



Intercultural Challenges of a Transatlantic Merger

Executive Summary:

Recent studies about the success-and-failure rates of international mergers and acquisitions reveal that the odds are against the success of international mergers and acquisition. In this article, drawing on practical experience, the author argues that the management of human factors in the post-integration-process is crucial if the merger is to succeed. In particular, intercultural dynamics deserve much greater attention, as they affect communication behavior, decision-making and cooperation in the new entity. The author highlights the dangers of stereotypical responses to different cultures, the conflict-potential of value-differences, and suggests that a systematic, step-by-step approach to managing cultural interfaces could do much to support post-merger-integration processes.

If you are interested in an in-house-workshop on the intercultural dynamics of international M & A, please contact dialog@kultur-und-management.com.

„Global“ ...
is among the most overused and least understood words in business today.

(Rosabeth Moss Kanter, World Class, 1995)

M & A: High Hopes, Deep Disappointments?

International mergers & acquisitions are en vogue today. The advantages quoted by top-management and the financial community include advantages of scale, increased share-holder value, access to new markets, lower overheads.

The early stages of most mergers & acquisitions are characterized by high hopes, elation about the deal, and plenty of media-attention. The longer-term reality, however, is often disappointing. Underachievement in terms of shareholder-value, level of internal conflict or even divorce of the merged parties are the rule, rather than the exception. Studies by major strategy consulting firms paint a bleak picture: 83 % of all mergers do not improve shareholder value, and only 25 % of the large-scale mergers succeed.¹

Why is this so? And what can corporations do to increase the likelihood for success?

Skillful management of the post-merger integration process is the key. The make-or-break of a merger is shaped by whether integration management succeeds in getting very real people to work together constructively towards shared goals, in order to achieve tangible results. Putting people on center stage will do much to turn strategic intent into business reality.

Cultural Differences - A Key Challenge in Post-Merger Integration

Cultural differences, both in terms of organisation culture and in terms of national culture, are a key challenge in the integration process. In particular, the impact of intercultural difference (i.e. differences in national cultures) on the integration process is hugely under-estimated by most management teams.

What are these intercultural differences in the case of German-American interactions?

Two important areas of difference are **values** and **communication style**. For example:

Values: While the German set of core values includes *security, Ordnung (structure, systems, tidyness, precision) and an acceptance of hierarchy*, the American set of core values includes *freedom (individualism, choice), winning (competitiveness, being first) and egalitarianism*.

Communication Style: Germans tend to be *reserved* towards strangers, *formal* in their work interactions. Moreover, they are likely to make use of *direct criticism* and engage in often lengthy *content debates* (which allow for open contradictions, even across hierarchies!). In contrast, most Americans prefer to *break the ice quickly*, and to operate in an *informal* manner. The focus of communication is usually on *positive feedback* and briefness, quickly leading to *action*.²

Why do these differences represent a big challenge?

First of all, difference is an additional source of uncertainty within the already charged and stressful merger (or acquisition) situation. The level of fear, and therefore the willingness to look for simple (even if stereotypical) explanations, is high. In addition, negative or incorrect assumptions about the members of the other culture are likely to hamper communication from the start. Mindsets of cultural superiority or inferiority are likely to drive both staff

and managers into „win-lose“ and „us-and-them“ types of thinking and relating, further aggravating the situation. These challenges need to be overcome to create a win-win-mindset, otherwise they will be likely to jeopardize the integration process.

Differences in values represent a special challenge, since one's values are an important factor in decision-making. At the same time, values are invisible cultural „rules“. These differences between American and German values in themselves are sufficient to cause conflict (Since values help you decide: What is important? What is worthwhile? What is urgent and should have priority?). What adds to the complexity of the situation, is the fact that most people are unaware of how their own national values affect their decision-making. Both parties, therefore, frequently meet with conflict or frustration in their intercultural interactions, albeit without actually understanding that the source of their conflicts or misunderstandings may be due to value-differences. As a result, they get stuck in what they believe to be differences of opinion about tasks, thinking that the other party is unreasonable – without getting to the level of communication where conflict-resolution would be possible. Staff and managers involved in an international merger therefore need support to master the challenges of intercultural interaction.

Turning Cultural Differences into Competitive Advantage

How can the integration process be turned into a success?

Initially, it is important to alleviate anxiety, which can be achieved by focussing on the reflection of stereotypes and on increasing cultural awareness. For example, in trainings, managers and staff alike need to be made aware of their own stereotypes and prejudices about the other culture, and how these might interfere with successful communication. Next, these inaccurate perceptions need to be changed by giving accurate information about the other culture. It is important to help participants simultaneously expand their own cultural self-awareness and their awareness of the other culture. As a result, they are more likely to meet their counterparts with an open mind, more realistic expectations and a willingness to look for win-win-approaches.

Subsequent steps aim at building trust, solving conflict in interactions and increasing intercultural communication skills in the organisation. Depending on the situation and the needs, these steps may include bi-cultural team-buildings, coaching for managers, skills trainings for intercultural communication and negotiation, as well as trainings focussing on making sense of the actual experiences between Americans and Germans.

The overall objective is to broaden and strengthen the „connective tissue“ between the different cultures in the organisation.

If culture is managed well, international mergers provide an enormous learning opportunity for organisations and their members: Fresh perspectives, creative solutions, increased agility, better ability to innovate, attraction of global top talent, new career paths, personal growth and much more. Those organisations which view intercultural learning as a strategy issue, will invest into intercultural communication and change processes today. As a result, they will not only be able to avoid failure in mergers and acquisitions, but will actually utilise the merger situation to engage in a culture-change process to increase their overall global competitive

capabilities - beyond the financial objectives of the transaction.

Interculturally competent organisations will be tomorrow's winners in the global business arena. Superior intercultural management is an essential competitive factor for the 21st century.³

(Endnotes)

¹ Manager Magazin 3/00, Studies by KPMG and Mercer Management Consulting

² G. Nees, „Germany-Unraveling an Enigma“, Intercultural Press (2000)

³ R. Rosen et.al. „Global Literacies: Lessons on Business Leadership and National Cultures“ (2000)

