

Merging Cultures in International Mergers and Acquisition

A Case Study of Lenovo's Acquisition of IBM PC Division

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Abstract

This article investigates how the leadership of Lenovo and IBM PC Division integrated their corporate cultures after Lenovo's acquisition of IBM PC Division. The study identified some post-acquisition cultural integration challenges between Lenovo and IBM PC Division such as: Language and communication differences, power distance, different leadership and managerial styles and difficulties in socializing Lenovo's corporate culture and IBM PC's corporate culture into a shared corporate culture. In view of this, the authors recommended that Lenovo and IBM PC Division should build structures, procedures and working environment which promote cultural synergy and adopt a cultural relativistic policy. The authors adopted personal interview data generated by earlier researchers. The data was analysed using a hermeneutic approach of data analysis.

Keywords: *Culture, Merger and Acquisition, Lenovo, IBM PC Division, Intercultural Relations*

1. Introduction

Mergers and acquisitions (M&A) have become an increasing means of strengthening and maintaining firms' position on the market. For it is regarded as the fast and efficient process of expanding into new markets and adopting new technologies. This makes M&A a strategic option in the market place. The significance of M&A is underscored by the CEO of Ford Motors, Jac Nasser, when he asserted: "I personally see more consolidation: more partnership, more strategic alliances and more acquisitions" (Schuler and Jackson, 2001, p. 239). Significantly, the factors that precipitated M&A activities in decades gone by are forecasted to be intensifying which includes need for large economies of scale, deregulations, globalization, expanding markets, risk spreading, and need for rapid response to market conditions (Schuler and Jackson, 2001). Even under tough financial circumstances and declining stock market, M&A continued to appreciate in value exceeding 3.5 billion in 2000 (ibid).

Cross-border M&A faces some challenges that are crucial to their successful transaction. Besides the financial issues, it is also hard to meld and mesh the corporate cultures as the firms coming from different areas have different cultures and customs. Also, international mergers and acquisitions are very complex because key actors who are involved in the acquisition process are considered as members or part of one category of culture, and of different categories of cultures at the same time and situation (Gullestrup, 1996). Furthermore, actors in international M&A are not discrete entities. They come into the acquisition process with their "cultural baggage", and these cultural "baggage" are negotiated and re-negotiated, and influenced both the pre-acquisition and post-acquisition process. This paper, therefore, assumes that Lenovo and IBM, Chinese and American firms respectively would be susceptible to the tendency of cultural value experiences, which employees and leaders derive from their families, social culture,

religion and ethnic groups could be brought into the acquired firm, and could have an influence on the mergers and management of their corporate cultures. Against this observation, it would be interesting and important to examine how the corporate culture of Lenovo and IBM PC Division were merged or successfully managed after the acquisition. Specifically, the paper seeks to examine how the leadership of Lenovo and IBM PC Division integrated their corporate cultures after Lenovo's acquisition of IBM PC Division.

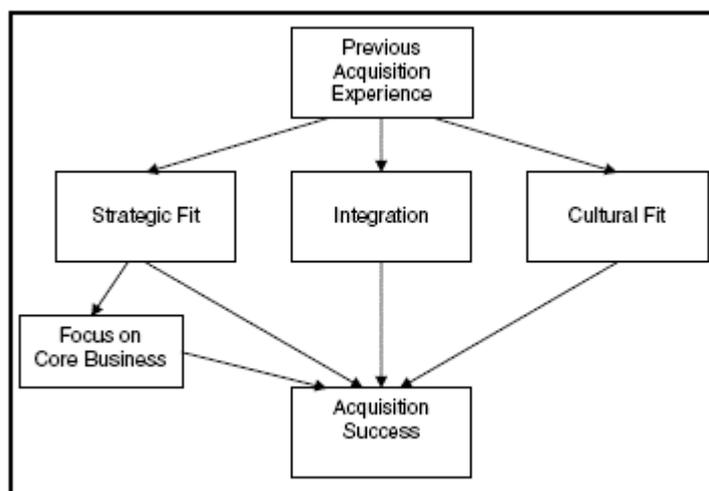
2. Literature Review

M&A has emerged as unique and `admirable strategic option` for firms to advance their product ranges, exploit new markets and maximise modern technologies across the globe (Mohibullah, 2009) due to upsurge in competitions. Cartwright and Schoenberg (2006) posit that M&A will remain a very popular corporate development as 30,000 acquisitions were realised in 2004 globally. This translates to a transaction in every 18 minutes with a total value of \$1,900 billion which exceeded the GDP of several countries. Cartwright and Schoenberg (2006) contention is in line with Rottig's (2007) postulation that it will remain the major conduit through which Multi-National Corporations undertake foreign direct investment. Despite these developments, many M&A fail to meet their desired aspirations. Many, including Ross the Managing Director of SquarePeg International, still view M&A as the most risky alternative in growing and expanding firms. More so, a survey of top managers in big European acquirers revealed that 61% of cross-border acquisitions are riskier than domestic ones (Stahl and Voigt 2005). Besides, majority of businesses succeed or fail by virtue of cultural issues more than any other reason (Stanusch, 2009). Thus, when cultures are well meshed, markets grow, complementary strengths are built and inefficiencies eliminated. Conversely, a misfit of national cultures may lead to cultural clash between the workforces involved which in turn weakens employee commitment and cooperation, voluntary turnover of top managers and makes difficult the post-acquisition integration process (Rottig, 2006). KPMG (1999) analysis of the success of M&A reveals that as high as 83% of sampled cross-border acquisitions failed to create shareholder value due to culture and other synergistic factors. In answering the question "does culture matter in M&A", Ross, Managing Director of SquarePeg International, stated that it does matter since it has been reported that the most common reason accounting for M&A failures in 6 major studies is culture. He revealed that 70% of M&A could not meet the anticipated synergies, 50% experienced overall-drop-off in productivity within the first to eight years with most of these attributable to the "people problems". A recent study gives credence to the above position when it observes that high-profile deals that often end up destroying billions of dollars in shareholder value has been the result of corporate culture clash such as in the cases of Daimler-Chrysler and Sprint-Nextel transactions (Bouwman, 2013).

For their part, Lodorfos and Boateng (2006) are of the opinion that cultural disparities between merging firms are essential key factors affecting the effectiveness of the M&A process and subsequently the success. In a study of the role of culture in M&A in a European Chemical Industry, they revealed that managers consented to the assertion that cultural differences pose organisational challenges. However, cultural integration matters during M&A are often subtle and sometimes reactive.

Catriona and Monia (2006) proposed a process model of key success determinants in cross-border acquisitions as illustrated below. We adopted this in our study because cultural fit has not been relegated to the periphery. They drive home the fact that for an acquisition to be successful it must be guided by previous acquisition experience, strategic fit, integration, focus on core business and cultural fit.

Figure 1: Key Success Factors in Cross-Border Acquisitions (Catriona & Monia, 2006)



We are intrigued by the empirical mixed findings of the influence of culture in M&A and we would interrogate the subject further using the case of Lenovo's acquisition of IBM's PC Division. This is because in their quest to seek more resources, new markets and low cost advantage, enterprises in the developed economies have taken to merging and acquiring firms in the rest of the world. This case presented completely new trend where a firm in emerging economy (China) acquired another in an advanced economy (USA) with high level of technology and management skills. The importance of culture in M&A is underscored by a survey of 200 chief executives of European firms, where cultural integration is ranked as more important in the success of acquisitions than financial and strategic issues (Stahl and Voigt, 2005).

It must be noted that virtually every firm comes with a unique and a discernible corporate culture which truly represents the organisation's personality comprising of its shared beliefs, values and behaviors. It spells out clearly the dos and don'ts of the organisation and the embodiment of both implicit and explicit regulations of organisational conduct. It forms an essential guiding principle that evolves and works to enable the realisation of both specific and general organisational performance goals (Perrault, 2013). With the acquisition as in the case under review, there would be resetting and execution of organisational policies as posited by Abdulai (2011). Judicious management of difference in cultures in multinational organisations would be extremely significant to efficient and successful formulation and implementation of organisational policies. Furthermore, Abdulai (2011) and Schein (2004) note that organisational culture and leadership determines the creation of organisational cultural fit with the perspective that leaders impact directly on organisational culture and structure and organisational leaders select people who reflect their own values and assumptions.

3. Theoretical Framework

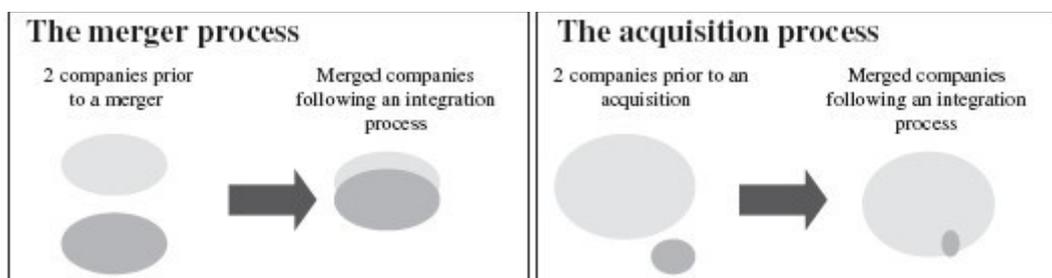
3.1 Acquisitions Theories

A *merger* is a transaction where two firms agree to integrate their operations on a relatively equal basis because they have the resources and capabilities that together may create a stronger competitive advantage (H. Moini, session 4, 2.03.2011).

Acquisition is a transaction where one firm buys another firm with the intent of more effectively using a core competence by making the acquired firm a subsidiary within its portfolio of businesses (ibid).

Satu (2007) present the overview of conceptual differences between Merger and Acquisition, which is shown in Figure 2 below:

Figure 2: An overview of conceptual differences between Mergers and Acquisitions (Satu, 2007).



The process of acquisition is mostly classified into pre-acquisition and post-acquisitions activities. Pre-acquisition embodies the various processes and activities that are embarked upon by the firms involved prior to the formal sealing of the deal or transaction. They include motives that drive the acquisition, due diligence and negotiation. Post-acquisition on the other hand, are the processes and activities undertaken by firms after the deal is completed. It takes place only after the firm has been acquired or merged (H. Moini, session 4, 2.03.2011).

The critical factors for successful post-acquisition phase can be summarized into five dimensions: people, culture, organization, strategy and approach. Our focus would be on the “soft” issues of integration. Our main concern is on the contribution of cultures integration to successful M&A. This would lead us to discuss the cultural theories guiding this study.

3.2 Culture in Mergers and Acquisitions

Culture as a key concept in the article is defined as the collective programming of the mind that distinguishes members of one known group from another (Hofstede, 1997). This article is also built on the theoretical foundation of Clifford Geertz’ (1973) interpretative approach to culture, the differentiating thesis of culture, and M&A theories.

3.2.1 The Cultural Metaphor of Spider Webs

Geertz (1973) applied the analogy of the spider web to explain organisational culture from a symbolic-interpretive approach. Geertz (1973) states that man is an animal suspended in webs of significance he has spun and that he takes culture to be those webs (Geertz 1973:15).

The “webs” in this context is referring to “culture” and animal as human beings. Geertz believes that culture is like a web spun by the spider. The “webs” not only exist, but it is created by individuals in an organization or society. It also implies that the “webs” are not genetically determined; it is the society or people within the organisation or society who shape the culture of the society. Furthermore, each strand of the “webs” represents a discrete aspect of the organisation or society. In this connection, each department of the organisation is represented by “webs” or (culture). The webs are intricately designed and each web is different from each other (Tunner et al 2007: 277). In this case, the webs of Lenovo might not necessarily be the same as the “web” of IBM’s PC Division. In the same way, the meanings that are held in common by members of Lenovo are more likely to differ from the meanings that are held in common by members of IBM’s PC Division. Tunner et al (2007) observed that people are critical of their organisations just as the spiders of their webs. This implies that people are mindful of their organisations, and are very much attached to the values, beliefs and philosophies of their organisations. In the instance of international M&A it is important to examine the interactions of the merging firms to determine their impact on production.

The “webs” are created when people go through the business of constructing their world through the process of communication. In the instance of Lenovo and IBM PC Division, when the shareholders, employees and customers talk, communicate etc it means they are constructing their culture through communication.

3.2.2 Differentiating Thesis of Culture

Intercultural management scholars such as (Roberts, 1970; Meyerson and Martin 1987) argued that culture represents the shared values and norms that bind members of a society or organization together as

a homogenous entity. In this connection, organizations are seen as sub-set or sub-culture of the national culture containing elements of class, race, ethnic and sexual-based identification. The fact that the members of a given society or culture share a common frame of understanding and interpretation means that they perceived themselves as different from other group of cultures, therefore, differentiate one group from another. In the light of Lenovo's acquisition of IBM's PC Division, the leadership and management practices are more likely to be different because of differences in cultures of the managers and leaders of Lenovo and IBM's PC Division.

On the basis of this understanding, Kuada (2006:100) argues that transferring management practices from one continent to the other would amount to adopting management practices that would never generate firm roots within the society to which it is being transferred. Leonard (1987) further argues that many of the differences in organizational behavior between Asia and Africa on the one hand, and United States and Europe on the other hand are not due to management failures, but fundamental dissimilarities in the value priorities in the societies that encapsulate them.

4. Methodology

An anti-positivist epistemological approach has been employed in this study. The anti-positivist approach argues that the social world is essentially relativistic, or socially constructed and can only be understood from the stand point of individuals directly involved in the social activity under investigation (Kuada 2012:73). From this perspective, we argue in this article that to understand the cultural influence of Lenovo's post-acquisition integration challenges of IBM PC Division, consideration ought to be given to individuals directly involved in the social activities in the pre-acquisition and post-acquisition stages. Since the purpose of this paper is to assess the mergers and management of the organisational cultures of both Lenovo and IBM PC Division, the paper has also adopted a qualitative case study research strategy, which typically examines the interplay of all variables in order to provide a complete understanding to a situation or events (De Vaus, 2001). In the case of Lenovo's acquisition of IBM PC division, the study has explored the actors in the pre and post acquisition of IBM PC division. The approach is also appropriate in exploring the leadership and management issues after the acquisition. The qualitative approach ensures the participants raise topics and issues that the researchers may not anticipate, and might be critical to the investigation.

The case of Lenovo's acquisition of IBM's PC Division was chosen partly because IBM is an American-based company and Lenovo is a Chinese firm. In this case, the tendency for the culture of the leaders, managers and employees of both Lenovo and IBM PC Division to be exposed to each other is very high.

4.1 Brief Background of Case

Lenovo Group Limited (Lenovo) is a Chinese multinational technology firm whose preoccupation has been the selling of PCs, tablet computers, smart phones etc. It was officially established in 1984 with a mandate of importing computers for the government of China (Zhou and Huang, 2014). Around 2000, Lenovo designed a 3 year 'global diversified development strategy' that aimed at applying internet platform to integrate its various businesses to optimized sales outcome. Unfortunately, its efforts were derailed by the global IT bubbles bust leading to the adoption of a different strategy to advance their course (Zhou and Huang, 2014).

International Business Machines Corporation's (IBM) PC business became unprofitable for a while. Lenovo saw a window of opportunity to leverage off the IBM brand and ride on its back into global prominence. IBM is a multinational and integrated technology consulting firm established in USA in 1911. IBM manufactured and marketed computer software, hardware and gives out services to main frame computers with customers dotted around more than 170 countries (Zhou and Huang, 2014). The acquisition comes on the heels of the explicit Chinese policy decision that has a goal of facilitating the increase participation of Chinese firms in the 'go global' cliché with the efforts of building internationally selling brands to match with the global clout that China carved for itself. Truly, the presence of Lenovo was felt in the world stage when it purchased IBM's PC Division at around \$1.75 billion. This catapulted Lenovo to become the third-largest PC Company in the world. An acquisition that culminated in the

globalization of Lenovo with a globally recognized brand that it had the right to use for five years with deep rooted global market channels and business relationships (Ahrens and Zhou, 2013). Aside the global brands, the other motivation was to gain access to superior technology, multinational managerial and technical know-how that most Chinese firms were lacking (Ding et al., 2009).

4.2 Source of Data and Validity

The principal source of data used in this paper is a face-to-face, semi-structured interviews data generated by earlier researchers, Zhou and Huang, (2014), concerning *“How a ‘‘Chinese Snake’’ Swallows Western ‘‘Elephant’’: A case study of Lenovo’s Acquisition of IBM PC Division*. This source of data is useful because it saves us the time and expenses of interviewing and transcribing. Secondly, in order to ensure the validity of the findings, the article adopted triangulation approach. Triangulation entails, *“using more than one methods or source of data in the study of social phenomena”* (Bryman, 2004:275). In this regards, the article also made use of documents from the websites of IBM PC Division and Lenovo, and both published and unpublished articles in the area of culture, international M&A.

4.2.1 Semi-structured interviews

Zhou and Huang (2014) conducted semi-structured interviews among three top executives of Lenovo who participated significantly in the acquisition of IBM PC Division. Bryman (2004) argues that these types of interviews can *“inject a sense of process into our understanding of social life”* (Bryman, 2004: 281). Moreover it gives the interviewer the opportunity to make the participant *“[...] reflect on the processes leading up to or following from an event [...]”* (Bryman, 2004:281).

Interview sessions were conducted by earlier researchers (Zhou and Huang, 2014). The interviews were conducted in October 2012, January 2013, and July 2013, respectively. Selection of the interviewees was based on familiarity and participation in the acquisition process (Zhou and Huang, 2014:28). “A”, a director for Lenovo’s global Business in North America was interviewed. Zhou and Huang (2014) claim that “A” was interviewed because he had significantly participated in the acquisition process of the merger. The interview with “A” took place at Jade Palace, Beijing, and lasted for about 1.5 hours. Also, “B”, a middle level manager at Lenovo was interviewed. The interview with “B” took place at Lenovo’s, Beijing Office, and lasted for about 1.2 hours. Finally, “C”, an executive member at IBM PC Division was also interviewed. His interview took place at Grand Hotel, Beijing, and lasted for about 1.3 hours. “C” was interviewed because he was familiar with, and participated in the acquisition process (Zhou and Huang, 2014: 28).

4.3 Data Analysis procedures

Thematic analysis was the main data analysis procedure adopted in the study. The interview transcripts of Zhou and Huang (2014) are categorized into two main themes: Merging and Managing cultures and Management and leadership Issues in acquisition. Based on the themes that emerged, thick descriptions (Creswell, 2003) were used to present the expressed statements of the interviewees in accordance with the two main themes generated. Some of the codes used in the analysis are shown:

Codes Used	Interpretation of codes used
A	Director of Lenovo’s Global Business in North America
B	Middle level Manager at Lenovo’s office in Beijing.
C	Executive Officer at Lenovo’s office in Beijing.

The multiple data sources generated ensured credibility, dependability and trustworthiness of the study (Creswell, 2007). Again, the multiple data sources provided for verification and cross-checking of the information.

4.4 Limitations

Some of the limitations of the study are that, the paper adopted semi-structured qualitative interview data generated by an earlier researcher, Zhou and Huang (2004). In this regards, the earlier researcher did not generate the data with the authors' research topic in mind. Secondly, the perception filters, values, and the study context could have influenced the earlier researchers' design of the interview guide and line of questioning during the interviews. All these could have affected the quality of the data. Despite these limitations, the paper combined multiple data sources, which enhanced the quality of the analysis.

5. Findings and Discussions

This part of the paper focuses on the key findings and discussions. The section is divided into two broad themes: Merging and Managing cultures, and management and leadership issues in acquisition.

5.1 Merging and Managing Cultures

In the age of multinational organizations, the issue of organisational culture and national culture are complex and important to consider. For instance, what happens to the organizational culture of a company when that company creates a subsidiary or acquired another company in another country? Will the organisational or the national culture of the host or home country dominate?

In relation to the case under review, is it the organisational culture of Lenovo or that of IBM PC Division that will determine organisational behaviour of the acquired firm? These and many more other questions have motivated our quest for finding answers to how the managers of Lenovo integrated their corporate culture with IBM PC Division's corporate culture, and the strategies adopted to manage their culturally diverse workforce.

5.1.1 Cultural Integration and the Necessity for Cultural Understanding

Research has shown that the most difficult part in cross-border mergers and acquisition is how to integrate and manage cultures. In the case of Lenovo acquisition of IBM PC Division, an interviewee "A" was asked about the strategies adopted to integrate the corporate culture of Lenovo and IBM PC Division. In response, the interviewee asserted:

Actually, in this acquisition, the culture integration is the most difficult part...compared with others... and we have faced many problems in achieving acculturation (Zhou and Huang 2014: 34).

In the opinion of Interviewee A, cultural integration remains a difficult challenge in socializing their employees into the norms and values of acquired firm. This is partly because culture is claimed to be fluid, complex, fragmented and differentiates one society or organisation from another (Martin, 1992; Kuada and Gullestrup, 1999). Also, integrating Lenovo and IBM PC Division cultures has been rendered the more difficult task because of wide varieties of cultures in our societies. For instance, the individual can consider himself part of, or a member of different cultures in different situations (Gullestrup, 2002). In each given situation, an individual activates one of his or her cultural elements that fit the situation. In the instance of Lenovo and IBM PC Division, merging the organisational and national cultures could prove potentially difficult because the diverse employees of Lenovo and IBM PC Division are more likely to have multiple cultures. There is the high tendency of some of the employees to have some of these cultural elements: Asian, American, European, African, Muslim, Hindu, Christian, young, old, Mechanical Engineer, Economics, lawyer etc. Hence, to create a "new global organisational structure for Lenovo" as a strategy for cultural integration will imply that the cultural actor or manager would have to recognize the fact that employees simultaneously reflect other cultural categories. In this case, the employees of Lenovo and IBM PC division would have to be understood according to a number of potential cultures in different situations and times. Thus the intercultural actor will have to predict which of these cultural categories are relevant at a particular situation and time. Also, culture compatibility is

essential for successful integration process of M&A. When cultures are well integrated in acquired firms it will improve success of performance quality, customer satisfaction and profitability.

At the transition stage of the acquisition, it was observed that cultural differences between the Chinese and their American colleagues were very visible, and had a significant influence on Lenovo's organisational behaviour. For instance, when the US Executives spoke in a meeting their Chinese partners responded:

Shi, shishi” which means “yes yes yes” but the US group took this as a sign of agreement, but the Chinese were really just saying “ we hear you please continue (Holstein, 2004:4).

In connection with the cultural differences, “interviewee B” also confirmed that:

Well, the initial culture difference was very high. I can rate it as 90 (out of 100). The employees from both sides had different thinking and beliefs on this acquisition. At the transition stage, we did a few things only from the culture side because we wanted to relax the employees (Zhou and Huang 2014:35).

Analytically, the differences in expression and interpreting “agreements” and “disagreements”, different thinking, and beliefs on the acquisition between the Chinese and their American executives could partly be due to differences in mental programming or socialization processes. The Chinese probably had developed different mental programs or different values, beliefs, norms and practices because they were socialized in different environments. On the other hand, the American executives had different mental programs because they were also raised or socialized in different environments (Hofstede, 2005). This understanding is in consonant with the differentiating thesis of culture. The theory posits that the fact that members of a given culture or organization share a common frame of understanding and interpretation means that they perceived themselves as different from other group of cultures.

Furthermore, it was discovered that power distance was a cultural integration threat between the American executives and their Chinese colleagues. In the work of Holstein (2014), “*Lenovo Goes Global*”, it was observed that the Chinese Managers only executed projects and programs based on what their bosses had decreed, while their western managers expected their direct reports, push back, and sometimes challenges their superiors' decision (Holstein, 2014:4).

Also, Interviewee B” affirmed that:

In the meetings, the American staff like to express their ideas, especially when decisions need to be made...while the Chinese employees always keep silence... In American culture, if you don't express your idea, people assume you agree with the decision, and the proposal would be passed... However, in Chinese culture, if you keep silence, that means you don't agree... so at the beginning, we have made a few wrong decisions in joint meetings due to cultural differences.

The statements above are indications of power distance between the Chinese managers and the American Managers. Thus, it implies the acceptance of unequal sharing of power among employees in an organisation (Hofstede, 2005). The tendency for the Chinese managers to merely execute what their bosses had decreed for them, and not expressing their ideas when decisions needed to be made were indications of higher power distance culture. These tendencies could make the Chinese staff obey every directives issued by their superiors without debating or deliberating them for better alternative ideas.

On the other hand, the ability of the American staff to clearly express their ideas especially when decisions needed to be made were an indication of lower power distance culture. The culture of a subordinate to deliberate, discuss, agree or disagree with a superior on issues reflects the act of listening to others and being listened to in the processes of consensus seeking.

Culture, which would have bonded the Chinese and the diverse group of workers together, is yet to be achieved. In connection to this, an interviewee lamented that:

Until now, I think... it [cultural integration] has not been completed...there still remain many cultural problems...I think this part is the most difficult one for the whole acquisition (Zhou and Huang 2014:38).

The above statement implies that they are still some cultural integration challenges which are yet to be met.

5.2 English Language Training and Organisational Culture

On the communication pedestal, Lenovo appreciated the fact that language is sine qua non to effective communication and cultural transfer by adopting English Language as the official lingua franca of the new company. In connection with this “Interviewee A” said:

...the senior managers didn't use English frequently... so Lenovo has done two things: Provide English training and encourage the Chinese staff to use English in their ordinary work and emails (Zhou and Huang, 2014:37).

Lenovo employees were offered English Language Training courses to improve upon their professional English language proficiency. They were then encouraged to use English language in ordinary work and emails within the organization. Additionally, a special communication department was established to work to facilitate and improve upon communications in the new company since communication transcends beyond mere use of language (Zhou and Huang, 2014). Also, the English Language Training was congruent with the principles of Linguistic Relativism as postulated by (Sapir & Worf, 1949). The theory posits that language is necessary for thought and that certain thought of a person cannot be understood by someone using a different language (Jandt 2004:150). This implies that for the Chinese to understand certain thoughts of the Americans, they must understand the language of the Americans and vice versa. On the contrary, Abdulai (2011) is of the view that selecting English Language as the corporate Language of the acquired firm has the potential of transmitting some of the American values, beliefs and practices on their Chinese counterparts. This is because of the interwoven relationship between language, culture and communication. For instance, by using English Language to communicate the acquired firm's vision such as: communication principle of honesty, respect, and compromise cannot be done without the transfer of culture. This understanding is premised on the fact that language, and communication are vehicles through which our cultural values are transferred from one organization to the other or from one generation to another.

Furthermore, both Lenovo and IBM PC Division sought to create a common organizational culture. In relation to this, “interviewee B” stated that:

We had tried our best to stabilize the emotion of employees... and we wanted to get a common culture... the two companies had the similar value and vision, such as integrity and responsibility... so, we created a unified culture background to strengthen cultural identity gradually. (Zhou and Haung, 2014:38).

The above statement is in conformity with the postulation of Hofstede (1997) and Clifford Geertz (1973) that organizational culture is constructed by society, and preserved by the people who formed the organisation. By integrating the values, mission, vision (such as integrity and responsibility) to form a new corporate culture was a good initiative for cultural integration. Further, involving members of Lenovo and IBM PC Division to develop a common culture could reduce the tendency of cultural dominance or cultural imperialism. That is the tendency where power is vested in members of one particular culture than the other cultures of the organisation. Also, integrating the organisational cultures into one culture could give the employees of the acquired firm a sense of identity and recognition.

5.3 Culture and Technology Transfer

The success of any technology, knowledge or cultural transfer from one organization to another is determined by the mutual comfort zones of the actors involved. In order to build on the absorptive transfer capacities and cultural influences of the actors involved, our research data revealed the following:

The Chinese had spent the period of upheaval learning about the capabilities needed within a multinational company. They came to the United States ready to learn and absorb expertise (Holstein, 2014:5).

The above statement implies that IBM PC Division acted as the carriers of both the technological knowhow and values to the acquired firm. It also means that the employees of the acquired firm were prepared and willing to learn these technologies that could enable them discharge their duties. Also, learning of these technologies would have made them enjoy more sense of security, comfort, certainty and with little confusion during the post-acquisition activities. This view correlates Edgar Schein (2004) submission *that leaders are central in the creation of organisational culture, and then imposed it on its members* (Schein 2004: 28). From this, it follows that some of the leadership of IBM PC Division were responsible for the inventions of some of their technologies and culture, and as well aided in its transfers to their Chinese counterparts.

In order to efficiently benefit from their technological synergy, both Lenovo and IBM PC Division initiated technology transfer and integration. To this effect, “interviewee A” stated:

In this case, the [technology] transfer is usually one way. When we purchased IBM, we also got its total IP (intelligence Property). That made our technology transfer very smooths (Zhou and Huang, 2014:33).

This was a good step for technology experts from the acquired firm (IBM PC Division), to transfer and integrate their technology to the acquiring firm (Lenovo). The analytical underpinning factors are two: the learning ability of the actors in the acquiring firm (Lenovo), and the transfer capability of the technology knowledge providers or the acquired firm (IBM PC Division). The learning ability in this case is Lenovo’s employees’ ability to absorb the technological knowledge and integrate them into the operating systems of Lenovo. On the other hand, the capability of the technological knowledge providers is determined by the ability of IBM PC Division to communicate the knowledge to Lenovo.

Beside, one way transfer of superior technologies from IBM PC Division would have had a lot of cultural implications. This is because transferring superior technologies from IBM, US-based firm to Lenovo, a Chinese-based firm was not culturally neutral, but culturally determined. By implication, the inventors of the superior technologies, most probably IBM PC Division, US, might have invented those superior technologies from their cultural beliefs, values, and philosophies. Therefore, transferring their superior technologies would have meant transferring part of the American cultural values and beliefs to the Lenovo technological knowledge seekers.

In relation to this interviewee “A” further noted that “*we have created our new global R&D centre to analyze these technologies and develop new products*” (Zhou and Huang, 2014:11).

The above statement means that both Lenovo and IBM PC Division had amalgamated their research and development (R&D) centres to analyse the combined technologies and developed new products. The combinations of the R&D centres could strengthen their research and product development capabilities. This method was in line with the theoretical postulation of Clifford Geertz when he observed that man is an animal suspended in webs of significance he has spun, and that he takes culture to be those webs (Geertz 1973:15). In this case, the global research and development centre was synonymous to the “webs of the spider” (culture) because culture is created, and the global research and development centre was also created through the combination of Lenovo and IBM’s R&D centres. This understanding is in consonant with Gullestrup’s dynamic cultural dimension, which notes culture as not static but rather fragmented and sometimes paradoxical. For one thing, societies or organisations change their

configuration unceasingly and can, therefore, hardly be viewed as a stable or static organisations of¹ societies.

5.4 Leadership and Management Challenges in International Acquisitions

This acquisition kick-off not on a platter of gold as it had encountered cultural and managerial chaos right at the onset (pre-acquisition stage). The team dispatched to New York in 2004 for discussion into the acquisition of the PC Division of IBM went there with only the company's Chief Financial Officer who could speak English (Holstein, 2014). This communication challenge got exacerbated during the post acquisition stage. This is evident in quote of Stahl and Koster (2013),

IBM leaders would do most of the talking and the Lenovo leaders would do most of the listening. The Chinese and Asian cultures in general, are much more silent in a conversation. They first think about what they want to say before they say it. And if you think about what you want to say before you say it, and you also translate it from your native language into English ... you can understand that a 5 second or a 7 second gap in a conversation is not a long time. Yet, to a Western person, 5 seconds silence in a conversation seems like an eternity. So, often times what you would see in meetings is that the Western leaders would be filling in the gap in conversation, and therefore would dominate these discussions, and all too often would not spend as much time as they probably should have seeking out the perspectives and experiences of their Lenovo colleagues.

This manifest communication hurdle led to prolong meetings and frequent misunderstandings. They cited an instance of a senior executive's inability to understand English culminating in a translator in a board meeting. These developments were frustrating and crippling decision-making and problem-solving (Stahl and Koster, 2013).

Since Lenovo is noted to have been an offshoot of a typical Chinese government research institute, it has not operated outside of the Chinese-speaking Asia and so the leaders were strangers to multinational operations who were here dealing with IBM team sophisticated in running multinational business across 160 countries. In this regard, the Chinese preferred a Western CEO (Steve Ward) for the combined company leading to the stepping down into non-executive chairman position of Yang Yuanqing. Steve Ward was IBM veteran who did not stay in the position for long. He was succeeded by William J. Amelio also a veteran from Dell who had experience with similar role in the Asian region. He did not also last long and step down complaining of the company's "yes, yes, yes" culture (Holstein, 2014). It was also speculated that Amelio's early exit was traceable to a personality clash with Yang Yuanqing who was 10 years his junior with different management styles and Steve was too accustomed to the IBM way of doing things and could not adjust to the new culture. The problem with the Western managers were that they expected their subordinates to push back and to even challenge their superiors' decisions, but the Chinese are accustomed to executing what their superiors asked of them. Qiao is reported to have said that "in China, we have to respect the leaders, if you ask me to do something, I just do it. If you make that decision, you know more information. You are above me. You are smarter than me" (Holstein, 2014).

The supply chain of Lenovo after the acquisition was realised not to be well integrated and reflective of a multinational firm of its stature partly due to a merger of two dissimilar companies. It was not built to take care of the great volumes the company began to achieve with deliveries unacceptably low. Different distributors were found in different regions on the globe and different customers and different business models in a mumbo-jumbo style (Holstein, 2014).

In the midst of these severe cultural difference or clash, what did Lenovo do right to overcome those predicaments?

5.5 Leadership and Management Strategies Adopted By Lenovo

Lenovo did not instantly commit to organisational integration immediately when the deal was sealed. Rather, it elected to observe and study the new company for a short while making optimum use of

preservation and symbiosis integration as observed by Zhou and Huang (2014). The CEO of Lenovo observed that:

Integration involved major functional and personal changes...because the two organizations had different backgrounds... If they were integrated too fast... the risk was too high... we preferred keeping the two business independently... let them get to know each other, and then implement integration gradually (Li, 2010: 23).

Tentatively, a new person was appointed to be president in charge of integration as an indication of how important integration was to the company. Also, high autonomy was given to the newly acquired firm with independent treatment of the two companies except that few functional departments of headquarters such as finance, law and human resource were integrated while maintaining both the employees and customers. More so, the new global organisational structure was out-dooed and technology transfer harnessed. This paved the way for the gradual and functional integration of the two companies (Ahrens and Zhou, 2013).

Organisational learning across cultural barriers was enhanced and addressing employees by their titles replaced by their first name. By this arrangement the current CEO is currently widely known as YY and address as such as against what would have been the norm in China. The strategy of “East Meets West” was implemented which introduce global executive to the foundation of the Chinese and Western cultures. Also, “Lenovo Expression Workshop” was also implemented to uplift and instill strong communication expertise in Chinese managers to Western standards (Stahl and Koster, 2013).

Another significant good practice has been the well-design corporate management and leadership plan executed by Lenovo after the acquisition. The appointment of Steve Ward as the new CEO was strategic in that he possessed the same cultural background with IBM and experience with the modus operandi of the entire system which reduces the complexity of implementing initial integration (Zhou and Huang, 2014). The reason behind Ward’s appointment was to maintain the current management team intact and avert the potential huge culture clash. Shortly, he was succeeded by Amelio with a mandate of facilitating and speeding up the drive of Lenovo to claim market leadership in the PC but he could not do much in bridging the culture gap between China and US. Within this period, employee turnover was 2% and Lenovo achieved a high level of profit of more than \$40 million with Chinese managers gaining a bulk of managerial and experiential know-how in multinational corporation management.

Interestingly, Lenovo has been out of the financial crises and is experiencing dividends accruing from the acquisition it went into. This is made crystal clear from the submission of interviewee B:

I think we have got a successful and good result in our overall acquisition performance. From the financial side, it is successful. Revenues increased several times, and they were really far beyond the original target set... From the management side, it is also successful in taking over IBM’s PCD and many synergies have been gradually achieved (Zhou and Huang, 2014).

Today, Lenovo holds a strong conviction that a brand new type of global enterprise that is more networks-oriented than hierarchy oriented has emerged. A professor of business at University of Michigan remarked that “They have done an exceptional job in melding East and West into a new organisational approach” (Holstein, 2014). Lenovo could appreciatively note that “the deal has enhanced our technology and innovative capabilities by at least five years. More importantly, we have the world-class managerial team from IBM, and that is invaluable” (Stahl and Lengyel, 2012).

6. Conclusion

The authors have discovered that with all the cultural integration strategies adopted by Lenovo, they are yet to achieve a successful cultural fit with IBM PC Division. The authors, therefore, concluded that

cultural integration within cross border acquisition is not only a complex situation but unique, which has to be understood individually. Cultural actors in cross border acquisition should learn to be conscious of the multiplicity and complexities of cultures and build structures, procedures and a working environment which promotes cultural synergy. Also, since global organizational structure has not perfectly worked for Lenovo as a strategy for cultural integration, the authors think that adopting a cultural relativistic policy for cultural integration might work out for the successful integration of Lenovo and IBM PC Division organizational cultures mergers and management.

But on the managerial level, we can safely emphasize that the case under review has grown in prominence in becoming one of the leading, well-known and remarkable successes of an acquisition of Western company by its Chinese counterpart after having traversed through severe managerial and leadership upheavals. Lenovo is now publicly listed on the Hong Kong Stock Exchange making it operate with a degree of transparency and a board re-constituted with international representation that operates on the fountain of global management principles.

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