Cultural Differences and Communication Issues in International Mergers and Acquisitions: A Case Study of BenQ Debacle

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Abstract

BenQ, a Taiwanese-based company, grabbed the international headlines on June 7, 2005, when it acquired the money-losing mobile phone division of Germany's Siemens and launched the brand, BenQ-Siemens. Subsequently the acquisition proved to be a strategic mistake, as the two companies could not successfully integrate. This article tracks BenQ's acquisition of Siemens, from the perspective of BenQ, through a qualitative case study. The analysis focuses mainly on culture and communication issues in what became an unsuccessful acquisition. The results indicate that the German Siemens and Taiwanese BenQ are different in important ways, from national culture to organizational culture. BenQ's failed acquisition of the Siemens handset was a wakeup call, providing a valuable lesson to other companies planning to create their own global brand recognition. The issue here is the extent to which the two companies' incompatible cultures made it unlikely that they could add value and create synergy. This study concludes that an international merger and acquisition has a better chance of success when managers consider the host country's culture and allocate enough time and resources for assimilation. Furthermore, managers need to communicate and clearly define objectives and performance expectations during the integration and implementation process.

Keywords: mergers, acquisition, intercultural communication

1. Introduction

Taiwan has spawned many top-tier electronic component vendors and contract manufacturers. As profit margins for contract manufacturing begin to shrink, Taiwanese executives see moving beyond low-cost manufacturing as vital for a profitable future. Taiwanese companies try to make a shift from being an anonymous contract manufacturer to building their own brand names. One way to an immediate global presence is to acquire an attractive existing brand. In this case, it was Siemens.

BenQ, a Taiwanese based company, grabbed the international headlines on June 7, 2005, when it acquired the money-losing mobile phone division of Germany's Siemens and launched the new brand, BenQ-Siemens. With the merger, BenQ Mobile became the world's fourth largest mobile phone brand after Nokia, Motorola, Samsung (BenQ Press Release, 2005). However, the acquisition of Siemens's mobile phone unit lost over 500 million euros in 2005, with little sign of financial recovery. In late September, 2006, BenQ decided to stop investing in the money-losing operation and filed for bankruptcy protection in Germany.

Barney (1988) indicates that an acquisition creates value for the acquirer when it achieves synergy and adds unique and valuable resources that can be leveraged into the target organization. A common objective in acquisition practice is to bring together companies and enhance the competitive position of the companies through the transfer of complementary capabilities between them. This synergy is often used as a justification for mergers and acquisitions (Fitzgibbon & Seeger, 2002).

Similarly, Chairman K. Y. Lee told reporters at a press briefing in Beijing, China, that BenQ would be able to make Siemens's debt-ridden mobile handset unit profitable in two years.

He pointed out "We can achieve a profit quickly because we have sales and distribution channels globally. We complement each other. What Siemens has, we don't. What we have, Siemens doesn't" ("BenQ boss sees Siemens unit turning profit in 2007," 2005, p.11). However, in the case of BenQ-Siemens, the merger failed to create synergy and more value than each company could achieve alone.

As international mergers and acquisitions (IM&As) are usually very complex and demanding processes, they result in unique organizational learning (Hitt, Harrison, & Ireland, 2001). There are many factors that link success or failure to the process of IM&As. The existing literature, however, takes mostly a financial and/or economic perspective, measuring the outcomes of IM&As in the market share or short term, while their long-term effects and nonfinancial factors remain untouched (Andrad, Mitchell, & Stafford, 2001). Filling the gap left in current literature, this article tracks this acquisition, from the perspective of BenQ, through a qualitative case study and focuses mainly on cultural differences and communication issues manifest in this unsuccessful business marriage. The aim is to provide a thick, detailed description of the effect culture and communication had on the outcome of this BenQ-Siemens acquisition.

2. Background of BenQ's Acquisition of Siemens

BenQ, established in 1984, was initially known as Acer Peripherals Inc., and later rebranded in December 2001 as BenQ. For years, BenQ had been a consumer electronics contract manufacturer. It quickly expanded to include clients such as the giant cell phone brands, Motorola and Nokia. Chairman Lee frequently cited Steve Jobs of Apple as a key source of inspiration and especially admired the way Jobs nurtured the Apple brand (Einhorn, 2004). Lee noted that "technology changes so fast, and consumer habits are changing all the time. The only thing a company has in the long term is the brand name and the management philosophy" (Einhorn, 2004, p. 26). With this in mind, Lee not only shifted his focus away from being a contract manufacturer and more towards the production of self-designed products, but he also promoted the BenQ brand image. Lee sought to develop a globally recognized brand image, increase the product line and expand its contract manufacturing business.

When the opportunity came, Chairman Lee took a shortcut strategy to the global mass market. On June 7, 2005, BenQ acquired the ailing mobile devices division of Germany's Siemens. Lee said at the press conference, "BenQ has been seeking ways to boost its economic scale and manufacturing capabilities to become a leading mobile phone player. We think Siemens is a partner that will be complementary" (Wang, 2005, p. 1). On the other hand, Siemens was expected to regain investor confidence through the selling of their money-losing mobile phone unit, and shifting its focus to its more profitable industrial operations, including power turbines and automation equipment.

Under the agreement, BenQ acquired 100% of Siemens's mobile-devices unit without directly paying the German company. Instead, Siemens provided BenQ with 250 million euros to help fund the business, and later paid 50 million euros to buy newly issued shares in BenQ. In addition, Siemens continued to carry the unit's losses, about 1.5 million euros a day, until the transaction was completed in September 30, 2005 (Dean, Karnitschinig, & Pringle, 2005). Siemens also continued to work with BenQ on developing handset technologies. As part of the transaction, BenQ gained the exclusive right to use the Siemens trademark for mobile phones for an 18-month period and co-branding rights to BenQ-Siemens for 5 years. It was estimated that this deal cost Siemens about 350 million euros. Meanwhile, BenQ agreed to fulfill Siemens's labor contract agreements with the cell phone employees through the end of 2006 (Dean, Karnitschinig, & Pringle, 2005). In response to this transaction, the shares of Siemens jumped to 61.9 euros, up 3%. In contrast to the optimistic view of Lee, however, BenQ shares went down 2.7% on the Taiwan Stock Exchange when the purchase of Siemens's handset division was disclosed.

The new business division, BenQ Mobile, started its operation on October 1, 2005. The new company was headquartered in Munich, Germany and had over 7,000 employees worldwide working on research and development, design, sales, and marketing. BenQ, however, suffered from growing pains after its acquisition of Siemens. Although Siemens's handset operation increased BenQ's strengths by allowing it to directly compete with other leading brands, there was also a conflict of interest with BenQ's current leading customers. By September 28, 2006, BenQ announced that in order to manage the losses, it would stop pouring money into BenQ Mobile – its German mobile phone subsidiary (BenQ Press Release, 2006).

The subsidiary filed for insolvency protection in a Munich court – a move to protect the interest of creditors. Its management was handed over to a new team appointed by the German government leading to a public outcry in Germany due to the loss of nearly 3,000 jobs.

3. Literature Review

IM&As operate within the two entities of their home (i.e., headquarters) and host (i.e., subsidiary) cultures. This situation creates conflict over the degree of cultural adaptation. It has been argued that cultural differences can create major obstacles to achieving integration benefits (Bjorkman, Stahl, & Vaara, 2007; Stahl & Voigt, 2008). Consistent with this idea, Hofstede (1980, 2001) suggests that the conflicts, costs, and difficulties associated with cross-border contact increase with growing cultural differences between two organizations. Clashes between different organizational practices may arise from national cultural barriers, language problems, different legal systems, and regulatory hurdles (Shimizu, Hitt, Vaidyanath, & Pisano, 2004).

When the acquiring company is foreign, both parties -- the acquiring and the acquired -- feel more uncertain about the integration process. This, in turn, increases tension when trying to build relationships between employees of the acquired company and the new employees of the acquiring company (Nikandrou, Papalexandris, & Bourantas, 2000). Cross-border acquisitions appear to be particularly difficult to integrate because they require "double-layered" acculturation, whereby firms need to adjust not only to a different national culture but also to different organizational values and practices (Barkema, Bell, & Pennings, 1996).

Communication and organizational culture are closely linked concepts. Communication practices influence culture and vice versa. Language barriers and divergent communication practices can exacerbate cultural differences. Fitzgibbon and Seeger (2002) found that cultural differences were one of the primary factors in the failed merger of the Chrysler Corporation and Daimler-Benz. Among other things, pre-merger communication and public relations created unrealistic expectations that simply could not be met. Cultural difference is a factor that affects individual communication style and the communication process. Hall (1976) argues that individuals from different societies and cultures communicate differently. Schweiger and DeNisi (1991) thus suggest that communication problems can undermine the commitment required for effective implementation of the acquisition. Sharing information and communicating to employees significantly influences the integration process of the new culture and expectations of the employees (Appelbaum, Gandell, Yortis, Proper, & Jobin, 2000). Papadakis (2005) further confirms that appropriate communications strategy is the area that can significantly improve the odds of success in post-merger integration.

To understand culture, we must find ways to assess and compare cultures. There are two influential and accepted comparison points for intercultural communication: 1) the idea of context (Hall, 1976), and 2) the value/belief theory of culture (Hofstede, 1980, 2001). These theories are used in this study as the theoretical lenses for understanding intercultural communication events and helping us describe the fundamental aspects of cultures.

Edward T. Hall (1976) proposed the concept of high versus low context as a way of understanding different cultural orientations. The difference between high and low context cultures depends on how much meaning is found in the context versus the code. The "code" is interpreted as message and "context" as setting or circumstance, including the people, in which the message appeared. More specifically, context leads to differences in how and what people communicate.

In Hall's view, a high context culture is one in which people are deeply involved with each other. As a result of intimate relationships among people, a structure of social hierarchy exists; individual inner feelings are kept under strong self-control; and information is widely shared through simple messages with deep meaning. The communication styles of Asian and Arab nations, for example, are high context cultures. In contrast, European and American communication styles are considered low context cultures. A low-context culture is one in which "people are highly individualized, somewhat alienated, and fragmented, and there is relatively little involvement with others" (Hall, 1976, p. 39). As a consequence, social hierarchy, as well as society in general, imposes less on individuals' lives, and communication between people is more explicit and impersonal.

The work of Geert Hofstede (1980, 2001) has been widely quoted as foundational for understanding cultural and business communication. Hofstede (1980) defines culture as the collective programming of the mind, which distinguishes members of one human group from another.

He points out that cultures are built on values and values create the collective programming. Collective programming means that people share similar patterns of thinking, feeling, acting, and reacting. Thus, people from another culture may see and react to the same event in a very different way. In a study of IBM employees from around the world, Hofstede (1980) found four dimensions of societal culture: power distance, individualism or collectivism, uncertainty avoidance, masculinity or femininity. Later, with Bond (1988) he identified a fifth category known as Confucian dynamism or long-term-short-term orientation with roots in the Eastern cultures. These five variables are present in all cultures and the degree of their presence influence the internal and external communication of any organization.

Hofstede's (1980) first dimension, power distance, focuses on how a society deals with the fact that people are unequal in physical and intellectual capabilities. Specifically, power distance refers to the openness of upward communication in an organization. The individualism versus collectivism dimension focuses on the relationship between the individual and social group. People with high individualistic values tend to care about self-actualization and career progression in the organization, whereas people with collectivist values tend to value the overall benefits to the organization more than their own individual interests.

Hofstede's uncertainty avoidance dimension measures the extent to which different cultures socialize their members into accepting ambiguous situations and tolerating uncertainty. There tend to be more written rules, regulations, and stress in high uncertainty avoidance culture. Basically, "humans have used technology (particularly automation), rites and rituals (a facet of corporate culture), and formalization (also an aspect of corporate culture) to cope with ambiguity in organization" (Sriramesh, Kim, & Takasaki, 1999, p. 275). Nations that have high uncertainty avoidance are not tolerant of risk or crisis.

The masculinity versus femininity dimension looks at the relationship between gender and work roles. In masculine cultures, sex roles are distinguished and traditional "masculine values," such as achievement and the effective exercise of power. These determined the cultural ideals. Finally, Hofstede's fifth dimension, Confucian dynamism or time-orientation dimension, refers to a person's point of reference about life and work. Cultures that promote a long-term orientation toward life admire thriftiness, perseverance, and the desire for orderly relationships with others.

In this paper, we are concerned with the differences and communication issues between the German and the Taiwanese culture. Thus, this study mainly explores:
(1) the role of cultural factor in the case of BenQ's acquisition
(2) how BenQ communicated during and after the acquisition

4. Methodology

A case study is "an extremely useful technique for researching relationships, behaviors, attitudes, motivations, and stressors in organizational settings" (Berg, 2009, p. 331) and thus, is the methodological choice for evaluating the Ben'Q debacle. Texts, such as speeches, press releases, company's websites, sales and annual reports, documenting BenQ's discourse during and after the acquisition, were collected from a variety of sources, but primarily from Ben'Q Taipei headquarters. These texts were cross-referenced and supplemented with coverage provided in the media. The key word search, "BenQ & Siemens," led to articles in the two major domestic native language newspapers, *China Times* and *United Daily News,* and two local English newspapers, *Taipei Times* and *China Post*. Foreign media reports, such as *Business Week* and *the Wall Street Journal,* were collected from the Nexis-Lexis Academic database. These news reports were chosen because of their large circulation, prominence and influence on public opinion. The period of analysis covers a fifteen-month period, starting on June 7, 2005, the day of news about the acquisition, and ending on September 28, 2006, when BenQ terminated its investments in the Germany subsidiary, BenQ mobile. The news articles were analyzed for both the major concepts embedded in the media coverage and the attitudes of news narration.

To explore the cultural factors and communication issues in the BenQ case, we collected: 1) 6 press releases from BenQ and 7 press releases from Siemens, 2) 111 articles from domestic Taiwanese newspapers, and 3) 45 articles in foreign media reports. Initially, all of the data were carefully read to identify issues or comments that might be related to cultural differences. In addition, we paid particular attention to how BenQ communicated with the stakeholders during and after the acquisition. Finally, a thick description and analysis of the findings for each research question was conducted.

5. *Findings*

This section explores the communication and cultural aspects of the merger and acquisition. We discuss the ways in which cultures clashed and the ways this was manifested in and accelerated by communication.

5.1 Cultural Differences

BenQ (Taiwan) and Siemens (Germany) reflect substantially different cultural realities with Germany representing the Germanic European culture and Taiwan representing the Oriental Confucian group. The Taiwanese culture is less future oriented, less assertive, more collectivist, and more rule-oriented. In contrast, the German culture focuses on personal independence, individual rights, and contracts or agreements. Hofstede's (1980) study makes these distinctions very clear. On the individualism index, the Germans scored 67 while the Taiwanese scored 17. This shows that Germans are highly independent of their organizations, preferring personal time, freedom, and challenge, whereas the Taiwanese employees have a stronger sense of belonging to their organization. In the power distance scale, the Taiwanese scored 58 while the Germans scored 35, indicating that Taiwanese employees are more comfortable with structured hierarchical levels and supervisors who make decisions. Germans, on the other hand, prefer a more participatory style. In uncertainty avoidance, the Taiwanese scored 69 while the Germans scored 65, meaning that Taiwanese try to avoid risk and anxiety, while Germans neither seek nor avoid ambiguous situations. These three cultural dimensions – individualism, power distance and uncertainty avoidance -- are aspects of a country's culture that distinguish one society from another and have important managerial implications. We carefully examined the three national cultural dimensions and corporate cultures in relation to BenQ's failed acquisition.

5.1.1 Individualism vs. Collectivism

Triandis (1995) believes that individualism-collectivism is by far the most important attribute that distinguishes one culture from another. On Hofstede's cultural dimensions index, a clear disparity between German and Taiwanese culture is evident in individualism versus collectivism. Taiwanese society is a collectivistic culture rooted in Confucianism. In high collectivism countries, organizations are expected to look after employees "like a family" and to defend their interests (Hofstede, 1980, p. 173). Moreover, collectivists conform, obey, and maintain in-group harmony and the social order. Members of collectivistic cultures stress connection instead of separateness, putting a high value on their place in the societies. Chinese cultural values are often seen as an important factor in determining Chinese business organizational and managerial practices (Bond & Hwang, 1986). The unique characteristics of Chinese organizations include highly centralized decision-making, and a strong emphasis on collectivism and group behavior. As a Chinese society, Taiwan shares these cultural dynamics.

Chairman Lee claimed a key reason for the trouble at Siemens Mobile was excessive turnover in executive management. He said, "in the last two and a half years, they had six management changes. That was why they fell down so rapidly" (Einhorn, Wassener, & Reinhardt, 2005, p. 18). Reflecting the collectivist value of harmony, Lee kept Siemens's mobile division executive, Clemens Joos, on as the chief executive, together with 2,800 research and development employees during the initial operation stage. More specifically, Chairman Lee thought by retaining Joos as head of the newly established company, rather than changing the leadership following the acquisition, the transition would be smoother. In hindsight, Lee began doubting this decision, saying that, "Instead of gradually restructuring the German subsidiary, BenQ should have opted for radical change by replacing the entire subsidiary management team. Then it would have been possible to improve the speed gap and the communication problem" (Huang & Sun, 2006, p. 153).

Generally speaking, the acquiring firm expects to gain quick access and then typically use a variety of formal integration mechanisms to impose control upon the acquired organization (Cartwright & Cooper, 1996). BenQ, however, neither established nor implemented a rigorous set of rules and systems in its subsidiary company, focusing more on relationships rather than on the rule of law. This employee/people-oriented expectation meant BenQ kept all of the original German managerial team, emphasizing stability and harmony, in the hope of reducing any potential conflict or confrontations. Collectivistic societies also assume a more utilitarian approach, seeking to generate the greatest good for its in-group members. For instance, the Taiwanese society emphasizes "particularism," focusing more on relationships than on the rule of law. The Germans, on the other hand, focus on the individual and "universalism," applying general rules and obligations as the major source of moral reference (Trompenaars & Hampden-Turner, 1998). Individual achievement and self-esteem are higher than group loyalty or cohesiveness.

In summary, wide cultural differences created a gap between the highly individualistic German subordinates and the highly collectivistic Taiwanese employers.

5.1.2 Power Distance

In Taiwan, the workers are less aware of their interests and rights. According to Hofstede (1980), the Taiwanese society is a high power distance culture, which displays degrees of centralization of authority and of autocratic leadership. The less powerful members of organizations accept and expect that power be distributed unequally. Moreover, there is a sense of Confucian dynamism where relationships are ordered by status differences. People accept their positions in the hierarchy, fulfill their roles within it, and do not challenge the order. However, both power distance and long-term orientation are ranked considerably low in Germany, illustrating Germany's belief in equality and individual opportunity.

According to Hofstede (1980), individualistic cultures put the needs and goals of the individual and his or her immediate family first. In individualist cultures, the autonomy of the individual is paramount. Basically, low power distance and individualistic Germans show less concern about differences in rank, indicating that superiors and subordinates have equal rights. As such, unions are very strong in Germany and provide workers with many rights for shaping the firm's goals and responsibilities. After BenQ filed bankruptcy, the German union leaders, concerned about the workers' jobs and uncertain future (Paterson, 2005), threatened to take legal action against Siemens over the sale of its money-losing mobile phone unit to BenQ.

Given the role of hierarchical relationships and high power distance in the Taiwanese culture, labor unions are not as powerful as their counterparts in Germany. For example, "wages and salaries of German employees are typically fixed by so-called collective tariff agreements which are negotiated between trade union representatives and the representatives of the employers' association of a particular industrial and/or service branch" (Hinner, 2009, p. 50). Additionally, German workers regularly receive six weeks of paid vacation per year; they neither work on Sundays nor public holidays; and they strictly separate their work-life from their private-life. Taiwanese typically will work on holidays or weekends if requested by the company. One of the key issues for BenQ, therefore, was learning how to manage and maintain good relationships with Siemens's labor union.

The larger power distance in a culture indicates a strong tendency towards hierarchy, placing the top executive in the most important role. Specifically, strong Confucian beliefs and the large power distance in Taiwanese culture stress virtue and demand that the person at the top of the company's hierarchy take the most responsibility. Lee made his first public apology at the Institutional Investor Conference on October 24, 2006 (Chang, 2006) to both Taiwanese and Germany stakeholders. In his apology, he acknowledged the huge losses and made promises for the future. Lee told investors, "We now are fixing some of the remaining problems. We hope the company will soon be on the road towards healthy growth" (Wang, 2006, p. 12). Later, as part of a corrective action strategy for the financial crisis, Chairman K. Y. Lee tendered his resignation at a board meeting. The board, however, turned it down and expressed confidence in Lee's longtime leadership ability, insisting that he stay and help bring the company back to profitability (BenQ Press Release, 2007).

5.1.3 Uncertainty Avoidance

The announcement of discontinuing BenQ's investment in Siemens mobile phone unit within a year seemed to surprise many industry observers. However, this situation is linked closely to Hofstede's (1980) concept of uncertainty avoidance, which is for Taiwan negatively correlated with risk taking and positively correlated with the fear of failure. Taiwanese electronics' companies have been known for their cost conscious and cost-cutting procedures, applying Confucian virtues of thrift, saving, and perseverance toward their results (Hofstede & Bond, 1988). Thus, an immediate reduction of losses is the only way to save a business. BenQ incurred a staggering loss of NT$36.7 billion from the time it acquired the ailing Siemens handset unit (Huang & Sun, 2006). After such a loss, BenQ, needing to protect its Taiwanese headquarters from financial deterioration, was uncomfortable taking on further risk for ambiguous profitability. From this perspective, it is understandable that BenQ ended this business marriage and stopped the financial bleeding in less than a year.

5.1.4 Corporate Culture

Prior to its acquisition of Siemens, BenQ was a regional brand, which lacked high level international management talent. According to Ho (2005), BenQ only worked with Philips by forming a NT$20 million company named Philips BenQ Digital Storage in 2003.

However, the joint venture was headquartered in Taipei, Taiwan, and the company's size and capital were far less than the billion-dollar handset unit based in Munich, Germany. Clearly, the two organizations that merged to form BenQ-Siemens had very different national origins and identities, and corporate cultures. Siemens is considered the archetype of German engineering prowess. Its long-standing tradition of labor harmony and powerful worker's councils is highly resistant to this kind of change. BenQ, a Taiwanese company specializing in the manufacturing of consumer electronic devices, is known for its fast, flexible, innovative and enterprising spirit, reflected in the company's visionary name -- **B**ring **E**njoyment a**n**d **Q**uality to life. Organizationally, BenQ's corporate culture was informal and less structured, whereas Siemens was more formal and more structured.

Later, BenQ's chairman Lee admitted that the cultural differences, especially in management, were costly to BenQ (Huang & Sun, 2006). Lee argued that the biggest clash occurred over a different sense and perception of time and speed. For instance, he said, "BenQ has a rather flexible, informal corporate culture, while the century-old Siemens's corporate culture is centered on doing things by the book and following standard operating procedures" (Huang & Sun, 2006, p. 153). In a broader context, Siemens practices a methodical decision-making process, paying attention to detail and doing things in an assigned order. BenQ, on the other hand, focuses on adaptability and resilience, while concentrating on product diversification. In this way, BenQ reaches its goal by maintaining its business flexibility.

Lee further explained that after BenQ acquired the Siemens mobile phone unit and the newly merged entity formally started its operations in October 2005, the German subsidiary postponed closing the account until December, 2005. This held up many of the decisions that BenQ needed to make, such as a new product development and marketing plan. Production schedules for the BenQ Mobile phones were also delayed during the short life cycle of the handset industry. Simply put, the way the Germans and Taiwanese approach working time is quite different. The Germans tend to be more casual about time and always make sure they have time for marketing. In contrast, the Taiwanese feel very pressured about their working time and maintain extremely tight business schedules.

The difficulty of blending two organizations lies in the fact that each group tends to see the world through its own biased cultural filters (Bibler, 1989). In the context of acquisitions, cultural differences often lead to "us-versus-them" thinking among the employees. This may increase in-group out-group bias, with a tendency for organizational members to emphasize differences rather than try to find mutual understanding (Stahl & Sitkin, 2005) and may lead to lack of collaboration and failed opportunities for interdepartmental learning (Schweiger, 2002). Alexander and Korine (2008) point out that BenQ's acquisition of Siemens's mobile devices business failed because BenQ lacked integration skills. It could not reconcile the two companies' incompatible cultures or integrate the research and development of new products across the two entities. After BenQ-Siemens was faced with serious financial problems, the magnitude of the intercultural failure became clear. Thus, the case of BenQ-Siemens became a prime example of one of the largest causes of acquisition failures – cultural incompatibility.

5.2 Communication Issues

Research suggests that the communication variable is the most important factor during mergers and acquisitions, and is the key to a successful integration of two clashing cultures (Appelbaum, Gandell, Yortis, Proper, & Jobin, 2000). For example, lack of foreign language proficiency among the people involved in the cross-border transfer of capabilities may severely hamper communication and may also raise costs (Grant, 1996). Communication thus should be treated as a major factor, particularly considering the stressful process and organizational uncertainty that tends to surround the implementation stage.

Buono and Bowditch (1989) point out that "rumor mills and the grapevine work overtime, leading to more anxiety and, in many cases, counterproductive behaviors. Often based on fears rather reality, these rumors can significantly exacerbate employee anxiety, tension, and stress" (p. 257). Moreover, Vaara (2003) indicates that the actions taken and messages sent by the acquiring firm are most likely misinterpreted by the employees in culturally distant countries, creating false impressions that may lead to covert or overt political struggles between the two parties. In the case of BenQ-Siemens, labor leaders, politicians and media commentators in Germany accused Siemens of knowing that its mobile unit was doomed when BenQ took it over, and that it was trying to avoid the big payoffs typically awarded to German workers when they lose their jobs ("Siemens agrees to fund insolvent BenQ units in Germany," 2006). The critics claimed that,

The entirely unprofessional handling of the mobile devices business by transferring the run-down segment to a nobody in the business named BenQ, an enterprise with no competence or marketing experience in this area neither in Germany nor internationally, was an entrepreneurial oath of disclosure, an economic disaster, and a socially irresponsible scandal. The Managing Board's actions have severely damaged Siemens's image in the public. (Shareholder proposals for the annual shareholders' meeting of Siemens AG, 2007)

The Siemens employees felt they were deceived and betrayed by the German executives and had no trust in BenQ. Under such circumstances, they believed that if they had known what was going on and if there had been more communication from the executives, the situation would have been easier and less disappointing. This leads scholars to argue that implementation success depends on effective communication from the time the deal is announced, bearing in mind the different corporate cultures and the pending organizational changes (Cartwright & Cooper, 1996). Failure to do so only increases uncertainty, stress, absenteeism, and turnover among the employees and decreases their job satisfaction, commitment, and intentions to remain (Schweiger & DeNisi, 1991). Apparently, BenQ did not create appropriate internal communication mechanisms at the onset of the deal to reduce rumors and anxiety among the German employees.

Cross-cultural communication was difficult to achieve since there were numerous obstacles in the case of BenQ-Siemens. On October 16, 2006, the editorial of the *Taipei Times* described the tough task of managing between these two different cultures.

Disagreements or miscommunication between BenQ's German management and Taipei headquarters over the development process of new products and the speed of reorganization highlight some of the difficulties of integration. BenQ's decision to cut its financial support for the German subsidiary was condemned as rash and irresponsible in Germany, while it was deemed rational to many in Taiwan. ("Editorial: Bridging the gap crucial in M & As," 2006, p. 8)

After acquisition, while BenQ planned to implement the new business strategies in the newly established BenQ-Siemens unit, it did not communicate this in a consistent and concise manner. The organization should never have assumed that the employees would understand why these transitions and changes were taking place. Poor communication only confuses employees and undermines top-down implementation. Changes in an organizational structure require not only making good decisions, but also communicating the changes effectively. Miscommunication is rooted in differences in language, cultural traditions and management styles, which may be attributed to high and low context cultural backgrounds (Hall, 1976).

5.2.1 High vs. Low Context

Most of BenQ's employees were not fluent in German. Although they and Siemens employees could interact in a common language (i.e., English), there were communication barriers in terms of different interpretations of explicit and implicit messages. In low context cultures such as German, much more meaning is embedded in the words that make up the verbal message and speakers are relatively direct and straightforward. Interpersonal interactions in German companies tend to be aggressive and assertive (Brodbeck, Frese, & Javidan, 2002). For example, "Germans consider small talk to be a waste of time in a business context since it has nothing to do directly with the task at hand" (Hinner, 2009, p. 51). People from individualistic cultures are more likely than those from collectivistic cultures to use confrontational strategies when dealing with interpersonal problems (Lustig & Koester, 2006). Triandis (1995) also agrees that individualists use confrontation and hyperbole, pay attention to the content, and adopt an anticlimactic sequence of presentation in low context communication. In a sense, German managers tend to present their views in a more confrontational manner and open verbal aggression seems to be tolerated in the German society more than in many others.

Open communication reduces ambiguity and clarifies expectations. However, Hall (1976) explains that in high context cultures people sometimes appear to express themselves in a roundabout way because they want to reduce the chance of an open and direct disagreement, especially regarding issues that might be controversial. For instance, when asked about the Siemens employee layoffs, Lee avoided direct and open confrontation with his ambiguous and indirect response by saying that "so far BenQ does not plan to shut any factories" (Einhorn, Wassener, & Reinhardt, 2005, p. 18). Since Lee was aware of the impact of his words and actions on other people, he diverted the conversation and obscured his answer to specific questions. In fact, top executives might prefer not communicating anything rather than communicating information that later turns out to be incorrect.

However, Schweiger & DeNisi (1991) believe managers should "communicate what they know and insure that employees are never intentionally deceived" (p. 111). If this had happened, it might have reduced the impact of the German media, which claimed that BenQ, an unknown company before 2005, merely wanted to use Siemens's name to launch its BenQ-Siemens line of mobile phones, but really did not plan on reviving it ("BenQ rejects German creditors' compensation claim," 2007). Clear and constant communication during the course of an acquisition transition can provide decisive answers and dispel damaging rumors. In fact, a carefully planned, employee-centered communication program, together with a high level of employee relationship-building is needed to gain the acquired employees trust (Nikandrou, Paplexandris, & Bourantas, 2000).

5.2.2 Face-Saving

Face consideration is another subtle factor that impacts the communication process. Specifically, face-saving can be considered as a strategy for retaining social standing in a potentially damaging situation. Triandis (1995) argues that individualists are most concerned with saving their own face (self-face concern), whereas collectivists are concerned with saving the face of its in-group members (other-face concern). Understanding face concerns leads to a better understanding of different styles in the two kinds of culture.

In a broader context, face has a special meaning in Chinese societies both in social life and the business world. For the Chinese, face is conceptualized in two ways: *lian* (face) and *mianzi* (image). *Lian* represents the confidence of society in the integrity of the person's moral character while *mianzi* represents a reputation achieved through success and ostentation (Bond & Hwang, 1986). In Germany, there is only one type of face, *gesicht*, which means that face is focused on the social image a person presents to others (Oetzel, Ting-Toomey, Masumoto, Yokochi, Pan, Takai, & Wilcox, 2001).

According to Redding and Ng (1982), the differences are related to the individualism-collectivism dimension of culture and other cultural attributes, such as the function of shame. The importance of shame in Chinese culture is associated with the social and moral thought of Confucianism. Shame is a group rather than an individual concern. Chinese belong to a closely integrated group upon which their honor or shame is reflected (Wilson, 1981). When people do something wrong or fail, they do not simply lose their own face, but they shame all those around them.

In a collectivist and high context culture such as Taiwan, communication is more indirect or implicit and an intermediary is more likely to be used. In a less assertive culture, Taiwanese tend to prefer indirect communication to avoid the possibility of hurting someone. Furthermore, in a highly group oriented culture like Taiwan, group harmony is critical and the leader's role is to strengthen group ties. Since "social harmony and face maintenance are crucial, communication through intermediaries is especially functional because using intermediaries eliminates face-to-face confrontation and reduces the risk of losing face" (Jandt, 2007, p. 65). As Lustig and Koester (2006) suggest, in high context cultures, one purpose of interaction is to promote and sustain harmony among the interactants. Therefore, unconstrained and explicit reactions could threaten the "face" or social esteem of others. Hence, it is difficult for the Chinese to be open and straightforward in their interaction with others, especially during times of uncertainty. Third-party intermediaries can serve as strong and more credible sources of supporting information than a company speaking on its own behalf. Intermediaries, as go-betweens, are used to initiate social contacts, resolve conflicts and preserve face (Gao & Ting-Toomey, 1998).

When a crisis hits a company, the board of directors' should act to protect stakeholders from the fallout immediately. In most cases in individualist cultures, the first action is to remove the negligent executives (Fombrun, 1996). In contrast, BenQ's board of directors made a different decision and did not accept Chairman Lee's offer to resign on March 20, 2007 even though he took responsibility after the disastrous record loss for 2006 was posted. This loss reflected his failure to boost earnings through the acquisition of Siemens's unprofitable cell phone unit in 2005.

In Chinese culture, preserving others' face in social encounters is important, so supervisors usually do not directly point out mistakes to their subordinates. A paramount cultural trait of the collectivistic Chinese cultures is *tuan jie*, the idea that the in-group members must come together, especially in times of crisis. It reflects the old saying that "united and we can stand strong." Thus, BenQ's directors defended their own network by bonding the members within, which is explained by the Chinese term, *guanxi*. *Guanxi* denotes "particularistic ties" of this bonding (Tsui & Farh, 1997) and literally means personal relationships.

In business settings, it can be better understood as "connection." The practice of *guanxi* has its roots in Confucianism. It advocates establishing harmony in a society through a strong and orderly hierarchy. Meanwhile, it fosters the broad cultural aspects of collectivism manifested in the importance of networks of interpersonal relations. When a situation arises which is beyond an individual's capacity, the *guanxi* network is then mobilized to accomplish the desired results (Redding & Ng, 1982).

Redding and Wong (1986) state that generally the nature of the Chinese organizational leadership process is didactic and the management control process relies heavily on conformity, nepotism, and obligation networks (*guanxi*), not through performance contingent rewards and punishments. The cultural preference for harmony means that dissatisfaction among the subordinates and conflict between cliques are unlikely to be brought into the open. This may be related to the Chinese way of establishing and keeping interpersonal relationships. People try to get economic or social resources through the informal social structures of *guanxi* (connection or personal relationship) rather than through the formal structures. As mentioned earlier, the concept of *mianzi* or face is a critical element in Chinese culture. In the business world and interpersonal relationships, it is important for the Chinese to maintain face and avoid offending the face of others. Specifically, *mianzi* is important for the individual but also for one's group or family.

Thus, with respect to Lee's long-term leadership, directors at BenQ rejected chairman Lee's resignation. Stan Shih, Acer group founder and BenQ board of director member, fully trusted that Lee could quickly turn the company around after the debacle of BenQ's acquisition. He wrote an open letter to the stakeholders, reassuring them of their protection and played a key role, as an intermediary, in reducing the level of blame towards BenQ and minimizing Lee's loss of face.

Traditional Chinese culture places more weight on vertical interpersonal relationships. In contrast, the German culture values individualism and rejects hierarchic status, which makes power distance or authority recognition an unwelcome proposition. Hence they tend to lessen the distance between stakeholders in an attempt to provide various channels of communication and create more horizontal relationships through two-way interaction with them. In other words, the face-saving behavior of the Taiwanese is very different from the face-saving or face-enhancing behavior of the Germans.

6. Conclusion

Companies undergoing a merger or acquisition might face an array of intense internal and external challenges. To obtain an entire business and its known brand for free was too good to be true for BenQ. Certain risks needed to be considered in this acquisition. BenQ chairman, Lee, was counting on the acquisition of the Siemens's mobile phone unit to turn BenQ into a globally recognized brand. However, the acquisition which required that the company balance two cultural contexts ended within less than a year because of significant financial losses.

We now live in a global economy shaped by multinational corporations. Increasing business contacts and interdependencies across cultures are inevitable. Cultural factors sometimes can raise the costs of doing business. BenQ was unable to meet the expectation of turning the unprofitable Siemens mobile phone unit around. Despite Siemens's brand recognition, constant delays in the new product roll-out added to the challenge of a short life cycle and high-volume handset business. Increasingly, it was difficult to compete with leading rivals, such as Nokia and Motorola. The traditional IM&As approach has been to evaluate the acquisition target from a financial and legal standpoint, but to pay inadequate attention to the local people and their culture. During the integration phase, if people issues are ignored, complex problems arise when trying to combine the different cultures. From this perspective then, a mindful communication effort is needed because any failure to communicate makes employees uncertain about their workplace and their future. The uncertainty, rather than the actual change itself, is the most stressful for employees (Schweiger & DeNisi, 1991).

One noticeable challenge of cultural differences occurred at the management level between the Taiwanese headquarters and its German subsidiary. The two companies' contrasting cultures increased the likelihood of an incompatible integration process and implementation problems, and made it highly unlikely they would add value and create synergy. Successful IM&As strategies recognize the importance of the organizational culture as a critical element in the long-term integration success. The impact of not assessing the degree of cultural differences has potential consequences for the combined firms since cultural tensions and clashes between merging organizations are a common cause of "combination related" difficulties (Buono & Bowditch, 1989).

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In conclusion, the German Siemens and Taiwanese BenQ were different in important ways, from their national cultures to their organizational cultures. The failure of BenQ's acquisition of Siemens handset provided a valuable lesson for companies intending to create their own global brand recognition. This study also shows that an IM&A has a better chance of success when managers consider each other's culture and allocate enough time and resources to assimilate the host country's culture. Thus companies from different cultures considering a merger need to prepare in advance a strategic communication plan that clearly defines objectives and performance expectations during the integration and implementation process to avoid the information gap with future employees.

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Cultural differences and organisational culture are both acknowledged to have played their part. It was this failed partnership that first rang the alarm bells that cultural factors just cannot be ignored on a global level, especially not within mergers and acquisitions. Cultural factors. Cultural Problems in the Nomura Lehman Brothers acquisition. After the collapse of Lehman Brothers there were a number of companies eager to acquire parts of it. One of them was Nomura who wanted Lehman Brothers' Asian branches. The first cultural mismatch is quite similar to a couple of the other case-studies which already have covered â€" differences in management practices. The Dutch model of management was based on consensus and the interests of both parties (namely employer and employee). International Association of Business Communicators (IABC) indicated that most of the merger communication budgets globally have been spent on external communication rather than internal communication. Conveying the decision to merge at the appropriate time helps to reduce a lot of uncertainties both in the pre and post-merger stages. Uncertainties lead to speculation and weaken trust. Grapevine only results in loss of productivity. This has been a guide to Successful Mergers and Acquisitions, its key drives, with examples and case studies. You can learn more about Mergers & Acquisitions from the following articles â€". 4 Examples of Acquisitions. Top 10 Best Mergers and Acquisitions (M&A) Books. Synergy in Mergers and Acquisitions. See our disclaimer. Cultural Differences and Communication Issues in International Mergers and Acquisitions. the Benq Debacle. Specifications. Publisher. We're committed to providing low prices every day, on everything. So if you find a current lower price from an online retailer on an identical, in-stock product, tell us and we'll match it. See more details atOnline Price Match. webapp branch.