

# A New Starting Point For The Enterprise Management of Cross-Border Mergers and Acquisitions—Cultural Integration

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**Abstract:** With the accelerating process of economic globalization and the continuous improvement of the international level of Chinese enterprises, cross-border M&A has gradually become an effective means for Chinese enterprises to expand overseas markets and expand their scale. In cross-border mergers and acquisitions, cultural integration has become a key issue of its success. This paper discusses the issue of cultural integration in cross-border mergers and acquisitions, and put forward relevant measures.

With the continuous deepening of China's reform and opening up, there are many foreign companies to invest in China, at the same time, many domestic enterprises go abroad and continue to expand overseas markets. However, with the deepening of exchanges, cultural conflicts have been intensified, which has become an important issue restricting cross-border mergers and acquisitions, and even affect the failure of corporate mergers and acquisitions. In this context, it is particularly important to formulate the implementation plan of enterprise integration and solve the problems in cultural integration.

## 1. Overview of the relevant theories of cross-border mergers and acquisitions and cultural integration

### 1.1. Cross-border mergers and acquisitions

Mergers and acquisitions, generally referred to as mergers and acquisitions (M&A), is the growth path for enterprises to achieve rapid expansion. Cross-border M&A means that enterprises purchase the assets or operational control of foreign enterprises through certain channels and means of payment in order to achieve certain goals. Cross-border M&A is mainly one of the ways for enterprises to expand and develop rapidly. Through cross-border freezers, enterprises can bypass obstacles such as trade barriers in overseas markets, enter overseas markets at a lower cost and improve their competitiveness.

With the deepening of economic globalization, many strong enterprises have embarked on the road of cross-border mergers and acquisitions in order to compete for more international markets. As a result, most of the current cross-border M&A cases take place between national industry monopolies or world-famous multinational corporations, and the amount of transactions is huge. In cross-border M&A, the combination of strong and strong has become the mainstream trend of M&A. through the combination of strong and strong, more global giant enterprises will be formed. the development of these enterprises will have a great impact on the world economy. at the same time, it will also accelerate the further development of economic globalization.

China's cross-border mergers and acquisitions appeared in the early 1990s, when China introduced a large number of foreign enterprises by virtue of its huge market scale and preferential market policies, but it was only limited to labor-intensive industries. At the beginning of the 21st century, with the occurrence of the subprime mortgage crisis in the United States, China obtained a good opportunity for cross-border mergers and acquisitions. During this period, with the help of national policy support, especially enterprises carried out cross-border mergers and acquisitions, by the end of 2000, the total number of non-trade multinational enterprises in China will be nearly

3000, covering more than 100 countries and regions all over the world, and the development trend of transnational business activities is good. With China's accession to the World Trade Organization, the scale of cross-border mergers and acquisitions in China has further increased. Cross-border mergers and acquisitions enable enterprises to achieve the advantages of economies of scale, can enjoy a variety of benefits brought by international trade, but also can introduce foreign advanced production technology, which has an important impact on the integration of Chinese enterprises with the world.

## 1.2 Cultural integration

Corporate culture is a kind of management culture, which runs through the daily life and production and operation activities of the enterprise. professor John Kurt, a famous American expert in management behavior and leadership authority, has spent 11 years on the substantive study of corporate culture and concluded that the performance of companies that attach importance to corporate culture is much higher than that of those that do not (see Table 1.1).

**Table 1.1** Contrast between performance of companies that attach importance to corporate culture and that of those that do not

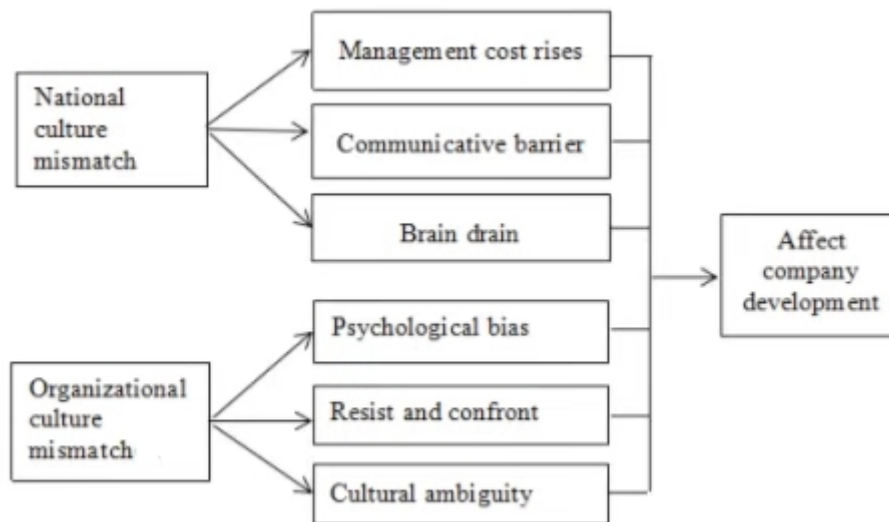
	Average growth rate	Employees growth rate	Stock prices	Company's net income
Attach importance to corporate culture	682%	282%	90%	756%
Not attach importance to corporate culture	166%	36%	74%	1%

The cultural integration of M&A can be attributed to the process of cultural exchange between M&A enterprises, the selection and re-combination of different cultures, and finally form a new cultural form with more vitality and adaptability. In cross-border mergers and acquisitions, management integration is a very important step, most of which can be solved through funds, but cultural integration is a complex process, because cultural integration is not a process of absorbing each other. But it is a process in which the two do not influence and complement each other. Cultural integration in M&A is still a kind of respect, that is, different enterprises should respect the different cultural customs of relevant countries, strive to avoid contradictions or conflicts caused by cultural differences, and absorb the quintessence of different cultures to achieve complementary advantages, so as to maximize the strategic goal of cross-border mergers and acquisitions.

## 2. Management of cultural integration in cross-border mergers and acquisitions

Cultural integration in cross-border mergers and acquisitions is an important guarantee for the smooth progress and success of cross-border mergers and acquisitions. If we can not achieve cultural integration well, then it can not be regarded as successful for cross-border mergers and acquisitions, because cultural differences will also cause great obstacles to the future development of the company. The failure cases of many companies after cross-border mergers and acquisitions are caused by the failure to deal with the cultural conflicts caused by cultural differences. the important content of multinational corporations' cultural integration is the cultural management in cross-border mergers and acquisitions.

There are great differences in the social and cultural environment of different countries, which is almost the brand of a corporate culture, such as the colonial characteristics of the Philippines and Brazil, and the immigrant culture of Australia and the United States. these characteristics are now deep-rooted and exist in everyone's latent meaning. Therefore, in cross-border mergers and acquisitions, we must formulate appropriate strategies according to the local cultural characteristics. if we do not have a good understanding of the local cultural characteristics, it will bring a lot of unexpected problems to cross-border mergers and acquisitions. thus affecting the development of the company as a whole (Figure 1.1).



**Figure 1.1** Impact of culture mismatch on M&A

Corporate culture is closely related to corporate governance structure, management system and other factors. There is a great difference between the culture of Chinese enterprises and that of foreign enterprises, and this difference can not be changed in a short period of time, so after cross-border mergers and acquisitions, we can not immediately use Chinese-style thinking to manage foreign enterprises, so we often can not get the desired results. After acquiring foreign enterprises, many Chinese enterprises will retain their original management and their original corporate culture, which can reduce the cultural conflict as much as possible so as to maintain the better operation of the enterprise.

### **3. Strategies of cultural integration management of cross-border mergers and acquisitions**

#### **3.1 Understand the cultural differences between the two sides**

In cross-border mergers and acquisitions, we must understand the cultural differences between the two sides as a prerequisite, only in this way can cultural tolerance be realized. The cultural environment of China and foreign countries is different, which is determined by historical conditions. therefore, we should first investigate and understand the differences between the two sides, and then formulate cultural melting strategies according to the results of the survey, so as to seek common ground while reserving differences and try to change and narrow the differences between the two sides. In foreign countries, most people believe in religion, but there are relatively few religious believers in our country, so after the acquisition of foreign enterprises, we must understand the religious beliefs of the local people and respect the religious beliefs of others. In addition, we should also understand their attitude towards working in the original enterprises, and try to find a balance in the differences, so as to establish fundamental values to seek common ground while reserving differences and common development.

#### **3.2 Set up a cultural integration team**

As an important factor in the success of cross-border mergers and acquisitions, enterprises must pay attention to the role of cultural integration, set up a cultural integration team in time after cross-border mergers and acquisitions, and formulate cultural integration strategies according to the cultural differences between the two side, to avoid unpredictable consequences caused by cultural conflicts. The change of writing is mainly affected by cultural changes. In the cultural integration team, what kind of leader to choose is also a problem worth considering. The author believes that it is a wise choice to let people who have absolute prestige in the two enterprises act as the leaders of the integration team at the same time.

### **3.3 Choose the appropriate mode of cultural integration**

In the process of corporate cultural integration, we must choose the mode of cultural integration according to the specific circumstances of the enterprise, and can not impose our own corporate culture on others. In the process of cross-border M&A, because the cultures of different countries are different, there is also a big gap in their corporate culture. It is necessary to formulate different cultural integration strategies for different enterprises, so as to ensure that enterprises can develop better.

### **3.4 Strengthen communication among employees**

In an enterprise, people are not only the main body of the enterprise, but also the carrier of corporate culture. Without the culture of employees, it is a castle in the air without a foundation. Therefore, after the enterprise has the intention of cross-border M&A, we should conduct a certain survey of the other enterprise, and we must achieve full and comprehensive communication in the process of cultural integration, transmit the goal, strategy, plan and other important information of M&A to employees, so as to get their spiritual and operational support. The cultural integration of both sides of M&A should enable all employees to participate and give full play to the subjective initiative of enterprise employees to promote cultural integration. Enterprises should make more use of pre-class meetings, department meetings and other forms to guide and mobilize employees to actively participate in cultural construction.

## **4. Conclusion**

The cultural conflict caused by cultural differences is an important problem that every enterprise participating in cross-border M&A must face seriously. Only by solving cultural differences and cultural integration can enterprises achieve better development. In this process, enterprises must choose appropriate cultural integration strategies according to the actual situation, so as to form a good corporate cultural integration model and promote the development of enterprises.

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