

Cross-cultural Management Problems and Countermeasures of Multinational Corporations: Take M Group's Acquisition of X Company as an Example

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Abstract: With the development of economic globalization, Merger and Acquisition wave is becoming more and more popular in Chinese enterprises. In recent years, driven by the policies of the Belt and Road Initiative, China's "going global" has become an inevitable trend of development. Due to the staggered cultural backgrounds of different countries and different histories and cultures, the cross-cultural management of enterprises directly affects the exertion of the overall management efficiency of enterprises. Taking M Group M&A X Company as an example, this paper analyzes the influence of M Group on the decision-making of M Group M&A X Company, and concludes that multinational enterprises, on the basis of in-depth understanding of the enterprise culture and foreign culture, must choose the appropriate cross-cultural management mode within the enterprise, so that different types of culture can achieve the best integration effect, and provide reference suggestions for Chinese enterprises to "go out."

Keywords: Multinational Companies, Cross-cultural Management, Cultural Differences, M&A, Problems and Countermeasures

1. Introduction

In recent years, with the full implementation of the Belt and Road Initiative, Chinese enterprises have actively sought opportunities for overseas cooperation. As Chinese companies continue to expand overseas, they have both successful and unsuccessful experiences. The problems faced by Chinese enterprises in the process of rapid development, ostensibly in the local business environment,

technological environment and other issues, but in depth, more due to the improper implementation of cross-cultural management measures caused problems [1]. Cross-cultural management mainly refers to the management of people, things and things involving different cultural backgrounds. It is the cross-border, cross-ethnic management of multinational corporations operating in other countries and includes the management of enterprises made up of employees from different cultural backgrounds [2]. Statistics show that 70% of Chinese M&A overseas has failed, and 80% of failed companies have lost to cross-cultural management [3]. Cultural fusion is not simple and mechanical superposition, on the basis of the original culture, using the current supplementary way, integration into a new cultural content. Based on the practice of M Group's acquisition of X Company, this paper points out the problems existing in the practice of acquisition, and points out how to understand and use the characteristics of corporate culture to help Chinese enterprises to carry out cross-cultural management, and puts forward strategies for cross-cultural management of enterprises.

2. Overview of Cross-cultural Management

2.1 Concept of Cross-cultural Management

Cross-culture, also known as trans-culture, refers to the interaction between two or more cultures of different backgrounds. Cross-cultural management refers to the effective resolution of cultural contradictions and conflicts in the interaction process of different cultural groups related to enterprises, so as to achieve cultural understanding, communication, coordination and integration, so as to effectively realize enterprise management [4]. As the world evolves, the

definition has changed. Cross-cultural management is more a management process in which any cross-cultural organization or individual, in the course of interacting with different cultural groups, can understand, communicate, coordinate, integrate and innovate in the process of cultural conflict, thereby making the disadvantage superior [5].

2.2 Theoretical Evolution of Cross-cultural Management

The development and evolution of cross-cultural management has gone through four important stages: Origin (before 1960), formation stage (1960-1980), rise stage (1981-2000), global rise stage (2001-present). Cross-cultural management originates from ancient international business exchanges. The ancient Egyptians, Phoenicians and ancient Greeks began trading overseas and learned how to do business with people from different cultural backgrounds. The first cross-cultural management research originates from the research on the relationship between human behavior, ideas and culture. The research in organization only involves the classification of organizational behavior and surface phenomena. The research level is relatively narrow and requires a large amount of data and long-term observation to support the entire theory. In the later stage, the failure of cross-cultural management of multinational enterprises is analyzed step by step. Since the 1980s, the business activities of multinational corporations have been expanding, and different types of cross-cultural studies have begun to emerge. The direction and depth of their studies have obviously changed from those of previous studies. The level of their studies is not only in the field of single enterprise management, but also in the field of globalization and international management. At present, cross-cultural management of multinational companies is still the focus of enterprise management. Cross-cultural management needs more in-depth and multi-dimensional research.

2.3 New Characteristics and Trends of Cross-cultural Management of Chinese Enterprises

2.3.1 Cross-cultural management will be universal phenomena rather than special phenomena

With the rapid development of China's foreign economic activities, the scale of foreign investment and utilization of foreign capital has been expanding, there are more and more three-capital enterprises and multinational corporations, but cross-cultural management is only a phenomenon of a few large enterprises. With the full implementation of China's policy of "The Belt and Road" Initiative, with the deepening of the internationalization of Chinese enterprises, the expansion of their scale, the broadening of their fields and the diversification of their ways, small enterprises and large enterprises have equal opportunities to participate in international economic activities. Into our country in great quantities at the same time, foreign investment and foreign enterprises and transnational investment and transnational mergers and acquisitions, on a large scale of cross-cultural management is for the use in most enterprises of our country.

2.3.2 Cross-cultural management will evolve into multicultural management

The internationalization process of Chinese enterprises has gradually accelerated, the regions and scope of utilizing foreign capital and foreign investment have been continuously expanded, and multinational companies have gradually evolved to multinational companies and global companies. Cross-cultural management of international enterprises is not limited to the integration of cross-cultural management with a certain country, but the coordination and integration of multiple countries and cultures. Many large enterprises in our country, such as Haier, carry out M&A and business activities in the world, which makes enterprises face the challenge of multi-culture, cross-culture management evolves into multi-culture management, and the cultural atmosphere of enterprise management becomes more complicated.

2.3.3 Various cultures interact and influence each other

The depth and breadth of the internationalization of Chinese enterprises, the mutual collision and communication between different cultures are becoming more and more frequent, thus producing mutual cooperation, learning and influence. The rapidly developing and changing cultural environment brings more opportunities and challenges to cross-cultural management.

3. Analysis of Differences in Corporate Culture between China and Germany

3.1 Objective versus Individual Dominance

When the Germans work, the target tasks and the professional skills of the staff themselves become the central point of dealing with a particular matter. "Finding and solving problems" has become the dominant idea of Germans in their work, and Germany will form groups in order to achieve common goals. Objective guidance is a common way of working for Germans, who think they are goal-oriented individuals in the workplace, and team members are partners to accomplish their goals. When Germans have a working discussion or meeting, thorough and detailed preparation is essential for them. For German people, printed materials, fully explain the content, objective and scientific data, that this is a cannot be changed, not by man's subjective consciousness and change of the objective material [6].

But in the vast majority of Chinese companies, employees pay more attention to the interaction between individuals and their surroundings, and the Chinese sometimes pay more attention to interpersonal relationships with co-workers and other people's attitudes or perceptions about themselves than the German goal-centered work principles. It is for this reason, the Chinese will invest enormous energy and time to communicate, to get others' recognition, trust and to raise their authority. In Chinese corporate culture, the idea of personal dominance is sometimes combined with objective results, and individual dominance is even more prominent on specific occasions.

3.2 Planning and Flexibility

Germans have a very strict sense of time. According to their philosophy, time is limited; Effective time management is the basic embodiment of a person's professional quality. A successful manager must have the ability to reasonably arrange his own and his employees' working time, and the work plan strictly follows the time arrangement reflects the important symbol of the manager's ability. In Germany, time management ability have been identified as the state, society must fulfill the responsibility. From the first day of school,

teenagers are trained in time management.

However, Chinese companies are more market-oriented. When faced with new circumstances, Chinese companies often change their long-scheduled time plans; In particular, high and new technology, the pursuit of high-quality Chinese enterprises at the same time of product innovation time continues to be compressed. The vast majority of Chinese people are accustomed to working in an uncertain state of time, because in today's Chinese society, flexibility in the event of an event has become the ability of a worker to work. For many Chinese, time is squeezed out.

3.3 Large and Small Power Distance

Germans generally believe that people are equal. What they admire are management models that tend to be less power distant. In one's environment status is decided by his character. They think that working with people in high offices-just position for work on the outside of the special treatment is not right. The level of posts created in professional life represents only the differences in responsibilities and functions that people have in a cooperative group to achieve a common goal.

In Chinese society, however, the grading of identity and rights of Chinese culture has been divided into typical characteristics. What we advocate is a management model that tends to be more power distant. The traditional culture of China emphasizes the "Three Outlines and Five Changs," advocates the rule of centralized power, and has a great power distance. That is, the rank comparison is clear, at one glance can see who is the boss. In a culture of greater power distances, subordinates are more likely to accept guidance and orders from leaders, and people in high positions can easily influence the work of the department.

4. M Group M&A X Company Case

4.1 Introduction to the Basic Situation of Both Parties to the Merger

4.1.1. M Group overview

M Group was founded in 1984 and launched a well-known B brand in 2001. Its business industries are mainly digital display, mobile phones, personal computers, digital technology series products, computer peripherals and broadband network series products, with a

total capital of 109 million US dollars. In 2006, the total main business income was 6.2 billion US dollars.

4.1.2 Company X overview

Founded in 1847, the company released its first mobile phone in 1986, ranking sixth in the global mobile phone sales list. In 2005, the company ranked second in the European and American markets. In the first quarter of 2005, it lost 143 million euros. As of 2005, the company's mobile phone business has accumulated a loss of 500 million euros.

4.2 Merger History

M Group hopes to take advantage of X's brand image and sales channels to quickly capture the European market, while X hopes to sell its mobile phone business to M Group to completely solve the high losses in the mobile phone business.

On June 7, 2005, the officer of M Group announced to recycle the mobile phone business of X Company, and X Company filled the debt of 500 million euros, and provided 250 million euros of funds and services to M Group, and purchased M Group's shares for 50 million euros. M Group guaranteed that at the end of 2006, the company would distort the loss situation and complete the production increase. The company's merger and acquisition made M Group quickly become the fourth largest mobile phone manufacturer in the world.

4.3 M Group M&A X Company Results

In 2005, M Group lost US \$279 million in the fourth quarter and US \$307 million for the whole year. It was the first loss year after M Group went public, and the market share of M mobile phones fell from 5.5% to 3.0%. In August 2006, M Group declared bankruptcy to the German People's Court.

5. M Group M&A X Company Case Analysis

In the case of M&A X failure of M&A Group, apart from the factors of insufficient preparation in the early stage of M&A, lack of understanding of the actual situation of X company, and disputes over the conditions reached in the negotiation in the early stage of M&A, there are also important factors for the failure of cross-cultural management.

Speaking of the causes of the failure, M Group

Chairman Shi concluded that "first of all, the impact of multinational culture was not taken into account."

5.1 M Group M&A X Cross-cultural Management Issues

5.1.1 German enterprises lack of flexibility

The cultural background, values and behaviors of the management workers and employees of multinational enterprises are different, which increases the difficulty of communication in the operation and management of enterprises. Mismanagement, which makes cross-cultural management antagonism and conflict increasingly hot [7]). Chinese culture values "flexible management," while Western culture values "rigid management" [8]. M Group is a local Chinese enterprise, and X Company is a German enterprise. China belongs to perceptual Oriental culture, and Germany belongs to rational Western culture. The differences between the two nationalities are reflected in the management plan and management system culture of X company.

German enterprises pay attention to details in the concept of operation and management, and feel that good quality is the key factor. The C.E.O. of M Group once said, "The German software focuses on doing the best, but it takes a long time to prepare in advance. But the mobile phone industry can not tolerate us to wait like this. Think very clearly to do, entrepreneurial business opportunities are lost. For the internal management of enterprises, there are differences in people's values and thinking patterns, which will also make it more difficult for enterprises to organize and coordinate, and even lead to the inability of enterprises to operate efficiently [9].

5.1.2 Integration trapped in labour issues leads to conflict

Compared to domestic mergers and acquisitions, cross-border mergers and acquisitions are strictly restricted in the employment and dismissal of personnel. Trade unions in Europe and the United States often press employers by initiating a variety of campaigns to improve benefits before collective-employment contracts are renewed. Trade unions in Europe and the United States are also among the most troubling, often threatening strikes while defending labor rights. The result of negotiations with the management often ends with concessions from

the management. The union, with the support of the labor law, has substantially intervened in the split and merger of the company's business, the strategic entry and strategic exit of the capitalist side. When M Group acquired X, the cost of the R&D team became so expensive that it remembered how to relocate factories to relatively low-paying non-German areas and control costs through layoffs and pay cuts, which was stifled by local German unions, which had a high say. The integration process ignores the influence of local culture and local laws, increases the difficulty of product promotion and coordination, and the contradiction between culture and the local system highlights the cost of integration. M Group's production in Germany has been threatened by unions, which have stalled if negotiations with them fail. Whether M Group's business ideas and strategic intentions can be implemented after M&A needs to be properly handled.

5.1.3 Low employee recognition

In the early days of M Group's acquisition of X mobile phones, it did not conduct cultural conflict research and neglected to cultivate X employee identity. M Group is the fifth largest mobile phone manufacturer in the world and the largest in Taiwan, and X Company is one of the largest electrical equipment and electronic technology companies in the world, with a history of more than 158 years. As a leader in China's industry, M Group has achieved remarkable results in the past ten years of operation, resulting in a relatively stable corporate culture. Its management generally positions itself as an elite of national culture. Such precise positioning depends on their stubbornness to national culture, and therefore will not make any adverse national culture decisions in cultural integration. At the same time, it is very easy to focus on applying the management mechanism adopted by the successful operation in China to the acquired company. However, for the perfect enterprise of X Company, it has a very high sense of belonging to its own corporate culture and operation mode, and has a strong sense of pride in the Chinese nation, but it has a low level of recognition for the new generation of M Group in China. The Eastern culture and the Western culture do not give way to each other, and the cultural differences caused by the cultural conflict are inevitable. It is precisely

because the mergers and acquisitions are not ready, cultural integration in the middle and late stagnation, mutual missed the best period of cultural integration.

5.1.4 Management difference and the structure of centralization face challenge

M Group adopts a relatively centralized method in the integration of organizational structures. The Group manages resources in a unified manner, and each regional branch implements the unified decision-making of the Group. Of course, there is also some decentralization, such as marketing phases. With the expansion of international business, M Group will most likely face the choice of further decentralization to meet the needs of the market at the expense of changing the traditional culture of Chinese enterprises or maintaining the unity of corporate culture at the expense of the flexible response ability of enterprises. In addition, the average manager of the mobile phone of X Company is over 40 years old, and most people have decades of dedicated industry experience, years of professionalization and the resulting unquestioned professionalism and authority. By contrast, M Group's team looks too young. In the corresponding departments and links, the managers sent by M Group are generally much younger than the original managers of X Company, and this age gap often represents the distance between experience and experience, different values and judgments. What happens when M Group's young consolidators meet professionals from a more sophisticated X company. To replace the "occupational type" of Company X with the "entrepreneurial type" of M Group, and to replace the "professional degree" with the "multi-faceted type," the difficulty of these disruptive transformation can be imagined [10].

5.2 M M&A X Company Enlightenment Suggestions

5.2.1 Actively absorb excellent components from target enterprises

When enterprises go abroad to expand the market, the external environment will naturally absorb new cultural factors. Enterprises should think carefully, re-integrate and effectively use new elements, so as to take their essence and abandon their dross [11].

In the post-merger cultural integration process, Chinese companies should take the initiative to

attack, digest and absorb the excellent components of the overall target corporate culture, and at the same time appropriately abandon the cultural elements that cannot be approved by the main target companies in the original corporate culture, thereby promoting the entire process of cultural integration.

5.2.2 Implementing cross-cultural training

Cross-cultural training is an effective way of cultural exchange between Chinese enterprises and foreign enterprises. Cross-cultural training is based on an in-depth understanding of culture and corporate culture in both countries, and on this basis, it is conducted in various ways to avoid the problem of "water and soil refusals" by corporate employees [12]. Give full play to the advantages of the two cultures, enhance the cohesion and cohesion of employees, so that we can clear up the pride of the Chinese nation, respect and understand each other's culture, and cooperate and work together with a fair mind. Chinese overseas enterprises should find the right enterprise value positioning, create a corporate culture based on a common value system, become the common vision of enterprise employees, and make Chinese and foreign employees generally accept and agree within the enterprise. Once the corporate culture is formed, it will affect the thinking mode and behavior of employees [13].

5.2.3 Innovation of cross-cultural management

One is to change thinking and attach importance to the innovation consciousness of cross-cultural management. The cross-cultural management of multinational enterprises has different performance in each company, any management method needs specific analysis. This requires multinational enterprises to integrate innovation awareness into corporate culture and continuously explore and innovate cross-cultural management methods. Second, the managers and employees of the enterprise strengthen the continuous exploration and practice of cross-cultural management theory and knowledge.

Theory and knowledge are the basis of practice, practice is the feedback of theory and knowledge, enterprise managers and employees need to have the corresponding knowledge of cross-cultural management, better realize cultural integration.

5.2.4 Improving human resource management of multinational corporations

The growth of the company and the growth of talent are inseparable, whether in the domestic or foreign, talent is very important to a company. In order to gain an advantageous position in the fierce market competition, enterprises must take talents as the basis. Multinational companies are no exception. At a time when the world economy is increasingly globalized and integrated, they are among the largest and most competitive companies in the world. However, because of its complex organizational structure, disorderly management of human resources, lack of effective competition mechanism and incentive mechanism, more and more enterprises in the world face the inability to improve the ability of enterprise employees. In order to improve the ability of employees, we need to establish a scientific training mechanism and establish a sound human resource management system [14]. In this way, enterprises can maintain a leading position in the competitive market and gain advantages in the trend of the times.

In order to improve the work efficiency of employees, multinational enterprises in China should establish a perfect incentive assessment system and personnel employment policy, so as to reduce the problems of human resources management, provide a good working environment for employees, and improve the performance of enterprises.

6. Conclusions

Cross-cultural management is an important work of multinational enterprises' cross-cultural operation activities. To cope with the development trend of social and economic integration and cultural diversification, multinational companies need to get rid of the hazards of cultural differences and contradictions in order to successfully complete their business plans and maximize their benefits.

According to the cultural level of M&A X system and the basic theory of cultural architecture design, there are significant differences in corporate culture between China and Germany. This article points out the problems existing in this merger and acquisition activity: German enterprises lack of flexibility, integration trapped in labour issues leads to conflict, low employee recognition, management difference and the

structure of centralization face challenge, etc., and put forward suggestions and measures according to the problems, such as actively absorb excellent components from target enterprises, implementing cross-cultural training, innovation of cross-cultural management, improving human resource management of multinational corporations. Due to the limited ability of the author, this paper does not have an in-depth discussion of the stimulation, marketing and negotiation perspectives in cross-cultural management. As we know, on the basis of in-depth understanding of corporate culture and foreign culture, multinational enterprises must adapt to the trend of sustainable development of corporate culture from single culture to multinational culture, realize the negative influence of cultural differences on business operation, and then choose appropriate cross-cultural management methods within the enterprise, so that different types of culture can achieve the best integration, give full play to their core competitive advantages, and develop better and faster in foreign markets.

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