

**Achieving Successful Cross-Cultural and Management
Integration: The Experience of Lenovo and IBM.**

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Abstract

With social structure and technology rapidly changing, business globalisation has been regarded as a worldwide trend. While there have been many cases and literature on management of culture integration for merger and acquisition from a Western perspective, few have discussed cultural integration in an Asian context.

This study provides a case study of cultural integration strategies Lenovo has undertaken to manage employees from both teams after the M&A. It adopts a semi-structure face-to-face interview research method, which 5 participants were selected from the culture integration committee for interview. During the interview, each participant answered the questions from their perspective of the job position they are currently in. The method would enhance the quality of the research as it looks into the problems and strategy that Lenovo has encountered and undertaken from various points of view. However, as no employees from IBM PC-D on the committee were available to participate in the research, it might place some limitations on the research simply because IBM team's opinions were not taken into account.

After analysing the results obtained from the participants, the researcher found that there were several motives for Lenovo to acquire IBM PC-D, including: - 1) internationalization, 2) acquiring technology and skills, 3) acquiring a brand, 4) obtaining access to new customers, 5) increase bargaining position to suppliers. Among these five motives, acquiring brand was considered to be the most important motive. As Chinese product has always been marketed at the lower end of the product line with low costs and poor quality, acquiring IBM's brand would enable Lenovo to boost its product image and to gain access to customers outside the Chinese market.

In managing two teams within the organisation, Lenovo has taken very few steps to integrate two teams into one. Instead, a separate management mode was encouraged by Lenovo to allow IBM PC-D to maintain its own management system and

procedures. In addition, a culture integration committee was voluntarily set up by employees from various departments to design initiatives to encourage communication between two teams.

When problems arise due to the difference between two teams, Lenovo has adopted an accommodation strategy by making adjustments to the work schedule of its employee in the Lenovo team in order to accommodate employees in IBM team. As a result, it has increased the workload for staff in Lenovo team and this may thus lead to stress and work-life imbalance to its employees.

Overall, the strategy that Lenovo has adopted to manage two teams seems to have worked well and the culture integration committee appears to have served well in encouraging the communication between two teams. On the other hand, as the participants in the interview were not directly involved with the designing and crafting the strategy of culture integration, that might have some limitation on the result. Therefore, it is suggested that further research can be done to capture the opinion from members that are directly involved in the design of culture integration strategy as well as teams from IBM PC-D in order to ensure a well provided empirical and consistent view.

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1.0 Introduction

Globalization is the worldwide trend of businesses expanding beyond the domestic boundaries (Mitchell, 2000; Focarelli and Pozzolo, 2008). Companies, large or small, public or private, are increasingly engaged in the international competition now. This means that the world is becoming one connected economy in which companies do business and compete anywhere with anyone, regardless of national boundaries. Companies that rivet their eyes on “domestic-business-only” are already falling behind their international competitors.

While China’s leading position as a recipient of global FDI flows has been extensively documented, the overseas investment activities of Chinese companies have traditionally received much less attention. However, a recent spate of high profile cross-border merger and acquisition (M&A) deals involving Chinese companies – primarily within the resources, manufacturing and IT sectors – has brought increased interest in the issue of Chinese overseas direct investment. One notably example along these transactions includes: the USD 1.75 billion acquisition by Chinese computer manufacturer Lenovo of IBM’s personal computer business in December 2004. There are generally three main motives behind Chinese overseas direct investment: the need to secure access to overseas energy resources and raw materials to support China’s high economic growth rate; the desire to acquire advanced technology and managerial know-how; a hunt for brand names and distribution networks, as exemplified by Lenovo’s acquisition of IBM’s notebook business division

The question mostly asked about mergers and acquisitions is why such a high percentage of these transactions have failed to meet expectations, estimates ranging

from 60 percent to two-thirds (Magnet, 1984; Gilkey, 1991). Yet, most organisational scientists who have rummaged through the literature for clear and systematic answers to this question are searching in vain. Progress is made however on where to look for fruitful answers. A general agreement seems to be reached that studying the human factor in these organisational melting processes promises a far better understanding of their success and failure in outcomes than we have now. Among others, Gilkey argues that: *“the high percentage of failure is mainly due to the fact that mergers and acquisitions are still designed with business and financial fit as primary conditions, leaving psychological and cultural issues as secondary concerns. A close examination of these issues could have brought about a learning process, directed at successfully managing such ventures (Gilkey, 1991, p. 331).”*

To be acquired by another company is often a frightening experience for the organizational members involved (e.g. Marks and Mirvis, 1985). The present and the future become uncertain and ambiguous. In the turmoil caused by the acquisition, management neglects communicating with employees about the acquisition or provide ambiguous communication, and workers' anxieties produce many unanswered questions. Instead of getting information from informed parties, workers attempt to reduce the ambiguity by providing answers themselves and will listen to rumours, which, quite often, come up with “worst scenario” answers. Rumours often have the effect of adding fuel to the workers' anxiety rather than reducing it (e.g. Mirvis and Marks, 1985; Sinetar, 1981). Research indicates that insufficient information causes uncertainty and ambiguity (Kahn, Wolfe, Quinn, and Snoek, 1964) and that many post-merger problems develop from lack of sufficient information (Marks, 1982). This situation is likely to be exacerbated in cross-cultural acquisitions, where it is not only the corporate culture that can create obstacles, but also differences in national culture and language. Thus, besides the difficulties in understanding and dealing with a new culture at several levels, the parties involved must also try to communicate, perhaps using a foreign language or speaking with someone who is not using their mother tongue.

The literature of management and cultural integration has already been replete with cases of merger and acquisition in which managers tackle cultural integration of their employees from a Western perspective. But a smattering of literature has discussed cultural integration in an Asian context. With recent strategic alliance forged by Lenovo and IBM, the two giant companies have entered into significant, long-term agreements that will enable Lenovo to take advantage of IBM's powerful worldwide distribution and sales network. The purpose of this paper aims to provide a case study in the cultural integration strategies that Lenovo has undertaken and to exam and investigate how Lenovo and IBM could successfully address the problem of corporate and national cultural integration. This is based on empirical findings, and on literature that, in the analysis, has proved to corroborate these findings, or insights gained from these findings. The research design is grounded on an interpretative approach, and the data were gathered through face to face semi-structure interview of employees from Lenovo.

2.0 Literature Review

This section will provide a theoretical background understanding of merger and acquisition, particularly on to benefits and motives as well as the integration of two companies in terms of both national and corporate culture.

2.1 Benefits of Merger and Acquisition from the Chinese Perspective

Traditionally, exploiting economies of scope and scale or taking advantage of market imperfections was deemed by firms a dominant way of achieving competitive advantage. However, due to the forces of globalisation which have caused economies to become more integrated, there is a realisation among firms that these traditional ways of achieving competitive advantage now have only limited profitability. As a result, mergers and acquisitions have become an increasingly popular strategic choice for organisations (Nahavandi and Malekzadeh, 1988; McEntrie and Bentley, 1996; Zhu and Huang, 2007).

Mergers are commonly characterised as the consolidation of two organisations into a single organisation. In contrast, acquisitions are characterised as the purchase of one organisation from another where the buyer or acquirer maintains the control of the organisation (Borys and Jemison, 1989; Zhu and Huang, 2007). According to Porter (1985), the primary reason for M&As is to achieve synergy by integrating two business units in a combination that will increase competitive advantage. As M&As are often seen as a means to acquire expertise, technology and products, to complement ongoing internal product development, to reduce exposure to risks and to achieve economies of scale (Lodorfos and Boateng, 2006; Zhu and Huang, 2007), the

goals for many organisations converge around growth, diversification and achieving economies of scale (Buono et al, 1985; Cartwright and Cooper, 1993). In addition, obtaining a dominant position in the global market is also acknowledged to be another motive for organisations in choosing a merger or acquisition.

The number of international acquisitions by Chinese firms has grown remarkably in recent years. According to McGregor and Guerrero (2004), there were 44 foreign acquisitions by Chinese companies in 2004 which were one-third higher than those in the previous year. The dominant motive for many Chinese companies in undertaking foreign acquisition is to accrue market strength (Child and Rodrigues, 2005; Deng, 2006). Chinese companies have undertaken acquisitions to gain access to technology, to secure research and development skills, and to acquire international brands. Consequently, acquisitions have been considered as a fast route to these benefits as well as a way to deny them to competitors.

The Holly Group can be used as one of examples of foreign acquisitions aimed at securing proprietary technology (Child and Rodrigues, 2005). Holly, which began in 1970 as a rural township and village enterprise specialising in the production of energy-meter equipment and instruments, made a major step forward by acquiring the CDMA hand-set reference design operation from Philips Semiconductor in USA in September 2001. Through this acquisition, Philips Semiconductors transferred to Holly its equipment, assets, know-how, and intellectual property rights connected to hand-set reference designs. In addition, Holly also secured an exclusive license to process the CDMA software protocol that Philips had earlier developed. Moreover, the “push” factor of domestic institutional restriction can also apply as international acquisitions by Chinese firms are usually officially encouraged while domestic acquisitions often are not, which removes one path for growth.

According to Child and Rodrigues (2005), the Chinese government has shown great support for Chinese firms in creating policies that promote internationalisation. In

1999, the Chinese government launched its “Go Global” policy to encourage strong Chinese enterprises to invest more overseas in order to improve their competitiveness and secure an international business presence. One of major ways in which the government sponsors overseas expansion is through the provision of low interest loans to fund the purchase of foreign companies from sources it controls such as China’s state banks (The Economist, 2005). Therefore, institutional support can be counted as a factor that can help lay the foundations for the acquisitions by Chinese companies.

In short, the acquisition route for securing international differentiation and brand advantage is being favoured by an increasing number of Chinese organisations. Large incentives are offered to Chinese firms to commit to such internationalisation as it promises access to both superior technology and brands. This is particularly true when foreign firms are willing to sell or share their technology, know-how and brands due to financial exigency or because that part of their business is relatively unprofitable. In addition, while it appears to offer substantial advantage to Chinese organisations, the challenges of an acquisition strategy also need to be taken into account as to whether Chinese companies are able to handle post-acquisition integration and management challenge so that both national and corporate culture factors can be successfully managed.

2.2 National Culture

According to Hofstede (1980, p. 21), culture is “the collective programming of the mind which distinguishes the members of one human group from another”. Culture represents an imperfectly shared system of interrelated understanding that is shaped by its members, history as well as experience. Although individuals are rarely conscious of their own culture, yet it affects practically all aspects of the way people of a group interact with each other or with an external stimulus. As most management theories were developed in the Western hemisphere, they are often assumed to be

universally applicable. However, since members of a nation face a set of common experience, themes and institutions that shape their value orientations, it may result in a unique national character that is more clearly apparent to foreigners than to the nationals themselves (Hofstede, 1984).

In addition, Hofstede (2005) has conceded that while others believes differences in national institutions (governments, laws, associations, enterprise, religious communities, school systems, family structures) are the reasons for difference in thinking, feeling and acting between countries, some propose that institutions cannot be understood without considering culture, and that understanding culture presumes insight into institutions. Consequently it is not possible to change the way people in a country think, feel and act by simply importing the institutions from a foreign country. As a result, the application of Western-developed theories may be particularly inappropriate in China as the Chinese national culture is extremely robust, going back to 5,000 years, suffused with the teaching and traditions of Confucianism and Taoism (Fang, 2001; Zhuang & Zhou, 2004). Therefore, it is essential for a multinational corporation to understand how national differences influence headquarter-subsiary relationships as different cultures prefer different rules of conduct or administrative procedures (Chandler, 1986; Lorsch, 1986; Schwartz and Davis, 1981; Very, Lubatkin alor Veiga, 1997; Pioch, 2007). Consequently, in the case of M&A, it appears to be important for the acquiring company to understand the national culture of its acquiring target as it will be helpful in the post-acquisition stage during which the acquiring company plans to integrate its management system as well as corporate culture.

2.3 Chinese National Attitudes

From the viewpoint of Hofstede (2005), Chinese culture attitudes are characterized by high-power distance, collectivism, masculinity and high-uncertainty avoidance. These

cultural values are interesting topics for multinational corporations to know in order to gain a better understanding of the rules and procedures that a Chinese firm operates. Prior to discussion of each attitude individually, it is essential to understand one of the most important concepts of Chinese culture “guanxi”, which is considered to be in relation with all its culture values.

According to Lee, Pae and Wong (2001), guanxi is the granting of preferential treatment to business partners in exchange for favours and obligations. It requires reciprocity and obligation to return a favour. If the obligation is not fulfilled within a short period of time, social harmony between managers may be disturbed as the non-reciprocity will have lost face (Lee et al 2001). As Wong, Tjosvold and Yu (2005) state, guanxi networks are considered to be essential for doing business in China. Business in China cannot be conducted while keeping guanxi at bay as personal contacts play an essential role in the Chinese way of doing business. In China many foreign firms have learned that guanxi means develop good relationships with local government officials that include lots of personal contact, gift exchanges and never do anything that would cause the Chinese to lose face. As a result, while it is seen as to be an essential factor for Chinese people, it can be seen as a slow and often frustrated process from Westerner’s perspective.

Power Distance

The national culture that is particularly relevant to China is power distance, which is the expectation that power is distributed un-equally (Hofstede, 1984). High level of power distance is evidence in China’s pervasive centralized authority and hierarchical structures. The Chinese people expect that power is unequally distributed and naturally defer to those they perceive to be their superiors, whom they expect to be benevolent and treat all people fairly providing them with stability, close supervision and explicit rules (Pun, 2001). It often happens that nations characterised by high power distance like China, organisational structures generally work best if they are formal and hierarchical. Those in subordinate positions expect the more

powerful-high-ranking individuals to take responsibility for decision making (Very et al, 1997). In addition, according to Zhao, Flynn and Roth (2006), power distance is consistent with the focus on guanxi relationships with upper-level authorities particularly in state-owned enterprise and the strong hierarchical ordering that makes empowerment challenging.

Collectivism

At the heart of guanxi is the cultural value of collectivism. Refer to Hofstede (1984), Chinese national culture, highly collective, is characterized by a preference for tightly knit social network, an expectation that in-group members will support each other and a strong urge to maintain social harmony and interdependence within the in-group. Collectivism refers to the degree to which the society emphasizes the role of the individual versus the role of the group. Nations with high collectivism are likely to show an emotional attachment to organizations and to emphasize on “we are greater as a group”.

Masculinity

According to Hofstede (2005, p. 120), “a society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life”. In a masculine society, boys are socialized towards assertiveness, ambition and competition, and they are expected to aspire to career advance; while girls are polarized between those who want a career and the majority who don't. The resolution of conflicts in this culture society is “letting and best men win”. Organizations in masculine society stress on the result and reward on the basis of equity-rewarding everyone on the basis of performance accordingly. In addition, as the work ethos for the society is “live to work”, more money is preferable to more leisure time.

High-uncertainty avoidance

Hofstede (2005) defines uncertainty avoidance can be define as the extent to which the members of a culture feel threatened by ambiguous or unknow situation. This feeling is expressed through nervous stress and in a need for predictability-- a need for written and unwritten rules. Uncertainty avoidance is different from risk avoidance as risk is often expressed as a percentage of probability that a particular event may happen, whereas uncertainty has no probability attached to it. Consequently, in this situation it is expected that anything can occur.

In a high-uncertainty avoidance society, the level of stress is considered to be high as people believe that “the uncertainty inherent in life is a continuous threat that must be fought”. Furthermore, as the emotional need for rules in a high-uncertainty avoidance culture is strong, people have been programmed since their early childhood to feel comfortable in structured environment. As a result, people in this society have more formal laws and informal rules controlling the rights and duties of employers and employees. They also have more internal regulations controlling work processes. However, this can lead to rule-oriented behaviours that are purely ritual, inconsistent or even dysfunctional and therefore problems can arise even if people may not realize ineffective rules can also satisfy people’s emotional needs in this society. Moreover, there is a strong belief in expertise on the work floor and specialists. Furthermore, with a strong need for rules, organizations are often likely to reward “intrapreneurs” who dare to break rules and thus, people in high- uncertainty avoidance culture can be less creative and innovative as compared to low-uncertainty culture.

2.4 United States’ National Attitudes

By contrast with the attitude of Chinese culture, Hofstede (2005) identifies the culture of United States as low-power distance, individualism, and low-uncertainty avoidance.

Low-power distance

In a low-power distance culture, subordinates and superiors treat each other as existentially equal; in contrast the hierarchical system is fraught with an inequality of roles, established for convenience/ and roles may be changed. Organisations in this culture are decentralized, with relatively flat hierarchical pyramids and limited numbers of supervisory personnel. Salary ranges between top and bottom job are relatively small; workers are highly qualified and high-skilled manual work has a higher status than low-skilled office work. In addition, privileges for higher-ups are considered to be undesirable and thus all should use the same parking space, toilets and cafeteria. Moreover, superiors should be accessible to subordinates and the ideal boss is a resourceful democrat. Subordinates are expected to be consulted before a decision is made that affects their work, but they accept that the boss is the final decision-maker. Organizations in this society tend to be more likely to have a structured ways of dealing with employee complaints about alleged power abuses.

Individualism

Hofstede (2005, p. 76) has gone a step further by defining individualism as loose ties between individuals. This means that everyone in the society is expected to look after him or herself and his or her immediate family. In a culture of individualism, employee are expected to act according to their own interest, and work should be organized in such a way that this self-interest and the employer's interest coincide. In addition, an individualist society often dismisses the family relationships as undesirable in the hiring process as they may lead to nepotism and conflicts of interest. Therefore, some companies have setup rules that if one employee marries another, one of them will have to leave the company. Moreover, the relationship between employer and employee is primarily conceived as a business transaction, a calculative relationship between buyers and sellers in a labour market. Therefore, poor performance on the part of the employee as a reason to terminate a work relationship or a better pay offer from another employer is legitimate and socially acceptable. Furthermore, management in an individualist society is, in essence, management of

individuals. Subordinates can usually be moved around individually. It is expected that if there are any incentives or bonus to be given, it should link to individual's performance.

Femininity

As Hofstede (2005, p. 120) states, "a society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender and concerned with the quality of life". In the workplace of a feminine culture, there is a preference for resolving conflicts by compromise and negotiation. While there may occasionally be some verbal insult, both between bosses and subordinates, yet there seems to be "sense of moderation" that enables both parties to continue working together. In a feminine culture, large possibilities has open for women managers who may be better able to combine "manager" and "management" than men. In addition, organisations in feminine societies are more likely to reward people on the basis of equality rather than equity-- there is everyone according to their needs. Moreover, as the work ethos in a feminine society emphasis on "work to live", careers would be considered to be optional for both genders and more leisure time would be preferable to more over money. Consequently, the concept of "work-life balance" seems to be more important for people in feminine society as compared to masculine one.

Low-uncertainty avoidance

As opposed to high-uncertainty avoidance culture, countries with weak uncertainty avoidance can display an emotional horror of formal rules as people believe that rules should only be established in the case of absolute necessity such as determining whether the traffic should be keep left or right. Low-uncertainty avoidance cultures have strong belief in common sense and in generalism. For example, people in this society often believe that "study at a good university is a valid entry ticket for a business management career." Moreover, they are relatively free from rules and thus better at invention but worse at implementation, as opposed to people in strong certainty avoidance culture.

2.5 A Comparison between Two National Attitudes

A comparison of key cultural characteristic between China and United States shows that these two giant nationals have different cultural characteristic that are poles apart from each other. That may pose difficulty for an organization that needs to develop management technique and training package for its employees. For example, according to Hofstede (2005), a standard element in the training of first-line managers is how to conduct appraisal interviews with their subordinates in which individual's performance is reviewed and discussed between managers and subordinates. For conducting performance appraisals and the ability to communicate bad news are thought of as a key skill for a successful manager. However, in a collective society, discussing a person's performance openly with him or her is likely to clash head-on with society's harmony norm and may be felt by the subordinate as an unacceptable loss of face.

A study done by Laurent (1983) found that national difference in beliefs regarding organization practices was considerably greater in multi-national firms than in single national samples. His results have led Schneider (1988) to suggest "*a paradox that national culture may play a stronger role in the face of a strong corporate culture. The pressures to conform may create the need to reassert autonomy and identity, creating a national mosaic rather than a melting pot*". Hofstede et al (1990) also suggested that while national culture forms one's values through early socialization, corporate culture involves the subsequent acquisition of organization practices and symbols in the firm. Therefore the authors propose that national and corporate cultures are distinctive but related. In that sense, there is no reason to believe that the impact of national culture's clash will not be equal, if not greater than the one produced by corporate culture. As Laurent (1986) proposed, the deeper level of underlying assumptions is derived from one's national culture, it is therefore expected that national culture constitutes a crucial factor in M&A conflicts, in its quest for

successful integration.

2.6 The Role of Corporate Culture from the Chinese Perspective

Before embarking on a detailed analysis of how corporate culture can affect the success or failure of M&A, it is essential to provide a brief theoretical foundation for corporate culture, which is also known as organizational culture.

Corporate culture has been used as an independent variable to explain differences in management styles and organisational practices (Roberts, 1970; Bhagat & McQuaid, 1982). It has also been used to explain the success of some organisations (Peter and Waterman, 1982). Overall, corporate culture can be defined as the company's shared values, beliefs, business traditions, trading principles and ways of operating in the internal work environment, which are held deeply by the members of the organization (Buono et al, 1985; Thompson and Strickland, 2003; Schrader and Self, 2003; Lodorfos and Boateng, 2006). Buono et al (1985) has presented two distinct conceptualizations of organizational culture in which the characteristics of subjective culture comprise shared values and beliefs among members of an organization whereas the characteristics of objective culture include organisational artefacts such as the location of offices, physical setting and office decoration. According to Thompson and Strickland (2003), a company's culture is manifested in the values and business principles that management preaches and practices, in its ethical standards and official policies, in its stakeholder relationships (e.g with employees, vendors, stockholders and communities), in the traditions the organization maintains in its supervisory practices, in employee's attitudes and behaviour, in the legends people repeat about what is happenings in the organization. All these social forces, some of which operate quite subtly, conspire to define a corporate culture.

From a Chinese perspective, there are basic assumptions which a successful corporate culture should maintain (Mo and Mei, 2004). First, it must not be forgotten that the culture of an organization is created by humans and thus it should follow the values and ethical beliefs which people normally perceive. Second, set norms, values and policies designed by the organisation shall be adaptive to its environment and social context. Finally, the corporate culture should provide a physiological bond that is able to help the company keep its members together as a team to achieve its organizational goals and further objectives.

In addition, the same authors (2004) also present four guidelines for a Chinese organisation to follow while building its corporate culture: First, as “people” are considered to be an core asset of the organisation, the aims of managing employees should, as concede the authors, fulfil the needs of the employees on four levels, namely physical needs, psychological needs, emotional needs and mental needs in which, non-physical needs are considered to be components of the corporate culture. Once the employees are keen to pursue wealth, power, justice, individual achievement and high self-esteem, a successful corporate culture should facilitate these pursuits and give as much encouragement and incentive as possible to achieve them.

Second, the influence of national culture should not be underestimated in building the culture of an organization. The predominant Western human resource management knowledge and literature should be adapted to a Chinese company, and some variation in the management style may be needed due to national and cultural differences.

Third, being a systematic group, an organization has to policies and procedures that are essential to managing human resources in the company. Therefore, the corporate culture of the company should match these policies and procedures, as well as the strategies of the company.

Fourth, while it is important for a Chinese company to focus on a Chinese perspective

in building its organizational culture, it is also important to implement it with an international perspective. This is especially important in the context of increasing internationalisation of Chinese business. Learning and observing from other cultures allows organizations to integrate elements of best practices in order to build up a unique culture that is best suit for their purposes.

Like national culture, corporate culture has a historical basis and forms through a process of socialisation when members within the organisation have learned how to act accordingly (Schweber and LeVine, 1984). Very often, many components of the culture within the organization originate with founders or certain strong leaders who articulated them as a company philosophy or as a set of principles to which the firm should rigidly adhere and which underpin company policies. Over time, these values and beliefs become embedded in how the company should conduct its business, are shared by management and employees, and persist as new employees are encouraged to adopt and follow the same values and practices. Gradually, corporate culture becomes an integral part of the organization.

Meanwhile some scholars note that since culture has a historical basis and is socially constructed, it can be described as a product of successful adaptation to the environment. So it will resist to change that may occurs due to M&As or change in company's strategy (Hofstede, 1980; Gordon, 1991). Therefore, difficulties may arise when one tries to modify another's corporate culture during mergers and acquisitions (Schrader and Self, 2003). As Lodorfos and Boateng (2006) assert, corporate culture represents an important element of the merger and acquisition process and its full strength is seen during an acquisition when two divergent cultures are forced to become one, which is likely to have a substantial impact on organizational performance and outcomes. Therefore, it is not surprising that a number of studies have shown that M&A often fails as the results of managers underestimating the importance of the people factor and cultural fit ((Hofstede, 1980; Gordon, 1991; Schrader and Self, 2003; Lodorfos and Boateng, 2006).

Based on social categorisation and identity theories, it is suggested that, “*membership in any social group provides occurring lines along which conflict can be drawn.*” Such conflict may result from members’ favouritism tendency toward in-group members and discrimination toward out-group members (Turner, 1982; Kramer, 1991). As Turner (1982) suggests, individuals seek to maintain high self-esteem by defining themselves in ways that lead to favourable social comparison. By placing themselves and others first into social groups such as background and age, individuals then display positive attitudes or favouritism to their own group and display negative characteristics such as ethnocentrism to other groups. As a result, these stereotype and biased attitudes can act as factors to restrict communication among group members and thus undermining group cohesion.

In addition, the similarity-attraction paradigm argues that, people tend to have a preference to interact with those who are similar as compared to those who are different, a phenomenon that when observed in friendship patterns is called homophily bias (William & O’Reilly, 1989 cited in Ely, 2004; Makower, 2001). An explanation by Milliken and Martins (1996), for this phenomenon is that people who are similar in backgrounds may have similar values, share common life experiences, and therefore find the experience of interacting with each other positively reinforcing. In the respect, it has been suggested that group heterogeneity may have a negative impact on group performance that result from negative feelings of satisfaction from individual through decrease in individual’s sense of identification and social integration within the group. Consequently, individuals tend to select organizations they perceive as having values similar to their own and when there is a good fit, a psychological bond is formed that is not easily broken. Therefore, the full power of cultural-fit on individual’s work behaviour can be felt when two corporate cultures are brought into close contact with each other, typically in the case of a M&A.

2.7 Problems Arising from Disintegrated cultures of two companies

As it happens the acquiring company, depending on the type of M&A and the motive must decide on the implementing strategy that determines the extent to which the various systems of the two firms combine and the degree to which the employees in two companies interface and communicate. According to Nahavandi and Malekzadeh (1988), reckon that in the case of mergers, the acquirer is more likely to impose its own culture and practices on the acquired company as the acquirer considers itself to be more knowledgeable about the industry and product, and perceives a need to reduce duplication in order to benefit from economies of scale. From the acquired employees' perspective, when a merger or acquisition takes place there is a threat as belief and value structures established by the old company and employees are swept into a chaotic situation where it is unclear whether the new company will continue to support the same values and beliefs (Stanwick, 2000).

In addition, the merging of different cultures also creates uncertainty since the company uses culture as a framework to reinforce appropriate behaviour through rewards and incentive systems. As a result, it poses further challenges for the acquirer in the post-acquisition stage when integrating the corporate culture of both companies, especially in the case of an international M&A. Some scholars agree that dissimilar organizational cultures can produce significant discomfort which can lower the commitment and cooperation of employees from the acquired company and thus a cultural clash may occur which will further hinder the financial success of a merger (Sales and Mirvis, 1984; Buono, Bowditch and Lewis, 1985).

Some scholars have described the consequences of top management culture clash in M&A and suggested three main features likely to be observed (Weber and Schweiger, 1992; Kuran and Sandholm, 2008). First, the stress, distrust and annoyance on the part of the acquired team in working with the acquiring team. Second, the negative

attitudes displayed by the acquired team towards the acquiring organisation. Finally, the negative attitudes displayed by the acquired team in coordinating and working with the top management. Therefore, differences in organizational culture between two parties could produce misunderstandings, negative emotional reactions, and escalated conflicts.

Moreover, apart from M&A, differences in culture can also put organizations in a fix that adopt different entry modes such as joint ventures or strategic alliances.

Firstly, a joint venture entails establishing a firm that is jointly owned by two or more otherwise independent firms (Hill, 2003). It allows the firm to benefit from a local partner's knowledge of the host country's competitive conditions, culture, language, political systems, and business system. On the other hand, the major disadvantages with such strategy mode are as follows. First, as with licensing, a firm that enters into a joint venture may risk giving control of its technology or competitive advantage to its partner. Second, the venture does not give a firm the tight control over subsidiaries that it might need to realize experience curve or location economies, nor does the tight control over a foreign subsidiary that it might need for engaging in coordinated global attacks to its rivals. Third, the shared ownership arrangement may lead to conflicts and battles for control between concerned parties if there is a difference in their goals and objectives or if each team take different views as to what the strategy should be. Even worse, these conflicts tend to be so great when the venture of different nationalities is triggered by shifts in the bargaining power of venture partners, that they often end up dissolving the venture.

Secondly, strategic alliances refer to cooperative arrangements between potential or actual competitors. It runs the range from formal joints ventures, in which two or more firms have equity stakes, to short-term contractual arrangements, in which two companies agree to cooperate on a particular task (e.g. develop a new product and

new technology). The collaboration between competitors is fashionable and this seems to have continued into the new century (Hill, 2003).

According to Strickland and Thompson (2001), strategic alliances nearly always entail an evolving relationship, with the benefits and competitive value, ultimately depending on mutual learning, effective cooperation over time, and successfully adapting to change. Competitive advantage emerges when a company acquires valuable resources and capabilities through alliances that it could not otherwise obtain on its own and that give it an edge over rivals. This requires real in-the-trenches collaboration between the partners to create new value together, not merely an arm's length exchange of ideas and information. Unless partners value the skills, resources, and contributions each brings to the alliance and the cooperative arrangement results in win-win outcomes, it will amount to little or fail.

There are several common reasons why companies enter into strategic alliances: to collaborate on technology or development of promising new products, to overcome deficits in their technical and manufacturing expertise, to acquire altogether new competencies, to improve supply chain efficiency, to gain economies of scale in production or marketing, and to acquire or improve market access through joint marketing agreements. In addition, for a company that is racing for global market leadership, it would need alliances to hit the following targets: 1) to get into critical markets quickly and accelerate the process of building a potent global market presence; 2) to gain inside knowledge about unfamiliar markets and cultures through alliances with local partners; 3) to access valuable skills and competencies that are concentrated in particular geographic locations.

Promisingly, there are several potential advantages for this entry mode. First, it may facilitate entry into a foreign market. Second, it allows firms to share the fixed costs as well as associated risks of developing new products or processes. Third, it may allow the team to bring together complementary skills and assets that neither company

could easily develop on its own. Fourth, it can make sense to form an alliance that will help the firm establish technological standards for the industry that will benefit the firm. Finally, not only can alliances offset competitive disadvantages or create competitive advantages, but they also can result in the allied companies' directing their competitive energies more toward mutual rivals and less toward one another. Potential rivals can sometime be effectively neutralized by engaging them in a collaborative alliance. However, the drawbacks of this strategy are: giving the competitor a low-cost route to new technology and markets, and the risks in selections of partner is high as once the alliance is formed, two parties are interdependent to each other.

2.8 Stages of Integration

Studies have identified various stages of culture integration for international M&A. They are stages of contact, conflict, adaptation and integration (Berry, 1983; Nahavandi and Malekzadeh, 1988; Pan, 2006). As different characteristics will emerge in is each stage, the management implications for each stage will also be different.

The first stage that international M&A will undergo is the contact stage. This is the stage where the company has just completed the acquisition process and the teams in both acquired and acquiring companies start to get in touch and find out the differences in each other. At this stage, the acquiring and acquired teams are cautiously seeking to find out each other's product, management style, corporate culture as well as reputation of the company. Therefore, there may be some excitement from employees which occur from the curiosity of another company's national and corporate culture. While there may be some conflicts, they will not be significant. This is because that both teams only understand the surface layer of one another's cultural value and as a result, both teams are able to be peacefully working with each other for short-term. At this stage of cultural integration, it is seems

important for the acquiring team to identify the common grounds and the gaps in perception of version, value, structure, management practices and behaviours (Raynaud, 1991; Pan, 2006). As Raynaud (1991) proposes, this culture gap analysis can be done by using questionnaires, interviews or focus groups in order to identify difference between both organizations. Apart from providing a understanding of the cultural gaps between two companies, the cultural gap analysis can also be served as background information for management teams to identify: the strength and weakness of both companies in human resource and areas that may cause conflicts between staffs in order to design a suitable cultural integration plan to emphasis on the appropriate integration mode and implications.

The second stage is called the stage of conflict, which is swinging into implementation of its integration plan along the devise of new management style and structures. In this stage, culture conflicts are often regarded as be the main problem in the organisation that need to be solved when different values may cause problems such as social comparison, stereotyping and thus disagreements and clashes. From the national culture level, differences can arise from language and underlying cultural value. On the other hand, differences arising from corporate culture may occur from differences in management style and core values. In addition, culture conflicts will go through a three-stage processes which are magnifying differences, stereotyping differences and putdown (Pan, 2006). Firstly, as time goes, the difference between the acquiring and acquired company may become more noticeable and thus both teams may start to scramble for power. Secondly, teams from both ends may start to form bias and stereotype towards each other's management style and leadership based on the differences that have been magnified in the first phase. Thereafter, once stereotype has been formed, the corporate culture of the weaker end will be put down by the stronger team as the stronger teams consider their culture to be superior to its opponent. By that time, the stronger teams will force the weaker team to accept their decision-makings and crafting strategy. The result, will be disappointment, anger and stress from the team that been put putdown.

Moreover, those who working in a foreign country are surrounded by different language and culture value may feel loneliness and emotional stress. They start to be evocative of the culture in their country and thus unable to integration into the culture of the organisation.

To avert conflicts, there are two suggestions for consideration. Firstly, it is important to conduct cultural awareness training for its staff as it can increase staff's communications from both acquiring and acquired companies, understand each other's culture from a bias-free perspective, and thus enhance the chance for successfully cultural integration of both organisations. In addition, useful activities can be carried out such as: team work, role play as well as practical training. These activities would be able to break through individual's stereotype to other culture, to find out the differences more effectively and therefore more easily to adopt into each other's culture. Secondly, when managing cultural conflicts it is important to resolve conflicts immediately after they explode by understanding the problem through formal and informal discussion, following up the result after implementation of the resolution, and adjusting the implication appropriately accordingly.

The adopting stage is the third stage of culture integration. It is the very stage that requires the longest time among all stages. As cultures on both national and corporate levels are embedded in history and values that are psychologically rooted in people, there may be strong resistance for any changes. According to Pan (2006), most international M&A organisations in China often find it more difficult for the acquired company to adapt to Chinese culture as compare to international M&A in other countries, and as a result, they need longer time and more money. Therefore, it is suggested that at this stage both teams should actively be involved in understanding and adapting to each other's culture. By active communication and adjustment, they will allow the organisation to form a range of new management style and structure that suits both cultures.

Here, two factors are considered to be most important. Firstly, before understanding the culture of others; it is essential to understand well the culture of its own. That could, it enable the organization to identify the strength and weakness of the culture as well as the factors behind them. By doing so, the firm could compare and contrast its culture with others rationally. Secondly, it is also vital to be culturally empathetic. As social categorisation and identity theories suggest “*membership in any social group provides occurring lines along which conflict can be drawn*”, such conflict results from members’ tendency to favour toward in-group members and discriminate toward out-group members (Turner, 1982; Kramer, 1991). As Turner (1982) suggests, individuals seek to maintain high self-esteem by defining themselves in ways that lead to favourable social comparison. By placing themselves and others first into social groups such as background and age, individuals then display positive attitudes or favouritism to their own group and display negative characteristics such as ethnocentrism to other groups. As a result, these stereotypes and biased attitudes can act as factors to restrict communication among group members and thus undermining group cohesion. According to Milliken and Martins (1996), one reason for this phenomenon is that people who are similar in backgrounds may have similar values, share common life experience, and therefore, find the experience of interacting with each other positively reinforcing. Therefore, organization needs to be culturally de-emphatic when doing culture audit so it will enable the team to analyse the culture rationally.

The final, the last stage is the integration stage. As discussed previously, with the delicate situation facing international M&A organizations, integration of culture is not as easy as only adopting and superposing the cultures of both companies. Organisation needs to take into account its environment surrounded when developing a new corporate culture. For example, organization needs to rethink its social and market environment, operational strategy and direction, as well as the strength from both acquiring and acquired companies, in order to develop a culture that could enable

the organization to take advantage of its strength (e.g. Diversity) and thus to be competitive. Some scholars have emphasized the differences in national and corporate cultures which make difficult for international M&A to integrate (Sales and Mirvis, 1984; Buono, Bowditch and Lewis, 1985), and thus bear a high level of failure rate. But culture can be a competitive advantage of a company which may bring new opportunity for the company. If management can actively be involved in learning the culture of others, it will increase organisation's ability to adapt to its environment, look at problem-solving and decision-making from different perspectives and become more flexible in its management style for its employees worldwide.

In order to achieve this synergy, the organisation should rest on the premise that to respect other's culture while creating a new culture for the companies that is suitable for its employees from both acquiring and acquired company. Therefore, while fostering a new culture, the acquiring company should find an integration mode that it is suitable for the company and not simply try to transfer its culture to its acquired company.

2.9 Mode of Integration

As Nahavandi and Malekzadeh (1988) proposed, the degree of congruence between the acquirer and acquired organisations' preferred modes of acculturation will affect the level of acculturative stress. Acculturation is generally defined as "changes induced in two culture systems as a result of the diffusion of cultural elements in both directions" (Berry, 1980, p. 215). Scholars have identified four modes through which acculturation takes place (Berry, 1983; Berry, 1984; Pan, 2006). These include integration, assimilation, separation and deculturation. The modes are used to define ways in which two groups adapt to each other and resolve emergent conflicts. In the case of M&A, the characteristic of the acquired and acquiring companies will determine which mode of acculturation will be triggered (Nahavandi and Malekzadeh, 1988).

Integration

As Berry (1983) suggests, integration can be served as a mode of acculturation which leads to structural assimilation of two cultures and little cultural behavioural assimilation. Therefore, this mode is triggered when members of the acquired company want to preserve their own culture and identity and to remain autonomous and independent. In addition, London (1967) argues that while integration involves interaction and adaptation between two cultures and requires mutual contribution by both groups, and that it does not involve a loss of cultural identity by either of the teams. Thus, the acquired company's employees may try to maintain many of the basic assumptions, belief, cultural elements, and organisational practices and systems that make them unique. At the same time, they are willing to be integrated into the acquirer's structure. However, in order for this mode to take place, the acquirer must also be willing to allow such independence (Pan, 2006). In short, this mode may lead to some degree of change in both team's culture and practices and the flow of cultural elements will be balanced as neither group tries to dominate the other.

Assimilation

In contrast with integration, assimilation is always a unilateral process in which one group willingly adopts the identity and culture of the other group (Berry, 1983; Berry, 1984). Thus, members of the acquired firm are willing to relinquish their culture and most of their organizational practices and systems and to adopt the culture and the system of the acquiring firm. This may occur in an acquired firm when its employees and managers have perceived their culture and practices to be dysfunctional and hindering organisational performance (Nahavandi and Malekzadeh, 1988). Thus, following the merger, structural, cultural and behavioural assimilation will occur. Overall, the acquired firm will be absorbed into the acquiring firm, and the former will cease to exist as a cultural entity.

Separation

The third mode of acculturation is the separation mode. It involves attempting to

preserve one's culture and practices by remaining separate and independent from the dominant group (Berry, 1983). This mode is likely to take place when members of the acquired firm want to preserve their culture and organizational systems so they refuse to become assimilated into the acquiring team in any way or at any level (Nahavandi and Malekzadeh, 1988; Pan, 2006). According to Nahavandi and Malekzadeh (1988), these members will resist any attempt to adopt and conciliate, and they will try to remain totally separate from the acquiring team. If that is allowed by the acquiring company, they will function as a separate unit under the financial umbrella of the parent company. In short, there will be minimal cultural exchange between the two teams, and each will function independently (Nahavandi and Malekzadeh, 1988).

Deculturation

The last mode of acculturation is deculturation which involves losing cultural and psychological contact with either groups or the other group. In addition, it also involves remaining an outcast to both (Sales & Mirvis, 1984). This occurs when members of the acquired firm neither value their own culture, organisational practices and system, nor they want to be assimilated into the acquiring team. As Berry (1983) suggests, factors that leads to this mode may include individuals from acquired company suffering from alienation and lose of identity. As a result, the acquired team is likely to disintegrate as a cultural identity.

In summary, the concepts of acculturation discussed above have addressed the ways in which the acquired and acquiring company can use to integrate cultures, organisational systems and practices of both companies. A total absorption of one into another is by no means the only mode of adaptation. The mode of acculturation depends on the way in which the acquiring and acquired company approaches the implementation of the merger. From the acquired company's point of view, the degree to which members want to preserve their own culture and organisational practices and the degree to which they are willing to adopt the acquirer's culture and practices will determine their preferred mode of acculturation (Nahavandi and Malekzadeh, 1988).

On the other hand, the culture, particularly the degree to which the firm is multicultural and the diversification strategy regarding the type of merger will determine the preferred mode of acculturation for acquirer (Nahavandi and Malekzadeh, 1988). Similarly, the term multiculturalism refers to the degree to which an organisation value cultural diversity and its willingness to tolerate and encourage such diversity. Especially when two organizations agree on the preferred mode of acculturation for post-merger stage, there will be less acculturation stress and resistance from members of organisation will result and thus an increase in the level of success of the acculturation.

2.10 Issues to be explored

The various concepts analysed above have presented scholars' research on benefits and defects of international M&A, national cultural attitudes, and the stages and modes of acculturation for international M&A. While these literatures and theories fully explain the process of acculturation of international M&A from various perspectives, there are few case studies examining the academic concepts from a practical perspective. Furthermore, as many of concepts and theories are developed by western companies, the management literature is already replete with cases of how Western companies manage their teams in international M&A, yet a smattering of literature has discussed international M&A from an Asian context. Thus, the study will first look at the acculturation process of international M&A from a Chinese perspective, and then explore the differences between Asian and Western management styles to see how big role culture plays in them.

3.0 Company Background

Lenovo, also known as Legend, was founded in Beijing, China by 11 scientists who had a vision to create a company that would bring the advantages of information technology to the Chinese people. With RMB 200,000 (US \$25,000), as seed money, the small, one-story shop was set up in a loaned space that opened the new era of consumer PCs in China.

Since it was established, the company has affected the lives of millions of Chinese. It started by introducing PCs to households, then it promoted PC usage in China by establishing retail shops nationwide. In addition, it also developed the pioneering Legend Chinese Character Card that has translated English operating software into Chinese characters, and achieved breakthroughs like PCs with one-button access to the Internet. By 1994, Legend was traded on the Hong Kong Stock Exchange and it produced its one-millionth personal computers after four years later. In 2003, Legend changed its brand name to Lenovo, taking the “Le” from Legend, nod to its heritage, and adding “novo”, the Latin word for “new”, to reflect the spirit of innovation at the core of the company, and the company name also changed into Lenovo in the following year.

In August 2004, Yuanqing Yang, the chairman of the board of Lenovo, has announced the acquisition of IBM’s Personal Computing Division with a total of 12.5 billion US dollar (6.5 billion of cash & 6 billion worth of Lenovo’s stock). This acquisition was completed in 2005, which enables Lenovo to jump from the ninth to the third-largest personal computer company in the world that closely followed Dell and Phillip. Today, these two visionary companies are united under the Lenovo name. With Lenovo’s landmark acquisition of IBM’s Personal Computing Division, the new Lenovo is a

leader in the global PC market, with approximately \$13 billion in annual revenue, and products serving enterprises and consumers worldwide.

In China, Lenovo commands more than one-third of the PC market, covering all segments. The organization acclaimed its leading-edge pc to be user-friendly and customized solutions for various customer needs, including the Tianjiao and Fengxing consumer desktop and Yangtian and Kaitian enterprise desktops. In addition, Lenovo also has a broad and expanding product line encompassing mobile handsets, servers, peripherals and digital entertainment product for Chinese market.

Moreover, Lenovo became the first Chinese company in 2004 which join the Olympic Partner Program. As a worldwide sponsor with the International Olympic Committee, the company is one of the major suppliers of computing equipments such as desktop, notebook computer and servers. Furthermore, Lenovo also contributed funding to supporting the 2006 winter games in Turin, Italy and the 2008 summer games in Beijing, China. It is thought that these initiatives will help Lenovo to introduce its brand around the world.

4.0 Research Methodology

4.1 Method

This study aims to examine the cultural integration processes in Lenovo after its M&A with IBM. As this study focuses on staffs who work in Lenovo and IBM PC department, particularly participants in the culture integration, samples were selected from those willing to join in the research. Since Lenovo has set up a particular department which mainly focuses on cultural integration between Lenovo and IBM, a convenient sampling method is used for sample selection. While it is important to select managers from both Lenovo and IBM to ensure a wider range of opinions, unfortunately there were no managers from IBM able to participate in Lenovo Beijing. Therefore, 5 Chinese managers in this special department were selected.

Data collection methods in this research includes design of a semi-structured interview protocol, pre-testing, and face-to-face semi-structured interviews. Based on a literature review, a first draft semi-structured interview protocol has been designed ready for pre-testing. Interview questions were drawn up based on the literatures which examine from both national and corporate culture perspectives by looking at areas such as motivation, new management style and policies, and how companies encourage commitment and communications; and manage resistance from staff. The data from the interviews are very helpful in analysing the integration stages and modes that Lenovo is currently at, integrating implications for Lenovo, and differences in Chinese and Western management styles. As the target interviewees are managers in Lenovo's China operations, the English language protocol is translated into Chinese which has also been translated by an external person from Chinese back into English in order to ensure consistency in translation. Following this,

a pre-test was undertaken on a relevant participant who has experience in cultural integration and cross-cultural management. This is to ensure that the questions posed will be understood by participants and that there are no problems with the wording or measurement. Due the difficulties in finding an ideal person who has real practical experience in the organisation, management students and lecturers who have academic background in this field are most suitable. After getting feedback from the pre-testing, I tried to modify the questions and finalise my interview instrument.

Finally, I was ready to conduct my face-to-face structured interviews with managers in Lenovo who are involved in cross-cultural management and cultural integration. The company has stipulated that interviews cannot be taped so I have to rely on note taking. Interviewees will be asked to review transcripts developed from these notes to confirm content and interpretation. In addition, the company has agreed to provide relevant documentations such as integration proposal and new company policies, this allowed to compare against data from interviews to ensure consistency.

4.11 Ethical Considerations

Although this research was considered to be a low risk research, appropriate ethical application process was gone through. In addition, participant sheet was provided which was given to participants before the interview. This was approved by the AUT Ethical Committee on 21/11/2007.

4.12 Advantages of Research Design

As expected, there is a great deal of emphasis putting on the importance of looking at variables in a natural setting from where they are found. With interview as a research method, detailed data can be gathered through open-ended questions and thus interviewers become an integral part of the investigation. This method is quite different from the quantitative research which attempts to gather data by objective

methods such as questionnaires and surveys to provide information about comparison and predications on the data which simultaneously attempts to remove the investigator from the investigation (Key, 1997). On this view, culture is considered to be relatively subjective, and one's experience and attitudes that may be relevant are included in the research.

4.13 Disadvantages (Limitations) of Research Design

However, in closer analysis, there were several drawbacks in theses interviews. First, as the participants did not allow type recording during the interview, the interviewer had to rely on notes which were taken during the interview. This may miss out on information in the interview as it may not be possible for the interviewer to dictate the whole interview in such a short period of time. Second, although participants agreed to proof read the transcripts developed by the interviewer to ensure the correctness of the content and interpretation, participants refused to sign the transcript after checking it. This may affect the research by weakening the reliability of the research.

5.0 Results & Discussion

This section provides an analysis of the results obtained from the interviews with five employees from Lenovo. Despite a consistent set of questions asked in the interview, the data are not analysed by questions. Rather, the analysis looks at Lenovo's acculturation strategies from five different angles including: participants, motives, problems anticipated, integration process, and perception of Lenovo. It also seeks to compare and contrast the company's acculturation strategies against the literature identify its, strengths and weaknesses and tentatively point out the way for future improvement.

5.1 Participants

There were 5 participants taking part in the interview. It took the interviews between 1 hour to 1 hour 15 minutes. As a recorder was not permitted to be used to record the interview, reliance on note taking to take down the conversation with the participants was the only choice. After that a workable transcript that was prepared sent back to the participants to confirm the wording.

With regard to the background of participants, the participants were all selected from the cultural integration committee within the company. The team was made up of employees from various departments such as administrator, sales, human resource and supply-chain. Although each participant represented a different department, they voluntarily joined the cultural integration committee in Lenovo and have been working on initiatives to enhance the communication of both teams from IBM PC-D and the staff from Lenovo. Thus, we believed they would have a good understanding of the progress of cultural integration within the company.

During the interview, each participant answered the questions from their perspective of the job position they are currently in. For example, the administrator would focus on any changes that had made in their job tasks after the acquisition. That could ensure the quality of the research for they all looked at the problems and strategy that Lenovo had encountered from various points of view. However, absence of IBM PC-D participates in the research, and their viewpoints some limitations would inevitably put on the research.

5.2 Motives

Overall, there was consistency in the answers provided by the five interviewees on Lenovo's motivations behind its acquisition. Several minor motives seem to have also driven Lenovo to make the acquisition. It appears that the main motives behind this acquisition were: 1) to enable the company to internationalise and transform into a global multinational corporation ultimately; 2) to lower the cost of production by M&A with IBM that could enable Lenovo to learn the supply-chain management from IBM; 3) to acquire an international brand from IBM; 4) to have access to new customers; 5) to expand the company's structure in order to strengthen its bargaining position with its supplier.

5.2.1 Internationalization

All participants agreed that being largely a localized company, Lenovo's sales and growth levels had reached maturity in the past few years, and acquisition was necessary and also of the fastest way for the company to reach other markets in order to increase its sales and continue expanding. In China, Lenovo commands about one-third of the PC market of all segments. Its leading-edge PCs are highly acclaimed for ease-of-use, tailor-made designs and customised solutions for various customer needs. In addition, Lenovo has been the number-one PC vendor in China for eight consecutive years and the best selling PC vendor in Asia-Pacific excluding Japan. The

company also has a broad and expanding product line encompassing mobile handsets, servers, peripherals and digital entertainment products for the China market.

Since 2000, Lenovo's market share in the local market had shrunk due to a decrease in sales demand. Many PC suppliers adopted a price competition strategy in order to stabilize its market share. At the same time, with China entering WTO, the restrictions on foreign investment gradually removed and thus, China opened up for big PC giants such as Dell, Phillip and IBM. Consequently, Lenovo was facing strong competitive pressure from both multinational and local suppliers. In addition, personal PC had entered into a "homogeneity" stage where many products have lost self-identity between brands. This meant that many consumers started to believe that features and functions of one product are identical apart from differences in its brand. For example, the features of a 31-inch LCD would be more or less the same no matter which company it was from. The result of this was a price war between PC suppliers on the Chinese market. As many large PC giants entered into the Chinese market, only those with strong financial support were able to offer the lowest price and achieved a competitive edge.

At such a time, Lenovo deeply believed that international expansion was an essential stepping-stone for growth. It would not pass up on the chance of IBM's intention to sell its unprofitable PC department. That has provided fast routes for Lenovo to become the fifth largest PC producer in the world.

5.2.2 Acquiring Technology and Skills

Through acquisition, Lenovo was also able to gain access to technology and to secure research and development skills within IBM. This was another strategic rationale for expanding overseas. From Lenovo's point of view, if it is able to integrate successful with IBM in term of development skills and supplier-china management, the company will be a large integrated PC company that able to engage in R&D, production,

manufacturing, distribution, marketing, and after-sell-service. That was considered to be one of the largest benefits Lenovo could gain through integrating with IBM and would enable Lenovo to achieve a potential competitive advantage through reduced costs of production.

5.2.3 Acquiring a Brand

Another motive for Lenovo behind the M&A was the agreement with IBM to be able to use the international brand, the ThinkPad, for five years. Chinese businesses keen to sell in the international market recognize the daunting challenge that face in building international brands (Hirt and Orr, 2006). Chinese heritage brands are largely regarded as providers of basic value or unknown names on a box. Acquiring a well known international company would, allow Lenovo to use the brand of the acquired company in the first stage of introducing the product to the international market and might increase the willingness of customers to try the product. Some participants have indicated that China's product has always been marketed as low quality and less expensive products. Using a well-known brand such as IBM could increase the impression of customer towards the product, thus enabling Lenovo to market its product at the higher end of the market. Therefore, acquiring the PC department from IBM enabled the company to move forward and to internationalize into the global market. However, it should be noted that as the agreement between Lenovo and IBM to give Lenovo the permission to use the brand ThinkPad only five years. In fact, Lenovo does not acquire the brand permanently. How to make efficient use of the brand during this short period of time in order to achieve its strategic goal was critical for Lenovo.

5.2.4 Obtaining Access to New Customers

Perhaps the most challenging strategic aim for Lenovo is to reach out for new customers abroad in order to bolster growth through international expansion. As

discussed in pervious sections, Lenovo had reached its peak in its sales in the local markets and hardly moved further. Since 2001, Lenovo had tried many attempts to diversify itself from main PC producer to IT service consultation. However, all these attempts led to failure.

With the M&A with IBM PC-department, Lenovo has reset its strategic focus on its PC production and made good use of the international brands, ThinkPad for five years. It is hoped that could enable Lenovo to reach more new customers abroad and bolster growth through international expansion.

5.2.5 Strengthening Bargaining power with Suppliers

It was expected the merger could expand the organizational structure of Lenovo and push it into the third largest leading PC producer in the world. Although the long-term strategic goal for the company is to do a better job in R&D and to market and distribution by itself, yet short-term buying in expensive raw materials from suppliers is still essential. A huge increase in the size of the company after the M&A, would doubtlessly put Lenovo a better bargaining position in with its suppliers.

5.3 Comparing motives of Lenovo to literatures

In this section, the motives and entry mode of Lenovo are again compared and contrasted with motives behind merger and acquisition, join venture and strategic alliance in the literature. This section begins with an overall review of concept of each entry mode and then analyses the motives and entry mode of Lenovo in details afterwards.

According to Porter (1985), the primary reason for many M&As is to achieve synergy by integrating two businesses into a combined unit that will increase competitive advantages. M&As are praised as a means to acquire expertise, technology, and

products, to complement ongoing internal product development, to reduce exposure to risks and, above all, to achieve economies of scale (Lodorfos and Boateng, 2006), what is more, many organisation pursuing this strategy are zeroing in on growth, diversification and economies of scales (Buono et al, 1985; Cartwright and Cooper, 1993). Better still, obtaining a dominant niche in the global market is also acknowledged to be another motive for organisations in choosing merger or acquisition. This is particularly true of the many Chinese companies in undertaking foreign acquisition in order to accrue market strength (Child and Rodrigues, 2005). Hirt and Orr (2006) further observed, many Chinese business leaders increasingly believe that the M&A is an essential stepping-stone for growth simply because it may pave the way for acquiring raw materials, technology, engineering skills, access to new customers, and brands.

What is clear in analyzing the entry mode of Lenovo is that the motives behind Lenovo's strategic move nicely matches with the motives discussed in the literatures for mergers and acquisitions. When Lenovo paid USD 1.75 billion to buy IBM personal solution computer department, some, at the first glance, took Lenovo's merger and acquisition with a grain of salt. This has provoked a lot of discussions on whether Lenovo would really follow a pure M&A strategy.

As a start, Lenovo announced that "Lenovo has acquired the formal IBM PC department" on its website where it introduces the company background, but also stated that it was a strategic alliance with IBM on the same page. It seemed to smear the strategy it chose to adopt. As discussed in the literatures, one of the challenges and the main step for most M&A companies is to integrate both companies together in order to achieve its strategic goal. However, our interviews with participants show that Lenovo has taken fewer initiatives to integrate two teams together. This can be evidenced by the discussion with participants indicating that the culture integration department was not formally appointed by the organization.

5.4 Anticipated Problems

This section makes a comparison between which Lenovo's anticipated problems before the M&A and actual problems encountered after the M&A. It starts with outlining the problems that Lenovo foresaw and strategy the company designed to counter the problems. Thereafter, there is a discussion of the actual problems which have arisen after the M&A as well as actual strategies undertaken which will be illustrated by additional examples provided from the interview.

5.4.1 Anticipated Problems Prior to the M&A

Although Lenovo announced its plan to acquire IBM in 2005, the company had considered this acquisition plan long ago back to 2000. In 2000, chairman of Lenovo Mr. Yan was contacted by IBM regarding its intention to sell the personal solution computer department. However, with the tight control of organisation's fund at that time as well as the organization strategy was not ready to fit the move, Lenovo anticipated large risks involving this move and thus declined this offer for the first time. In 2003 when Lenovo was contacted by Merrill Lynch Corporation, who formally looked for potential PCD buyer all over the world for IBM, Mr. Yang put this offer seriously into consideration under the pressures of organisation's needs to expand to the international market with an international brand. In October 2003, MLC began to arrange Lenovo and IBM to negotiate about Lenovo's merger with IBM's PC business. Afterward Lenovo carried on probing this acquisition and appointed McKinsey as his consultant to get a comprehensive understanding of the possibility of the merger and integration. In early 2004, Lenovo appointed Goldman Sachs as the finance consultant. Lenovo mainly focused on the international operational ability, accrual ability, divestitures and brand integration. On the part of IBM and Lenovo, it is assumed that their business can be complementary to each other and their customers distributions are rarely overlapped, but there are still many problems which may occur and pose challenges to Lenovo.

The biggest challenge for Lenovo after the merger is how to manage one its most important asset-- “people”. As the strategic goal of the organization is to expand its market beyond China and take part in competition within the world scope, the organisation will not only face with changes in sales channels and supply chain, but also how to prevent IBM employee turnover. It has been noted that the employee of IBM are very proud of being a employee of IBM, questions may rise whether those employee will be willing to accept the new company structure and choose to stay with Lenovo. Given that Lenovo has been a localised company, it is lacking of experience in dealing with international operation, cross-cultural conflict management and etc, how to stabilise the overseas senior management, especially in the American market which is vital to the company.

In addition, it is assumed that it will take a long time to carry on training and fusion on cross-cultural management and it will be a very terrible change. Therefore, if Lenovo is able to prevent high turnover in IBM’s employee after the acquisition, it will be helpful to Lenovo in stabilising the market as well as smoothing its operation in the first stage after merger. In order to avert this problem, Lenovo had designed several strategies before the acquisition being completed. Firstly, before the acquisition, Lenovo conducted an internal survey within the organization as well as IBM’s PC department to find out the staff’s opinions toward the M&A. According to the result which Lenovo gathered from both teams, it shows that both teams have display similar thoughts towards the integration. The staffs from Lenovo were really positive about the M&A as they believed that the integration would advance the company to an international level. On the other hand, although there are some employee who could not accept this move and choose to leave the company, the majority of staff in IBM PC department had displayed willingness to stay with new company after acquisition, especially when Lenovo displayed the attitude that the new company would be managed in an international manner as well as the guarantees from Lenovo about their remuneration schemes and welfares. From their point of view, the

strategic direction of the IBM PC department is in conflict with its IBM parent company.

More worryingly, it has been noted that there is a difference in the salary and remuneration system between IBM and Lenovo. While Lenovo rests on lower rate of salary and higher rate of bonus, the salary and remuneration system of IBM with higher rate of salary and lower in bonus is contradictory to Lenovo's. As result, Lenovo planned to make adjustment on this in order to balance the level of difference between two teams after the integration. Consequently, this has reduced the level of anxiety from IBM staff and thus they have display a more supportive attitude towards the new company.

On the other had, another problem that Lenovo may face after the acquisition is that many IBM's current customers may walk away due to lack of knowledge and understanding of Lenovo as a Chinese brand and its M&A process. In order to prevent this, the management team of Lenovo decided to continue with IBM's brand for the first 18 months after the M&A. After that, both ThinkPad and Lenovo will be used on the branding of the product for a period of five years. Finally, after 5 years Lenovo will then use purely Lenovo as the brand. Therefore, by adopting IBM's brand in the first stage, it will provide a guarantee to the customers that Lenovo will continuously provide the same quality of product and thus it will ensure a lower rate of turnover in its customer.

The last challenge that Lenovo may face is that how to manage and integrate the culture of two team successful in order to obtain competitive advantage from that. In the case of Lenovo, it will not only face with the challenge of integrating two corporate cultures, but also two national cultures- West and East, which is more difficult as the national culture is deeply rooted in people's life. A lack of experience in international management and cultural integration may also hinder the successfulness of this acquisition for Lenovo. But, Lenovo believes that there is a

significant level of similarity in the corporate culture between Lenovo and IBM (e.g. similarity between the logo of two companies), and that effects and conflict between two teams after the merger will not be large. Therefore, from the corporate culture perspective, Lenovo believe that with the advantage to the similarity between two companies, it should not be too difficult to integrate two corporate cultures. Even at the pre-planning stage, the organization has designed a range of strategy such as cocktail party, a culture integration discussion board, set time up a cultural integration committee, to integrate two teams as well as to encourage communication between them. However, according to the result obtain from interview; Lenovo did not plan to integrate the management system of IBM PC department in the first phase after M&A. Instead, Lenovo decide to manage two teams separately at the first stage in order to prevent much conflict from arising in the first phase.

5.4.2 Actual Problems Encountering After M&A

The results from the participants show, there were not many side effects or significant problems occurring after the acquisition. Even more encouragingly, some believe that the marriage of M&A actually provide more benefits for its staff within the organization instead of creating problems. Some positive effects manifested themselves within the organization after M&A. With the pressure of diversity of its employee growing, the company began to provide opportunity and training for the staff in the China region to by conducting classes to improve their English ability and cultural awareness. On the other hand, the increasing pressure to communicate with colleagues from other regions forced many staffs in the China region to take training courses to improve their English ability. Most agreed that the marriage was a motivation for the employees in the local branch to upgrade self-ability. One participant recalled:

“From my perspective as a secretary, there have not been any major problems occurring during the course of culture integration. If we assume that cultural

integration will bring large conflicts within the company, then I presume Lenovo has been coping really well at the moment. From my point of view, cultural integration has not only brought pressures to the employee, but also motivation. Take English ability as an example, after the merger of two companies, Lenovo has presented many opportunities to encourage and support its employees to learn English as well as the culture of the other team. With all these, I personally believe that employees are the one who benefit from this.”

At the other extreme, due to the difference in national culture has affected the job tasks of some positions within the new company. This can be noted from an interesting example provided by the participant:

“Traditionally, the Chinese’s perception on the job descriptions of a secretary is that the secretary is expected to provide services to her managers in all manners which can support and help to smooth its manager’s job that will get more efficient. On the other hand, a secretary in Western countries would be focused on the job tasks within the organization rather than on the manager. Therefore, the employees in the China region working with other international colleagues after the acquisition have made some minor changes in their expectation of a secretary. From my point of view, I believed that now, the secretary is more professional than before in that she is focusing more on the day-to-day operating tasks within the organization than the job of a personal assistant to her manager.”

On the other hand, there also have been some minor problems arising from the difference in national culture and management systems between two teams.

This can be evidenced by the following examples provided by the participants:

Example 1: difference in company stationary

There has been a problem rise from the employee due to the difference in office chairs. IBM PC-D staff has brought their chairs to the new office since M&A and their chairs

were of relatively higher quality as compared to Lenovo employees'. This has caused a little conflict and misunderstanding between staff within the organization. As the result, Lenovo had to standardize all the furniture in the office to avoid further problems taking place in future.

Example 2: difference in the welfare system

This difference is relatively more obvious in the China region as the employees from both teams are mostly Chinese. Therefore, instead of making adjustment to the welfare system of IBM team, the organization has made increment towards the welfare of employees in the Lenovo team in order to achieve a balance in both systems.

Example 3: more working overtime

Due to the difference in time zones between America and China, many staff in the China region has to work overtime in case of web meetings with colleagues from America. There were neither actions nor strategy taken by the company to prevent staff from working overtime. This is evidenced by the staff discussion forum in company's internal-network. Working overtime has been a culture in many multi-national Chinese companies. Many believe that working over-time is essential as subordinates are not expected to leave the office before the manager. This may be related to the national culture attitudes characterized by Chinese culture of high-power distance and Confucianism in which high-rank individuals are always respected by subordinates. Therefore, the staffs of Lenovo in the China region choose to compromise the time difference in America and many of them work over-time when meeting is needed.

Example 4: different attitudes displayed by Chinese and Westerners during meetings.

Due to differences in national culture, unsurprisingly there is a difference in attitude display between Chinese and Westerner employees during meetings. Chinese colleagues are more likely to listen to others and less likely to express his/her personal

opinions or ask questions, whereas Western employees are more likely to actively interact with others during the meeting. As a result, Western employees are mostly dominant in the meeting and most Western employee believes those Chinese employees are really shy. Since this is a culture attitude which is rooted deeply in individual's life, it can be difficult to change or modify. This behaviour can be traced back to Chinese education whereby students are expected to focus and listen to what the teacher has taught and refrain from asking questions during class time. Most organizations have been in no mood to solve this problem. However, Lenovo has organized functions or activities to encourage communication between two teams and awareness of culture differences between each other. In addition, many staff have found out this problem and posted comments on the staff discussion forum. From these comments, it can be seen that many of them are aware of the problem and has been trying to be more active to participate in the meeting.

Example 5: introducing Chinese culture to foreign colleagues

This is a comment posted by a Chinese staff of Lenovo: "As Lenovo's staff members, we have got to used to the starting music and the ode to Lenovo broadcasted between 8:30-9:00 every morning, which we almost ignore them very often. One day a foreign colleague who has entered Lenovo for three months suddenly asked me, why should we play such kind of music? He felt strange about that. He knew the background of these pieces of music. He said one of it was an American singer's, and he could sing it. But he also said these songs were popular some twenty years ago, so when he listened to them, he felt like going to bed. Another thing he felt very strange was the music for radio gymnastic exercises played at 10:30 am and the 3:30 pm, 1,2,3,4,2234....He only knew it was a reminder, but he didn't know why thus should be ok played all over the company. He said he felt antique when he heard the music for radio gymnastic exercise. I told him that was our culture, and we had done exercise with this kind of music since we were young...I was also surprised at the fact that a foreign colleague who has been together with us every day for three months knows nothing about what we used to.

5.4.3 A comparison Between Actual problems and Anticipated problems

While comparing actual problems with pre-planned problems, we found in the case of Lenovo that overall no major problems had occurred due to the differences of national or/and corporate culture between two teams which might impair the operation or performance of the organization. Thanks to its well-designed preventive strategy prior to the merger Lenovo has succeeded in averting any major problems arising.

Such anticipated to the problems include risks of high turnover from IBM's employee, risks of loss in IBM customers, and problem with managing cultural integration.

There were only minor staff from IBM PC department in the Taiwan branch who could not accept the move and chose to leave, and most of staff were willing to stay with the new company and supportive to organisation's future direction. In respect of revenue Lenovo's sales revenue has increased since the merger. In December 2007, Lenovo announced its third quarter sales revenue has reached 4.602 billion dollars, an increased by 15% as compared with previous years. In addition, the sales revenue for notebook PC was 2.6 billion dollars with an increase of 24% compared with the previous year, and sales revenue from desktop PC was 1.8 billion dollars with an increase of 8% compared with the previous year. This has proven that most of the customers were not affected by the acquisition of IBM by Lenovo. Therefore, it is reasonable to believe that the strategy which Lenovo has adopted to prevent loss of IBM's customers has been going swimmingly.

It is worth noting in the case of Lenovo that a difference in either national or corporate culture does not in practice lead to some misunderstanding and conflicts between the employees in two teams, or affect their communication. With the activity or communication channels organised by the culture integration committee in the

organisation such as the cocktail party, employee discussion forum, it is considered that many staff have been aware of the differences inherently existing between each other due to the culture divergency, and are willing to participate in understanding each other. In addition, due to the difference between corporate cultures, Lenovo's strategy was aimed to understand and compromise them. Although some problems may occur on daily basis, Lenovo has been trying its best to resolve these small issues.

5.4.4 A Comparison between Actual problems and Theoretical Problems in the Literature

From comparing Lenovo's actual problems with anticipated problems depicted in the literatures, we have drawn several findings:

Firstly, as Stanwick (2000) states, when a merge takes place, employees from the acquired company may be feeling threaten and believe that the new company will replace all the values and structures established by the old company. As a result, this may lead to some chaotic situation for the employee as they are unclear about the future direction of the new company and unsure whether the new company will continually support them. In the case of Lenovo, before the merger it has conduct research on IBM PC-Department employees' thinking of the strategy. Lenovo not only first canvassed employees' views prior to the merger but also communicated with the employees about the company's future management strategy and procedures as well as guaranteed their welfare benefits. This preventive strategy was crucial to heading off high turnover of employee in IBM PC-D.

Secondly, some scholars believe differences in corporate culture will create

uncertainty among the employees in acquired company, thus posing challenge to the acquiring company when trying to integrating two companies. This may blunt the financial success of the merger. However, Lenovo emphasized the culture of IBM PC-D are dissimilar to the IBM main company but similar to Lenovo, in the hope that it would put Lenovo in advantage when trying to integrate the culture of two teams.

Thirdly, although study has shown that merger will pose financial and operational problems to the company, Lenovo's acquisition of IBM has made no trouble except motivation of its employees. Generally, whenever an acquisition takes place, it would be a large company which takes over the smaller one. However, in the Lenovo's situation, Lenovo was considered to be a smaller company who's acquired a bigger company. There is a Chinese saying that the move of Lenovo is a "snake swallowed an elephant". Therefore, the Chinese employees in Lenovo are very proud that their company can acquired a big multi-national corporation like IBM. Indeed this was very motivational to its employees.

In sum, Lenovo has predicted and designed a workable strategy to prevent problems from arising which are theorized in the literature.

5.5 Integration process

This section will make a detailed analysis of the integration process of Lenovo and IBM PC-D after the merger has been completed. It first starts with looking at the strategies Lenovo has undertaken for the integration from various perspectives such as information flow channel, management style and initiatives Lenovo has organized to encourage communication. Following is an attempt to examine which integration stage Lenovo has already reached and what integration mode it has chosen to adopt.

5.5.1 Lenovo's integration strategy

In closer inspection, Lenovo seems to take few steps in changing the management style of both teams during the integration process. According to the results obtained from the participants, all participants agreed that the organization has not yet implemented new management systems for both teams after the merger, nor tried to adjust and make IBM's management system to look like Lenovo's. Instead, a separate management style was adopted by the company in which each team has its own management procedures for managing the staff. However, the organization is planning to design a new management system cherry-picking all the strengths from each team that, it is hoped, will enable the company to achieve a better position and obtain the competitive advantage. Although no new strategy has been implemented, it has adopted some tactics to improve the smoothness of the operation of two teams.

Firstly, there has been difference in the salary system between Lenovo and IBM—Lenovo's is based on a lower fixed salary and high in bonus/commissions whereas IBM focuses on high salary and low in bonus/commission. Since Lenovo guaranteed IBM PC-D employees that the salary would remain intact after the merger, the organization had to adjust the remuneration system for its staff in Lenovo team to balance with what employees of IBM PC-D received.

Secondly, after the merger, both teams have adopted a triangular information flow method-- senior management teams pass down information to managers of each department, the department managers will then pass it on to subordinates. Currently email is considered to be the main communication medium that is commonly used within the company for communication. While employees email one another for day-to-day operational issues, senior teams also use email to send through announcement or staff newsletter on monthly basis. According to the participants, email has become the primary medium of timely and most cost-effective interpersonal communication in the organisation. The sender can be selective in who to be received the information and thus making sure it is relevant to the receiver. Refer to the participants, much managerial work often involves the use of numerical data such as

financial indicators like sales targets, turnover rate, price and so on. When using phone as a communication channel, there is often a need to repeat the numerical information in order to prevent any misunderstanding and reduce ambiguity. This type of communication channel would lower the efficiency of the communication. Moreover, email has a potential to enable the manager to use as an audit trail. In managerial work, particularly concerning corporate governance issues, it is essential and often desirable to provide evidence of managerial information transmitted and received. These have made email a preferred mode of communication for employees in the company.

Thirdly, some employees voluntarily took part in a cultural integration committee that helps employees to become more culturally aware and encourage communications between two teams. The committee was set up by employees from various departments including IBM PC department. The members meet on regular basis to design and organize functions and activities to encourage interaction between two teams. So far, there have been several initiatives which the committee has set up to encourage interactions, including staff discussion forums, cocktail party, monthly newsletter and selecting of the most culturally aware employee of the month.

Staff discussion forums, set up by the committee within the internal network of the company, was designed to encourage staff to clear the air due to corporate or national culture and to make suggestions to solve the problems on individual/company basis. In addition, the committee would also post on topic to the discussion forums in order to encourage interaction. All participants from the interview have agreed that at present, many staff including staff from Lenovo, IBM PC-D as well as Western employees from international branch have been actively participating in the discussion forum. Many of them have been posting questions and comments on the discussion forum which was considered to be useful in helping the staff to understand each other's culture as well as the difference which may arise due to culture difference.

Furthermore, the committee has set up the cocktail party on regular basis, aiming to encourage interaction between employees. When hosting the function, a bilingual approach was adopted in which one host speaks Chinese and another speaks English. During the party, it would begin with a report from the cultural integration committee on the integration process in terms of employee interacting. Then, a reward is awarded to an employee of the month who has been praised as making best contribution to helping staff become culturally aware. The criteria for a qualified candidate include contributing topics and actively participating in the discussion forum. In addition, the qualified candidate with their contribution will also be announced on the monthly staff newsletter. This is a form of recognition given to the employee in motivating them to understand the culture of others. After the reward has been announced, there will be time for staff to talk with each other and free drinks and food would be provided by the company during the party.



Fig 5.4-1 Yuanqing Yang attending cocktail party



Fig 5.4-2 The Cocktail party



Fig 5.4-2 The Cocktail party

Best of all, the staff monthly newsletter publishes in each issue a special section called culture discovery. In each issue, there would be a topic discussed by one of the senior management team on how to effectively integrate Lenovo and IBM by tiding employees over culture difference problems. Taking the discussion by the chairman of Lenovo, Yuanqing Yang in September 2006's issue of culture discovery as an example. In this issue, he has briefly discussed the first plan of culture integration strategy for Lenovo and IBM which has focused on the organisation's core value, management system and national difference between Western and Asian employees.

In terms of integrating the organizational core values of both teams, he started with comparing and constructing the core values of Lenovo and IBM. When Lenovo was first established, the core values of Lenovo were "honesty, equality and systematization" which formed the basis of the corporate culture of the organization. Based on these values, the organization then further developed its core values into "customer focus, accuracy, honesty and creativity". In order to achieve a win-win situation in the internationalization strategy, Lenovo also needs to rethink the core values of IBM to ensure the core values of both company are in the same direction.

Talking about core values of IBM, he valued customer focus, creativity, honesty and responsible. While comparing the core values of the two companies, he thought both were much similar. It is hoped that a greater similarity between two team's core values would make less difficult to integrate the corporate culture of the two companies.

As to the organizational system and procedure of two companies, he provided an example to describe the difference in management procedure between two teams. In Lenovo, there has been a rule within the company that no one is allowed to be late in the meeting no matter what position is the employee. If the employee is late, the penalty for the lateness is to stand on the hall for 2 minutes. The purpose of setting this rule is to ensure the highest work efficiency and it has been part of the corporate culture since the organization started. Once during the senior management meeting, Bill, the CEO of Lenovo was late for few minutes. After Yuanqing had explained to Bill about this rule, this was agreed by Bill, a Western employee, and he voluntarily stood in hall for 2 minutes for his lateness.

Finally, he concluded by explaining the purposes of setting up the cocktail party. As he explained, due to the difference in national culture, Westerners and Chinese have been raised up in an opposite manner -- Western kids are encouraged to show off and actively express his/her comments whereas Chinese children have been educated in a way that "think before you talk". As English is their second language, Chinese staff are often less likely to express their opinion during the meeting. In the eyes of Western colleague, they would expect that the Chinese colleagues would have agreed on what they have said as no objection is raised. This often led to problems and conflicts. Therefore, the purpose of cocktail party is to encourage both teams to discover and understand the difference between each other and thus to be able to resolve the problems and avert them in future.

In short, although until now there has been no formal strategy undertaken by the

organization in terms of changing the management systems, Lenovo has adopted a separate management system for IBM PC-D in the first stage of the integration. So it can ensure to obtain the highest efficiency of the operation and prevent any major problems from occurring. In addition, Lenovo has also set up a cultural integration committee to encourage interaction and communication between two teams. Moreover, as discussed in the previous sections, whenever a problem arises from difference in national corporate culture of two teams, the main tactics for the organization are to compromise and wait to see if there is any adjustment can be made in future in order to solve the problem in the long-term.

5.5.2 Lenovo's Current Integration Stage

As discussed in the literature review, there are four stages of culture integration for international merger and acquisition, namely, contact, conflict, adaptation and integration. A close analysis the process of Lenovo's culture integration suggests that Lenovo is currently at the second stage of the culture integration, namely, conflict.

According to the literature, the first stage starts after the company has just completed its acquisition process during which members from both teams began to get to know each other. Prior to the acquisition, Lenovo had conducted an internal survey within the IBM PC department to gather thoughts and opinions from the employees of IBM PC-D. From the survey, Lenovo knowingly identified the commons grounds and the gaps in perceptions of version, value, structure, management practices and behaviours. As the result from the participants showed, it has found in the survey that the version, value and culture perception of IBM PC-D members are not dissimilar to those of Lenovo. Sensing great similarity in perception and values between two teams, Lenovo displayed a higher confidence in managing IBM PC-D with scant need to integrate it. In addition, Lenovo also analysed and outlined the problems that it might encounter after the M&A and designed strategies accordingly to counter these problems.

When the M&A had just completed, the Lenovo team set up a cultural integration committee and organised functions and activities to encourage the interaction of both teams. Immediately after the M&A had completed, the two teams started interacting with each other, trying to deal with some problems resulting from differences in two team's management system or culture. Although these problems helped each team to become more aware of the differences between each other, they created minor conflicts between the employees. At this rate, Lenovo moved into the second stage of culture integration process where disagreements and clashes occurred due to the different values that may causes problems such as social comparison, stereotyping. As Lenovo has adopted a separate management mode as well as a compromising strategy, it has not been imposing its own management system or leadership style on IBM PC-D. Happily, the cultural conflicts have not been as severe and intractable as stated in the literatures.

5.5.3 A Different Integration Mode from the Literature

As discussed in previous sections, there are four modes of integration, namely, integration, assimilation, separation and deculturation that academics have used to define ways the acquiring and acquired companies adapt to each other and sort out emergent conflict. The degree of congruence between two organisations' preferred modes of acculturation will affect the level of acculturative stress.

In the case of Lenovo and IBM, Lenovo has wittingly adopted a separation mode of integration. Following this mode of integration, Lenovo has allowed IBM PC-D to preserve their own culture and practices by keeping it separate from and independent of the dominant group. As a result, IBM PC-D functions as a separate unit under the financial umbrella of the parent company. According to the literature, the acquired teams in many cases want to preserve their culture and organizational systems and refuse to become assimilated into the acquiring teams in any way or at any level. However, in the case of Lenovo, it is the parent company that has chosen the

separation mode of integration, which is in contradictory to other cases of M&A following this mode of integration. Additionally, in many cases of this mode of integration, there would be minimal cultural exchanges between the two teams if each team would function independently. On the other hand, although Lenovo allowed IBM PC-D to manage its team independently, it took many initiatives in encouraging two teams to interact and communicate with each other. More importantly, when differences arising from IBM PC-D, the company chosen to accommodate it in resolving problems.

5.6 Discussion

To put Lenovo's acquisition of IBM into proper perspective, it must be considered to be one of the biggest steps for a Chinese enterprise to crack the international market. While cases of international M&As abound where a Western company acquires a Chinese company in order to gain entry into the Chinese's market, there are few cases international M&As where a Chinese company acquires a Western company, especially when the acquiring company is smaller than the acquired company. It is hardly surprising that Lenovo's successful integration has been a popular topic in Chinese debate and public media.

The result obtained from the participants clearly suggests Lenovo has taken few steps to integrate the teams of IBM and Lenovo. Although Lenovo stated that it had planned to integrate the two teams into one as a new company, currently it has adopted a separate management mode whereby each team has their own management system. In addition, whenever problems or conflicts occur between the two teams due to national/corporate culture, Lenovo tends to accommodate IBM PC-D in resolving these problems. This can be evidenced by the examples provided by participants in previous sections -- Lenovo changed the office furniture for the whole company, members of Lenovo worked overtime in order to comply with the time difference of colleagues in America.

Nevertheless, that there are several reasons behind their choice of a separate management style in Lenovo's case. Firstly, as the participants stated, when conducting internal survey within IBM PC-D, Lenovo found that the values and beliefs of IBM PC-D corporate culture were similar to those of Lenovo, and thus decided it was not necessary to integrate the two teams with a large level of similarity.

Secondly, as stated in the literature of Chinese enterprises acquiring a Western multi-national, Lenovo has been a localised company lacking experience in dealing with international operations and cross-cultural conflict management. Stabilizing the international employees to ensure smooth operation is therefore essential to the company. It was assumed at that time that it would take a long time and lots of money to carry out training and fusion of cross-cultural management. Therefore, to secure the smoothness of operations, it was ideal to adopt a separate management style in order to minimize any conflicts or spats.

Thirdly, there have been numerous M&As aiming to gain access to technology of the acquired team. Such being the case, integration is not considered to be necessary as long as the acquiring company can learn the technology from the acquired team. Within a fixed period of term set between Lenovo and IBM, the organization has to make most use of the resources within the fixed period. Therefore, in the view of Lenovo adopting a separation management mode, it is reasonable to believe that Lenovo did not see the integration of the two teams as one of its main objectives.

In the final analysis, instead of devising a new system and procedures to integrate Lenovo and IBM PC-D, Lenovo used the culture integration committee as an intermediary to transfer information to both teams. Without integrating the two teams as a whole, members of both teams are less likely to have a lot of opportunities to contact each other apart from the activities such as the cocktail party, and staff discussion forum which are organized by the culture integration committee.

5.6.1 Divergence from the Literature

At present, Lenovo is, in some sense, at the contact stage of the culture integration process in pursuing a separate management mode of integration. In spite of indicating its intention to integrate the two teams in future, so far no formal policies or procedures has been designed or proposed.

In the literature separate management modes are often likely to take place when the acquired firm wants to preserve its own culture and organizational system, and resist any attempt to adopt and conciliate to the acquiring. By contrast, in the case of Lenovo, the acquiring team is the one which allowed the acquired team to maintain its own management system. Although several motives behind this move were identified based on the information provided by the participants, the actual motives behind these strategy is still unknown. But this could certainly contribute to the literature as a new factor for a Chinese organization.

Moreover, it has been assumed by the literature that a lack of formal integration strategy may lead to conflicts between employees, thus curtailing organisation's opportunity to achieve competitive advantage. However, in the case of Lenovo, not only has there no major conflicts arisen between two teams, the employees of Lenovo also accepted an accommodation strategy to IBM team in resolving problems. Two reasons for this can be identified. Firstly, it has been understood that there are great similarities between two team's corporate culture, and therefore, it was not expected that there would be many conflicts or problems arisen which could hinder the efficiency of operation. Secondly, before the acquisition, Lenovo had meetings with employees of IBM PC-D to explain the procedures for the acquisition IBM employees their welfare would remain the same. It is believed these two factors have contributed a lot to the consistency of the operation between two teams. As is well-know Chinese national culture is characterized by Guanxi and Confucianism. These characteristics

made the Chinese employees more accommodative and cooperative to the company when Lenovo required Chinese employees to accommodate themselves to Western colleagues when conflict did arise. On one hand, as *guanxi* puts emphasis on maintaining good relationship with others, the Chinese employees are less likely to reject and instead try to accommodate to others as a favour in order to prevent conflicts from arising. On the other hand, Confucianism value accepting others, especially when one is a host. Therefore, in the case of Lenovo, Chinese employees regarded themselves as the host and senior members of the organization. It is therefore sensible that they should accommodate themselves to the team of IBM PC-D as they treated members of IBM PC-D as new members of the organization and had to maintain good relationship with the new colleagues by being friendly and cooperative.

At other extreme, an accommodation strategy in resolving problems could lead to poor work-life balance for its Chinese employees. For example, many Chinese employees would have to work overtime in order to attend web meetings with its US colleagues. Their unbalanced life style is likely to lead to stress and harm their health. Ultimately, that may further hinder the operation efficiency of the organization.

5.6.2 Strength of This Research

As stated in previous sections, there has been much research on international M&A from Western perspectives, whereas there are few studies looking at M&A from a Chinese perspective. Since Chinese government opened up its economy to the international market, its economy has been growing enormously. As culture integration crucial to the success of an international M&A, understanding the Chinese culture becomes essential, especially when a company wants to acquire or is acquired by a Chinese company.

Yet, there is a smattering of international M&A whereby a Chinese organization acquires an overseas multi-national company, especially when the size of the acquiring company is smaller than the acquired company. Therefore, this research is able to contribute to the literature by providing a practical case of how a Chinese organization manages its culture integration process after the M&A.

5.6.3 Weakness of This Research

The research inevitably has its own flaws for the results obtained from Lenovo are rather limited. This is simply because participants seemed to be less willing to provide more deep information on the questions asked and the information they have provided are rather limited and patchy. These weaknesses may be attributed to three reasons.

Firstly, the participants selected were not directly involved in the senior management team that had worked out and implement the integration strategy. Naturally, they may not have full knowledge of how it is being implemented.

Secondly, although there were staffs from IBM PC-D joining the culture integration committee, they were unable to participate in the research and thus, their opinions were not captured. As a result, I was unable to present a full picture given their perspective was excluded.

Thirdly, my lack of experience in designing interview questions and conducting a face-to-face interview may affect the results I had obtained as compared to the target which aimed to achieve.

Therefore, there is still an ample room for further research on Lenovo's integration process that will enable further judgments to be made on the successful of culture integration.

6.0 Conclusion

In conclusion, the traditional era of homogeneous workforce has begun to change. With the quickly changing social structure and emergence of new technology, a heterogeneous workforce is currently essential to market's needs. In the past few years, China has emerged as the most potential market with a huge population, rapidly growing domestic demand and low cost of production. Many multinational companies have been trying to get a footing in China in order to obtain their competitive advantages. Consequently, that has posed serious challenges to the Chinese local producers in competing with these large giants. In order to survive and boost businesses growth, many business need to expand its market beyond the home base.

There are many entry modes that may help firms business move into the international market. After the M&A has taken place, organization needs to pay extra attention on the strategy it chose to adopt to integrate the culture of the two companies to keep the smoothness of the organisation operation and performance. From the case study of Lenovo and IBM, a number of important conclusions can be drawn.

Firstly, for a Chinese company like Lenovo, the main motives for its embarking on M&A with IBM PC-D were its need for international branding to gain access to international customers as well as its need to acquire technology. As mentioned previously, Chinese products have always been marketed at the lower end of the product line with low costs and poor quality. Acquiring a well known international brand is considered to be the fastest route to changing these intolerable perceptions of the consumers towards Chinese products and booting up its product image. Under this special circumstance, the need for branding is deemed the most important for a Chinese company to expand into international market.

Secondly, the case of Lenovo's adopting a separate management mode to manage IBM PC-D team was different from those described in the literature. The acquiring company is the very one that encourages the acquired team to preserve and maintain its own management system and procedure. Among the reasons behind this move, the most crucial factor affecting this decision is fixed length of time agreed by IBM to allow Lenovo to use the brand ThinkPad. With this fixed term of a five-year period posted to Lenovo has to make best effort to build up its own brand "Lenovo" within this period. Therefore, it is sensible for Lenovo to encourage IBM PC-D to maintain its own system and focus on hitting the target in time.

Thirdly, the accommodation strategy Lenovo has been pursuing in resolving problems arising from the culture difference seems to have worked fine within the organization. However, this strategy focusing on making adjustments to the team of Lenovo in order to accommodate the team of IBM would only worked well in the short term only when members of Lenovo see IBM colleagues as part of new team that has just joined the company. From a long-term perspective, this would lead to conflicts when members of team Lenovo consider both teams are equal. If the organization cleaves to this strategy in the long term, this will lead to work-life imbalance to its members in the team of Lenovo, thus leading to stress and frustration and affecting the health of Chinese employees. Ultimately, poor performance of the organization may accrue.

Fourthly, the use of culture integration committee in the case study of Lenovo has been very useful and helpful for members to understand and become more aware of the differences it may occur among them. The committee has set up several activities such as the cocktail party, culture discovery news letter, discussion forums to encourage communication between two teams. These arrangements have been well received by the employees with active participation and enthusiasm. Therefore, it is believed that this strategy may well be recommended for organisations to encourage communication between employees.

Finally, the results obtained from participants for the research are rather limited due to 1) the participants were not directly involved in the designing and crafting culture integration strategy for organization; 2) the opinions from members of IBM PC-D was not captured. Therefore, it is suggested that further research can be done on such field if the views from both teams can be secured so that empirical and consistent views can well be provided.

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9.0 Appendix

9.1 Ethical approval



MEMORANDUM

Auckland University of Technology Ethics Committee (AUTEC)

To: Peter Enderwick
From: **Madeline Banda** Executive Secretary, AUTEC
Date: 21 November 2007
Subject: Ethics Application Number 07/212 **Achieving successful cross-cultural and management integration: the experience of Lenovo and IBM.**

Dear Peter

I am pleased to advise that a subcommittee of the Auckland University of Technology Ethics Committee (AUTEC) has approved your ethics application at their meeting on 19 November 2007, subject to the following conditions:

1. Amendment of dates in the response to section B.1 of the application;
2. Clarification of the inconsistency between the responses to sections B.6.2 and C.1.2 of the application concerning the use of interviews;
3. Provision of a Confidentiality Agreement for the interpreter described in the response to section B.10 of the application;
4. Provision of evidence that consultation has been undertaken with the organisations named in the application;
5. Further clarification about the parameters the company has stipulated as detailed in the last three sentences of the response to section C.1.3 of the application;
6. Provision of evidence that consultation has been undertaken with a view to obtaining ethical approval in the Peoples' Republic of China;
7. Amendments to the Information Sheet as follows:
 - a. Alteration of the three dates in the Information Sheet;
 - b. Deletion of the last sentence in the section titled 'An Invitation';
 - c. Expansion of the response to the section titled 'What is the purpose...' to reflect the purpose in relation to the title of the project;

- d. Clarification in the section titled 'What will happen...' of the relation between the number of interviews and the number of participants. For example 'This project involves 6 participants who will each be interviewed for approximately 1 hour.';
8. Provision of Mandarin translations of the Information sheet and the Consent Form;
9. Alteration of the date in the Consent Form.

I request that you provide the Ethics Coordinator with written evidence that you have satisfied the points raised in these conditions within six months. Once this evidence has been received and confirmed as satisfying the Committee's points, you will be notified of the full approval of your ethics application. Should these conditions not be satisfactorily met within six months, the application will be closed and you will need to submit a new application should you wish to continue with this research.

You may not of course commence research until full approval has been confirmed. You need to be aware that when approval has been given subject to conditions, full approval is not effective until *all* the concerns expressed in the conditions have been met to the satisfaction of the Committee.

To enable us to provide you with efficient service, we ask that you use the application number and study title in all written and verbal correspondence with us. Should you have any further enquiries regarding this matter, you are welcome to contact Charles Grinter, Ethics Coordinator, by email at charles.grinter@aut.ac.nz or by telephone on 921 9999 at extension 8860.

Yours sincerely



Madeline Banda

Executive Secretary

Auckland University of Technology Ethics Committee

Cc: Sharona Peng shapen95@aut.ac.nz, AUTEK Faculty Representative, Business

9.2 Interview Questions

1. Please discuss company's background and its motivation for the acquisition with IBM PC
2. Please explain the weight of culture as a factor during the consideration of acquisition
3. So far how does employee from IBM PC react towards integration? (feeling, attitudes and willingness)
4. How Lenovo plan to integrated (Modes, and management style)? Is Lenovo plan to replace its own culture to IBM PC
5. In post-merge stage, how will Lenovo integrate and manage the strategy and vision of two companies?
6. How will company encourage commitment from the employees (incentives, benefits, Job task & responsibility)?
7. How will the company encourage communication between two different departments? (communication medias, type of information)
8. Have company's structure, management policies and procedures been modified? Where, how and why
9. So far, during the integration process, are there any resistances from the staff? IBM LENOVO? What initiatives has the company taken to encounter the problem?