

Research on Mergers and Acquisitions of Multinational Enterprises

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Abstract: Mergers and acquisitions are increasing due to global competition and financial pressure. The purpose of this paper is to gain a deeper understanding of the factors that contributed to the success of the international M&A. This dissertation select to investigate the successful case of the merger of Daimler and Chrysler, the failed case of acquisition of Lenovo and IBM. Then, a recommendation will be made that the measures taken in the post-merger phase are successful and why these companies are successful and the reasons for the failure to a great extent.

Keywords: Mergers; Daimler; Chrysler; Acquisition; Reasons

1. Introduction

In recent years, there have been many foreign M&A activities in the world, and with the rapid development of the global economy, there will be more enterprises conduct cross-border M&A activities. Multinational corporate M&A is one of the main driving forces for foreign direct investment growth in developed countries in recent years, especially large-scale M&A activities, which have a significant impact on the scale and flow of foreign direct investment. Multinational mergers and acquisitions provide a shortcut for companies to quickly acquire their most lack of on the product development technology, influential international brands and international marketing experience (Balmer, 1991). Amount of studies have illustrated that the success of mergers and acquisitions does not lie in the M&A transaction itself, but in the integration after mergers and acquisitions.

2. Case Analysis

2.1 Background

In terms of Daimler and Chrysler, a new strategic concept was promulgated in 1995 to strengthen its market position and further growth and planted a factory in US. This is the a sign that Daimler wants to expand. Furthermore, although Chrysler were developed well, however, most cars were sold in the domestic market, therefore, Chrysler planned to expand to other non-US countries. Therefore, these two enterprises were began and decided the merger. The following part will analyze the key success factors between the enterprises in M&A. Besides, in terms of Lenovo and IBM. Lenovo acquired IBM's PC business. Because the market share of Lenovo was saturated in the domestic PC market and growth slowly, otherwise, Lenovo's R&D ability is not as good as international brands. As a result, the acquisition of IBM's PC business has given Lenovo the strength to enter the world. Lenovo has acquired the corresponding brands, sales channels, talents and patents to make up for its own technical defects and improve its research and development capabilities which are conducive to Lenovo to entry into the global market.

2.2 Organizational culture differences

2.2.1 For the Daimler&Chrysler

On the one hand, for the Daimler&Chrysler. The main factor cause of the failure of multinational corporations are the differences in national cultures in different countries, which would lead to frustration of cooperation and hinder communication between the management. Every country has the unique cultural characteristics that determine how people behave differently, the way they think, and the method to solve problems(Susan, 1989). By analyzing cultural differences, one can understand how people communicate, think, and solve problems in different cultures, and by analyzing the differences in national cultures of different countries and applying them to management communication. Corporate culture is a symbolic system that people follow, which is expressed in the words and behaviors of people when they perform their tasks. Each firm has an internal organizational system. Therefore, even in the similar country of national culture, the corporate culture of different companies is not the same, thus forming different behaviors of the company's managers.

2.2.2 For the Lenovo and IBM

Lenovo and IBM have huge differences in business management and corporate culture. Lenovo's culture has a strong manufacturing factor which emphasizes execution and obedience, but for IBM which is more prefer to respect individual perspectives. Similarly, some of culture in IBM is difficult to implement within Lenovo. IBM's culture is a relatively traditional American culture with an emphasis on individuals and a greater empowerment of employees at the process of work. Otherwise, Lenovo has always been known for its rigor and emphasis on execution. The lower-level workers strictly enforce the superior orders, and the superiors interfere with the lower-levels. This is likely to lead to more conflicts between IBM employees and Lenovo managers and employees. IBM is a very programmatic company that adheres to a process of variety of programmatic. Lenovo is a fast-growing company with state-owned private characteristics. This difference poses a challenge in the integration of corporate culture. IBM's employees in the unit of personal computer who from 160 countries and regions. How to manage these employees from overseas were a huge challenge for Lenovo. Lenovo's corporate culture must be inclusive in order to solve this problem. Furthermore, IBM has a long history and a mature corporate environment. IBM employees have a high level of cultural identity and strong cultural superiority. Therefore, it is unlikely that they will be willing to absorb Lenovo's corporate culture after the merger.

2.3 National culture differences

2.3.1 For the Daimler&Chrysler

The personality is also completely different, The Germans are more stubborn, determined and arrogant. They will not easily give up or change the decisions they make. If the company want to change the mind, firm should provide enough evidence to prove that their ideas are wrong. Therefore, when they make decisions or collaborate with other employees, they often lack flexibility. When they encounter different opinions, they are not easy to accept others' ideas or get along with others and this is the reason why they will fail. By contrast, Americans admire individuality, they are confident, work-oriented, and competitive. Because they are too confident and think that their methods are the best, they often impose their ideas on others. In addition, Americans are also suffering from the idea of dividing things into two polarization. In their view, anything or method is either correct or wrong, so they either agree or reject anything, and do not consider other options(Friedrich, 1990). The senior management of Chrysler will make different opinions on the problems in management when making decisions. The two sides will have their own opinions and lack of flexibility. Such positive conflicts is not beneficial to cooperation development and are not conducive to deal with problems.

2.3.2 For the Lenovo and IBM

In terms of cultural integration of management. After Lenovo acquired IBM's global PC business, it immediately appointed the former vice president of IBM as the CEO of the new company. What Lenovo needs is a strong person who can show his leadership. So, in the IBM ThinkPad notebook marketing, the brand and business processes were continued, and the original employees in unit of sales were used to. In addition, Lenovo also formed the team named transition and transformation. Through continuous communication and mutual understanding, learn from each other's advantages, understand the cultural characteristics of different nationalities, and respect the values of foreign employees as much as possible. The advantage of this method is that a cross-cultural management team is built immediately after the merger, and the core talents of the acquired companies are retained, so that the localization strategy of overseas personnel can be effectively implemented. In addition, Lenovo has established an effective communication mechanism. In fact, before the merger, Lenovo is already doing all the preparations. In the months before the merger, Lenovo asked senior leaders to learn English, and to learn about American business history and increase their understanding of IBM's culture. After the merger, language and communication became the first problem that Lenovo employees

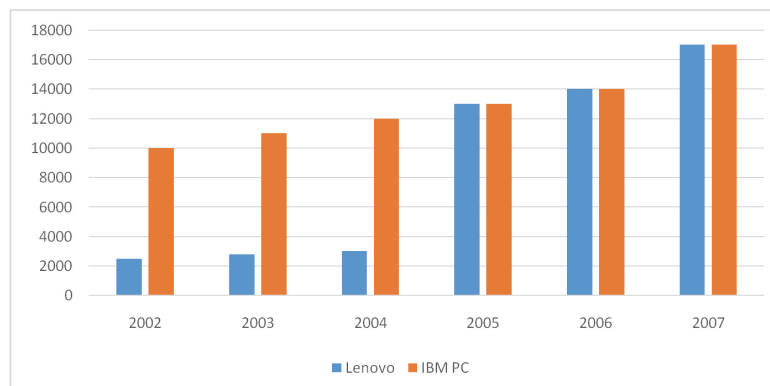


Figure 1. Sales income before and after Lenovo's M&A (Unit:Million dollars)

had to face. Therefore, in order to make the communication between the two employees smooth, Lenovo employees must not only improve their English, but also constantly improve their understanding of American culture, so that they can communicate smoothly and efficiently. To this end, an English language training course was conducted within Lenovo to provide different levels of English for employees and to conduct cultural training.

Under the integration measures, Lenovo Group's sales revenue before and after the merger and acquisition, whether these measures have effectively promoted the growth of sales revenue after the merger. As can be seen from the figure, if the sales revenue of the IBM PC business before the merger is taken into account, the sales revenue in the first year after the acquisition of the IBM PC division has increased, but the growth rate has slowed significantly compared with that before the merger. Explain that the year after the merger is indeed at the stage of mutual learning and mutual adjustment. In the second year after the merger, the sales revenue increased significantly. This reflects the fact that the two companies are moving in a good direction after the merger. At this stage, Lenovo adopted a fusion approach to corporate culture integration and received good results. Lenovo is culturally integrated through the following two aspects, one is management style identity. Management style identity refers to the degree of recognition of the management style of the merger and acquisition company, the management style of the merger and the internal communication habits. Furthermore, the second is the integration of all members of the culture. Through the organization of online and offline activities, all of Lenovo's employees have a deeper understanding of Chinese and Western culture.

3. Summary

In general, through the case analysis above, the merger and integration of culture successfully is the true merger. Cross-border M&A is not just the union of capital and technology, but an integration both assets and corporate culture. The success of multinational mergers and acquisitions depends on the treatment of corporate culture differences and conflicts in the process of complementing the advantages of tangible assets to a large extent. The merged Daimler and Chrysler did not achieve the expected M&A effect and even led to operational failure. The fundamental reason is that the integration of the enterprise is unfavorable. The key to this integration lies in the cultural integration of the enterprise. The primary work of cultural integration depends on In the integration strategy. It can be seen that the cross-cultural difference in the business environment of enterprises is a major problem that enterprises must encounter in their global operations. Therefore, the success of cross-cultural management is play a key role to the success or failure of global business operations.

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