reviewing prior studies in cross-cultural management and communication that are related to Hofstede's (1980) framework either as a whole or to power distance and uncertainty avoidance individually.

**Hofstede's Work in International M&As and Cross-cultural Management**

In studies on international M&As, some researchers applied Hofstede's (1980) framework to their empirical investigation and concluded with interesting findings. Morosini and Singh (1994) conducted surveys of 400 companies engaged in cross-border acquisitions in Italy. Applying uncertainty avoidance and individualism as two independent variables in his analysis, they found that the interaction and coherence between the acquiring company's post acquisition strategy and the seller's national cultural traits, namely uncertainty avoidance and individualism, "play a significant role in performance after a cross-border acquisition" (p.398). Four years later, to test the relationship between national culture, post-acquisition modes and performance, Morosini (1998) added the other two dimensions (power distance and masculinity) to the list of independent variables of his study and found that " acquisitions in culturally distant countries are not necessarily detrimental to performance, as it has been often assumed in the past"(p.79). Rather, "there is a positive association between national cultural distance and post-acquisition performance" (Morsini, 1998, p.79). A crucial factor underlying any positive post acquisition performance, as Morosini suggests further, is the degree of national cultural compatibility between the acquiring company and the target company in the execution modes.

A number of researchers in cross-cultural management have draw insights from Hofstede's (1980) model in developing their own models or theoretical concepts. Calori (1994) refers closely to Hofstede's (1980) four dimensions while comparing the characteristics of business management systems in the U.S., Japan and Europe, and establishes a typology of European business management system subsequently. Mead (1990, 1996) applies exclusively Hofstede's (1980) four dimensions to his study of cross-cultural management communication and identifies six preferred patterns of communication in different intercultural environments. Similarly, on the basis of Hofstede's four national cultural dimensions, Cao (2006) looks into the cultural compatibility between Chinese culture and cultures of a few other nations, namely

Korea, Japan, Germany and the USA. This investigation concludes with implications for a feasible Chinese corporate governance model as well as for Chinese companies seeking internationalization through overseas M&As. To examine the relationship between national culture and organization, Malekzadeh and Nahavandi (1998) develop a conceptual model, including Hofstede's individualism, masculinity and uncertainty avoidance as three of the six national cultural affect factors. According to Malekzadeh and Nahavandi (1998), these national cultural factors, together with a number of other factors, such as administrative heritage, religion and history, shape how leaders conceptualize a business and determine the organizational structure and control mechanism of their companies.

**Hofstede's Work in Cross-cultural Communication Studies**

In studies on the relationship between culture and communication, Hofstede's dimensions have been widely employed both for empirical investigations and for theoretical construction. For instance, in analysing public relations in a Korean multinational organization, Kim (2003) finds that communication inside the company is asymmetrical, that is, communication flows from upper management down to employees at lower ranks, and that its organizational structure is centralized and stratified. Kim further notes "There are no written documents that clearly describe the status of headquarter, but its importance and power are acknowledged by all employees tacitly" (p.88). Kim attributes this phenomenon to the large power distance existing in the company under study as well as in Korean society at large. Kim further noted that large power distance not only existed in the communication pattern of this Korean multinational organization, but also in its organizational structure both physically and psychologically.

It may be worthy to note that most of the best-known theoretical models or frameworks in intercultural/cross-cultural communication were developed out of, or drew insights from, Hofstede's framework. In Gudykunst's (1984, 1993) anxiety/uncertainty

management theory, eight axioms relating to the dimensions of cultural variability are based exclusively on the rationale of Hofstede's (1980) four cultural dimensions. Individualism and power distance are employed to serve as two theoretical pillars holding up face-negotiation theory (Ting-Toomey, 1988; Ting-Toomey & Kurogi, 1998). Gallois et. al.'s (1995) communication accommodation theory incorporates the influence of individualism and collectivism into people's communication accommodation behaviours.

However, there is also a problem in applying Hofstede's (1980) framework. Gudykunst (2003) notices that individualism/collectivism had been used most widely to explain communication differences across cultures, but meanwhile points out (2003), "it is often used when there is not a clear linkage between individualism-collectivism and the specific communication behaviours under study" (p.156). He further argues that unless communication is related to the in-group and out-group distinctions, the cultural variable individualism-collectivism should not be involved, and added that even when communication is linked to in-group and out-group distinctions, it can also be related to other dimensions of cultural variability besides individualism/collectivism. As such, the relationship between individualism/collectivism and communication can be very complicated.

**Links between Power Distance, Uncertainty Avoidance, and Proactive Communication Behaviours**

Power distance and uncertainty avoidance have also been widely examined in communication studies (see for example, Gallois, Giles, Jones,Cargile & Ota, 1995; Gudykunst, 1984, 1994), and problems in utilization have not yet been identified in the literature. However, not much is found in literature directly addressing the relationship between power distance   or uncertainty avoidance and special communication behaviours, such as information needs, information use, information acquisition and information sharing *(to be discussed in Section 2.5 of this chapter)*. However, there are

a number of studies indicating implicitly underlying links between power distance or uncertainty avoidance and one or more of the four communication behaviours. These underlying links can also be the basis to establish part of hypotheses of the study (to be presented in Chapter Three).

In all cultures, 'information is power' (Beamer & Varner, 2001, p.225; Choo, 1998, p.67; Mead, 1990, p.66). Choo (1998) further argues that there is politics in information management in business organizations. Information is therefore fragmented and shared unequally among different departments and individuals. Given the complexity of the work environment and the need to respond quickly to the market, "Managers can not afford a thorough or systematic search of the available information and therefore tend to use familiar and habitual information sources first" (Choo,1998, p.55). In an organization which is led by members of high power distance culture, which is characterized as with unequal distribution of power (Hofstede, 1980), information is even more unequally distributed in the organization, and key information is kept at the top management level and with people who have direct access to the top management. When facing ambiguous situations, decision-making managers of large power distance cultures habitually turn to information from internal sources, which are deemed as more reliable and credible; decision makers of small power distance may defer to external sources for their reliability and credibility.

According to Hofstede (1980, 1997), uncertainty is in essence a subjective feeling in ambiguous situations. In an era of business competition, the marketplace keeps changing. This ever-changing business environment can be ambiguous situation to all decision makers in business organizations. Response to this ambiguous environment can be culture bound, because in low uncertainty avoidance culture, "people feel comfortable in ambiguous situations", whereas in high uncertainty avoidance, people "fear ambiguous situations and unfamiliar risks" (Hofstede,1997, p.125). The first response of business decision makers can be their psychological need for market information. Considering cultural variability, business decision makers of higher

uncertainty avoidance cultures may have higher needs for market information, whereas those of lower uncertainty avoidance cultures have lower needs for market information.

As communication is interactive and endless (Beamer & Varner, 2001; Choo, 1998; Singh, 2003), higher information needs may lead to higher initiative for information acquisition. Similarly, Sorrentino and Short (1986) hold that people's orientation toward uncertainty correlate with their openness to new information. Gudykunst (1993) follows as maintaining that uncertainty-oriented people want to understand the environment more than certainty-oriented people. Accordingly, business decision makers of high uncertainty avoidance may use market information more frequently than those of low uncertainty avoidance, business decision makers of high uncertainty avoidance may be more willing to share information with their colleagues than those from low uncertainty avoidance. This willingness of information sharing, if not otherwise stipulated by business company policies, can be mediated by other cultural factors, especially under the case of international M&As.

## Section 2.2 Organizational Culture and Its External and Internal Orientations

It is important to review the concept of organizational culture and its two orientations, as they are two major variables in this study. This section covers three existing models of organizational culture, which include Dennison and Mishra's (1995) model, Kono and Clegg's (1998) model, and Kotter and Heskett's (1992) model. The common ground of the three models is noted, and missing gaps revealed when the models are analysed.

Unlike national culture, there is much less convergence on the conceptualization of organizational culture in the literature. As Cartwright and Cooper (1996) note, organizational culture is a well-used, but perhaps a less well-understood concept. The concept itself presents as two terms in the literature: Organizational culture and corporate culture. Some authors prefer the term "organizational culture" (Dennison & Mishra, 1995; Hofstede, 1990; Veiga, Lubatkin, Calori & Very, 2000), while others use the term

corporate culture (Kono & Cleg, 1998; Kotter & Heskett, 1992) to refer to the same concept. Sometimes, the same authors even use the two terms interchangeably in the same paper (e.g., Dennison, 1990, 1995). This study adopts the term "organizational culture" consistently because of its wider applicability. The term "organization" includes not only business organizations, but also non-profit organizations. It is possible that in the future other researchers may apply findings related to organizational culture from this study to new research on not-for-profit organizations.

Extensive research has been conducted on organizational culture in the literature since that concept "made a significant appearance in business literature in early 1980s" (Fisher & Alford, 2000, p.207), when Peters and Waterman's (1982) *In Search of Excellence* was published. To date, however, there has been no generally accepted understanding of what should be regarded as the main component of an organizational culture, and how organizational culture can be best measured (Fisher, 2000; Fortsman, 1998). Researchers do, however, conceptualize the concept of organizational culture from various approaches, classify organizational culture into various types, and stratify organizational culture into different dimensions.

Although the approaches, classifications, and stratifications involved in conceptualizing organizational culture are highly complicated and diversified, many researchers (Dennison & Mishra, 1995; Kono & Clegg, 1998; Kotter & Heskett, 1992) share the convergence that two orientations are necessary in every model of organizational culture. The two orientations are: employees' external orientation toward the market and an internal consistency between the value of the company and the values of its employees. And yet, there is little convergence in the terminologies for these two orientations among all the different approaches. The two orientations are indeed termed differently in different models of organizational culture. In Kotter and Heskett's (1992) model, the two orientations are termed "adaptive/non-adaptive cultures" and "strong cultures"; Dennison and Mishra (1995) refer to them in terms of "adaptability" and "consistency"; Kono and Cleg (1998) classify the pair as " Type I culture (vitalized culture)/" and

"thick/thin cultures". Table 2.1 summarizes these orientations in corresponding columns.

The terminologies for external and internal orientations of organizational culture in three different models of organizational culture may imply that there is little heritage between earlier concepts and later ones. Perhaps for this reason, none of the above-mentioned models of organizational culture and their dimensions or types has become dominant in the literature over time.

Table 2.1 *Corresponding Orientations for Three Prior Studies of Organizational Culture*

|  | External Orientation | Internal Orientations |
|---|---|---|
| Kotter & Heskett (1992) | Adaptive Culture | Strong Culture |
|  | Unadaptive Culture | N/A |
| Dennison & Mishra (1995) | Adaptability | Consistency |
|  | N/A | N/A |
| Kono & Cleg (1998) | Type I Culture (vitalized) | Thick Culture |
|  | Type VI-2 Culture (stagnant and follow-the-leader) | Thin Culture |

**2.2.1 Extended Studies out of Three Prior Models of Organizational Culture**

Although there is little heritage among three prior models of organizational culture (Dennison & Mishra, 1995; Kono & Cleg, 1998; Kotter & Heskett, 1992), these models and their concepts have been applied in one way or another in related studies.

Dennison and Mishra's (1995) model of organizational culture has been applied extensively in business management and consultancy. By the year 2000, as Fisher and Alford (2000) reported, "Dennison's model was applied in more than 1400 companies ranging in size from 10 to 300,000 employees, representing all ages, industries and sectors"(p.208).

A number of articles also used Dennison and Mishra's (1995) model to facilitate their findings. For example, Juchter, Fisher and Alford (1998) identify five conditions for high-performance cultures associated with Dennison's (1995) model. With measuring items developed from Dennison and Mishra's (1995) model, Mobley, Wang and Fang (2005) conducted a field survey on organizational culture at five multinational firms operating in China and concluded that organizational culture can be another determining source of competitive advantage. This conclusion is supportive of the rationale used in Dennison's (1995) model. Using Dennison and Mishra's (1995) model as their own theoretical framework, Fey and Dennison conducted a survey in 179 companies operating both in Russia and the US in 2003 and found that "adaptability proved to be the most useful dimension in the model to understand the overall effectiveness of an organization" (p.701).

Kono and Cleg's (1998) model is the most complicated of the three models of organizational culture. It consists of two sets of two independent systems. The first system classifies organizational culture into five types (Type I, Type II, Type III, Type IV and Type IV-2) in terms of organizational members' vitalization toward the market and along three dimensions (shared values, decision-making patterns and behaviour patterns). The second system classifies organizational culture into "thick" or "thin" culture in terms of the thickness of a culture and also along three dimensions (shared values, decision-making patterns and commitment to the organization). A common problem with both systems is that the boundaries between the different types are not clearly defined. Perhaps due to this issue and the complexity of the two constituent systems, Kono and Cleg's (1998) model has not been applied frequently in the existing literature. Yet, the rationale of its two constituent

dimensions, namely vitalization and thickness, are insightful to help in understanding the organizational culture of a company from both an external and an internal perspective.

Before establishing their own model of organizational culture, Kono and Cleg (1998) classified prior studies of organizational culture into four approaches, namely, an anthropological approach, a cognitive approach, a leadership approach and a decision-making approach. This classification by approach may clarify some confusion regarding the domains and the rationale of each model of organizational culture in prior studies, and consequently serve as a guideline for academic researchers in terms of which approach to adopt when organizational culture is under enquiry.

In reviewing the three models of organizational culture, this study noticed three remarkable aspects. One is superficial: the terminological systems are totally different from each another among the three models. Every model of organizational culture developed its concepts and dimensions from all new grounds, adopting no concepts from prior studies, even though those concepts actually carry similar connotations and cover similar domains. This superficial aspect may indicate a likely tradition of conceptualizing organizational culture. That is, heritage from preceding studies is not emphasized.

The second aspect is more implicit. External orientation and internal orientation are all emphasized in the three models of organizational culture just reviewed. Kotter and Heskett (1992) argue that "corporate culture can have a significant impact on a long-term economic performance" (p. 11). Two ("adaptive"/"unadaptive" and "strategically appropriate") out of the three dimensions are externally-oriented, and one ("strong culture") is internally-oriented. In the Dennison Organizational Culture Model (1995), two (mission and adaptability) of the four traits are for external orientation and two traits are for internal orientation.

Dennison and other researchers (e.g., Dennison, 1988; Fisher & Alford, 2000) who have

adopted the model of Dennison organizational culture all claim that the four culture traits (mission, involvement, adaptability and consistency) covered under external and internal orientations are related to the "bottom line" of business operation. Kono and Cleg (1998) reported that "companies with vitalized cultures have higher financial performance than companies without such cultures" (p. 22). However, "cultural thickness is not necessarily a good thing", … as " too thick a culture would reproduce conformity rather than produce innovation" (Kono & Cleg, 1998, p.67). In the case of international M&As, the strength of organizational culture can play a role (Mead, 1994; Nahavandi & Malekzadeh,1993b), and this role is exercised through its dimension of strength. In summery, both external orientation and internal orientation are never overlooked in any organizational culture model.

The third aspect concerns whether or not overt behaviour is addressed under each model of organizational culture. Dennison and Mishra (1995) focused only on value orientations The other two models (Kono & Cleg, 1998; Kotter & Heskett, 1992 ) evaluate not only value orientations, but also overt behaviours under different culture types. These behaviours include information collection and idea generation in the decision-making process. More specifically, idea generation is actually a process of information use and information sharing. This process may imply a close relationship between the adaptability of organizational culture and communication behaviours. However, such a relationship has rarely been explored in the literature. The role of organizational culture in international M&As has been recognized by some researchers (e.g., Adler, 2002; Nahavandi & Malekzadeh, 1993b). However, seemingly it has not yet been tested empirically, and to what extent this role may function remains unexplored as well.

## 2.2.2 Organizational Strength and Post-M&A Acculturation Modes

Nahavandi and Malekzadeh's research (1993b) adopted the concept of strength of organizational culture and associated it with the adoption of acculturation mode by both

the acquired and the acquiring company. Acculturation refers to "the process by which two (cultural) groups that have come in direct contact resolve the conflicts and problems that inevitably arise as result of their contact"(Nahavandi & Malekzadeh, 1993b, p.59). For an acquired company, if its employees share strong, well-defined values and assumptions, they are unwilling to give up their own culture or change it substantially. "The stronger the organizational culture of the acquired company", as Nahavandi and Malekzadeh (1993b) maintain, "the more likely its employees are to resist change" (p.19). Consequently the acquired company would prefer an acculturation mode after an M&A deal, under which little change needs to be made.

Perhaps for the convenience of reference, Nahavandi and Malekzadeh (1993b) use the term multiculturalism instead of strength of organizational culture of the acquiring company. Multiculturalism, according to Nahavandi and Malekzadeh (1993b), refers to "the degree to which an organization values organizational cultural diversity and is willing to tolerate and encourage it" (p.68). The core value of multiculturalism lies in the concept of diversity, which is the opposite of consistency. Consistency, on the other hand, is the core value of organizational strength in Kotter and Heskett's classification of organizational culture. According to Nahavandi and Malekzadeh (1993b), if an acquiring company tolerates and encourages cultural diversity, it is considered to be multicultural; otherwise it is considered to be uni-cultural. "Multicultural" corresponds to "strong" (organizational culture) and "uni-cultural" is similar to "weak" (organizational culture) in Kotter and Heskett's (1992) conceptualization of organizational culture. Nahavandi and Malekzadeh (1993b) associate multiculturalism with an acquiring company's choice of adopting post-M&A acculturation mode. A multicultural (weak cultural) acquiring company is "likely to consider diversity an asset and consequently (to) allow the acquired firm to retain its own culture and practices" (Nahavandi & Malekzadeh, 1993b, p.68). On the other hand, a uni-cultural (strong cultural) company is likely "to impose its own culture and management system on a new acquisition" (Nahavandi & Malekzadeh, 1993b, p.68).

**2.2.3 Organizational Adaptability and Information-Related Behaviours**

The dimension of organizational adaptability of all the three models of organizational culture (Dennison & Mishra, 1995; Kono & Cleg, 1998; Kotter & Heskett ,1992) shares a common value on customers and underlines the significant correlation between adaptability and company performance. And yet, there are differences among them in associating this value with employee behaviours. According to Dennison and Mishra (1995), in an adaptable company, "customers' comments and recommendations often lead to changes in this organization" (p.221). Kotter and Heskett (1992) summarize common behaviours of adaptable companies as "paying close attention to all their constituents, especially customers, and initiating change when needed to serve their legitimate interests" (p.51). In Kono and Cleg's (1998) model of organizational culture, the adaptability (vitalizedness) of a company is directly associated with information collection, information sharing and information use in the decision-making process. The adaptability of a company is measured by the extent that information is collected from the environment, shared among colleagues and used in the decision-making process. Adaptable (vitalized) companies, according to Kono and Cleg (1998) are those that encourage massive collection of information from the environment, share the information extensively among organizational members, and make decisions with sufficient market information considered. Unadaptable companies are characterized in the opposite way. In other words, Kono and Cleg acknowledge the close relationship between adaptability of a company and its information-related behaviours in decision-making process. But, as their research focuses mainly on the transformation of organizational cultures, hardly any efforts were devoted to testing the assumed relationships between organizational adaptability and information-related behaviours in the decision-making process, or to identifying the relationship between information-related behaviours in technological development. However, studies in fields other than organizational culture, such as in innovation management by Cooker (1993) and Edget, et. al. (1992), noted a high correlation between the market-orientedness (adaptability) of a company and market information use in technological development.

To sum up, this section has briefly reviewed organizational culture as a whole and its external and internal orientations in three models of organizational culture. The commonalities and divergence among the three models have been outlined. The relationships between organizational strength and the acquiring company's adoption of acculturation modes and organizational adaptability and information-related behaviours are briefly discussed.

**Section 2.3 Cross-cultural Integration Models and Modes**

This section reviews three cross-cultural models, namely, Berry's (1983) model of acculturation, Nahavandi and Malekzadeh's (1988, 1998) acculturative model for the implementation of mergers, and Distefano and Maznevski's (2000) model of three patterns. Related studies using these models are discussed, and some critiques of the models are also made.

After an international M&A, culture becomes diversified. At least two organizational cultures and two national cultures coexist in the newly created company after the M&A. The diversity of cultures consequently complicates the management of the company. As is widely acknowledged (e.g., Adler, 2002; Larson, 1993; Mead, 1998), the diversity of culture may create problems as well as produce synergy. The difference between problem and synergy lies in whether or not the diversity is managed and how it is managed. The way to manage cultural differences varies across organizations. In 1983, Berry identified four modes of acculturation: assimilation, integration, rejection and deculturation *(to be further explained in the following section).* Based on this model, Nahavandi and Malekzadeh established their own model in 1988, an acculturative model for the implementation of mergers.

**2.3.1 Berry's (1983) Model of Acculturation**

The term "acculturation" was adopted from anthropology and cross-cultural psychology. Its study dates back to the 1880s (Nahavandi & Malekzadeh, 1988). It is generally

defined as "changes induced in (cultural) systems as a result of the diffusion of cultural elements in both directions" (Berry, 1980, p.215). Its basic assumption is that when individuals from two different cultural backgrounds meet, there is always one group dominating the culture, and the other group adapting to it. That adaptation process is often full of conflicts. Berry (1980) argues that acculturation is not necessarily always a process of dominating and adaptation, as was assumed in previous research. Rather, he suggests that the two cultures adapt to each other, and thus, four modes of the mutual adaptation are possible. These four modes are assimilation, integration, rejection, and deculturation.

Assimilation refers to a process where the non-dominant cultural group gives up its own culture and totally assimilates into the dominant culture and adopts it without retaining any of its own. The flow of culture thus occurs only one way.

Integration means that the non-dominant cultural group fits into the dominant group. Most of the non-dominant cultural elements are preserved, but do become an integral part of the dominant culture. Overall, there is a certain degree of change in the cultures of both two groups. However, the change is balanced between them.

Rejection refers to a process where the non-dominant cultural group withdraws from the dominant culture. This process takes place when the non-dominant group attempts to preserve its own culture by remaining separate and independent of the dominant group. There is no cultural change in either of the two cultural groups.

Deculturation involves the non-dominant group losing its cultural contact with both its own culture and the dominant culture, and becoming culturally outcast. This process "is often accompanied by feelings of alienation, loss of identity, and what has been termed as acculturative stress" (Berry, 1983, p.69). Although  Berry's study focuses mainly on the cultural adaptation process between Native Americans and ethnic minorities in

American society, his identification of four acculturation modes as discussed above is pioneering in its nature and highly heuristic for researchers of international M&As. In dealing with coordination and synergy in international M&As, Larson (1989, 1990) includes, among many other factors, Berry's (1983) concept of acculturation as one explanatory factor for issues that occur during the post-M&A integration process. But unlike Berry, Larson "concentrates on the positive course that is in cooperation. Berry's concepts of rejection and deculturation are thereby excluded" (Gertsen, Soderberg & Torp, 1998, p. 31). Larson even modifies the definition of acculturation as "the development of jointly shared meanings fostering cooperation between the firms being joined together" (Larson, 1989, p.22). This consistent and yet quite different approach toward the cultural issue in international M&As, as Larson and Riseberg (1998) acknowledge, allowed them to "identify significant barriers to the cooperative development as a possible explanation of why it tends to be so hard to develop productive joint organizational cultures in M&A" (p. 42)

Adopting Berry's concepts of all four modes, Sales and Mirvis (1984) argue that certain modes dominate in certain phases of cooperation after international M&As. In the first year, they found that the mode of rejection dominates. Both sides of the partnering companies tend to hold a positive orientation toward their own cultures and negative orientation toward the other culture. This tendency becomes less salient in the years that follow, and other modes of acculturation, such as integration and assimilation, may consequently become dominant.

Employing the four modes in Berry's (1983) acculturation model as a springboard, Nahavandi and Malekzadeh (1988) extended the study of post-M&A acculturation modes both intensively and extensively and established their own model, the acculturative model for the implementation of mergers. The following section is devoted to a full examination of Nahavandi and Malekzadeh's (1988, 1993, 1998) model.

**2.3.2 Nahavandi and Malekzadeh's Extended Studies on Acculturation Modes**

Nahavandi and Malekzadeh's (1988) model of acculturation was based on Berry's (1983) model, but include several changes. The first change is superficial, replacing Berry's term "rejection" with "separation". The second change is more substantial. While maintaining the fundamental rationale of Berry's (1983) model, Nahavandi and Malekzadeh narrowed down the domains of Berry's four acculturation modes from a general anthropological perspective to cover only cultural flows and strategies in M&As. In addition, Nahavandi and Malekzadeh (1988) further extend Berry's (1983) model by suggesting that the success of mutual adaptation by partnering companies relies not only upon the acculturation modes, but also upon the adaptation process, and that this process should encompass more factors than the four acculturation modes. The additional factors include the relatedness of two firms, the multiculturalism of the acquiring firm, the strength of the acquired firm's culture, and strategic leadership type.

In the case of international M&As, Nahavandi and Malekzadeh (1998) argue in another article that among the four acculturation modes, "neither assimilation nor deculturationare are viable options, as organizational members will not be willing to relinquish their national culture as a result of a merger" (p.122). This argument is consistent with those of other researchers (e.g., Adler, 2002; Larson & Riseberg,1998; Negandhi,1983) that individuals will insist on maintaining their national cultural individuality despite the increasing similarity of organizational structures worldwide. As such, only two opposite acculturation modes (integration and separation) are applicable to managing the cultural dimensions of international M&As.

However, despite whatever modification Nahavandi and Malekzadeh made to Berry's acculturation modes, most researchers attribute the concept of acculturation and its specific modes to Berry (see for example, Larson, 1989, 1990; Sales & Mirvis,1984) either individually, or to Berry as the first source and Nahavandi and Malekzadeh as the secondary source (e.g., Dackert, Jackson, Brenen & Johanson, 2003). A substantial

utilization of Nahavandi and Malekzadeh's (1988) model was made by Elsass and Veiga in 1994. In constructing their own model of acculturative dynamics, Elsass and Veiga (1994) placed Nahavandi and Malekzadeh's (1988) four acculturation modes in the centre of their revised model, surrounded by the concepts of "forces of organizational integration, forces of cultural differentiation, group members, and organizational performance" ( p.430). With this model, Elsass and Veiga (1994) claim they are able to extend Nahavandi and Malekzadeh's (1988) work, "by providing a theoretical tool for explaining and predicting acculturation patterns" (p.432). They further argued that "the dynamic acculturative change process will both influence, and be influenced by, post-acquisition organizational performance" (p.432).

## 2.3.3 Distefano and Maznevski's Independent Model of Post-M&A Cultural Practices

In an attempt to find pragmatic solutions to managing multi-cultural workforces after M&As, Distefano and Maznevski (2000) identified three patterns of cultural practices in association with business performance: destroyers, equalizers and creators.

The destroyers pattern is adopted when "multi-cultural team members distrust each other, guard information jealously and take every opportunity to attack other members. The perception of each other is distorted" (Buckley & Ghauri, 2002, p.318).This pattern of culture can occur when cultural diversity is ignored.

The equalizers pattern refers to the approach adopted by a new M&A company which makes an effort to suppress cultural manifestations of organizational members from all partnering companies.

The creators pattern occurs when cultural differences are recognized, accepted, and even nurtured in the new M&A company. Individual organizational members show no particular superiority over members from other cultures. The new company makes an effort to create

a new culture by combining the best aspects of each participating culture.

As can be seen here, although Distefano and Maznevski did not adopt any concepts from Berry's (1983) model or Nahavandi and Malekzadeh's (1988, 1998) extended studies, their two patterns of post-M&A cultural practices "destroyers" and "creators" have a similar rationale with the modes of "deculturation" and "integration" in the two preceding models. "Creators" is similar to Berry's " deculturation". However, the Distefano and Maznevski (2000) model is perhaps too simplistic and does not cover as many variances of post-M&A cultural integration practice as do Berry's (1983) and Nahavandi and Malekzade's(1988) models. Probably due to this reason, the application of Distefano and Maznevski's (2000) model is not commonly found in the literature.

This section has reviewed three models of post-M&A cross-cultural integration practices. Berry's (1983) model, consists of four acculturation modes and is basic and simple. Nahavandi and Malekzadeh's (1988) model adds more influence factors to the acculturation process in Berry's (1983) model. Therefore, it is more sophisticated, but less applied in the literature. Distefano and Maznevski's (2000) model is created from totally a new ground and has been the least employed in prior studies to date.

**Section 2.4 Strategic Leadership Type**

In 1988, Nahavandi and Malekzadeh proposed that the relatedness of the partnering firms, the multiculturalism of the acquirer, and the perception of the acquired firm of that acquisition determine how the culture of partnering firms should be managed. In 1993, they added the acquirer's strategic leadership type and the strength of the acquired company's organizational culture to the affecting factor list on the choice of acculturation modes. While all the preceding factors are important for the acquiring company to consider in the choice of acculturation modes, this study does not include all of these affecting factors. Rather, it focuses on those factors that are more relevant, namely, strategic leadership type and strength of organizational culture. As the strength

of organizational culture has already been reviewed, this chapter focuses on the concept of strategic leadership type.

Strategic leadership type, according to Nahavandi and Malekzade (1993a), refers to "the extent to which business leaders need control, seek challenges, and are open to change" (p.115). That leadership can be either in the form of an individual or a top management team. In either form, business leaders are people who are subjective in terms of the influence of national culture. In business settings, national culture, among other factors, shapes how leaders conceptualize business, define organizational structure, and control mechanism. Meanwhile, as a central element that decides how an organization is managed, strategic leadership type also has substantial influence upon organizational culture, strategy, and structure (Nahavandi & Malekzade,1998).

To make the concept of strategic leadership type more applicable for analysis and comparison, Nahavandi and Malekzade (1993a; 1993b; 1993c) stratify strategic leadership into two components: desire for control and challenge seeking. The interaction of these two components produces four strategic leadership types: Type I, Type II, Type III and Type IV.

Type I is the High Control Innovator (HCI). This leader cherishes a strong desire for control of the company, and meanwhile prefers seeking challenges and new opportunities. Type II is Participative Innovator (PI). This leader prefers seeking challenges and delegating power to subordinates. Type III is the Status-Quo Guardian (SQG). Leaders of this type are adverse to challenges and maintain tight control of a company. Type IV is Process Manager (PM) This leader is adverse to challenges and delegates power to subordinates. Figure 2.2.offers a more explicit illustration of the interaction between challenge seeking and desire for control for all four types of strategic leadership type.

| | High Desire for Control | Low Desire for Control |
|---|---|---|
| High Challenge-Seeking | Type I High *Control Innovator (HCI)*<br><br>Challenge-seeking leader who holds power tightly | Type II Participative *Innovator (PI)*<br><br>Challenge- seeking leader who delegates power |
| Low Challenge-Seeking | Type III Status-Quo Guardian (SQG)<br><br>Challenge-adverse leader who Holds power tightly | Type IV Process *Manager (PM)*<br><br>Challenge- adverse leader who delegates power |

*Figure 2.2* Four Strategic Leadership Types and their Components

Source: Nahavandi and Malekzade (1998). Leadership and culture in transnational strategic alliances. In Gertsen et al. (Eds.), p.114.

As an independent affecting factor, strategic leadership type may also play a role in the acquiring company's choice of acculturation modes after international M&As. Nahavandi and Malekzade(1993a ; 1993b; 1993c) link four strategic leadership types with four acculturation modes (integration, separation , assimilation, and deculturation). Leaders of different leadership types have different preferences for certain acculturation modes. For example, leaders of the HCI type may prefer the mode of assimilation or integration to ensure control and innovativeness and are least likely to adopt the mode of separation. Leaders of the PM type, who are tolerant of subordinates' independence and try to avoid challenges, may prefer almost the opposite acculturation mode, that is, integration rather than assimilation or separation. More detailed corresponding matches are illustrated visually in Figure 2.3.

The matching relationships between the four strategic leadership types and the four acculturation modes were established in 1993 through theoretical reasoning by Nahavandi and Malekzadeh. In 1998, Nahavandi and Malekzadeh called for "empirical research to clarify the link between the two (strategic leadership type and acculturation mode)" (p.125). To date, little empirical evidence has been found either to support or

negate these relationships in the existing literature.

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┌─────────────────────────────────────────────────────────────────────┐
│  Type I                    ──────────────────►  Assimilation or integration
│  High challenge and high                                              │
│  Control                   ─ ─ ─ ─ ─ ─ ─ ─ ─►   Separation            │
│                                                                       │
│                                                                       │
│  Type II                   ──────────────────►  Separation or integration
│                                                                       │
│  High challenge and low    ─ ─ ─ ─ ─ ─ ─ ─ ─►   Assimilation         │
│  Control                                                              │
│                                                                       │
│                                                                       │
│  Type III                  ──────────────────►  Assimilation         │
│                                                                       │
│  Low challenge and high    ─ ─ ─ ─ ─ ─ ─ ─ ─►   Separation or integration
│  Control                                                              │
│                                                                       │
│  Type IV                   ──────────────────►  Integration          │
│                                                                       │
│  Low challenge and low control ─ ─ ─ ─ ─ ─ ─►   Assimilation or       │
│                                                  separation           │
└─────────────────────────────────────────────────────────────────────┘
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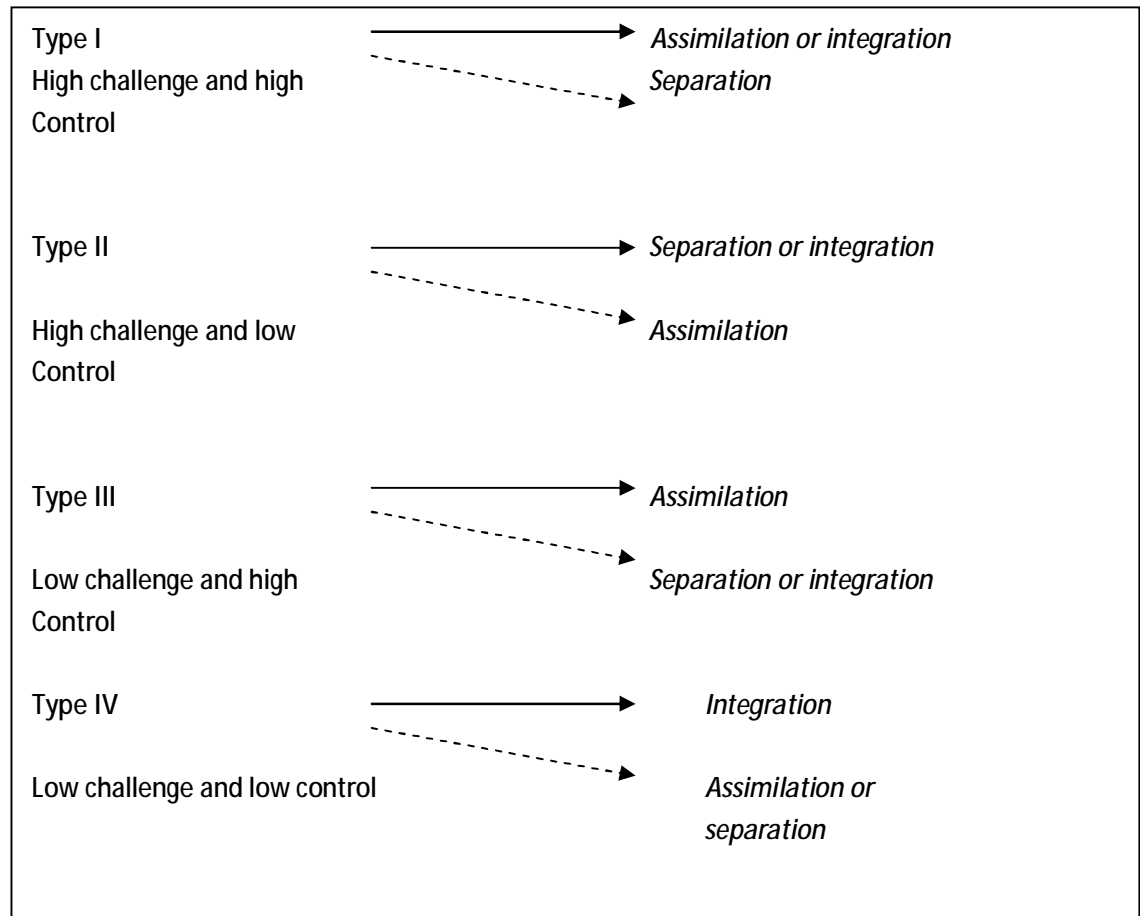
*Note.*  ──────────►   represents "most preferred"

       ─ ─ ─ ─►   represents "least preferred"

*Figure 2.3* Strategic Leadership Types and Acculturation Modes for the Acquiring Company.

Source: Nahavandi and Malekzade (1998). Leadership and culture in transnational strategic alliances. In Gertsen et. al. (Eds.), p. 120.

This section has illustrated the concept of strategic leadership type and its components. Its association with four different acculturation modes was also discussed.

**Section 2.5 Market Information Communication Behaviour**

In this section, the literature review is directed toward discussing the potential links between proactive communication behaviours, information behaviours, and market information communication behaviours. These links, both implicit and explicit, contribute to the conceptualization of four communication behaviours, namely information needs, information acquisition, information use and information sharing.

The term "communication" is derived from the Latin word *communi*s, which means "to share, to make common" (Singh, 2003). To date, it has become too wide a term to be concisely defined. "There are nearly as many definitions of communication as there are people who write about it" (Singh, 2003, p.16). However, most researchers tend to converge and agree that communication is by nature a dynamic and interactive process that consists of three essential behaviours: encoding, decoding, and feedback (e.g., Choo, 1998; Singh, 2003; Varner, 2000). Some researchers extend the concept of the communication process to encompass more behaviours than just these three. Turner (1988) argues that communication starts with information needs. Tidwell and Sias (2005) include information seeking as a proactive communication behaviour, which refers to the behaviour of "gathering information from one's environment, typically for the purpose of uncertainty reduction" (Tidwell & Sias, 2005, p.52). In McCrosky's (1966) model of communication process, the selection of meaning is also included as communication behaviour. Gudykunst (1993) includes information gathering and information use in his theory of effective interpersonal and intergroup communication. Communication can also be either a behaviour that is happening, for example, turn taking (Du-Babcock, 1999, 2006), or a behaviour that is intentional, for example the willingness for information sharing (Burgoon & Ruffner, 1978; Miller, 1995). Burgoon and Ruffner (1978) identify three types of intentional communication behaviours. The first type refers to a process in which the information source has intent to communicate, and the receiver perceives this intent as directed toward himself/ herself. The second type occurs when the source has intent to communicate, but the receiver does not

perceive that intent. The third type happens when the source does not have intent to communicate, but the receiver perceives intent. However, as Miller (1995) notes, the intentionality of communication is controversial in the field of communication, as to whether intention is indeed a critical feature of communication and whose intention should be considered in defining communication.

Communication is essentially the transmission of information. Choo (1998) approaches communication behaviour from the perspective of managerial information behaviours. As a scientist of information management, which is traditionally not included in the field of communication, Choo seldom uses the concept of communication; instead the fundamental rationale of his model of information process centres around communication. He analogizes management with conversation, which is treated as communication behaviour in other communication studies. To make his analogy clearer, Choo explains that "management, after all, has to do with getting things done, and getting things done requires the performance of linguistic acts that include requests for action and commitment,…"(Choo, 1998, p.53). Linguistic acts are communication by essence. Choo's analogy is also consistent with McCall and Cousins' (1990) argument that organizational communication is the language of effective management and is also compatible with Shockley-Zalabak's (1994) argument that communication is at the heart of all organizational operations.

According to Choo (1998), managers are information users. Their information behaviours, as covered in his conceptual framework for managerial information behaviours, include information needs, information seeking, and information use. These three behaviours are interactive. "Information seeking and use are driven by information needs and they in turn create information needs" (Choo, 1998, p.56). Information distribution is not included in Choo's (1988) conceptual framework of managerial information behaviour, but is covered under Choo's (1998) model of information management cycle as a non-negligible chain. This perhaps is due to the reason that information distribution involves all employees' behaviours, rather than simply

managerial behaviours. Choo (1998) defines information distribution as "the process by which the organization disseminates and shares information from different sources" (p.43). In places in his work, Choo uses the concept of information distribution interchangeably with the concept of information sharing.

While using the concepts of information behaviour repeatedly throughout his 270-page book, Choo (1998) does not present clear-cut definitions for these behaviours. Even so, Choo's (1998) conceptual framework can be highly instrumental for companies to apply in their endeavours to establish intelligent organizations. Yet probably due to the interdisciplinary nature of this framework, not much research was found that employed this conceptual framework either in the communication studies. Nevertheless, the three concepts (information needs, information seeking/acquisition, and information use) of the framework and other concept information sharing in his work can be very expressive to describe the market information communication process.

There is no ready definition of the market information communication process in the literature. However, the concept has its own properties. First, its content area is market information; second, market information is not communicated in the organization without a purpose, but for decision-making, technological innovation, quality control and improvement, and maintenance of customer relationships. This study is concerned with the role of market information in the decision-making process and technological development. Third, for market information to flow from organizational boundary spanners (professional information workers, marketing and sales staff, after-sale service staff, etc) to decision-makers, that information needs to be communicated across a number of functional departments, e.g. the business intelligence department, the marketing department, and decision- makers. The flow of market information inside a company therefore constitutes a complete market information communication process.

The market information communication process, like any other organizational communication process, is endless and interactive (Choo, 1998; Singh, 2003; Varner,

2000). This process may vary across different organizations in terms of length, density, and channels due to differences in company size, organizational structure, and organizational culture. But common to all organizations are four types of communication behaviour: information acquisition, information use, information needs, and information sharing. (Choo, 1998; Shea & Lewis, 1996). Like any other communication behaviour, these four communication behaviours are also susceptible to cultural influence. Choo (1988) does not explore this influence himself, but acknowledges the influence as he includes "cultural knowledge" as one of the three types of organizational knowledge any organization must possess in order to become an intelligent company.

This section has reviewed the prior studies on the concepts of proactive and intentional communication behaviours and also the concepts of four information behaviours from the perspective of managerial information. Implicit links between these different terms for communication behaviours were also discussed. This discussion can serve as the theoretical foundation of the concepts of four communication behaviours, namely, information needs, information acquisition, information use, and information sharing.

**Section 2.6 Cross-cultural Integration Strategies and their Impact Pattern upon Communication Behaviours**

This section identifies, from prior studies, possible links between multiplied cultural factors and four communication behaviours under two cross-cultural integration strategies.

In the case of international M&As, according to Nahavandi and Malekzadeh (1998), only two acculturation modes are applicable to the post-M&A cross-cultural integration process. These two modes are: integration and separation. Distefano and Maznevski's "creators" pattern is also applicable, as essentially it encompasses the same cultural practice under the mode of Berry's integration. Under each mode, the influence effects of

organizational culture and national culture upon market information communication behaviours can be different, and thus constitute an influence pattern.

## 2.6.1 Communication Behaviours under the Cross-Cultural Strategy of Separation

When a new M&A company adopts the cross-cultural strategy of separation, independence of the partnering parties is emphasized, a unified organizational culture is not needed, and every cultural identity of all partnering companies are well preserved, according to Nahavandi and Malekzadeh (1988). Every culture, be it national or organizational, may exercise its impact upon market information communication behaviours simultaneously.

When national culture and organizational culture works simultaneously on communication behaviours, an issue has to be brought into consideration: which of the two cultures takes the lead in exercising the impact? Prior research demonstrates no unified culture affecting pattern upon communication behaviours (Pepper, 1995). In some cases, national culture dominates over organizational culture (see for example, Hofstede, 1980; Laurent, 1981); in other cases just the opposite (Kim, 2003; Shea & Lewis, 1996).

Numerous researchers (e.g., Adler, 2002; Child, 1981; Negandhi, 1983) have noticed that organizations worldwide are growing more similar in organization and structure, while the behaviour of people within them is maintaining its cultural uniqueness. These findings suggest that the organizational culture of a multinational company plays a key role in maintaining the company's integrity at the strategic level, whereas the innate national cultural orientations of its employees may affect their behaviour at the micro-level. More specifically, organizational culture may play a dominant role in shaping organizational communication behaviours at the corporate strategic level, such as company requirements and regulations on information acquisition, information use and information sharing, whereas national culture may take a leading role in affecting

people's individual communication behaviours at the individual level, such as information needs. Company's requirements and regulations on communication behaviours may vary across different companies in line with their various organizational cultures. But at individual level, employees and managers bring their ethnicity to the workplace (Adler, 1997), their individual communication behaviours may display variances along with their national cultural backgrounds, even under the same company communication strategy (Adler, 2002; Larson & Riseberge, 1998; Negandhi, 1983).

A survey in the literature shows that different communication behaviours are related more to some cultural factors, but less susceptible to others. According to Hofstede (1980, 1997), uncertainty is in essence a subjective feeling in ambiguous situations. The ever-changing business environment can be ambiguous for all business decision makers. Facing this ambiguity, the first response of business decision makers can be their psychological need for information to make decisions. Business decision makers of higher uncertainty avoidance cultures may have higher needs for the information, whereas those of lower uncertainty avoidance cultures have lower needs for market information. With empirical data, Blandin and Brown (1977) found significant positive correlation between uncertainty perceived by managers and their frequency of use of information, the amount of time allocated in information seeking, their reliance (needs) on market information.

Ball-Rokeach (1973) argues that people's attempts to deal with the ambiguity (uncertainty) of new situations involve a pattern of information seeking (information acquisition) and tension (anxiety) reduction. Studies by Beamer and Varner (2001), Choo (1998) and Mead (1990) suggest that in all cultures information is power and is not shared by everyone equally. Even in the most information-oriented firms, people are the least likely to share their information freely in their firms, and different departments in them act as "separate political domains, each with its own information sources" (Choo, 1998, p.67). Information is fragmented unequally among different departments. "Given the complexity of the work environment and the need to respond quickly,

mangers can not afford a thorough or systematic search of the available information"
(Choo, 1998, p.55), and therefore use "familiar and habitual information sources first"
(Choo, 1998, p.55). In an organization which is led by members of high power distance
culture, information can be more unequally distributed in the organization (Hofstede,
1980), and key information are kept at the top management level or controlled by
people who have direct access to the top management. When facing ambiguous
situations, decision-making managers may habitually turn to information from internal
sources, which are deemed as more reliable and credible (Choo, 1998).

Mead argues (1994) that "people's cultural experiences determine their understanding of
the context of communication" (p.57). To decision makers with high-context cultural
background, the context contains a lot more information than explicitly coded data, and
they tend to value and emphasize the context in their decision-making process.
Qualitative information contains such context more frequently than quantitative data.
Therefore, individuals from high-context cultural background tend to use qualitative
information rather than quantitative information.

Similarly, Scheider (1989) argues that culture determines the types of information which
its members selectively attend to, and the way in which this information is interpreted
and used. In Scheider's (1989) work, some cultures, such as Japanese and Arabic
cultures, are considered to be more intuitive and philosophical than others, and
individuals from intuitive cultures may make greater use of qualitative and intuitive
information in decisions-making than quantitative information (Scheider,1989) .

Communication behaviours are also susceptible to organizational culture. Scheider
(1989) argues that organizational culture determines the types and sources of
information which its members selectively attend to, and the way information is
interpreted and evaluated. Therefore, where there is a difference in organizational
adaptability, there will be a difference in the market information communication
behaviours. In an organization with fully adaptable culture, all employees share the

value that their organization should be responsive and anticipatory to the market change (Kotter & Heskett, 1992), and resources and preferential policies are directed toward information acquisition, information use in decision making at various levels (Kono & Clegg, 1998). Professional information and communication workers all take a proactive approach in acquiring and transmitting the most valuable information to those who are in need. Moreover, those who are not professional information or communication workers also take the initiative to help collect and transmit information both at work and in daily life, even if it is not obliged by their own job duty. Information acquisition and transmission has been internalized into habitual behaviours of the organizational members. (Choo, 1998; Kono & Clegg, 1998). Similarly, Lambin(2000) argues that in a market-driven company, the marketing department functions not only to market the company's products or services but also to coordinate all market-related activities across different functional departments in the organization.

On the other hand, in an organization with non-adaptable culture, encouraging and rewarding policies for information acquisition and information use do not exist. All employees are encouraged to play safe and turn deaf to market change or customer's requirement and expectation (Kono & Cleg, 1998). Information does not flow quickly and easily throughout the organization ( Kotter & Heskett,1992). Customers' voices are not heard by or distorted in the ears of the decision-makers. Decisions are made mainly on the basis of intuitive reasoning (Kotter & Heskett,1998). Risk-taking behaviours are discouraged and failures arising from risk-taking activities are not tolerated (Kotter & Heskett, 1992).

These descriptions are for the two extreme cases of organizational culture. In reality, rarely does a company carry on a purely adaptable or non-adaptable culture. Most companies stand somewhere between these two extremes.

**2.6.2 Organizational Culture's Impact Power under the Cross-Cultural Strategy of Integration or "Creators"**

When the strategy of integration or "creators" is adopted, some cultural changes need to be facilitated at both sides of the partnering companies in order to adapt to each other (Distefano & Maznevski, 2000; Nahavandi & Malekzadeh,1988). How to facilitate these cultural changes? Researchers (e.g., Adler, 1997; Gertsen & Soderberg, 1998; Nahavandi & Malekzadeh, 1993) suggest that organizational culture can be a viable factor to work on, as national culture remains stable for long and is resistant to change (Adler, 2002; Hall, 1976; Larson & Riseberg, 1998; Negandhi, 1983).

As mentioned in Section 2.2 of this chapter, organizational culture consists of two major dimensions, namely strength and adaptability. The strength of organizational culture can be associated with the acquiring company's adoption of cross-cultural integration strategy, but not necessarily associated with post-M&A company performance (Nahavandi & Malekzadeh, 1993b). On the other hand, most researchers share a consensus that the adaptability of organizational culture is positively correlated with company's performance (see for example, Dennison & Mishra, 1995; Kono & Cleg, 1998; Kotter & Heskett, 1992). For a newly-created company through M&A to make any cultural change, to increase the organizational adaptability can be a wise practice, because, firstly it may improve the post-M&A performance as has been widely proved; secondly, it may deduce to a certain extent the in-group and out-group feelings among the employees of partnering companies (Elsass & Veiga, 1994).

To increase corporate vitalizedness (adaptability) to the environment, according Kono and Cleg (1998), more corporate resources and preferential policies need to be directed toward information acquisition from the environment, information sharing among colleagues and departments, and information use in decision making and technological development. The encouraged initiative of employees' acquiring information, sharing information and using information may develop into employees' habitual behaviours

overtime and may finally be internalized into employees' shared values (Choo, 1998; Kono & Cleg, 1998).

While organizational adaptability is being enforced among employees in the newly-created company, as Nahavandi and Malekzadeh (1993b) and Kono and Cleg (1998) note, other cultural factors which are not consistent with adaptability can be suppressed or overshadowed, and their influence power upon employees' overt behaviours, including market information communication behaviours, can be restrained and limited. *(For culture's specific impacts upon market information communication behaviours, please refer to the preceding section).*

**Chapter Summary**

This chapter has reviewed all the related concepts and theoretical frameworks/models to be used as either as independent or a dependent variables in this study. Some of the concepts and frameworks/models are well established in numerous disciplines, such as Hall's (1976) high-/low- context cultures, Hofstede's (1980) power distance and uncertainty avoidance. Some are widely acknowledged and used in their own fields, such as Dennison's (1995) model of organizational culture and Berry's (1983) and Nahavandi and Malekzadeh's (1988) models of acculturation. Other concepts and frameworks, such as information needs, information acquisition, information use, and information sharing, are relatively new and less documented in the literature. However, common to all the concepts and frameworks, be they well established or newly appearing, are the areas surrounding the concepts are either under-investigated or un-explored. The next chapter will introduce and discuss the theoretical framework of this study.

**Chapter Three**

**Theoretical Framework and Hypotheses**

This chapter discusses the theoretical framework and hypotheses of the study. The independent and dependent variables of the framework are conceptualized, and the rationale relating these variables is discussed. Following these conceptualizations and discussions, 18 hypotheses are put forward.

**Section 3.1 Overall Theoretical Framework**

As discussed in Chapter One, this study has identified the two missing links between multiplied cultures and post-M&A performance from prior studies. These two links are: communication behaviour; decision-making quality or saleability of products/services (see Figure 1.1). Within these two links added, three pairs of interlocked relationship can be formulated. These are: diversified cultures versus communication behaviours; communication behaviours versus decision-making quality or salability of products, … decision-making quality, salability of products, … versus post-M&A company performance. Due to the limitations of time and resources, this study focuses only on the first pair of relationship, namely, diversified cultures and communication behaviours, leaving the latter two pairs of relationship for future research. To operationalise this pair of constructs, the current study selected three national cultural factors and two organizational cultural factors, to represent diversified cultures after international M&As, and includes information needs, information acquisition, information use and information sharing to represent communication behaviours. The three selected national cultural factors include: power distance, uncertainty avoidance, high and low context, and the two selected organizational cultural factors are: organizational adaptability and organizational strength. Taken together, these five cultural factors function as independent variables and the four communication behaviours serve as dependent variables.

After international M&As, the five independent variables (five cultural factors) are not found to influence upon communication behaviours in a vacuum, but, rather, under some cultural settings, which are created by the cross-cultural integration strategies. As discussed in Chapter Two, the adoption of cross-cultural integration strategy by the acquiring company is susceptible to the influence of its strategic leadership types and its organizational strength. Figure 3.1 displays these complex relationships more explicitly.
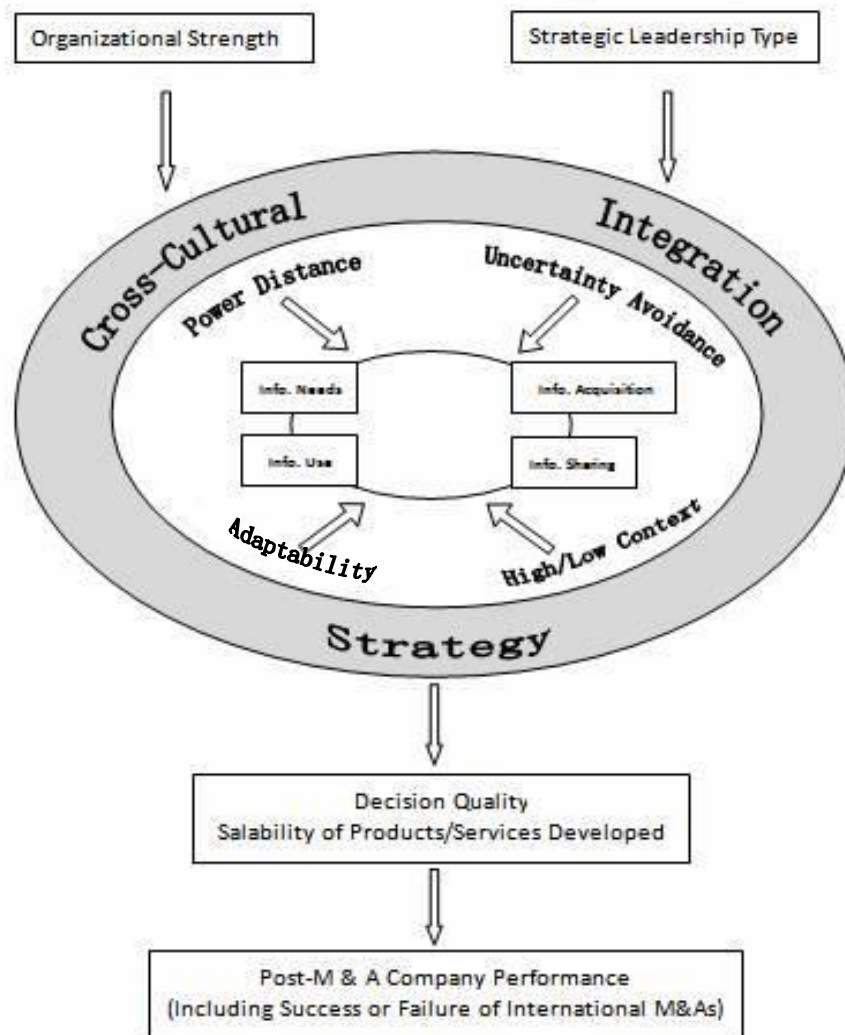


*Figure 3.1* Overall Theoretical Framework of this Study

As can be seen, this overall framework encompasses four pairs of interlocked relationships. These four pairs of relationships exist between: 1. Strategic leadership

type and organizational strength versus the cross- cultural integration strategy; 2. Uncertainty avoidance, power distance, high and low context and organizational adaptability versus information needs, information acquisition, information use and information sharing; 3. Information needs, information acquisition, information use and information sharing versus decision quality or salability of products/services developed; 4. Decision-making quality or salability of products/services developed versus post-M&A company performance (including successes or failures of international M&As). For the convenience of reference, these four pairs of relationships are included under four models, each of which covers one pair of relationship. Due to the limitations of time and resources, this study focuses on examining the relationships covered under Model I and II.

## Section 3.2 Model I:    Relationships between strategic leadership types, organizational strength and the adoption of a cross-cultural integration strategy

Nahavandi and Malekzadeh (1993b) argue that the strategic leadership type of the acquiring company plays a role when the acquiring company considers which acculturation mode to adopt. In 1998, they added organizational culture as another influencing factor in the acquiring company's choice of acculturation mode.

### 3.2.1 Strategic Leadership Type as an Independent Variable

According to Nahavandi and Malekzadeh (1993b, 1998), business leaders with different strategic leadership types, depending on their need for control and challenge seeking, will have preferences for how a merger is to be implemented. They further associate four strategic leadership types with four acculturation modes (integration, separation, assimilation and deculturation), which were initially developed by Berry in 1983 and then Nahavandi and Malekzadeh in 1988. Please refer to Figure 2.3 from Chapter Two (Literature Review) for a more explicit explanation of these relationships.

### 3.2.2 Organizational Strength as an Independent Variable

Another factor that needs to be taken into consideration in managing post-merger cultural differences, according to Nahavandi and Malekzadeh (1993, 1998 ), is the strength of the organizational culture of the acquiring company. "Strength" can be understood as one dimension of organizational culture in this context. But it can be ambiguous when standing alone and very inconvenient to refer to in many linguistic contexts. To solve these two issues, this study uses the term "organizational strength" instead of " the strength of organizational culture" in some, but not all, linguistic contexts. The adjective form of these two interchangeable terms "strong" and "weak" culture may also be used in certain linguistic contexts.

Organizational culture includes not only "organizational strength", but also "organizational adaptability". These are two inseparable dimensions of organizational culture. Neither of these two concepts exists in the literature, but they are synthesized from concepts covering similar domains and connotations in three different models of organizational culture. Table 3.1 presents their corresponding relationships.

"Organizational strength" is synthesized by this study from a mixture of concepts, namely, Dennison's (1990) "consistency", Kotter and Heskett's (1992) "strong culture", Kono and Clegg(1998) "thick culture", and Nahavandi and Malekzadeh's (1993, 1998) "the strength of organizational culture". Essentially, "organizational strength" refers to the consistency between values and behaviours and cross departments and subsidiaries. In a company with extremely strong organizational strength, its values are not only recognized and shared by all of its employees and subsidiaries, but also transplanted into their routine practices; in a company with weak in strength, the opposite occurs.

"Organizational adaptability" is adopted from Dennison's (1990) model of organizational culture, and is intended to cover Kotter and Heskett's (1992) "adaptive cultures" and "strategically appropriate cultures". It reflects an organization's attitudes,

as well as its members' attitudes toward the external environment. The most adaptable culture is the most market-driven (Lambin, 2000). All employees put customers first subconsciously. They care for customers' current needs and anticipate their future needs.

Table3.1 *Corresponding Dimensions among Four Studies of Organizational Culture*

|  | Dimension I | Dimension II |
|---|---|---|
| Kotter & Heskett (1992) | Adaptive Culture | Strong Culture |
|  | Unadaptive Culture | N/A |
| Dennison (1995) | Adaptability | Consistency |
|  | N/A | N/A |
| Kono & Cleg (1998) | Type I Culture (vitalized) | Thick Culture |
|  | Type VI-2 Culture (stagnant and follow-the-leader) | Thin Culture |
| Present Study | Adaptable/Organizational Adaptability | Strong/ Organizational Strength or the Strength of Organizational Culture |
|  | Non-Adaptable/ Organizational Non-Adaptability | Weak/Weak Organizational Strength |

All organizational departments and members are highly adaptable to market demands and change. The opposite is true for non-adaptable culture, which is indifferent to market change and characterized as risk averse and change panic.

The concept "adaptability" is not to be used in Model II as either the independent variable or the dependent variable, but is included for the convenience of

conceptualizing "organizational strength" and "organizational culture". "Adaptability" will be used as the independent variable in Model II and III.

As can be seen in Table 3.1, there is no agreement about the main component of an organizational culture (Fortsman, 1998). However, many a researchers (Dennison, 1990; Kono & Cleg, 1998; Kotter & Heskett, 1992; Peters & Waterman, 1982) share the consensus that adaptability and consistency are two in-negligible components of organizational culture, as they manifest an organization's attitudes and behaviours (including communication behaviour) towards the external environment. However, as discussed in Chapter Two, these two components are defined and stratified differently in each of the three authors' models of organizational culture (Dennison & Mishra,1995; Kono & Cleg, 1998; Kotter & Heskett,1992 ) and none of them applies perfectly to the study of communication behaviour under multiplied cultural contexts. Therefore, drawing on the concepts and rationale of the three previous prior studies on organizational culture, this study formulates its own model of organizational culture -- a communicative model of organizational culture, with two dimensions that are similar to, but also different from, consistency and adaptability. These two dimensions are organizational strength and organizational adaptability. They are both binary and extend along a continuum. At each end of the continuum stands one extreme point of the two dimensions: strength and adaptability (see Figure 3.2).

Strong

Adaptable ←——————————————————→ Non-Adaptable

Weak
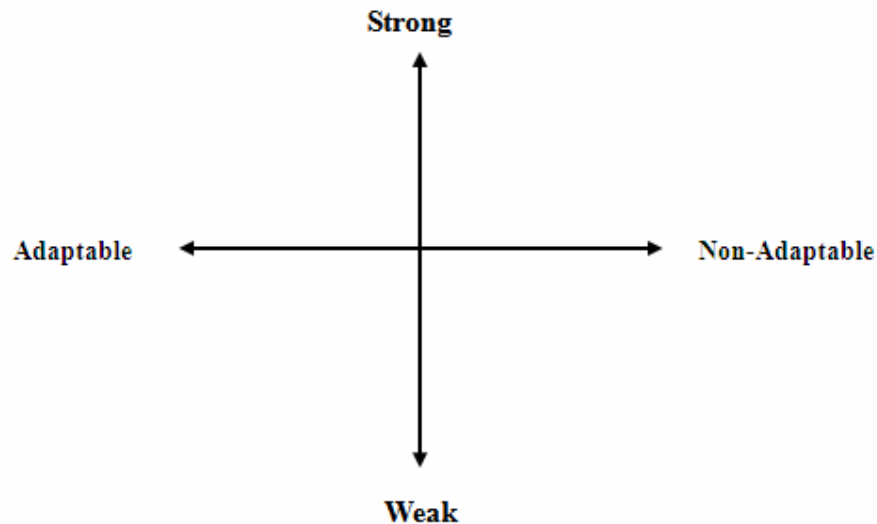
*Figure 3.2* A Two-Dimensional Model of Organizational Culture

## 3.2.3 Adopting the Cross-cultural Integration Strategy as the Dependent Variable

Prior studies have identified numerous models of cross-cultural integration strategy **t**o manage post-M&A cultural differences. The most notable ones are: Berry's (1983) model of acculturation, Nahavandi and Malekzadeh's (1988, 1998) acculturative model for the implementation of mergers and Distefano and Maznevski' s (2000) model of three cultural patterns.

As discussed in the literature review (Chapter Two), even though the classification system and terminologies in each model are different from each other, and yet they still converge along a binary continuum of centralization and decentralization. Drawing on Berry (1983), Nahavandi and Malekzadeh (1988, 1998) and Distefano and Maznevski (2000), this study formulates a binary model of cross-cultural integration strategy (see Figure 3.3). At one end of the continuum is "centralisation", and at the other end, "decentralisation".

Centralization                        Decentralization

Assimilation    Integration            Rejection/Separation    Deculturation

Equalizers      Creators                                Destroyers
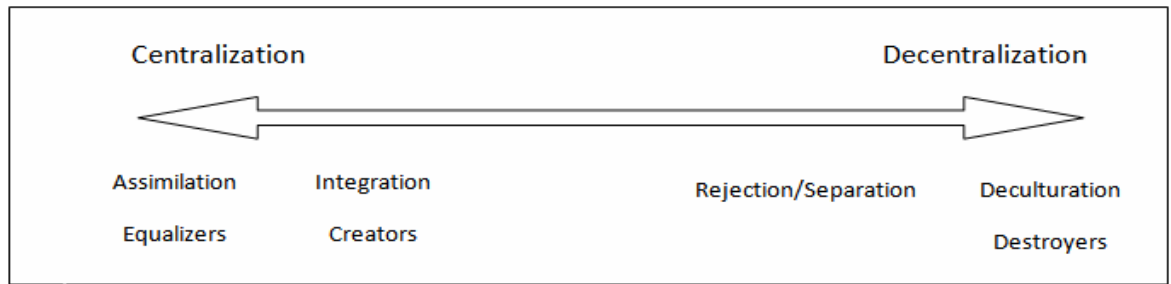
*Figure 3.3* A Binary Model of Post-M&A Cross-Cultural Integration Strategy

"Centralization" means culture change that is taking place shifts towards the direction of convergence, such as "assimilation" and "integration" in Berry's (1983) and Nahavandi and Malekzadeh's (1988) models, and "creators" and "equalizers" in Distefano and Maznevski' s (2000) model. "Decentralization" means that either cultural change does not occur, or, if it does, it shifts towards the direction of divergence, such as "rejection"/ "separation" and "deculturation" in Nahavandi and Malekzadeh's(1988) models, and "destroyers" Distefano and Maznevski' s (2000) model.

This binary classification of cross-cultural integration is not created as a new cross-cultural integration model, but, rather, it is intended to simplify the analysis of cross-cultural integration alternatives as cultural settings in terms of the degree of cultural change that is imposed upon one or both sides.

**3.2.4 Hypothesized Relationships**

Nahavandi and Malekzadeh (1988) suggest that strategic leadership type and organizational culture be taken into consideration in order for any cross-cultural integration to be effective. In 1993, Nahavandi and Malekzadeh identified four corresponding links between the four strategic leadership types and four modes of acculturation (see Figure 2.3 in Chapter Two). In this study, Nahavandi and Malekzadeh's (1993b) four acculturation modes and Distefano and Maznevski's (2000) model of three cultural patterns are integrated into a binary model of post-M&A

cross-cultural integration strategies (see Figure 3.3). The relationships between strategic leadership types and the adoption of cross-cultural integration strategy are hypothesized as follows (see Figure 3.4).

H1a. A decision-making body of Strategic Leadership Type I is more likely to adopt a cross-cultural integration strategy of centralization rather than decentralization.

H1b. A decision-making body of Strategic Leadership Type II is more likely to adopt a cross-cultural integration strategy of decentralization rather than centralization.

H1c. A decision-making body of Strategic Leadership Type III is more likely to adopt a cross-cultural integration strategy of centralization rather than decentralization.

H1d. A decision-making body of Strategic Leadership Type IV is more likely to adopt a cross-cultural integration strategy of decentralization rather than centralization.

In considering the choice of cross-cultural integration strategy, the strength of the acquiring company's organizational culture can be another viable factor to work on (Adler, 1997; Gertsen & Soderberg, 1998; Nahavandi & Malekzadeh, 1993).

According to Nahavandi and Malekzadeh (1993), if the acquiring company's organizational culture is multicultural (weak in organizational culture), it is "likely to consider diversity an asset and consequently allow the acquired firm to retain its own culture and practices"(p.68). On the other hand, if the acquirer is uni-cultural (strong in organizational culture), it is likely to emphasize conformity and "to impose its own culture and management system on its new acquisition"(p.68). Therefore, two hypotheses can be formulated as follows (see Figure 3.5 for a more explicit expression of these relationships).

H2a. The stronger the organizational culture of the acquiring company, the more likely

it is to adopt a cross-cultural integration strategy of centralization, rather than decentralization.

H2b. The weaker the strength of the organizational culture of the acquiring company, the more likely it is to adopt a cross-cultural integration strategy of decentralization, rather than centralization.

This section has elaborated upon the origins and basic rationales of independent and dependent variables that are included respectively in Model I of the theoretical framework. Organizational strength and strategic leadership type function as independent variables.

To test the relationships between these variables, six hypotheses have been formulated, as displayed in Figure 3.4. The next section will introduce variables that are included in Model II of the theoretical framework.
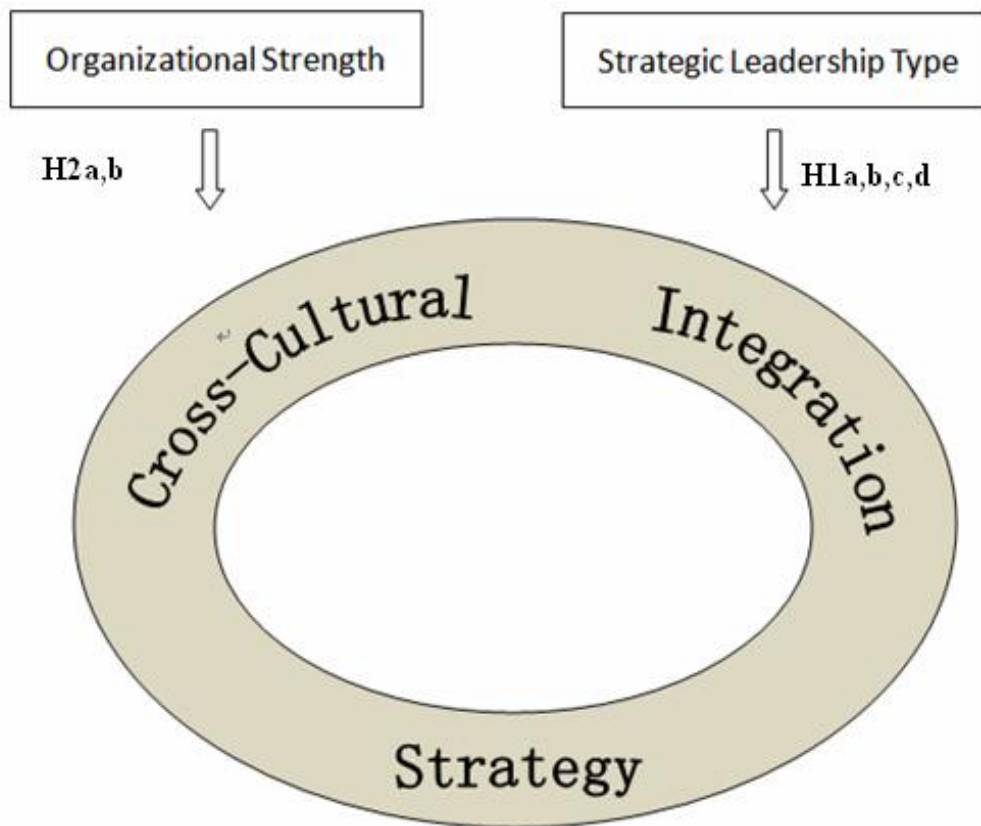
*Figure 3.4* Relationships between Strategic Leadership Type and Organizational Strength versus Cross-Cultural Integration Strategies

**Section 3.3 Model II: Relationships between four cultural factors and four communication behaviour**

Model II is designed to examine the relationships between three national cultural factors (power distance, uncertainty avoidance and high/low context) and one organizational cultural factor (organizational adaptability) with four communication behaviours, namely information needs, information acquisition, information use and information sharing. Two cross-cultural integration strategies, centralized and decentralized, do not produce impact upon communication behaviour by themselves. Rather, they create two different cultural settings, under which the respective impact of organizational culture and national culture upon communication behaviours can be different.

Model II consists of two parts. Part I examines the relationships between four cultural factors and four communication behaviours under a centralized cross-cultural integration strategy. Part II examines the relationships between four cultural factors and four communication behaviours under a decentralized cross-cultural integration strategy.

## 3.3.1 Part I of Model II: Relationships between four cultural factors and four communication behaviours under a centralized cross-cultural integration strategy

As discussed in the preceding section, organizational strength and strategic leadership types, among other factors, may play a part in shaping a centralized cross-cultural integration strategy, which may function as a cultural setting. Within this cultural setting, power distance, uncertainty avoidance, high/low context and organizational adaptability are designed to function as independent variables, and information needs, information acquisition, information use and information sharing will serve as dependent variables. To further implement the centralized cross-cultural integration strategy, organizational culture can be employed to moderate, or erase, the influence of national culture (Adler, 1997). Put another way, organizational adaptability can be enforced in order to moderate, or erase the influence of national culture (power distance, uncertainty avoidance and high-/low- context) upon communication behaviours under a centralized cross-cultural strategy. In Figure 3.5, the relationships between four cultural factors and four communication behaviours under a centralized cross-cultural integration strategy are displayed.

Among the eight variables covered under Figure 3.5., three cultural factors (power distance, uncertainty avoidance and organizational adaptability) have been elaborated in the preceding sections. The balance five variables (high-/low context and the four communication behaviours) are to be explained below.
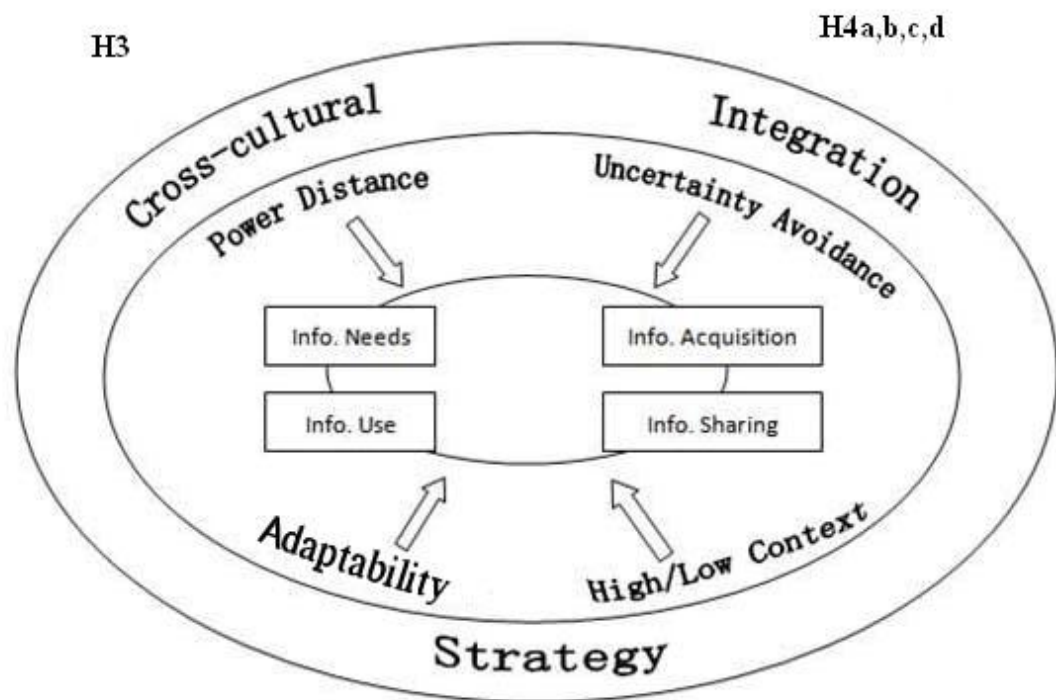
*Figure 3.5* Culture's Impact upon Communication Behaviours under a Centralized Cross-Cultural Integration Strategy

### 3.3.1.1 High- and Low- Context as an Independent Variable

The concept of high- and low- context comes directly from Hall's (1976) model of communication context. This model places emphasis on the "context". Most researchers (e.g., Goldman, 1994; Cushman & King, 1994) have used this model to analyse cultural differences in the directness (or explicitness) or indirectness (implicitness) of communication. The model has been shown to be insightful and reliable in these analyses.

Some researchers have tried to extend Hall's model to analyse cultural differences in other areas. For example, Ting-Toomey (1997) found that individuals with different communication contexts tended to approach conflicts differently, while Beamer and Varner (2003) argued that people with different communication contexts may have different preferences for different types of information. Mead (1994) maintains that

people's cultural experiences determine their understanding of the context of communication. In the decision-making process or the technological development process, individuals' high-context cultural backgrounds may rely on subjective information that exists within human hearts and minds, which can be intuitive; those with low-context cultural backgrounds may defer to objective information that is based on quantifiable units (Beamer & Varner, 2003).

### 3.3.1.2 Four Communication Behaviours as Dependent Variables

A typical human communication process consists of three essential elements: encoding, decoding and feedback. A market information communication process is a complicated organizational communication process and encompasses more behaviours than these three. In the existing literature, there is no ready-made model for such a process. It has had to be developed for this study. The development was initiated with considerations of the essential properties of such a communication process.

First, the content of communication refers to information from the external market. Second, the market information is not communicated in the organization without a purpose, but for decision-making, technological innovation, quality control and improvement, and the maintenance of customer relationships. This study is primary concerned with decision making and technological development. Third, in order for the market information to flow from the organizational boundary spanners (such as professional information workers, marketing and sales staff, and after-sale service staff) to the decision makers, it needs to be communicated across a number of functional departments, e.g., the business intelligence department, the marketing department, and the decision-makers. All these communication behaviours, at both the organizational and individual levels, constitute a market information communication process.

Due to differences in company strategies, organizational culture and company size, a market information communication process varies extensively across different

organizations in length, density and channels. But common to all organizations are these communication behaviours: information needs, information acquisition, information encoding, information decoding, information use, information sharing and information feedback. These communication behaviours are considered as essential components of a complete market information communication process in this study. It seems that a market information communication process consisting of all these behaviours does not exist in the currently literature.

Due to the limitation of time and resources, this research focuses on four of the communication behaviours, namely, information needs, information acquisition, information use and information sharing. The concepts of these four communication behaviours are adopted from Choo's work (1998) on managerial information behaviour. However, Choo (1998) does not give clear-cut definitions for these behaviours. Drawing on what Choo has written in his book, information needs, information acquisition, information use and information sharing are defined below.

**Information needs** refer to both psychological and practical needs for market information to tackle uncertainties and ambiguities in business. They are measured by three items on the five-point Likert scale in the questionnaire.

**Information acquisition** is driven by information needs. It is a behaviour used to identify and collect information from the market environment. It can be organizational behaviours, such as corporate systematic and regular information acquisition, or individual behaviours, such as regular information acquisition activities fulfilling the job responsibility or occasional information collections during off-the-job time. The information acquisition is measured by two items on the five-point Likert scale in the questionnaire (see Choo,1998 ).

**Information use** involves the selection of alternatives from various information sources in the decision-making process. What type of information is to be used is often one of

managers' major concerns in the decision making process. It is measured by three items on the five-point Likert scale in the questionnaire.

**Information sharing** refers to the process by which the organization disseminates and shares information from different sources. The best practice of information sharing, as a famous credo goes, is that "the right information goes to the right person in the right time, place and format" (Choo, 1998, p.42). It is measured by two items on the five-point Likert scale in the questionnaire.

### 3.3.1.3 Hypothesized Relationships

Among the four communication behaviours under study, only information sharing can be considered as a regular communication behaviour in its traditional sense, with a sender and a receiver of the information in the process. The other three other communication behaviours can be called either "proactive communication behaviours" (Tidwell & Sias, 2005), or "intentional" communication behaviours (Burgoon & Ruffner, 1978; Gudykunst, 1993; Miller, 1995). Being "proactive" and "intentional", these behaviours are closer to the decision-making process and technological development, which are designed to be a necessary link leading to post-merger business performance or success or failures in the theoretical framework of this study. As communication behaviours themselves, they are susceptible to cultural influences. This influence can be tested in the following hypotheses (see also Figure 3.6)

H3. Under a centralized cross-cultural integration strategy, organizational culture is more likely than national culture to play a dominant role in affecting communication behaviour.

H4 Under a centralized cross-cultural integration strategy, organizational culture is more likely than national culture to be the most salient factor in affecting the four communication behaviours individually.

H4a. Under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than national cultural factors to be the most salient factor in affecting information needs.

H4b. Under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than national cultural factors to be the more salient upon information acquisition

H4c Under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than national cultural factors to be the more salient factor in affecting the frequency of information use

H4d. Under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than any national cultural factors to be the more salient factor in affecting information sharing.

## 3.3.2 Part II of Model II: Relationships between four cultural factors and four communication behaviours under a decentralized integration strategy

With a decentralized strategy, such as separation, deculturation (Berry, 1983; Nahavandi & Malekzadeh, 1988), or "destroyers" (Distefano & Maznevski, 2000), independence of the partnering companies is emphasized, and the acquiring party's organizational culture is therefore not imposed upon the acquired party's culture. Employees are allowed the freedom to behave with their own cultural priorities. Consequently, in fulfilling the same communication task, for example, acquiring or using information, Chinese and foreign employees' may display different priorities and preferences.

These priorities and preferences are the results of the simultaneous influence of employees' original cultural traits (e.g., power distance, uncertainty avoidance and

high-/low- context) and organizational cultural traits (e.g., adaptability). Figure 3.6
describes the simultaneous impact upon four communication behaviours by three
national cultural factors and one organizational cultural factor.
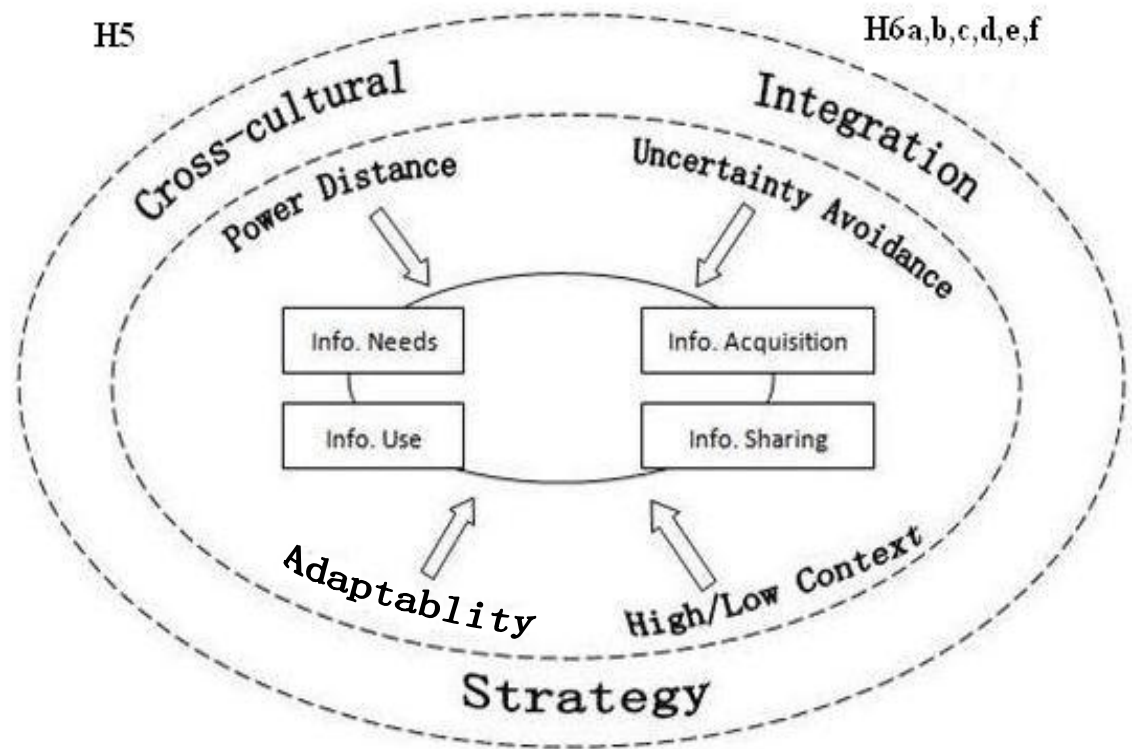


*Figure 3.6* Cultures' Impact upon Communication Behaviours under a Decentralized
Cross-Cultural Integration Strategy

In reference to prior studies in the literature review, the current study formulates
following hypotheses to address four cultural factors' impact upon four communication
behaviours under a decentralized cross-cultural integration strategy.

H5. Under a decentralized cross-cultural integration strategy, national culture is more
likely than organizational culture to play a dominant role in affecting communication
behaviour.

H6. Under a decentralized cross-cultural integration strategy, national culture is more

likely than organizational culture to be the more salient factor in affecting each of the four communication behaviour.

H6a. Under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the more salient factor upon his/her information needs**.

H6b. Under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than organizational culture to be the most salient factor upon his/her initiative of information acquisition

H6c. Under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the more salient factor upon his/her willingness of information sharing.

H6d. Under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the most salient factor upon his/her frequency of information use.

H6e. Under a decentralized cross-cultural integration strategy, the size of an individual's power distance is positively related to his/her tendency of using internal information in decision-making or technological development.

H6f. Under a decentralized cross-cultural integration strategy, the height of an individual's cultural context is positively related to his/her use of qualitative information in decision- making or technological development.

**Chapter Summary**

This chapter has elaborated on the rationale of the theoretical framework as a whole as

well as its two constituent models. Meanwhile, five independent variables and five dependent variables included in the two models were also introduced. To test the relationship between these variables, 18 hypotheses have been formulated. In the next chapter, the research methods of this study will be discussed.

## Chapter Four

## Research Methods

This chapter covers the research methods employed for this study, including the questionnaire design, administration of the survey, demographical information of the respondents, and interviews conducted.

### Section 4.1 Questionnaire Design

To measure the five independent variables and five dependent variables in the 18 hypotheses, a questionnaire was drafted first in English and then translated into Chinese and then was translated back from Chinese into English. The translation was accomplished jointly by a team consisting of five bilingual (Chinese and English) Chinese, one bilingual (French and English) Frenchman and one American. During the translation process, a common difficulty met was the understanding of all the variables in academic terminology, such as power distance and high-/low- context.

After my explanation of the survey items, every translation team members understood the terms appropriately. However, the translators still worried whether the respondents would be able to understand the questions and suggested that no academic terms appear in the questionnaire items or their constituents. This suggestion was adopted. All academic terms appear only in the subheadings, where the respondents do not need to refer in completing the questionnaire items.

To make the questionnaire more utilisable, I invited a team of three academic researchers and four business professionals to discuss the issues of its validity in regard to the aim of this investigation and its comprehensibility to non-academic respondents. Some revisions were made immediately after the discussion. This revised version consisting of 55 items was then delivered, as a pilot study, to 20 persons working at SBK headquarter, SBS and SLS, of whom three were foreign expatriates and seventeen

were Chinese local employees. Sixteen of the 20 questionnaires were completed. The result revealed that the questionnaire items had been well-understood. However, some of the pilot members responded that the questionnaire was too long and too time-consuming (taking 35- 40 minutes to complete). The administrator suggested that the number of items be limited to 45. Subsequently, the number of the questionnaire items was deduced to 45 and arranged under five sections. To maximize the utility of this field investigation, 15 of the 45 items will be used for further studies, and 30 are used directly in this study.

### 4.1.1 Measurement of Three National Cultural Factors

Section I consists of 7 items which are intended to measure three national cultural values: power distance, uncertainty avoidance and high/low context. Of the 7 items, Items 1-5 were developed from Hofstede's (1980) Value Survey Module (VSM); Items 6-7 were created from scratch, with reference to Hall (1976). These items are presented as follows:

**Type 1 manager** refers to a manager who usually makes decisions promptly and communicates the decisions to the subordinates clearly. Type 1 manager expects the subordinates to carry out the decisions loyally and without raising difficulties. (**decide à communicate à expect loyal execution** )

**Type 2 manager** refers to a manager who usually makes decisions promptly, but, before going ahead, tries to explain the decisions fully to his/her subordinates. Type 2 manager also gives reasons for the decisions and answers whatever questions the subordinates may have. (**decideà explainà execute** )

**Type 3 manager** refers to a manager who usually consults with subordinates before reaching the decisions. The manager also listens to subordinates' advice, considers it, and announces the decisions. Type 3 manager then expects all the subordinates

implement the decisions loyally despite whether or not their advices have been taken into the decisions. **(consult, but not necessarily take in advice à announce decisions à expect loyal execution)**

**Type 4 manager** refers to a manager who usually calls a meeting and includes subordinates when there is an important decision to be made. The Manager 4 puts the problem before the group, invites discussions, and accepts the majority viewpoint as the decision. **(Invite discussion à take the majority viewpoint as decision)**

Q1. For the above types of managers, please mark the one which you would prefer to work under *(note: no type is better or worse than others; any type is applicable to a certain environment or context).*

 *(Please colour your choice in RED)*

 1) Type 1 manager;     2) Type 2 manager;

 3) Type 3 manager;     4) Type 4 manager;

 5) Other Type (*please specify:*      )

*(For similar multiple choices below, please mark the same way)*

Q2. To which one of the above four types of managers would you say you belong?

 1)   Type 1 manager;   2)   Type 2 manager ;

 3)   Type 3 manager;   4)   Type 4 manager ;

 5)   None of above (*please specify:*   )

Q3. I feel nervous about uncertain situations in the future.

 Agree 1    2    3    4    5 Disagree

Q4. A company's rules should not be broken, even if they are not very appropriate

 Agree 1    2    3    4    5 Disagree

Q5: It is better to live with a bad situation that I know about than it is to switch to an

uncertain situation which I don't know about.

Agree 1    2    3    4    5 Disagree


Q6.Under normal situations, expressing one's point of view implicitly and indirectly, and letting others puzzle out what is meant indicates one's social maturity.

Agree 1    2    3    4    5 Disagree


Q7. One of the prerequisites for effective communication is to guess beyond the words.

Agree 1    2    3    4    5 Disagree


Items 1-2 are intended to measure power distance, item 3-5 to measure uncertainty avoidance, and items 6-7 to measure high/low context. To assess the internal consistency among the items for each construct, Cronbach alphas were conducted. The results showed that the alphas were all >.70, which means good internal consistency among the items. More specifically, for power distance, the alpha is .732; for uncertainty avoidance, the alpha is .848; and for high/low context, the alpha is .701.


This section has reported the constituent items of the three national cultural constructs: power distance, uncertainty avoidance and high/low context. The internal consistency coefficients among these constituent items were proven to be reliable. The variance of the national cultural factors will be measured in terms of these items.

### 4.1.2 Measurement of Two Organizational Cultural Factors

Section II of the questionnaire measures two dimensions of organizational culture: organizational adaptability and organizational strength. The six items for the two dimensions of organizational culture were from different sources. Drawing on the works of Dennison and Mishra (1995) and Lambin (2000), this study developed three items to measure organizational adaptability before the merger or acquisition as below:

Q8. Before the merger, my company systematically and regularly examined current and emerging needs of our customers;

Agree 1     2     3     4     5 Disagree

Q9. Before the merger, my company systematically and regularly examined the factors influencing the purchasing behaviours of our customers.

Agree 1     2     3     4     5 Disagree

Q10. Before the merger, my company systematically and regularly measured the level of our customers' satisfaction/dissatisfaction;

Agree 1     2     3     4     5 Disagree

A Cronbach alpha test was computed for Questions 8, 9 and 10. The results showed that the alpha was .822, and thus the internal consistency among the three items for organizational adaptability was highly reliable.

Questions 11, 12 and 13 as below measure organizational strength. They were created in reference to Dennison's (1995) model of organizational culture and are as follows.

Q11. Before the merger, there was a clear and consistent set of values that governed my company's employees' operation of business.

Agree 1     2     3     4     5 Disagree

Q12. Before the merger, it was easy to coordinate projects across different parts of my company.

Agree 1     2     3     4     5 Disagree

Q13. Before the merger, working with someone from another part of my company was like working with someone from a different company.

Agree 1     2     3     4     5 Disagree

To assess whether Q11, Q12 and Q13 consistently measured organizational strength, a Cronbach alpha test was performed, and the coefficient was found to be .653. Though it is below .70, it is still reliable, as "it is common to see journal articles where one or more scales have somewhat lower alphas (e.g., in the .60--.69 range)" (Leech, 2005, p.67).

In this section, the constituent items for the two constructs, organizational adaptability and organizational strength, have been elaborated upon. The internal consistencies among them were accessed and proved to be reliable. These constituent items will be used to measure the variance of organizational cultures of the two companies under study.

## 4.1.3 Measurement of Strategic Leadership Type and Cross-cultural Integration Strategies

Section III of the questionnaire examines how respondents classify the strategic leadership types of the top leaders of their respective companies. They also classify what cross-cultural integration strategies have been adopted in the two companies according to the respondents' knowledge. The concept of strategic leadership type, as mentioned in the previous chapter, comes directly from Nahavandi and Malekzade (1993a; 1993b; 1993c), and can be too technical for respondents to understand easily. However, the description of each specific type is clear, according to the focus group members. Respondents' answers were discovered in the multiple choice questions on the strategic leadership types.

Cross-cultural integration strategy and the phrases "to let go free" and "tight control" were clear, as agreed upon by the focus group members. The three items mentioned above are presented as follows:

Q14. In management literature, the strategic leadership of a company is classified into the following four types *(Note: there is no better or worse type than others)*:

Type I: Seek challenges and opportunities for expansion, and cherish strong desire to control over the company;

Type II:   Seek challenges and be willing to empower subordinates;

Type III: Play safe and hold a tight control over the company;

Type IV: Play safe and be willing to empower subordinates.

I am currently working for：SLS; or SBS; or another organization *(please specify:      ).*

Its top leadership *(the most powerful leaders)* belong to *(please tick only one choice in the brackets):*

Type I     (     )

Type II    (     )

Type III   (     )

Type IV    (     )


Q15. The newly-merged company has adopted a decentralized (*let go free*) strategy in handling cultural differences.

Yes (     )          No (     )


Q16. The newly-merged company has adopted a centralized (*tight control*) strategy in handling cultural differences.

Yes (     )          No (     )


Q17. As far as I know, the management style in the new company remained unchanged after this merger.

Yes (     )          No (     )


Q15 and Q16 are assumed to measure the same thing. To double check this assumption, an internal consistency test was conducted between them and the Cronbach alpha was found to be 1, indicating that the two items overlap exactly. Therefore, a response to either one of the two items is sufficient to represent the discrete variance of this

construct. However, the two items were placed in the questionnaire so as to exclude other alternatives than these two types of integration strategies in the mind of the reader. Q17 offers supplementary information about the management styles of the two newly-created companies after the M&A. Before the M&A, the management style of SLS was decentralized, whereas that of SBS was centralized.

This section has briefly discussed the variance of the strategic leadership types of the two companies' top leaders and the post-merger cross-cultural integration strategies adopted in the two companies. The scales of variance for these two constructs are both discrete. But one of the scales (for strategic leadership type) is multiple and the other (for cross-cultural integration strategy) is binary.

### 4.1.4 Measurement of the Four Communication Behaviours

Section IV deals with the measurement of the four communication behaviours, namely, information needs, information acquisition, information use and information sharing. These four constructs originated from Choo's (1998) study, where they were not further deconstructed into components. To measure their variances under a multiplied cultural context, this study deconstructed each of them into 2-3 items, so that they can be more measurable and also more easily comprehensible to the respondents. Information needs are covered by Q18, Q19and Q20. Information acquisition consists of Q21 and Q22. Information use is made up by Q23, Q24 and Q25. Information sharing is composed of Q26 and Q27. These items are listed as below:

Q18. If market information does not come as usual, I would feel uneasy.

   Agree 1      2      3      4      5 Disagree

Q19. I need to understand the market first before making any decisions or conducting
   a R&D project.

   Agree 1      2      3      4      5 Disagree

Q20. Without market information, I feel like driving in a heavy fog in decision-making/technological development.

   Agree 1     2     3     4     5 Disagree

Q21. In a company, everyone should have the responsibility of collecting market information for the company, whatever post they hold and whatever job they do.

   Agree 1     2     3     4     5 Disagree

Q22.Acquiring market information is the duty of the marketing staff and the market research/intelligence departments and has nothing to do with other people in the company.

   Agree 1     2     3     4     5 Disagree

Q23. Please tick an information use frequency that fits your case:

I (always 1     2     3     4     5 never) refer to customer needs and wants in market decision-making/developing new products.

Q24. I prefer using market information in decision-making from internal sources, such as management team members or subordinates, because it is more reliable than information from external sources.

   Agree 1     2     3     4     5 Disagree

Q25. I resort to qualitative information more often than quantitative data in decision making or technological development.

   Agree 1     2     3     4     5 Disagree

Q26.The staff in non-marketing, non-market research and non-market intelligence sectors, if attaining some market information on consumers, competitors, technological advancement, and so forth, should (*please mark only one choice*):

1) Keep it to themselves;

2) Transmit it to their co-workers who are in need, whether or not they were their acquaintances before;

3) Transmit it to their co-workers, whether or not they belonged to the French companies or Chinese SBK Group in the past;

4) Transmit it to their co-workers, whether they are French, Chinese, Japanese or other nationals;

5) Transmit it to their personal friends, whether or not they belong to SLS, SBS or other SBK member companies.

Q27. Staff of marketing, market research and market intelligence sectors, if attaining some market information on consumers, competitors, technological advancement, and so forth during off-the-job period of time, should (please mark only one choice):

1) Keep it to themselves;

2) Transmit it to their co-workers who are in need, whether or not they were his/her acquaintances before;

3) Transmit it to their co-workers, whether or not they belonged to the French companies or Chinese SBK Group in the past;

4) Transmit it to their co-workers, whether they are French, Chinese, Japanese or other nationals;

5) Transmit it to their personal friends, whether or not they belong to SLS, SBS or other SBK member companies.

Internal consistency tests revealed that the Cronbach alphas for information needs and information sharing questions were .713 and .843 respectively, and were thus both reliable. The Cronbach alpha for information acquisition is .681, below .70, but still acceptable (Leech, 2005).

Information use questions were a special case. When the three items (Q23, Q24, Q25) were computed for a Cronbach reliability test, their alpha was very low (.009), as each

question measured one of three aspects of information and was used individually rather than jointly. Q23 measured the frequency of information use. Q24 and Q25 measured different types of information used in decision-making or technological development. However, as discussed in the literature review, these three aspects may be found to correlate individually not only with organizational adaptability, but also with the three dimensions of national culture. As such, the three items were all retained in the questionnaire.

This section has elaborated on the constituent items for the four communication behaviours. Internal consistency tests showed that the Cronbach alphas for three of the four communication behaviours were above or close to .70, and thus the constructs constituted by them are reliable. The alpha for the three items for information use was low (.009), and thus can not be used as one construct concurrently. Therefore these three items will be used individually to measure three different dimensions of information use.

**Section 4.2 Administration of the Survey**

Access to study subjects is a common problem in the study of cultural issues of multinational companies (Teboul, Chen & Fritz, 1994). Access to newly-created multinationals through mergers and acquisitions can be more difficult because of its size and sensitivity. The access problem also occurred with this study.

The organization for this study is the SBK Group, which made two consecutive M&A deals with two French firms during 2003 and 2004. Soon after the deals were announced, the media, academia and business insiders questioned whether or not SBK would be capable of managing a global firm which was created out of three enterprises with different cultural backgrounds. The doubts increased alongside with SBK's worsening business performance and frequent leadership turnovers. For a time, SBK leadership was highly frustrated by the negative media coverage of their company. All

other staff was very sensitive to any enquiry about the mergers from outside the company. An in-depth field survey on post-M&A issues at their company was even more difficult to obtain during this sensitive period. However, I was provided an opportunity to conduct a field investigation after persistent efforts.

The survey began with SBK Group's on-going campaign for reengineering its organizational culture. As an external researcher, I participated in some of their campaign activities. Before long, I won the trust of the management and was permitted to conduct a survey at the SBK Group.

As agreed upon between the SBK management and me, I developed the selection criteria for the respondents and SBK staff, and then delivered and collected the questionnaires. The target respondents in the SBK Group included:

1) Chinese staff that has been associated with foreign nationals on their job duties;

2) Foreign staff who were working for SBK in the greater China areas;

3) Employees who are likely to make departmental or corporate decisions in their jobs, such as department managers and general managers;

4) Employees who need and use market information even if they don't hold administrative titles, such as R&D staff;

5) Employees who are close to the source of market information and are in a position to acquire and share market information; and

6) Employees who are most likely to be involved in the reengineering of organizational culture.

Based on these selection criteria, some SBK staff delivered the questionnaires to target respondents through SBK's internal management system in mid- September, 2006. Two weeks later, completed questionnaires began to be returned in batches. Each batch contained 5-50 questionnaires. By the mid-November, 2006, 436 questionnaires were completed and collected.

## Section 4.3 Calculation of the Survey Data

After the 436 questionnaires were collected, a data screening process was conducted, excluding some undesired questionnaires *(to be reported).* Valid questionnaires were then put into calculation with SPSS. In association with the measurability of the independent and dependent variables, different statistical techniques were employed, including Logistic Regression, Multiple Analysis of Anova ( MANOVA), and Bi-Variate Correlation.

## Section 4.4 Personal Interviews

Interviews were considered while developing the questionnaire, but not designed and organized until after a preliminary review of the completed questionnaires in the mid-October, 2006. All interviews were follow-up meetings after the questionnaires were completed by the respondents and were conducted either face-to-face or via long distance phone calls. I chose to conduct the interviews after the questionnaires were collected and reviewed for two reasons.

Firstly, after reviewing the completed questionnaires, I had a clearer overall under-standing as to what information or evidence was needed to be added. Out of the 386 valid completed questionnaires, 61 respondents offered additional remarks surrounding or beyond the original questionnaire items. Some of these remarks were very insightful, and some needed further clarification.

Secondly, the questionnaire had already opened a communication channel between the researcher and the respondents. This familiarity with the research made the interviews much easier to obtain. Forty invitations for interviews were requested, either through emails or telephone calls, and 37 favourable responses came back (response rate at 92.5%). All the interviewees were responsive and cooperative during the interviews.

All interviewees declined the researcher's proposal to tape-record the interviews or to

take photos. Some explained that this was required by the company; some said this was a way to protect themselves at this sensitive period (personnel changes were happening or were anticipated; the two newly-created companies were still losing money, and so on); others simply requested "no tape-recording" as a prerequisite for an interview. Instead, most interviewees allowed me to take spontaneous notes, while some of them refused. Note-taking was therefore the major form of data collection during the interviews.

Among the interviewees, 22 were Chinese mainland staff, 6 were from France, 3 from Hong Kong, and 2 from Russia. Except for the Russians who were interviewed through telephone calls, all other interviews were conducted face to face in Guangdong Province, where SBK Group was headquartered. The information collected through these interviews formed supplementary evidence for the quantitative results of Chapters Five and Six.

### Section4.4 Participative Observation

Since the announcement of the mergers and acquisitions between SBK Group and its two French partners in early 2004, the researcher had cherished an aim to study the post-M&A diversified cultures' impact upon communication and other management aspects at SBK Group and its subsidiary members, and has therefore watched closely all events related to SBK Group carried in media coverage and on its website. To date, a considerable amount of written materials has been accumulated. In addition, as an unofficial observer to the reengineering campaign of the organizational culture in the summer of 2006, I observed various activities, training programs and seminars of the campaign, and was given some of the materials circulated on these occasions. Some of these materials reflected SBK's organizational culture and its organizational communication behaviours, such as information sharing and information use. Thus the written materials will be used as additional evidence to support quantitative analysis of the survey data.

Meanwhile, during the observations, remarks and comments made by SBK management and staff that are related to the organizational cultures of their companies have been noted down and kept in files afterwards. These notes and files may add a holistic feel to the individual quantitative findings of the study, when these two approaches are considered together.

**Chapter Summary**

This chapter has reported upon the research methods to be adopted in this study. These methods include questionnaire, interviews, and participative observation. As this study is substantially based on a quantitative analysis, a larger space was given to the development and administration of the questionnaire. The next chapter will report the results of data analysis and their interpretations.

**Chapter Five**

**Results and Interpretations**

This chapter consists of two parts. The first part covers Section 5.1–5.6, reporting questionnaire response rate, demographics of respondents, and mean scores of five independent variables and six dependent variables involved in the 18 hypotheses. The six independent variables are three national cultural factors: power distance, uncertainty avoidance and high/low context, two organizational cultural factors, namely organizational strength and organizational adaptability, and one strategic leadership type. The six dependent variables include one strategic leadership type, two cross-cultural integration strategies and four communication behaviour types, namely, information needs, information acquisition, information use and information sharing. To prepare for hypothesis tests that follow, the mean scores of these variables are compared between the four cultural groups under study.

In the second part (Section 5.7-5.10), results of 18 hypothesis tests by means of various statistical techniques are reported. Together with these results are some qualitative interpretations intended to supplement these quantitative results.

**Section 5.1 Survey Response Rate**

With the permission of the SBK Group, a total of 800 questionnaires were distributed to target respondents through its internal management system and 436 were completed. The response rate is 54.5%. After careful study and comparison, 386 were retained as valid. The valid rate is 88.53%. The completed questionnaires that were abandoned include: 1) those in which completed items accounted for less than 30% of the total; 2) those completed by respondents from sectors other than the SBK Group headquarters, SLS or SBS; 3) those not seriously completed, for example, marking "1" or "5" on the Likert scale for all questionnaire items.

**Section 5.2 Demographics of Survey Subjects**

This section reports the demographic results of the survey. These results were based on respondents' answers to Section V (personal particulars) of the questionnaire.

**5.2.1 Nationalities of Respondents**

This study examines the relationship between cultural factors and their impact upon the adoption of integration strategies and communication behaviour by the acquiring company under two cross-cultural integration strategies. The two newly-created companies, SLS and SBS, under study are both based on the China mainland. Therefore, among all questionnaire respondents, mainland Chinese account for 67.6% of the total 386, while foreign staff account for 32.4% (Table 5.1).

Table 5.1 *Survey Respondents by Cultural Group*

| | Chinese Mainland | French | Russian | Hong Kong | Total |
|---|---|---|---|---|---|
| Total Number of Valid Responses | 261 | 56 | 34 | 35 | 386 |
| Percentage of All Valid Responses | 67.62% | 14.5% | 8.8% | 9% | 100% |

**5.2.2 Respondents by Companies**

As this study focuses on the two M&A cases under the SBK Group, completed questionnaires from the SBK headquarters and the two related companies, SBS and SLS, were included in the analysis. Those from outside these three sectors were excluded. Among the 386 valid questionnaires, 140 were from SBS, 196 from SLS and 50 from SBK headquarters (Table 5.2).

Table 5.2 *Companies the Respondents Work for*

| Sector | Number of Respondents | Percentage by All Respondents |
|---|---|---|
| SBK Headquarters | 50 | 13% |
| SBS | 140 | 36.3% |
| SLS | 196 | 50.8% |
| Total | 386 | 100% |

**5.2.3 Respondents' Job Responsibilities**

Among the 386 valid questionnaires, 17 did not complete the item asking "your job responsibility," leaving 369 valid responses. Among the 369 respondents, 107 were from the marketing sector, 119 from R&D, 19 from human resources, 15 from financing, and 109 from other sectors (see Table 5.3).

Table 5.3 *Job Responsibilities of Survey Respondents*

| Job Responsibilities | Marketing | R &D | Human Resources | Financing | Other Sectors | Total |
|---|---|---|---|---|---|---|
| Number of Respondents | 107 | 119 | 19 | 15 | 109 | 369 |
| Percentage of Valid Responses | 29% | 32.25% | 5% | 4% | 29.54% | 100% |

**5.2.4 Respondents' Working Years at SBK**

The respondents' length of employment at SBK ranged from less than half a year to over 8 years, with the majority (69.4%) working there for over two and a half years (Table 5.4).

Table 5.4 *Working Years of Survey Respondents at SBK*

|  | Less than half a year | Half a year to 2.5 years | 2.5 years to 5 years | 5 to 8 years | Over 8 years | Total |
|---|---|---|---|---|---|---|
| Number of Valid Responses | 52 | 57 | 142 | 77 | 28 | 356 |
| Percentage by Valid Response | 14.6% | 16% | 39.9% | 21.6% | 7.9% | 100% |

Two and a half years is a demarcation between those who did or did not experience the implementation of post-M&A cross-cultural integration strategies. In August and September of 2004, roughly two and a half years before this survey was conducted, the two newly-created multinationals, SLS and SBS, began their operations. Employees who entered these two companies before the mergers were in a position to discuss whether or not there was any change in the management style; those who entered the two companies after the mergers would have a fresh feel for the organizational culture of the new work place. Therefore, both groups of respondent are in a position to contribute their understanding of the items in the questionnaire.

**5.2.5 Contact Frequency between Chinese Mainland Respondents and Foreign Respondents**

Analysis of the data revealed that 72% (N=278) of mainland Chinese respondents have frequent contacts (including daily and weekly contacts) with overseas staff (including Hong Kong), 14.5% (N= 56) have occasional contacts, and 13.5% (N=52) have rare contacts (Table 5.5).

Table 5.5 *Contact Frequency between Mainland Chinese Respondents and Overseas Staff*

|  | Daily | Weekly | Monthly | Once a Season | Rarely |
|---|---|---|---|---|---|
| Number of Respondents | 185 | 93 | 42 | 14 | 52 |
| Percentage by Total Responses | 47.9% | 24.1% | 10.9% | 3.6% | 13.5% |
| Broad Category | Frequent 72% | | Occasional 14.5% | | Rare 13.5% |

**Section 5.3 National Culture: Power Distance, Uncertainty Avoidance, and High/Low Context**

Four cultural groups are under scrutiny in this study: Mainland Chinese, French, Russian and Hong Kongers. When statistical techniques were performed in SPSS with the survey data collected from the research, the four groups displayed distinct cultural orientations on three dimensions, namely, power distance, uncertainty avoidance, and high/low context. Some of the results differed from studies, while others confirm findings already determined in the literature.

**5.3.1 Power Distance**

Power distance is essentially concerned with the degree of desirability of unequal relationships among people in a society.The results of the survey data show that Mainland Chinese respondents have the largest power distance (mean score = 2.73), whereas Hong Kong respondents have the smallest (mean score = 3.61), even though Mainland Chinese and Hong Kong respondents are traditionally considered to have the same cultural heritage. Russian and French respondents rank second (mean score = 3.00) and third (mean score = 3.18), respectively, on the power distance continuum. Table 5.6 places the power distance for the four cultural groups in a ranking sequence.

Table 5.6 *A Comparison of Power Distance among Mainland Chinese, French, Russian, and Hong Kong Respondents*

|  | Mainland Chinese Respondents (N=251) | Russian Respondents (N=33) | French Respondents (N=56) | Hong Kong Respondents (N=35) |
|---|---|---|---|---|
| Power Distance Index | 2.73 | 3.00 | 3.18 | 3.61 |

*Note.* The lower the index, the larger the power distance; the higher the index, the smaller the power distance. The overall mean score was 2.83 (N=375).

The result of this study is different from both the results of the Hofstede (1980) and Fernandez et al. (1997) studies. Hofstede (1980) suggest that people in France and Hong Kong share the same mean score (mean score = 68) on power distance. This study found that the power distance for the French respondents was much larger (mean score = 3.18) than that of the Hong Kong respondents (mean score = 3.61).

Mainland China and Russia were not included in the Hofstede (1980) study. Fernandez et al. conducted a follow-up investigation on cultural shifts in 1997 and added these two countries. Their findings suggested that the Russians had a slightly larger power distance (mean score = 16.38) than did the Mainland Chinese (mean score = 14.5). However, the result of this study indicates just the opposite--the Russian power distance was smaller (mean score = 3.00) than the Mainland Chinese score (mean score = 2.73). To clarify the differences between the results of this study and those of Hofstede (1980) and Fernandez et al. (1997), Table 5.7 places the differences in a visible comparison.

China mainlanders and Russians ranked high on power distance in both the Fernandez et al. study (1997) and this study. The underlying reason for this ranking is, according to Fernandez et. al. (1997) that China and Russia have both experienced Communism for more or less half a century. "The premise of communism is equal status for all, the reality of life in these countries is probably a very real separation between those at the top and everyone else" (Fernandez et. al., 1997, p. 13).

For China, as well as for many other Asian countries, there is another profound contributor to the shaping of their large power distance ranking-Confucianism. The stability of a society, according to Confucianism, relies largely on the inequality of the social hierarchy between the lord and his subjects (Cheng, 2003; Ding, 2006; Zhou, 2006). As a mainstream thought of most dynasties in China's long history, this ideology is deeply rooted in Chinese mindsets and has had influences their behaviour for over two thousand years.

Table 5.7 *A Comparison of Power Distance of Four Cultural Groups in Three Studies*

| | Chinese Staff (N=251) | Russian Staff (N=33) | French Staff (N=56) | Hong Kong Staff (N=35) |
|---|---|---|---|---|
| Power Distance in ranking sequence as suggested by this study | 2.73 (-4% lower than average mean of 2.83) | 3.00 (6% higher than average mean of 2.83) | 3.18 (11.2% higher than average mean of 2.83) | 3.61 (28% higher than average mean of 2.83) |
| Power Distance in ranking sequence as suggested by studies | 14.5 (14% higher than average mean of 12.72, Fernandez et al., 1997) | 16.38 (29% higher than average mean of 12.72, Fernandez et al., 1997) | 68 (21% higher than average mean of 59.22, Hofstede, 1980) | 68 (21% higher than average mean of 59.22, Hofstede, 1980) |

*Note:*

1) In this study: higher index = smaller power distance; in the Hofstede study (1980) and the Fernandez et. al. (1997) study: higher index = larger power distance.
2) Average means are included to indicate the positions of the four cultural groups in three different measuring systems in terms of power distance. The average mean of 2.83 from this study was the result of statistical calculations with all respondents included. The indexes of 12.72 and 59.22 were results of the Hofstede (1980) and Fernandez et. al. (1997) statistical calculations, respectively.

In the Hofstede (1980) study, Hong Kong was considered to be a large power distance region as its index was 68, or 15% higher than the average mean of 59.22. In this study, however, Hong Kong is considered a small power distance region, as its index is 3.61, or 28% lower than the average mean of 2.83. Hong Kong's small power distance can be due to a cultural shift in Hong Kong during its colonial rule beginning in the 1840s and

extending until 1997. In contrast with the supreme official status for most dynasties on the Chinese mainland, "Confucian groups in Hong Kong under the colonial rule at no time occupied any key governmental positions" (Kwong, 2002, p.61). In addition, the implementation in Hong Kong of the hundred-year British democratic political system and a Westernized free-market economic system has jointly added to deducing the power hierarchy in the mindsets of those in Hong Kong. Therefore, the power distance in Hong Kong staff mindsets faded gradually generation after generation.

**5.3.2 Uncertainty Avoidance**

Uncertainty avoidance refers to how people or organizations avoid or control uncertainties in the future. In responding to the questionnaire for items intended to measure uncertainty avoidance, the four cultural groups displayed clear distinctions with Russian staff having the highest uncertainty avoidance (mean score = 1.51) and Mainland Chinese staff having the lowest (mean score = 3.51).

The results of this study (Table 5.8) are both similar to and different from the Hofstede and Fernandez et. al. studies on uncertainty avoidance. These similarities and differences are aggregated in Table 5.9.

As indicated in Table 5.9, Hofstede (1980) suggested that the uncertainty avoidance of French people was much higher (index = 86) than that of the Hong Kong people (index = 29). This study agrees with this comparison, but differs in the degree with reference to the average mean. In Hofstede's scoring system, France's mean score (86) and Hong Kong's mean score (29) are, respectively, 18% higher and -40% lower than the average mean (72.89). This study indicates that the French staff mean score (1.61) and the Hong Kong staff mean score (2.62), respectively, are – 46% and – 12% lower than the overall average mean (2.97). In other words, French people have high uncertainty avoidance in both the Hofstede study and this study. Hong Kong people scored low uncertainty avoidance (-40% lower than average) in the Hofstede study, whereas they ranked in the

high uncertainty avoidance (-12% lower than average) category in this study.

Table 5.8 *A Comparison of Uncertainty Avoidance of the Four Cultural Groups*

|  | Russian Respondents | French Respondents | Hong Kong Respondents | Mainland Chinese Respondents |
|---|---|---|---|---|
| Uncertainty Avoidance Index | 1.51 (-49% lower than the overall average mean of 2.97) | 1.61 (-46% lower than the overall average mean of 2.97) | 2.62 (-12% lower than the overall average mean of 2.97) | 3.51 (18% higher than the overall average mean of 2.97) |

*Note.* Lower index indicates higher uncertainty avoidance;
Higher index indicates lower uncertainty avoidance.

In the Fernandez et al. (1997) study, Chinese mainlanders were classified as high uncertainty-avoidance people (mean=14.46, 3% higher than the average mean of 14.03). This study, however, suggests that Chinese mainlanders are very low uncertainty avoidance people (mean=3.51, 18% lower than the average mean of 2.97). In other words, Chinese staff can be classified as low uncertainty-avoidance people in this study, whereas in the Fernandez et al. (1997) study, they were labelled as "strong uncertainty-avoidance" people.

Table 5.9 *A Comparison of Uncertainty Avoidance Indexes for Four Cultural Groups for the Current Study and Two Other Studies*

|  | Russia | France | Hong Kong | Chinese Mainland |
|---|---|---|---|---|
| Uncertainty Avoidance in the ranking sequence as suggested by this study | 1.51 (-49% lower than the overall average mean of 2.97) | 1.61 (-46% lower than the overall average mean of 2.97) | 2.62 (-12% lower than the overall average mean of 2.97) | 3.51 (18% higher than the overall average mean of 2.97) |
| Uncertainty Avoidance indexes as suggested by other studies | 16.38 (17% higher than the overall average mean of 14.03, Ferandez, et al.,1997) | 86 (18% higher than the overall average mean of 72.89, Hofstede, 1980) | 29 (-40% lower than the overall average mean of 72.89, Hofstede, 1980) | 14.46 (3% higher than the overall average mean of 14.03, Fernandez, et al.,1997) |

*Note*. In this study, lower index = higher uncertainty avoidance, and higher index = lower uncertainty avoidance; in the Hofstede, (1980) and Fernandez et al. (1997) studies, just the opposite is found to be true.

In summary, there is a consensus among all three studies in that Russians and French are both high uncertainty-avoiding people. However, there is a sharp divergence for both Chinese mainlanders and Hong Kong mean scores for all three studies.

In the Hofstede (1980) study, Hong Kong was classified as having very low uncertainty avoidance (-40% lower than the average mean of 72.89). This study counter argues Hofstede's classification, and suggests that Hong Kong people be classified as high

uncertainty avoiding people based on their high respect for rules. In response to the survey in this study, Hong Kong respondents displayed high respect for rules. The data calculation shows that the mean score of Hong Kong respondents responding to the following survey item was 2.86.

Q4. A company's rules should not be broken, even if they are not very appropriate

Agree   1   2   3   4   5   Disagree

The mean score of 2.86 in this study implies that Hong Kong respondents tend to agree that rules should be honoured even if the rules are not very appropriate. According to Hofstede (1980), uncertainty avoidance is the extent to which members of a culture feel threatened by unknown situations. "This feeling is expressed through a need for written or unwritten rules" (Hofstede, 1997, p.113). Attitude toward rules is actually a key indicator of uncertainty avoidance.

In answering the other two constituent items for construct uncertainty avoidance in the survey, Hong Kong respondents (N= 31) were found to agree with these two statements with mean scores of 2.50 and 2.72, respectively. These two survey items read as follows:

Q3. I feel nervous about uncertain situations in the future.
Agree   1   2   3   4   5   Disagree

Q5: It is better to live with a bad situation that I know about, than switch to an uncertain situation which I don't understand.
Agree   1   2   3   4   5   Disagree

Therefore, the Hofstede (1980) classification of Hong Kong people as low uncertainty avoiding is questionable. There has either been a culture shift over three decades since his data collection in 1970s, or an error somewhere in Hofstede's original classification.

The Fernandez et. al. (1997) score for Chinese uncertainty avoidance is also questionable. As Table 5.9 suggests, the Chinese mainlander index (mean=14.46) was 3% higher than the average mean (14.03). In other words, Chinese mainlanders belong to the category of high uncertainty avoidance. This study indicated that Chinese mainlanders (N= 257) mean score of 3.51 was 18% higher than the average mean 2.97, and thus, they belong to the low uncertainty avoidance category. In response to the three statements in the questionnaire mentioned above, respondents tend to disagree with these three items. In particular, they disagree with Item 4 of the questionnaire, which is about the attitude toward rules-the most typical indicator of uncertainty avoidance.

The Chinese mainlander respondent score for this item was 3.53, implying a tendency to disagree with this statement. Put more simply, Chinese mainland respondents are ready to break rules if the rules considered are not very appropriate. This is not surprising, when viewed in terms of the larger portrait of contemporary Chinese society.

In China, there is an old saying "There is always a road ahead as long as your car is there". The saying suggests that one does not need to worry about the future, as there is always a way out when the time comes due. In the daily conversation of many Chinese mainlanders, there is a common saying "Let's talk about it later when time comes due." This saying implies that now is too early to talk about an issue, so it is better to leave the discussion to the future, and there is no need to make a plan for discussing/talking about it right now.

At the workplace, rules or regulations are often not ready when problems arise. Consequently, people refer to their superiors for solutions (Hofstede, 1997). Different superiors may put forward different measures and strategies to tackle problems. Consequently, solutions can be very different and full of uncertainties. Even if rules or regulations are in place to prevent problems, people tend not to follow them and don't feel guilty when they violate them. When facing punishment for this violation, people

take pride in avoiding the punishment by resorting to a social *guanxi* (relationship), even if the monetary cost is higher than the punishment itself. This kind of solution to trouble is considered by many Chinese mainlanders as an indicator of a person's social competence and flexibility (not adhering to rules), rather than a matter of shame.

Beyond the tradition of not honouring rules in mainland China, there are more deep-rooted cultural reasons. At the core of Chinese culture, there underlies one profound thought, Confucianism, Taoism and Buddhism. These thoughts have prepared the Chinese people to be low uncertainty avoiding individuals.

Confucianism claims that a human is born kind and that the state should be governed by virtue and education rather than by law. (Bodde & Morris, 1995; Cheng, 2003; Ding, 2006; Lin, 1988). Taoism insists that the more laws issued in a country, the more its people will tend to revolt, and the less stable the society would be (Zhou, 2006). These thoughts were well honoured and practiced by the ruling class all throughout Chinese feudal history. There were no independent legal courts or professional legal officers during the Qin Dynasty (221-206 BC) or the Qing Dynasty (AD 1644-1911). The Emperor of the state was a legislator, law enforcer, and administrator, all three in one. Regional governors and county magistrates served as the emperor's local agents and handled law-related tasks instead of law professionals (Lin, 1988). Under such a political arrangement, the role of law was diminished.

Not long after Emperor Wudi of the Han Dynasty made Confucianism the state thought in 140 BC, the implicit Confucian *li* (rules of propriety) diluted much of the law's role in the society (Lin, 1988; Zhou, 2006). Consequently, legal rules were overlooked widely in Chinese society, and regulations were not often required in organizations and institutions. People did not expect certainties ensured by rules and regulations. Rather, they were used for all the uncertainties brought about by the rule of man and the implicit *li*.

Buddhism was another factor that contributed to the Chinese people's low uncertainty avoidance. About 2000 years ago, Buddhism was introduced into China (Cheng, 2003; Ding, 2006). It was first honoured and practiced in royal families and then it spread widely among the common people. Century after century, Buddhism has been deeply rooted in many common Chinese mindsets, just as Confucianism and Taoism has been. Buddhism disciples believe that life is full of uncertainties, and that there is no way to make uncertainties sure, other than to wait for the fate (Cheng, 2003). In other words, they believe that rules and regulations are not of much use to avoid uncertainties. Instead, people can become free from worries about the future by practicing Buddhism.

In summary, with hundreds of pieces of hard data, varied current social phenomena, and deep cultural imprints in Chinese mindsets, one can hardly be convinced that the Chinese people are high uncertainty avoiding people, as suggested by Fernandez et al. (1997). Rather, it seems safer to claim, as this study does, that the Chinese people are low uncertainty avoiding (mean score = 3.51).

### 5.3.3 High and Low Contextuality

The contextuality of communication refers to the degree to which the contextual information is involved in communication. The results of this study reveal that Russians prefer the highest context in communications, followed by the French and Chinese mainlanders. Hong Kong respondents had the lowest context in communication (Table 5.10).

The score for the French of 3.64 is very close to Hall's (1976) classification of French culture as a "mixture of high-and low context" (p. 109). The French are sometimes high-contextual and sometimes low-contextual. In responding to this survey, the French staff tended to be slightly high-context, as their score of 3.64 was slightly (by 4.4%) higher than the overall average mean score of 3.80.

Table 5.10 *A Comparison of Communication Context for Four Cultural Groups*

|  | Russian Staff | French Staff | Chinese Mainland Staff | Hong Kong Staff |  |
|---|---|---|---|---|---|
| Higher End of Context | 2.71 | 3.64 | 3.88 | 4.01 | Lower End of Context |

*Note.* A lower index indicates a higher communication context, and a higher index indicates a lower communication context. The overall average mean score was 3.80 for all respondents.

The score for the Chinese of 3.88 was 21% higher than the overall average mean score of 3.80, and thus belonged to the lower end of the contextuality continuum. This finding was quite different from Hall's (1976) classification of Chinese culture. In Hall's (1976) book, *Beyond Culture*, in which the cultural model of high-and low-context is presented, Chinese culture, one of the few specific cultures mentioned in the boo*k*,, is categorized to be "at the high-end of the scale" (p. 91).

The reason for the different classifications by Hall (1976) and this current study might result from three aspects. First, there are the differences in supportive evidence, from which the classifications were drawn. Hall's (1976) classification was essentially based on his qualitative analysis of conventional practices in law and the traditional features in language and literature in a few countries, such as the US, France, Japan and China. In contrast, this study drew its conclusions from the quantitative data of its survey, in which the survey items were mainly focused on workplace values.

Second, were the differences in the emphasis of the study. Hall placed emphasis on

national cultural value, whereas this study underlined workplace value. The study of national cultural value looked more at people's communication indirectness in a social context, such as politeness and respect, whereas this study of workplace values examined the directness of communication in organizational settings.

Third, there may have been a cultural shift in the workplace on the China Mainland over the last thirty years. Hall's study was published in 1976 and China's opening policy was initiated in 1978, two years after the publication of Hall's study. All through these openings up years on the China mainland, American companies have been the largest overseas investors and China's second largest trading partner (www.chinacom.com, October 24, 2002). Working with their Chinese mainland partners, American companies have brought with them American workplace culture. Enhanced by the economic power of American companies, American workplace culture has exercised its influence upon Chinese mainlanders, particularly young employees working for international companies, such as the respondents interviewed in this study. One of these cultural shifts is the move toward the directness (low-contextuality) of communication, which is typical of the American culture in Hall's (1976) study.

In other studies in the literature, little has been written about the positions of Russians or Hong Kongers on the contextuality continuum of communication. Therefore, no comparison can be made between this study and any other studies.

This section has presented the results of three national cultural dimensions of the four cultural groups under study: power distance, uncertainty avoidance, high context and low context. The results reveal that Chinese mainlanders rank the highest and Hong Kongers rank the lowest on power distance; Russians have the highest uncertainty avoidance, and Chinese mainlanders have the lowest. On the contextuality continuum of communication, Russians rank the highest, and Hong Kongers rank the lowest. Some of these results show differences from classic studies, while others confirm them. The differences of contextuality among the four cultural groups may produce variances in the

communication behaviour of the four cultural groups.

**Section 5.4 Organizational Culture: Strength and Adaptability**

Organizational culture is organization specific by nature (Kono & Cleg, 1998). Every company has its own culture. This section reports on the characteristics of the SBK Group and its two subsidiary companies, newly-created through M&As with two French companies in terms of the quantitative results of the survey and supplemented by the qualitative interpretations. The report will address two dimensions of organizational culture: strength and adaptability.

**5.4.1 The Overall Strength of the SBK Group**

In terms of the strength of SBK's organizational culture, the result of the survey shows that the overall mean score was 3.16, indicating a weak nature (1 represents the strongest and 5 the weakest on a five-point Likert scale). The weakness of the SBK organizational culture can be traced back to the SBK management style in its early days. SBK started its business selling telephone sets in 1981 (SBK website, November 10, 2006 ), and gradually expanded to other consumer goods industries, such as colour TV sets, mobile phones, and computers over the past two decades.

To facilitate flexibility in business deals in different industries and also cope with the complexity of management, as reported in *the 21st Century Economic Herald* (January 13, 2005), SBK adopted a decentralization management strategy that    allowed the major independence of its subsidiaries. Consequently, the core values and practices became inconsistent between the headquarters and its subsidiaries and among its subsidiary members; it was not easy to create coordinated decisions among subsidiary member companies; thus, work style difference was clearly felt among SBK subsidiary members.

**5.4.2 The Overall Adaptability of the SBK Group**

In responding to the three questionnaire items intended to measure the adaptability of organizational culture, the majority of respondents (N=326, 84.5% of the total of 386), including all four cultural groups, tended to agree that SBK Group's overall culture is moderately adaptable (overall mean score = 2.99). This result reflects one aspect of the SBK Group's organizational attitude and practices toward its changing environment.

Like many indigenous companies in China, SBK grew up in a Chinese transitional market from a planned economy, where consumer goods were in shortage for dozens of years, and companies made quick and easy money by various means. SBK excelled over many of its competitors, because of its closeness to the market and its quick response to its customers. In recent years, however, as one of SBK's top executives, Mr. K.P. Wan, admitted at the Mobilization Forum for Transforming Organizational Culture (August 7, 2006), problems are now emerging, such as negligence regarding customer perceptions and satisfaction, in both front sales and technological development.

**5.4.3 Comparison of SBS and SLS for Organizational Strength and Adaptability**

As implied from the weak nature of the strength of organizational culture, the two subsidiary companies under scrutiny in this study are reported to display a significant difference in both dimensions of its organizational culture--adaptability and strength. These differences will be reported separately.

**5.4.3.1 Comparing Organizational Strength between SBS and SLS**

An independent sample t-test displays that the SBS strength index is 2.92 and the strength index of SLS is 3.30. As designed in the questionnaire, the smaller the index mean, the stronger the organizational culture. Apparently, SBS organizational strength is significantly (p< .001) stronger than that of the SLS company. Or, in other words, SLS organizational culture is significantly weaker than that of the SBS company.

There are historical reasons for the significant difference in organizational culture between SBS and SLS. Like many fast-growing companies in China, the SBK Group adopted a decentralized strategy for managing its subsidiaries. Each member company is like an independent kingdom. The strength of the organizational culture of each member company is different from that of another. "Duke culture" is the term used by the media (For example, *21st Century Economic Herald, China Entrepreneur* and *the Economic Observer*) to refer to this decentralization phenomenon present in the SBK Group.

As the largest member company in the SBK Group, SLS is typical of the Group in its decentralized management style. The colour TV business, SLS's core product, was initiated in the mid-1980s. The market demand for colour TV sets quickly became huge and rapidly increased. However, due to technological development and the diversity of consumer tastes, TV sets had to keep changing in style, function, and other aspects. In order to keep up with that rapidly changing market, front sales, R&D, and other sectors that stayed in touch with the market were empowered with independent flexibility, which eventually turned into a decentralized management style. This empowerment for flexibility used to be a common phenomenon in the Chinese transitional economy, as noted by X. L Wang (*The Management*, March 23, 2007).

Since the establishment of SBS in 1999, another subsidiary company, a centralized management style was carried out. This decentralization was originally shaped by its first CEO, Dr. Won.

Dr. Won was born along the Yangtse River in the mountainous Sichuan Province. The hardship and perseverance of the boat pullers along this river deeply impressed him and shaped his strong character during his childhood. This strong character, together with his success in the market, gradually turned into a "strong" leadership style after he became CEO of SBS in 1999. One media labelled his leadership as "monarchic"

(October 18, 2004, *The 21ˢᵗ Business Review*). With Dr. Won's strong "monarchic" leadership style, there was a high degree of consistency between the company's value and employee practices among the company's organic units. Therefore, the organizational culture was one of a "strong" nature.

However, the strong nature of SBS organizational culture was undermined by conflicts between Chinese and foreign management, personnel turnovers and worsening business outcomes soon after SBS merged with its French partner in April, 2004 (Li, May 23, 2005, *The Economic Observer;* Wang, November 13, 2006, *Caijing Magazine)*.

To tackle with the worsening situation, the SBK Group made substantial decisions in the middle of 2005. It bought the 45% ownership of its French partner at SBS and became the sole owner of SBS. Dr. Won left the company for "health reasons" along with a few other top executives. Dr. Lew, who had studied and worked in the US for 13 years was invited back to serve as CEO to replace Dr. Won.

As Dr. Lew and many other SBK top executives came to realize, conflicts in management philosophy and practices, high labour costs and redundancy of administrations were the key reasons for the high profit loss and low integration outcome (Li, January 17, 2007, *The Economic Observer)*. Consequently, 360 out of the 600 European staff and many more Chinese staff were laid off. Many administrative units at SBS's Chinese headquarters and even some front sales units were either made redundant or merged into new ones. Financing and logistics were brought under the direct control of SBS headquarters (Qiu, June 16, 2005, *21ˢᵗ Economic Herald*). With these measures, SBS enforced its centralization of management in all respects and the outcome of integration quickly appeared.

The SBS organizational culture was strong during the first period of Dr. Won's leadership – the sole ownership period from March 1999 to March 2004. It was weakened during the second period of Dr. Won's leadership -- the post-merger period

from April 2004 to April 2005 and it gained back its strength during Dr. Lew's leadership since May of 2005. Therefore, it is not surprising that the organizational culture of SBS was significantly (p<.001) stronger than that of its parent company SLS, as shown in Table 5.11 below.

**5.4.3.2 Comparing Adaptability between SBS and SLS**

As the organizational culture of the SBK group was weak (M=3.16) by nature, the adaptability of its subsidiaries, SBS and SLS, could be different. To compare the difference, an independent sample t-test was performed. The result shows that the SBS organizational culture (mean score = 2.9) was significantly (p=.050) more adaptive than that of SLS (mean score = 3.11).

This obvious difference between SBS and SLS in adaptability can be traced back to the unique personality of the SBS former top leader--Dr. M.J. Won. As noted by Hofstede, "values of founders or key leaders of a company undoubtedly shape organizational culture, and their values become members' practices" (1997, p.183).

In 1999, Dr. Won and a couple of his colleagues established the mobile phone sector under the SBK Group. Three years later, this sector created a miracle in 2002, becoming the number one Chinese indigenous brand in the mobile phone business, next only to Nokia and Motorola on the China mainland. In that year only, SBS earned an annual profit of 1.2 billion RMB (October 18, *21st Century Business Review)*. The media attributed this great success to Dr. Won's critical understanding of marketing strategy in Chinese society. "To win the market, win a brotherhood in the market first" was the subtitle of a media coverage piece on Dr. Won (October 18, 2004, *21$^{st}$ Century Business Review)*. In Chinese culture, brotherhood means sacrificing your own interests for nothing but that of your friends. For him, brotherhood meant a generous investment in the customer's heart, seemingly for nothing at the moment. He believed that this investment would gain payback someday, in one way or another.

In the early 2000s, while Motorola, Nokia, and other foreign brands marketed their mobile phones in a manner of business to business, Dr. Won and his team were planting the seeds of brotherhood in the hearts of many sales agents, who were close to the end users. In addition to that brotherhood, Dr. Won had a deep understanding of mobile phone fashion in the Chinese market. For the first time ever in the development history of mobile phones, he added a diamond to the mobile phone set and made a series of them (he holds a doctorate in communication technology). To promote these new styles of mobile phone, he invited a hot Korean movie star to be spokesperson, just when Korean movies were hot and spreading all over the China mainland (Li, January 17, 2007, *The Economic Observer*).

Dr. Won's actions in developing the market and the products were not only a great success for SBK Mobile (the first former name of SBS), but also made its organizational culture adaptable to the market. Inside the SBK Group, other members, such as SLS, were also adaptive to the market. However, none of them had a CEO who was as "crazy" about the market as SBK Mobile's CEO. In addition, SBK Mobile was a much younger establishment than most other members of the SBK, including SLS. As a rule of thumb, the younger the company, the easier it is for it to be influenced by the personal charisma of its top leader. SBK Mobile is much younger in age than SLS. The personal print of its leader, Dr. Won, on the adaptability of SBS was more obvious. Therefore, SBS was more adaptive to the market than SLS, with a significance level of .05.

This section has included the results of data analysis and their interpretations for the organizational culture of the SBK Group and its two subsidiary companies, SBS and SLS. The analyses and interpretations were conducted along two dimensions, namely strength and adaptability, and included a comparison. It is concluded, as shown in Table 5.11, that the organizational culture of the SBK Group was moderately weak in strength (mean score=3.16) and moderately adaptable to the environment (mean score=2.99),

and also that the sub-organizational culture of SBS was significantly stronger (mean score= 2.92, p<.001) and also significantly more adaptive (mean score = 2.90, p<.05) than that of its counterpart, SLS (mean score = 3.30 and 3.11, respectively).

Table 5.11 *A Comparison of Organizational Culture among SBK Headquarters and its Subsidiaries, SBS and SLS*

| Dimension | SBS<br>N=140 | SBK Group<br>N=386 | SLS<br>N=196 |
|---|---|---|---|
| Strength | 2.92 | 3.16 | 3.30 |
| Adaptability | 2.90 | 2.99 | 3.11 |

*Note*. For strength, the smaller the index, the stronger the organizational culture, and *vice versa*. For adaptability, the smaller the index, the more adaptable the organizational culture, and *vice versa*.

## Section 5.5 Cross-Cultural Integration Strategies after M&As

This section presents the results of the survey and their interpretations regarding the changes in cross-cultural integration strategies in the two newly-created companies. Cross-cultural integration strategies start with maintenance or change of management style.

To accomplish this, the following survey question was asked:

Q17. As far as I know, the management style in the new company remained unchanged after this merger.

Agree 1     2     3     4     5   Disagree

Seventy one (71%) percent of the respondents from SLS marked either "agree" (26.4%) or "somewhat agree" (44.6%), meaning that their company continued its long-held

decentralized management style. Meanwhile, in answering the same question, only 76.4% of respondents from SBS marked either "disagree" (39.3%) or "somewhat disagree" (37.1%) to answer the question, implying that there were great changes in their management style after the merger.

The reality matches the results of the survey at large. After the merger with the two French companies, the "duke culture" still existed within the SBK Group. As the sole or larger stakeholder in the two newly-merged companies, the SBK Group allowed the two companies to adopt their respective cross-cultural integration strategies to cope with any post-merger cultural differences.

At SLS, the decentralized management style was maintained. Long after the acquisition, most of the resources of SBK's French partner Rhomson, management and staff kept operating independently long after the acquisition took place. As reported by the journal, the *China Entrepreneur* (Shen & He, 2006), SBK headquarters did not take over Rhomson's sales network in Europe and North America until July of 2005, almost one year after China's national flag waved over Rhomson's European headquarters. After SBK took over the network and other resources of the acquired unit, there were changes in top personnel and financing. However, the management style of Rhomson changed little. There was still a clear boundary between "us" (our side) and "them" (the partnering company) in informal communication discourse. Except for the formal announcements of the board of directors, which were both in Chinese and English, all other newsletters were in Chinese and circulated among Chinese staff. As a few foreign staff members complained in the survey (e.g., Forler, Lejune, Vergneau, 2006), "We know basically nothing of what is happening at SBK headquarters." In other words, there was basically no official communication between the Chinese and the foreign staff, and the Chinese and the foreign staff both worked independently. Therefore, the decentralized management style of SLS was well maintained, or even enhanced, after the merger.

At SBS, a centralized management style had been carried out since its establishment in 1999. But that style was soon challenged by SBK's French partner after the merger in April 2004. Before long, the newly-merged company almost fell apart due to differences in management philosophy and practices of the two partnering parties. In May 2005, when Dr. Liu took over the leadership, many changes took place, as agreed with by 76.4% of the respondents. What did these changes aim to do? In a few follow-up interviews from November 5 to November 20, 2006, all interviewees, such as managers from the marketing department, R&D department and human resource department, agreed that these changes aimed to enhance the centralized management style, which was diminishing during the post-merger cross-cultural conflict period from April 2004 to April 2005.

This section has presented the results of the survey data analyses and their interpretations on whether or not changes in management styles took place. It has been shown that there was no change in the management style and the decentralized management style was maintained in SLS. In addition, great changes did take place at SBS, and its centralized management style was enhanced.

**Section 5.6 Market Information Communication Behaviour**

This section reports results for the analysis of all respondents' answers to questions/ statements intended to measure four communication behaviour, namely information needs, information acquisition, information use, and information sharing. These findings are based on data grouped according to both the four cultural groups involved and the two companies these four cultural groups worked for.

**5.6.1 Market Information Communication Behaviour Based on Data by Cultural Groups**

When based on cultural groups, the results of the data analysis reveal that all four cultural groups tended to agree with statements on information needs and disagree on

one item of information use; the answers for other communication behaviour questions and some of their constituent items were mixed. Table 5.12, Table 5.13, Table 5.14 and Table 5.15a, b, c present these findings.

**Information Needs**

As indicated in Table 5.12, the four cultural groups tended to agree with the three questionnaire items for information needs. There was, however, a degree of agreement. Russian staff agreed with the three statements to the greatest extent (mean score =1.70), followed by the Hong Kong staff (means core =1.72). Chinese mainland staff ranked third (mean score =2.38), and the French staff agreed with the three statements to the least extent (mean score =2.51). Independent Sample t-tests further differentiate two clusters (p<.001), with Russian respondents and Hong Kong respondents in one cluster and Chinese mainland respondents and French respondents in another.

Table 5.12 *A Comparison of Mean Scores for Information Needs for the Four Cultural Groups*

|  | Russian Respondents (N=33) | Hong Kong Respondents (N=35) | Chinese Mainland Respondents (N=251) | French Respondents (N = 56) |
|---|---|---|---|---|
| Mean Score | 1.70 | 1.72 | 2.38 | 2.51 |
| Cluster | I | | II | |

*Note*. The mean scores are based on a five-point Likert scale. A smaller index indicates greater agreement with the three questionnaire items, and *vice versa.*

**Information Acquisition**

For information acquisition, the Chinese mainland respondents agreed with the two questionnaire items (mean score = 2.93), whereas all three of the other cultural groups tended to disagree. Their respective mean scores were: The French staff was 3.54, the Russian staff was 3.82, and the Hong Kong staff was 3.87. Independent sample t-tests show that the Chinese mainland respondents were significantly different from all the other three cultural groups ($p<.001$), and that there were also insignificant differences among the other three cultural groups ($p>.05$) (Table 5.13). Thus, a dividing line can be drawn between these two clusters, with the Chinese mainland staff as Cluster I and the other three cultural groups as Cluster II.

Table 5.13 *A Comparison of Mean Scores for Information Acquisition for the Four Cultural Groups.*

| Cultural Group | Chinese Mainland Respondents (N=251) | French Respondents (N=56) | Russian Respondents (N= 33) | Hong Kong Respondents (N=35) |
|---|---|---|---|---|
| Mean Score | 2.93 | 3.54 | 3.82 | 3.87 |
| Cluster | I | II | | |

*Note*. The mean scores are based on a five-point Likert scale. The smaller index indicates greater agreement with the three questionnaire items, and *vice versa.*

This clustering pattern, with Chinese mainland staff identified as Cluster I and the other three cultural groups identified as Cluster II, may have resulted from a difference in one workplace value between the two cluster groups – the concept of job responsibility. Both of the questionnaire items, as listed below, were concerned with the responsibility of acquiring market information for the company.

Q21. In a company, everyone should have the responsibility of collecting market information for the company, whatever post they hold and whatever job they do.

   Agree 1    2    3    4    5 Disagree

Q22. Acquiring market information is the duty of the marketing staff and market research/intelligence and has nothing to do with other people in the company.

   Agree 1    2    3    4    5 Disagree

Immersed in Confucian ethics and a long-established planned economy on the mainland, Chinese mainlanders do not have a clear-cut concept of job responsibility. For them, it is always considered a good behaviour to do something for the company they work for, be it one's job responsibility or not. For respondents in Cluster II, the concept of job responsibility was much more clear-cut. Six French and Hong Kong respondents suggested, as additional remarks in completing the questionnaire, that they would not collect the information unless doing so was required as part of their job responsibility.

**Information Sharing**

For information sharing, the Hong Kong respondents tended not to agree with the two questionnaire items (mean score = 3.16), while the other three groups tended to agree. Their respective mean scores are: The French is 2.64, the Russian is 2.68, and the Chinese mainlander is 2.80. The Independent Sample t-tests indicated that the mean scores among the three cultural groups were not significantly differentiated ($p>.05$) and could be categorized into Cluster I. When this cluster is compared with the other group of Hong Kong staff (Cluster II) on the Independent Sample t-test, the analysis reveals that these two clusters were significantly different ($p=.026$).

Table 5.14 *A Comparison of Mean Scores for Information Sharing for the Four Cultural Groups*

| Cultural Group | French Respondents (N=56) | Russian Respondents (N=33) | Chinese Mainland Respondents (N=251) | Hong Kong Respondents (N=35) |
|---|---|---|---|---|
| Mean Score | 2.64 | 2.68 | 2.80 | 3.16 |
| Cluster | I | | | II |

*Note*. The mean scores are based on a five-point Likert scale. The smaller index indicates greater agreement with the three questionnaire items, and *vice versa.*

Hong Kong respondents were identified as the group that was least agreeable with the two statements constituting construct information sharing, likely suggesting that the Hong Kong respondents had the most clear-cut concept of job responsibility among the four cultural groups. Follow-up interviews clarified their responses to the following statements:

Q26. Staff of non-marketing, non-market research, and non-market intelligence sectors, if attaining some market information on consumers, competitors, technological advancement, and so forth, should (*please mark only one choice*):
1)  Keep the information to him/herself;
2)  Transmit the information to their co-workers in need, whether or not they were his/her acquaintances before;
3)  Transmit the information to their co-workers, whether or not they belonged to the former Rhomson, Alcotol, or former SBK units:
4)  Transmit the information to their co-workers, whether they were French, Chinese, Japanese, or other nationals;
5)  Transmit the information to his/her personal friends, whether or not they belonged

to SLS, SBS, or other SBK member companies.

Q27. Staff of marketing, market research, and market intelligence sectors, if attaining some market information on consumers, competitors, technological advancement, and so forth during off-the-job period of time, should (please mark only one choice):

1)  Keep the information to him/herself;

2)  Transmit the information to their co-workers in need, whether or not they were his/her acquaintances before;

3)  Transmit the information to their co-workers, whether or not they belonged to the former Rhomson, Alcotol, or former SBK units;

4)  Transmit the information to their co-workers, whether they were French, Chinese, Japanese, or other nationals;

5)  Transmit the information to his/her personal friends, whether or not they belonged to SLS, SBS or other SBK member companies.

Two Hong Kong staff argued, in the interviews, that employees needed only to do what was required in the job description and that there was no need for them to bother with activities beyond their job responsibilities.

**Information Use**

What is different from the previous three communication behaviour types is that the correlation Cronbach alpha for the construct of information use was only .009, as the three constituent items moved in three different directions in terms of digital value. As such, the three items were treated individually.

In reference to the frequency of information use, the question states:

Q23. Please tick an information use frequency that fits your case:

I (Always 1    2    3    4    5 Never) refer to customer needs and wants when making decisions or developing new products.

All of the four cultural groups tended to agree with the statement, with Chinese mainland respondents agreeing to the greatest extent (mean score = 1.50) and Hong Kong respondents the least (mean score = 2.10) (Table 5.15a). This high convergence toward agreeing with the statement might indicate implicit social desirability for frequent referencing to market information in their decision-making and technological development strategies, both seen as a positive image in modern society.

Nonetheless, there was a degree of agreement with the statement. The result of Independent Sample t-tests revealed that Chinese mainland respondents can be differentiated into Cluster I, while the other three groups become part of Cluster II. In addition, the two clusters are significantly different (p = .007).

Table 5.15a    *A Comparison of the Frequency of Information Use for the Four Cultural Groups*

| Cultural Group | Chinese Mainland Respondents (N=254) | Russian Respondents (N=33) | French Respondents (N=56) | Hong Kong Respondents (N=35) |
|---|---|---|---|---|
| Mean Score | 1.50 | 1.88 | 2.00 | 2.10 |
| Cluster | I | II | | |

*Note*. The mean scores are based on a five-point Likert scale. The smaller index indicates greater agreement with the three questionnaire items, and *vice versa.*

The fact that the Chinese mainland respondents tended to use information the most frequently, as indicated in Table 5.15a, may be due to the influence of the adaptable organizational culture of the SBK Group. Tables 5.16a and 5.16b show that among the

247 respondents who were working at the SBK Group before the M&A, 77.33% (N=191) were Chinese mainland staff who had already been immersed in SBK's organizational adaptability for at least 2.5 years. Consequently, they may put customers' needs and preferences in first priority when they make decisions or develop products or services for the market (Lambin, 2000)

Table 5.16a *All Respondents' Length of Employment at SBK Group*

| Length of Employment at SBK Group | Frequency | Percent |
|---|---|---|
| Within half a year | 52 | 13.5 |
| Half a year to 2.5 years | 57 | 14.8 |
| 2.5 to 5 years | 172 | 44.56 |
| 5 to 8 years | 77 | 20 |
| More than 8 years | 28 | 7.3 |
| Total | 386 | 100 |

Table 5.16b *Total Number of Chinese Mainland Respondents versus Three Other Responding Cultural Groups*

| Working Years at SBK Group | Total Number of Old timers | Chinese Mainland Staff | Three Other Cultural Groups |
|---|---|---|---|
| 2.5 to 5 years | 172 | 100 | 72 |
| 5 to 8 years | 77 | 71 | 6 |
| More than 8 years | 28 | 28 | 0 |
| Total | 277 | 199 | 78 |

The second constituent item for information use concerns the type of information habitually used in decision-making, which states:

Q24. I prefer using market information in -decision-making from internal sources, such as management team members or subordinates, because it is more reliable than information from external sources.

Agree 1     2      3      4      5 Disagree

The results of the descriptive statistic reveal two distinct clusters (Table 5.15b): Russian respondents and French respondents tended to agree with the statement by a mean score of 1.73 and 1.75, respectively; Chinese mainland respondents and Hong Kong respondents tended to disagree with the statement by a mean score of 3.47 and 3.69, respectively. Seemingly, this result is inconsistent with common sense. Both Chinese mainlanders and Hong Kongers are traditionally classified as collectivists and would resort to "insiders" for help or resources when in need. However, as the result of the survey shows, they both preferred using information from external sources.    For the Chinese mainland respondents, this result can be due to the influence of the adaptive organizational culture of the SBK Group, as stated in the preceding paragraph. For the Hong Kong respondents, it can be due to their individual adaptability to the environment, which has been fully competitive for decades. "Most people look outside for information. Internal information is too limited. Hong Kong is full of competition and full of chances. You can't survive with that little information," commented Mr. Chan, an executive from Hong Kong, in a follow-up interview (Personal communication, November 2$^{nd}$, 2006).

For the third constituent item for information use, this says:

Q25. I resort to qualitative information (including intuition) more often than quantitative data in decision-making or technological development.

Agree 1     2      3      4      5 Disagree

All four cultural groups tended to disagree, with the Russian staff agreeing to the least extent (mean score =3.21), and the Hong Kong staff agreeing to the most extent (mean

score =4.14). Apparently, very few of the respondents that completed the questionnaire favoured qualitative information (including intuition) indecision-making or technological development.

Table 5.15b *A Comparison of Preference for Internal Information for the Four Cultural Groups*

| Cultural Group | Russian Respondents (N=33) | French Respondents (N=56) | Chinese Mainland Respondents (N=252) | Hong Kong Respondents (N=35) |
|---|---|---|---|---|
| Mean Score | 1.73 | 1.75 | 3.47 | 3.69 |
| Cluster | I | | II | |

*Note.* The mean scores are based on a five-point Likert scale. The smaller index indicates greater agreement with the three questionnaire items, and *vice versa.*

Table 5.15c *A Comparison of Preference for Quantitative Data for the Four Cultural Groups*

| Cultural Group | Russian Respondents (N=33) | French Respondents (N=56) | Chinese Mainland Respondents (N=251) | Hong Kong Respondents (N=35) |
|---|---|---|---|---|
| Mean Score | 3.21 | 3.71 | 4.10 | 4.14 |
| Cluster | I | II | III | |

*Note.* The mean scores are based on a five-point Likert scale. The smaller index

indicates greater agreement with the three questionnaire items, and *vice versa.*

## 5.6.2 Analysis of Market Information Communication Behaviour Based on Data that was Grouped by Company

When the survey data was grouped by the two companies SBS and SLS, the results revealed that there is not much divergence in the mean score for each of the four communication behaviour areas. Respondents from the two companies tended either to both agree or both disagree with the questionnaire statements. The difference lay only in the degree of agreement or disagreement. On information needs and frequency of information use, the mean scores of the two companies were insignificantly different (p=.12 for information needs and p=.69 for frequency of information use). Meanwhile, on information acquisition, information sharing, and preference for qualitative or quantitative data, the mean scores of the two companies were significantly different (p<.05).

One exception was found in information user's preference for internal information. Respondents from SBS tended to slightly disagree with the statement (mean score = 3.5), whereas those from SLS tended to slightly disagree (mean score = 2.94).However, the difference was insignificant (p =.46). These similarities and dissimilarities are summarized in Table 5.17.

This section has presented the results of the survey data analysis on the four communication behaviour areas, namely, information needs, information acquisition, information use, and information sharing. Due to the low correlation Cronbach alpha, the three constituents of information use were treated individually. The analysis was based on two sets of data, one grouped by national cultures of the respondents and the other by the companies they worked for. The results show that there was more divergence in mean scores of communication behaviour when questionnaire respondents were grouped by national culture than by company. This pattern of

differences may imply the differences of influence of national culture and organizational culture on the four communication behaviour areas, a topic that will be further examined in subsequent sections.

Table 5.17 *A Comparison of Mean Scores for Four Communication Behaviours between the Two Companies Studied.*

| Communication Behaviour | SBS (N=140) | SLS (N=196) | Significance of Difference (p value) |
|---|---|---|---|
| Information Needs | 2.09 | 2.24 | .12 |
| Information Acquisition | 3.54 | 3.08 | .00 |
| Information Sharing | 2.59 | 2.89 | .01 |
| Frequency of Use | 1.70 | 1.66 | .69 |
| Internal Type (of Use) | 3.05 | 2.94 | .46 |
| Qualitative Type (of Use) | 4.24 | 3.72 | .00 |

*Note*. The smaller index indicates greater agreement with the three questionnaire items, and *vice versa*.

## Section 5.7 Results on the Relationship between Strategic Leadership Types and Cross-Cultural Integration Strategies

This section first presents the results of respondents' choices for their company leadership strategic leadership types and then the cross-cultural integration strategies adopted in the companies where they work. Based on this data, the relationships

between leadership types and the adoption of cross-cultural integration strategies are examined by using Logistic Regressions.

**5.7.1 Strategic Leadership Types of SBS' and SLS' Top Leadership**

A frequency analysis showed that 29.6% of all SBS respondents (including all four cultural groups and all newcomers and old-timers) classified their top leaders into Strategic Leadership Type I, 30.6% classified them into Type II, 18.4% classified them into Type III, and 20.4% classified them into Type IV (Table 5.18) .

As can be seen, no single leadership type dominates the percentage. This may be because SBS' respondents were not sure which top leader's leadership type to choose. SBS had experienced two CEOs with two distinct characteristics. As mentioned earlier, SBS' first CEO, Dr. Won, with all his schooling and work experience in the China mainland, is a typical Chinese mainlander. "He loves centralizing power and favours risks and challenges" was the comment about him by one interviewee. This comment was echoed by a few other interviewees (e.g., Shang, Xia, et al., November 12-20, 2006, Personal conversations). The second CEO, Dr. Lew, was educated in the U.S. and worked there for 13 years prior to working as a CEO at SBS in 2005. Most of the interviewees agreed that he was open-minded on power and emphasized stability of the company's development (Han, Wen & Xu, November 16, 2006, Personal conversation). "He loves power, but uses it differently", one interviewee added (Chan, November 17, 2007, Personal conversation). With these differences apparent in the minds of the respondents, it was very likely that some SBS respondents chose Strategic Leadership Type I when thinking of Dr. Won, and others chose Strategic Leadership Type II when thinking of Dr. Lew.

Table 5.18 *SBS' Respondents' Classification of their Top Leaders' Strategic Leadership Types*

|  | Frequency | Percent | Valid Percent |
|---|---|---|---|
| Type 1 | 29 | 20.7 | 29.6 |
| Type 2 | 30 | 21.4 | 30.6 |
| Type 3 | 18 | 12.9 | 18.4 |
| Type 4 | 20 | 14.3 | 20.4 |
| Other | 1 | .7 | 1.0 |
| Total | 98 | 70.0 | 100.0 |

In contrast, SLS respondents were much clearer about their top leader's strategic leadership type, as Mr. Lee had been their chairman since the establishment of the company. Table 5.19 presents a frequency analysis on the strategic leadership type of SLS respondents. As the table shows, 64.8% of SLS respondents classified their top leader as into Strategic Leadership Type II. This percentage was followed by 20% for Type I and 7.9% for Type IV. As the smallest group of respondents, only 7.3% of respondents classified their top leader into Type III.

As reviewed in Chapter Two, Type I refers to a leadership that cherishes a strong desire for control of the company, while preferring to seek challenges and new opportunities. Leadership of Type II prefers seeking challenges and delegating power to subordinates. Type III is a status-quo guardian who is adverse to challenges and maintains tight control of the company.

Table 5.19 *SLS Top Leader's Strategic Leadership Types as Classified by its Respondents*

|  | Frequency | Percent | Valid Percent |
|---|---|---|---|
| Type 1 | 33 | 16.8 | 20.0 |
| Type 2 | 107 | 54.6 | 64.8 |
| Type 3 | 12 | 6.1 | 7.3 |
| Type 4 | 13 | 6.6 | 7.9 |
| Total | 165 | 84.2 | 100.0 |

**5.7.2 Cross-cultural Integration Strategies Adopted by SBS and SLS**

Two frequency analyses on the adoption of cross-cultural integration strategies by SBS and SLS revealed different results.

With the SBS survey data, 81.3% (N =109) of the respondents agreed that SBS had adopted a centralized integration strategy, while 18.7% ( N = 25 ) did not agree. With the SLS survey data, 77.9% (N = 152) of the respondents agreed that SLS had adopted a centralized integration strategy, while 22.1% (N = 43 ) did not. In follow-up interviews, many respondents reported that SLS did little to integrate management styles and allowed high independence between the SBK headquarters and its subsidiary companies, as well as among its subsidiary members. Clearly, SLS adopted a decentralized integration strategy, either on purpose or unconsciously. In summary, the majority of respondents agreed that SBS had adopted a centralized cross-cultural integration strategy and that SLS had adopted a decentralized cross-cultural integration strategy.

Much of the above-mentioned results were further supported by follow-up interviews and respondents' answers to another item in the questionnaire, which stated:

Q17. As far as I know, the management style in the new company remains unchanged

after this merger.

Yes (    )        No (    )

The majority of SBS respondents (84.7%, N = 111) disagreed with the statement. In other words, they thought that there were changes in the management style after the merger. In answering a follow-up interview question, "What changes had taken place?" three respondents indicated that much of the management power and many resources had been centralized after the merger, especially after the change in the top leadership (Li, Mu & Yan, November 20, 2006, Personal conversations).

In contrast, 87% ( N =161 ) of SLS respondents agreed that there were no changes after the acquisition. The comment, "I feel that everything remained basically the same except for a change in the name and the ownership" was a common response among the interviewees.

## 5.7.3 Results for the Relationship between Strategic Leadership Types and Cross-Cultural Integration Strategies

As shown in the preceding Section 5.8.1 and Section 5.8.2, the strategic leadership types of the two companies under study at SBS and SLS were different. To test the hypothesized relationships under H1a, H1b, H1c, and H1d, two groups of data were used. One group was from SBS, which adopted a centralized cross-cultural integration strategy, and the other was from SLS, which adopted a decentralized cross-cultural integration strategy.

### 5.7.3.1 Analysis Using Data from SBS Respondents

H1a states that the decision- making body of Strategic Leadership Type I is more likely to adopt a cross-cultural integration strategy of centralization rather decentralization. To test this hypothesis, one binary logistic regression was performed, and the result lent no

support for this hypothesis, Cox & Snell $R^2 = .009$, $\chi^2 = .481$, df $=1$, N=53, as the significance level was above.05 (p $=.488$ ). **Thus H1a was rejected.**

H1b predicts that a decision- making body of Strategic Leadership Type II is more likely to adopt a cross-cultural integration strategy of decentralization rather than centralization. To test this hypothesis, one binary logistic regression was performed, and the result lent no support for this hypothesis, Cox & Snell $R^2 = .047$, $\chi^2 = 2.87$, df $=1$, N= 60, as the significance level was above .05 (p $=.09$). Therefore, **H1b was negated.**

H1c predicts that a decision- making body of Strategic Leadership Type III is more likely to adopt a cross-cultural integration strategy of centralization rather than decentralization. A binary logistic regression was performed, and the result did not support this hypothesis, Cox & Snell $R^2 = .02$, $\chi^2 = 1.01$, df $=1$, N $= 50$, as the significance level was above.05 (p $=.32$). Thus, **H1c was rejected.**

H1d predicts that a decision- making body of Strategic Leadership Type IV is more likely to adopt a cross-cultural integration strategy of decentralization rather than centralization. To test this hypothesis, one binary logistic regression was performed, and the result lent no support for this hypothesis, Cox & Snell $R^2 = .062$, $\chi^2 = 3.20$, df $=1$, N=50, as the significance level was above .05 (p=.074). Thus, **H1d was negated.**

### 5.7.3.2 Analysis Using Data from SLS Respondents

H1a states that a decision-making body of Strategic Leadership Type I is more likely to adopt a cross-cultural integration strategy of centralization rather than decentralization. To test this hypothesis, one binary logistic regression was performed. The result showed that there is hardly any relationship between Strategic Leadership Type I and the adoption of centralized cross-cultural integration strategy, Cox & Snell $R^2 = .001$, $\chi^2 = .025$, df $=1$, N $= 50$ , p $=.874$. **Thus H1a was negated.**

H1b predicts that a decision-making body of Strategic Leadership Type II is more likely to adopt a cross-cultural integration strategy of decentralization rather than centralization. To test this hypothesis, one binary logistic regression was performed. The result showed that the relationship hypothesized in H2b did not exist, Cox & Snell $R^2$ =.003, $\chi^2$ =.283,df =1, N=103, p =.595. **Thus H1b was not supported.**

H1c predicts that a decision -making body of Strategic Leadership Type III is more likely to adopt a cross-cultural integration strategy of centralization rather than decentralization. A binary logistic regression was performed. The result did not support this hypothesis, Cox & Snell $R^2$ =.086, $\chi^2$ =2.80,df =1 ,N =31, p =.094. **Thus H1c was negated.**

H1d predicts that a decision-making body of Strategic Leadership Type IV is more likely to adopt a cross-cultural integration strategy of decentralization rather than centralization. To test this hypothesis, one binary logistic regression was performed. The result revealed that the relationship as hypothesized in H2d did not exist, Cox & Snell $R^2$ =.002, $\chi^2$ =.069, df =1, p =.793. **Thus H1d was rejected.**

This section reports the results of hypotheses tests on four pairs of the relationship between strategic leadership type and the adoption of cross-cultural integration strategy. The results showed that none of the four strategic leadership types was predictable for the acquiring company's choice of post-merger integration strategies. Apparently, strategic leadership type for the acquiring company may not play a key role in its adoption of cross-cultural integration strategy. Other factors, such as organizational culture, economic, or even office political factors may be at work. The next section will discuss the role of organizational culture in the acquiring company's adoption of a cross-cultural integration strategy.

**Section 5.8 Results for the Relationship between Strength of Organizational Culture and the Adoption of Cross-cultural Integration Strategies**

This section presents the results of an analysis of the relationship between the strength of organizational culture and the adoption of a centralized integration strategy. The analysis will be based on two groups of survey data--one group from SBS, which adopted a centralized cross-cultural integration strategy and the other from SLS, which adopted a decentralized cross-cultural integration strategy.

H2a suggests that the stronger the strength of the organizational culture of the acquiring company, the more likely it is to adopt a cross-cultural integration strategy of centralization rather than decentralization. To test this correlation, a binary logistic regression was performed with the SBS survey data. The results showed that there was no significant correlation between them, Cox & Snell $R^2 = .002$, $\chi^2 = .204$, df =1, N=140, p =.652. The strength of the SBS organizational culture accounted for only a 0.2% probability of adoption of a centralized integration strategy by SBS.

The hypothesized relationship was also tested using a Pearson correlation coefficient computation. The result revealed that no significant relationship existed between the independent variable strength of the SBS organizational culture and its adoption of a centralized integration strategy, N=116, r = - .042, p =.654. In addition, the slight relationship between them was found to tend toward the opposite direction. As such**, Thus H2a was rejected.**

H2b states that the weaker the strength of the organizational culture of the acquiring company, the more likely it is to adopt a cross-cultural integration strategy of decentralization rather than centralization. To test this hypothesis, a binary logistic regression was conducted with survey data from SLS respondents. The result lent little supportive evidence for this hypothesis, Cox and Snell $R^2 = .021$, $\chi^2 = 3.51$, df =1, N=192, p=.061.

To double check the relationship hypothesized in H2b, a Pearson bivariate correlation was computed. The result further confirmed the rejection of the logistic regression, N=195, r = -.147, p =.059. As can be seen then, the direction of the association between the independent variable and the dependent variable was negative, and the strength of the association between them was not significant enough (p=.06) as well. **Thus, H2b was rejected.**

This section has reported the results of hypothesis testing on the relationship between the strength of the organizational culture of the acquiring company and its adoption of a cross-cultural integration strategy. After computations that applied both logistic regression and Pearson correlation to data from both SBS and SLS respondents, the results showed that none of the relationships hypothesized in H2a and H2b existed at a significant level (p>.05).

**Section 5.9 Culture Influence Pattern upon Communication Behaviours under Cross-Cultural Integration Strategies**

This section presents findings for two hypotheses suggesting that the affecting power of national culture and organizational culture upon communication behaviours vary under two cross-cultural integration strategies: centralization and decentralization. A frequency analysis shows that 81.3% (N =109) of SBS respondents (N =140) thought that SBS had adopted a centralization integration strategy after the merger, and 77.9% (N =152) of SLS respondents classified the integration strategy adopted by their company into a decentralized type. Therefore, the survey data from SBS will be used for testing H4 which examines the differences of two cultures' (national and organizational) overall affect power upon under a centralized cross-cultural integration strategy; the data from SLS will be used to test H6 which observes the differences of two cultures' overall affect power upon communication behaviours under a decentralized cross-cultural integration strategy.

**5.9.1 Cultures' Influence Power under a Centralized Integration Strategy**

H3 states that under a centralized cross-cultural integration strategy, organizational culture is more likely than national culture to play a dominant role in affecting communication behaviours. To test this hypothesis, a two-factor MANOVA was performed with the survey data from SBS which adopts a centralized cross-cultural integration strategy. The two factors (two independent variables) are: uncertainty avoidance representing national culture and organizational adaptability representing organizational culture, and the dependent variable is the combination of four communication behaviours. The results revealed that the two factors' respective overall impacts upon the combination of the four communication behaviours are both significant.

For Factor I SBS organizational adaptability, the result is: Wilk's Lambda=.046, F (48, 94.49) =2.40, p<.001, partial eta-squared =.536. For Factor II individual uncertainty avoidance, the result is: Wilk's Lambda=.087, F (48, 94.49) =1.75, p<0.05, partial eta-squared =.457.

As can be seen, there was a slight difference in both the significance level and effect size between SBS organizational adaptability and individual uncertainty avoidance. That is, SBS adaptability's effect (p<.001) upon the combination of four communication behaviours is more significant than uncertainty avoidance's (p<.05); and also SBS' effect size (partial eta-squared=.536) is also larger than that of uncertainty avoidance (partial eta-squared =.457). In other words, under a centralized integration strategy, SBS organizational adaptability explains 53.6 % of variance of the combination of the four communication behaviours, which is considered as a large effect size (Cohen,1988), whereas individual uncertainty avoidance explains 45.7 %, which is considered as medium size effect (Cohen,1988). More accurately, SBS adaptability's effect upon the combination of the four communication behaviours is roughly 15% larger than that of individual uncertainty avoidance. Therefore,

**Hypothesis 3 was supported**, but moderately. This moderateness can be due to the fact that SBS' organizational strength is not strong enough (mean score=2.92).

**5.9.2 Cultures' Influence Power under a Decentralized Integration Strategy**

H4 predicts the most salient influence factor in affecting communication behaviours and does not fit into the category of culture's influence pattern under Section 5.9. It is therefore postponed to be discussed in the next section (Section 5.10).

H5 posits that under a decentralized cross-cultural integration strategy, national culture is more likely than organizational culture to play a dominant role in affecting communication behaviours. To test this hypothesis, a two-factor MANOVA was performed with the survey data from SLS，which adopted a decentralized cross-cultural integration strategy. In this computational equation, the two factors (independent variables) were organizational adaptability representing organizational culture and individual uncertainty avoidance representing national culture, and the dependent variable was the combination of the four communication behaviours. The result of statistic calculation lent supportive evidence for H5. Details are as follows:

For SLS organizational adaptability: Wilk's Lambda=.410, $F(48, 260.13)=1.4$, p=.049, partial eta-squared= .200. For individual uncertainty avoidance: Wilk's Lambda=.281, $F(48, 260.13)=1.4$, p=.01, partial eta-squared= .275.

As can be seen, the effect sizes of SLS organizational adaptability and individual uncertainty avoidance upon communication behaviours are both small, according to Cohen (1988). And yet, there is a slight difference. That is, the effect size of individuals' uncertainty avoidance is considerably higher (partial eta-squared=.275) than that of SLS organizational adaptability's (partial eta-squared =.200); its significance level is also considerably lower (p=.01) than that of SLS organizational adaptability (p=.049). Individual uncertainty avoidance explains 27.5% of variance in

the communication behaviours, whereas adaptability accounts for 20%. In other words, national culture represented by individual uncertainty avoidance prevails over organizational adaptability in affecting the combination of the four communication behaviours. As such, **H5 was confirmed.**

This section has reported the results of comparing the variations of communication behaviours under two cross-cultural integration strategies. By means of two-factor MANOVA computation, it was found that there exists an affect pattern of organizational culture and national culture upon communication behaviours. That is, under a centralized cross-cultural integration strategy, organizational culture prevails over national culture in affect size and significance level; under a decentralized cross-cultural integration, national culture prevails over organizational culture.

## Section 5.10 Utmost Salient Culture Affect Factors upon Communication Behaviours under Two Different Cross-cultural Integration Strategies

This section reports findings that help identify the most salient culture affect factors upon four communication behaviours individually under two different cross-cultural integration strategies. One of the two companies under study adopted a centralized cross-cultural strategy and the other adopted a decentralized strategy.

### 5.10.1 Under a Centralized Cross-Cultural Integration Strategy

H4 states that under a centralized integration strategy, organizational culture is more likely than national cultural factors to be the more salient factor in affecting each of the four communication behaviours individually. As there are four communication behaviours-- information needs, information acquisition, information use and information sharing, four hypotheses were formulated. To test these hypotheses, four multiple regressions were performed with survey data from SBS respondents. The results showed mixed evidence for the four sub-hypotheses. Adaptability was found to be the utmost prominent factor on two of the four communication behaviours, but

became the third most prominent factor upon the other two communication behaviours.

H4a states that under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than national cultural factors to be the most salient factor in affecting information needs. To test this hypothesis, one multiple regression was conducted with the four cultural factors, namely adaptability, power distance, uncertainty avoidance, high/low context, as the independent variables, and information needs as the dependent variable. The results revealed that there was no significant relationship between any of the four independent variables and the dependent variable, as the significance levels were all above .05. Concurrently, the size effects were all very small. Table 5.20 places these significance levels and size effects in ranking sequence.

According to Cohen (1988), all of the four effect sizes belong to the "small" category. And yet, there are still differences in the explanatory power of the four cultural factors for the variance in the information needs. As the most influential affect factor, individual uncertainty avoidance explains 8.1% of variance of information needs. Individual power distance, SBS adaptability and individual high/low context explain respectively 6.6%, 5.5% and 4.62% of variance of information needs. Given that SBS organizational adaptability was found to be the third, rather than the first most influential factor, **H4a was not supported.**

Table 5.20 *A Comparison of the Effect Sizes of Four Cultural Factors upon Information Needs under Centralized Integration Strategy*

| Independent Variable | Individual Uncertainty Avoidance | | Individual Power Distance | | SBS Organizational Adaptability | | Individual High/Low Context | |
|---|---|---|---|---|---|---|---|---|
| Sig. ⟍ Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Information Needs | .081 | .420 | -.066 | .502 | .055 | .577 | -.0462 | .645 |

*Note.* Sig.= significance level

For H4b,which argues that under a centralized cross-cultural integration strategy , the organizational cultural factor is more likely than national cultural factors to be the most salient influencing factor upon information acquisition, the overall result of multiple regression computation is: Adjusted R-square =.127, $F(4,99)=4.74$, p=.002. Put another way, the four cultural factors collectively account for 12.7% of the variance of information acquisition.

Among the four independent variables, SBS adaptability's individual effect size upon information acquisition was the largest (ß =.365), and its significance level was the highest (p<.001). All three other independent variables have more or less effects upon information acquisition. But none of the significance levels of association between these three independent variables and the dependent variable was above .05 (p>.05). In terms of Beta weight and significance level, individual uncertainty avoidance was next to SBS adaptability (ß =12.9, p=.167), and followed by individual power distance (ß =-.071, p=.455) and individual high/low context (ß =.048, p=.605). Table 5.21 summaries the

comparison.

Table 5.21 *A Comparison of the Effect of Four Cultural Factors upon Information Acquisition under Centralized Integration Strategy*

| Independent Variable | SBS Organizational Adaptability | | Individual Uncertainty Avoidance | | Individual Power Distance | | Individual High/Low Context | |
|---|---|---|---|---|---|---|---|---|
| Sig.      Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Information Acquisition | .365 | p<.001 | 12.9 | .167 | -.071 | .455 | .048 | .605 |

*Note.* Sig.= significance level

As can be seen from Table 5.21, SBS organizational adaptability alone accounts for 36.5% of variance of information acquisition and its significance level is below .001 (p<.001). Three other cultural variables account for 12.9% (individual uncertainty avoidance), -7.1% (individual power distance) and 4.8 % (individual high/low context) respectively. In other words, SBS organizational adaptability proved to be the most prominent cultural factor upon information acquisition among the four cultural factors. **H4b was therefore confirmed.**

H4c argues that under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than national cultural factors to be the most salient factor in affecting the frequency of information use. The calculation result of multiple regression filed no supportive evidence for this hypothesis. SBS organizational adaptability was found to be the third most correlated (or the second to the last) with the frequency of information use, $F_{(4,101)} = 8.09$, $\beta = .163$, $p=.048$. Instead, individual

uncertainty avoidance was the most influential factor, $F_{(4,101)} = 8.09$, $ß = .453$, $p < .001$. Individual power distance ranked the second, $F_{(4,101)} = 8.09$, $ß = -.165$, $p = .045$, and individual high/low context ranked the last, $F_{(4,101)} = 8.09$, $ß = -.046$, $p = .321$. Table 5.22 displays these figures in comparison.

As indicated in Table 5.22, the most influential factor upon the frequency of information use is individual uncertainty avoidance. It alone accounts for 45.3% of the variance of the frequency of information use. Its effect size $ß = .453$ belongs to the "medium" category in Cohen's (1988) term. SBS organizational adaptability, explaining 16.3% of the variance of the frequency of information use, became the third most, rather than the first most as hypothesized in H5c, influential affect factor. Therefore, **H4c was rejected.**

Table 5.22 *A Comparison of the Effect Sizes of Four Cultural Factors upon the Frequency of Information Use under Centralized Integration Strategy*

| Independent Variable | Individual Uncertainty Avoidance | | Individual Power Distance | | SBS Organizational Adaptability | | Individual High/Low Context | |
|---|---|---|---|---|---|---|---|---|
| Sig.   Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Frequency of Information Use | .453 | .001 | -.165 | .045 | .163 | .048 | -.046 | .321 |

*Note.* Sig.= significance level

For H4d, which states that under a centralized cross-cultural integration strategy, the organizational cultural factor is more likely than national cultural factors to be the most

salient factor in affecting information sharing, the result of a multiple regression computation lent supportive evidence. SBS organizational adaptability was found to prevail over three other independent variables in effect size and significance level, F (4,101) =3.07, ß =.217, p= .013. The effect sizes of other three cultural independent variables were all smaller and their significance levels were all higher. Table 5.23 summarizes this result.

Table 5.23 *A Comparison of the Effect Sizes of Four Cultural Factors upon Information Sharing under centralized Integration Strategy*

| Independent Variable | SBS Organizational Adaptability | | Individual High/Low Context | | Individual Power Distance | | Individual Uncertainty Avoidance | |
|---|---|---|---|---|---|---|---|---|
| Sig. Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Information Sharing | .217 | .013 | -.183 | .030 | .154 | .058 | .079 | .211 |

*Note.* Sig.= significance level

As indicated in Table 5.36, SBS organizational adaptability alone explains for 21.7% of the variance of the dependent variable information sharing and is the most prominent influential factor. Accordingly, **H4d was supported.**

In summary, this section has reported the results of one group of hypothesis tests to examine whether or not the organizational cultural factor adaptability always prevails three national cultural factors in affecting four communication behaviours under a centralized cross-cultural integration strategy. With four multiple regression computations, two were found consistent with what was hypothesized in H4a, H4b, H4c

and H4d, and two were not. In other words, under a centralized integration strategy, SBS organizational culture (adaptability) does not always prevail over other three cultural factors.

As shown in above hypothesis tests, SBS' organizational culture was not always the most prominent affect factor as hypothesized. This again may be due to the fact that SBS' organizational culture was not strong enough. As mentioned in Section 5.5.2, SBS' strength index is 2.92--merely 2.7% stronger than the middle line 3. According to Kotter and Heskett's (1992), the weaker the strength of an organization's culture, the less consistent between its organizational value and its employees' individual values and practices. Therefore, it is very likely that SBS' organizational value of being adaptable to the environment had not always been turned into its employees' behaviours, including communication behaviours.

### 5.10.2 Under a Decentralized Integration Strategy

H6 predicts that under a decentralized cross-cultural integration strategy, national culture is more likely than organizational culture to be the more salient factor in affecting individuals' communication behaviours. To test this hypothesis, four multiple regressions were performed with data from SLS respondents, each for one sub-hypothesis. The results showed that on the four communication behaviours, three national cultural factors exercise the most influential effect, and one does not, and that the most salient affect factors change to different dimensions along with different types of communication behaviours.

For H6a, which states that under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the most salient factor upon his/her information needs. One multiple regression was performed with adaptability, power distance, uncertainty avoidance and high/low context as independent variables and information needs as the dependent variable.

Supportive evidence was found in the overall model, F (4, 148) =2.88, Adjusted R Square =.047, p<.05, with individual uncertainty avoidance ranking the first in size (ß = .135, p =.051) among the four independent variables. Therefore, **H6a was confirmed.** Figures for other variables for the hypothesis are included in Table 5.24.

Table 5.24 *A Comparison of the Effect Sizes of Four Cultural Factors upon Information Needs under a Decentralized Integration Strategy*

| Independent Variable | Individual Uncertainty Avoidance | | Individual High/Low Context | | SLS Organizational Adaptability | | Individual Power Distance | |
|---|---|---|---|---|---|---|---|---|
| Sig.     Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Information Needs | .135 | .005 | .117 | .046 | .106 | .051 | .033 | .675 |

*Note.* Sig.= significance level

H6b states that under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the most salient factor upon his/her initiative of information acquisition**.** To test this hypothesis, one multiple regression was performed with the four cultural factors as the independent variables and information acquisition as the dependent variable. The calculation results lent support for this hypothesis, F (4, 147) = 4.82, Adjusted R Square = .092, p<.001, with individual uncertainty avoidance as the most influential factor (ß= .293, p<.001). Individual high/low context and individual power distance ranked the second and the third respectively. The size effect of SBS organizational adaptability was the smallest. Their specific figures are presented in Table 5.25. **Therefore, H6b was supported.**

Table 5.25 *A Comparison of the Effect Sizes of Four Cultural Factors upon Information Acquisition under Decentralized Integration Strategy*

| Independent Variable | Individual Uncertainty Avoidance | | Individual High/Low Context | | Individual Power Distance | | SLS Organizational Adaptability | |
|---|---|---|---|---|---|---|---|---|
| Sig.     Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Information Acquisition | .293 | .000 | .153 | .053 | .081 | .302 | .013 | .869 |

*Note.* Sig.= significance level

H6c states that under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the most salient factor upon his/her willingness of information sharing**.** To test this hypothesis, one multiple regression was conducted with the four cultural factors as the independent variables and information sharing as the dependent variable**.** The result revealed supportive evidence to this hypothesis, because in the overall model, $F(4, 149) = 3.09$, Adjusted R Square = .052, p = .018, the greatest contributor to the equation was a national cultural factor--individual high/low context, (ß = .204, p= .011 ). Therefore, **H6c was confirmed.** Figures for other three variables are placed in Table 5.26 for comparison. As the most influential factor, individual high/low context alone accounts for 20.4% of the variance in information sharing. The third most influential factor individual uncertainty avoidance explains only 7.5%, and the direction is negative.

Table 5.26 *A Comparison of the Effect Sizes of Four Cultural Factors upon Information Sharing under Decentralized Integration Strategy*

| Independent Variable | Individual High/Low Context | | Individual Power Distance | | Individual Uncertainty Avoidance | | SLS Organizational Adaptability | |
|---|---|---|---|---|---|---|---|---|
| Sig. Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Information Sharing | .204 | .011 | -.201 | .012 | -.075 | .367 | -.021 | .803 |

*Note.* Sig.= significance level

For high/low context to be the most influential factor upon information sharing needs some explanation. According to Hall (1976), "high-context cultures make great distinctions between insiders and outsiders". (p.113). Different height of communication contexts may predict different willingness to share market information with "insiders" or "outsiders". This predictability is .204 in size (ß =.204, p=.011). That is, the contextuality of communication accounts for 20.4% of the variance in the willingness of information sharing with other people. The "other people" are defined by the boundary of "insiders" and "outsiders" in the respondents' mind.

H6d suggests that under a decentralized cross-cultural integration strategy, a national cultural factor is more likely than the organizational cultural factor to be the most salient factor upon his/her frequency of information use. The results of one multiple regression calculation showed supportive evidence for this hypothesis. In the overall equation model, $F(4, 149) = 4.82$, $p = .001$, individual uncertainty avoidance made the greatest contribution (ß = -.252, p = .002 ). As the most influential factor, it alone explains

25.2% of variance of the frequency of information use. **Therefore, H6d was confirmed.**
Table 5.27 presents results for individual uncertainty avoidance in comparison with
those for three other cultural factors.

Table 5.27 *A Comparison of the Effect Sizes of Four Cultural Factors upon Information
Use under a Decentralized Integration Strategy*

| Independent Variable | Individual Uncertainty Avoidance | | Individual Power Distance | | SLS Organizational Adaptability | | Individual High/Low Context | |
|---|---|---|---|---|---|---|---|---|
| Sig. ⟍ Beta | Beta | Sig. | Beta | Sig. | Beta | Sig. | Beta | Sig. |
| Coefficient for Frequency of Information Use | .252 | .002 | .124 | .111 | .120 | .139 | .034 | .667 |

*Note.* Sig.= significance level

H6e states that under a decentralized integration strategy, the size of an individual's
power distance is positively related to his/her tendency of using internal information in
decision-making or technological development. To test this hypothesis, a bivariate
correlation computation was conducted with individual power distance as the
independent variable and Item 24 of the questionnaire (preference for internal
information) as the dependent variable. The computation results showed supportive
evidence to this hypothesis, $r(194) = .147$, $p < .05$. **H6e was thus confirmed**. As the
coefficient indicates, the relationship between the independent variable and dependent
variable is both significant and positive. Individual power distance accounts for 14.7%

of the variance in the degree of the respondents' preference for internal information.

For H6f, which suggests that under a centralized integration strategy, the height of an individual's cultural context is positively related to his/her use of qualitative information in decision-making or technological development, supportive evidence was also found by a bivariate correlation computation, r ( 194 ) = .279, p < .001. Therefore, **H6f was confirmed.** The relationship between the independent variable and the dependent variable was both significant and positive. In other words, 27.9% of variance in respondents' degree of preference for intuitive information was explained by the contextuality of communication in the respondents' mindsets.

This section has reported results of hypotheses tests on seven pairs of relationship between four cultural factors and four communication behaviours under a decentralized cross-cultural integration strategy. Among the seven hypothesized relationship, six were confirmed with quantitative data, and one was negated. Supplementary interpretations were discussed where necessary.

**Chapter Summary**

This chapter has reported the results of quantitative analysis of the survey data and offered supplementary qualitative interpretations for these results. Sections 5.1 - 5.6 reported the questionnaire response rate, the demographics of questionnaire respondents, and then re-examined, in conjunction with prior studies, the mean scores for five independent variables, namely power distance, uncertainty avoidance, high/low context, organizational strength, and organizational adaptability. The chapter continues to examine the mean scores of the four dependent variables, namely information needs, information acquisition, information use, and information sharing.. Sections 5.7 – 5.10 of the chapter reported the results of statistical computations for 18 hypotheses. The statistical techniques applied include: an independent Sample t-test, Logistic Regression, two-factor MANOVA, Multiple Regression, and Bivariate Correlation. Among the 18

hypotheses, ten were confirmed with supportive evidence, and eight were rejected.

The next chapter is the last chapter of this research. It summarizes the overall findings of the study and suggests its possible contributions. It also presents the limitations of the study and makes future research on and beyond the topic.

**Chapter Six**

**Discussion and Conclusion**

This chapter summarizes the findings of this research, discusses its contributions and limitations, and puts forward research suggestions for future study in the field.

**Section 6.1 Findings and Discussion**

Since the late 1990's, the $5^{th}$ wave of merger and acquisition (M&A) has spread across the world, and China has become a major part of that wave (Tang & Metwali, 2006). More and more Chinese indigenous companies have become active players in the fifth wave by acquiring foreign firms, including giant multinational companies. Many business practitioners as well as academia on the China Mainland have questioned the success rate of these mergers and acquisitions by demonstrating their high failure rate around the world. But few researchers (for example, Buono & Ghoshal, 1990; Cartwright & Cooper, 1996; Schmidt, et. al., 2002) have gone further to explain the reasons for that success or failure. This study tries to fill that void and explore the underlying reasons for the success or failure of these M&As from a cross-cultural perspective. As an initial effort toward this end, this research examined the role of culture in shaping the top business leadership's leadership type and consequently in the acquiring companies' adoption of cross-cultural integration strategies. It then goes on to compare the effect of national culture and organizational culture on communication behaviours for two different cross-cultural integration strategies. In so doing, 18 hypotheses were formulated. To test the hypotheses, the study examined two acquisitions that occurred between one Chinese indigenous company, the SBK Group, and two French multinationals. As part of a year-long field investigation, 386 valid questionnaires were collected and 37 follow-up interviews were conducted. The analysis of that data as well as relevant media coverage and website information revealed the following findings.

**6.1.1 The Relationship between Organizational Culture of the Acquiring Company and Its Adoption of Cross-cultural Integration Strategies**

The results of this study show that the strength of the acquiring company's organizational culture plays no significant role in shaping the acquiring company's post-merger integration strategies. The reasons can be either that the integration strategy taken by both SBS and SLS was more a result of economic consideration rather than cultural consideration, or that the cross-cultural measure adopted by both SBS and SLS was of a simple kind. Sophisticated factors, such as the strength of organizational culture, which needs to be measured and evaluated before use, was not taken into proper consideration.

In interviews with four executives from the SBS company, which adopted a centralized cross-cultural integration strategy, the researcher was told in one single voice that when the new leadership came to power in May of 2005, the most important thing for them to do was to stop losing money and keep the company from collapsing. To meet this target, harsh measures, such as purchasing all shares owned by the French partner and centralizing all critical power in sectors believed to be able to produce immediate effects upon profit, such as financing, marketing , purchasing, were undertaken . Meanwhile, 360 foreign staff (60% of the total staff of 600), who were 10 times more expensive than their Chinese counterparts, were laid off to reduce costs and the possibility of cross-cultural conflict (Li, *The Economic Observer,* January 13, 2007 ). In speaking of the measures to cope with cultural differences, one SBS top executive said, "Culture is something like Chinese herbal medicine which takes a long time to produce effect. We don't have time to measure culture and make big changes in culture. What we did was to treat every employee equally, no matter what nationalities they possess, no matter what cultural background they are from. A prerequisite for us to do so is that our CEO, Dr. Lew, and most of our top leadership have long years' working experiences overseas. We know that equality is honoured by most cultures around the world, especially by Western culture. It turned out our measures worked well" (Niu, Personal

conversation, Nov 16, 2006). Niu's remark was echoed by a top French CEO, Lejune, in another interview.

In interviews with executives from another new-created company SLS, which adopted a decentralized cross-cultural integration strategy, one executive Mr. Shi described how the cultural issue was handled at SLS after the merger. Shi said, "We knew there were cultural differences between us and our foreign counterparts and they will not disappear automatically. But since culture is something we can't see, to tell you the truth, we don't know how to handle them effectively. One good way we think is--simply to let them (foreign staff) be. In so doing, we show our respect for their original cultures and customs. And as far as I know, many of them are happy with it" (Shi, Personal communication, November 16, 2006). This remark was shared in essence by three other SLS managers in interviews that followed a few days later.

In summary, as revealed especially in the interviews, the factor organizational culture was out of consideration, having no chance to play its role in shaping the post-merger integration strategies in either of the two companies, SBS and SLS.

**6.1.2 The Relationship between the Strategic Leadership Type of the Acquiring Company and its Adoption of Cross-Cultural Integration Strategy**

With quantitative evidence, this study found that there is no significant relationship between the strategic leadership type of the acquiring company and its adoption of post-M&A cross-cultural integration strategy. The reason can be that economic factors that might turn-around the worsening financial situation overshadowed all other factors in the process of making choice of cross-cultural integration strategy in both SBS and SLS companies. As one senior executive acknowledged, " all SBS' and SLS' top leadership members suppressed their personal preferences in coping with worsening situations after the two international M&As , including making choice of cross-cultural integration strategies" ( Bow, Personal conversation, Nov 19,2006).

**6.1.3 Culture's Influence Pattern upon Communication Behaviours under Two Different Cross-cultural Integration Strategies**

In comparing the effect sizes of adaptability (organizational culture) and uncertainty avoidance (national culture) upon the four communication behaviours, this study found that there is a pattern when national culture and organizational culture simultaneously exercises influence upon communication behaviours. That is, under a decentralized cross-cultural integration strategy, national culture's influence is remarkably larger than that of organizational culture, whereas under a centralized cross-cultural integration strategy, organizational culture exercises only moderately larger effect upon communication behaviours than national culture. This moderateness of differences can be due to two factors.

First, the major post-merger integration measures were mainly employed to tackle with the economic aspects, rather than cultural aspects, of management that might bring about direct profit, such as financing, human resources and marketing. "Cultural change is necessary, but it takes long time to see its effect. Thus, our (French) culture has basically been preserved in the new company. " said one French engineer in an interview (Forler, Personal communication, November 22, 2006 ). "The management style has changed a lot in the last few years. We have been trying to adapt to it on our own, and nobody forced us to do so officially." echoed by a Hong Kong executive (Chan, Personal communication, November 20, 2006). These remarks were further confirmed by the fact that the Corporate Culture Reengineering Campaign in 2006 was practiced among Chinese mainlanders and hardly extended to foreign nationals who were also working for SBK Group. Therefore, the adaptability of SBS organizational culture had only moderately higher (rather than dominant) influence upon the four communication behaviours than uncertainty avoidance (national culture) which has been deeply rooted in individual employees' mindsets.

Second, SBS' organizational culture is not strong enough. As mentioned in Table 5.11 in

Chapter Five, SBS' strength index is 2.92-- weaker than the overall average mean score 2.83. According to Kotter and Heskett's (1992), the weaker the strength of an organization's culture, the less consistent between its organizational value and its employees' individual values and practices. Therefore, it is very likely that SBS' organizational value of being adaptive to the environment had not completely been turned into its employees' behaviours, including communication behaviours. In other words, the influence power of SBS' organizational adaptability upon communication behaviours is limited.

**6.1.4 The Most Salient Affect Factors under Two Different Cross-cultural Integration Strategies**

In identifying the most prominent cultural affect factor upon four communication behaviours from one organizational cultural factor (adaptability) and three national cultural factors (uncertainty avoidance, power distance and high/low context ), this study achieved two findings.

First, under a centralized cross-cultural integration strategy, organizational culture sometimes prevails over national culture in exercising its influence upon each of the four communication behaviours. That is, on some communication behaviours, one or more national cultural factors prevail. This again can be due to the two factors mentioned in the preceding section. First, the centralized integration strategy was employed to deal mainly with economic, rather than cultural, dimensions of post-M&A management. Second, SBS organizational culture is not strong enough (for more detailed discussion, please refer to Section 6.1.8).

Second, under a decentralized cross-cultural integration strategy, national culture always prevails over organizational culture in exercising their effect upon the four communication behaviours. This is especially so when the organizational culture is not sufficiently strong. Among the three national cultural factors, namely power distance,

uncertainty avoidance, high/low context, uncertainty avoidance was found to exercise the most prominent effect upon three out of the four communication behaviours, namely information needs, information acquisition, the frequency of information use, and high/low context exercised the most prominent effect on one of the four communication behaviour, that is, information sharing.

Besides afore-mentioned findings that correspond to the research questions and hypotheses, this study has also achieved some unexpected findings as follows.

**6.1.5 Power Distance of Chinese Mainlanders and Russians**

In Hofstede's (1980) pioneering study of national cultures worldwide, the China mainland and Russia were not included in his pool of target countries. The research done by Fernandez et al (1997) added them to the study list and concluded that both belonged to countries with larger power distance. China Mainland's index was 14.5 (14% larger than the average mean score of 12.72, and Russian's index was 16.38 (29% larger than the average mean score of 12.72). This study confirmed that the power distance of these two countries is large, as their indexes were both above the total average mean score of 2.83. This study also agrees with Fernandez et al's (1997) supplementary rationale that "the premise of communism is equal status for all, but the reality of life in these countries is probably a very real separation between those at the top and everyone else" (p. 13). My current study adds that China's large power distance dates far back to more than 2000 years ago, when Confucianism was established. Since that time, *wu lun* (five cardinal unequal relationships between people), which is very similar to Hofstede's power distance concept in essence, has been deeply rooted in the mindsets of the Chinese people (Cheng, 2003; Ding, 2006; Gu, 1999; Zhou, 2006).

**6.1.6 Differences in Power Distance between the Chinese Mainland and Hong Kong Respondents**

Among the four cultural groups under study in this study, Hong Kong staff had the

smallest power distance (mean=3.61), whereas Chinese mainlanders had the largest (2.73). They are significantly different (p<.001), even though they both belong to the greater China society (Kwong, 2002). This significant difference may be due to the different history experienced respectively by these two regions in the past 20th century.

The Chinese Mainland remained a feudal and semi-feudal society where the inequality between individuals was appreciated and emphasized (Cheng, 2003; Ding, 2006; Zhou, 2005) until the first half of the 20th century. After the Chinese Communist Party came to power in 1949, gigantic and substantial changes took place within many aspects of the Chinese Mainland society, but there still remained "a very real separation between those at the top and everyone else" (Fernandez et al,1997, p. 13). This separation was even enhanced further during the Great Cultural Revolution (1966-1976) in the Mainland.

Meanwhile, Hong Kong was under the rule of the UK for a century, and Confucianism was excluded in one way or another, from both the official ideology and social services during that time (Kwong, 2002). In addition, the British democratic political system and the Westernized free-market economic system was widely accepted and implemented in Hong Kong. Consequently, many people adapted to British culture by and large, wherein power distance was traditionally small (mean score=35, 41% lower than the average mean of 59.22, Hofstede, 1980). Thus power distance in the mindsets of most Hong Kong people faded gradually generation after generation.

## 6.1.7 Differences in Uncertainty Avoidance between the Chinese Mainland and Hong Kong Respondents

The result of the statistical analysis showed that Chinese mainlanders were low uncertainty avoiding (mean=3.51, -18% lower than the average mean of 2.97), and that Hong Kongers were high uncertainty avoiding (mean=2.62, 12% higher than the average mean of 2.97). These two cultural groups were found significantly (p<.001)

different from each other, although they do both belong to the same greater Chinese society. This difference again can be attributed to the different historical backgrounds of these two peoples and the different spread of experiences of religion in their two regions in modern history.

Although the China mainland was invaded by the Western "Eight-power Allied Forces" in the early 1900's and by its Eastern neighbour Japan from 1938- 1945, the core of traditional Chinese culture--Confucianism, Taoism, and Buddhism was never dominated by or mingled with another foreign religion, including Christianity. These three religions/philosophical schools of thoughts have prepared the Chinese people to be low uncertainty avoiding by all three emphasizing the uselessness of laws and rules. This neglect of laws and rules is a typical indicator of low uncertainty avoidance, according to Hofstede (1980). By definition, "uncertainty avoidance is the extent to which the members of a culture feel threatened by unknown situations. This feeling is then expressed through a need for written or unwritten rules" (Hofstede, 1997, p.113). All through Chinese civilized history of over two thousand years, China has been ruled by man rather than by rules (e.g. Lin, 1988; Zhou, 2006).

In Hong Kong, Christianity gained prevalence by far over Taoism, Confucianism, and Buddhism in all walks of life and exerted tremendous influence during the past 150 years of colonial rule, according to a study by Kwong (2002). Hofstede (1997) revealed that there was a strong correlation between Western religion and high uncertainty avoidance. The rule of the United Kingdom brought not only Western religion, but also their political system--governance by rule rather than by man. Generation after generation, honouring the law and following rules has been deeply rooted in the mindsets of ordinary Hong Kong people and has become a way for them to avoid uncertainties in life.

In summary, with hundreds of bits of hard data and different cultural prints in the mindsets of the two groups of people, it may be safe to say that Mainland Chinese are

low uncertainty avoidant (mean=3.51), whereas Hong Kongers can be labelled as high uncertainty avoiding (mean=2.60). Additionally, these two cultural groups are significantly different in uncertainty avoidance (p< .001).

**6.1.8 The Contextuality of Chinese Mainlanders' Communication**

According to Hall (1976), who was the initiator of the communication context model, the Chinese placed at the high end of the contextuality continuum (Hall, 1976). This study found that they place instead at the lower end (mean = 3.88, 29.33% lower than middle line 3). The reason for this difference can be attributed to three factors. First, there are differences in the supportive evidence on which these two studies are based. Hall's conclusion was mainly achieved from his observation of law practices in the US and a few other countries (e.g., Japan, France, and China) and from his review of linguistic features and literary works across cultures. This study, on the other hand, drew its conclusion from precise statistical calculation of quantitative data collected recently.

Second, there are differences in the emphasis of each study. Hall put his emphasis on national cultural value, whereas this study underlines the nature of workplace values. While indirectness of communication may imply politeness and respect in social intercourse, directness of communication at the workplace can avoid ambiguity and increase work efficiency. Naturally, there is a difference of emphasis in the minds of all researchers when approaching and analysing the issue of communication contextuality. Third, there may have been a cultural shift on the China Mainland since Hall's study in the middle 1970's. Two years after Hall's work was published in 1976, the China Mainland began its opening-up policy, and great changes have since taken place in all walks of life there, including communication style. The American style of communication directness, especially at the work place, has been widely appreciated and gradually accepted by business professionals on the China Mainland, for example, the SBK respondents who have had the opportunity to work shoulder to shoulder with their Western counterparts.

**6.1.9 Leaders' Role in Shaping Organizational Culture**

This study has found that the organizational culture at the SBK headquarters was weak in nature, as its mean score was 3.16, 5.3% weaker than the middle line 3. As such, SBK's two subsidiary companies, SBS and SLS showed significant difference not only from itself, but also from each other in both dimensions of their organizational cultures-- strength and adaptability. As seen in Table 5.11 in Chapter Five, all indexes in the boxes are significantly different from one another (p<.01), and the indexes for SBK headquarter all place in the middle between its two subsidiaries, SBK and SLS.

These inconsistencies in the index for organizational strength and adaptability for SBK headquarters and its two subsidiaries, SBS and SLS, can be attributed to their three top leaders, as the values of top leaders of a company have a fundamental influence on the organizational culture of that company (Hofstede, 1997; Kono & Cleg, 1998).

The founder and still top leader of the SBK Group, Mr. Lee, was a man born for the Chinese turbulent market, which has been fast-growing and rapid-changing for the past 30 years. At the early stage of that market development, any entrepreneurs who were simply daring and flexible had a chance to win the market and make a fortune. This *post hoc* consensus is shared by many entrepreneurs, academic researchers, and common people (Zhou, March 23, 2006, *The Economic Observer)*. Mr. Lee is one of them, being both very flexible and adaptive to the market. As one of the ten "2004 CCTV Economic Figures of the Year", Mr. Lee was described by the rewarding organizational committee as "a business leader who is good at discovering business opportunity with fashion vision…All through his 23 years of entrepreneurial experiences, he has been continuously looking for fresh crabs and seeking breakthroughs". ( http://finance.sina.com.cn ,December 28, 2004 ). While many of his consultants and management team underline the significance of technological development for the future of the company, he openly and clearly insists that "Market decides technology" (Lin, *China Daily of Electronics*, January 25, 2007).

Another aspect of Mr. Lee's personality is that he is "good at tolerance" (a complimentary comment at the rewarding ceremony for the '2004 CCTV Economic Figure of the Year. See http://finance.sina.com.cn (December 28, 2004) and favours giving empowerment to his subordinates.   "Anyone whom he has a confidence in is very likely to be entitled with certain rights and resources to accomplish his/her target. He seldom cuts in until extremely necessary" a human resource manager stated in an interview (Wu, Personal communication, November 6, 2006). This remark is consistent with the fact that during the whole negotiation process for the merger between SBK and the French partnering company Alcotol, Mr.Lee empowered Mr. Won and his team with full authority to make the deal. He did not cut in until the deal and post-merger management was found to be out of control (Shen & He, 2006). The "Duke Culture" was the term used by the media ((For example, *21*$^{st}$ *Century Economic Herald, China Entrepreneur* and *The Economic Observer*) to describe the decentralized management style of the SBK Group. "I don't want to comment on the good or bad of [the] 'Duke culture' " one interviewee told the researcher, "But for sure, he (Mr. Lee) should be responsible for it." (Personal communication, November 7, 2006)

Mr. Lee's vision for the market and his attitude toward power have left deep imprints on the overall organizational culture of the SBK Group, shaping it to be adaptive to the market and decentralized in its management style. One of the most distinctive features of the SBK Group's organizational culture, as Mr. Lee summarized in a published article (2004), is "sufficient empowerment."(p. 15). As he was concurrently also   the Chairman of SLS during its establishment in 1983 and   up to early 2007 when he resigned from that post, the company's decentralized management style, one major indicator of its organizational strength, was practiced to its utmost ( index mean = 3.30) among the three sectors under the SBK Group. However, Mr. Lee's enthusiasm for the market was surpassed by one of his subordinates Dr. Won, who was the founder and first CEO of SBS.

After Dr. Won was given full authority to run the newly-established SBS, he wisely mingled the traditional spirit of brotherhood with a modern marketing strategy, believing that to win the market, the company had to win brotherhood first. His special understanding of the role of brotherhood in marketing and his passion for customers influenced all his staff and even people outside his company. Those under his influence all made their customers' interests the first priority as he did.

An adaptable organizational culture soon developed inside SBS. It so happened that the market paid his company generous returns and marketing sales miracles were created one after the other within the first four years after the establishment of SBS in 1999. These sales miracles in turn encouraged all SBS employees to be more adaptive to the market. Consequently, SBS adaptability was enhanced repeatedly over the years and became the most adaptive to the market (index mean = 2.9) of the three sectors of the SBK Group (see Table 5.11 in Chapter Five).

Dr. Won not only shaped the adaptability of SBS, but he also laid the foundation for the strength of SBS' organizational culture. With his strong personality and miraculous successes in the marketplace, management and staff in SBS became very obedient to Dr. Won and got accustomed to doing things according to his likes and dislikes. Consequently, Dr. Won's personal vision and ideas became those of the company and eventually translated into employee practices and behaviours. Eventually, there was a high consistency between Dr. Won's values and those of SBS as an organization, and between SBS organizational values and its employees' individual practices.

However, the strong nature of the SBS organizational culture was undermined to an extent soon after SBS was merged with its French partner, due to cross-cultural conflicts and worsening business performance. When the second CEO, Dr. Lew, came on board in May of 2005, SBS gained back its strength gradually.

As revealed in several interviews, Dr. Lew is also a man of strong character. "He loves

power, but uses it differently (from his predecessor)", one interviewee emphasized (Chan, Personal conversation, November 17, 2007). "He centralized power in many aspects after he came to power. But before any critical decisions, his subordinates were always consulted" (Wan, Personal communication, November 18, 2006). Therefore, his vision and ideas became those of the company without much difficulty. Under his strong leadership, these ideas were eventually transplanted into SBS employee behaviours. Therefore, the strong strength of SBS' organizational culture was maintained and still the strongest (mean score = 2.92) of the three sectors of the SBK Group under study (see details in Table 5.11 of Chapter Five ).

In summary, these three top leaders of he SBK Group have shaped, respectively, the adaptability and strength of the group as a whole as well as its subsidiary companies, SBS and SLS. Based on above-mentioned evidence, this study confirms Hofstede's (1997) argument that the "values of founders or key leaders of a company undoubtedly shape organizational culture, and their values become the members' practices" (p.183).

This section has summarized eleven major findings of this study. The first four findings correspond to the research questions and hypotheses of this study. The seven findings that follow were not anticipated at the beginning of this research, but were identified while the variations in national cultural values, organizational cultural characteristics and communication behaviours were placed in comparison among the four cultural groups or three companies under investigation. Beyond each statistical finding, underlying reasons were explained and discussed.

**Section 6.2 Contributions of this Study**

This section discusses possible contributions this study can make to academia and the business world.

**6.2.1 Theoretical Implications**

With the eleven findings mentioned above, this study may have the potential to make some theoretical contributions in the following aspects.

**6.2.1.1 Identifying the Culture's Influence Pattern upon Communication Behaviours**

There has been a large body of research on how cultural factors affect communication behaviours (Adler, 2002; Gudykunst, 1994; Mead, 1990; Singh, 2003). And yet, there has been little research posited on whether there is any influence pattern between culture and communication in multiple cultural contexts. This study explores two M&A cases between an indigenous Chinese company, SBK, and two French multinational companies, and has demonstrated that an influence pattern does indeed exist. That is, under two different cross-cultural integration strategies, the respective influence power of organizational culture and national culture upon communication behaviours will vary.

Under a centralized cross-cultural integration strategy, organizational culture sometimes exercises a more prominent overall effect upon communication behaviours than does national culture. But for each individual communication behaviour, organizational culture does not always prevail over national culture; indeed occasionally, national culture prevails. Under a decentralized cross-cultural integration strategy, national culture always, rather than sometimes, prevails over organizational culture in exercising its effect upon communication behaviours. This influence pattern is especially true when the organizational culture is not sufficiently strong.

The identification of this influence pattern of culture upon communication behaviours is perhaps a pioneering study and may contribute to filling the void that remains in the current literature.

**6.2.1.2 Identifying Two Missing Links between Culture and Post-M&A Company Performance**

Many studies have emphasized the role of culture in the success and failure of international M&As (see for example, Buono & Ghoshal, 1990; Cartwright & Cooper, 1996; Schmidt, *et al*, 2002). But as a rule of thumb, culture alone cannot produce either profit or loss directly, let alone the final success or failure of a company. Its role cannot be executed except through certain behaviours. What are these behaviours? How do these behaviours contribute to the profit or loss in a company and even to the success or failure in international mergers and acquisitions? Seemingly these questions have been overlooked in the previous studies on international M&As.

This study has identified two missing links that do exist between multiplied cultures and post-M&A company performance (including their successes or failures). The first link is market information communication behaviour; and the second link can be either decision- making quality or saleability of products or services developed, or both. *( for a more visual explanation, please see Figure 1.1 in Chapter One*)

In this study, multiplied cultures were represented by three national cultural factors (power distance, uncertainty avoidance, and high-/low- contextuality) and two organizational cultural factors (adaptability and strength). Fortsman (1998) argues that once cultural differences have been determined, many of the specific problems in the affected areas can be identified and anticipated. Accordingly, with findings of cultural differences in the four communication behaviours examined here (information needs, information acquisition, information use, and information sharing), this study may offer a considerable contribution to academia by helping researchers to reach a clearer understanding of the origins of decision quality, saleability of products/services developed, and even cross-cultural conflicts. Hopefully, this study may also offer valuable insights for improving decision quality, saleability of developed products/ services, and for achieving resolution of cross-cultural conflicts.

In addition, this study has made efforts exploring in related studies and has found implicit relationships between communication behaviours and decision-making quality or salability of products/services developed, and also the relationship between decision quality or salability of products/services developed and post-M&A company performance. For example, Browne (1993), Herndon and Gary (1993), and Miller (1995), argue that the quantity and quality of market information transmitted into the decision-making process or technological development has fundamental influence on the quality of decisions made and the salability of products or services that are developed, and that in turn the quality of decisions and the salability of products or services has substantial influence upon the business outcome. Although this study has not provided any empirical evidence to either justify or negate these relationships as mentioned above, the identification of these implicit relationships is by itself a step forward toward the ultimate explanation of post-M&A company performance, including the successes or failures of international M&As.

### 6.2.2 Business Implications

Like most other empirical studies, this research has practical value. The results of this study not only address Hofstede's power distance and uncertainty avoidance at contemporary workplace, but also associate these two dimensions with Chinese traditional values. The findings can be applied to cross-cultural compatibility analysis, the choice of cross-cultural integration strategies, and routine management practices, both before and after international M&As where Chinese enterprises or individuals are involved. The concepts of organizational adaptability and strength under multiple cultural settings can help business leaders and management staff clearly identify cultural factors that can facilitate or hinder business performance. With these concepts of information needs and information use in mind, decision-makers can work to improve their decision-making quality, and technological staff can design products or services to meet market needs more appropriately. Once a better awareness of the concepts of

information acquisition and information sharing is obtained, the general business staff can take more initiative to collect market information and share it with their colleagues.

There are a number of factors that will contribute to the shaping of integration strategies in international M&As. As revealed in this study, national culture and organizational culture are two important factors that can play a role, but are often neglected by business practitioners, both at home and abroad. As such, for those who plan to go international through M&A across national boundaries, this study can be a reminder that cultural compatibility issues cannot be ignored before entering any international M&A agreement or considering any type of post-merger integration strategy. For those doing compatibility analysis or considering a choice of post-merger integration strategies, the similarities and differences presented in this study between the four cultural groups can be a contributing reference to use to facilitate these tasks.

Once any integration strategy is adopted, both national and organizational culture can be utilized more effectively to manage post-merger cultural differences. If a centralized integration strategy is adopted, restructuring organizational culture can be an efficient way to iron out potential cultural differences between partnering parties at the national level as well as at the organizational level. For a decentralized strategy, letting go of existing national cultures and organizational cultures can be both cost effective and productive. There is no good or bad about either of two integration strategies. The key lies in the match that occurs between the cultural compatibility of the partnering parties and the steps and procedures that are taken in response to this. To this end, the results of this study can be a considerably useful reference for business practitioners and their consultants alike.

This section outlines the possible contributions of this study to academia and the business world. To make the possibility a reality, more effort will of course be needed in the future.

**Section 6.3 Limitations of the Study**

As a preliminary investigation into communication behaviours based on two cross-cultural integration strategies, this study does have two limitations.

First, the confirmed affect pattern of the influence of national culture and organizational culture on communication behaviours under two cross-cultural integration strategies was based on a foundation that was not as solid as desired, because national culture and organizational culture was each represented by only one of their multiple dimensions (uncertainty avoidance for national culture, and adaptability for organizational culture).

Second, some questionnaire items had defects that were not anticipated during the design stage. Take Item Q14, for example.

Q14 states that in the management literature, the strategic leadership of a company's top leadership is classified as the following four types *(Note: there is no better or worse type): Type I (explanation omitted); Type II (explanation omitted); Type III (explanation omitted); Type IV (explanation omitted).*

I am currently working for：SLS; or SBS; or others *(please specify:        ). Its top leadership belongs to: 1. Type I;    2. Type II;    3. Type III;    4. Type IV.*

One problem was later found with this item. SBS had two CEOs (Dr. Won and Dr.Lew) who are very different from each other in personality and character. When marking the choices for this item, some respondents from SBS might have Dr. Won in mind, and others might have Dr. Lew in mind. Consequently, there was large divergence on the choice of the strategic leadership types among SBS respondents. Strategic leadership type functions respectively as an independent variable in H1a,H1b, H1c and H1d. SBS respondents' low convergence on the choice of strategic leadership types might have caused a malfunction in the statistical calculations. It is therefore questionable that the

hypothesized relationships between strategic leadership types and the adoption of cross-cultural integration strategy in H1a, H1b, H1c and H1d were all negated.

**Section 6.4 Suggested Further Research**

Given the limitations stated above, the author of this study wishes to make up for them in future research on topics covered by this study as well as extending out of them. To facilitate this task, the following research projects will be taken into consideration.

First, to solidify the culture influence pattern upon communication behaviours under two different cross-cultural integration strategies, more cultural factors, such as power distance, individualism/collectivism, organizational strength, will be employed as influence factors.

Second, more research will be conducted to fill up the balance links between communication behaviours and post-merger business performance as identified by this study. That is, to examine the relationship between information use and decision quality or technological development, and the relationship between decision quality or technological development and post-merger business performance.

Third, empirical investigations will further examine the relationship between Hofstede's power distance and uncertainty avoidance, as well as three other dimensions, and the core of Chinese traditional culture, Confucianism, Taoism and Buddhism with empirical evidence, rather than simply theoretical inferring and reasoning.

Meanwhile, beyond this study, some neighbouring areas of academic enquiry are also worthy of investigation. These may include: the relationship between cultural distance and cultural compatibility; the relationship between cultural compatibility and the acquiring company's choice of cross-cultural integration strategies; the role of the acquired company in the choice of cross-cultural integration strategy; the relationship

between communication behaviours and post-merger business performance or employee satisfaction, and so on. It can also be meaningful that future research be extended to other aspects of post-merger management, such as corporate governance, public relations, reward and punishment in business organizations. It is also hoped that more cultural groups be added as study subjects and the number of respondents of each cultural group be more balanced in future research, and that further research be conducted in Sino-foreign M&A multinationals which have their headquarter in foreign cultural contexts.

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**Appendix A**

**English Version of the Questionnaire**

**Questionnaires on Cross-Cultural Communication Behaviours**

This study aims to examine multiplied cultures' impact upon communication behaviours after SBK's overseas mergers and acquisitions, and meanwhile to make a preliminary study for the cross-cultural management training to be held in your company. There has been a consensus among the academia and business community that more than half of international mergers and acquisitions(M&A) ended up in failures, and that one of the reasons for the failures is that the culture issue has not been properly addressed after international M&As. Subsequently, diversified cultures produce negative impacts upon companies' organizational behaviours as well as individual behaviours. One of the most affected areas is communication behaviour. This study focuses to identify the communication preferences of Chinese and foreign management and staff, and then to explore the underlying reasons for the ineffective acquisition, transmission and use of market information. The findings of this study may contribute to improving the decision-making quality of your company and the saleability of products developed in your company. You are kindly invited to participate in this research project. We promise that the information you provide will be used only for academic purpose, and that no information will be disclosed to any public media or your superior authorities. If you are interested to see the conclusions of this research projects, please leave your contact details at the end of this questionnaire, and we will send you one copy once this research project is completed.

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PhD candidate

City University of Hong Kong

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**Section I   About Your National Culture: Power Distance, Uncertainty Avoidance, High/Low Context Culture**

The descriptions below apply to four different types of managers. Please read them through first and then mark one that you consider appropriate:

**Type 1 manager** refers to a manager who usually makes decisions promptly and communicates the decisions to the subordinates clearly. Type 1 manager   expects the subordinates to carry out the decisions loyally and without raising difficulties. (**decide à communicate à expect loyal execution** )

**Type 2 manager** refers to a manager who usually makes decisions promptly, but, before going ahead, tries to explain the decisions fully to his/her subordinates. Type 2 manager also gives reasons for the decisions and answers whatever questions the subordinates may have. (**decideà explainà execute** )

**Type 3 manager** refers to a manager who usually consults with subordinates before reaching the decisions. The manager also listens to subordinates' advice, considers it, and announces the decisions. Type 3 manager then expects all the subordinates implement the decisions loyally despite whether or not their advices have been taken into the decisions. (**consult, but not necessarily take in advice à announce decisions à expect loyal execution**)

**Type 4 manager** refers to a manager who usually calls a meeting and includes subordinates when there is an important decision to be made. The Manager 4 puts the problem before the group, invites discussions, and accepts the majority viewpoint as the decision. (**invite discussion à take the majority viewpoint as decision** )

Q1. For the above types of managers, please mark the one which you would prefer to work under *(note:   no type is better or worse than others; any type is applicable to a*

*certain environment or context).*

*(Please colour your choice in RED)*

    1) Type 1 manager;    2) Type 2 manager ;

    3) Type 3 manager;    4) Type 4 manager ;

    5) Other Type (*please specify:*    )

    *(For similar multiple choices below, please mark the same way)*

Q2. To which one of the above four types of managers would you say you belong?

    1)   Type 1 manager ;   2)   Type 2 manager ;

    3)   Type 3 manager ;   4)   Type 4 manager ;

    5)   None of above (*please specify:*  )

Q3. I feel nervous about uncertain situations in the future.

   Agree 1   2    3    4    5 Disagree

Q4. A company's rules should not be broken, even if they are not very appropriate

   Agree 1   2    3    4    5 Disagree

Q5: It is better to live with a bad situation that I know about than it is to switch to an uncertain situation which I don't know about.

   Agree 1   2    3    4    5 Disagree

Q6.Under normal situations, expressing one's point of view implicitly and indirectly, and    letting others puzzle out what is meant indicates one's social maturity.

   Agree 1   2    3    4    5 Disagree

Q7. One of the prerequisites for effective communication is to guess beyond the words.

    Agree 1   2    3    4    5 Disagree

**Section II On Your Organizational Culture before the Merger Took Place: Organizational Adaptability and Organizational Strength** *(For only those who used to work with SBK before the merger).*

Q8. Before the merger, my company systematically and regularly examined current and emerging needs of our customers;

Agree 1     2     3     4     5 Disagree

Q9. Before the merger, my company systematically and regularly examined the factors influencing the purchasing behaviours of our customers.

Agree 1     2     3     4     5 Disagree

Q10. Before the merger, my company systematically and regularly measured the level of our customers' satisfaction/dissatisfaction;

Agree 1     2     3     4     5 Disagree

Q11. Before the merger, there was a clear and consistent set of values that governed my company's employees' operation of business.

Agree 1     2     3     4     5 Disagree

Q12. Before the merger, it was easy to coordinate projects across different parts of my company.

Agree 1     2     3     4     5 Disagree

Q13. Before the merger, working with someone from another part of my company was like working with someone from a different company.

Agree 1     2     3     4     5 Disagree

**Section III On Cross-cultural Integration Strategies after the Merger Took Place**

Q14. In the management literature, the strategic leadership of a company is classified

into the following four types (*Note: there is no better or worse type than others*):

Type I: Seek challenges and opportunities for expansion, and cherish strong desire to

control over the company;

Type II:   Seek challenges and be willing to empower subordinates;

Type III: Play safe and hold a tight control over the company;

Type IV: Play safe and be willing to empower subordinates.

（*I am currently working for*：SLS; *or SBS; or another organization (please*

*specify:*      *). Its top leadership of my company (the most powerful leaders) belong to*

(please tick only one your choice in the brackets):

Type I   (     )

Type II   (     )

Type III   (     )

Type IV   (     )


Q15. The newly-merged company has adopted a decentralized (*let go free*) strategy in

handling cultural differences.

Yes (     )          No (     )


Q16. The newly-merged company has adopted a centralized (*tight control*) strategy in

handling cultural differences.

Yes (     )          No (     )


Q17.As far as I know, the management style in the new company remained unchanged

after this merger.

Yes (     )          No (     )


**Section IV On Communication Behaviours**

Q18. If market information does not come as usual, I would feel uneasy.

Agree 1     2     3     4     5 Disagree

Q19. I need to understand the market first before making any decisions or conducting a R&D project.

Agree 1     2     3     4     5 Disagree

Q20. Without market information, I feel like driving in a heavy fog in decision making/technological development.

Q21. In a company, everyone should have the responsibility of collecting market information for the company, whatever post they hold and whatever job they do.

Agree 1     2     3     4     5 Disagree

Q22. Acquiring market information is the duty of the marketing staff and the market research/intelligence departments and has nothing to do with other people in the company.

Agree 1     2     3     4     5 Disagree

Q23. Please tick an information use frequency that fits your case:

I (always 1     2     3     4     5 never) refer to customer needs and wants in market decision-making or developing new products.

Q24. I prefer using market information in decision making from internal sources, such as management team members or subordinates, because it is more reliable than information from external sources.

Agree 1     2     3     4     5 Disagree

Q25. I resort to qualitative information more often than quantitative data in decision

making or technological development.

Agree 1    2    3    4    5 Disagree

Q26. The staff in non-marketing, non-market research and non-market intelligence sectors, if attaining some market information on consumers, competitors, technological advancement, and so forth, should (please mark only one choice):

1) Keep it to themselves;

2) Transmit it to their co-workers who are in need, whether or not they were their acquaintances before;

3) Transmit it to their co-workers, whether or not they belonged to the French companies or Chinese SBK Group in the past;

4) Transmit it to their co-workers, whether they are French, Chinese, Japanese or other nationals;

5) Transmit it to their personal friends, whether or not they belong to SLS, SBS or other SBK member companies.

Q27. The staff in marketing, market research and market intelligence sectors, if attaining some market information on consumers, competitors, technological advancement, and so forth during off-the-job period of time, should (*please mark only one choice):*

1) keep it to themselves;

2) transmit it to their co-workers who are in need, whether or not they were his/her acquaintances before;

3) transmit it to their co-workers, whether or not they belonged to the French companies or Chinese SBK Group in the past;

4) transmit it to their co-workers, whether they are French, Chinese, Japanese or other nationals;

5) transmit it to their personal friends, whether or not they belong to SLS, SBS or other SBK member companies.

**Section V. Your Personal Particulars**

Q28．I have been working at SBK for

1) less than half a year;

2) half a year to two and a half year;

3) two and a half years to five years;

4) five to eight years;

5) more than eight years.

Q29. My current job responsibility at SBK is:

1) marketing and sales;

2) R & D;

3) financing and accounting;

4) human resources;

5) others (*please specify:*      )

Q30. I communicate with Chinese counterparts

1) on daily basis

2) more than once in a week

3) more than once in a month

4) more than once in three months;

5) on rare occasions.

**END OF THE QUESTIONNAIRE**

I would like to see the outcome of this survey. My contact details (optional):

**Many thanks for your kind participation!**

**Appendix B**

**Chinese Version of the Questionnaire**
跨文化沟通行为调查问卷

　　此项调查旨在 SBK 跨国并购后多元文化因素对沟通行为的研究，同时也为贵公司即将举行的跨文化管理培训课程进行课前调研.学界和商界业已形成共识：跨国并购超过半数归于失败，失败的主要原因之一是并购以后文化问题处理不当，多元文化因此对企业的组织行为和员工的个人行为造成诸多负面影响。组织和个人的沟通行为是这些负面影响的重灾区。本调查旨在摸清中外管理者及员工的沟通偏好,然后借助国际前沿的学术成果和科学的分析工具,探索多元文化环境下,市场信息传导不畅,使用失当的真正原因,并希望籍此在将来为贵公司找到恰当的,有效的跨文化沟通策略,以便贵公司在多元文化环境下提高决策质量和研发产品的针对性。本项研究期待您的参与,并承诺您所提供的资料,将严格保密,仅做学术研究之用,不会向任何公众媒体或上级领导泄露。如果您有兴趣了解本项研究的最后结论,请在问卷的后面留下您的联系方式,我们会在研究结案时奉送一份研究结果。

香港城市大学
联系人：曹德春　博士生

一、关于民族文化：权力差距、不确定性回避、高/低语境

下面描述的是四种不同类型的经理,请在阅览之后做出选择：

**经理一**：通常果断地做出决策,然后明确无误地传达给他/她的下级,并期望他们忠实地执行他/她的决定,不给自己添麻烦.( **决策-à传达à期望忠实执行** )

**经理二**：通常果断地做出决策,但在执行之前,会全面细致地向下属解释这样决策的原因,并回答他们所有的问题.( **决策à解释à执行** )

**经理三**：在做决策之前通常会征求下属的意见,听取他们的建议,然后宣布决定意见.不管这个决定是否符合大家的建议,他/她会期望大家忠实地执行它.( **征求意见，但不一定采纳à决策à期望忠实执行)**

**经理四**：通常在重要决策之前会召集下属开个会,把问题摆在大家面前,鼓励讨论,大多数人的意见就是他/她的决定.( **讨论à大多数人的意见就是决策** )

Q1.上述四种经理,您愿意在哪类经理手下工作,请选择:

(请涂红所选，以下类似问题照此办理 ):

例1: 1)经理一； 2）经理二；； 3)经理三； 4)经理四； 5)其他

Q2.您认为您自己属于哪个类型？ （注: 哪个类型都有长处和短处,并无优劣之分 )

1) 经理一； 2) 经理二； 3) 经理三； 4) 经理四； 5) 哪一类都不属于.

Q3.我对未来的不确定因素常常感到焦虑和不安。

同意 1 2 3 4 5 不同意

Q4.公司规章制度,即使不完全合适,也必须执行，不能破坏。

同意 1 2 3 4 5 不同意

Q5.置身于一种自己所了解的困境之中,也比转换到一种不确定的情势之中要好

同意 1  2  3  4  5 不同意

Q6.在一般场景下，总是含蓄、委婉地表达个人的观点、立场，让人猜不透，是一个人成熟的标志

同意 1  2  3  4  5 不同意

Q7.总是揣摩别人的言外之意，是有效沟通的前提之一

同意 1  2  3  4  5 不同意

## 二、与汤姆逊和阿尔卡特并购之前 SBK 集团公司的企业文化：外部适应性和内部强度

*(并购之后进入公司工作的可以不填)*

Q8.对客户当前和潜在的需求, 我们公司十分在意，一直都在系统地、定期地考量和研究

同意 1   2   3   4   5 不同意

Q9.对客户购买过程中的消费行为，我们公司十分在意，一直都在系统地、定期地考量和研究

同意 1   2   3   4   5 不同意

Q10.对客户满意度., 我们公司十分在意，一直在系统地、定期地考量和研究

同意 1   2   3   4   5 不同意

Q11.并购前我们公司有一套清晰的，一如既往的价值观体系，在指导公司的运作。

同意 1   2   3   4   5 不同意

Q12.在我们公司各成员单位之间，共同协调完成某个项目是轻而易举的事情。

同意 1   2   3   4   5 不同意

Q13.我们公司各成员单位的工作风格,能感觉到明显的差别。

同意 1　2　3　4　5 不同意

## 三、与汤姆逊和阿尔卡特并购之后的跨文化整合策略

Q14.在管理学文献里,根据扩张和授权两个维度,将企业最高决策层的战略性格分为四个类型*(注：各类型之间并无优劣之分)*：

类型一：不断追寻挑战和新的扩张机会,并对公司怀有强烈的控制欲望,.

类型二：喜欢追寻挑战,并乐于授权下属.

类型三：追求稳健, 并牢牢控制公司的一切.

类型四：追求稳健,并对公司下属充分授权.

您所在是公司是：SLS 或 SBS（*请选其中之一*），它的最高管理层的战略性格属于:

1)类型一;　2)类型二;　3)类型三;　4)类型四

Q15.并购之后，公司采取了集权整合的管理方式。

1)不同意　　　　　　　2)同意

Q16.并购之后，公司采取了分权整合的管理方式。

1)不同意　　　　　　　2)同意

Q17 据我所知，并购之后公司的管理方式跟原来没有多少变化。

同意 1　2　3　4　5 不同意

## 四．沟通意愿和沟通行为

Q18.如果在一定时间里得不到市场信息，我会感到不安。

同意 1　　2　　3　　4　　5 不同意

Q19。在做决策或研发一项产品之前，我需要首先了解市场情况。

同意 1　　2　　3　　4　　5 不同意

Q20。如果没有客户信息,在做决策时,我会感觉像大雾中驾车一样没有方向

同意 1　　2　　3　　4　　5 不同意

Q21.公司里每一个人，无论职位高低，无论什么岗位，都有义务为本公司搜集市场信息。

同意　　1　　2　　3　　4　　5　　不同意

Q22.搜集市场信息、获取市场情报是营销人员和市场调查人员的事,和其它人没有什么关系

同意 1　　2　　3　　4　　5 不同意

Q23.请下列五项选择中涂红一项适合您的情况:

在做一项决定或研发新产品过程中, 我（总是 1　　2　　3　　4　　5 从不）参考客户的需求。

Q24.在做决策的过程中,我喜欢使用来自企业内部的消息，因为它比企业外部的消息可靠

同意　　1　　2　　3　　4　　5　　不同意

Q25.在做决策或技术研发过程中,我倾向于采用感性信息(包括直觉)，而非数据信息更为可靠

同意 1　　2　　3　　4　　5 不同意

Q26.非营销/非市场研究/非市场情报员工,如果获取对公司有用的市场信息,如客户,竞争对手,

以及科技发展等,应该(请仅选一项 ):

1) 留着自己用,谁也不给

2) 传给用得着的同事，不管他们是否属于同一部门

3) 传给用得着的同事，不管他们是否属于同一公司（假设语言不是问题）

4) 传给用得着的同事，不管他们是否属于同一国籍（假设语言不是问题）

5) 传给他/她的私人朋友，不管他们是否属于公司

Q27.营销人员、市场研究/情报人员，在工作职责范围之外获取的、公司里用得着市场信息，

应该（请仅选一项）：

1) 留着自己用,谁也不给

2) 传给用得着的同事，不管他们是否属于同一部门

3) 传给用得着的同事，不管他们是否属于同一公司（假设语言不是问题）

4) 传给用得着的同事，不管他们是否属于同一国籍（假设语言不是问题）

5) 传给他/她的私人朋友，不管他们是否属于公司

## 五. 您的个人资料

Q28.我已经在 SBK 集团工作:

1) 半年以内

2) 半年--两年半

3) 两年半--五年

4) 五年—八年

5) 八年以上

Q29.我在 SBK 的工作职责是：

1) 营销

2) 技术研发

3) 人力资源

4）财务、会计

5）其它（请注明:　　　　）

Q30.我与外籍人士(包括书面)接触的频率是：

1）每天

2）每周至少一次

3）每月至少一次

4）每个季度至少一次

5）几乎不接触

希望得到研究结果，我的联系方式(自愿):

非常感谢您的参与!