



Culture Differences in Cross-border M&A

- Case Study of BenQ-Siemens Acquisition

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1. Introduction

This 10th semester project in International Business Economics is made under the semester theme, which is the integration of knowledge that learned from former semesters.

“In the competitive and shifting business environment, creating non-replaceable value and strengthening core competences are critical” (Chang, 2010). Merger and acquisition (M&A) is considered as one of the most effective ways for companies to govern advanced technologies developed either in vertical and/or horizontal dimensions (Chang, 2010). In the decade of the 1990s, the popularity of M&A had been tremendously increased. The value achieved through M&A in the year of 1997 alone, was higher than the total of that in the 1980s. Besides, the total value of deals completed between 1998 and 2000 almost reached USD 4 trillion. This number has surpassed the total value of all deals completed during the preceding 30 years. (Henry, 2002)

Nowadays, cross-border M&A has become an important strategy, which can help companies obtain competitive advantages in the international business environment. More and more multinational companies use cross-border M&A to achieve global resources allocation. In recent years, Chinese enterprises also participate in the cross-border M&A activities. For instance, in 2004, TCL acquired Thomson’s TV business, and later acquired Alcatel’s handset section; in 2005, BenQ acquired Siemens handset section; in 2005, Lenovo acquired IBM PC divisions; Shanghai Automobile acquired Song Yong Motor etc. However, facts have proved that it is difficult to accomplish the ideal synergy; instead, many of them were failed in the end. Reasons for the failure should be plenty, such as lack of due diligence, neglect or wrong way of inter-cultural management, or wrong strategy implementations etc. However, among these, neglect or wrong way of inter-cultural management is found as a common symptom for many of the M&A failure. When two different kinds of values, ideologies, business management modes and business

norms encounter each other, conflicts will become inevitable. If the two parties involved in the M&A fail to carry out a measure in order to improve the cultural cognition towards their counterparts, the cultural conflicts will become a huge obstacle to the success of the M&A (Zhao & Zhang, 2005). Thus cultural difference is a significant factor, which will directly influence the management modes and development trend of the cross-border M&A. Therefore, if Chinese companies want to obtain a sustainable development in the cross-border M&A waves, cultural integration and inter-cultural management should be offered of high priority.

2. Problem formulation

In this section, we will: firstly, introduce the background of our research topic; secondly, try to formulate our research questions.

2.1 Background: M&A trend and case selection

2.1.1 M&A trend

- Global M&A

“Mergers and acquisitions have long been a popular strategy for firms and represent an important alternative for strategic expansion.” (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). Technological development and globalization became the main drivers for the popularity of M&A, as well as cross-border M&A (Hitt, Harrison, & Ireland, 2001).

Economists and historians pointed out that there are five M&A waves in the world. The first period is from 1893-1904, and it started in the U.S. with major horizontal mergers, which created the principal steel, telephone, oil, mining, railroad and other giants of the basic manufacturing and transportation industries in the U.S. And this wave was ended by the First World War (Lipton, 2006, p. 3). The second period is from 1919 to 1929. In this wave, apart from the further consolidation of the major industries that arose in the first wave, the major automobile industries emerged in this period and there is a significant increase in vertical integration, for instance, the integration between automobile industry and steel mills etc. In 1929, the Crash and the Great Depression ended this wave (Lipton, 2006, p. 4). The third wave period is from 1955 to 1969-73, in which the concept of “*conglomerate*” has been introduced into the American management (Lipton, 2006, p. 5). The essence of conglomerate is to make companies diversified into new industries and areas and achieve more benefits from various businesses operation. From 1974-80 to 1989 is the fourth period of the world M&A. This period also can be seen as the takeover wave, which began

with the first hostile bid that Morgan Stanley on behalf of Inco took over ESB. *“This successful hostile bid opened the door for the major investment banks to make hostile takeover bids on behalf of raiders.”*(Lipton, 2006, p. 5).

Since the middle 1990s of 20th century, the world economy entered into the fifth M&A wave. It is the era of mega-merge where cross-border M&A becomes a distinct feature. In this wave, the two parties who involved in the M&A normally possess large business scales, and most of them are famous enterprises. Through a voluntary and unanimous way of combination or cooperation, after the M&A, many of the enterprise entities became the giants of related industries (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). The fifth wave has a tremendous influence within worldwide due to several reasons: first, the development and breakthrough of science and technology, especially communications technologies contribute the main momentum for M&A; second, favorable government policies open the door for cross-border M&A. Under the influence of economic growth and globalization, more and more countries recognize the powerful advantages of foreign direct investment. Therefore, governments offer domestic enterprises with full support to make cross-border investment, which through the way of providing preferential measures, information services and investment insurance etc.; last but not the least, the fierce competition in the global market makes mega-merger become necessary. Through mega-merger can rapidly improve enterprises’ competitiveness, expand business scale, so that, enterprises can gain a significant place in the global market.

The occurrence of cross-border M&A has grown rapidly in the last few years (Dunning & Lundan, 2008). Especially many developing countries gradually become the principals and major markets of cross-border M&A, due to their relative large market develop space. Therefore, introduction and rational utilization of external resources become one of the approaches, which can help enterprises accelerate the growth.

- M&A in China

According to J.H. Dunning, there is certain relationship between the development path of countries and their position in terms of inward and outward FDI. He names it as “investment development cycle”, which consists of four stages (Dunning, 1982).

The first stage is initial period of countries’ FDI. Due to poverty of the state, undeveloped or unsuitable commercial and legal system, infrastructure and labor force, as well as the limited market space, there is little gross inward investment and almost no gross outward investment.

In the second stage, domestic markets grow in size and costs for servicing these markets reduce. *“Once adequate transport and communications facilities are established, investment to exploit national resources may occur”* (Dunning, 1982). Therefore, the rate of inward direct investment gradually speeds up, and the scale of that also expands. Outward direct investment begins to emerge, but not that much.

In stage three, the countries’ productive technologies and capacity can basically comply with international standard. With the increase of income, consumers’ requirements for the high quality goods also increase. Domestic enterprises have accomplished their own competitive advantage, which to some extent weaken foreign invested enterprises’ advantages. Therefore, the net inward investment per capita begins to fall, while the net outward investment per capita begins to rise.

In stage four, domestic enterprises not only possess the capacity to compete with foreign invested enterprises, but also tend to exploit advantages from foreign market, due to the growth and location diversification of domestic MNEs. At this period, the gross outward investment overtakes and outstrips gross inward investment.

China’s current investment capacity is in the second towards the third stage (Yin, 2009). In 2000, the *“16th National Congress of Communist Party of China”* has proposed the combination of *“bring in”* with *“going out”*, which means comprehensively improve the level of opening up. This is the first time that the going out policy was referred to the height of national development strategies (Yin, 2009).

In 2001, China entered into WTO, which can be seen as a turning point of Chinese foreign direct investment. Before the year of 1990-2001, the average annual amount of Chinese enterprises cross-border M&A was only USD 543 million. However, after entering into WTO, the process of Chinese enterprises cross-border M&A has been significantly accelerated. From the year 2002 to 2008, the annual amount of cross-border M&A was up to USD 7.017 billion, among which, in 2006, the amount was up to USD 10.24 billion, and in 2008, the amount was up to USD 27.97 billion (Wei, 2010). According to the statistic report from Qingke Research Center¹, in 2009, *“Chinese enterprises completed 38 overseas M&A deals, a rise of 26.7% year on year, and the total amount involved in these deals added up to US\$16.10 billion, soaring 90.1% from a year earlier”* (Z-ResearchCenter, 2010). Now, China has entered into the peak period of M&A, while, cross-border M&A has become the main mode of Chinese enterprises’ *“going out”*. There are several points can explain the motivation:

- Improve the core competitiveness. Since from 1990s, Chinese economy achieved a continuous growth. However, after entering into WTO, Chinese enterprises have been facing to great international competitive pressure. Therefore, accelerating the improvement of domestic enterprises’ technical and managerial capacity, as well as strengthening their core competitiveness becomes the top priority.
- Seek more resources. Although China has a rich natural resources, but lacking in per capita. If China wants to have a sustainable economic boom, various types of natural resources become the pressing needs. Thus, the domestic enterprises need to explore overseas recourses. Meanwhile, the government also encourages exploring overseas recourses in order to guarantee the national economic security.
- Government encouragement policies and the liberalization of investment. Under the influence of economic internationalization, the government is always trying to

¹<http://www.zero2ipogroup.com/en/research/reportdetails.aspx?r=8a7b9965-9e79-4533-a121-93ffa68df5f>

provide a more relaxed and liberalized policy environment, as well as to set up more open economic development strategies, such as abolish the restrictions of investment in some fields by establishing legislations and policies etc. Thereby, generates a strong stimulation effect on domestic enterprises' cross-border M&A activities.

Since 1978, the reform and opening-up policy was put forward in China. Now more than 30 years pasted, China has gained a lot of great achievements in economic field. Foreign trade has become one of the most important pillars of China's economic development. Through the introducing, digesting, absorbing and re-innovation of foreign capital, technology and management experience, China has greatly enhanced its productivity. In 2001, China jointed the WTO, which marked the opening-up has entered a new stage. In recent years, with the fast growing as well as favorable and encouraging government policies, domestic entrepreneurs never want to limit themselves only within home markets, but also shift their attention to the foreign markets.

Currently in China, cross-border M&A is a popular way, through which can omit the complicated but necessary procedure for establishing a new overseas subsidiary, while directly relying the target company to enter into mature phase, so that to profit as soon as possible.(Peng, 2006) Therefore, for those domestic enterprises, which possess a global strategy, cross-border M&A cost much less but gain profit much faster. Besides, core technology is one of the core competences of a company. However, core technology is still a weakness of the Chinese enterprises. Thus directly receive foreign companies' technology research development (R&D) division through cross-border M&A, is an effective way for Chinese enterprises to improve technological innovation capability, accumulate international management experience, expand customer base and market share, etc.(Zhuang & Tang, 2008). As a result, many Chinese enterprises choose to acquire those long-established enterprises in order to achieve those objectives mentioned above, for instance, TCL acquired Alcatel's handset section to obtain Alcatel's handset R&D core technology and sales

network; BenQ acquired Siemens handset section primarily purposed to improve its brand image and expand European market; Lenovo acquired IBM PC divisions to acquire IBM PC R&D core technology, and recently Geely acquired Volvo Car Corporation to obtain the core R&D technology, improve brand image, as well as acquire Volvo's European sales network etc. However, one of the risks is these long-established companies always have strong corporate culture background, which requires acquirers to make special effort in cultural integration and inter-cultural management, otherwise, it will be very difficult to accomplish the desired M&A synergy.

2.1.2 BenQ-Siemens case selection

Through the selection from many cases, we found that BenQ – Siemens' case is a classic M&A case due to its typicality, large scale, speciality as well as its impacts. It is typical, because Siemens is one of the famous long-established companies, which technology and sales network are relatively mature. BenQ purposed to use Siemens' famous international brand, to promote, shape and upgrade a strong brand image, further increase market share and profits. Secondly, BenQ – Siemens' acquisition is one of the largest M&As in Asia (Siemens, 2005). BenQ is one of the largest OEM (Original Equipment Manufacturers) in the world (BenQ_Homepage, 2009), while Siemens has a long history and international business background. BenQ can make use of Siemens' brand effect and marketing channels quickly occupy European market, achieving the internationalization of brand. Thus, this acquisition has a relatively large scale. Third, it is special because of the terms of transaction. The assets of Siemens' handset division were wholly transferred to BenQ, while, BenQ did not need to pay for it, on contrary Siemens provided cash 250 million Euro as well as service. Even though the good thing was unprecedented at that time, however, the marriage was end in failure, which to some extent illustrates the existence of problems in the integration and inter-cultural management phase. Last but not the least, the impacts of the failure of BenQ- Siemens' acquisition also covered a wide scale, more

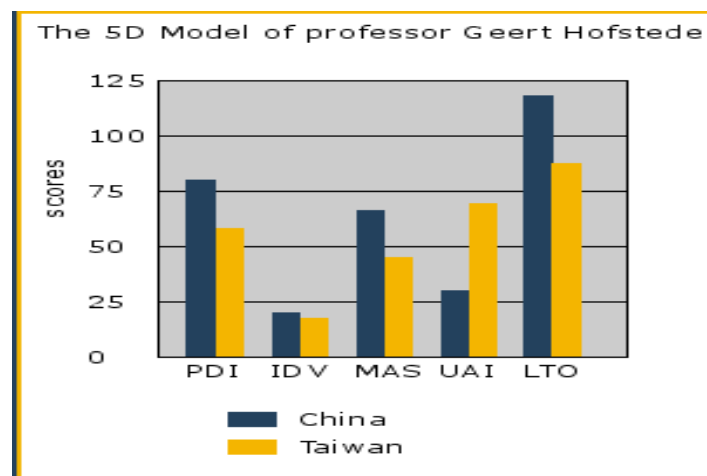
than 1900 employees were unemployed, and both labor union and politicians were involved. Siemens finally spent USD 46 million to aid employees who lost their job, as well as offering them priorities to the vacant job positions (Global_Business, 2007). Besides, this failure has poured cold water on Chinese enterprises' global ambitions at one time. Chinese enterprises encountered hurdles such as political or security issues in acquiring overseas assets and forced to cope with all kinds of integrations involving culture issues and teamwork etc. in order to succeed in expanding abroad (Chung, 2007). From our perspective, we are curious that BenQ obtain Siemens' handset division almost without spending any money, more than that, BenQ obtains more than 9 technical properties from Siemens. It seems that BenQ was the big winner in this marriage, however, the marriage only maintained 18 months. We assume that the big national and corporate cultural differences influenced the integration and inter-cultural management. Since BenQ's corporate culture is deeply influenced by the Chinese national culture, while, Siemens handset division was derived from Germany; China belongs to the perceptual oriental cultures, while, Germany belongs to the rational western culture. They have their respective methods of managing business, conflicts should be unavoidable. Therefore, we consider BenQ-Siemens' case is more worthy for studying from a culture perspectives.

2.1.3 Considering mainland China and Taiwan in this research

Some may argue that the culture in Taiwan is not the same as that in the mainland of China. Therefore we could not use the Taiwanese company – BenQ as a representative of Chinese company to apply the theories and make recommendations. there is no denying that cultures in Taiwan are not exactly the same with those of mainland, however even cultures in different regions in the mainland of China are very different. We are aware of that the differences exist between Taiwan and the mainland of China. According to Hofstede's quantitative five-dimension model, we could get different numbers for each dimension between mainland of China and Taiwan. However, when comparing with Germany, we consider that Chinese and

Taiwanese cultures can be categorized into the same group but small differences in degrees in the dimensions (see Fig.1). Take the dimension “Long Term Orientation (LTO)” for example, China scores 118 while Taiwan is 87(GeertHofstede, 2009). They are both long term oriented, the only thing that need to be explained is that mainland of China is more focusing on long-term and sustainable development, however, this small difference will not influence our research.

Figure 1: 5 cultural dimensions between China and Taiwan



Source: (Hofstede G. , Five Cultural Dimensions, 2009).

On the other hand, Taiwan was one part of Chinese territory from historical point of view, and even now Chinese government claims that Taiwan is an inalienable part of China; actually, Taiwanese government call themselves “Republic of China”, which shows that they share the same root as mainland China. No matter how we view the relations between China and Taiwan from the political side, there is no denying that their cultures are in the same root, which could trace back to five thousand years ago or even earlier. As many scholars pinpoint, the manifestations are easy to be observed and to be changed, while the underlying assumptions are hard to see and hard to be changed. Due to different developing environments and atmospheres, various fruits can be cultivated even from the same root. It somehow explains why the cultures what we observe in the mainland of China and Taiwan are not alike. However, the essence and the underlying assumptions of both cultures, which are hard to change, are the

same. Based on the same cultural root, we would like to say the case we choose and the cultures that we take for research on do not contradict each other.

2.2 Problem formulation and research questions

Based on the background of M&A trend in both global and China, as well as the understanding of culture similarities between mainland China and Taiwan, we figure out that the purpose of this project is: *Try to understand cultural differences' influences on cross-border M&A through studying and analyzing BenQ-Siemens' acquisition case, as well as providing some strategic suggestions.*

Looking at BenQ and Siemens Handset Division's acquisition as a case here we develop three interrelated research questions based on our problem formulation:

- Question 1: What are the cultural differences between China and Germany?
- Question 2: How culture differences influence the cross-border Merger and Acquisition (M&A)?
- Question 3: What should Chinese multinational corporations (MNC) take into consideration in order to successfully integrate diverse cultures when doing cross-border M&A?

2.3 Project structure

In order to solve the problem formulation, this project goes through 12 chapters (Fig. 2). Chapter 1 is a briefly introduction about the research background.

Chapter 2 mainly focuses on the presenting of problem formulation. This will starts with a background description of the cross-border M&A, which includes the development, tendency, as well as status of cross-border M&A both from the global and China's perspective, and the discussion of case selection. Thereafter, problem formulation and three research questions are put forward.

Chapter 3 is the methodology chapter. In order to make our research strategy more convincing, we commit ourselves to develop strong arguments and justifications for the selection of methodological approach. Two commonly accepted paradigmatic assumptions frames, i.e. Arbnor and Bjerke as well as Burrell and Morgan, are brought into the discussion, through which one can get a comprehensive understanding on the level of contrast and level of similarity in both frames. Thereafter, we get the best choice that guides us to establish our own research strategy.

Chapter 4 illustrates the limitation of this project respectively from the perspectives of problem selection, data collection as well as utilization of related bibliography.

Chapter 5 and chapter 6 account for the theoretical considerations for this project. Chapter 5 is literature review, which can provide a broad theoretical basis for the selection of appropriate theories. Chapter 6 concerns on the theories, in which Trompenaars, Hofstede, Gullestrup and Schein's national and corporate culture theories are elaborated. This chapter can help readers get a concrete understanding on the meaning of culture, as well as obtain the answer for "why we behave as we do?"

Chapter 7 comes to the case study where a general description on the profiles of case companies, BenQ and Siemens will be introduced.

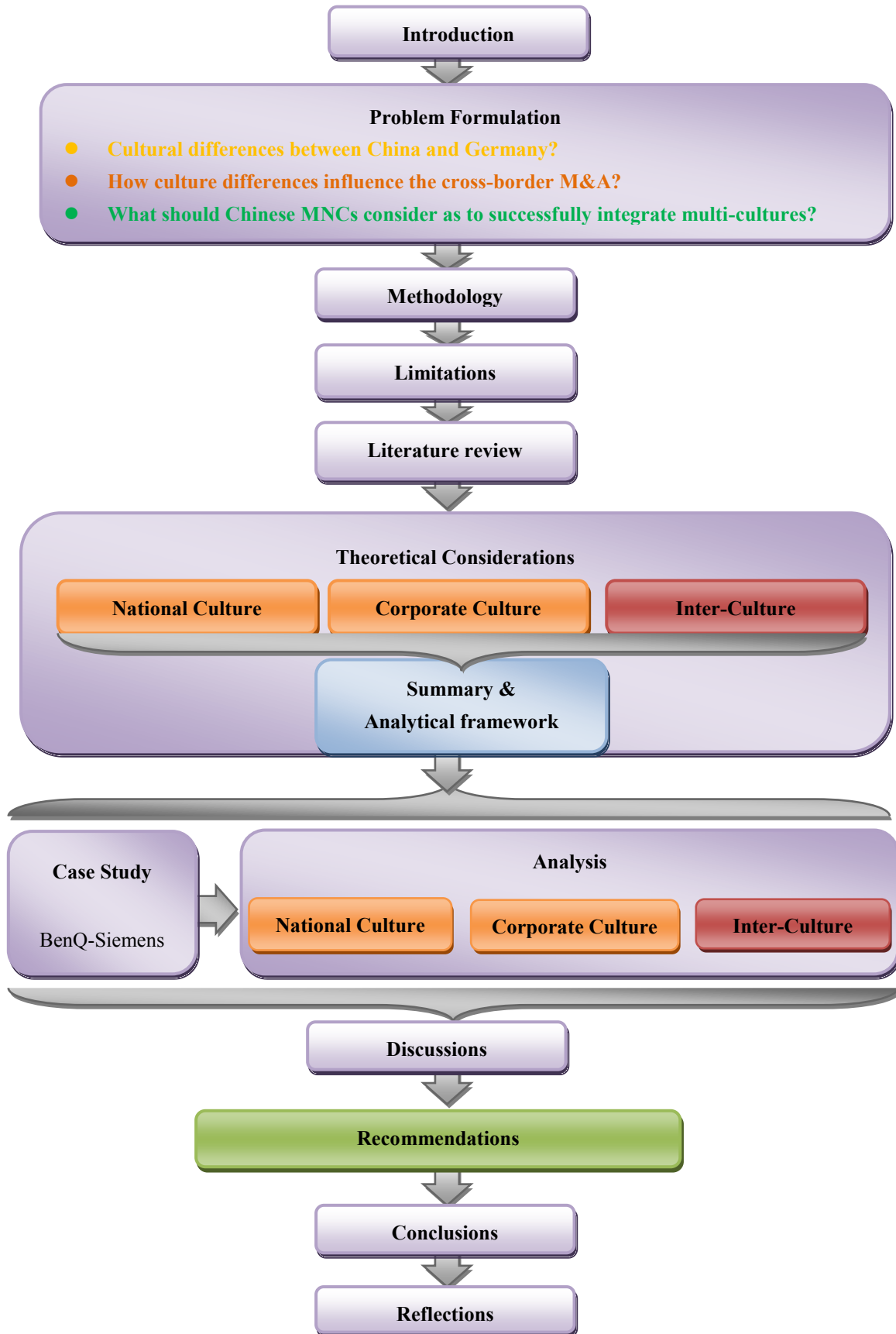
Chapter 8 is regarding to the analysis of the case, through which can help one comprehend the theoretical knowledge from a more practical perspective. In this chapter, national and corporate culture differences between Germany and China are analyzed. Thereafter, analysis will be narrow down to the differences between two case companies. Theoretical models will be used to identify the influence of cultural difference on the inter-cultural interaction in BenQ-Siemens acquisition integration.

Chapter 9 provides a further and deeper understanding of our research project from both theoretical and practical perspectives, in which we will discuss the issues such as whether the applied theories in this research fit our realities, an objective

evaluation/critique on the defects of the applied theories, as well as the possibility of revision on our previous framework.

Though our case shows an example of failure, recommendations are provided in chapter 10, with reference to the necessary inter-cultural measures that Chinese MNCs should take into consideration when doing cross-border M&A, in order to effectively reduce the misunderstanding and conflicts caused by diverse cultures, and accumulate the process of integration. Finally, the conclusion to the overall project will be presented in chapter 11 with relevant findings from the research.

Figure 2: Project structure



Source: created by the authors.

3. Methodology

The following chapter will contain discussion and description of different methodology models and the assumptions which determine this project. Besides, since our focus is on cultural differences and inter-cultural management, the paradigm discussion will also base on our problem formulation. There are many theoretical approaches to methodology and we will focus on two commonly accepted, respectively G. Burrell & G. Morgan's (B&M) and Arbnor & Bjerke's (A&B). It starts with explanations of the concept of paradigm and followed by elaborations of the terminologies in both B&M and A&B's approaches. Thereafter, the different approaches for creating knowledge in both works and comparison of A&B with B&M's approach to methodology will be discussed. The choice of systems approach from A&B's framework to be used in this project will be the conclusion of this section.

3.1 Paradigm

To begin with, we have to know what paradigm refers to and make sure that we share the same opinion towards it. Herein the definition of paradigm will be presented. Many scholars have written about the concept of paradigm, which was firstly defined as *"cluster of beliefs, which guides researchers to decide what should be studied and how results should be interpreted"* by Thomas Kuhn (Kuhn, 1962, p. 10). As a scientist of natural science, he claims that the old paradigm will be replaced by the new paradigm when the "revolution" happens. M. Fast, whose research area is social and economic science, posits that the knowledge accumulates over a period of time and the formation of new paradigm is based on the old paradigm, they do not exclude the new one. Moreover, the old paradigm usually survives even though the new paradigm is created (Arbnor & Bjerke, 1997, pp. 12-13). G. Ritzer defines a paradigm as *"the basic conceptions of a science of what its subject is. On this basis it is defined, what is to be studied, which questions are to be raised, how they shall be raised and which rules shall be observed when interpreting the obtained answers. The paradigm is the most comprehensive unit about which there is agreement within a science"*

branch and which serves to separate a scientific community (or sub-community) from another. It arranges, defines and connects the examples, theories, methods and instruments of a given science.” Therefore, a paradigm is more a set of rules, which could help scientists conduct researches within the examples, theories, methods and instruments’.

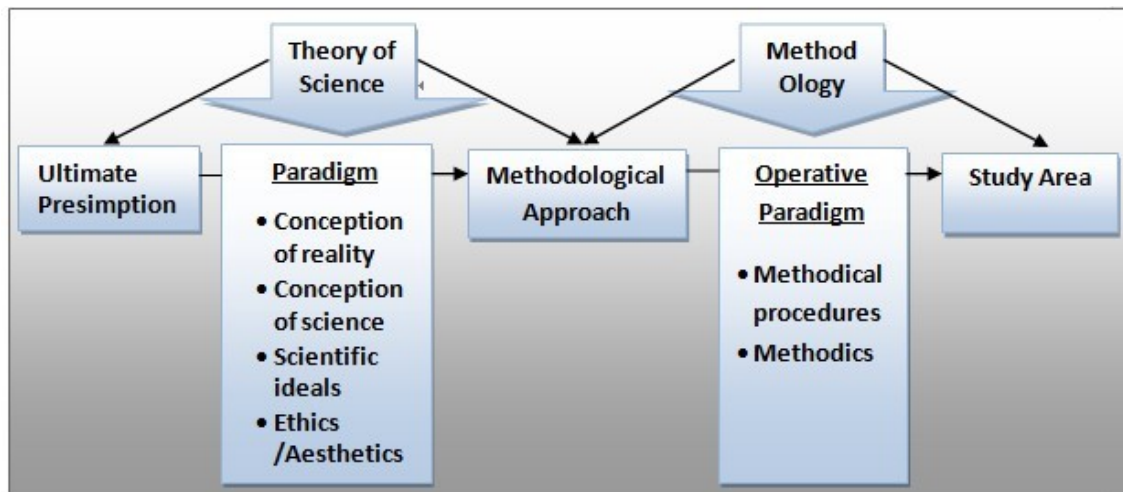
B&M define a paradigm in the forms of four assumptions which are ontological, epistemological, methodological, and assumptions on human natures. They understand social science mainly from three levels. First of all, they view the paradigm as alternative realities and it is the fundamental step to understand social science. Schools of thoughts are developed based on the reality one observes. And then people who have different school of thoughts use different tools and methods to solve the specific problems.

A&B define a paradigm as “*any set of general and ultimate ideas of the constitution of reality, the structure of science, scientific ideals and has an ethical/aesthetical aspect*” (Arbnor & Bjerke, 1997, p. 14). Quite similar to B&M’s three levels understanding of social science, A&B also have their terminologies. They use assumptions and the specific paradigms, which are equal to B&M’s first level (view of reality). A&B define methodological approach where B& M use the term schools of thought. The operative paradigm is used in A&B where B&M view as puzzle solving areas.

It is worth mentioning that the concept of operative paradigm has been introduced for the first time in social science by Arbnor and Bjerke (Arbnor & Bjerke, 1997). An operative paradigm is “a bridge between a methodological approach and a study area” (see Fig. 3). There are considerable distinctions between a paradigm and an operative paradigm. A paradigm is not usually influenced by any major force of change due to the fact that reality cannot be constantly questioned. When this happens it is perceived as a major revolution among researchers. Contrary to the durability of a paradigm, an operative paradigm can change as many times as required by the shifting character of

the study area. This is because an operative paradigm is made up of the methodical procedures and the methodics (see Fig. 3) existing in a methodological approach and required by the nature of the study at that particular moment.

Figure 3: Methodological Approach



Source: (Arbnor & Bjerke, 1997, p. 15).

To sum up, in both works of B&M and A&B, their paradigms are developed on philosophical ultimate assumptions. Besides, both B&M and A&B agree upon the fact that one's paradigmatic adherence is not usually influenced by major forces of change (Arbnor & Bjerke, 1997, p. 16). Both works see a shift in paradigms as a major break (revolution) in one's "intellectual tradition". Moreover, they all agree that it is possible to operate in more than one paradigm but not simultaneously. Burrell and Morgan state the above by saying that "there are alternatives, in the sense that one can operate in different paradigms sequentially, over time" but cannot operate in different paradigms at the same time due to the fact that paradigms are "mutually exclusive, since accepting the assumptions of one, we defy the assumption of all the others" (Burrell & Morgan, 1979, p. 25). In the same way, Arbnor and Bjerke believe, that any disagreement within the ultimate assumptions will result in a different paradigm (Arbnor & Bjerke, 1997, p. 15).

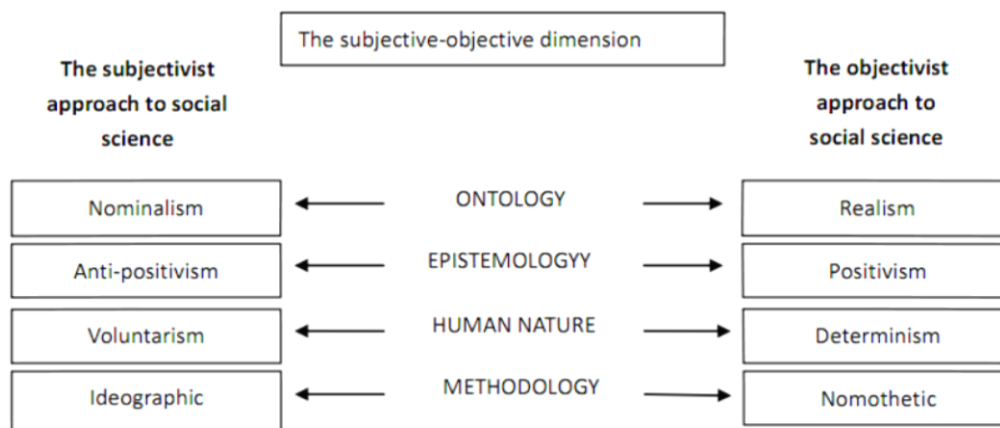
3.2 Paradigmatic assumption

B&M's roots for making the paradigmatic assumptions are in philosophy and social science; therefore they have distinct opinions compare with Kuhn. And the paradigmatic assumptions could be divided into ontology, epistemology, human nature and methodology four aspects. While philosophy is A&B's underlying base, their paradigmatic assumptions are revolved in the conception of reality, conception of science, scientific ideals and ethics/aesthetics. The terminologies from B&M and A&B will be described respectively in the following section, thereafter the comparison of both will be provided.

3.2.1 Burrell and Morgan

Burrell and Morgan's assumptions about the social science are gathered in a *subjective-objective dimension* (see Fig. 4); while assumptions about the nature of society are assembled a second dimension comprising *sociology of regulation* and *sociology of radical change* (see Fig. 5).

Figure 4: The subjective-objective dimension



Source: (Burrell & Morgan, 1979, p. 4).

The subjective-objective dimension

B&M have a straightforward approach towards social science, namely, either subjective or objective. Their paradigmatic assumptions are also developed in two directions which are shown as the above figure.

Ontology: ontology has its roots in philosophy and is described as the study of the nature of being existence or reality. In social science, ontology is dealing with the conception of reality; whatever reality is independent from human beings or it is a product of the human mind. “The ontological debate” of Burrell and Morgan is between *nominalism* (subjective view) and *realism* (objective view).

The *nominalist* does not recognize a “real structure” of the world: “*the social world external to individual cognition is made up of nothing more than names, concepts and labels which are used to structure reality*” (Burrell and Morgan 1979, 4).

The *realist*, contrary to the nominalist, “*postulates that the social world external to individual cognition is a real world made up of hard, tangible and relatively immutable structures*” (Burrell and Morgan 1979). For the realist, the social world exists and has always existed in itself, not created by human beings, and it is independent of human beings who cannot influence it.

Epistemology: Epistemology is the study of the nature and scope of knowledge in philosophy. While in social science, epistemological discussion copes with any knowledge that can be obtained throughout observation or to be experienced. Burrell and Morgan draw on their paradigmatic assumptions by identifying *anti-positivism* and *positivism* as dualistic characterization of the “epistemological debate” (see Fig. 4). The anti-positivists reject observation as way of gathering knowledge. In order to “understand” individuals have to “participate”.

For the positivists, the traditional approaches which dominate the natural science (“verificationists” and “falsificationists”) are the background for thinking that

knowledge is a cumulative process. The positivists are keen to explain by looking for patterns to be verified and hypothesis to be falsified.

From the epistemological perspective we perceive knowledge from the traditional positivist approach. We agree that knowledge can be acquired through observation. In our project we analyze and discuss research studies which are based on the observations and explanations.

Human nature: The “human nature” assumption debate in B&M’s paradigms is between *voluntarism* and *determinism* (see Fig. 4), between human beings as creators of their environment and human beings as determined by the environment. The two extreme terms reflect the relationship between man and society. The *voluntarist* is independent and has free will while the *determinist*’s actions depend on what is happening around him. From human nature perspective it could be mentioned that Western companies would fit into the deterministic assumption.

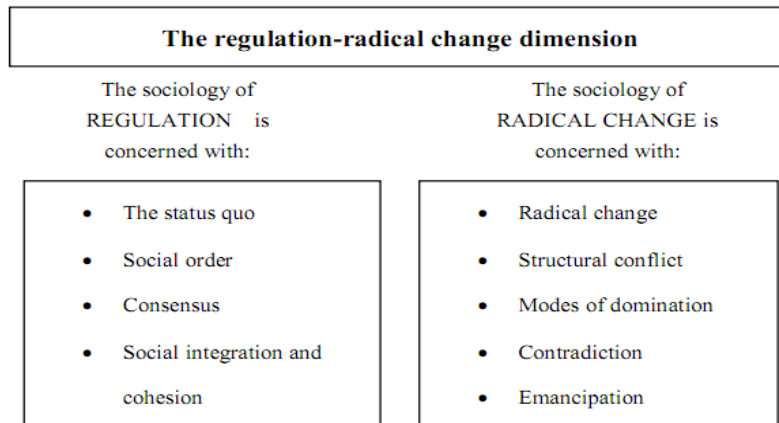
Methodology: According to Burrell and Morgan, researchers can understand the social world by having an *ideographic* or *nomothetic* approach (see Fig. 4) to the area of study. The *ideographic* approach is based on the belief that researchers can get to new knowledge through the analysis of the subjective which can only be achieved during the process of investigation by “getting inside” situations. The *nomothetic* approach is characterized by the objective view of reality. Knowledge can be created by “*systematic protocol and technique by testing hypothesis in accordance with the cannons of scientific rigor*” (Burrell & Morgan, 1979, p. 6).

The regulation-radical change dimension

The regulation-radical change dimension in the paradigmatic assumptions of Burrell and Morgan has a two-way character as well. The authors talk about *sociology of regulation* and *sociology of radical change* (see Fig. 5) as particular views of society in which the subject is under investigation. The background for Burrell and Morgan’s

second social dimension is identified in the old “order-conflict debate”, social order vs. social change.

Figure 5: The regulation- radical change dimension



Source: (Burrell & Morgan, 1979, p. 6).

In the *sociology of regulation* researchers are concerned with explaining and understanding society as a unity and its cohesiveness. On the contrary, the *sociology of radical change* is concerned with conflicts, domination and contradiction (see Fig. 5). Radical change is characterized by visions and utopian ideas concerned with what “is possible” and not what actually “is”.

3.2.2 Arbnor and Bjerke

As it is mentioned above, A&B make their assumptions from philosophical perspective and can be classified into conception of reality, conception of science, scientific ideals and ethics/aesthetics. They have developed six paradigms based on those assumptions which are shown in (Fig. 8). Unlike B&M who explain directly the base of their assumptions, A&B are more intuitive, giving space for different interpretations.

Conception of reality, in the same way as *ontology* deals with the way reality is constructed. At the same time it also refers to the *human nature* in B&M’s paradigmatic assumption view. More precisely, conception of reality involves as well

the human interaction with the environment: does reality exist in itself or can human beings influence it?

Conception of science has to do with how knowledge gained through education is reflected in the concepts and beliefs a researcher/investigator have. The *conception of science* assumption is in some ways similar to *epistemology and human nature* in B&M's assumptions.

Scientific ideals refer to personal desires of the researcher/investigator regarding to his/her studies. B&M talk about *epistemology* and methodology assumptions which can be seen as corresponding to *scientific ideals* in A&B's assumptions.

Ethical/aesthetical aspects are assuming if requests made by researcher during the investigation process are moral or not.

3.2.3 Comparison

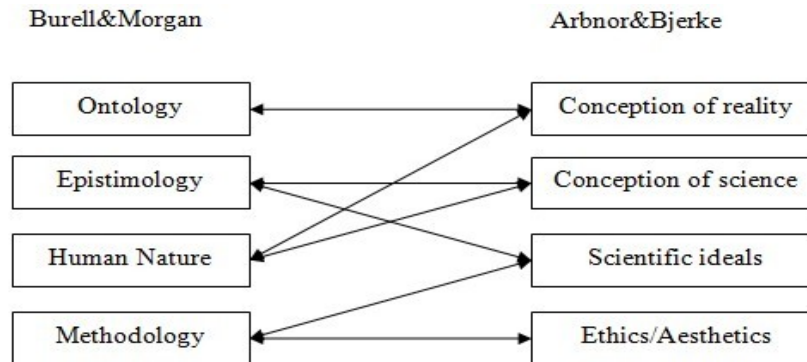
B&M and A&B use different angles from which they draw their paradigmatic assumptions. Their assumptions about social science carry some similarities and differences which are discussed below.

How reality is viewed by the creator of knowledge is central to both works. A distinction between objective and subjective reality is essential, bringing about the discussion on whether reality is dependent on human beings or not. The nature of knowledge is another similarity in the assumptions of B&M and A&B. It is important to know a researcher's attitude towards acquisition of knowledge. B&M pinpoint that knowledge can be acquired through observations or participation while A&B emphasize the influence of education on people's attitudes towards knowledge.

Furthermore, B&M make assumptions about the relationship between human nature and the environment, and the influence of human beings on the environment is essential in the way researchers view reality. A&B do not make assumptions about

human nature directly but they do introduce aspects of human nature in their paradigms.

Figure 6: Comparison the terminologies of B&M and A&B



Source: Adapted by the authors according to B&M and A&B's research.

B&M make paradigmatic assumptions about society and its status from the researcher's point of view. They make a distinction between a conflict society and a harmony society. These assumptions are not present in A&B's work.

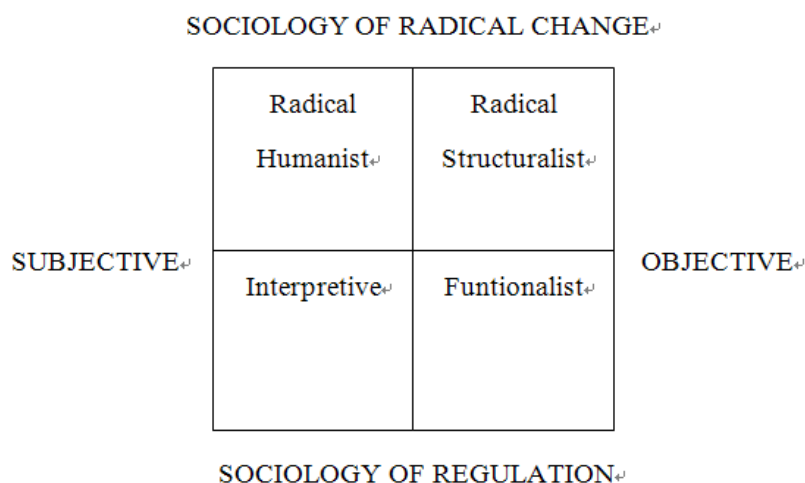
We could see some distinctions of the contents or the overlapping when comparing the terminologies from B&M and A&B (see Fig. 6). Epistemology, which B&M state, can be classified into conception of science and scientific ideals in A&B's term. Human nature is also can be seen as the combination of conception of reality and conception of science. Methodology that B&M refers also includes the scientific ideals and the ethics/aesthetical aspects of A&B. Because of different standards of classification, it is hard to say which one is more accurate and precise. The aim of the comparison is to state that we are conscious the distinct contents of the terminologies from B&M and A&B. From our point of view, A&B's are much clear for us to define the reality and the way we obtain knowledge, the desire or the goals to achieve, as well as aspects from moral and aesthetics.

3.3 Paradigms for creating knowledge

3.3.1 Burrell and Morgan

B&M have developed a matrix with four paradigms as outcome of the assumptions in the *subjectivist-objectivist dimension* and the *regulation-radical change dimension* by analyzing the relationship between the two (see Fig. 7). According to B&M, each one of the four paradigms shares common features with its neighbor on the horizontal and vertical axes in terms of one of the two dimensions but is differentiated on the other dimension. The four paradigms offer the possibility to analyze the area of social study from different angles which are in contrast.

Figure 7: The four paradigms of Burrell and Morgan



Source: (Burrell & Morgan, 1979, p. 27).

Radical Humanist (Change-Subjective)

Theorists in the radical humanist paradigm are concerned with releasing social constraints that limit human potential. They see society as anti-human and try to find ways in which social opportunities and ideologies are controlled by large social institutions, often leaving people marginalized, voiceless and disempowered, leading to widespread alienation and the breakdown of communities. Interventions are aimed

at concrete individuals and groups, establishing mutual-aid and consciousness-raising networks that will lead to eventual changes in social and economic structures.

Functionalist (Regulation-Objective)

The functionalist paradigm represents the perspective rooted in the sociology of regulation, seen from an objective point of view. Functionalist theorists are concerned with explaining the status quo, social order, consensus, social integration, solidarity, need satisfaction and actuality (see Fig. 7) from a standpoint characterized by realism, positivism, determinism and nomothetic. This perspective is highly pragmatic oriented because of the researcher's desire of rational explanation. Functionalists are looking to create knowledge which can be used by providing practical solutions to practical problems.

Radical Structuralist (Change-Objective)

Fundamental underlying contradictions and regularities make the way of living unjust and untenable. Distressed individuals and groups can be helped to mollify the impact of structural problems, but lasting change can only be achieved by a complete transformation of the society. Intervention must be integrated across political, regional, community and interpersonal levels.

Interpretive (Regulation-Subjective)

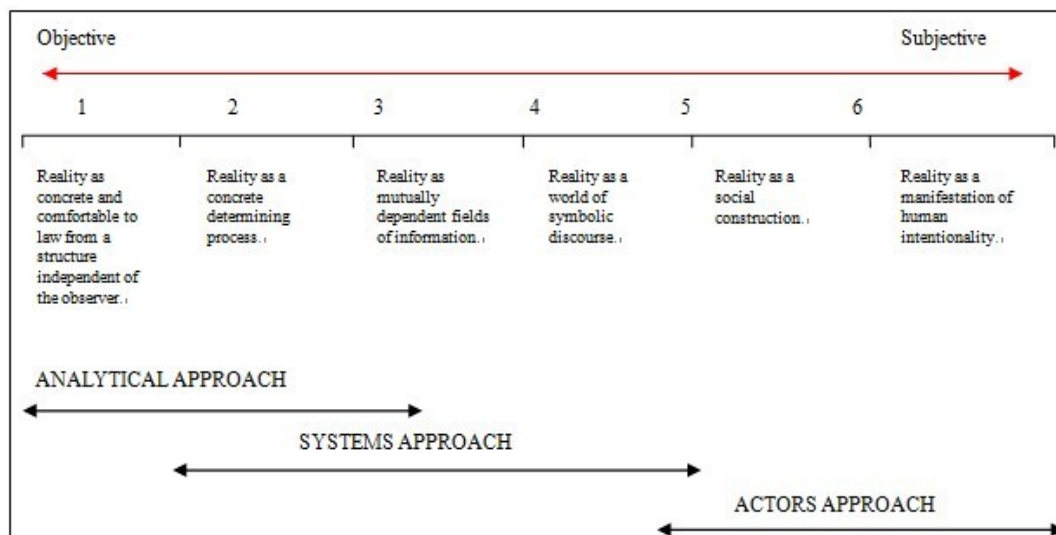
The Interpretive paradigm represents the perspective rooted in the sociology of regulation, seen from a subjective point of view. Interpretive theorists are concerned with understanding the fundamentals of the social world in a subjective way by seeking explanations in the form of individual consciousness and subjectivity. The interpretive seeks to participate, not to observe.

3.3.2 Arbnor and Bjerke

A&B have developed six paradigms as an outcome of the ultimate assumptions rooted in philosophy. The paradigms scale is presented as a gradually change from the

objective view to the subjective view (see Fig. 8). The more researchers approach the lower paradigm numbers, the more reality is objective and rational, the philosophical connection decreases, knowledge is acquired through explanation by implementing general and empirical methods. The more researchers approach the higher paradigm numbers, the more reality is subjective and relative, the philosophical connection increases, knowledge is acquired through understanding by implementing specific, concrete methods. Instead of only describing the definitions of the six categories of paradigms, we would prefer to understand and explain A&B's paradigms through the analysis of three methodological approaches.

Figure 8: Three methodological approaches related to paradigmatic categories



Source: (Arbnor & Bjerke, 1997, p. 44).

- The analytical approach

The analytical approach is based on beliefs that the only true knowledge is science knowledge. It means that the fundamentals of this approach are the facts empirically verifiable. The reality is objective, and objective reality exists independently, without any influences from anyone's consciousness. The knowledge creator observes the reality as a group of components, and the total sum of these parts is equal to the whole.

The researcher stays outside the research object to avoid any subjective reactions, which may influence the results. This approach contains models that are valid for more than one object in real life. It counts for that observer is using generalized models to explain the reality. Causality exists in the analytical approach. Components of the reality are in cause-effect relations and one condition always leads to another.

To sum up, the analytical approach means: to divide reality into the smallest parts, change those parts into concepts and try to disclose cause-effect relation among them by verifying hypothesis or falsifying thesis.

- The systems approach

In the systems approach, dividing reality into smaller components is not enough. The reality is more complex in this approach than that in analytical approach; every component can be named as a subsystem and functioned as a system of its own. The system is created to describe that the reality is a set of components and relations among them, which also underlies that the whole is not equal to the sum of its components but is increased or deduced by mechanisms and relations between distinguished components of the reality. Observer should study components in relation to the whole as well as putting components in their contexts.

Knowledge in this approach is dependent on systems; observer is not allowed to use generalized models appropriate to every subject. The knowledge depends on environment in which components are interacting. That is why the knowledge should be contextual not universal like that in the analytical approach.

What also distinguishes the systems approach from analytical approach is that the viewer of the reality is not looking for causes and results, but trying to find a final relation of parts of the reality. *“In this approach one can differentiate a producer and product instead of cause and result relation. A producer is neither a necessary nor sufficient ‘cause’ for a given product.”* (Arbnor & Bjerke, 1997, p. 150). *“Each producer is only one of several possibilities leading to a particular product and that*

each producer can generate many alternative products. It means that components of reality create interactions and they are influencing each other." (Arbnor & Bjerke, 1997, p. 180). This system is more focused on practice and final result that can be applied by a recipient of the paper into real world than on seeking of absolute truth. As a result, systems approach focuses on the indication and the effects of the observed reality.

Why this system is placed in an objective–subjective area? People that are in or outside the system have a tendency to use their own subjective interpretation to describe the phenomenon. However, the subjective parts of the reality may be objectively accessible in the systems approach, while these subjective parts can lead to objective view and may create a general sense of different subjects. Moreover, every system is partly dependent on its creator. Furthermore, both system and analytical approach have an explanatory character. However the difference is that the goal of the systems approach is trying to improve the system recognized in the reality, while the analytical approach is to verify hypothesis or falsified thesis. Another difference between these two approaches is vision of the whole. The analytical totality has a summative character while the systematical has not. The latter concerns on the full-rounded systematic view and the synergies are expected if all the components work well, otherwise the result will be small the sum of each component.

- The actors approach

This approach presents completely different view of reality in contrast to two previous approaches. The reality is subjective and depends on social constructions of objects. The researcher examines how the social phenomena behave in social contexts. Due to this fact, knowledge creator interacts with social components, seeks for a dialectic connection and various meanings, therefore the reality may be assumed as an ambiguity and variable. As a consequence of the ambiguity of the reality, the knowledge creator recognizes opposite mechanisms that are fundamental drivers of development and progress of world.

“The Reality is not independent of us but consist of an interaction between our own experiences that we have over time created together with others” (Arbnor & Bjerke, 1997, p. 175). Because of contextual character of the actors approach and intentional character of the human beings it is not possible to base forecast on external observation of cause-effect relation like in analytical approach. The consequence is that the observer must be inside the investigated reality and his intentions must be examined.

3.3.3 Comparison

A&B are more abstract in describing their paradigms. From their descriptions, one has the feeling that the understanding of the paradigms, to a certain extent, is open for multiple interpretations while B&M are more straightforward to describe the ultimate assumptions (e.g. objective vs. subjective, regulation vs. radical change). These two perceptions have their pros and cons. The paradigms of A&B’s are described in a more abstract way. On the one hand, we might think that they are not clear enough for all readers to fully comprehend the differences among the six paradigms. An overlapping in the meanings of different paradigms might arise. On the other hand, the abstract way to describe raises the opportunities to develop the paradigms in people’s thought. This might give grounds for further development of their paradigm.

Opposite to A&B, B&M are quite unambiguous in describing their paradigms due to their “two poles” approaches towards the ultimate assumptions. However, the “two poles” absolutely place two of the paradigms at the extremes. (“Radical humanist” and “Functionalist”), and the other two paradigms (Radical structuralist and Interpretive) try to convince us of some sort of “combination” between the subjective and objective. We believe that it is difficult to see, because the “mediating” paradigms display a clear mixture of subjective with the objective. In other words, things are either white or black, without a harmonic mixture of the two. In addition, B&M have a plain description about the ontology, epistemology, human nature and methodology of each paradigm. From this perspective, A&B manage to give the reader the idea of

gradual homogeneity into the paradigms in between the objective and the subjective. And the paradigm users will not immerse in the “two-pole” dilemma. Instead, they have more choices from subjective to objective which makes the scope of the reality more extensive. To be mentioned with, the concept of operative paradigm has been introduced for the first time in social science by A&B (Arbnor & Bjerke, 1997). It is not said that the paradigm of A&B is perfect. Since it is divided into six paradigms, many things still in common between two close paradigms or the overlapping phenomena exist. To somehow, it increases the difficulties for people to position themselves in the paradigm they belong to. Therefore A&B’s paradigm ought to be done is to give clear understanding for the assumptions lying behind each paradigm, in order to identify the underlying assumptions of reality, science, scientific ideals and ethics/aesthetics in a simple way.

3.4 Methodology approach applied in this research

In this section, methodology that applied in this project will be presented. Including the scientific philosophy and methodological approach adopted in our investigation. We consider that our position will determine the methodological approach of the project, which can help the reader get a well understanding of the perspective from which we investigate an object.

3.4.1 Final choice: Systems Approach

In this paper we have adopted the systems approach in A&B. Throughout the comparison of A&B and B&M, we could see that not a paradigm is perfect. What we have to choose is a more suitable one for the purpose of the project. We choose A&B’s systems approach due to the fact that our goal is to describe, explain, diagnose and improve recognized system. It is also the consequence of our problem formulation, which indicates investigation of mechanism between two companies connected with acquisition’s transaction and between culture differences and acquisition integration approach. We do not believe that the sum of the whole is equal

its parts. However, we do believe that appearance of mechanism create synergy (negative or positive), which could be the well-generated culture, or the excellent management etc. As well as we do believe that the world is dynamic but static, the business world changes even faster. We have to put ourselves in this complex and turbulent environment to observe the whole system, to find its strength and weakness in order to improve it and create positive synergies.

3.4.2 Basic assumptions

As mentioned in section 3.4.1, we decided to use systems approach in this project. The main reason is that we do not believe in dualistic view of reality, we are not ultraist, and the world in our eyes cannot be seen only in black or white, but there are also a significant number of intermediate colors. Therefore, we would not choose paradigm assumptions positioned in clear subjective or clear objective reality. Here, we follow A&B's model from the perspectives of discussion on conception of reality, conception of science, scientific ideals, and ethical & aesthetical.

- **Conception of reality**

When doing this project, we recognize the reality exist itself without being decided by human mind. Our reality is from three levels, which are national culture, corporate culture and inter-culture. The national culture and corporate culture are originally constructed by human beings, after a long time accumulation and iterative verification, form as norms to particular groups of people. They are relatively stable and external to a specific individual, one cannot change the existence form of culture but adapt to it. Therefore, in this project we take both national culture (differences) and corporate culture (differences) as objective to us as well as BenQ and Siemens. In the project, BenQ acts as the individual commit itself to improve its business environment through acquiring Siemens handset division. After the purchase, BenQ faced to the challenge to integrate diverse cultures within the organization. The cultural differences no matter from the national perspective or from corporate perspective

have their objective existence. It is difficult for both BenQ and Siemens to change the differences but have to gradually adapt to the environment. Regarding to inter-culture, we consider it is a more subjective reality. According to our problem formulation, the direction we are going to research is about how culture differences influence the cross-border acquisition, which we believe synergies can be generated by dealing, managing or integrating diverse cultures. In other words, we believe that the sum of the parts may not equal to the whole, it may more or less than the totality, and components of the reality are affected by social phenomena. For instance, in our case, inter-culture can be seen as a social construct by individuals, but is able to create a dynamic reality based on how the interaction between individuals is conducted.

When doing this project, we consider ourselves as observers who should be very close to the objective, keep ourselves totally outside and have possibilities to use direct methods to explain causality of the research problems. However, due to our limitations, we cannot become a typically defined observer. We have insufficient observation experience towards the acquisition case that we chose, therefore, can only obtain and analyze data commonly available in books media and published reports etc., some of the data possess subjective viewpoints but we still confirm they can be measured objectively.

- **Conception of science**

In this project, the related knowledge we introduced is mainly obtained from our education and partially from our experiences. This means we recognize the knowledge is mainly acquired through observation, which to study varies culture theories from different theorists and then to measure these theories objectively, in order to choose the right one for us to explain why people from different countries behave different. Then combine with our limited life, studying, as well as working experience to get the understandings on how these different behaviors influenced BenQ and Siemens' acquisition. Finally, we try to create our own understanding on if culture differences to some extent cause the failure of the acquisition. It has been

mentioned that a significant amount of secondary data will be used in this project. We are also aware that it may weaken the validity; however, our intention is to enhance and improve our knowledge as well as knowledge acquired due to the needs of this project. In accordance with our problem formulation, we do not only explain why things are the way they are, but also want to understand how things are. This also matches with the philosophy of systems approach.

- **Scientific ideals**

Scientific ideas refer to what we want to achieve with our research in this project. A nomothetic way has been chosen, which means in this research we want to keep ourselves outside the research entity. By using the knowledge we gained as well as the selected theories to accomplish the following processes: to explain, to understand and to diagnose the components, in order to create synergies, make the sum of components more than the whole. Although during the research, secondary data such as reports of live interview have been introduced, which more reflect a subjective feature, however, due to the lack of primary data, we have to make use of those interview data in order to get closer to the real truth. Nevertheless, we still keep ourselves to objectively measure the validity of these resources, and find a more dependence on theories. As mentioned before, the goal of systems approach is looking at changing processes, mechanisms, connection, and influence among components, as well as to obtain synergies from this dynamic effect. Correspondingly our goal is to apply an etic approach to create our own knowledge system about the understanding of culture and its implication to the cross-border business.

- **Ethical and aesthetical**

In accordance with the fact that, we are not a competitor of observed companies, and our purpose for making this research is not to make any influence or change on the observed companies. This means, our existence and our morality in this research will not affect the observed companies' behaviors. The acquisition is already a thing of past, and the failure of the acquisition is also an objective reality. We cannot or in

other words we have no intention to change the objective reality. The only desired result from this project is to use knowledge explain the phenomenon, then understand and/or analyze how the phenomenon is influenced by cultural elements, finally to create our own knowledge on decipher the connection between culture difference and business behavior. This is a process of improving and developing our knowledge and skills for our own sake and for a good of society. We will not have any interactions with the components, thus there is no risk in case we hurt and object. Furthermore, we also respecting the privacy of participants involved in our project. We hope we can use the related knowledge and theories successfully accomplish the improvement of our academic thesis without any misunderstanding and bias.

3.4.3 Operative paradigm in methodological approach

According to A&B's concept, operative paradigm is like a bridge between methodology approach and study area. In this section we are going to depict our operative paradigm.

In operative paradigm, our task is to distinguish tools, techniques and methods on the basis of formulated problem and the systems approach. Tools are materials and/or devices serve for the direct impact in the process of working on the research object. Techniques are various rules for the use of tools. Methods are ways of obtaining science knowledge. Methodic in this project is concentrate on response to questions of how to do the research? How to achieve goals of the project?

Tools applied in this paper are material stuffs such as computers, notebooks ballpoints, knowledge models, facts from reality described as media material, etc. When talking about techniques one can understand as the way of using tools in order to obtain useful resources of knowledge and data, the way to create knowledge, as well as to improve the system discovered in reality etc. Our technique is to use secondary data, available science knowledge and models in an analytical way, in order to explain and understand mechanisms between components of the project, for instance, culture and

cross-border business behavior. Moreover we try to position our observed problem in a concrete context through analyzing and interpreting a case study. Finally, we will use our own understanding on the problem phenomenon creatively, in order to improve the system and guide possible appropriated recommendations.

In order to select the appropriated theory, firstly we will apply a literature review, which is derived from different aspects. We will take an overview of viewpoints from different theorists in order to support our reality in this project. In accordance with our reality, the literature review also consist of three main levels from the perspective of culture, they are national culture, corporate culture, as well as the inter-culture. Apart from the theoretical perspective, we also introduce the empirical research that mainly contains the viewpoints from the researchers who spent efforts in BenQ and Siemens case studies from a cultural perspective. We believe the literature review can provide use a broad visual as well as a solid foundation for the further selection of theories. Base on the literature review, theories will be used for this project will also focus on different cultural levels. Among the selected theories, we will choose those both advocate for qualitative research and quantitative research on culture, for instance, Schein and Hofstede etc.

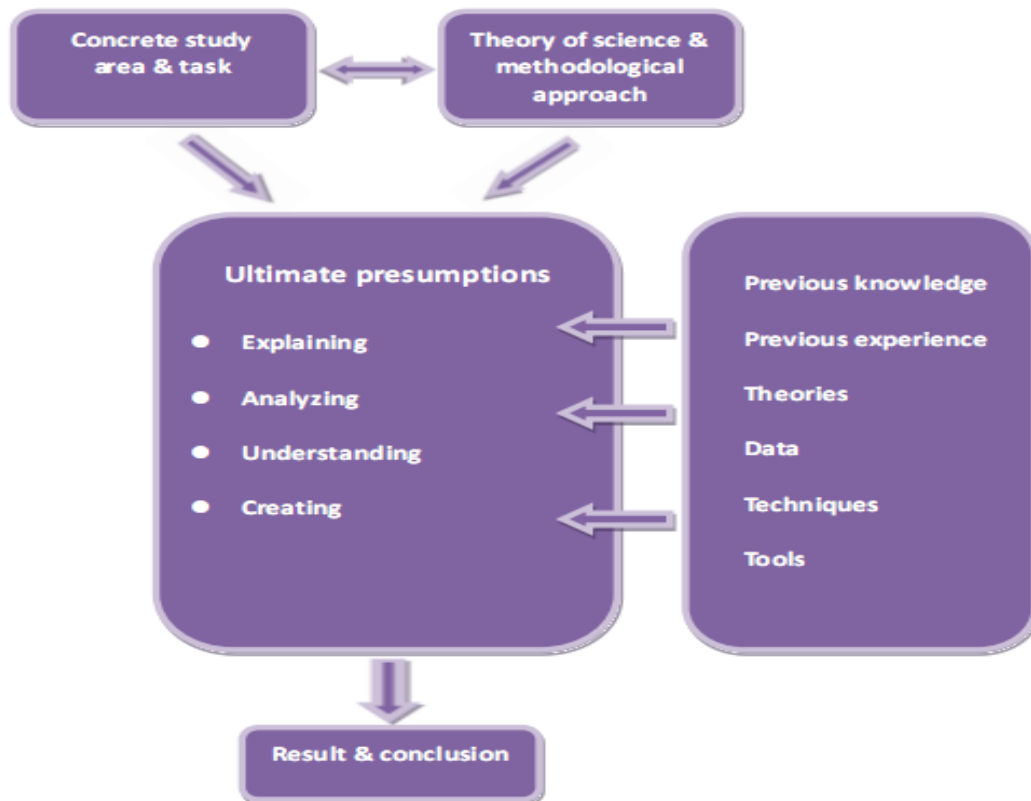
Methods concern about when to use which techniques? Methods are often tied up with the goal of the researcher, which means as researchers, we should define our purpose without any ambiguity in order to choose appropriate methods of investigation. For instance, if our goal is to verify or test hypothesis, we would choose analytical techniques for our investigation. While in this project, our goal is to explain phenomenon to understand the cause for the phenomenon and to explore a new knowledge system. Therefore, a combination of explanatory and exploratory techniques is used in this project.

3.4.4 Research strategy

After exhibiting our basic assumptions and operative paradigm in doing this research, it is easy to outline our research strategy (See Fig. 9). In accordance with our problem formulation, our study area is about cross-border M&A and the task we set up for investigation is to understand how cultural difference influence the process of cross-border M&A, as well as provide recommendations on how to appropriately integrate diverse cultures to those Chinese multinational corporations, which are going to implement cross-border M&A in the future. During the process of formulating problem, we have to consider from which perspective we should start the investigation in order to obtain the desired results. For instance, if we should act as an absolute outside observer and use quantitative techniques to measure the whole process of the acquisition, and then use the direct viewing and numeric data to explain the causality objectively; or if we should act as a participant go inside the research object. To experience and witnessed the detail process of the whole event; or, if we should position ourselves between two of them. As mentioned in section 3.4.1, through evaluating various factors and feasibility, we consider A&B's systems approach is the best choice for us. Because we are intending to find synergies through analyze the interaction between components. We believe the interaction can create positive or negative value added to the final result. Besides, the components of our system are mutually dependant. Subsequently, our task and the selected methodological approach will promote us to create our own new knowledge system. During this period, our related previous experience and knowledge that we have learned both previously and currently, the selected appropriate theories, as well as other secondary data will become our assistant, help us explain, analyze the difference between cultures, and how cultural difference determine people's behavior, even behavior in business. Further, we will combine these analysis results with the practical BenQ – Siemens case that we have chosen, to see if the result we found have certain effects on the integration of the acquisition. We consider those effects are the synergies we are pursuing, and they are also the factors that we will recommend the

upcoming Chinese MNCs to take into consideration, in order to successfully integrate diverse cultures in a cross-border M&A.

Figure 9: Research strategy for this project



Source: Created by the authors.

3.5 Data collection

As what has been mentioned in section 3.4.2, we view the reality mainly from an objective perspective and try to spare no efforts in judging the acquisition without our subjective personal ideas. We intend to grasp useful and more objective data in the information collection step. In this project, the data and knowledge are gathered from various sources, can compose a systematic study in relation to our problem formulation. The validity is strengthened by using secondary data.

Due to our limitation as well as the uniqueness of the case (see Section 3.4.2 and Section 4), it is impossible for us to become an absolute outside observer or an inside

participant. Nevertheless, we have been quite careful to choose valid and reliable sources for our investigation and kept out untrustworthy sources. Data is collected through various sources such as books, published articles, as well as official websites etc. We believe the wide-based of the sources can provide us with a broader overview. Since the failure of BenQ and Siemens' acquisition is already a real fact, there are certain comments and analysis from different angles. We will not exhibit these views blindly; instead, we will categorize these views and objectively measure them in order to accomplish our own understanding on the failure of the acquisition. The data regarding BenQ- Siemens case were mainly selected from the following resources: previous published research/studies articles, such as (Amritsar, 2011),(Chang, 2010), (Zhuang & Tang, 2008), etc.; official website, which contains views and on-the-spot records from official organizations, such as (BenQ_Homepage, 2009), (Blackett, 2006), (EMSNOW, 2005), (Embassy, 2010), etc. In accordance of the selection of theories, we read huge amount of published articles as well as authoritative books concerning national, corporate and inter-culture theories, which can provide us an overview introduction about those three concepts. However, in theories chapter, we still decide to use the knowledge from authoritative books, such as Hofstede, Schein, Gullestrup and Trompenaars' culture theories etc. In terms of timeliness, most of the sources we selected are relatively new (within 5 years), except those old books we will use in theory chapter. However, they still possess high authority since many scholars still use these books as research sources; therefore we believe they still can provide us a clear and valid knowledge foundation, which can help us build a well understanding on the influence of cultural difference. To sum up, we will always remind ourselves to be faithful to our methodology in order to maintain the validity of our project.

4. Limitations

This project illustrates the relationship between culture and behavior in a cross-border M&A context, mainly focuses on the understanding on how culture differences influence the success of a cross-border M&A. It is believed that the success of a cross-border M&A can be influenced by many factors. However, due to the objective of having a clear focus, the discussion is put forward mainly based on the perspective of culture differences. We acknowledge that this will make the project lack a broader view, which covers different philosophies, methods as well as purpose. However, simultaneously this limitation is also necessary, because if the view is too broad the focus will become ambiguous, which make the reader cannot grasp the goal after reading it.

From the perspective of data collection, the bankruptcy of BenQ-Siemens happened in 2006, and the failure has already become a real fact. Therefore, we have very limited experiential way and information to get close to the whole event. All the data we obtained regarding to this acquisition are from published articles, reports and websites. And due to the company BenQ-Siemens no longer exists, it is also impossible for us to get direct information from the company's official website or annual reports. As a result, most of the data are secondary. We are aware that this might make the validity of the project weaker than it is expected, as these sources more or less reflect personal subjective views. However, we have tried our best to keep our outside measuring these data to make them objectively accessible.

In theoretical chapter, books regarding to national culture, corporate culture, as well as literature articles etc. are extensively applied. However, we find this also causes another limitation, for some of the knowledge data from books are not so timely and things can change every day. For instance, when discussing the culture differences between Germany and China, Hofstede's culture dimensions statistical data will be introduced. This survey has been done more than thirty years ago. Considering the growth of globalization, culture is also experiencing a dynamic process, which means

the characteristics of different cultures are also more or less undergoing changes. Whereas, we consider this will not influence the utility, as the root culture characteristic is hard to be changed. Hence, the comparison and discussion of culture differences between Germany and China is still with validity and reliability, which will not prevent us to answer the questions raised in this project.

5. Literature review

5.1 Definition of key words

In order to give a better clarification of our problem formulation, we will outline the definition of key words that we have used in our project.

First, in this project, the concept of culture is seen as two levels, which are national culture and corporate culture. We understand national culture can be seen as the creation of a society during its process of development. The formation of a national culture undergoes hundreds years or even thousands years of accumulation. Once a national culture formed, it will be inherited and passed down from one generation to another. National culture constitutes our values and world views and guides its people's behavior and way of life. Corporate culture is subsumed under national culture, similar as national culture, which is the core values of a nation, corporate culture is the core values of an organization. National culture can influence corporate culture, but corporate culture is more changeable. In the context of this project, the national and corporate cultures of Germany and China will be analyzed in order to find differences.

Inter-culture in this project refers to the interaction between two different cultural backgrounds. Germany and China, where the case companies Siemens and BenQ come from, become to correlate to each other through the medium acquisition. In our research, we intend to identify differences between the two companies from both national and corporate perspectives, in order to objectively deduce how the differences influence their ways of interaction in the integration stage of the acquisition.

Merger and acquisition refer to the transactions of companies, which lead to the changes in the stock ownership structure in the main business strategy. They are similar corporate motivations through which combine two previous separate companies into a single legal entity. (Angelika, 2008). Normally merger and

acquisition is used in the form of combination, however, they still have their own meaning respectively. A merger is similar to a takeover, but is based on the mutual decision of two involved companies, which to combine and become one entity with a new company name, for instance, joining the name of original companies, and in new brandings (Lewandowski, 1998). While, in terms of acquisition, it resembles the action of one company taking control over another company, and the acquired company becomes one part of the acquiring company. When acquisition happens, the former loses its independence and will be controlled by a new owner (Frąckowiak, 1998). In this project, the case we have chosen is a cross-border acquisition activity, which a Taiwanese company BenQ acquired a German company Siemens' handset division. However, we also use the term of cross-border "M&A" throughout the project. Since our problem formulation focuses on a cross-cultural perspective rather than studying the specific form or the stock ownership structure of a merger or an acquisition, therefore, differences between the forms of merger and acquisition can be omitted.

5.2 Literature review

Culture is complicated and multidimensional under different contexts. Edward. B. Tylor, the first person who defined "culture" in modern cultural anthropology, wrote that culture as a complex whole including knowledge, belief, art, morals, law, custom, and any other capabilities and habits, was acquired by man as a member of society(Tylor, 1924). After many decades' development, culture itself is studied, defined and categorized from different angles. While the culture we will review here confines to the one which affects the cross-border M&A integration. The structures of literature review contain following significant concepts: the national culture, the corporate culture, the inter-culture integrations as well as empirical researches regarding to the case we will use in the project.

5.2.1 National culture

Kluckhohn and Strodtbeck proposed a theory of culture based on value orientations and further suggested that values in any given society are distributed in a way that creates a dominant value system (Kluckhohn & Strodtbeck, 1961, p. 450). Hofstede defines culture as *“the interactive aggregate of common characteristics that influence a group’s response to its environment”* (Hofstede.G., 1980). He also comes up with five dimensions to distinguish various national cultures. Edward T. Hall (Beyond Culture, 1981) (Understanding Cultural Differences: Germans, French, and Americans, 1990) has proposed a model of culture based on his ethnographic research in several societies, notably Germany, France, the US, and Japan. His research focuses primarily on how cultures vary in interpersonal communication, but also includes work on personal space and time. Trompenaars and Hampden-Turner point out seven dimensions of national cultural factors, in order to understand culture diversity and promote the business strategies.(Trompenaars, 1993)(Trompenaars& Hampden-Turner, 1998) Shalom Schwartz (1992, pp. 1-65) identified ten universal human values that reflect needs, social motives, and social institutional demands (Kagitçibasi, 1997). They are: power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity, and security. He thinks that cultural-level aspects reflect the solutions that societies find to regulate human actions. Three dimensions, i.e. that conservatism vs. autonomy, hierarchy vs. egalitarianism, and mastery vs. harmony, were also identified at the cultural level of analysis(Nardon & Steers). Gullestrup also come up with three dimensions of culture. They are horizontal dimension consist of different culture segments, which are possessed by all cultures but with different patterns; vertical dimension, which deals with essential cultural levels that can help illustrate the deeper meaning of manifested culture segments; as well as the culture dynamic dimension, which is considered composed by horizontal and vertical cultural dimensions in the form of semi-static (Gullestrup, 2006).

5.2.2 Corporate culture

Organizational culture has been defined as shared meanings (Louis, 1985, pp. 73-93), central values (Barney, 1986, pp. 656-665)(Gahmberg & Broms, 1983)), assumptions (Dyer, 1985, pp. 200-229) (Schein E. , 1985), and beliefs (Davis, 1984) (Lorsch, 1985, pp. 84-102). The view that culture is a shared phenomenon is widely held(Bate, 1984, pp. 43-66) (Gahmberg & Broms, 1983) (Lorsch, 1985)(Posner, Kouzes, & Schmidt, 1985, pp. 293-309) (Schein E. , 1985) (Schwartz & Davis, 1981, pp. 30-48) (Trice, 1985, pp. 221-270). Some scholars address the relationship between culture and its function(Wilkins & Ouchi, 1983) (Barney, 1986)(Barley, Meyer, & Gash, 1988, pp. 24-60)(Saffold, 1988, pp. 546-558).

Numerous authors have established or supported the hypothesis that successful companies have strong corporate cultures (Deal & Kennedy, 1982) (Kilmann, 1985) (Mitroff & Kilmann, 1984) (Schein E. , 1985). And the other way around seems also true. Most scholars agree that strong corporate cultures improve the performances of organizations. O'Reilly and Chatman define corporate culture as "*a set of norms and values that are widely shared and strongly held throughout the organization*", which will enhance firm performance (O'Reilly & Chatman, 1996). Some scholars also discuss about the changes of corporate cultures (Schein E. H., 2009),(Kotter & Heskett, 1992), and state that companies with strong cultures are hard to change.

5.2.3 Inter-culture

We can find a bunch of opinions that the operations of integrations and cultural differences are the most significant factors which affect final results of the business performance (Stahl & Voight, 2008), (Stahl, Mendenhall, & Weber, 2005), (Schoeneberg, 2000), (Schweiger & Goulet, 2000). Though there is no clear opinion about interrelationship among corporate culture, national culture and integration approach in M&A phenomenon. Some of authors indicate that there are negative connections between M&A and organizational culture differences (Chatterje,

Lubatkin, Schweiger, & Webe, 1992), likewise with national culture differences (Datta & Puia, 1995) (Slangen, 2006). On the other hand one can read about positive relations between cultural factors mentioned above and M&A performance (Morosini, Shane, & Singh, 1998). Between these two positions, Very, Lubatkin, and Caroli (Very, Lubatkin, & Caroli, 1996) agree that “*cross-national mergers are a complex phenomenon sometimes influenced by national culture differences, sometimes by organizational influences, sometimes by both, and sometimes by neither*” (Weber, Tarba, & Reichel, 2009, p. 2).

Some authors indicate that culture clashes at organizational and national level in M&A performance need to be taken into full considerations (Nahavandi & Malekzadeh, 1998). Another group of writers emphasize the importance of existing various integration approaches, possibility to choose one of them by managers, and the level of integration (Haspeslagh & Jemison, 1991); (Ellis, 2004); (Ellis, Weber, & Raveh, 2003); (Pablo, 1994). It seems that literature is fragmented between mentioned factors and their own influence on M&A performance. The influences on M&A performance according to various factors are studied respectively (Weber, Tarba, & Reichel, 2009). Some authors have noted the cultural influences were critical to the integration and begun to work with it (Weber, Tarba, & Reichel, 2009), (Ellis & Lamont, 2004) by presenting interrelationship among culture and integration approaches and their common influence on M&A phenomenon.

5.2.4 Empirical research on BenQ-Siemens case

The emphasis of the empirical research will directly relate to the BenQ-Siemens case, which will be chosen as the application of the theories. The sources we used are not only from academic journals, but also articles from some websites and the comments both from insiders and outsiders.

The announcement of the acquisition was in 2005 and the declaration of the bankruptcy protection was in 2006 (Nystedt, 2006). Once it was considered as one of

the biggest acquisition deals in Asia in 2005(GSMarena, 2005), there were many voices towards this event. And the attention was highly paid as it was also a special case that two corporations divorced after 15 months' short marriage. Yan Liu reported that BenQ is well known for Original Equipment Manufacturer (OEM) business in mobile phone industry and its global market share only occupied 2 percent. Through the acquisition, it leapfrogs into the top brand queue and becomes global 4th mobile phone brand (GSMarena, 2005) and shortens the striving time. For Siemens, it throws away a business that they could not change it into better situation by itself. Thought subsidizing 250 million Euro for selling this devices, Siemens solve the problem that the mobile device always losing money in the long run. Besides, Siemens also expect to become another "Sony Ericsson".² Philip Newton³ pointed out that both companies would complement each other and creates synergies unexpectedly to change current landscape of mobile phones (Ong J. , 2006). Zheng reported that many people did not think this acquisition would have a bright future, and BenQ's business integration would encounter various difficulties due to both companies' advantages cannot compensate each other in order to create synergies.⁴ It was also revealed that it was not wise for BenQ to take over Siemens as a huge burden compared with the barrier-less ODM (original design manufacturer) business. Philip Newton also mentioned that the biggest challenge would be the cultural interchange by the formation of the BenQ-Siemens.

Analysis International⁵ considered that the scale of BenQ mobile phone device was much more smaller than Siemens', the acquisition itself existed huge risks when a snake want to swallow an elephant. The conflicts of cultural understanding and management styles in MNCs lead to more difficulties in the integration stage than BenQ's expectations. While admitted the technological and managerial advantages of

² <http://tech.sina.com.cn/t/2005-06-11/1124633072.shtml>.

³ Vice president of BenQ Asia Pacific, <http://asia.cnet.com/interview-with-benq-mobile-39307003.htm>.

⁴ <http://telecom.chinabyte.com/331/2015331.shtml>.

⁵ The name of a Chinese medium, in Chinese is 易观国际.

Siemens, BenQ's Chairman, Kuenyao Lee, agreed that it was hard for Asian corporations to accept their work efficiency, work styles and labor costs.⁶ And all the problems could attribute to the culture differences. Michael Tseng, marketing general manager of BenQ in China, concluded the reasons for failure into slow integration process and the low integration efficiency. Hongzhou Yao, BenQ mobile business owners in China, considered that the differences between both corporate cultures lead to the difficulties in communications during the integration process (Cloudcold, 2010). Eric Chou⁷ agreed that BenQ unloaded a burden which threatened the overall business performance. Dominic Grant⁸ thought that BenQ faced many uncertainties, such as schedule arrangements, legal issues and the frequencies to reduce the loss. But anyway, it was an active movement to give up this marriage. Zhuang and Tang pointed out cultural conflicts at the integration level greatly impacted the synergy creation of this acquisition. (Zhuang & Tang, 2008). Angelika attributes the failure of BenQ-Siemens acquisition to the lack of due diligence (Angelika, 2008).

⁶ <http://tech.sina.com.cn/t/2006-12-09/05001280117.shtml>.

⁷ Fund Manager of Jih Securities.

⁸ The analyst of Macquarie Security Group (MSG).

6. Culture theories and our theoretical framework

In this project, one of our research questions is how culture differences influence the cross-border M&A. In order to understand the influence of culture differences, we should firstly understand the concepts of culture, and the root or reason for the existence of culture differences. In this chapter, culture theories will be elaborated, which focus on two aspects, national culture as well as corporate culture.

6.1 National culture

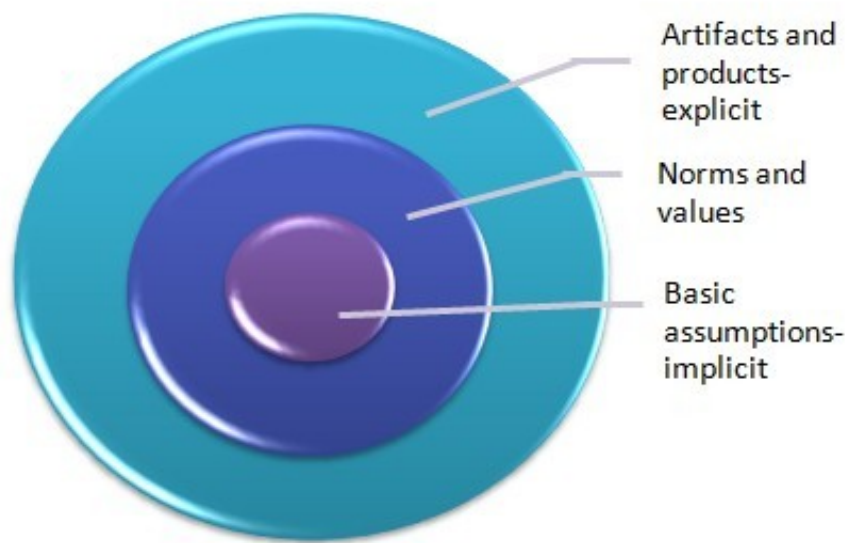
In accordance with related national culture theories, we consider three culture theories have an important role of guiding; they are Trompenaars' cultural framework, Hofstede's cultural research and Gullestrup's culture theory, which help us to explain, understand and predict the behavior of specific cultural groups.

6.1.1 Trompenaars

In Trompenaars' perspective, "*Culture is the way in which a group of people solves problems...*" people will not discover how important the culture is when they are in the context, like water to a fish. Fish will not realize the importance of water for their existence when it lives in the water. He defines culture into three layers, which is shown in Fig. 10. You have to unpeel it layer by layer in order to understand it.

The outer layer is explicit culture, which you can see and observe. For example, the language, food, buildings, houses, monuments, agriculture, shrines, markets, fashions and arts and so on can be seen as explicit culture. The observer can know something in specific culture through observation. The explicit artifacts and products are the symbols of a deeper cultural level.

Figure 10: A model of culture



Source: (Trompenaars, 1993, p. 23).

Norms and values are positioned in the middle layer. Trompenaars defines that the mutual sense, which distinguish what is “right” and “wrong” in a group, is recognized as norms. And the ideals shared by a group which determine the standards for “good and bad” are recognized as values. Norms usually guide people how they normally should behave, while values instruct people how they aspire or desire to behave. When the norms reflect the values of the group, a culture is quite stable; otherwise, there will be a tension of de-stability. The values determine the choice of existing alternatives. The norms will also differ according to different values. For instance, in some countries hard work is essential to build a better society. And people in those countries value hard-working are good. Hence they measure that people who work hard are right. While in some countries people are not expected to work hard than other members. Their criterion towards “right” or “wrong” will be very different from the previous society(Trompenaars, 1993, p. 23). It is clear that there are different groups of people and they choose different concepts of good or bad, right or wrong. However, why different norms and values exist in the society?

It is necessary to go deeper and unpeel another layer to the core of human existence in order to answer the above question about the differences in norms and values between cultures. Culture is accumulated through the daily problem-solving process in a relatively long term. People in different groups already defined their own geographic regions and formed distinct logical assumptions. Those logical assumptions instruct them to form their own norms and values. Those assumptions are implicit and hard to observe, as well as hard to change. Understanding the core of the culture is the key to successfully with other cultures (Trompenaars, 1996).

Culture is a way to solve the problems. Each country encounters a) dilemmas in relationships with people; b) dilemmas in relationship to time; and c) dilemmas in relations between people and the natural environment. Different national cultures will come up with different measurements towards the same problem due to various basic assumptions. The measurements in one national culture seem wrong or unreasonable from the perspective of another national culture, and this leads to the misunderstanding or culture shocks. Trompenaars concludes abstract terms to substitute the cultural dilemmas. They are listed as follows: Universalism vs. particularism; Collectivism vs. individualism; Neutral vs. emotional; Diffuse vs. specific; Achievement vs. ascription; Sequential time vs. synchronic time; Controlling nature vs. letting it takes its course.

The universal/particular aspect explains how we judge other people's behavior. It can be viewed as rules versus relationships. People who are rule based behave to be abstract. They follow the rules and the things become easy. It also indicates that all people in the universal society are treated equally. The particularists emphasize on the exceptions of the present circumstances. They allow the existence of exception.

Collectivism/individualism dimension also can be defined as the group versus the individual. We could get the meanings apparently from the literally understandings. Collectivism focuses on the interests of the whole group while individualism is oriented by the self-interests.

Neutral/emotional dimension shows the range of expressed feelings. People have neutral cultures do not express their feelings that much but carefully controlled. On the contrary, members of emotional cultures which are highly affectively show their feelings by laughing, smiling, gesturing and so on.

Diffuse/specific dimension mainly talks about the range of involvement. In diffuse cultures, every life space and level of personality attempts to impact all others. For example, the boss of a company who has diffuse culture will expect that his ideas are better than all his employees; his taste in clothes and values are permeated (Trompenaars, 1993, p. 73). While in specific-oriented cultures it is not the same thing. The manager sends out the tasks to subordinates and he will ask for a better idea. The relationship of superior and subordinate exist in the workplace, the subordinates will not intervene after the work, and therefore it is specific.

Achievement/ascription aspect judges how status is accorded. Peoples' status is accorded on the basis of their achievements in some societies, while in some societies it is won attributing to the gender, education, class, virtue of age, etc (Trompenaars, 1993, p. 73).

Sequential/synchronic dimension refers to the relative importance cultures give to the past, present and future, as well as how to manage time. Whether it is sequential or synchronic with past, present and future all interrelated.

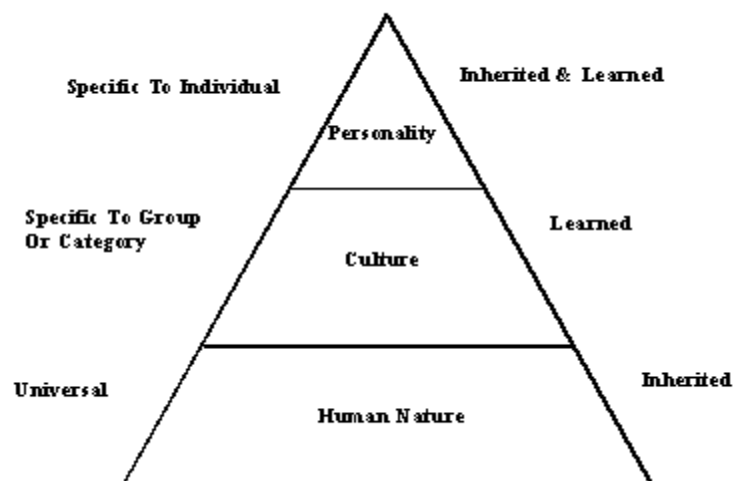
Controlling nature/letting it take its course relates two major orientations of cultures towards nature are developed. People either believe that they can control nature, which is described as inner-directed, or believe that man is only one composition of the nature and they must follow the laws and directions. The latter outer-directed society labels itself as a product of nature and regards itself as controlled by nature.

6.1.2 Hofstede

Hofstede's research starts from the perspective of anthropology. He considers culture is always a collective phenomenon, as culture is at least partially shared by people

who live or once lived within the same social environment, which is where culture is learned. Thus, he defined culture as “*the collective programming of the mind that distinguishes the members of one group or category of people from others.*” (Hofstede G. , Culture and Organizations - Software of the Mind, 2005, p. 4). Hofstede indicates that culture should be distinguished from human nature and personality (See Fig. 11). Culture is acquired from one’s social environment instead of from one’s genes; it is learned rather than innate.

Figure 11: Three levels of uniqueness in mental programming



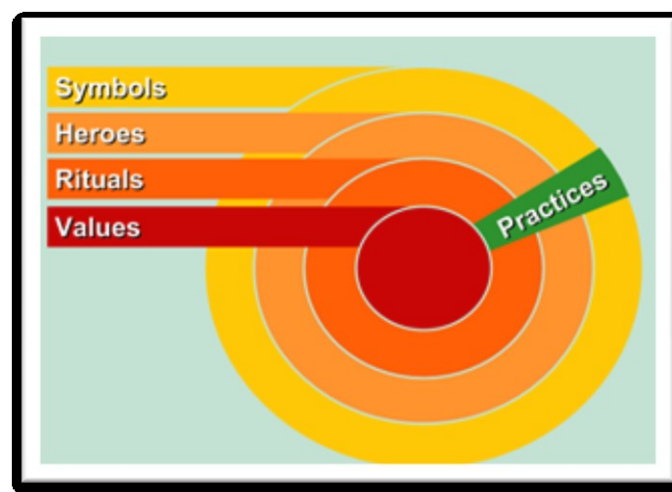
Source: (Hofstede G. , Culture and Organizations - Software of the Mind, 2005, p. 4).

Human nature is the common traits that all human beings possess, which stands for the universal level in one’s mental software. Human nature derives from one’s genes, which determines one’s physical and basic psychological functioning. Human abilities such as one’s ability to feel, needs for social activities etc are also included in the level of human nature. However, what human beings do with their feelings and how they express feelings are modified by culture. Cultural traits are learned from previous generations and they are also going to be taught to a future generation as shared norms. Personality is one’s unique personal set of mental programs, which has no need to be shared with any other persons. It consists of traits that are partly inherited

from genes and partly learned. The latter *learned* refers to modified by the influence of culture and one's personal experience.

Hofstede also used an “onion” diagram to indicate that his view of culture is a layered concept (Fig.12). What differs from Trompenaars is that Hofstede provides a more detail explanation on how and when we acquire our culture traits, as well as their changeability in our life.

Figure 12: The “Onion”: Manifestations of culture at different level of depth



Source: (Hofstede, 2005, p. 7).

The outer layers are labeled as symbols, heroes, as well as rituals. And the core part is values.

Symbols are words, gestures, pictures or object that carry a particular meaning, which can only be recognized by those who share the culture. They are put into the outermost layer is because they can be changed over the time and the new symbols are easily developed take place of old ones. Heroes are persons, alive or dead, real or imaginary, whose characteristics are highly prized in a culture, and thus recognized as models for behavior. Rituals are considered as the social essential within a culture. They are collective activities but without requiring technical input. The way of greeting and paying respect to others, the form of social and religious ceremonies, as well as the way language is used in daily interaction and communication is all

included in rituals. At the very center of onion diagram are values. Values can be properly interpreted only by the members of a given culture. Besides, values are closely connected with moral and ethical. They cannot be discussed nor directly observed by outsiders. They can only be deduced from the way people act under various circumstances. For example, in China each generation is influenced by Confucius. Confucian Doctrine of the Mean asserts that people should behave betwixt instead of going to extremes when facing two opposite choices. That is the reason why Chinese people normally like beating around the bush use an indirect way of communication.

Symbols, heroes and rituals can be subsumed under the term practices. Practices are visible to an outside observer and they can change fast. However, the core values change slowly. This contributes to the considerable stability in the basic values of a society in spite of the sweeping changes in practices (Hofstede G. , Culture and Organizations - Software of the Mind, 2005, pp. 5-8). In terms of Hofstede, national culture differs from corporate culture. And the difference is based on their mixture of values and practices. National culture contains most of our basic values, which we acquired during the first ten years of our lives; it is hard to be changed. While corporate culture consists mainly of the corporate practices with our value firmly in place. Corporate culture is more superficial and more changeable.

Hofstede uses cultural dimension framework to distinguish national culture differences. The framework was based on a very large survey among the people from 72 countries, where he believed that the way people perceive and interpret their own reality in relation to culture could be comprised into five dimensions (Hollensen, 2007, p. 228). The five dimensions are *power distance index* (PDI), *individualism/collectivism* (IDV), *masculinity/femininity* (MAS), *uncertainty avoidance index* (UAI), and *long-term orientation/short-term orientation* (LTO)(Hollensen, 2007, pp. 228-230).

PDI covers the degree of inequality between people in society in terms of political power and wealth. High power distance means that the power is placed in the hands of a small group, who makes all the decisions. At low power distance countries, the power is more equally divided and therefore people are more equal.

IDV deals with the degrees that if people consider themselves are more self-centered (individualism), or are more interdependent (collectivism). People in a high individualism society have looser relationship and feel little need for dependency on others. While a low individualism society is perceived has more collectivist nature with close ties between individuals (Hofstede G. , 2009).

MAS focuses on the degree the society reinforces the traditional masculine work role model of male achievement, control and power or not. A high masculinity level indicates the country emphasis a high degree of gender differentiation, which males dominate a very important portion of the society and power structure. Low masculinity level reveals the country has low degree of differentiation and discrimination between genders, which people treat females equally to males (Hofstede G. , 2009).

UAI addresses whether people in a society prefer formal rules, laws and stable patterns and surroundings in their lives as well as how willing people are to take risks. People in a high uncertainty avoidance ranking country have low tolerance for uncertainty and ambiguity, which creates a rule oriented society in order to reduce the amount of uncertainty and risk. On the other hand, societies where people have a low degree of uncertainty avoidance have more tolerance for variety of opinions. This makes them less rule-oriented, while more readily accept changes and risks (Hofstede G. , 2009).

LTO stresses the fact that societies either focus on the future, persistency and relationships, or focus on present assignments and keeping stability in current relationships, as a time perspective. High long-term orientation societies prescribe to the values of long-term commitments and respect for tradition. In low long-term

orientation societies, concept of long-term, traditional orientation are not reinforced, which means changes can occur more rapidly, for those long-term traditions and commitments do not become impediments to change.

The five dimensions are comprised individually as continuums, where as Hofstede rates the country according to the dimension from zero to 118 and hereby attempting to make culture into a measurable size.

6.1.3 Gullestrup

Gullestrup, in his book *“Cultural Analysis”* defines *“Culture is a world conception and the values, moral norms and actual behavior, as well as material and immaterial results thereof, which people take over from a past generation, which they possibly in a modified form seek to pass on to the next generation; and which in various ways make them different from people belonging to other cultures.”* (Gullestrup, 2006, p. 23). Gullestrup not only emphasizes the continuity of culture, but also highlight the dynamics of culture. He asserts that a given culture can never be described, analyzed or understood empirically as a clearly defined entity, because the cultural boundaries are far too blurred to define. Besides, a given culture can never be described, analyzed or understood empirically in its final form, as culture will never exist as a static entity but keep moving towards the direction of something else. Third, culture can never be described, analyzed or understood objectively, for when human depicting and understanding the surrounding environment, elements of social constructions are more or less involved (Gullestrup, 2006, p. 65). Therefore, in the research, Gullestrup applied cultural dimension framework (horizontal cultural dimension, vertical cultural dimension as well as dynamic cultural dimension) in order to build a theory for his reality of culture and society, which was found that they actually refer to manifestation and process.

In horizontal cultural dimension, manifestation means that the content of the cultural patterns and the way they manifest themselves must be possible to sense their

existence, to create the feeling of belongingness to the community and to create the experience of social identity for the individuals belonging to the culture. On the other hand, cultural processes refer to the point of departure for describing and understanding the cultural instant images. The single combinations of processes and their manifestations can be called culture segments. And there are totally eight culture segments make up the horizontal cultural dimension. They are *the processing segment; the distribution segment; the management and decision segment; the conveyance segment; the integration segment; the identity-creating segment; the security-creating segment* (Gullestrup, 2006, pp. 66-78). Gullestrup also made a detail explanation on the derivation of horizontal dimension: *“It is called horizontal because the point of departure for an analysis of the individual segments is the manifest, but superficial part of what is perceivable in the culture; it is called a dimension because all of the eight segments are present at one and the same time in all cultures- although I different contexts and for varying purposes of analysis-just as they comprise all cultural processes in a given culture”*(Gullestrup, 2006, p. 68).

When meeting with an unfamiliar culture, observations of the eight culture segments will provide the basis of the immediate impression of that culture. However, after having a deeper studying of the moral norms and social structures, one will find a more complicated or different picture than the immediate cultural picture. Therefore, a given culture cannot only be analyzed and understood through the depiction and analysis of the horizontal culture dimensions. Vertical cultural dimension deals with the essential culture layers, which consists of manifest culture layers (the symbolizing culture layers) and core culture layers (symbolized culture layers). These vertical layers can help to understand the symbolic meaning of the culture segments to the deeper cultural elements, for instance, the basic value layer and the basic world conceptions (Gullestrup, 2006, pp. 78-98).

The horizontal and vertical dimensions compose the theoretical level of a form of semi-static picture. Because the environment in which a culture exists is not static, and the challenges the culture will encounter will also change unceasingly. Therefore,

a given culture will never stop undergoing changes and never be in a full-static status. Dynamic cultural dimension focuses on the culture changes at a more macro-cultural level rather than the changes of intercultural personal communication. It is on a collective level (Gullestrup, 2006, p. 104). In the book, Gullestrup makes analysis on the factors that influence the change of culture, which contains two aspects: change-initiating factors, change-determining factors. Thereafter, he points out the complexity of cultural dynamic, considering that there are certain elements limit the culture dynamics, not all the impacts of change factors can lead to changes of a given culture. Two factors play a decisive role, which are characteristics of the individual change-initiating factors and characteristics of the individual culture.

6.2 Corporate culture

This section will focus on corporate culture. As analysis of the corporate culture differences between China and Germany, as well as between BenQ and Siemens will also be an important part in this project. In order to get a comprehensive understanding on the concept of corporate culture and establish a well-structured foundation for analyzing corporate culture differences in the following chapter, we consider Schein's corporate culture level theory; Hofstede's corporate culture dimension framework as well as Trompenaars' corporate cultural type framework will provide us with an explication from abstract to concrete.

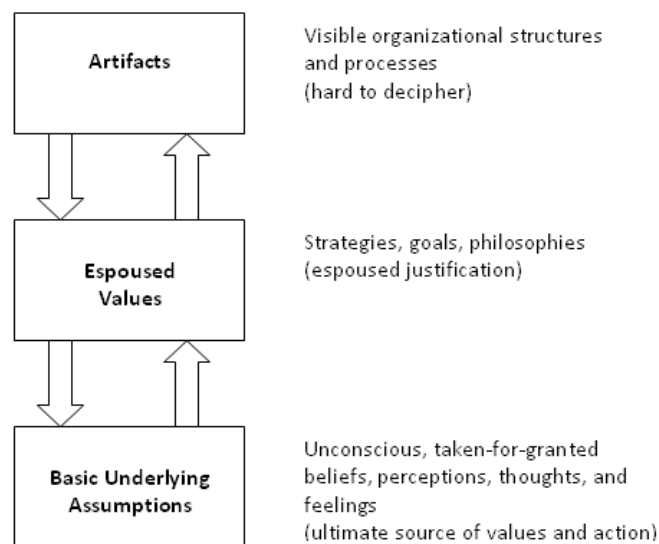
6.2.1 Three levels of corporate culture

Schein, views corporate culture as patters of basic assumptions which can be objectively access, therefore, he defines corporate culture as *“pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way of perceive, think, and feel in relation to those problems”*(Schein E. , 2010). He argues that it is important to

understand and manage the deeper levels of corporate culture, for it creates awareness when business decisions are made.

Schein advocates that corporate culture influences company's outcome. He asserts that it can be analyzed at several different levels, where level refers to the degree to which the cultural phenomenon is visible to the observer. Those three levels are respectively *artifacts*, *espoused beliefs and values*, as well as *basic underlying assumptions*(Schein E. , 2010).

Figure 13: Three levels of corporate culture



Source: (EdgarH., 1999, p. 16).

Level One: Artifacts

Artifacts are things that can be seen, heard and felt in an organization when encountering a new group with an unfamiliar culture. It is the level of corporate culture which is the easiest to observe. However, this level is easy to observe, but difficult to decipher, which means observers may describe what they see and feel conducted by their own experiences based on different assumptions, this will result different interpretations towards the same things. Therefore, only by observing the artifacts of a given organization may not give a clear answer on why people behave in this way. Living long enough in the organization or enquire to the insiders of the

organization by analyzing the espoused values, norms, as well as rules will give the observer a more clear meaning of artifacts. And this process also takes the observer to the next level of corporate culture (Schein E. , 2010, pp. 23-25).

Level Two: Espoused Values

When a new organization is created or when it faces problems, the first solution will be proposed by some individual. And the solution can reflect this individual's own assumptions about what is right or wrong, what will work or not work. The individual will later be recognized as leader or founder. However, not all the beliefs and values can be commonly accepted by the members of the organization, until they take some joint actions and test those beliefs and values turn out to be valid. Those beliefs and values, which are empirically tested and continually used reliably in solving problems, will be transformed into a shared assumption. This shared assumption is understood as espoused values of the organization (Schein E. , 2010, pp. 23-25).

Espoused values often become embodied in an ideology or organizational philosophy serving as a guide for members, in order to deal with uncertainty, as well as for training new members how to behave. Two kinds of behaviors can be reflected by espoused values, they are observed behavior and desired behavior. For those values that correlate with effective performances are reflecting observed behavior, for those not are reflecting desired behavior. Therefore, espoused values can be mutually contradictory. For instance, an organization may espouse teamwork, but in reality they reward individual competitiveness (Schein E. , 2010, pp. 25-27).

Artifacts can reveal the most obvious distinction between different organizations, when go down to the espoused values observer can achieve a deeper understanding on the corporate culture, such as the strategies, goals, philosophies etc. However, as what was mentioned above, espoused values are sometimes incongruent with underlying assumptions, which will also cause the observed result of corporate culture incongruent with the reality. Hence, a further understanding of the corporate culture must be made by interpreting the deepest level of basic underlying assumptions.

Level Three: Basic Underlying Assumptions

When certain espoused values are implemented repeatedly successful, these values will come to be taken for granted. Then assumptions that supported only by a hunch or a value, will gradually become treated as reality, members of the organization come to believe that nature really works in this way. These assumptions are defined as the basic assumptions of the corporate culture (Schein E. , 2010, pp. 27-28).

According to Schein, basic assumptions are similar to “theories-in-use”, which actually guide organizational members’ behavior on perceiving, thinking and feeling. Sometimes, these basic assumptions are powerful, when they embed into the soul of the organization, they become non-confrontable and non-debatable, therefore are extremely difficult to change. People are reluctant to learn something new, for they believe it is a process of tolerating anxiety when reexamining their basic assumptions, and they will feel uncomfortable if some of the stable portions of their cognitive structure are changed. Thus, normally people would even prefer perceiving things as congruent with their assumptions to tolerating such anxiety, although this means they are falsifying to themselves (Schein E. , 2010, pp. 27-33). When working in a cross-cultural business environment, basic assumptions will probably cause serious problems. People will feel very uncomfortable and frustrated in the situation where different assumptions operate, which will lead misunderstanding, or misperceiving and misinterpreting the actions of others.

6.2.2 Six corporate culture dimensions

As mentioned in section 6.1, Hofstede believes national culture and corporate culture have different natures, as national culture is subsumed under the term of core values, while corporate culture should be subsumed under the term of practices. Corporate culture is more superficial and changeable. Apart from five culture dimensions that can be used to identify the basic value differences between different countries,

Hofstede produce another six dimensions (Fig. 14) for measuring perceived practices to distinguish different organization from each other.

Figure 14: Six dimensions of corporate culture



Source: Adapted by the authors according to (Hofstede G. , 2005, p. 291).

Process oriented cultures focus on how things are done and the way people do things. Results oriented cultures emphasize what gets done and the outcome from doing things. When doing the survey, Hofstede found that the homogeneity of a corporate culture was significantly related to the inclination of the two orientations. A homogeneous culture is more results oriented, whereas, a heterogeneous culture is more process oriented. Results oriented culture is more effective than process oriented culture.

Employee oriented culture pay attention to employees' satisfaction, take responsibility for employees' welfare. Important decisions are made by groups or committees. Job oriented culture mainly focuses on the work and emphasizes on what employees can do. Such organization often put a strong pressure on employees to complete their job. Important decisions are made by individuals who have the top authority.

Parochial cultures consider that employees' behavior both at home and on the job should be included in the organization's norms. When hiring people, the organization

will take applicants' social and family background into consideration as much as their job competence. On the contrary, professional cultures consider their private lives should be separated from job competence.

The open/close system dimension depicts the communication climate, which is the only one of the six "practices" dimensions related with nationality. In open system, both the organization and its people are open to newcomers and outsiders. It may take them only few days to get used to the climate within the organization and feel at home, almost anyone would fit into the organization. Oppose to that, closed system is difficult to join; only certain kind of people can fit in the organization and it is difficult for outsiders or newcomers to get the sense of belongingness.

Loose/tight control dimension describes the amount of internal structuring in the organization. In loose control culture, the working atmosphere is casual, informal. Organization has less rules or codes on how people should behave. For instance, loose control culture has no requirement on the dressing of employees, and meeting time is just keep approximately. In tight control culture, seriousness and punctuality are extremely emphasized. Regulations or rules are very of detail even in terms of dressing, way of communicating, as well as cost conscious etc.

Normative/pragmatic dimension deals with the degree of customer orientation. In normative culture, regulations or rules are put onto the top priority while results come to the secondary; nothing can leap upon the organizational procedures. Normative organizations normally have high business ethics and honesty. Pragmatic culture is more market-driven, which mainly emphasize on meeting customers' needs. Results are superior to dogmatic procedures.

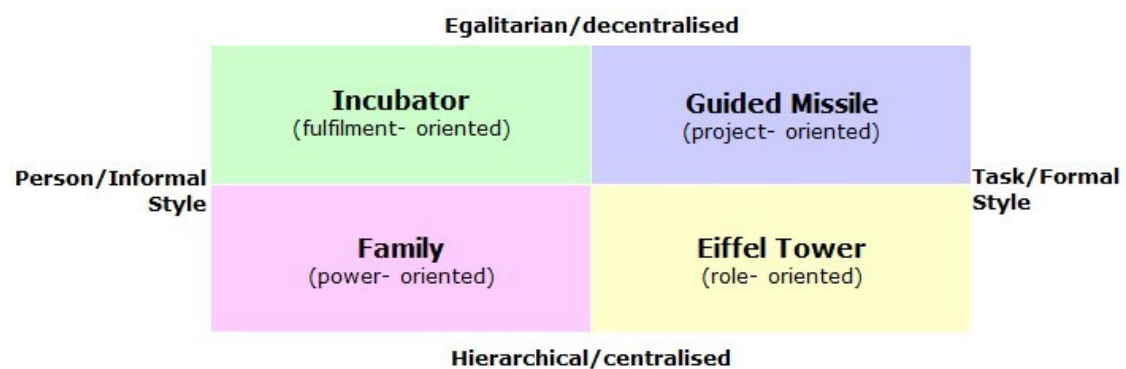
6.2.3 Four corporate culture types

Trompenaars also posits the corporate culture besides national culture. In essence, cultures interact with each other and the corporate culture is one culture under national culture. However, even if the corporate culture, it is far more complicated

than it is literally understood. He points out that not only technologies and markets shape the organizational culture, but also the cultural preferences of leaders and employees.

Trompenaars generalizes corporate culture into four types by using *equality-hierarchy* and *orientation to the person-orientation to the tasks* two dimensions (Trompenaars, 1993, p. 139), which are based on the relationship between the superiors and subordinates then generating four quadrants. They are listed as follows, which is shown in Figure 15 as well: 1) the family; 2) the Eiffel Tower; 3) the guided missile; 4) the incubator. Those four types of corporate culture are different in how they *think and learn, how they change and how they motivate, reward and resolve conflicts*. In the following part we will explain four types of cultures.

Figure 15: Four types of corporate culture



Source: John Kuada's lecture in 2nd semester p.29.

- The family culture

We could see that family culture is personal as well as hierarchical. Just like the “kids” of a family has less experience and authority than their parents. It leads to a power-oriented corporate culture, in which the parents dominate what should be done and what is good for the family. This kind of power is intimate and benign. The leader of the family-style culture establishes the corporation, compiling its brand personality, mission, vision, goals and so on. The employees are expected to follow those accordingly.

Family-style corporate cultures apt to be high context, which refers to implicit context as well, mean that outsiders are hard to communicate with insiders, or get the information which is shared by inside members. Relationships tend to be diffuse, which means leaders impact others all the time, no matter whether they have knowledge to solve the problem or not, no matter where an event happens. The authority is unchallengeable due to the status ascribed culture.

- The Eiffel Tower culture

The structure of this culture is apparently hierarchical from the name of the Eiffel Tower, which is broad, stable and robust at the base and steep, narrow at the top. The positions of employees are allocated in advance in accordance with various roles and functions. Tasks will be accomplished as planned if each role is fulfilled as scheduled. The top managers oversee the process of tasks which is charged by several subordinates; subordinates oversee the tasks by lower level employees in the Eiffel tower.

The hierarchy here we talk about is quite different from that of the family-style corporate culture. Here it is more focusing on the roles and functions. The boss or the higher level employee has the role/function to instruct you, as well we has legal authority to tell you what to do. And you have to work following the instructions; otherwise the whole system could not work. The boss, on the top of Eiffel Tower, is only a person who plays indispensable role. However, no matter who he or she is and when he or she leaves, there is always having someone taking this place.

Relationships are specific and status is ascribed. In this culture, authority stems from the occupancy of the function (Trompenaars, 1993, p. 148). It means that the identity of the boss only refers to in the workplace. When off the work or out of the organization, the subordinates don't have to confine in this relationship. Besides, careers in Eiffel Tower corporations are more required for professional qualifications and the salary is paid according to the performance, such as the difficulty, complexity and responsibility of the task. The job will award to the person who is competent with

the job, which means his role is more important than who he is. The evaluations and the promotions are also dependent on his performance.

- The guided missile culture

The guided missile culture varies from previous two cultures by being egalitarian, on the other hand, being impersonal and task-oriented which resembles the Eiffel Tower but differs from the family's personal-oriented. The guided missile has a rationale like Eiffel Tower culture, but even more emphasizes on the last part of the executions, which should be done in order to keep pace with the strategic intent and achieve the goals. Guided missile culture is oriented to the tasks, differs from the role culture that the members do not have fixed tasks in advance. They are egalitarian and the contribution to the job only can be known in the process because what is needed is unclear and have to be found out. Within this culture, people are all mutually respected and egalitarian. Relationships are not permanent and the group members will join other groups due to various reasons or they have multiple memberships. Each member participates and contributes in the problem-solving process; the tasks are not clear divided to individuals compared to the Eiffel Tower. However, there are also those organizations, which possess the traits of both guided missile culture as well as Eiffel Tower culture.

- The incubator culture

The basis of the incubator culture is the fulfillments of the employees are prior to the expansion of the corporations. The purpose of the incubator is to free individuals from routine to more creative activities as well as to minimize time spent on self-maintenance. We can observe that this culture is both personal and egalitarian, and the corporations with this culture pay little attention to their sizes. However, all the members in the incubator play significant roles. They are there to confirm, criticize, develop, find resources for and help complete the innovative product or service (Trompenaars, 1993, p. 157). The culture acts as a sounding board for innovative ideas and tries to respond intelligently to new initiatives. Cultures

incubators are not only small innovative companies, but also can be doctors in the groups, consultants, partners and some professionals. Due to the small scale and minimal structure, they also have minimal hierarchy.

6.3 Inter-culture

After reading numbers of theories, we realize that the theories about inter-culture are blurry. Actually the so called inter-culture theories are also based on various culture theories, such as Hofstede, Schein and/or Trompenaars' culture theories etc. In most case, the concept of inter-culture are reflected as M&A integration models as well as acculturation models, those famous models for instance, Berry's model of acculturation, Haspeslagh & Jemison's model of M&A integration approaches, Johari's comfort zone window and so on, which are all based on the awareness of cultural differences. In this project, our reality of inter-culture can be seen the expansion of the understanding on culture differences. Our main focus is on the analysis of the differences between China and Germany as well as between BenQ and Siemens. After that, we come to the analysis of the Chinese and German interaction on the purpose of to see how the national and cultural differences influence their interaction in the cross-border M&A. Therefore, national and corporate culture would be the most important parts of this project.

6.4 Summary and our analytical framework

6.4.1 Summary and final choice of theories

- **National culture level**

Through a studying of the selected theories, we recognize that culture manifests itself from inside to outside, and the manifestation can be separated into different layers. The deeper the layer locates the more difficult it can be observed. Outer layers are easier to be observed, however, the real connotation they refer can only be interpreted by the insider. Other observers can only describe a given culture according to their

own assumptions and experiences. Observation from different people may get different results. Therefore, if one wants to get the real meaning from a given culture's manifestation, he or she should go inside the culture and try to decipher the core value of a given culture. Besides, we recognized that the manifested differences between nations derive from their different core values. The core values are formed during the first ten years of our life, which guide our reality on human nature, ability on judging etc., they are more stable and hard to be changed. Furthermore, culture is not static, it is unceasingly experiencing changes. Just the changes will be decided by specific factors such as the homogeneity within a culture, characteristics of individual change-initiating factors and characteristics of the individual culture as well as the external environment.

In the selection of national culture theories, Gullestrup's cultural theory doesn't give us a concrete description about any culture; it just describes how different cultures are working and how it is better to cooperate with them. We consider it is more appropriate to use this theory as a knowledge foundation of the research, which provides us macro guidance on how should we understand culture and its components, rather than to use it as a tool for identifying the specific national differences.

Hofstede intends to use five cultural dimensions to explain the differences exist at the national core values level; Trompenaars considers the national cultural difference embodies mainly in seven dimensions. Both of them intend to use their frameworks to interpret the rationality and inevitability of the existence of cultural diversity, which means they deal with similar areas. In accordance with our problem formulation, one of our research questions is to analyzing the national culture differences between China and Germany. Although both Hofstede and Trompenaars' framework can help us to interpret the culture differences between these two countries, however, we found that in terms of Trompenaars, we are only given the dimensions account for national culture differences, but there is no specific standards on measuring how much do China and Germany differ each other in each dimension. One has to take a long-time observation within the target countries in order to appropriately analyze their cultural

traits; otherwise, analysis will be lack of validity, reliability as well as objectivity. Due to our limitation, we cannot collect such important primary data within a short period. On contrary, Hofstede did not only set up dimensions for classify different nations, but also provide the direct data, which can reflect countries' cultural traits, by using quantitative questionnaires. His quantitative statistic data provide us a more visualized and concrete foundation for analysis.

- **Corporate culture level**

Corporate culture is included in national culture but differ with national culture. As the corporate culture is formed ever since we enter a work company with our basic values firmly in place. It belongs to the outer part of cultural layers. Nevertheless, corporate culture can also be depicted in terms of layers. The outer layer and middle layer contain the visible company structures and process, such as the form of dressing, layout of office, and way of treating customers, and the goals, strategies, and philosophies of a company. Basic underlying assumptions are the soul of a company; they are formed through the countless times repetitive verification of specific persons' assumptions. They are taken for granted and indubitable; the change of a company's basic underlying assumption can cause employees' anxiety and resistance. The three layers of corporate culture interact with each other and mutually reflect.

In the selection of corporate culture theories, Schein's corporate culture theory provides us a clear structure of corporate culture, through which one can realize that corporate culture cannot be identified from what you see or observe. Corporate culture should be deciphered from an even deeper layer in order to ensure the correctness of one's understanding on a specific corporate culture. We consider Schein's theoretical framework also as one important part of the knowledge foundation, which always guides the direction of our research. When we analyze Chinese and German as well as BenQ and Siemens' corporate cultures, we try to dig out the basic underlying assumptions differences onto the surface, in order to let readers obtain an inside-out sketch about the corporate cultural differences. However,

all our awareness on the analysis is based on the three corporate culture elements that are defined by Schein.

Besides, both Hofstede and Trompenaars' corporate culture framework will be used in the analysis part, in order to help readers get a comprehensive understanding of corporate basic underlying assumptions differences between China and Germany as well as between BenQ and Siemens. But, we realize that these two frameworks can be used separately, since Hofstede's six corporate culture dimensions are more in general, which is fit for the analysis of Chinese and German corporate cultures; while, Trompenaars' four types of corporate culture can be seen as a further narrow down and a refining of the so called corporate culture dimensions, which we consider is appropriate for classifying and distinguishing the particular corporate cultures. Therefore, we use Trompenaars in BenQ and Siemens' corporate cultural analysis in order to make the whole analysis chapter elaborate and penetrating.

- **Inter-culture level**

As our focus in this project is to identify the cultural differences between Germany and China as well as between BenQ and Siemens, and how the differences influence cross-border M&A, the analysis of inter-culture management will also base on the differences and focus on the interaction between BenQ and Siemens after implementing the acquisition, such as how the cultural traits influence BenQ and Siemens' attitudes towards integrating diverse cultures.

6.4.2 Our analytical framework

Based on the summary of the theories, we finally make the choice of theories which will be applied in the analysis, and then create our own analytical framework for the later analysis (See Fig.16). As we adopt system approach in this project, we regard that all the chapters are not independent but interconnecting with each other. It is also embodied by the applications of theories. First of all, we will use Hofstede's five dimensions to compare the national culture differences between China and Germany.

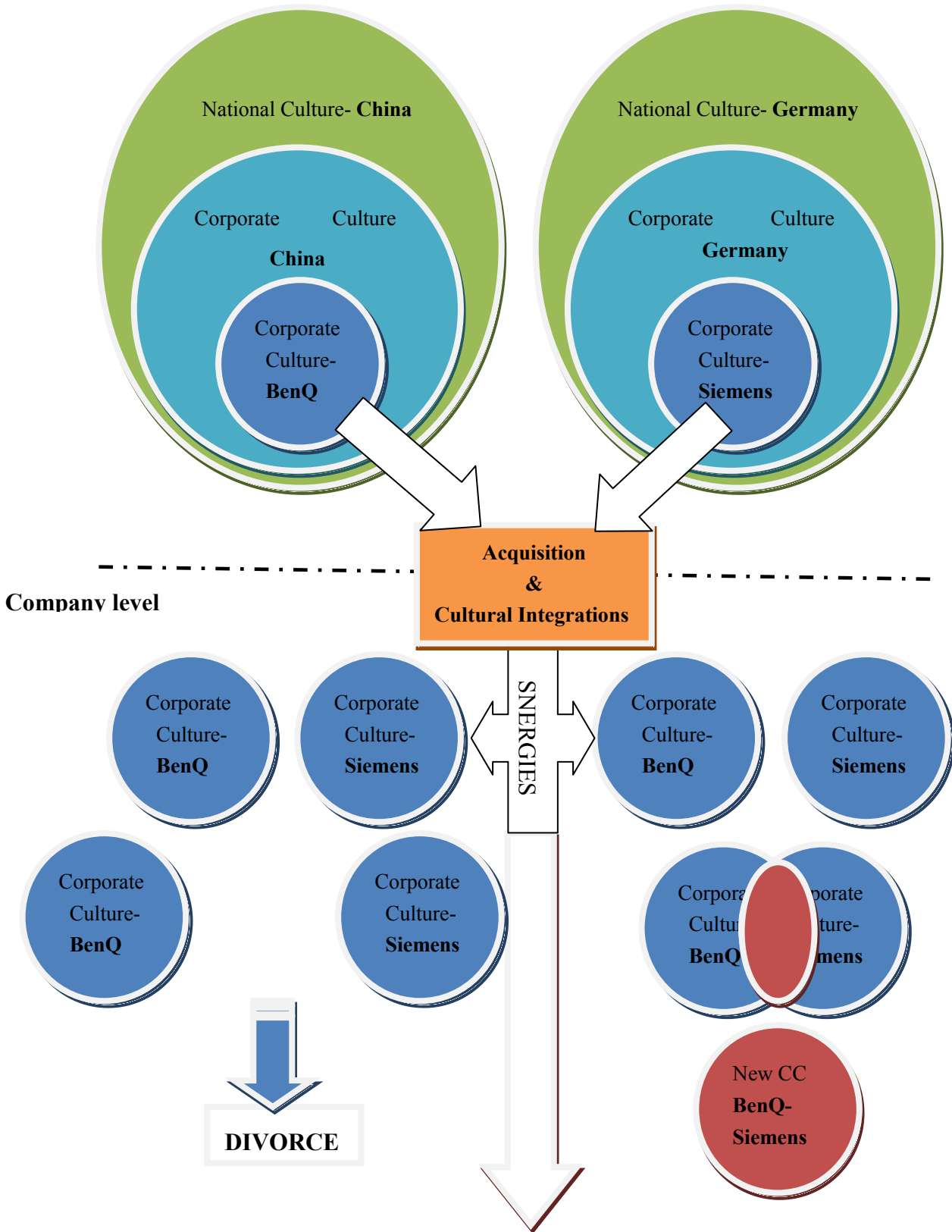
Secondly, when referring to the corporate cultures, various manifestations reflect different basic underlying factors of the companies. Therefore, we started from Schein's corporate culture theory and unfolded the detailed descriptions by the corporate culture theories of Hofstede to analyze the common characteristics of Chinese and German corporate culture. Furthermore, we will use Trompenaars' four types of corporate culture to observe the specific corporate cultures of BenQ and Siemens. Thus we can see the applications of theories is in accordance with the scopes of the cultures we discussed, which is from national culture to common corporate culture in China and Germany and then to the more specific and detailed corporate culture of BenQ and Siemens. Finally, we also talk about the inter-culture influences.

Corporations that intend to participate in M&A activities have their own particular intentions. However, the realizations of those purposes largely rely on the degree of integrations, which is supposed to create synergies. There is no denying that M&A activities contain the inter-culture aspects, such as issues regarding to send expatriates, management, etc. Usually corporations aware the term of culture differences, but seldom recognize them correctly or know what the differences exactly are between two different corporations.

Synergies can be positive as well as negative. At the beginning of the acquisition, two corporations seldom have any connections with each other, due to different national culture backgrounds or different common corporate culture backgrounds or other reasons. When it comes to the BenQ-Siemens acquisition, we could see its synergies are negative. If the acquisition synergies are negative, both cultures will exclude each other so as to estrange the corresponding distances. It signifies the failure of the cultural integration as well as the failure of the acquisition. If the acquisition synergies are positive, after experiencing cultural shocks, both corporations will take effective measures aiming to increase the communications and create opportunities to know counterpart's culture, therefore shortening the distances between two corporations and build common languages. With the time going, the synergies will raise as well. And the culture in common between two corporations will increase. The ideal assumption

for this common culture is gradually growing up into a new corporate culture shared by both corporations. This type of culture is also called as “Third culture”, which will be discussed in discussion chapter. Whether the synergies are positive or negative, it depends on the case we will use.

Figure 16: Our own analytical framework



Source: own adaption.

7. Case introduction

We will principally introduce the profiles of both corporations. BenQ will be described from its establishment of independent brand as well as the reasons for Acquisition. Siemens Handset Division will be elaborated from its group's history to the handset division's status quo before acquisition.

7.1 BenQ profile

BenQ is a world-renowned pioneer in today's digital convergence era, headquartered in Taipei, Taiwan. BenQ Group has many subsidiaries, such as BenQ Guru Software Co. Ltd., Qisda Corporation, and Trident Medical Corp. etc. The vision of BenQ is "Bringing Enjoyment and Quality to Life". And the products they offered focus on networked digital lifestyle devices, covering eight product categories: Projectors, LCD Monitors, Large Size LCD Display, All-in-one PCs, Notebooks and Netbooks, Digital Cameras, eBook Reader, and Mobile Devices (Corporate Introduction, 2009). They sell their products and set sales offices in more than 100 countries and districts (Corporate Introduction, 2009). Till September of 2010, they have more than 1100 employees from 45 nationalities, 366 global patents and 119 patents pending. In 2009, their LCD Monitors occupied 3.1 percent of worldwide market, and Projectors took up 7.661 percent of market share in Asia-Pacific and Latin America areas (Corporate Introduction, 2009).

BenQ started its business from 1984 as a manufacturing plant in Taiwan, and separated from its mother company Acer Group and became an independent brand on the fifth of December, 2001(Corporate Introduction, 2009), set apart by a unique philosophy of "Enjoyment Matters"(Milestones, 2009). This spirit, which can be seen as the basic underlying assumptions of BenQ, infuses every industry-first technology and every award-winning product they engineer. It not only guides their product development and the choosing of the business model, but also influences the partnerships and the corporate culture. BenQ was ranked 13th in Business week's

2002 Global Top 100 IT Companies in June of 2002(Milestones, 2009) and ranked 10th in Business Weekly Taiwan's Top 1000 Manufactures in May of 2003(Milestones, 2009). They changed the products' color from blue into red successfully in 2003 (2003), and received 11th Annual Industrial Technology Advancement Award as well as Taiwan Outstanding Design Award in the same year (Milestones, 2009). They also won 28th iF Design Award in 2004. We could conclude that BenQ had strengths in Design and innovations. Though the annual revenue rose up year by year, however, the brand image was not improved as they expected.

Since BenQ had its own brand, they spared no efforts upgrading the brand image from initial OEM manufacturer and tried to extend their businesses all over the world. BenQ chose China as their base to be international, built manufacturing center in Suzhou, and meantime launched research center in Nanjing and Suzhou. Later on several subsidiaries were also settled down in Suzhou. The reason for choosing China as the base is not only for the huge purchasing power due to the rapid Chinese economic development, but also for the relative lower production costs. Suzhou was close to Shanghai, it was convenient for transportations. For North American markets, though BenQ performed well in Latin American, they were very careful to trial because of its high market access principles. There were so many competitors and it was hard for BenQ to run the business. For the markets in Asia-Pacific, Africa and Middle East, BenQ built up business partners, gradually strategically promoted the business.

Besides Chinese market, European market could be the second ideal market for BenQ. First of all, BenQ has comparative advantages comparing with the European IT companies as they were not big and competitive. Secondly, European market was not a single market, but the markets composed of many national markets with different religious, racial, cultures and living standards. Thus highly diversified and differentiated European markets created chances for BenQ to penetrate the market one by one. Thirdly, though Europe is not bigger than Asia or American, the influence is

never neglected. It took up nearly one-third of the worldwide telecommunication Equipment market (Datamonitor, 2003,, p. 12). If BenQ succeeds in Europe, it will be well-known around the world. Therefore entering the European market steadily is a strategic step for BenQ. Though they already had many businesses in Europe, the brand was not so famous. And we could see that the sponsorship of UEFA EURO 2004 Football Championships in Portugal in 2004 was aimed to improve their Brand recognitions. However, the promotions by sponsorships was limited, the best way to improve the brand image was cooperating with the company having good brand image. There were many synergies expected to create by BenQ through the acquisition of Siemens Handset Division. Firstly, BenQ could leapfrog into the top cell phone brand by cooperating with Siemens, which was a world famous brand. Secondly, Siemens' high R&D ability was in the pursuit of BenQ in order to occupy more market shares with differentiated products. Thirdly, the major markets of Siemens are Latin America and North America. BenQ could further penetrate into European market and American market by cooperation therefore improving the brand images. Last but not least, the globalised organizational structure of Siemens was also worth studying for BenQ.

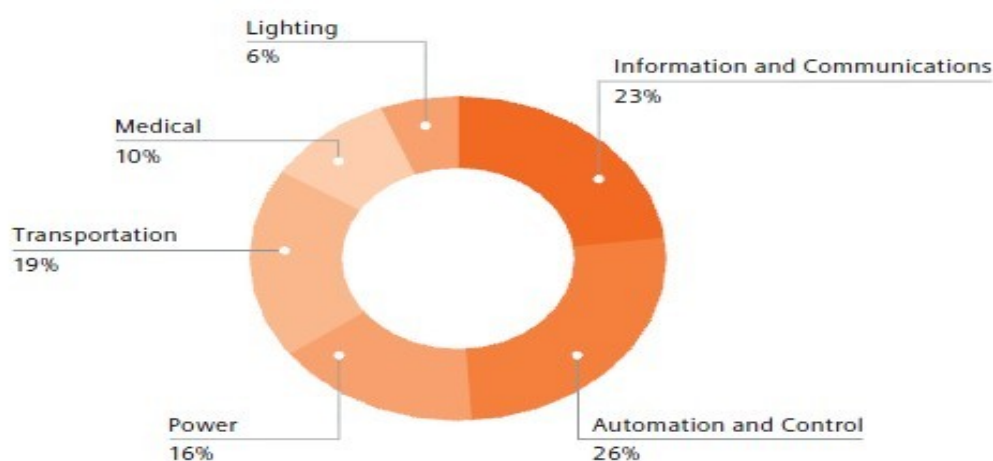
7.2 Siemens profile

Siemens AG, headquartered in Munich, is one of the largest electrical engineering and electronics corporations in the world. It was also Europe's second biggest mobile phone manufacturer behind Nokia (Datamonitor, 2003,May, p. 16). Till September 2005, it had around 461,000 employees worldwide, gained sales revenue 75.445 billion Euro and net income 2.248 billion Euros. 80 percent of sales revenue was created outside of Germany (Siemens, 2005, p. 2).

Siemens is a large-scale international corporation with the history for more than 160 years since 1847. Corporations in more than 190 countries have businesses together with Siemens, and Siemens possessed more than 600 factories, research centers and

sales offices. Its businesses were highly diversified with a strong portfolio, which was shown in Fig. 17. There were six major categories Siemens focused on: Automation and Control, Information and Communications, Transportation, Power, Medical and Lighting. And Handset Division was in the category of Information and Communications. Siemens has benefited from diversified portfolio; whilst its telecommunications business has suffered, their activities in the energy industry have allowed some respite from the economic bad news (Datamonitor, 2003, May, p. 15).

Figure 17: A strong Portfolio of Siemens' business



Source: (Siemens, 2005, p. 16).

Before the Handset was acquired, Siemens Handset Division was lost accumulated 500 million Euros till 2005. It lost 143 million Euro in the first quarter of 2005 while Siemens slipped from fourth to fifth place in handset rankings worldwide (Evans-Pritchard, 2005). And the loss was 139 million in the second quarter (Datamonitor, 2005), which brought about the 35% down of Siemens net profit comparing with the same period in 2004. And it was calculated to loss proximately 1.5 million Euro per day (Evans-Pritchard, 2005). Though the brand ranked top 2 in European market, it was the only company who had deficit in global Top 10 lists. There were four strategies, which were “fix, close, sell or partner” (The Economist, 2005), came up with dealing with Handset division. However, due to its

high value, they did not decide to shut down its disastrous mobile handsets venture, opting instead to find a partner. On the one hand, they could still run the handset business impede the appearances of layoff problems. On the other hand, the high values of its handset division would be made use of, and the brand image of Siemens would not be ruined. Siemens put its mobile phone division into a separate legal entity in order to decrease the impact to the interests of the whole Siemens. Various partners have been mooted in the German press (The Economist, 2005). Both Motorola and Acer have been touted as suitors (Evans-Pritchard, 2005). Acer, a Taiwanese computer-maker, has denied reports of its interest. The world's second-largest handset-maker Motorola and the large Canadian telecoms-equipment firm Nortel Networks neither confirmed nor denied talking to the Germans. It was desperate for Siemens to find a partner at that time which was shrinking global handset market shares (The Economist, 2005). From Siemens' perspective, a promising partner with abundant financial resources would be the ideal target.

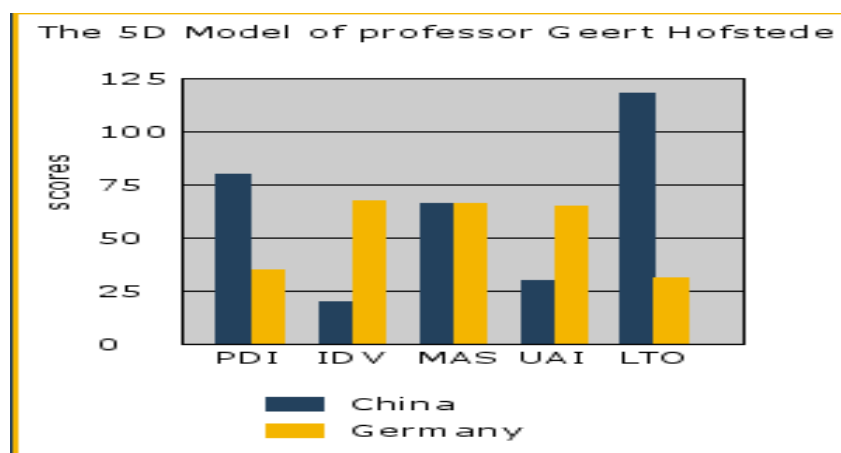
8. Analysis

Based on the study of theories and the introduction of the case, this chapter moves the focus to a practical point of view. In the following part, we will initially explore the core values layer of culture, to analyze culture differences between Germany and China from the national perspective. Thereafter, analysis will be narrow down to the corporate culture layer, which belongs to the practices category. In this part, we will firstly provide an overview of Chinese and German corporate cultures, after that, corporate culture both in BenQ and Siemens will be analyzed. Through a series of analysis, one can get a comprehensive understanding on the culture differences between China and Germany, BenQ and Siemens both at a national level and corporate level. After knowing the differences between BenQ and Siemens, we will move on to the intercultural interaction between BenQ and Siemens, which is the analysis of the influence of those differences, in order to provide answers to our research questions.

8.1 National culture analysis

Hofstede cultural dimensional framework is used to analyze how China and Germany differ from each other.

Figure 18: 5 dimensions between China and Germany



Source: (Hofstede G. , Five Cultural Dimensions, 2009).

8.1.1 Power distance index

When viewing PDI, Germany has lower power distance and power is more equally distributed, which indicates that German respect individual rights and do not emphasize hierarchy. In their opinion, all people can stand on the same starting line regardless of origin, social status. For example, people in the superior position do not consider themselves different from the subordinates, while subordinates also do not consider themselves humble compare with the superior. Subordinates can go to their boss' office at any time without hierarchically asking for approval. Conversely, Chinese have a more centered power at few persons. The Chinese more maintain the hierarchy, obedience to authority, respect for elders, as well as emphasize doing things to meet their own identity. Even many Chinese compound words, the order of words can full display the “hierarchy” concept, for instance, 父子 (father and son), 男女 (man and woman), 官兵 (chief and soldier) and 干群 (cadres and masses) etc. Therefore, there is an absolute distance between subordinates and superiors. German egalitarian characteristic make them prefer achieving goals in their own thinking way rather than being given detail instructions and do not need too much guidance from the superior. While Chinese hierarchical characteristic determines that decision only can be made by the people with higher power, therefore, in order to keep consistency with the superiors, subordinates usually expect micro-management and wish to be given more guidance.

8.1.2 Individualism vs. Collectivism

According to IDV, Germany was concluded to be more individualistic while China found to be more collectivistic. Differences in individualism and collectivism are likely to have some influence on the cross cultural cooperation. We understand this dimension closely connect with PDI. The German individualistic culture considers all values are human-centered, individual has the highest value. All individuals are treated equally, while authoritarianism is unacceptable. The above result shows that, German have certain advantages in terms of individual development and individual

fulfillment. They advocate and encourage individual interests, individual freedom as well as individual achievement, therefore, individual creativity and initiative has been fully exploited. This can be manifested in the German work attitude, which are consciousness of innovation and dare to explore new ideas, new methods. But this culture environment at the same time strengthens the competition between people. On the other hand, the Chinese collectivistic culture emphasizes individual is one part of the collective, individual interest should obey to collective interest. When there is a conflict between individual interest and collective interest, the later should be protected. Chinese collectivistic culture stresses building up relationship between people, thus emotion of loneliness can be eased and compensated through the communication with friends. Collective also stresses tolerance and patience, which can promote the harmony of family and the society. Chinese people have high degree of cohesion and combat effectiveness; furthermore, organizational target can be achieved efficiently through unified consciousness and behavior.

8.1.3 Masculine vs. Feminine

In the countries where masculinity is prominent, there is a strong sense of social competition; wealth and social glory are the measures of success. Such societies encourage and appreciate workaholics and competing for championship is widely advocated to resolve conflicts within an organization. The masculine cultures emphasize equity, competition as well as job performance. People who live in such societies believe in that life is short, people should run at full speed in the work in order to accomplish as much harvest within the limited life. Furthermore, people's attitude towards life is "live to work". Comparatively, in the countries where feminine is prominent, people more emphasize on the quality of life. Generally, compromising and negotiating are the ways of resolving conflicts within an organization. Equity and united are highly appreciated by the feminine cultures. People in such cultures consider the most important thing in life is the communication of soul rather than material possession. And people's attitude towards life is "work for a better living".

China and Germany are close to each other in masculinity. Both of them are inclined to masculinity societies, but still some fine distinctions. Masculinity in China is mainly embodied in the competing for power and control; while masculinity in Germany stresses for the personality and self-fulfillment rather than pursuing of power in the competition. In recent years, with the development of western developed countries, some mutual feminine traits become more and more obvious, for instance, gradually paying attention to the quality of life, slow down the pace to enjoy the life etc. these factors are also influencing German culture.

8.1.4 Uncertainty avoidance index

In terms of UAI, Germany has higher awareness of uncertainty avoidance than China. People in Germany always have deep anxiety and unease towards the uncertainty of future, they do not like uncertainty, do not accept ambiguity or obscurity. Punctuality and meticulous planning are all the embodiments of their anxiety. In order to control the uncertainty, German would like to do everything possible to take measures to avoid. In the aspect of business management, uncertainty avoidance can be reflected in the regulations, which include the corporate governance modes, operating systems and methods, business rules and so on. From the perspective of employees, they also expect the stability and security of the job, and put the safety factor to the first place of job satisfaction. Furthermore, people in German accept rules and regulations subconsciously, which reflect that the obedience to rules and regulations is their psychological needs and behaviors. Compare with Germany, China has a weak awareness of uncertainty avoidance, which is influenced by the deep-rooted Chinese cultural traits. During thousands of years' cultural accumulation, the Chinese have formed relative conservative values. People usually emphasize on the short term effects and accomplishments. Some Chinese idioms also reflect this characteristic, for instance, 知足常乐 (happiness lies in contentment), 随遇而安 (to take the world as it is), 见好就收 (quit when you are ahead) and so on. Therefore, the weakness on uncertainty avoidance can lead to incomplete rules and regulations system.

8.1.5 Long-term orientation vs. short-term orientation

For LTO, China is an extremely long term oriented culture, which represents the degree of perseverance of Chinese society. Influenced by Confucianism, perseverance and economy are the basic values of Chinese people. Corporate prefer to focus on the future development, develop long-term business strategy and objectives and persist in pursuing. However, during the pursuing of long-term goals, it is easy to neglect the details need to be solved at the moment; place too much emphasis on long-term goals will neglect the quality of short-term plans' implementation. Nevertheless, the long-term oriented characteristic can be further understood as respect and loyalty, which makes the Chinese people reliable partners. It can be considered as a good base for long-term business cooperation. German relatively concentrate on accomplishing short-term goals, and pay more attention on details rather than speed, step by step incremental approaches are highly appreciated.

8.2 Corporate culture analysis

After analyzing the national culture characteristics of China and Germany, in this section, we will narrow down to the analysis of corporate cultures. There are various types of corporate culture in the world, and it seems that there are no two corporate cultures exactly the same. However, as mentioned in Chapter 6, national culture and corporate culture are closely related, as the national culture mainly contains our core cultural values and the corporate culture is formed with our core culture value firmly in place. In other words, to some extent, national culture will have certain influence on corporate culture. Therefore, enterprises exist under the same or similar social and historical background, influenced by the same or similar social customs and behavioral patterns, should possess some intercommunity in their corporate cultures. In this project, we consider the intercommunity as the main traits of Chinese and German corporate cultures.

8.2.1 German and Chinese corporate cultures

- **German corporate culture**

The German corporate culture is deeply influenced by its national culture, which means the manifested corporate culture traits, to some extent, caused by national culture values. In accordance with Hofstede's five culture national cultural dimensions as well as six corporate culture dimensions, the German corporate culture can be generalize as: employee-oriented, process-oriented as well as normative.

Employee-oriented is one obvious trait of German corporate culture. They emphasize on the improvement of employees' quality, which can be reflected in the great effort spent on the training of employees, as well as their vigorous development of human resources. German enterprises generally attach great importance to staff training. They believe in that human beings' capacity can be achieved and improved through education and continuous training. Many large companies even build up training sites all around world(Zhu, 2005), and the training mainly focuses on two aspects, one is to help the new comers become skilled staffs, and the other is to keep the skilled staffs learning the world advanced technology, continuously improve their knowledge and skills. Apart from that, German enterprises also emphasize the selection of managerial talents. The talents should be selected not in terms of their social status but their personality and their actual capacity. Each year they hire a large number of outstanding managerial talents and research experts by means of high salary and provide with broad space for developing employees capacity. So that employees can get the sense of pride, which will help reinforce the cohesion and solidarity within the enterprise.

Participatory is another trait of German corporate culture, which also reflects German employee-oriented culture. This is closely related to German national value, which stresses equity, pursuing democracy and freedom as well as respecting to personality. Therefore, generally, German enterprises value employees' involvement in corporate

management and decision making. For instance, in Germany, enterprises with more than 2000 employees must set up supervising committee, and enterprises with more than 5 employees must set up labor committee, the former should be elected from the employees, while the latter, half of the employees should participate in the election of labor committee(Zhu, 2005). Moreover, some enterprises believe that the job should adapt to the person, but not the person adapt to the job. Hence, they carry out position shift system, make employees' work sites more flexible and diversified, in order to make the job position fit for the right person.

Rational management and drive for process. This can be reflected from the setting up of the organization and regulations system, staffing as well as administration etc. The strong awareness of uncertainty avoidance drives them highly emphasize on organizational structure. The organizational system is alike the Eiffel Tower, in which departments are closely knitted and the management is centralized and rational. In the aspect of staffing, professional is stressed. Generally, persons in the managerial layer and persons in charge of different departments should be selected from those who are well educated and experienced. There is a clear-cut division of labor in each department within the company, lower level is supervised by upper level, everyone is charged with specific responsibilities (Goergen, Manjon, & Renneboog, 2008). From the perspective of management operation, German companies emphasize on credit, cautiousness, pursuing excellence, strictly obey the laws, rules and regulations. From product design, production, to sales and after service, the whole process always reflects their meticulous and rule-oriented work style.

Have strategic vision to the market, emphasis on research development (R&D) and innovation. German enterprises emphasize the competition in the world market; especially pay great attention to the product quality. They believe that product quality is the prerequisite to win in the market. Many enterprises in German manufacturing industry possess high level quality control system. Besides, pursuing perfect on technology is the common values, which is firmly established among German enterprises. Both the government and enterprises regard research development as vital

strategic task. Germany is the largest R&D investment country in Europe. (Embassy, 2010) In 2007, German R&D investment accounted for 2.54% of the gross GDP. From 2005 to 2007, Germany's annual R&D investment increased from 55.7 billion euro to 61.5 billion euro, which increased 10.4% (Embassy, 2010). In August 2006, German government has formulated "high-tech strategy" to encourage technology innovation. The strategy centered on two objectives, one is to use modern technology and service maintain the international competitiveness of German enterprises; the other is through the research and innovation, find out approaches to solve global issues such as climatic change, rational use of energy and resources and so on.

- **Chinese corporate culture**

The corporate culture in China is also derived from the Chinese traditional culture, which is represented by the traits of hierarchical, collective consciousness, relationship-oriented, valuing of harmony, practical and realistic, hard-working and endurance of hard ship etc. Under the influence of ethical management of Confucianism, Chinese people also adopt moral and ethical standards, which are used for managing family, into corporate management. This forms the Chinese traditional corporate management thought that starts from family management. Compare with western countries' rational management, which use the uniform regulations and disciplines to restrict people's behavior, the Chinese corporate culture take more emphasis on humane and interpersonal relationship. In accordance with Hofstede's five national cultural dimensions and six corporate cultural dimensions, the Chinese corporate culture can be summarized as: result oriented, job-oriented as well as pragmatic.

In general, Chinese enterprises emphasize on ethics, hierarchy is an obvious phenomenon. As mentioned, influenced by Confucianism who asserts people should respect to elder while take care of younger. The ethical standard requires relationship of members within the company should be like father and son, brother and sister. Under this circumstance, Chinese corporate management pays more attention to "rule

by men” rather than “rule by law”(Wang & Shi, 2008). Managers of organizations need to spend a lot of time to do ideological work for the staffs. This to some extent can promote the interpersonal relationship within the organization, and the ethics can strengthen the employees’ dependence to the organization, thereby enhance corporate cohesion. At the same time, the family management mode also leads to the high hierarchy within the organization. Subordinates should give full respect and absolute obedience to superiors. The Chinese high power distance makes the managers have absolute authority, thus decision making is centralized, which result is more important than process, this contributes high management effectiveness within the organization. However, employees under this corporate culture sometimes lack of initiative and innovativeness, since the superior’s view and opinion will have a great influence on the subordinates.

The form of Chinese job-oriented culture is influenced by China’s long-term oriented and strong masculinity cultural characteristics. The long-term oriented culture leads the Chinese enterprises emphasize on sustainable development. Therefore, spirit of hardworking, unremitting efforts in all kinds of jobs has been inherited by many Chinese enterprises. Due to the large population in China, resources are relatively insufficient. The government advocates that frugal and hardworking is the only way for ensuring China’s long-term development in economy. Thus, it is natural that spirits of hardworking and pioneering for progress become important part of Chinese corporate culture. This corporate belief can help the company reduce cost and accumulate fortunes, which provides an enterprise a solid material foundation. And the solid material foundation is considered as the fundamental guarantee for keeping an enterprise’s invincible position in the global market. China’s masculinity leads the enterprises have strong sense of competition as well as high adaptive capability. Also due to the insufficient resources, makes the ideology of survival of the fittest deeply penetrate into enterprises’ values. People always have strong crisis awareness, which cause the fierce competition both within the enterprise and among enterprises. The fierce competition also helps improve enterprises’ survival capability and adaptive

capability. Due to the strong competition awareness, enterprises spent great efforts on improving their core competence, which they believe technological innovation capability directly determines their competitiveness in the global market. Employees also spare no effort in improving their job performance, which leads to the values that job should come to the very first place, others are secondary.

Compare with German normative corporate culture, Chinese enterprises are more pragmatic, they are result and market oriented. Many enterprises require all of their functional departments possess the awareness of service for the market, which from the product planning and strategy, R&D, production, product quality control, marketing promotion, sales management, even to financial management, administration and human resource. The purpose is to accomplish the market value of technology innovation and products. Technology is considered valuable only when it is required in the global market. The Chinese market driven enterprises intend to transfer their technical strength into real market share and sales volume.

8.2.2 BenQ and Siemens' corporate cultures

- **BenQ's corporate culture**

Though given birth by Acer Group, BenQ is not totally inherited the mother company's "successful path". They created their own management styles and business modes through unique development. As well as formed their own strong open corporate culture, which stems from the favorable international environment created by BenQ themselves. Surrounded by the Chinese national culture, BenQ aims to improve and strengthen its corporate culture, in order to be the guidance and condense the employees together, no matter where they are. Therefore it plays a significant dominating role. Sticking to "acting globally and thinking locally", the openness of the corporate culture also emphasizes on the localization based on the core culture as to integrate the culture systems and styles all over the world. This culture is the

significant premise to attract and train international talents in order to forge the overall values, which is helpful to the brand internationalization.

The development pattern of BenQ was not the same as Acer from the very beginning. The branding of BenQ was positioned into technology and enjoyment(Watson, 2001). BenQ was profitable for a relative long time period from its establishment and predominantly depended on the orders of contract manufacturing. Then they gradually set foot in the peripheral orders of personal computers. They gain profits mainly from the high productivity efficiency. This tendency was more apparent after Kuenyao Lee taking the charge of, due to his mighty management styles. And the point of strength of BenQ was dominated by the products with high productivities. The new brand “BenQ” was into use in 2002, and the new slogan “bringing enjoyment and quality to life” improved its brand image, which soared the company’s sales from \$1.7 billion in 2000, to more than \$3 billion by the end of 2002--and nearly \$4 billion by the end of 2003(Amritsar, 2011).BenQ’s productivities were gradually higher than before, including manufacturing and cost controlling, and became the pioneers in the international manufacturing industry. BenQ’s unique manufacturing thinking mode gradually becomes its core competitiveness in the fast changing IT industry. And BenQ set a good example as fast growing companies to find its own ways to survive in the turbulent business world. Corporate cultures of BenQ such as openness, flexibility, spontaneous responses promote itself to make strategic decisions on time when facing the changes and fierce competitions in order to adapt to the turbulent unpredictable business environment. BenQ pay attention to the teamwork and talents as well which aims to cultivate efficient teams.

- **Siemens’ corporate culture**

A successful and long-history international brand always gives expression to its country and nation’s deep rooted cultural assumptions. Global industrial corporate giant Siemens, a native-birth German corporation, is more and more interconnecting to many countries’ construction and people’s daily lives. There is no denying that the

success of Siemens passing through more than 160 years is more like a success of the national characteristics, and its corporate culture has deep roots in German national culture: highly-sophisticated technology and perfect quality express the scrupulous and dependable characteristics of German(Siemens History Site, 2002-2011).

Corporate cultures in Germany are greatly impacted by the European cultural values. Germany emphasizes on role of the law, education and management of legal systems. Perfect legal systems in Germany, which is formed in the long term under the condition of market economy, lay the foundations for setting up integrity-focused and law-complied corporate cultures. On the other hand, German's behaviors, such as a matter of integrity, being scrupulous and pursuing perfect, etc, make the German corporations permeate the rigorous and careful work styles from product design, producing and sales, to after sale services and other segments. And it also reflects that German corporations cope with the problems strictly by rules and regulations. To link up, we could see the cultural traditions of German corporate, which are full of calm, rationale, earnest, stiffness and rule-orientations. The working styles of being scrupulous, focusing on details and quality but not on speed(Lewis, 2005, pp. 223-233), and the cultures of appreciating talents, rules, harmony and responsibility, consist the German corporations' so called "full of responsibility" culture systems.

Siemens has been consistently kept German's conscientiousness and steadiness on the strategic developments since its establishment. On the human resource perspective, they insist creating talents and professionals by themselves through education and trainings. Under the guidance of the values- respect to individuals and emphasis on democracy, Siemens, like the majority of German companies, gives high weight to the employees to participate the company's final decision making process. The employees' responsibilities as well as the harmonious cooperative corporate culture atmosphere are furthermore consolidated through this mechanism. The high responsibilities of their employees include the responsibilities towards their families, their professions as well as the society. Of course, Siemens from a company's perspective focuses on their employees' professional responsibilities, especially the

responsibilities to their own tasks and each production process. Siemens' conscientiousness is regarded as the representative of German culture. Ascribing to the innovation, another crucial culture of Siemens, Siemens is established in the world top class corporations. Innovation can be seen as a double edged sword. On the one hand, it will bring the great breakthrough for the company; on the other hand, the fruits of innovation will be mature after a considerable long time period, with the high risks of being dead before bearing the fruits. Therefore, innovative companies must be patient and have full-rounded perspectives to take the promising research directions. Siemens is completely fit in with those presuppositions. From the beginning of its establishment in 1847, technological innovations are persistently perceived as the engine of Siemens' development, while the quality of products and their technological functions are deemed as the core competitivenesses of Siemens (Siemens History Site, 2002-2011).

- **Application of Trompenaars' corporate culture theory**

After describing the corporate cultures of BenQ and Siemens in general, we will then analyze the differences between BenQ and Siemens by using Trompenaars' corporate culture theory. In Trompenaars' culture matrix, BenQ can be categorized into family corporate culture while Siemens is fitted in Eiffel Tower corporate culture. The former focuses on persons and the latter concerns on tasks. Though they are both hierarchical, but the hierarchical structures are not the same. We will unfold the differences from the following four perspectives.

- **Relationship between employees**

Looking at the relationships among employees in BenQ, we will find that employees are highly influenced by each other, especially by the superiors. The managers who express their ideas think they are better than their subordinates, while subordinates might follow their managers' steps. The subordinates will tell the managers personally if they think they have better ideas than managers because they know the managers do not want to lose faces. The influences of managers are not only embodied on the

working styles, but also life styles. Employees will get familiar to their colleagues' tastes in clothes and values and gradually change their own tastes. Besides, the hierarchical relationships between superiors and subordinates not only exist within the corporation, but also out of the company. If the subordinates meet the managers after work, they will still call them boss and behave as their subordinates. Therefore, we can see that the relationship between employees in BenQ is diffuse.

However, specific is used to describe the relationship between employees in Siemens. The influences of the superiors on subordinates are not that deep compared to BenQ. The subordinates can directly express their own ideas to the managers in the meetings or argue the solutions that managers come up with. The managers will not criticize the subordinates and on the contrary they will appreciate their arguments. The specific roles of superiors and subordinates are only in the company, they are not confined to this relationship after job. The employees show their own styles in clothes and they will not judge or follow the managers' styles.

- **Attitude to authority**

The attitudes to authority also differ between BenQ and Siemens. Though the authorities in both corporations are all powerful, but the ascriptions are not the same. From the development of BenQ we can realize the high status and impact of the superior leaders in the company. They are treated like the father of a family, who has the top authority, while the department managers can be treated as relatives of the father. Therefore, within the company, there is close relationship between the superior leaders and subordinates. The father makes the final decisions in the family and respected by all family members. The person who has parent figures is powerful and indispensable for BenQ, as the decisions are waited to make. However, it is not the same in Siemens. It has a strict personnel system and all employees play their roles in their job positions. The status is ascribed to superior roles that are distant yet powerful. In the other words, the job positions are created and the persons who take it will endow the status. If the person in one job position left, another one will be filled in to

take the role of the job position. The superior at each layer take charge of its own groups and at the same time they have to report to the upper superior.

- **Ways of thinking and learning**

Comparing the developing histories with Siemens, BenQ is a company as a beginner, which was established in 1984. The ways of thinking and learning are different at different developing stages. As a young company, BenQ is on the exploring phase and some decisions are inevitably made by intuitions. They pay more attention on the development of employees. BenQ searches for the survival ways and learns by trial and error through error correcting. The thought of the leaders play a significant role on BenQ, such as the setups of goals. It by no means says that all the decisions in BenQ are made only by the leaders. However, comparing with Siemens, the more percentages of the leaders' decisions are taken into account. That the person who is doing something is more concerned than the thing what is being done reflects the corporate orientation to be personal. The results of the tasks as well as the speeds to finish the tasks depend on the learning processes of each employee. If all the employees learn how to cope with the tasks, the tasks will be accomplished much faster. While experiencing more than 160 years' development and expansion, Siemens as a mature international company, the way in which people think and learn are role-oriented and the rational knowledge are preferred. Accumulating the logical and analytical skills as well as other professional skills is necessary to fit a role or to qualify a job position. People who have professionals are preferred to take the job rather than the people who have special relationships. They focus more on the efficiency. They also consider those employees possessing insufficient qualifications but with high potentials as "human resources", which can be planed and deployed by skills.

- **Managing change**

Both companies have different measurements toward changes due to the different relationships between employees. As mentioned above, BenQ is power-oriented while

Siemens is rule-oriented. The owner of power who behaves like a father in BenQ will respond to the changes and accordingly come up with solutions. The decisions and the solutions are largely depended on the knowledge of the “father” possesses. Nevertheless, it is much more complicated to manage the changes in Siemens. No matter what kind of change is, there are many rules set up that must be followed by each Siemens employee. The notification of the “change” undergoes each strict procedure from the bottom department to the top management with all kinds of documents provided. It also takes time for the top management to discuss this issue and make final decision. When the decision is made by the top management, it still has to follow the previous way from top management to its own execution department to implement the decisions towards the related event. Apparently it takes a relative long time to manage the change.

8.3 Inter-cultural Conflicts and Failure

BenQ paid attention to the cultural differences between themselves and Siemens. Therefore, after the acquisition they took the localization strategy, which meant they only sent expatriates to the headquarter in Munich to make final decisions and kept former German employees as many as possible. However, the awareness of cultural differences was not enough for the successful integration. And the localization strategy did not help the new BenQ-Siemens establish its new corporate culture; either integrated both parents’ culture. And corporate culture differences between BenQ and Siemens lead to the misunderstanding and lack of consensus, which increase the difficulties for the cross-border M&A integration and threaten the normal business activities. Here, we will discuss the culture conflicts after the M&A from four points, i.e. the predominant culture position in the new BenQ-Siemens, the relationships among top management and employees oriented by different basic underlying, different ways of thinking and learning, different counter measurements towards emergent changes between BenQ and Siemens, etc.

First of all, Siemens as a well-known international corporation possesses a deep-rooted corporate culture with characteristics of mature and steady, as well as the systems of values, legal and morals. While BenQ separated from Acer around 20 years, and the corporate culture still needs time to become mature. Due to the long history and rich corporate culture, employees in Siemens feel prior and have exclusive attitudes to BenQ. The distrust to the acquirer raises the difficulties of integration.

Secondly, BenQ is power-oriented corporate culture. The crucial role is played by the top manager who is treated as “father” of the family. In this culture, managers decide the corporation’s management styles and the goals; they are also one of the key factors which determine the success or failure of the acquisition. Employees are greatly influenced by the managers inside and outside of the company. The manager tells the employees what should be done and the employees are used to do the things with the manager’s detail guidance. Therefore they can easily follow the managers’ instructions and execute the task without going to the wrong direction. Siemens is role-oriented corporate culture. It concentrates on the tasks to be done rather than the person who does the task. In the other words, anyone can take the top position in order to accomplish the tasks in Siemens, as long as he is qualified and obtaining professional skills. Due to openness and specific characteristic, the influence of managers on the employees in Siemens is less than that in BenQ. Employees sometimes argue with the managers about how to execute tasks instead of totally accept managers’ idea. Therefore, it leads to misunderstandings or even conflicts when the employees or managers of BenQ arrived in Munich to work together with German colleagues. Managers of BenQ will think German employees lose their faces on purpose while the German employees consider they do the right things.

Thirdly, different ways of thinking and learning in both companies lead to misunderstandings and cultural conflicts which impedes the acquisition integration. BenQ as a young company in IT industry learns the knowledge from error correction to improve its products. Therefore one failure or one drawback of the products is not a big issue. They gain more profits by cutting the costs as much as possible. Siemens as

a mature company whose business covers all aspects of people's daily life, has obtained advanced technology. Due to the responsibility for people's security, the errors or the defectives try to be avoided in the business activity. Instead, they obtain knowledge by thousands of trials before sales, which indicate Siemens spent a lot of money on the R&D activities. They obtain the profits by the high quality and advantages of the products. Due to the different basic assumptions to be profitable, the acquisition integration encounters another obstructs.

Fourthly, the different counter measurements towards changes undoubtedly result in the conflicts of BenQ and Siemens. Because of close relationships between managers and employees, the manager of BenQ will make decisions quickly and employees will implement them spontaneously. However, distant relationship between managers and employees in Siemens firstly induce the manager cannot get the instant news, which causes the delay of decision-making. Though the postponed decisions are made, they cannot be carried out at once but have to go through a series of procedures from the top management to the relative base department. The procedures and the paths will be the same as the decision for the change, which is already stated above. When it comes to implement the final decisions, the right time to cope with the changes, is already gone. From BenQ's perspective, they firmly believe their ways to deal with changes are the best therefore blaming Siemens'. From Siemens' perspective, to make a decision is not in a hurry but have to do it right and carefully in case of doing wrong decisions, which might cause serious problems. Due to different opinions towards changes, the conflicts were inevitable on the time schedules when they produced "BenQ-Siemens" cell phones.

As we can see from above, after the M&A, massive cultural conflicts exist and finally lead to the divorce of BenQ and Siemens' short marriage. Though BenQ aware the cultural differences, adopted the strategies of localization, and tried to keep most local employees in the new BenQ-Siemens, the acquisition integration ended up with failure. It might cause from the controversial basic underlying of BenQ and Siemens, as well as the uncompromisable characteristics and misunderstandings between BenQ

and Siemens. The apparent fact lead to the divorce is the huge annual loss of Siemens. And the chairman of BenQ expressed that BenQ underestimated the loss of Siemens. They could not burden the loss any more as well as they did not want to ruin the efforts they already spared in BenQ, the only and last solution would be the divorce.

9. Discussions

We draw several questions during the process of the project writings to be discussed here in order to make up the knowledge gaps as well as extend our obtained knowledge. We aware the pros & cons of theories we used in the theoretical chapters. We will make some critics first in order to make sure we are consencious about that. Meanwhile, cultures are evolving and dynamic. Cultural theories should evolve along time as well. Secondly, we treated national culture and corporate culture static in the previous analytical framework. However, they should have some interactions as cultures are dynamic. Therefore, we will discuss the relationships between national culture and corporate culture to see whether they are separate or interacting. Thirdly, we will discuss about the formation of the “third culture” when there is a positive synergy. Finally, based on the above discussions, the revision of the analytical framework will be given.

9.1 Critiques for the used theories

After finishing the analysis part, it is necessary for us to take a review on our research. We consider the theories that were taken do help us answer our research questions. However, they also have certain limitations. Hofstede’s culture theory has been used through the whole analysis of this project, which is regarded as an effective tool to analyze the cultural differences, due to its direct quantitative research results. But when during the process of answering our research question, we also questioned that if Hofstede’s research can sufficiently reflect people’s basic underlying values, since when answering the questionnaire, people cannot tell the basic underlying values and assumptions. In addition, the universal applicability of the dimensions framework is also dubious. Since Hofstede’s survey was carried out within an organization, the influence of organizational environment should not be neglect. Therefore, we also argue that if the results would be the same when the survey was taken in other context. Furthermore, Hofstede’s classification and quantification of cultural differences neglected the dynamic process of culture. As nothing is absolute static in the world, as

well as the culture, which never stops diffusion and shifts, while, the application of dimensions of culture makes the research isolate from the impact of the social environment. Moreover, we also doubt for the definition of countries' boundary in Hofstede's research. Since in a country, different areas of regions may have their own local cultures, although these local cultures are derived from the national culture, however, they were adapted in different degrees. For instance, in China, there are big differences between the northern and southern areas. Due to the variances of climate, geographical location and economic development etc, the dynamic process of local cultures also differ from each other. Therefore, the question is that whether the respondents in the survey can really represent their nations.

9.2 The dynamics of national culture and corporate culture

By doing this project, we realize that corporate culture cannot be deciphered devoicing from national culture. Because local corporate culture grows within the macro environment of national culture and national culture will directly influence the form of corporate culture. To some extent, corporate culture is the derivation of national culture. When we intended to use corporate culture theories/dimensions to analyze Chinese and German corporate culture, we found that it is difficult to decipher if we only confine ourselves within the matrix framework, since through the six dimensions can also manifest some aspects of the Chinese and Germany national core value. For instance, German corporate culture is process focused and normative, this is due to the influence of German strong uncertainty avoidance; Chinese corporate culture is job and result oriented, which is influenced by China's strong masculinity as well as the high power distance. On the other hand, we also found that the six dimensions themselves are not independent individuals, they also interact each other. Therefore, it seems there should not be a clear boundary between national and corporate culture, as well as between each cultural elements, since all the cultural elements exist in such a network where they are interrelate and mutual influenced.

9.3 The formation of the “third culture”

There is the formation of the new corporate culture for the new organization when the integration stage goes successfully. This new corporate culture is called as “third culture”. That the topic where the third culture stems from is widely discussed. Scholars offered different understandings on where the “third culture” comes from.

The common corporate cultures of the companies produced from M&A will be the combinations of both mother companies. In other words, the new organization has the bicultural characteristics and its corporate culture is formed and shaped by the mutual interactions of the acquirer and the acquired companies. Ong considers that culture is taken as historically situated and emergent, shifting and incomplete meanings and practices generated in webs of agency and power(Ong A. , 1987, pp. 2-3). In the bicultural shared management in international joint ventures, Salk and Shenkar (1997) have found social identities which were based on national cultures of origin of the top management team members apt to be enacted early as primary social identities in the lives of such organizations(Salk & Brannen, 2000, p. 456). Therefore cultural change is highly appropriate to bicultural organizations. The negotiated culture is influenced by both cultures of origin, especially that the very beginning. However, it is independent after several rounds’ negotiations till ranges of assumptions, values and normative orientations are made. Those assumptions, values and normative orientations work well for the new organizations as well as eliminating the conflicts for both initial companies. It also qualifies the purpose of establishing the third culture (Based on(Salk & Brannen, 2000, p. 457)).

Another type of the new corporate culture could be the culture completed in succession to the predominant party of both companies. Take BenQ-Siemens case for example, this new corporate culture could be totally inherited from BenQ or completely follow Siemens. Salk and Brannen furthermore state that one of the national cultural groups typically has a more dominant influence than the other in shaping the working cultures of Joint venture teams (Salk & Brannen, 2000, p. 456).

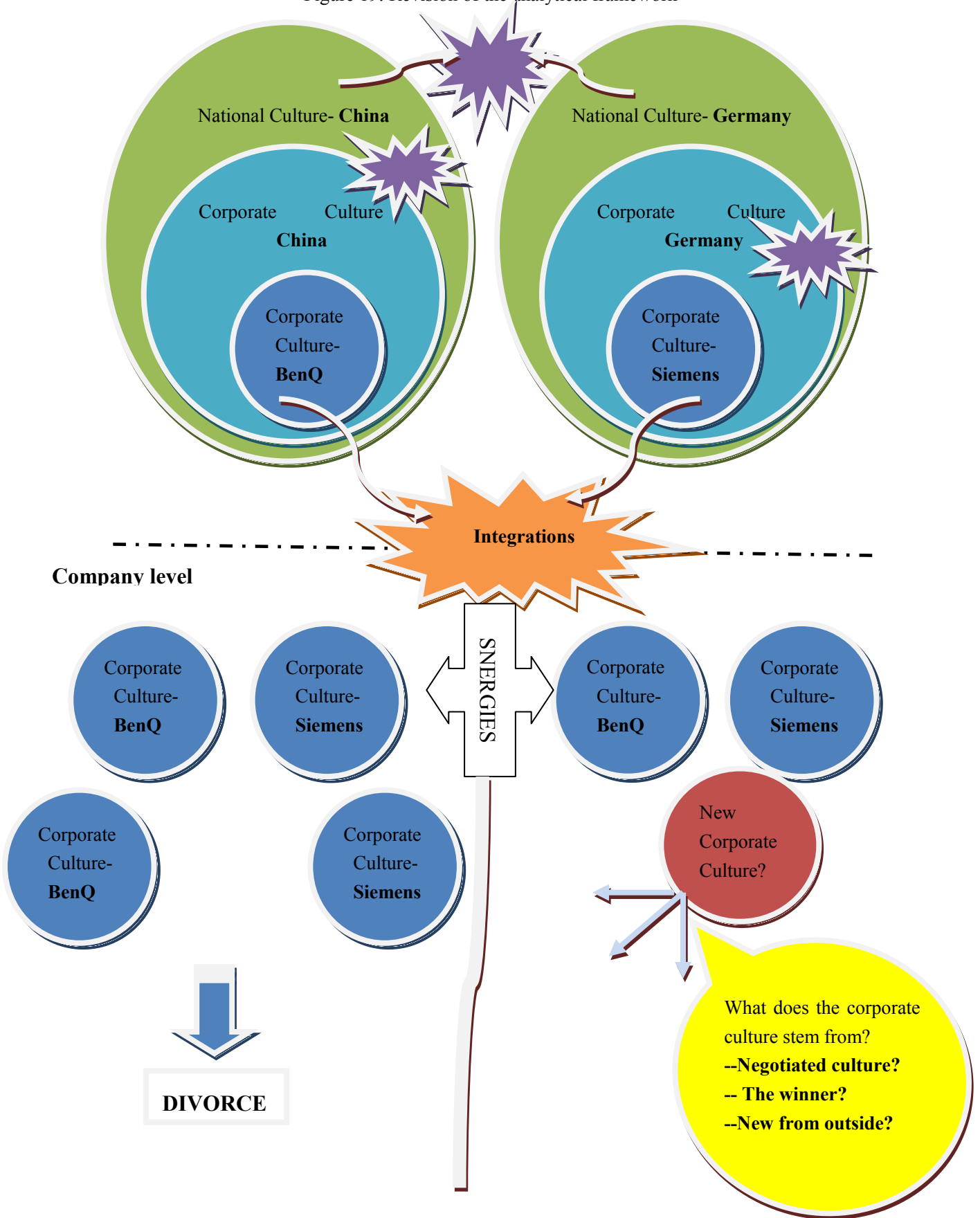
For instance, BenQ-Siemens case explained it from another angle. As the acquirer in the acquisition who has the final decision-making and execution powers, BenQ tried to make its original corporate culture as a dominant one in BenQ-Siemens. However, Siemens, headquartered in Munich Germany, with long corporate history which is deep rooted in German national cultures, had a more predominant influence in shaping working cultures to the new BenQ-Siemens. We could see the contradictions between each other and thus became one of the reasons why BenQ-Siemens failed to create positive synergies. From BenQ's perspective, BenQ has the predominant position as the acquirer; however, Siemens prior to its own culture with more than 160 years' history instead of compromised to the BenQ corporate culture.

Besides, third culture can be imported from outside and inconsistent with both companies. In our opinion, new organizations created after M&A possess this exterior culture experienced more difficulties and frustrations to develop and consolidate the new culture. There are substantial conflicts even taking the negotiated culture or biculture, which are highly related to both companies participating M&A activities, let alone the conflicts due to the completely strange culture from two companies. The new culture should achieve the agreement not only with one of the both companies, but also the other. Therefore there is an extra procedure to achieve the consensus compared with the negotiated culture. The new organization with negotiated culture or biculture obtain the consensus issue under two parties and only have to get the agreement from the other party. However, the new organization with exterior culture has to get the agreements from both of the involved companies.

9.4 Revision of the analytical framework

Based on the discussions above, we revise our analytical framework which is listed below in Fig.19.

Figure 19: Revision of the analytical framework



Source: Own adaption.

Compared with the previous framework, we consider cultures are more dynamic as they are changing from time to time. With the development of globalization, cultures among nations influence from one to another by the communications. With the internationalizations of the companies, more and more MNCs established their subsidiaries all over the world. Thus corporate cultures are evolved during the interactions of the subsidiaries' sub-cultures differ from nation to nations. We could see there are many conflicts or shocks during the integration processes. The case we cited proved the creation of negative synergies. On the other hand, when the positive synergies are created during the integrations, the corporate culture in the integrated organizations is also should be retreated, which might differ from the culture before integration stages.

10. Recommendations for Chinese MNCs

This chapter intends to give the Chinese MNCs guidelines and suggestions regarding the management of diverse cultures when doing cross-border M&A, which are considered to be favorable to shorten the period of culture integration and effectively reduce culture conflicts.

Although culture is difficult to change within a short period, however, the attitude and cognition towards other cultures can be change. According to Gullestrup, culture is relatively stable, but actually is an open, dynamic system. Therefore, there is a huge possibility of mutual acceptance and understanding among diverse cultures. The inter-cultural management deals with the control of interactions between different national or regional culture, and makes the formation of corporate culture follow the desired direction (Zhao & Zhang, 2005). We consider there are several aspects need to be taken into consideration during the cultural integration of cross-border M&A:

Identify the differences between different cultures and formulate effective cultural integration plan. The cross-border M&A targets should be from different countries. In order to integrate diverse cultures and overcome cultural conflicts between both sides of the M&A, Chinese enterprises must set up an effective integration plan. A cultural integration team should be established initially. The members of this team should at least possess the following qualification: they should not have the bias towards any single nation, but have a high communicative competence in a multi-culture environment; have a good perception towards the complexity of interaction between people under the culture other than their own; they should possess cultural sensitivity, be able to utilize their abundant cultural experiences in different countries, regions and organizations to establish interpersonal relationships with people from different cultures; they should possess the capability to quickly adapt to another culture environment, and to make good use of cultural differences by combining all the advantages synergies of different cultures. Subsequently, the cultural integration team should classify the differences. According to the study of national and corporate

culture theories, we consider the cultural differences can be classified into three levels. One is the different basic underlying assumptions, which can also be understood as the values differences of corporate business operations. It is located in the root level of culture. Therefore, it is very difficult to solve the conflicts that caused by basic value differences. The second level is the different norms, which refer to habit patterns and customs differences. Conflicts that caused by this level can be solved through a longtime inter-cultural communication. The third level is the different regulations, which mainly refer to the differences of various management rules and regulations. The conflicts caused by regulations difference, can be overcome, through the mutual leaning, and knowledge transfer etc. From the above, one can see that the degrees of conflicts caused by different levels are different. Therefore, it is necessary to formulate a plan of differential identification and adopt appropriate measures in accordance with levels of differences. This will help greatly improve the efficiency of cultural integration.

In addition, strengthen the inter-cultural training to all the employees after the implementation of cross-border M&A, in order to promote the integration of employees from both parties. The content of intercultural training should involve the following aspects: national and original corporate culture cognition and understanding of the counterparts; training of cultural sensitivity and cultural adaptability, as well as language; intercultural communication skills and way of conflict resolution; introduction of new corporate culture. However, one thing should be aware that the training process should follow the principle of step by step, be sure not to make the employees of the acquired company feel that they are forced to changed their original values, faith and norms of behavior, otherwise, it is difficult to achieve ideal synergies from the intercultural training.

Reshape a corporate culture. This should also contain three aspects: the first is the reshaping of corporate values. In terms of chapter6, corporate values are the core of a corporate culture, so that it is also the crux of cultural integration. After the implementation of cross-border M&A, there must be various values within the

company, which can be reflected as the different views of employees towards corporate goals, corporate image, corporate ethics, as well as corporate operation philosophies etc. If a company's employees cannot reach a consensus on the ideology, it is difficult to achieve the ideal synergy neither can optimize the allocation of resources. Therefore, the company should advocate the interactive learning and communication, and guide the employees reach consensual values, let all the employees participate into the reshaping of corporate culture. Secondly, reshape the corporate rules and regulations. Corporate rules and regulations are also the important components of a corporate culture, which prescribe employees' norms of behaviors, ethics as well as rituals within the company. After the M&A, company should establish a whole set of new rules and regulations in terms of the division of responsibilities. The most important thing is that managers must set an example by personally to abide by the regulation system. Finally is the material culture integration. Material culture is located at the artifacts level of a corporate culture, which is the most superficial level. Cultural elements at the material level can promote the understanding of the deeper layers of the corporate culture. For instance, uniforms can give employees the sense of belongingness and discipline, besides, corporate logo, workshop, processing equipments, working environment, infrastructures etc. all of these material elements will work along with other corporate cultural elements, and gradually influence employees' ideology, which is considered conducive for the shaping of the new unified corporate culture.

11. Conclusions

This project principally deals with the issue of cultural differences at the national level and corporate level as well as inter-culture influences. We used the BenQ-Siemens acquisition case as a tool to elaborate and apply the theories. And the counter measurements are posited accordingly towards the Chinese companies to avoid the difficulties raised by the cultural differences. When reviewing our problem statement, we analyzed the culture differences between two corporations grown up in different nations, as well as the influences of the different cultures towards the integrations of cross-border acquisition. All of the three research questions are full-roundly answered in the theoretical chapter as well as in the practical chapters.

As to the methodological considerations, we firstly described the frameworks from Burrell & Morgan as well as Arbnor and Bjerke step by step. After the comparison of both, we chose Arbnor and Bjerke's system approach to guide the thought of the whole project.

We reviewed previous literatures on cultural issues to see the evolving of cultural theories. In the theoretical part, we described the national culture theories from Trompenaars, Hofstede and Gullestrup. On the corporation level, we explain Schein's corporate culture level theory; Hofstede's corporate culture dimension framework as well as Trompenaars' corporate cultural type framework.

Thereafter we imported the BenQ-Siemens case study to get the further understandings of the theories. Merger & Acquisition background from global perspective and its development in China was inducted. Both companies' profiles were exhibited before they joined together.

The analysis was the significant composition of the project, which was made up of the applications of described theories. It was also divided into two directions, one was guided by national culture theories and the other one was guided by the corporate

culture theories. On the latter level, the common corporate characteristics both in China and Germany were elaborated first in order to distinguish the cultural differences between the enterprises from general perspective; and then the cultures in BenQ and Siemens were stated to see the differences from the individual perspective. Therefore, the culture was explained from national to specific organizations, the differences we viewed were from artificial to deep underlying.

Recommendations were also necessary for the project. Since we concluded the cultural differences as well as their influences to the inter-culture integration, putting forward of the recommendations would deepen the contents of the project. The project would not only confine in the discussions of the cultural differences, but built the connections into the applications of the discussed issues.

To sum up, understanding and recognizing culture differences is crucial not only for the companies participating in cross-border M&A, but also for the companies which have many subsidiaries abroad. Only understanding the deeper level of the two cultures can guide the top management carrying out appropriate management strategies and avoid culture conflicts as well as establish a powerful organizational culture, in order to smoothly integrated and form a strong and consolidated culture.

12. Reflections

From the very beginning of choosing the topic of this project to the moment, the project has developed and evolved over time. And we gained a deeper understanding about culture during the process of accomplishing the project. The ambitious for this project is to see the cross-border cultural differences between Chinese companies and German companies by using cultural theories, and then giving Chinese companies suggestions when dealing with cross-border cultural issues. We could see that the project generally meet the initial motives. Further more, with the knowledge gained from the process, the initial ideas was evolved and the contents were more abundant. For instance, we could not find the proper cultural theories for the project at the very beginning. After reading many authors' cultural theories and the literature review, we found the common characteristics and their own understandings of culture. We described the theories at national level as well as corporate level based on the better theoretical comprehensions. In the analysis section, we intended to analyze the cultural differences only from China versus Germany and BenQ versus Siemens. However, we noticed that BenQ and Siemens are only individual companies though they are representatives. The companies in China and in Germany should have their own common characteristics. Therefore, we analyzed another level called the cultural differences among the companies in China and Germany.

Though the project accomplished better than what we expected would be, there are still some pitfalls and insufficiencies. First and foremost, we use the case studies without primary data, and we principally obtain the data from the web pages as well as the records of the interviews by journalists. Thus, the validity and reliability of the data we collected are somehow less convincing than that gained primarily. Furthermore, regarding to the case studies, which is BenQ-Siemens acquisition, although we explained the cultural similarities and one-root cultural heritage to consider BenQ as a representative of Chinese enterprise, the persuasiveness is also impaired. Last but not least, the discussion part can be more extensive. Due to the

time limits as well as the lack of highly relative sources, we only discussed several topics and did not go even further. All in all, the project is still have some places need to improving.

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