

**Effective Leadership Behaviours to
Manage People Issues of Cross
Border Mergers and Acquisitions in
China**

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ABSTRACT

The aim of this research is to identify the effective leadership behaviours in managing people issues of a British-Chinese cross border acquisition case study in China. There are three areas involved in this study: people issues in mergers and acquisitions (M&As), cross culture differences and cross culture leadership. The knowledge gap identified from past research is that there appears to be no in-depth empirical study to date on an integrated model of the three areas noted above to have a holistic understanding of their influence on the success or failure of M&As, especially in the context of cross border M&As in China. This is the focus of this research. The objectives of this research are to identify how leaders have managed cross culture issues, communications, employees' resistance, stress and trust in a Western-Chinese cross border acquisition as well as the perceived effectiveness of these leadership behaviours both from the perspectives of Chinese employees and the western managers.

The conceptual framework of this research adopted and built on the theoretical model of Project GLOBE. Findings from this study suggest a 'multiplier' effect with impact across all the people issues in this cross border acquisition, which means that when one people issue is not managed well by the leadership team, other people issues are triggered. The outcome of this acquisition was influenced by the integrated and holistic effect of all the people issues. In this study, management of people issues in a cross-culture environment was fundamental. There are seven culture dimensions proposed by this study to measure the organisational culture differences pre- and post-acquisition as influenced by both Chinese and British cultures. Specific cultural behaviours related to the proposed seven culture dimensions were also identified. Organisation culture clash was found with the post-acquisition organisation culture which influenced the leadership behaviours in managing the people issues and the perceived effectiveness of the leadership behaviours.

This study contributes to existing knowledge by adding the integrated dimension of effective leadership behaviours in managing people issues in a cross culture context of M&As in China as well as extending the theoretical model of Project GLOBE. The practical learning from this study could help leaders in future M&As to take effective actions in managing people issues to improve the success rate of cross border M&As in China which can potentially contribute to the economic development of China and other developing countries.

STATEMENT OF AUTHORSHIP

Except where explicit reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or in part from a thesis by which I have qualified for or been awarded another degree or diploma. No other person's work has been relied upon or used without due acknowledgement in the main text and reference list of the thesis.

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To complete in-depth research on a cross border M&A has been my dream for many years. What motivated me to start this dream was because I and many of my former colleagues were the ‘victims’ of a cross border acquisition years ago. I was keen to understand what the leadership team could have been done better to more effectively manage people.

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LIST OF ABBREVIATIONS

CEO: Chief Executive Officer

CLT: Culturally Endorsed Implicit Leadership Theory

COE: Local Chinese owned enterprises

FOB: Chinese family owned businesses

FOE: Foreign wholly owned enterprise

HR: Human Resources

JV: Foreign Chinese joint ventures

M&As: Mergers and Acquisitions

MNC: Multinational Companies

Project GLOBE: Project Global Leadership and Organisation Effectiveness

POE: Privately-owned enterprise

SOE: State-owned enterprise

CHAPTER 1 INTRODUCTION

A common business strategy for growing a business is to merge with, or acquire another company. Such mergers and/or acquisitions (M&As) have mixed success and management embarking on such ventures are confronted with many challenges including people issues. M&As can be domestic or cross border. Cross border M&As are generally defined as any transactions involving merging or acquiring assets of two firms belonging to two different countries (Chen & Findlay, 2003). In order to determine the success or failure factors of M&As a great deal of research has been done in the West where M&As are common and have been occurring for years. In China, M&A is a more recent practice initiated since the 1980s after China's economic reforms and therefore, the studies on M&As, especially cross border M&As in China, have been relatively limited compared with those in the western countries.

This research project is an exploratory study about the leadership behaviours in managing people issues in one cross border acquisition in China when a British company acquired a Chinese privately-owned enterprise and how the effectiveness of the leadership behaviours influenced the success or failure of this acquisition. Leadership behaviours here refers to the specific actions that leadership teams take, such as managing cross culture differences, communications, stress, trust and resistance. This study is important as it contributes to a deeper understanding of leadership behaviours with a conceptual framework that builds on clear appreciation of M&As in a cross-culture setting.

BACKGROUND

M&As in western countries were written about as early as the 1890s (Hubbard, 1999; Weston & Weaver, 2001) and were a relatively common occurrence throughout the 20th century. Cross border M&As became more common from the 1990s and have become increasingly important for companies to accomplish their strategic competitive advantages globally (Wang & Wang, 2006; Bhagat & Steers, 2009). In 2003, after the Chinese government announced that foreign companies

were allowed to acquire and merge with local Chinese companies including privately-owned enterprises (POEs) and State-owned enterprises (SOEs), cross border M&As in China increased dramatically (Dong & Ding, 2007). For example, seven out of the top ten M&As ranked by financial value in 2004 in China were cross border transactions (Wang & Wang, 2006). Both western companies and the Chinese government highly value the cross border M&As in China as a means to accelerate their economic development into winning global positions within a relatively short period of time (Wang & Wang, 2006).

Primarily, achievement of the financial objectives of the transactions, i.e. the increase of economic value of the organisations is recognised as the common criteria for success of both domestic and cross border M&As (Hogarty, 1970; Zhu, 2006). Unfortunately, despite their strategic importance, the success rate of cross border M&As in China is assumed to be low (even as low as 20%) when the success is measured on the percentage of the original financial goals (Hogarty, 1970; Zhu, 2006; Yang, 2005; Yang & Sun, 2007). However, there have been no official report for such statistics in China due to the short history of legislation and industry experience of M&As (Yang, 2005; Luo, 2005; Yang & Sun, 2007). The estimated low success rate of cross border M&As in China is not inconsistent with the overall low success rate of general M&As (at about 40%) in western countries where the legislation and investment environment and industry experience are more mature than China (Yang, 2005; Luo, 2005; Yang & Sun 2007). Compared with domestic M&As, a few researchers argue that the success rate of cross border M&As is lower due to the additional complexities in managing overall country differences between the acquiring and acquired entities (Yang, 2005; Luo, 2005; Yang & Sun 2007).

Given the 200 years history of M&As, there have been many studies on factors influencing success or failure of M&As in western countries with the majority of the studies being about domestic M&As and some on cross border M&As (Hubbard, 1999). Among all the critical success factors identified by the western M&A studies, people issues including cross culture difference management, communications, employee resistance, stress, trust and leadership are believed to critically influence the outcomes of M&As (Marks & Cutcliffe, 1988; Schweiger & DeNisi, 1991; Hubbard, 1999; Marks & Mirvis, 2001b; Bhagat & Steers 2009). However, Cooke (2006) argues

that the findings from western studies on people issues in M&As are in the context of western economic environment and culture, which might not be completely applicable to China's economic environment and the cross culture context between western culture and Chinese culture. Fealy and Kompare (2003) had similar views to Cooke (2006) that a further complexity in cross border M&As is where one of the countries is an emerging market due to under-development of the social environment, political system and legislation such as the case of China. Cooke (2006) further argues that besides the normal people issues in the M&A process, China's historical transition from a planned economic model to a more market driven model has had an impact on Chinese people's mindset and behaviours at the workplace, thus Chinese history and culture will add another level of complexity in managing people issues. Therefore, Cooke (2006), who has been an important researcher on cross border M&As studies in China when foreign companies merge or acquire Chinese companies, suggests that specific studies on people issues in this context are very necessary. Besides the studies by Cooke (2006) and Cooke and Huang (2011), specific studies on people issues in cross border M&As in China by researchers in western countries are limited.

Since the early 2000's, the Chinese government has been funding Chinese scholars in China to conduct research on M&As given it is relatively new but important to China's economic development (Luo, 2005; Yang & Sun 2007; Zhang & Cui 2007). Li and Ou (2007) suggest that given Chinese companies are still in the developing phase for both domestic M&As in China and cross border M&As, China needs to learn from the western experience. Up to date, most of the research projects by Chinese scholars focus on economic aspects such as strategic positioning of the M&As, pricing modelling, national economic security and national policies (Luo 2005; Yang & Sun, 2007; Zhang & Cui, 2007). The studies on the people side of the China M&As are limited especially on cross border M&As when foreign companies merge or acquire Chinese companies in China. Among the limited studies touching on people issues, the primary focus is to review western studies and draw learnings to apply to China domestic M&As (Yang, 2005; Zhang & Cui, 2007) as well as Chinese companies cross border M&As when they acquire foreign companies (Li & Ou, 2007; Xu, Yan, & Wu 2007).

The increasing number of foreign companies undertaking merger and acquisition of Chinese companies in China (i.e. cross border M&As into China), the importance of people issues in

influencing M&As success and the limited studies on people issues in China M&As present a compelling need for in-depth and empirical study about people issues in cross border M&As in China.

FOCUS OF PAST STUDIES AND PURPOSE OF THIS RESEARCH

Research on M&As in the past has included some studies on people issues in M&As, cross culture studies and cross culture leadership. However, most past research only focused on one or two aspects of the people issues without a holistic and integrated view. This section provides a high level overview of key streams of the past studies.

People Issues in M&As. The focus of past studies on M&As include objectives of M&As (Fealy & Kompare, 2003; Donnelly & Donnelly, 2005) and factors for success or failures influencing the achievement of the objectives of the M&As (McLean, 1985; Schweiger, Csiszar, and Napier, 1993; Dixon & Marks, 1999; Gopinath, 2003; Kleinman, 2004). While there are research projects that examine the effect of culture and leadership issues in influencing the success or failure of M&As (Appelbaum & Gandell, 2003; Bjjlsma-Frankema, 2001, 2004; Badrtalei & Bates, 2007; Bhagat & Steers, 2009), other studies focus on effective management of people issues as one of the success factors for M&As which include communications, employee resistance, stress, trust and leadership (Davy, Wanous, & Scheck, 1988; Leana & Feldman, 1989; Schweiger & DeNisi, 1991; Marks & Mirvis, 1985, 1992; Dixon & Marks, 1999; Schraeder & Self, 2003; Cooke, 2006; Bhagat, et al., 2009; Clark, Gioia, Kitchen, & Thomas 2010; Loh, Smith, & Restubog, 2010; Drori, Wrzesniewski, & Ellis, 2011; Jafri, 2012; Makri, Hantzi, & Antoniou, 2012; Barratt-Pugh, Bahn & Gakere 2013; Correia, Cunha, & Scholten 2013; Cho, Lee, & Kim, 2014).

Cross Culture Studies. There are extensive studies on defining and measuring national culture and organisational culture, their formation process, and comparison of culture differences (Hofstede, 1980, 1990, 1991, 1993, 1998, 2001, 2005, 2010; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Bhagat & Steers, 2009). Chinese culture issues which includes Guanxi (relationship), Renqing (Favour) and Mianzi (face) were also examined (Mwaura, Suttion, & Roberts, 1998;

Pressey & Qiu 2007). National culture is referred as societal culture by House, Hanges, Javidan, Dorfman, & Gupta (2004) in Project GLOBE and for consistency, societal culture is used hereafter with findings discussions that are related to Project GLOBE.

Cross Culture Leadership. Extensive studies exist on transformational leadership and transactional leadership, together with their effect in different cultural environments (Bass, 1985, 1990, 1999; Piliai, Schriesheim, & Williams, 1999; Sarros, Tanewski, Winter, Santaro, & Densten, 2002; Judge & Piccolo, 2004). There are also studies on Paternalistic leadership (Cheng, Chou, Wu, Huang & Farh, 2004; Sheer, 2012). A large scale research project by House, et al., (2004) entitled Global Leadership and Organisation Effectiveness (hereafter referred to as Project GLOBE) introduces the new theory of Culturally Endorsed Implicit Leadership (CLT) and also identifies the universally endorsed effective leadership attributes across 62 societies (House, et al., 2004).

The key findings of past studies could be summarised as the following:

- (1) People issues in M&As have a strong influence on the success or failure of the transactions;
- (2) Complexities of national culture and the related culture integration issues can also cause failures for M&As;
- (3) The leadership team plays a critical role at various levels of the organisation to enable the success of M&As;
- (4) Perceived effective leadership style and attributes cross culturally are driven by the cultural perceptions at individual level and national levels.

Findings from past studies indicate that there appears to be no in-depth empirical study to date on an integrated model of these four areas listed above to understand their influence on the success or failure of the M&As, especially in the context of cross border M&As in China.

Therefore, this research is designed firstly to apply the past research findings of people issues of M&As to understand similar or different dynamics in the context of cross border M&As in China. Secondly, since the past findings of people issues in M&As are from many different studies in the past, this research integrates all people issues into one case study to understand each of the people

issues in depth as well as their interrelationships. Thirdly, given that cross border M&As, which is the focus of this study, involves Chinese culture and a non-Chinese culture, this research is designed to extend and apply the findings from the major cross culture studies in the cross border M&A settings for the first time. The objective is to gain a deeper understanding of the cross culture differences and how they may impact on the overall people issues management in M&As. Fourthly, given the full process of the cross border M&As are generally managed by various leadership teams, either by acquiring or acquired firms, examining this full process gains a deep understanding of the specific leadership behaviours in managing people issues and effectiveness of these leadership behaviours. Finally, different from past studies, this research is designed to be an in-depth empirical study versus a general study that analyses the previous literature findings which is commonly done by Chinese scholars.

RESEARCH OBJECTIVES, QUESTION AND RESEARCH APPROACH

Fundamentally, leadership teams are the ones who manage the people issues in M&As to enable the success of the transactions and are thus the focus of this research. The problem that previous studies have not addressed is how Western leadership teams deal with people (human resources) issues when taking over Chinese owned companies with their own inherent cultural dimensions when managing staff. An in-depth empirical investigation of such a takeover may elicit deeper understanding of the comparative leadership behaviours of Chinese and Western companies.

The research objectives of this study can now be specified. In one cross border M&A where a western company acquired and merged with a Chinese company and continues operation in China, this study aims to identify how leaders managed:

- cross cultural differences and cultural integration;
- employee communications;
- employees' resistance to change;
- employees stress; and
- generation of trust.

The research question for this study is:

What are the effective leadership behaviours when managing people issues in a cross border M&A of a western company acquiring a Chinese company and continuing to operate in China?

The people issues in this study refer to the concerns that M&As bring to people in the workplace (Buono & Bowditch, 1989) that need to be taken into consideration by the leadership team during the M&A process. The people issues studied by this research project are specifically cross culture issues, communications, stress, resistance, trust and leadership. All have been identified as common people issues in past studies of M&As (Davy, et al., 1988; Leana & Feldman, 1989; Schweiger & DeNisi, 1991; Marks & Mirvis, 1985, 1992; Dixon & Marks, 1999; Appelbaum & Gandell, 2003; Schraeder, 2003; Bjjlsma-Frankema, 2001, 2004; Cooke, 2006; Kavanagh & Ashkanasy, 2006; Badrtalei & Bates, 2007; Bhagat & Steers, 2009; Bhagat et al., 2009; Clark, et al., 2010; Loh, et al., 2010; Drori, et al., 2011; Jafri, 2012; Makri, et al., 2012; Barratt-Pugh, et al., 2013; Correia, et al., 2013; Cho, et al., 2014).

To thoroughly answer the research question above and accomplish the research objectives specified, the research approach requires a robust conceptual framework to guide this study. Such a framework is available from a theoretical model built by the Project GLOBE team (House, et al., 2004). For this study the GLOBE model was modified to address the cross culture context of cross border M&As. The conceptual framework of this study is applied to primarily examine how cross culture differences have influenced the leadership behaviours in managing people issues, employees' perception on the effectiveness of such leadership behaviours and how the effectiveness of people issues management have influenced the outcome of the cross border M&A.

The M&A that is the focus of this study is Alexander China (Pseudonym) which was formed as a result of an acquisition by a British company, Alexander Global (Pseudonym), of a Chinese POE, Lucky China (Pseudonym). An exploratory case study approach is taken for this research to gain in-depth understanding of all aspects of the people dynamics in this cross border M&A. For example, what are the culture differences between Chinese culture and British culture, how were these cross culture differences managed, how did the cross culture differences influence the

specific leadership behaviours of the British and Chinese management in managing the people issues and how effective were those leadership behaviours as perceived by Lucky China employees and the British management teams? Finally, how were the effectiveness of people issues management in this acquisition connected with the success or failure of this acquisition?

One cross border M&A case study is examined in this research project to provide detailed and nuanced findings that can be transferable to further studies in order to build a full appreciation for managing people in the context of cross border M&As. This case study uses a combination of qualitative and quantitative data, which enhances the depth and breadth of the findings of this study, and the application of these findings to a conceptual framework built on prior research ensures that the conclusions contribute to new knowledge. Addressing the research question in this manner provides transferable theory with a research design processes that allows further such in-depth case studies and also through broader studies using other methods.

SIGNIFICANCE OF THE STUDY

For the first time, this study extends the theoretical model of Project GLOBE (House, et al., 2004) in a cross border M&A context. It aims to gain a deep understanding of the demonstrated ‘cultural’ behaviours of British and Chinese cultures respectively, and how British and Chinese cultural differences exacerbate people issues, the leadership behaviours to manage these people issues, and perceived effectiveness of such behaviours. This study, building on the past studies which focused on only one or two areas of the people issues (in particular culture or leadership) develops new knowledge about the holistic relationship between all major people issues (culture, communications, stress, trust, resistance and leadership), and the culture dimensions within British and Chinese companies. Therefore, findings from this study have the following practical contributions:

- (1) Learning could be applied to future cross border M&As in China so that leadership teams from the merging or acquiring western companies could be more sensitive to how staff might respond to a major change such as M&A, and how staff affected by the changes might demonstrate their concerns through positive or negative behaviours. The development of such

sensitivity could enable the leadership team to take appropriate and effective actions to manage the major changes in M&As. The learning from this study can also be valuable for the Chinese companies for their cross border M&As overseas;

- (2) Once the leadership team takes effective actions, the chance for success of the M&As measured in staff acceptance of the M&A could be higher which in turn makes the accomplishment of the financial goals more likely;
- (3) Employees in the two companies may experience less stress and resistance thus the level of absenteeism can be minimised and employee turnover could be reduced;
- (4) The overall success of the cross borders M&As in China will potentially contribute to greater productivity in such new mergers, thus contributing to the more enduring economic development in China, with lessons for other developing economies exposed to such foreign investment.

STRUCTURE OF THESIS

The structure of the rest of this thesis is presented in the following:

Chapter 2 – In the critical review of the literature, three areas of literature are examined: major people issues in M&As, cross culture studies and cross culture leadership. This chapter concludes with identifying the major knowledge gaps to answer the research question.

Chapter 3 – This chapter details the research methodology and introduces the conceptual framework of this study and the rationale to utilise the theoretical model of Project GLOBE (House, et al., 2004). This chapter also provides the background of the researcher of this study and an overview of the two case study companies involved in the M&A.

Chapter 4 – This first findings chapter on Culture presents the findings from the analysis of the interview results related to culture. The findings are discussed according to the perspectives of Chinese employees and managers as well as the British managers.

Chapter 5 – This chapter presents the findings on Leadership Behaviours and their perceived effectiveness from the analysis of the interviews of operators, professional staff, supervisors and managers in both the acquiring and acquired companies. The perceived effectiveness of the leadership behaviours are discussed according to the perspectives of Chinese employees and leaders as well as the British managers

Chapter 6 – This chapter presents the quantitative findings from the questionnaire analysis. The questionnaire was informed by the interview findings. The final sections of findings are about the effectiveness of communications, overall effectiveness of people issues management and their impact on the success of the acquisition.

Chapter 7 – This chapter integrates the interview findings and the quantitative questionnaire findings to discuss the major findings for this study. The discussion of findings follows the conceptual framework for this study and is conducted in the areas of cross culture differences, people issues, and leadership behaviours in managing the people issues and their perceived effectiveness. Finally, the overall effectiveness of management of the people issues in this acquisition is detailed, along with the impact this relationship has with the overall success of the acquisition.

Chapter 8 – This concluding chapter summarises the major research findings of this study. Further, significant contribution of this study to the M&A literature is identified and implications for future research and practice are set out.

In order to effectively answer the research question, in the next chapter, the past literature is reviewed to understand the existing knowledge as well as to identify the knowledge gaps needed to be addressed by this study. Another objective of the literature review is also to establish a conceptual framework to guide the full research process of this study.

CHAPTER 2

LITERATURE REVIEW

In cross border M&As, when two firms with different culture backgrounds come together, one extra dimension, that is culture difference, is added to the people issues that impact on the success or failure of the M&As. The culture contexts of cross border M&As present more complicated challenges for leadership to effectively manage cross culture differences, as well as the other people issues. Considering the holistic challenges that may influence the success or failure of cross border M&As, the foci of this literature review consists of three areas of effective leadership behaviours that are relevant to this study: major people issues in cross border M&As in western countries and in China, cross culture differences, and cross culture leadership.

PEOPLE ISSUES IN CROSS BORDER M&As IN WESTERN COUNTRIES

M&As in western countries started in the late 19th century from North America and there have been five movements with different foci since then (Hubbard, 1999; Weston & Weaver, 2001; Huang, et al., 2008; Zhang, 2010). The first movement since 1890s focused on horizontal consolidation of U.S. industries to achieve monopolies in certain industries, such as the steel and railway industries (Hubbard 1999; Weston & Weaver 2001). The second movement in late 1920s featured vertical integration of value chains within industries such as distributors and suppliers, particularly for automobile and manufacturing industries (Hubbard, 1999; Weston & Weaver 2001). The third movement was around the 1960s and focused on forming conglomerates through the acquisition of unrelated businesses to obtain more strategic synergy through diversification. (Hubbard 1999; Weston & Weaver 2001). The fourth movement was around the 1980s when firms wanted to focus back on their core competencies and therefore M&As were required to support the core and at the same time to sell out the non-core businesses with which they had merged and/or had acquired in the previous movement (Hubbard 1999; Weston & Weaver 2001). These

four movements of M&As were domestic M&As within western countries. Cross border M&A is the feature for the fifth movement for western countries from the 1990s and continues to the present. The fifth movement includes access to emerging markets like China (Hubbard 1999; Very & Schweiger, 2001; Weston & Weaver 2001; Li & Ou, 2007; Huang, et al., 2008). Li (2007) elaborates that cross border M&As continued to increase since the 1990s and have become one of the major approaches for western companies from North America and European countries to invest outside their home markets.

People Issues As Success or Failure Factors in Western M&As

Among the many studies of western M&As, people issues were not identified early on as critical factors influencing the outcome of the M&As until researchers conducted research projects on the root causes of the low success rates of the M&As. It was found that people issues were associated with lack of M&A experience by the acquiring firm and ineffective M&A integration planning and implementation, especially in cross border M&As.

The major people issues in M&As identified by the studies in western countries include culture issues, communications, employee stress, employee resistance, trust and leadership. Culture issues are found to have a relationship with communications issues (Stanwick, 2000), while communications issues are associated with employees' stress (Marks & Mirvis, 2001b), resistance (Dam, et al., 2008) and trust (Sear & Ball, 2004). Employee stress has a relationship with resistance, which in turn impacts on employees' trust in leadership (Kiefer, 2005; Bellou, 2007). Leadership issues are embedded throughout culture, communications, stress, trust and resistance. In fact, effective leadership has the ultimate responsibility to manage the people issues (Hubbard, 1999; Sitkin & Pablo, 2004; Bijlsma-Frankema, 2004) such as culture (Stanwick, 2000), communications (Head, 2001), stress (Ullrich, Wieseke, & Dick, 2005), trust (Sear & Ball, 2004; Loh, et al., 2010) and resistance (Dam, et al., 2008).

The studies on the major M&A people issues evolved over the years but only one or two of the people issues and their relationship were studied by the related research projects at the time,

however in none of the studies were all the major people issues pulled together for integrated discussions. In the following sections, past studies on each of the people issues are reviewed together with their relationship with each other as applicable. To provide a complete picture of the positioning of people issues as part of the M&As, the review starts from the overview of the factors influencing the success or failure of M&As.

Factors Influencing Success or Failure of M&As

Although the primary objectives for both domestic and cross border M&As are to gain competitive advantages to achieve strategic goals (Donnelly & Donnelly, 2005; Bhagat & Steers, 2009; Calipha, Tarba, & Brock, 2010; Stiebale & Trax, 2011; Almor, Tarba, & Margalit, 2014) such as accessing new markets or buying out competitors (Stiebale & Trax, 2011), studies over years in western countries consistently reveal that the majority of M&As fail to accomplish their original goals (McLagan, 1965; Bleeke & Ernst, 1992; Kaplan & Weisbach, 1992; Dassiou & Holl, 1996; Chapman, Dempsey, Ramsdell, & Bell, 1998; Wong & O'Sullivan, 2001; Maggitti, 2002; Gopinath, 2003; Robb, Todd, & Turnbull, 2003; Smith & O'Neil, 2003; Jongsoo & Russell, 2004; King, Dalton, Daily, & Colvin, 2004; Peltier, 2004; Martin & Schrum, 2006; Chatterjee, 2007; Dobbs, Suonio, & Tortorici, 2007; Hassan, Patro, Tuckman, & Wang, 2007; Weber, Tarba, & Reichel, 2009, 2011b; Lau, Liao, Wong, & Chiu, 2012; Weber, Tarba, & Oberg, 2014). The low success rate of M&As from a financial perspective has been validated by many studies (Cartwright & Cooper, 1996; Hassan, et al., 2007; Papadakis & Thanos, 2010). Compared with domestic M&As, Hassan, et al., (2007) and Stiebale and Trax (2011) believe that cross border M&As have even lower success rates.

There are five key factors, according to various researchers, that have contributed to the failure of western M&As in the past and three of the five are related to poor strategic planning. For example, poor choice and ineffective evaluation of the strategic partner and lack of clear strategic value and objectives for the transactions (McLean, 1985; Schweiger, Csiszar, & Napier, 1993; Hubbard, 1999; Schabracq & Cooper, 2000; Sorescu, Chandy, & Prabhu, 2007; Boyle & Winter, 2010; Stiebale & Trax, 2011; Marks & Mirvis, 2015; Weber, et al., 2014); strategic misfit between the acquiring and acquired firms (Schweiger & Weber, 1989; Schweiger, et al., 1993; Schweiger, 2002; Duncan &

Mtar, 2006; Bjorkman, Stahl, & Vaara, 2007; Sorescu, et al., 2007; Makri, Hitt, & Lane, 2010; Weber, et al., 2014; Marks & Mirvis, 2015); and pricing issues and overpayment (Schweiger, et al., 1993; Hubbard, 1999; Fubini, 2000; Hutson, 2000; Mayer & Kenney, 2004; Dong, Hirshleifer, Richardson, & Teoh, 2006; Chatterjee, 2007; Weber, et al., 2014; Marks & Mirvis, 2015).

The other two key success or failure factors out of the five have strong implications on people issues which include lack of experience of M&As by the acquiring firms (Duncan & Mtar 2006) as well as ineffective M&A integration strategy planning and implementation (McLagan 1965; Marks & Mirvis 2001a, 2015; Homburg & Bucerius, 2006; Yuncan & Mtar 2006; Fubini, Price, & Zollo, 2006; Hirt & Orr, 2006; Palter & Srinivasan, 2006; Bellou, 2007; Chatterjee, 2007; Dobbs, et al., 2007; Barkema & Schijven, 2008b; Cording, Christmann, & King, 2008; Deng, 2010; Weber & Tarba, 2011; Weber, Tarba, & Reichel, 2011b; Weber, Tarba, & Rozen-Bachar, 2011c; Rossi, Tarba, & Raviv 2013). These two factors are discussed in detail below.

Experience of M&As by the Acquiring Firm

Experience of previous M&As by the acquiring firms is claimed as one of the key reasons why firms succeed with M&As (Duncan & Mtar, 2006; Barkema & Schijven, 2008b; Hitt, King, Krishnan, Marki, Schijven, Shimizhu, & Zhu, 2009; Heimeriks, Schijven, & Gates, 2012). However, this is not always the case (Barkema & Schijven, 2008b) especially when all M&As are not alike (Bower, 2001; Heimeriks, et al., 2012). Barkema and Schijven (2008b), Heimeriks, et al., (2012) point out that it is a false perception that the learning from past successful acquisition experience will be effective in future acquisitions, while in reality, it might be the opposite. Therefore, the firms need to be cautious when transferring learning and knowledge across different acquisition transactions, industries or countries (Barkema & Schijven, 2008b; Heimeriks, et al., 2012). The issue of experience also includes the acquirers having no experience in a particular target country in cross border M&As (Very & Schweiger, 2001). Although Fealy & Kompare (2003) believe that similar issues influencing the success or failure of domestic M&As exist in cross border M&As, Very and Schweiger (2001) and Bhagat and Steers (2009) warn that the same issues are more complicated in cross border M&As due to the fundamental difference of country environment and culture. For example, collection of reliable information about the target firms is a common issue for both domestic and cross border M&As, but access to information in a new

country by the acquiring firm may be more difficult due to various issues, such as inadequate local knowledge about the different legal systems, culture or language (Folta & Ferrier, 2000; Very & Schweiger, 2001; Firstbrook, 2007; Bhagat & Steers, 2009). Culture integration is another common issue between domestic and cross border M&As. Very and Schweiger (2001) state that while only organisational culture is of concern for domestic M&As, both organisational and national culture integration are involved in cross border M&As. Their views are supported by several other researchers (Morosini, 1999; Morosini & Singh, 1999; Very & Schweiger, 2001; Firstbrook, 2007; Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Rottig, Reus, and Tarba 2014).

Furthermore, Aguilera and Dencker (2004) believe the national context may also be a constraint for cross border M&As. Rajan, Anil, Gautam, & Ashutosh (1998) and Aguilera & Dencker, (2004) define national context as the overall social and investment environment of the country in which the organisation is operating, such as legal, cultural, financial, employment systems, economic model, corporate governance, political environment, quality of local leaders, power of union, employee mentality but note that these can be a source of competitive advantage for business as well as constraint. National context varies from country to country and influences organisational strategies and structures (Cartwright & Cooper, 1996; Aguilera & Dencker, 2004). For example, national culture is often reflected in a country's management practices, such as performance management system or management style (Cartwright & Cooper 1996; Aguilera & Dencker, 2004). Cartwright and Cooper (1996) emphasise that for firms involved in cross border M&As, it is important that the acquiring or merging firms have an adequate awareness and understanding of national culture differences and prepare for managing the difference. Their view is consistent with a few other researchers (Folta & Ferrier, 2000; Belcher & Nail, 2001; Anand & Delios, 2002).

In the view of Very and Schweiger (2001), the unique issue affecting the success or failure of cross border M&As is the country experience of the acquiring firm. They discuss the problems that an acquiring firm lacking country experience face. These problems can be listed as:

- 1) Identifying acceptable targets;
- 2) Identifying local advisors;

- 3) Structuring teams to conduct the acquisition process;
- 4) Understanding and managing local legal and tax system; understanding currency control regulations;
- 5) Dealing with a different accounting system;
- 6) Understanding local environmental regulations;
- 7) Establishing first contact with target firms;
- 8) Knowing how to negotiate;
- 9) Communicating with the target firm;
- 10) Overcoming language barriers;
- 11) Understanding different ways of thinking, cultures and management styles; and
- 12) Effectively structuring a deal and identifying ethical problems

To address these problems, Very & Schweiger (2001) recommend that the acquiring firm should hire an external consultant, or assemble a team with local expertise and knowledge. Very and Schweiger (2001) also recommend top leaders from the acquiring firm to have intensive ‘face-to-face’ communications with the people in acquired firms whose skills and knowledge are critical to the success of deal. The objectives of the interaction are to build trust and maximise the utilisation of local critical people in key positions, such as production manager and human resources manager.

Rajan, et al., (1998) suggest that for an acquisition to succeed in the Asia market, it is critically important for foreign companies to have the capability to build a local network of contacts, as business transactions in Asia are featured by relationships and the best business transactions always come from the local network. The foreign companies need to recruit capable local talent to support them through this process (Rajan, et al., 1998; Fealy & Kompare, 2003; Avedissian, 2005).

Effectiveness of M&A Planning and Implementation

In addition to country experience by the acquiring firm, another key success or failure factor that has received much attention is the effectiveness of M&A pre-merger planning and post-merger implementation. Marks and Cutcliffe (1988) and Hubbard (1999) separate the M&As process into

the pre-merger planning and post-merger implementation stage. Hubbard (1999) and Schweiger, et al., (1993) state that to make the M&As successful, the pre-M&A planning process should include M&A objectives, information gathering and assessment, implementation planning and communications. The implementation process should be managed through a project management approach to track the status of the process (Schweiger, et al., 1993; Hubbard, 1999). Marks and Mirvis (2001b, 2015) strongly emphasise the importance of an information gathering process about the target acquired company during the pre-planning phase of M&As. Barkema and Schijven (2008b) hold different views and maintain that effective post M&A implementation is more critical to the success than the planning.

Several researchers, such as Jemison and Sitkin (1986), Hunt and Downing (1990), Woodard and Wang (2004) and Gomes, Angwin, Weber, & Tarba (2013) state that pre-M&A planning and post-M&A implementation are related and cannot be separated. Dixon and Marks (1999), Hubbard (1999) and Weber, et al., (2011a) further elaborate that failure could happen in both the M&A pre-planning phase and the implementation phase. For example, without thorough M&A planning, direction will be missing to guide the negotiation, information gathering and the implementation phase (Dixon & Marks, 1999; Hubbard, 1999; Augwin, 2001). Without a complete and in-depth pre-M&A information gathering process (commonly known as 'due diligence') about the target company (Dixon & Marks, 1999; Hubbard, 1999; Augwin, 2001) the merging or acquiring companies may encounter some problems during the implementation stage when it is too late or extremely difficult to resolve (Dixon & Marks, 1999; Hubbard, 1999). Examples of incomplete due diligence provided by Hubbard (1999) include omitting information gathering for human resources policies, management systems and styles, organisational structure, organisational culture, employee and manager relations. Weber and Tarba (2012b) specifically point out that they believe the root cause for the ineffective culture assessment pre-acquisition is caused by the too broad and massive consultants' involvement in various work streams such as finance, accounting, operations, etc which result in lack of attention to the culture and people issues pre-acquisition and often lead to no coverage of culture and people topics in negotiation (Weber & Tarba, 2012b).

Effective implementation is equally as critical to the outcome of M&As as the pre-planning phase (Dixon & Marks; 1999; Hubbard, 1999). Without proper implementation, including the

appropriate pace of the implementation process (Homburg & Bucerius, 2006), the strategic objectives of the transactions may not be realised (McLean, 1985; Schweiger, et al., 1993). A few studies point out that implementation of M&As often involve integration of business processes, people and culture (Cartwright & Cooper, 1996; Dixon & Marks, 1999; Hubbard, 1999; Weber & Tarba, 2011; Weber, Belkin and Tarba 2011a; Weber, et al., 2011b; Weber, et al., 2011c).

Specifically on the people and culture aspects of the integration, Chatterjee (2009) believes that the main failure in the integration process is the ineffective management of the reactions from the key stakeholders who are impacted by the M&As. Chatterjee's (2009) view is elaborated on by several others with specific examples such as failure to manage uncertainty and organisation wide stress experienced by employees, failure to pay enough attention to people issues and human resources policies, and lack of effective and well-planned communications (Cartwright & Cooper, 1996; Dixon & Marks, 1999; Hubbard, 1999; Weber & Tarba, 2010; Weber, Rachman-Moore, & Tarba, 2012b). Further, Belcher and Nail (2001) and Fealy and Kompare (2003) note that integration of two or more organisations is a challenging process as each of the organisations have their own independent management and culture, therefore the differences between the organisations need to be managed carefully. Almor, Tarba and Benjamini (2009) recommend that a balanced approach can be found between providing autonomy to the acquired firm and capturing synergy between the acquiring and acquired organisations in order to achieve effective integration providing there is management commitment to track and monitor the post-merger integration process. Further, Weber, et al., (2011c) propose that a fit integration approach between the synergy potential and cultural differences of the acquired and acquiring forms have impact on the integration effectiveness of the acquisition. The combined effect of organisational culture and national culture are proposed to have impact on the integration approach post-acquisition (Weber, et al., 2011b) and the choice of the integration approach as well as implementation post-acquisition have impact on the conflict post M&A, executives and employee turnover and final outcome of the M&As (Weber & Tarba, 2011; Weber, Tarba, & Rozen-Bachar, 2012c; Cho, et al., 2014).

In summary, the past research findings on the critical success or failure factors influencing the outcome of M&As indicate that people issues in M&As could be the result of lack of experience

by the merging or acquiring firm about the target companies especially in cross border M&As (Very & Schweiger, 2001) as well as the ineffective pre-M&A integration planning and the post-M&A implementation (Cartwright & Cooper, 1996; Dixon & Marks, 1999; Hubbard, 1999). Many researchers criticise that too much attention is paid to economic values of M&As while inadequate attention is paid to the people issues which could lead to the success or failure of the M&As (Buono, Bowditch, & Lewis, 1985; Schweiger, Ivancevich, & Power, 1987, 1989; Buono & Bowditch, 1989; Schweiger & Weber, 1989; Cartwright & Cooper, 1990, 1996; Appelbaum, Richter, Shapiro, Belisle, & Hoeven, 2000; Mirvis & Marks, 2002; Appelbaum & Richter, 2003; Wilde, 2004; Buono, 2005; Cartwright & Schoenberg, 2006; Budhwar, Avarma, Katou, & Narayan, 2009; Marks & Mirvis, 2011; Galpin, Whittington, & Maellaro, 2012). As a result of the increased amount of studies on people issues in M&As, people issues are believed by many researchers to have significant impact on the outcome of M&As (Feros & Lewis, 1979; Schweiger, et al., 1987; Davy, et al., 1988; Schweiger & Weber, 1989; Cartwright & Cooper, 1990, 1996; Burns & Rosen, 1997a, 1997b, 1997c; Bourantas & Nicandrou, 1998; Hickins, 1999; Hubbard, 1999; Appelbaum, et al., 2000; Schraeder & Self, 2003; Aguilera & Dencker, 2004; Mayer & Kenney, 2004; Schuler, Jackson, & Luo, 2004; Donnelly & Donnelly, 2005; Bellou, 2007; Ligorner, 2007; Barkema & Schijven, 2008a; Budhwar, et al., 2009; Bhagat & Steers, 2009).

Major People Issues in M&As in Western Countries

There are a number of major people issues in M&As identified and investigated in various western countries studies, though none of them examine the interrelationship between all of the people issues. Some of the studies involve cross border M&As however most are domestic. All of these issues are firstly cited then discussed in this section.

(1) *Culture clash and integration* (Deal, 1983; Sales & Mirvis, 1984; Buono, et al., 1985; Cartwright & Cooper 1990, 1996; Weber, Shenkar, & Raveh, 1996; Mwaura & Sutton 1998; Elena 2000; Granell, 2000; Appelbaum & Richter, 2003; Fealy & Kompore, 2003; Larsson, Brousseau, Driver, Holmqvist, Tarnovskaya, Bengtsson, & Sandstrom, 2003; Carr, Elton, Rovit, & Vestring, 2004; de Camara & Renjen 2004; Buono, 2005; McGee-Cooper, 2005; Duncan & Mtar, 2006; Badrtalei & Bates, 2007; Baughn & Finzel, 2009; Bhagat & Steers, 2009; Li & Glaister, 2009; Weber & Tarba, 2009; 2011, 2012a, 2012b; Steigner & Sutton, 2011; Drori, et al., 2011).

- (2) **Communications** (Naiper, Simmons, & Stratton, 1989; Schweiger & DeNisi 1991; Risberg, 1997; Troiano, 1999; Appelbaum & Gandell, 2003; Appelbaum & Richter, 2003; Chapman, 2004; de Camara & Renjen, 2004; Papadakis, 2005; Scanlan, 2005; Lotz & Donald, 2006; Bhagat & Steers, 2009).
- (3) **Employee resistance** (Byrd & Stammerjohan, 1997; Fennel, 2004; Tuschke, 2003; Atkinson, 2005; McGee-Cooper, 2005).
- (4) **Stress** (Marks & Mirvis 1985; Schweiger, et al., 1987; Schweiger & DeNisi, 1991; Vinten, 1993; Dixon & Marks, 1999; Schabracq & Cooper, 2000; Marks & Mirvis, 2001b; Vaara, 2002; Lin & Piesse, 2004; Ullrich, et al., 2005; Cooke, 2006; Lotz & Donald, 2006; Bhagat & Steers, 2009).
- (5) **Trust** (Nikandrou 2000; Nikandrou, Papalexandris, & Bourantas, 2000; Vaara, 2002; Searle & Ball, 2004; Duncan & Mtar, 2006; Bellou, 2007; Bhagat & Steers, 2009; Kriz & Keating, 2010; Loh, Smith, & Restubog, 2010; Jafri, 2012; Weber, Drori, & Tarba, 2012a; Yan, 2012; Yan & Zhu, 2013).
- (6) **Leadership** (Dixon & Marks, 1999; Lubatkin, Schweiger, & Weber, 1999; Shearer, Hames, & Runge, 2001; Mirvis & Marks, 2002; Sitkin & Pablo, 2004; DiGeorgio, 2003; Signorovitch, 2004; Dobbs, 2006; Kavanagh & Ashkanasy, 2006; Purcell & Hutchinson, 2007; Bhagat & Steers, 2009; Finkelstein, Hambrick, & Cannella, 2009; Yukl, 2008, 2010).

Many researchers consistently point out that leaders of the organisations play critical roles to effectively manage all the people issues in M&As (Hambrick, 1984; Covin, Kolenko, Sightler, & Tudor, 1997; Dixon & Marks, 1999; Lubatkin, et al., 1999; Shearer, et al., 2001; Thach & Nyman, 2001; Mirvis & Marks, 2002; Narayanan, Douglas, Guernsey, & Charnes 2002; Sitkin & Pablo, 2004; DiGeorgio, 2003; Nguyen & Kleiner, 2003; Tuschke, 2003; Bijlsma-Frankema, 2004; de Camara & Renjen, 2004; Kleinman, 2004; Signorovitch, 2004; Dobbs, 2006; Kavanagh & Ashkanasy, 2006; Messmer, 2006; Palter & Srinivasan, 2006; Purcell & Hutchinson, 2007; Yukl, 2008; Bhagat & Steers, 2009; Finkelstein, et al., 2009; Yukl, 2010). Meanwhile, some other studies also specifically emphasise that an important role of leadership is to involve the human resources function in managing these people issues throughout different phases of the M&As (Hunt & Downing, 1990; O'Reilly & Pfeffer, 2000; Ranft & Lord, 2000; Jeris, Johnson, & Anthony, 2002; Galpin, et al., 2012, Barratt-Pugh, et al., 2013). The involvement of Human Resources (HR)

function may include human resources professionals' involvement in negotiation related to people issues, understanding employees issues and concerns, establishing human resources policies such as for rewards and compensation, encouraging acquired employees' commitment to the new organisation, managing relations between employees and management during uncertain times, retention of people and skills, knowledge transfer between acquiring and acquired firms, and the setting up of a cross function team to work on people issues during the integration phase (Weber & Tarba, 2010; Jeris, et al., 2012; Weber, et al., 2012b; Sarala, Junni, Cooper, & Tarba, 2014). Barratt, et al., (2013) emphasise that the Human Resources function should shift away from operational tasks such as the selection and exit process of the M&A but should maintain a strategic partnership with the leaders to facilitate change. Such a strategic partnership may include support of the leaders to expand the network of informal change agents in the organisation, and to develop the leadership capability of the current leadership team and next generation leaders to manage change (Barrate, et al., 2013). However, Correia, et al., (2013) argue that the degree of positive or negative impact of Human Resources policies, change leadership and centralised operations on the outcome of the M&As would depend on the different types of M&As and could not be generalised.

Culture Clash and Integration

Different terms for culture issues in M&As are used in studies, such as culture difference (McLean, 1985), culture compatibility (Buono & Bowditch, 1989; Cartwright & Cooper, 1996; Bijlsma-Frankema, 2001), culture clash (Bijlsma-Frankema, 2001), culture collision (Cartwright & Cooper, 1996), cultural distance (Steigner & Sutton, 2011). Yet, it has been consistently pointed out that culture, both at organisation level and national level, plays a critical role in influencing employees' reactions to M&As as well as leaders' understanding and corresponding behaviours to manage the people issues (McLean, 1985; Buono & Bowditch, 1989; Cartwright & Cooper 1996; Cooper, 1996; Weber, et al., 1996; Lubatkin, et al., 1999; Bijlsma-Frankema, 2001; Shraeder, 2003; Evans, 2006).

An existing organisational culture, as noted by Badrtalei and Bates (2007) and Riad (2007), normally represents the past successes of the organisation, thus any changes imposed by M&As to

the existing organisation culture would receive resistance. Eventually, Buono and Bowditch (1989) and Badrtalei and Bates (2007) propose that there is no equal status between the acquiring and the acquired firm and one company will become dominant due to their financial or market position. As a result, the dominant company would arrogantly impose their culture on the other company which will result in culture clash and resistance between the two organisations (Badrtalei & Bates, 2007). Drori, et al., (2011) further elaborate that ‘equality’ between the acquiring and acquired firms is crucial to minimise culture clash and reduce culture resistance. In their view, true ‘equality’ in the new company post-merger means to ‘let-go’ of the past culture of both companies; then as a new company, to set up and agree to the common company’s new aspiration, goals and objectives, as well to undertake practical actions that take care of the common interests and needs of the employees from the two companies (Drori, et al., 2011).

Culture clash is consistently claimed as the possible source of productivity loss, lack of trust in management from employees, lack of cooperation between the management teams from acquiring firms and acquired firms and turnover of top management, and will eventually lead to the failure of the M&As (McLean, 1985; Schweiger, et al., 1987; Buono & Bowditch, 1989; Weber, et al., 1996; Bijlsma-Frankema, 2001; Shraeder, 2003; Weber, et al., 2012a). Buono and Bowditch (1989) believe that the root cause of culture clash and resistance is lack of attention from management on culture integration issues which eventually impair the implementation of strategic objectives of the M&As.

In contrast, Schweiger, et al., (1987) explain that in M&As, employees form their perception of the new organisation culture based on unwritten and written rules of the new company. The perception of unwritten rules of the new company come from employees’ experience and observation of critical incidents of the M&A process and the operation and management of the new company, for example, who is promoted based on promotion process in the new company (Schweiger, et al., 1987). Several researchers (Buono & Bowditch, 1989; Cartwright & Cooper, 1996; Badrtalei & Bates, 2007) explain that organisation culture clash may occur when there are differences between the written rules of the two companies, which leads to resistance. For example, differences and integration issues in compensation and benefit systems, business travel policy,

work styles and culture and decision making process between the two organisations (Buono & Bowditch, 1989; Cartwright & Cooper, 1996; Badrtalei & Bates, 2007). Cartwright and Cooper (1996) and Badrtalei and Bates (2007) also explained that organisation culture clash and resistance exists throughout the different phases of M&As.

In addition to organisational culture clash and resistance, the views on the impact of national culture difference on cross border M&As performance is not consistent among different researchers, ranging from negative, neutral or positive impact (Schweiger & Goulet, 2005; Conn, Cosh, Guest, & Hughs, 2005; Stahl & Voigt, 2008, Cartwright & Schoenberg, 2006; Teerikangas & Very, 2006; Chakrabarti, et al., 2009; Stahl & Javidan, 2009; Steigner & Sutton, 2011). Some of these scholars used Hofstede's national culture dimensions (1980, 1991), namely power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance and long term view versus short term orientation, as discussed in detail later in this chapter. For example, by using the same national cultural dimensions proposed by Hofstede (1980, 1991), Conn, et al., (2005) suggest that culture differences have a negative impact on the acquirer's long term performance in cross border M&As whereas Chakrabarti, et al., (2009) indicate differently that U.K. acquirers seem to have better long term performance when there are greater culture differences between the acquiring firms and the acquired firms in other countries. By applying the raw scores of four of Hofstede's cultural dimensions Steigner and Sutton (2011) validated the view from Chakrabarti, et al., (2009) that U.S. acquiring firms with high levels of technological know-how could have better long term performance when the culture differences are greater. Steigner and Sutton (2011) also further indicate that when the acquired firms operate in the countries with high score of Power Distance and Uncertainty Avoidance, the U.S. acquiring firms seem to have even better long term performance for the M&As. Weber and Tarba (2011) also applied four cultural dimensions of Hofstede to assess the national culture differences between an Israeli acquiring company and a German acquired company. They emphasise that national culture, together with organisational culture have strong influence on the choice of integration approach post-acquisition and the chosen integration approach could potentially help with reducing the culture conflict post-acquisition (Weber & Tarba, 2011).

Overall, Cartwright and Cooper (1996) and Weber, et al., (1996) inclined on the side that in cross border M&As, organisational culture clash would be more serious when national culture difference is added. Angwin (2001) elaborates that national culture influences the acquiring managements' choice of target companies, utilisation of the professional consulting firms in the pre-M&A phase, and post-M&A integration process. Both Angwin (2001) and Weber, et al. (2011a) discuss that national culture differences may have negative influence on the negotiation process due to lack of trust and information exchange. Ahammad, Tarba, Liu, Glaister, and Cooper (2015) validate from their research that national culture distance does have negative impact on the negotiation process. They specifically point out that when the national culture distance is higher, the communications effectiveness is lower in the negotiation process whereas communications effectiveness is critical to the outcome of negotiation. It is further elaborated by several others that national culture differences also influence how leaders manage the M&As, including culture difference management, employee management practices (Hofstede, 1980; Huo & Glinow, 1995; Giacobbe-Miller, Miller, & Zhang, 1997; Stahl & Javidan, 2009; Steers, Nardon, & Sanchez-Runde, 2009; Ahlstrom, Chen, & Yeh, 2010; Dow, 2010). Stahl and Javidan (2009) applied the nine culture dimensions of the GLOBE project, on which the conceptual framework for this study is based (House, et al., 2004) to explore the impact of national culture difference on the post-merger integration process. The nine culture dimensions consists of power distance, uncertainty avoidance, humane orientation, in-group collectivism, institutional collectivism, assertiveness, gender egalitarianism, future orientation, and performance orientation (House, et al., 2004). Stahl and Javidan (2009) propose that national culture differences affect three critical elements in the organisation alignment process post-acquisition between acquiring and acquired organisations: human capital, organisational capital and social capital.

Regarding human capital, Stahl and Javidan (2009) state that in a cross border M&A, when each company brings their own competencies and the associated human resources policies and procedures, the strong cultural underpinnings of human resources policies make it challenging for the companies from different cultures to understand and integrate with each other. Therefore, they indicate that changes to elements of human capital may receive resistance from employees and create uncertainty and anxiety due to the history behind the human capital formation (Stahl & Javidan, 2009). For example, for recruitment practices, the countries with high power distance,

hiring decisions of employees are made by the boss without clear hiring criteria while for societies with high collectivism, the performance feedback process is informal without clear expectations (Stahl & Javidan, 2009).

For organisation capital, Stahl and Javidan (2009) state that in cross border M&As, the integration of structure, systems and processes are challenging due to the national culture differences. For example in China, which is both a high power distance culture and a collectivism oriented society, there are limited business planning processes and decisions are primarily made by the authority and the business processes and structures are very informal (Stahl & Javidan, 2009).

For social capital, which Stahl and Javidan (2009) refer to as the benefits captured through social networks or other social relationship structures, they propose that trust is a critical element in the development of social capital because in the group trust creates confidence in each other and reduces uncertainty about the rationale of decisions made for the group. However, the trust relationship within certain in-group or networks with high solidarity may constrain effective information sharing and communication with other groups and these groups may approach each other as outsiders with resistance (Stahl & Javidan, 2009). Such resistance between the groups is possible due to the uncertainty and anxiety created by the major changes in integrating the systems and process in the new company (Stahl & Javidan, 2009). The acquiring firm's employees may also impose their way into the newly merged company which is perceived as threatening by the acquired employees and lead to culture clashes and dysfunctional consequence (Stahl & Javidan, 2009). The study by Stahl and Javidan (2009) has been the only one so far that applied the nine culture dimensions of the GLOBE project (House, et al., 2004) in cross border M&As context, however, their research did not take an empirical data collection approach rather it was based on an analysis of past literature and only focused on the post-merger integration phase.

An empirical approach was adopted by Cooke and Huang (2011) on cross border acquisitions when four Chinese IT privately-owned companies were acquired by United States of America (U.S.) owned corporations. Cooke and Huang (2011) describe how during the post-acquisition integration process, when the acquiring firm from U.S. implemented different and new sets of

performance management and rewards systems, high level resistance was received from the Chinese managers in the adoption of the new process of differentiating the employees' performance and pay. As a result, the performance management system post-acquisition could not support the business strategy of the corporations as planned and Cooke and Huang (2011) believe that Chinese culture played a role in influencing managers' mindset which caused the resistance. In order to achieve the desired M&A performance, many researchers consistently recommend that the post-integration practices to some extent need to be aligned with the cultural context within which the target firms or mergers partner operate (e.g. Caroli, Lubatkin, & Very, 1994; Morosini & Singh, 1994; Aguilera & Dencker, 2004; Schuler, Jackson, & Luo, 2004; Goulet & Schweiger, 2006).

The recommended approaches for culture integration vary among different studies. For example, the direction of culture integration according to both Buono and Bowditch (1989) and Ducan and Mtar (2006) could be firstly 'culture takeover', and then 'culture blending' or 'culture pluralism'. However, others have different views on the extent to which the two cultures should be integrated. While Riad (2007) recommends that it is critical to establish an organisational culture that represents all interested parties' needs to avoid culture contests, Buono & Bowditch (1989) challenge the common understanding that complete consolidation of two different cultures seems to be the only criteria for effective culture integration in a merger or acquisition. They remind researchers that managers' strategic objectives of M&As should drive the degree of culture integration in M&As (Buono & Bowditch 1989) whereas Reus (2012) suggests that it would be the acquiring company's capacity to handle multi-culture diversity that determines the degree of culture integration in the acquired firms. Reus (2012) specifically indicates that if the acquired firm is in a high humane oriented culture, the acquiring company seems to be more quickly accepted by the acquired firm.

Buono and Bowditch (1989) explain that culture integration in the post-M&As stage involves formal and informal activities and note that culture change is an incremental and time-consuming process, therefore, to facilitate culture change, in some situations, new employees should be hired into the organisation to replace the existing employees who do not accept the new organisational culture (Buono & Bowditch, 1989).

Saunders, Altinay and Riordan (2009b) agree with Buono and Bowditch (1989) that rigorous effort is required post-acquisition for culture integration, but caution that it may not be adequate. They further reinforce that tremendous resources and activities should be in place both before and after the M&A to effectively manage the culture integration (Saunders, et al., 2009b).

Before the acquisition, culture similarity assessment as a culture audit is proposed as an important part of the pre-acquisition due diligence process (Buono & Bowditch, 1989; Stanwick, 2000; Mirvis & Marks, 2002, 2015). Hubbard (1999) and Shraeder (2003) point out that without a culture audit during the due diligence process, critical information would be missing for effective culture integration planning and implementation which may lead to the failure of a specific M&A. Stanwick (2000) and Mirvis and Marks (2002, 2015) maintain that the result of the culture audit should not only be used to determine the degree of culture integration but should also be a critical decisions factor for the M&A deal itself, that is, whether to proceed or not to proceed.

A culture integration framework was proposed by Stanwick (2000), who suggests that after the first step culture audit, once the M&A deal is confirmed to proceed, the second step for culture integration is for the new top leadership team to immediately set up an effective and comprehensive communications program and feedback system. Then, the leadership team can start communicating with employees about future vision and business strategy of the new company to establish the new value and belief system. The third step, as proposed by Stanwick (2000), is for the top management team to sponsor a transition team dedicated to the integration and organisation transition. Representation of the transition team should include employees from both organisations and should also cover all key functions. Furthermore transition plan milestones should be established for implementation status tracking (Stanwick, 2000). Finally, HR process and policies for the culture integration should be in place and start immediately after the transaction is signed off. This will include identification of the retention target, appointment of personnel into the key leadership positions, defining organisation structures, communicating the new HR related policies, including compensation and rewards (Stanwick, 2000).

The framework proposed by Stanwick (2000) was implemented and confirmed as a success by Head (2001) in the case of the merger between Dow AgroScience and Cargill Hybrid Seeds. Head (2001) concludes that besides the culture audit, the other critical success factors for the successful culture integration between Dow AgroScience and Cargill Hybrid Seeds were indeed effective communications and strong leadership. This conclusion by Head (2001) was supported by Saunders, et al., (2009b) and several other studies (Hubbard, 1999; Stanwick, 2000; Bijlsma-Frankema, 2001; Hyde & Paterson, 2002; Denison, Adkins, & Guidroz, 2011) that strong leadership with open and honest communication are pre-cursors to successful culture integration. Some researchers also suggest that the leadership team should encourage two way communications by involving employees throughout the culture integration process (Hubbard, 1999; Stanwick, 2000; Bijlsma-Frankema, 2001).

In addition to the framework proposed by Stanwick (2000), based on the past studies on culture differences in M&As, Weber and Tarba (2012a) propose another framework to conduct cross-cultural analysis at various M&A stages which includes seven dimensions to measure organisational culture differences and additional eight areas of activities to measure differences in corporate culture. Their proposed seven dimension for organisational culture include approach to innovation and activity, risk taking approach, lateral interdependence, top management contact, autonomy and decision making, performance orientation, reward orientation (Weber & Tarba, 2012a). The additional eight areas of differences in corporate culture include structure and decisions, labor relations, communications, individuality, time orientation, ownership, management approach, and trade union (Weber & Tarba, 2012a). Further, Weber and Tarba (2012a) suggest that application of their proposed cultural dimensions in cultural assessment throughout different phases of the acquisition could improve the overall effectiveness of the integration post-acquisition.

Communications

Communication and culture are believed to be the two most critical people issues for M&A success by quite a number of researchers such as Appelbaum and Ritch (2003) as well as de Camara and Renjen (2004) and many others (Cartwright & Cooper 1990, 1996; Schweiger & DeNisi, 1991;

Marks & Mirvis, 1992; Schweiger, et al., 1993; Cartwright, et al., 1995; Weber, et al., 1996; Risberg, 1997; Appelbaum, et al., 2000; Marks & Mirvis, 2001b; Head, 2001; Barrett, 2002; Hutchison, 2002; Bhagat, Steverson, & Kuo, 2009; Denison, et al., 2011). A few researchers elaborate that cross culture and communications issues are even more complex and critical in cross border M&As (Schweiger, et al., 1993; Vaara, 2002; Aguilera & Dencker, 2004; Goulet & Schweiger, 2006; Bhagat & Steers, 2009).

Instead of agreeing that both culture and communications are critical to M&A's success, Padadakis (2005) presents a different view from his empirical study on 72 M&As in Greece. He maintained that a detailed communications implementation plan is the most critical factor impacting on the outcome of an M&A. However, deCamara and Renjen (2004) and Scanlan (2005) argue that a broader communications strategy is more critical for internal and external organisation alignment throughout the M&A process than a detailed implementation plan. Both these studies also highlight the significant role of leadership in understanding the objectives of the M&As, defining a vision statement for the new company and designing a corresponding communication strategy to communicate the new vision.

With the common view that communications is important to the outcome of M&As, several researchers add that throughout the M&A phases, both good communications strategy planning and execution are equally important for effective communications (Naiper, et al., 1989; Hubbard, 1999; Appelbaum, et al., 2000; Stanwick, 2000; Appelbaum & Richter, 2003). A few specific recommendations to enhance the effectiveness of the implementation of the communications plan include developing diversified communications channels to provide open and honest feedback to improve employees' capability of understanding and accepting the changes (Stanwick, 2000; Appelbaum, et al., 2000, 2003; Saunders, et al., 2009b); establishing feedback and follow-up process to continuously improve communications (Appelbaum, et al., 2000, 2003).

Another specific recommendation for effective communication is to differentiate the communication approach with different target audience groups, especially in cross border M&As which involve different target audience groups from different cultures (Schweiger, et al., 1993). In cross border M&As, special effort should be made to understand the culture differences between

the acquiring and the acquired firms (Schweiger, et al., 1993) and form a dedicated team to manage the joint communications effort starting from the negotiation phase (Nikandrou, et al., 2000;). Nikandrou, et al., (2000) explained that in cross border M&As, the acquired employees generally are more anxious to know information regarding the foreign acquiring company, the planned changes and implications for them. Therefore, well planned, frequent, open and honest communications by the leadership team are very important to keep employees informed about the status of the company and changes (Nikandrou, et al., 2000).

An important aspect of the communications issue that is often ignored in M&As is language difference and there have been very limited studies in this field (Holden, 2001; Piekkari, Vaara, Tienari, & Santti, 2005; Welch, Welch, & Piekkari, 2005; Vidal-Suárez & López-Duarte, 2013) . Welch, et al., (2005) is critical of the tendency for language differences to be viewed as a simplistic language speaking issue versus a cross culture management issue. Welch, et al., (2005) are supported by Vidal-Suárez and López-Duarte (2013) who propose that substantial language differences tend to prevent Spanish companies' from investing into overseas market through acquisitions rather than starting operations in another country from scratch. Holden (2001), a Human Resources Director, from his practical experience with three European companies, suggests that language plays a critical role in international recruitment and recommends that managers should be educated on culture awareness and being open-minded to culture differences between acquiring and acquired firms.

During M&As, although the primary objective for introducing a common corporate language to be used by both the acquiring and acquired firms is to facilitate integration and communication, Holden (2001), Piekkari, et al., (2005) and Welch, et al., (2005) argue that such action may result in more disintegration effect of the acquiring and acquired organisations. Piekkari, et al., (2005) draw their conclusions from their study about mergers of two Nordic banks and Welch, et al., (2005) come to this conclusion from their research about general language effect on management. Piekkari, et al., (2005) argue that a common corporate language policy, that is, to require all the subsidiaries of the corporation across the world to use the same working language, is associated with employees' identity and could empower or disempower employees in the communication process. As a result, feelings of superiority or inferiority could be created which is an important

element of international confrontation (Piekkari, et al., 2005). Welch, et al., (2005) supports Piekkari, et al., (2005) that language differences could also create different social networks with inclusion and exclusions of certain language groups. Consequently, employees who are fluent in the one required corporate language become the communication interface for corporate communications, but important messages may not be passed on to those who do not have the same language skills as the fluent employees. Therefore, the fluent employees may take on the role of communication gatekeepers (Welch, et al., 2005).

Welch, et al., (2005) also argues that language differences between subsidiaries and headquarters may prevent mutual understanding. This is an important issue for headquarters as they may make poor decisions because the language barrier has resulted in misunderstanding the foreign environment where their subsidiaries are located. Welch, et al., (2005) warn that although communications between headquarter and subsidiaries can be managed through interpreters, there are risks of message distortion, either intentionally or unintentionally by the interpreter and/or the receiver. In some situations, because the interpreter filters the message through her/his own local perspective, the corporate message may be distorted and translated to suit the local situation (Welch, et al., 2005). This same study notes that it is often the case for Chinese interpreters to translate negative or critical messages from English into a less harsh message for a Chinese audience in order to maintain harmony and save face. Thus the original message which may be tough and direct is lost. Therefore, for foreigners working in a Chinese environment without being able to speak Chinese, the language is a serious barrier for them to work effectively with Chinese employees.

Although there are studies about the language differences between English and Chinese, the foci is on linguistic aspects of the language (Gyasi, 1999; Shi, 2008; Gao & Gao, 2012); English as a second language for immigrants (Starr, 2009; Pastor & Calderón, 2012; Derderian-Aghajanian & Cong, 2012); language in web design (Chang, 2012); and language in social communication (Rosenblatt & Li, 2011; Wu, Yang, Huang, Chen, Li, Daneman, & Schneider, 2011; Xia, 2011). There are also a few studies that discuss the underlying culture context and communications styles of people speaking English and Chinese, however, focus of these studies remain on linguistic

characteristics (Xu & Zhang, 2008; Huang, 2010; Liu, 2010; Chung & Ingleby, 2011; He, 2011) and its influence on language education (Zhu, 2000; Liu, 2007; Wang, 2007; Liu & Li, 2008; Hui, 2009; Lee, Oyserman, & Bond, 2010; An, 2011; Lee, 2011; Leong, 2012; Wang, Zhang, & Dong, 2012). So far, there has been no study about the language differences between Chinese and English within the context of implications on management practices in cross border M&As between Chinese companies and other English-speaking foreign companies.

During M&As, effective communications are found to be not only important to culture integration but also critical to build trust with employees (Nikandrou, et al., 2000; Searle & Ball 2004; Bhagat, et al., 2009), to improve employees' satisfaction and reduce employees' stress and resistance (Stanwick, 2000; Lotz & Donald, 2006). In the following sections, the interrelationship between resistance, stress and trust are discussed as well as their relationships with communications and culture. Meanwhile, the role of leadership in managing resistance, stress and trust is integrated throughout the discussions respectively. The extra complexity brought by the cross border M&As to each of the people issues are also reinforced in the following sections.

Employee Resistance

Employees' resistance to changes is identified as a major critical issue that influences the outcome of M&As by some researchers (Bourantas & Nicandrou, 1998; Piderit, 2000; Bordia, Hunt, Paulsen, Tourish, & DiFonzo, 2004; Bommer, Rich, & Rubin, 2005; Oreg, 2006; Dam, Oreg, & Schyns, 2008). It is suggested employee resistance impacts the change process (Piderit, 2000; Stanley, Meyer, & Topolnytsky, 2005; Oreg, 2006), undermines the realisation of the planned strategic synergy and negatively influences employees morale and commitment to the organisations (Bourantas & Nicandrou, 1998; Bordia, et al., 2004; Stanley, et al., 2005). Employee resistance can be both active (e.g. verbal complaints, voluntary exits) and passive (e.g. absenteeism).

On the whole the proposed solutions to reduce employee resistance are associated with effective communications and leadership (Dam, et al., 2008). Some of the root causes that generate employees' resistance, as noted by Kiefer (2005) and Bellou (2007) are similar to those that

generate employee stress and distrust. For example, the difference and mismatch of the existing organisational culture and leadership styles of the two companies could also cause employee resistance (Bourantas & Nicandrou, 1998). This was supported by Atkinson (2005) who further indicated that around 56 to 70 per cent of the new M&As fail due to employee resistance to the new and different business culture post-acquisition. Another example is that as a result of the high uncertainty, stress and negative perceptions imposed by M&As, employees' trust level in the new management drop dramatically and their resistance may be reflected through their withdrawal behaviours from the organisation's change activities (Kiefer, 2005). Therefore, low trust in management post M&A is believed to be one reason that causes resistance (Bourantas & Nicandrou, 1998; Kiefer, 2005).

Apart from trust, there are other significant factors contributing to employee resistance. Barkema and Schijven (2008a) point out that organisation restructuring normally interrupts the established routine such as reporting relationship and job descriptions which negatively impact on the firms' performance post-acquisition. Therefore, the acquiring firms are recommended to assess and decide carefully on organisation restructuring decisions post-acquisition. In addition, the perceived inequity caused by differences in position and compensation levels between executives in the acquiring and acquired companies is proposed by Bourantas and Nicandrou (1998) as another source of executives' resistance against the M&As. Such perceived inequity causes conflict among the two executives groups which can potentially damage their cooperation to accomplish the common goals and objectives of the M&As (Bourantas & Nicandrou, 1998). Bourantas and Nicandrou (1998) also suggest that some additional contributing factors to employees' resistance are not met; e.g. management recognition of certain perceived inappropriate behaviours, job dissatisfaction after the acquisition, and employees' expectations on the acquisition.

McGee-Cooper (2005) points out that during M&As, an 'us against them' mindset is prevalent when employees feel anxious and fearful about the future and it is common to see sub-groups of acquired employees compete with new staff of the acquiring firm and resist interdependent team work. To prevent such tribalism from happening in the workplace, McGee-Cooper (2005) suggest

leaders should manage the changes in M&As by allowing the employees to see how they would be impacted by the changes.

As for actions to manage employee resistance, Dam, et al., (2008) propose an analysis framework based on their survey on over 250 employees of a large housing corporation in the Netherlands who were experiencing changes due to a recent merger between two housing corporations. Their findings suggest that significant relationships exist between employees' resistance to changes and three change processes characteristics: provision of information, opportunities for participation, and trust in those managing the change (Dam, et al., 2008). Further, Dam, et al., (2008) explain that employees may have less resistance to changes when the organisations have supportive relationship between leaders and subordinates and the work environment encourages development, feedback and continuous improvement. They also advocate that daily interactions are critical to build such relationship and work environment (Dam, et al., 2008). Such interactions and other relationship building activities are the responsibility of the leadership team. Furthermore Clark, et al., (2010) also propose that when senior leaders of the merged companies create a completely new identity for the new company post-merger, it facilitates the aligned view of the employees from both acquired and acquiring companies versus carrying on the past organisational identities before the merger.

Stress

Research findings suggest that one of the major reasons employees experience stress in M&As is due to their uncertainty about the future (Marks & Mirvis, 1985, 2001b; Schweiger, et al., 1987; Schweiger & DeNisi 1991; Vinten, 1993; Dixon & Marks 1999; Schabracq & Cooper 2000; Vaara, 2002; Lin & Piesse, 2004; Ullrich, et al., 2005; Lotz & Donald, 2006; Bhagat & Steers, 2009; Makri, et al., 2012). Marks and Mirvis (1985) point out that stress can be caused by employees' perceptions of having no control over the situation which may lead to their uncertainty about their short term and long term futures, such as potential changes in jobs, work, and family relationship (Marks & Mirvis, 1985, 2001b; Schabracq & Cooper, 2000; Millward & Kyriakidou, 2003). Makri, et al., (2012) also suggest that when employees feel that their pre-merger organisational practices are respected and their voices heard in the new company, they tend to have less insecurity and less

stress with the new company. Funnel (2003) and Ullrich, et al., (2005) explain that when in fact there are changes and employees are not well informed about the changes, their stress will be accelerated which results in negative actions and may eventually contribute to the failure of the M&As. Fennel (2004) is critical that the impact on employees is seldom considered when changes are planned in M&As.

Dixon and Marks (1999) and Ullrich, et al. (2005) believe that stress is a normal reaction from employees to the uncertainty, anxiety and confusion in M&As which can happen at all levels – individual, organisational and culture. At the individual level, Ullrich, et al. (2005) emphasise the importance of understanding employees' pursuit of job stability and sense of continuity in times of major organisation changes like M&As. This view is supported by Marks and Mirvis (1992) and Cooke (2006) that the top concern from employees in M&As is usually job security. Ullrich, et al. (2005) maintain that employees feel stress when their job changes and thus tension is created between the employees and the new organisation, and such tension is one reason that contributes to the failure of M&As (Ullrich, et al., 2005).

At organisational level, Leana and Feldman (1989) suggest that when there are operational and staff duplications in M&As, layoff of employees not only causes stress with those who leave but also those who remain. Leana and Feldman (1989) and several others (Davy, et al., 1988; Marks & Mirvis, 1992; Schweiger, et al., 1993; Cooke, 2006) suggest that employees who stay with M&As normally also experience stressful emotions concerning their own job security and loss of co-workers. In particular, Dixon and Marks (1999) suggest that when two organisations come together, people from each side often develop a mindset of 'them versus us', and the acquiring company tends to have a 'winner' mindset while the acquired company perceive themselves as 'losers'. Dixon and Marks (1999) indicate that when there is no timely and transparent communication, the organisation as a whole may adopt a sense of crisis which impacts on the mode of interpersonal and intergroup relationships between the acquiring and acquired companies.

Finally at the cultural level, Bhagatet, et al., (2009) notes that both national culture and organisational culture have influence over the causes of stress. For example, they suggest people

from relationship based cultures are likely to get stressed and feel uncertain if they do not get the recognition from their supervisors on whom they place high value (Bhagat, et al., 2009). Nirandou (2000) in a comparison between cross border and domestic M&As concludes that the acquired employees are likely to feel more uncertain and stressful about the future when the acquiring company is foreign with differences in national and organisational culture as well as employment conditions.

Different employees respond to stress differently, either by being adaptive to face the challenge or being dysfunctional at a personal or organisation level such as decreased job performance higher absenteeism and turnover (Dixon & Marks, 1999; Hubbard, 1999). Schweiger and DeNisi (1991) and Bhagat, et al., (2009) both agree that the consequence of employees' stress generally has a negative impact on the outcome of M&As. Marks and Mirvis (1985) further explain that the effect of stress could be destructive to the change process post-M&As. This is because stress can distort positive information, form negative perceptions, thus turning a positive change into a hostile one from the perspective of the employees' of acquired firms, including their management team (Marks & Mirvis, 1985, 2001b). As a result, the acquired employees may become defensive against the acquiring firm's employees and management which makes it difficult to implement any change, even a positive one (Marks & Mirvis, 1985, 2001b). When there is no formal communication channel, Marks and Mirvis (1985, 2001b) and Schweiger and DeNisi (1991) explain that rumors and the misinformation from informal communications can increase employees' uncertainty and create an even more destructive attitude toward the M&As. Lastly, Marks and Mirvis (1985) warn that a series of small, unrelated stressors can add up to greater stress for people and the accumulated stress could multiply into a serious situation that may be difficult or impossible to resolve.

As for the leadership actions to address employees' stress in M&As, Marks and Mirvis (1985) recommend that the leadership team should never regard stress as minor issue or trivialise major stress. Ullrich et al., (2005) recommend that when the leadership team of the new company post M&As, design and implement the new organisation structure, special attention should be paid to make acquired employees to feel a continuous identification with their work before and after the M&As, and also to help employees see career opportunity with the new company where possible.

Cooke (2006) raises one suggestion to help employees manage stress based on her interviews with three senior leaders of former SOEs which were acquired by multinational companies in China. Her suggestion is to provide training programs to low skilled Chinese employees to improve their employability so that their mental dependence on the company will be reduced, which in turn will reduce their stress level (Cooke, 2006).

While stress and its negative impact has been the focus in some studies, Marks and Mirvis (1992) point out that the employees normally also hold positive expectations of the M&As initially, including different career opportunities, the opportunity to meet new people and learn new skills. Therefore, Marks and Mirvis (1992) advocate the importance that the leadership team of the new organisation leverages these positive aspects to offset employees' concerns and stress. When the employees' uncertainty and stress level are reduced through effective communications, employees' negative perception of the management team will shift to positive which in turn will increase employees' trust in management (Nikandrou, et al., 2000).

Trust

The important role of the leadership team in trust building at different stages of the M&As, especially immediate local management team is emphasised by Searle and Ball (2004). Among the key people issues identified by the studies on M&As, Duncan and Mtar (2006) suggest that employees trust in the organisation after M&As is the most critical factor for the success of M&As. Weber, et al., (2012a) suggest trust has impact on the outcome of the M&As through its direct effect on attitudes and behaviours of management from the acquired firm. Nikandrou, et al., (2000) further elaborate that it is the top management's ability to gain employees trust that has the largest impact on the outcome of M&As. Throughout the trust building stage, Schweiger and DeNisi (1991) warn that if the leadership team does not deal quickly and effectively with the negative perceptions of M&As, employee stress is likely to increase and trust in management would decrease, increasingly so as years pass.

In studies about trust and distrust issues in M&As, Rousseau, Sitkin, Burt, and Camerer (1998) use the term psychological contract which Rousseau (1989) refers to as beliefs of the mutual obligations established between the individuals and the organisation. One of the obligations is the issue of trust or distrust. Distrust on the other hand, is referred to by Rousseau (1989) as a violation of the psychological contract which he describes as the perceived betrayal and discontinuity of the established mutual obligations. Searle and Ball (2004) and Jafri (2012) suggest that the psychological contract violation brought about by M&As has a negative impact on the individual's trust in the management team of the new organisation. For example, Mayer, Davis, & Schoorman (1995), Nikandrou, et al., (2000) and Jafri (2012) believe that distrust from the employees will distort their perception of the fairness and benefit of the leadership decisions although the leaders may hold good intentions and principles for such decisions. They indicate that distrust distortion could also lead to negative employee behaviours such as absenteeism, low morale and job dissatisfaction (Mayer, et al., 1995, Nikandrou, et al., 2000; Loh, Smith, & Restubog, 2010; Jafri, 2012).

Kramer (1999) and Searle and Ball (2004) point out that there is a transition between trust and distrust by employees before and after M&As. At the initial phase of the M&As, employees are generally positive and willing to trust the leadership team of the post-M&A organisation. The contributing factors that turn trust into distrust, as suggested by several researchers, may include the ways the change process is managed (Mayer, et al., 1995; Kramer, 1999; Searle & Ball, 2004), employees' low tolerance of change (Schweiger & DeNisi 1991; Mayer, Davis, & Schoorman, 1995; Nikandrou et al., 2000; Dam, et al., 2008), quality of communications (Searl & Ball, 2004), management's ability to advocate collaboration between acquiring and acquired employees (Buono & Bowditch 1989; Mayer, et al., 1995; Loh, et al., 2010) and acquired employees' economic concerns as well as culture differences in cross border M&As (Buono & Bowditch 1989; Mayer, et al., 1995; Loh, et al., 2010).

Employees' low tolerance of change may lead to their low trust in management while such low tolerance of change can be caused by the uncertainty associated with changes introduced too quickly or too slowly (Schweiger & DeNisi 1991; Mayer, et al., 1995; Nikandrou, et al., 2000;

Dam, et al., 2008). When there is no adequate communication process to ensure the clarity and transparency of the changes, employees tend to focus on the negative side of the changes instead of the positive side, and as a result, the distrust level in the organisation increases (Searle & Ball 2004).

Management's ability to encourage group collaboration between acquired employees and new employees may affect the acquired employees' perceptions of how much they are being threatened by the new employees (Buono & Bowditch 1989; Mayer, et al., 1995; Loh, et al., 2010). If management fails to promote collaboration, employees' trust in management may decrease, and the acquiring and acquired organisations are likely to form hostile groups and distrust each other (Buono & Bowditch 1989; Mayer, et al., 1995; Loh, et al., 2010).

Over time throughout the M&A, Searle and Ball (2004) and several others believe that effective interpersonal relationships between the employees from the acquired and acquiring organisations, employees and supervisors are critical to trust building, especially in cross border M&As (Schweiger & DeNisi 1991; Mayer, et al., 1995; Nikandrou, et al., 2000; Dam, et al., 2008; Mackenzie, 2010). However, another argument is that too much trust at the interpersonal level can damage transparency and fairness in the organisations which in the end will damage the companies' interests (Bhagat & Steers, 2009).

Although not specific to M&As, Kriz and Keating (2010) conducted an empirical study on deep trust formation with 43 Chinese participants who worked in western companies in China. They confirm the importance of trust in Chinese business relationships which is primarily based on interpersonal relationships and that trust building with Chinese, compared with the west, is more emotional and affect-based than instrumental and rational based (Kriz & Keating, 2010). It is very difficult for foreign businesses to form deep trust with Chinese business and employees if they do not pay attention to relationship building in the China market (Kriz & Keating, 2010).

When employees have financial concerns and feel their jobs are at risk, their trust in management will drop significantly. Therefore, it is important that as early as possible, the post-acquisition

management team publishes its compensation and benefit policy to acquired employees to minimise employees' concern about potential financial loss (Nikandrou, et al., 2000). In fact, Jafri (2012) suggests that perceived committed human resources practices post-acquisition, including compensation & benefit policies could significantly enhance the employees' trust. A specific suggestion by Buchan (2009) is for the acquiring companies to shift from the individual benevolence based trust elements such as personal care to institutionalised incentive based trust mechanism, such as implementing a new incentive system to strengthen trust.

Similar to the other people issues such as culture integration and stress, frequent and employee focused communications are proposed as critical to trust building during the early stage of the acquisition to address employees' uncertainties and tolerance to change (Searl & Ball, 2004). The significant importance of a well-defined communications strategy about new company's future and vision are reinforced for improving employees' perception on the trustworthiness of the new management team (Schweiger & DeNisi 1991; Mayer, et al., 1995; Nikandrou, et al., 2000; Dam, et al., 2008; Mackenzie, 2010), especially in cross border M&As (Buchan, 2009).

In comparison with domestic M&As, cross border M&As bring more uncertainties to employees which may lead to increased cohesion of the acquired employees group and create more tensions and distrust between the acquiring and acquired employees. As a result, resistance occurs with the acquired employees against the introduction of the new organisational culture and practices (Nikandrou, et al., 2000).

Leadership

The role of leadership in M&As is an integral part of the people issues discussion in the earlier sections on culture, communications, resistance, stress and trust. Leadership, as noted by Sitkin and Pablo (2004), is a critical determinant of M&A activities and outcomes. Besides the economic factors, it is believed the acquisition process is for leaders to manage people's expectations about the impact of change on them (Hubbard, 1999, Barratt-Pugh, et., 2013). The concern of people is not so much about what is changed but about how leadership manages the change. For example,

culture difference itself may not be the issue, but how culture difference is being managed by the leadership team is more critical (Bijlsma-Frankema, 2001).

Recognising that generally leadership plays a critical role in the outcome of M&As, there are nevertheless inconsistent views on which leadership group is the most critical one. Each leadership group plays its' own important role in M&A's success (Schraeder, 2003). For example, Schraeder (2003) emphasises middle management team support as most important to the success of the M&As and they have critical roles in communications, including interpreting the executive messages to employees and also conveying employees' messages back to the company. A different view is that top management is most critical to M&A success as they have the ultimate responsibility for the entire M&A including through trust building with employees (Narayanan, et al., 2002). Narayanan, et al., (2002) believe that good management of people issues in fact starts from the top senior leaders and the behaviour of senior leaders in managing people is the primary influencing factor on the effectiveness of the management team post M&As. Furthermore, compared with the corporate leadership initiatives during the merger, Barratt-Pugh, et al., (2013), drawing on a case study of a merger of two Australian public service departments, propose that local team development led by the local leaders are proved to be more effective to influence the changes required to the success of the merger.

Among the top leaders, there are also different views about who is more important to the outcome of the M&As, the CEO or the senior leaders besides the CEO (Buono & Bowditch, 1989; Schweiger & DeNisi, 1991; Weber, et al., 1996; Lubatkin, et al.1999; Krug & Hegarty, 2001; Shearer, et al., 2001; Narayanan, et al., 2002; Tuschke, 2003; Donnelly & Donnelly, 2005). Shearer, et al., (2001) reflects from one case study merger between two firms, MPC and ComChem, that the CEO is the most critical senior leader who needs to articulate clearly to all employees the vision of the new company and the desired culture to accomplish the new company vision. Donnelly and Donnelly (2005) supports Shearer, et al., (2001) on the critical role of the CEO in M&As from his one case study research of the Renault and Nissan car company merger. Donnelly and Donnelly (2005) further proposes that among all the capability requirements of the CEO, the most critical one is the ability to handle the various differences between the two companies, including national

and company culture, languages, decision making, communications and labour regulations, and acts with sensitivity to handle the differences. In contrast, several researchers propose that it is the senior leadership members instead of the CEO that play significant roles in M&As outcome, primarily related to the stability of the senior members, their commitment to cooperate with the new organisations post-M&As, their effectiveness in communications as well as the effectiveness of their ability to manage the change (Weber, et al.1996; Burns & Rosen1997a; 1997b; 1997c; Narayanan, et al., 2002).

The stability of senior leaders is emphasised as critical to the outcome of M&As. Yet, the risk of senior leaders' turnover is much higher in cross border M&As when there is a perception of lack of future career opportunity with the new company (Buono & Bowditch, 1989; Schweiger & DeNisi, 1991; Lubatkin, et al., 1999; Krug & Hegarty, 2001; Narayanan, et al., 2002; Tuschke, 2003). Buono and Bowditch (1989) and Schweiger and DeNisi (1991) indicate that a high turnover of executives has a negative influence on productivity and acquired employees' morale in the post M&A period.

Based on their case study research on the merger between Royal Trustco and Royal Bank in Canada, Burns and Rosen (1997a, 1997b, 1997c) indicate that the low commitment to cooperation from senior management of the acquiring and acquired organisations is a major barrier to achieve the desired synergy of the M&As. If senior leaders have a resistant mindset against the M&As, they can block some important information during the due diligence process and subsequent, unexpected incidents and conflicts that may occur post-merger or during the acquisition due to lack of awareness of other team members' critical information (Burns & Rosen, 1997a; 1997b; 1997c). Similar to the earlier discussions in this chapter about other people issues, effective communications by senior leaders is emphasised as the ideal behaviour that is critical to the success of M&As (Burns & Rosen, 1997a, 1997b, 1997c; Shearer, et al., 2001; Kavanagh & Ashkanasy, 2006). For example, Kavanagh and Ashkanasy (2006) suggest, from a study of three university mergers in Australia, that a communication process should be in place to regularly collect and timely respond to employees' feedback as well as share the impact caused by the changes. Burns & Rosen (1997a; 1997b; 1997c) and Shearer et al., (2001) also caution that senior leaders should

identify and communicate individually with key high profile and respected employees from both the acquiring and acquired organisations to engage them in the overall organisation planning and decision making.

In addition to effective communications, Kavanagh and Ashkanasy (2006) suggest that ideally, senior leaders should recognise employees' emotional process for change acceptance and carefully decide the rhythm of the change implementation, such as immediate change or incremental change over time. It is further proposed by Barratt-Pugh, et al., (2013) that role model employees could be informal change agents in the organisation. Kavanagh and Ashkanasy (2006) together with Maurer (1996), Daniel (1999) and Marks and Mirvis (1997) advocate that senior leaders identify and reward those role model employees who demonstrate the desired behaviours and are willing to be the change partners with management. They suggest that senior leaders must lead by example through positive attitudes and behaviours to generate employees' trust in the new organisation with special focus on the relational aspects of the employees (Maurer, 1996; Daniel, 1999; Marks & Mirvis, 1997; Kavanagh & Ashkanasy 2006, Barratt-Pugh, et al., 2013). Vasilaki (2011) further presents the view that the most impactful way for senior leaders to inspire employees is to generate intellectual stimulation with the employees on how to create a joint successful future.

Similar to the earlier discussions about the other people issues, leadership is concluded by Schweiger, et al., (1987) to be critical to manage culture, communications, employee stress, trust and resistance. Schweiger, et al., (1987) proposed from questionnaires responded to by 65 Human Resources Directors that effective leadership behaviours in managing M&As are the ones that would minimise employee resistance, reduce employee stress and maintain the morale of the post-M&A organisations. They suggest such effective leadership behaviours include commitment and companionship with employees, being honest, showing understanding for employee concerns, minimising political behaviours and preparing employees to get through the change. Furthermore, Thach and Nyman (2001) summarise six types of skills that leaders should possess to be competent in managing M&As. These are (i) work and customer focus, (ii) effective communications, (iii) motivation and incentives, (iv) creativity and involvement, (v) M&A savy (i.e. understanding M&A dynamics) and (vi) speed in decision making. Barratt-Pugh, et al., (2013) advocate that

effective leadership behaviours to manage culture change are to set clear strategic directions, execute actions to realise the strategic directions, support staff to prioritise and manage workload and develop a network of informal change agents within the organisation.

Additionally, Zhang, et al., (2015), from their study on effective leadership styles in managing employee retention post-acquisition, recommend that the leadership approach that would have a positive impact on talent retention in the Chinese culture environment is authoritative, coaching, task-focused and relationship-focused.

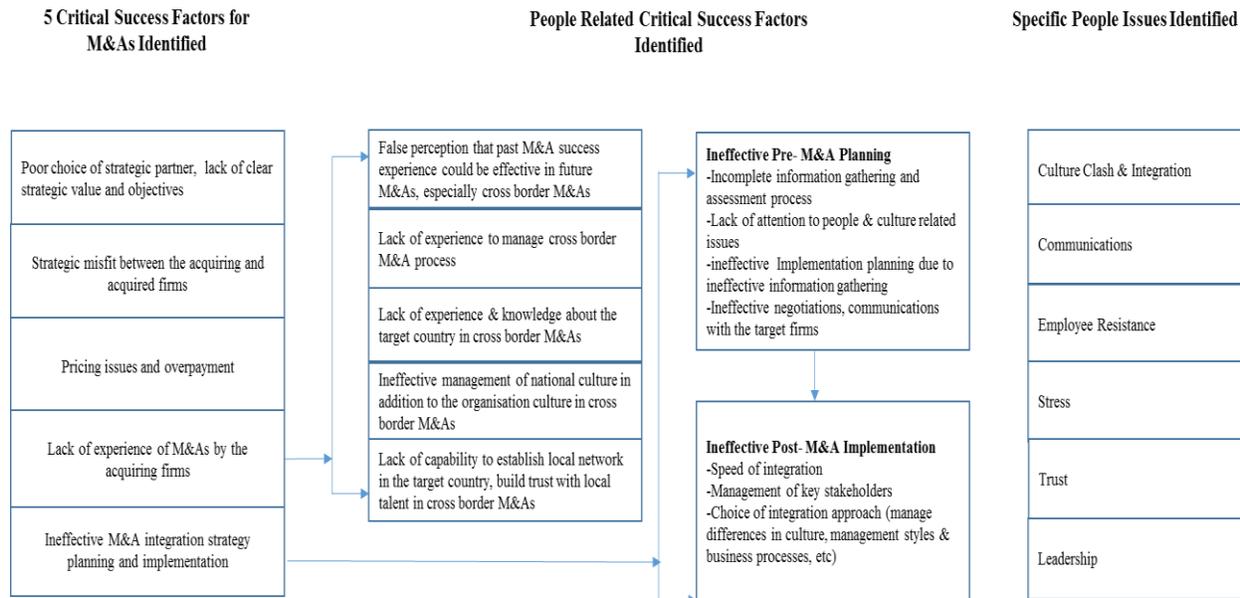
In reviewing studies about leadership effectiveness of managing people issues in M&As, there have been no empirical studies identified yet on cross border M&As between Chinese companies and western companies in China, which is the focus of the current study. Furthermore, given the cross culture nature of cross border M&As between Chinese and western companies, in the following two sections, the broader cross cultures studies about the differences between Chinese and western cultures and their implications for Chinese and western leadership are reviewed.

From a review of past literature, Gomes, et al., (2013) summarised the critical success factors influencing the outcome of M&As as the follows. For the pre-merger phase, the critical success factors include choice and evaluation of the strategic partner, consideration of an appropriate price mismatches in organisation size and structure, overall strategy of the acquisition, communication and future compensation policy and level of past experience of M&A, (Gomes, et al., 2013, p.17). For post-merger, the critical success factors include post-acquisition integration strategies, post-acquisition leadership, speed of implementation, post-merger-integration team, ignorance of day-to-day business activities due to the focus on integration, communication during integration implementation, and managing corporate and national culture differences (Gomes, et al., 2013, p. 18).

Building on the view of Gomes, et al., (2013), Figure 2.1 summarises the past findings of people issues as success or failure factors in western M&As within the cross border M&A context. It is

important to emphasise that the findings as identified in Figure 2.1 are from different separate studies in the past and not an integrated study on cross border M&As.

Figure 2.1 People Issues as Success or Failure Factors in Western M&As as Identified by Past Studies



The notable gap in the critical success factors of M&As as identified by Gomes, et al., (2013) is that each critical success factor was individually studied in the past without much understanding of their interrelationships. Gomes, et al., (2013) also point out that there had been no previous studies to investigate the interrelationships between the critical success factors throughout the pre- and post-acquisition phase to have a holistic understanding of their impact on the outcome of M&As. As a recommendation Gomes, et al., (2013) suggest some interrelationships between selected critical success factors and also the possible influence flow of some success factors between pre- and post-acquisition. For example, they propose that both the choice of strategic partners pre-acquisition and the post-acquisition strategy would impact on the speed of integration post-acquisition as well as influence the approach of managing corporate and national culture differences between the acquiring and acquired firms. Further they point out that an interrelationship exists between culture and people issues. They also propose that the appointment of top management post-acquisition would influence the type of post-acquisition strategy.

However, their findings are based on their review of the limited literature on the interrelationships between critical success factors (Gomes, et al., 2013). Although Gomes, et al., (2013) argue that their proposal are supported by the empirical evidence from the related literature reviewed, their own study is not an empirical study with direct supporting empirical evidence for their proposal. The need of further research on integrated cross success factors for cross border M&As is emphasised by Reis, Pereira de Oliveira Carvalho, & J. V. Ferreira (2015) after they completed a thorough bibliometric study of 635 M&A research articles published in 34 highly ranked management journals between 1983-2012. This current study aims to close the gap by conducting an empirical study to understand the people related critical success factors individually, their relationship and their impact and flow throughout the full cross border acquisition process.

The emergence of cross border M&As into China is the result of the western movement of M&As into China, and correspondingly China's economic reforms that have encouraged corporate opening up to the West (Zhang & Cui, 2007; Zhang & Lai, 2007; Huang, Du, & Cheng, 2008). This has resulted in the emergence of cross border issues in managing staff by western firms taking over Chinese companies.

EMERGENCE OF CROSS BORDER M&As in CHINA AND RELATED PEOPLE ISSUES

M&As in China started with the economic reforms in 1978, and there have been three movements of M&As since then. The first M&As featured exploratory small scale, government intervened transactions among SOEs with the aim of eliminating companies with significant financial losses (Yang, 2005; Huang, et al., 2008; Zhang, 2010). The second movement began in the 1990s which featured share owners purchase of public companies through stock market transactions or purchase agreements (Yang, 2005; Huang, et al., 2008).

During the 1990s, as impacted by cross border M&As in western countries, western companies began targeting Chinese owned companies. At the same time, a few Chinese companies started to

merge and acquire foreign companies in other countries (Huang, et al., 2008). However, cross border M&As by foreign companies into China did not significantly impact on China until 2002-2003 when the Chinese government announced formal legislation dealing with foreign companies' M&As activities with Chinese local companies (Norton & Chao, 2001; Huang, et al., 2008). Since the 2000s, China has been in its third movement of M&As featuring cross border M&As both by Chinese companies merging or acquiring foreign companies in other countries and foreign companies merging or acquiring Chinese companies (Huang, et al., 2008; Li & Li, 2010). The number of cross border M&As by foreign companies in China increased significantly from 2003 and collectively reached a value of 100 Billion USD by 2007 (Zhang, 2007). Cross border M&A has become an important approach for foreign companies to gain access to China markets and to improve their strategic positioning in the global market (Zai & Zheng, 2007; Zhang & Lai, 2007; Huang, et al., 2008; Hu, 2010). Although cross border M&As in China are viewed as benefitting China's economic development through the increase of foreign direct investment and transfer of the advanced technology from overseas (Li, 2007), both Zai and Zheng (2007) and Hu (2010) argue that foreign company acquisitions of Chinese local leading SOEs may threaten industry security of Chinese companies due to the monopoly positioning of the foreign companies after acquisition. Therefore they advised that approval of foreign acquisitions in China should be strictly managed by the Chinese government (Zai & Zheng, 2007; Hu, 2010).

In China, Chinese scholars have done some studies on various aspects of M&As in China since the early 2000s, for example, the Mergers & Acquisitions Forum 2007 (Zhang & Cui, 2007) and Mergers & Acquisitions Forum 2009 (Li, Chen, Zhang, & Xin, 2010) collected many research papers. Funded by the Chinese government, some books on M&As were published with the aim of providing information to enterprises, governments and academics on M&A issues such as development history, theories, processes, and frameworks for integration and implementation. For example, Yang (2005) published a book on integration studies of M&As, Luo (2005) reviewed the characteristics of cross border M&As and the coping strategy; Zhu (2006) discussed finance and investment perspectives of M&As; Huang, et al., (2008) reviewed the principles and practices of M&As; and Zhang (2010) published the first textbook on a framework for M&As to graduate school students in China.

In China, Chinese scholars' studies on M&As since the 2000s can be summarised into four groups based on common characteristics in the literature. *Firstly*, most of the studies so far are general studies without specific research targets. When there are specific research targets, the focus is on Chinese public companies, especially SOEs, while studies on POEs (both public and non-publicly listed) are very limited, especially non-publicly listed POEs. POEs as a new additional ownership type of firm emerged since China's economic transition from Planned Economy to a more market driven economy (Zhu & Dowling, 1994; Child, 1995; Wong & Lee, 2001). Huang, et al., (2008) noted that by mid 2000s, POEs started to play increasingly important roles in M&As especially cross border M&As both in China and outside China.

Although, since 2003, both SOEs and POEs became important targets for cross border M&As by foreign companies (Woodard & Wang, 2004; Fu & Ying, 2005), there are differences in how the companies are managed between these two ownership types (Child, 1995; Warner, 1996; Wong & Lee, 2001). SOE was the only ownership type during China's Planned Economic model from 1949 to 1978 (Child, 1995; Wong & Lee, 2001) with all resources allocated by the government, including raw materials, human resources as well as production quotas (Child, 1995; Warner, 1996). The number of POEs has grown significantly since 1978 and POEs started to play a more important role in national economic development (Ahlstrom, Bruton, & Liu, 2000; Brandt & Zhu, 2000; Yueh, 2004). The owners of POEs are able to run their businesses without government intervention, including resource allocation, appointment of senior leaders, hiring of employees, compensation and benefit and performance evaluation (Ahlstrom, et al., 2000; Brandt & Zhu, 2000; Yueh, 2004). The operating differences between SOEs and POEs suggest that the findings of studies on M&As involving SOEs cannot be applied to POEs, and POEs deserve more focus in research given its increasing importance in cross border M&As.

Secondly, the M&A studies are primarily from financial, economic, industry security and policy perspectives (Yang, 2005). For example, the studies related to these aspects include learning from M&A theories in the western countries (Ma, 2007); theoretical modelling on finance capabilities forecast of the M&As (Zhou & Yan, 2007; Liu, Xue, & Lv, 2010); industry restructuring through M&As (Zhang & Lai, 2007); and government policies (Zai & Zheng, 2007). Studies on the people and culture perspectives of the M&As are limited. For example, Yang (2005) is the first Chinese

scholar who suggests that human resources integration plays a critical role in M&As' success based on a review of past studies. After Yang (2005), there are a few studies on human resource integration in M&As (Shi & Liang, 2007; Xu, Yan, & Wu, 2007). For the rest of the few studies on people and culture perspectives of the M&As, the foci are the violation of the psychological contract during M&As (Liu, 2007; Zhang & Tang, 2007; Yan, 2012; Yan & Zhu, 2013), an exploratory study on culture integration during an M&A (Li & Ou, 2007; Liu, 2007), and entrepreneurs' behaviour in managing M&As (Wu, 2008).

Thirdly, for the limited studies on people and culture issues of M&As, the primary research methods are secondary data from historical literature reviews (Li & Ou, 2007; Liu, 2007; Wu, 2008) with no empirical studies. Case study as a research method is used in a few studies, for example Wu (2008) provides a summary of what was done by the senior leaders in organisational culture integration between mergers of two local Chinese POE companies in one city. However, there is no in-depth data collection with all levels of the employees within Wu's case study (2008) to understand the effectiveness of the culture integration activities from the perspective of employees. So far, there has been no triangulation of research methods to integrate quantitative and qualitative methods in one case study for in-depth understanding of the people issues in M&As in China.

Finally, among all the studies on people issues in M&As by Chinese scholars, there are only a few studies about people issues in the context of cross border M&As (Luo, 2005; Li & Ou, 2007; Xu & Yan, 2007) and among the few studies, most are about Chinese companies merging with or acquiring foreign companies overseas, for example Li and Ou (2007) and Xu and Yan (2007). Most of these have examined only one people issue such as the influence of company culture in M&A integration (Li & Ou, 2007). There have been no studies by Chinese scholars taking a more holistic look at people issues in foreign companies' acquisition of local Chinese companies for example cross culture issues, communications, stress, resistance and trust. However, foreign companies' acquisition of Chinese companies into China has an important role in China's economic development and has a longer history than the Chinese companies' acquisition of foreign companies outside China.

Besides the abovementioned studies by Chinese domestic scholars on people issues in cross border M&As, there is a recent study by a joint effort between overseas Chinese scholars and western scholars on the effective leadership styles of senior leaders seeking to retain high performing middle managers during an M&A integration in China (Zhang, Ahammad, Tarba, Cooper, Glaister & Wang, 2015). This study examined an acquisition of a Chinese privately-owned medium sized manufacturing company by the Chinese subsidiary of a European company. In this case study, in total nine Chinese executive leaders and high performing middle managers from both the acquiring and acquired were interviewed. This acquisition is not a ‘typical’ cross border M&A given the acquiring firm is the China subsidiary of a European company and managed by Chinese leaders. Further the sample size was limited to the small number of Chinese executives and middle managers without broader testing of the findings. Furthermore, several other overseas Chinese scholars also published some studies about M&As in China, for example Cooke (2006) discussed the implications on human resources management when multinational companies acquired the Chinese SOE companies, and Cooke and Huang (2011) discussed culture impact on the changes of appraisal and rewards system post-acquisition when Chinese privately-owned IT companies were acquired by U.S. corporations.

In summary, the review of studies by both Chinese domestic scholars and overseas Chinese scholars on M&As in China reveals that so far, there have been limited studies about foreign companies’ acquisition of local Chinese POEs and there have been no studies adopting triangulation research methods to integrate qualitative interviews, quantitative analysis and case study approach to gain in-depth understanding of the people aspects of the foreign companies’ acquisition of local Chinese POE companies. This study aims to close this gap.

To effectively conduct this study, it is important to draw learning from past research on people issues in M&As in western countries given the comparatively shorter history of M&As in China. The literature reviewed in this following section includes past findings on major people issues in M&As, especially cross border M&As in western countries, starting from the role of people issues in influencing the outcome of M&A’s.

CROSS CULTURE DIFFERENCES AND IMPLICATIONS FOR MANAGEMENT PRACTICES

Culture has been studied in depth by Hofstede (1980, 1991, 2001) with his work built upon by Phase I and II of the Global Leadership and Organisation Effectiveness Project (hereafter referred as Project GLOBE) by House, et al., (2004) who referred to national culture as societal culture (p.15, House, et al., 2004). Project GLOBE is a study of cross culture differences and cross culture leadership with four phases conducted over 20 years and is advocated by Dorfman, Javidan, Hanges, Dastmalchian, and House (2012) as the first study that clarifies through an empirical and scientific approach the relationship between societal culture and expectations on leadership styles, behaviours and effectiveness in different societies. In Phase I and Phase II of Project GLOBE, House, et al., (2004) propose a set of nine culture dimensions to measure culture differences and they also propose the Culturally Endorsed Implicit Leadership Theory (CLT) to argue that societal culture has a strong influence on the leadership styles of leaders in that society. Their findings are based on questionnaires with middle management from selected industries in 62 societies (House, et al., 2004). In Phase III of Project GLOBE, Chhokar, Brodbeck, and House (2007) further indicate that there is empirical evidence for the relationship between societal culture values and their proposed universally endorsed leadership styles and culturally contingent leadership styles in 25 societies. In Phase IV of Project GLOBE, Dorfman, et al., (2012) suggest that there is clear empirical evidence for the relationship between CLT and actual CEO leadership behaviours. They suggest that societal culture does not directly influence leadership effectiveness, rather societal culture influences the expectation of ideal leadership style and behaviours (Dorfman, et al., 2012). When leaders behave according to expectations, the leadership is viewed as effective otherwise, it is viewed as ineffective (House, Dorfman, Sully de Luque, Hanges, & Javidan, 2010; Sully de Luque, Javidan, Hanges, & Dorfman, 2011; Dorfman, et al., 2012; House, Dorfman, Javidan, Hanges, & Sully de Luque 2014).

Project GLOBE (House, et al., 2004, p. 15) aligns with Hofstede (1980, 1991, 2001) on the psychological aspect of the culture definition that the mental values and beliefs of individuals are heavily influenced by the social environment and the personal interaction experience the person

has in their life. Project GLOBE (House, et al., 2004) however differs from Hofstede (1980, 1991, 2001) on the practice aspect of the culture definition (House, et al., 2004, p. 16) in terms of the demonstrated common behaviours and observed practices in collective groups and organisations. House, et al., (2004) suggest that there are gaps and differences between the psychological aspects (*should be*) and the practical behavioural aspects (*as is*) of the culture in one specific society. House, et al., (2004) also propose that the psychological dimension and practice dimension apply to both the societal and organisational cultures.

National Culture

There are many studies on national culture differences and their impact on social and business activities, leadership styles and organisation culture (Hofstede 1980, 1991, 1993, 1998, 2001; Gelfand, Triandis, & Chan, 1996, 1998; Black, 2001; House, et al., 2004; Bergeron & Schneider, 2005; Gerhart & Fang, 2005; Javidan, 2007; House, Quigley, & Sully de Luque, 2010; Javidan, Dorfman, Howell, & Hanges, 2010; Dorfman, et al., 2012; Minkov & Blagoev, 2012; Ozgen, 2012; Schlosser, Frese, Heintze, Al-Najjar, Arciszewski, Besevegis, Bishop, Bonnes, Clegg, Drozda-Senknowska, Gaborit, Garzon, Hansen, Heszen, Juhasz, Keating, Mangundjaya, Mansor, Mitchelson, Ortiz-Reynoso, Pandey, Pavakanum, Pavlopoulos, Peiro, Potocnik, Restrepo-Espinosa, Semmer, Tupinamba, Ventura, Whoolery, & Zhang, 2012). Chinese culture as one national culture has also caught the attention of researchers (Gold, Guthrie & Wank, 2002; Pressey & Qiu 2007; Tian, 2007; Cooke, 2008) who discuss the impact of Confucius cultural value on Chinese people's mindset and behaviours as well as business practices.

Hofstede (1980, 1991, 2001) and Hofstede and Minkov (2010) propose five dimensions measuring national culture differences which differentiate one society from another: (1) Power Distance; (2) Individualism and Collectivism; (3) Masculinity and Femininity; (4) Uncertainty Avoidance; (5) Long Term View and Short Term Orientation. The GLOBE study by House, et al., (2004) introduced a set of nine culture dimensions, based on Hofstede's work of five culture dimensions (Hofstede, 1980, 1991, 2001) to measure both the societal (national) culture differences and the organisational culture differences (House, et al., 2004). The definition of the nine culture dimensions of Project GLOBE are set out in Table 2.1.

Table 2.1 Definitions of the Nine Culture Dimensions of the GLOBE

Culture Dimensions	Definition
Power Distance	Degree to which members of a collective expect power to be distributed equally
Uncertainty Avoidance	Extent to which a society, organisation, or group relies on social norms, rules, and procedures to alleviate unpredictability of future events
Humane Orientation	Degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring and kind to others;
Collectivism I (Institutional Collectivism)	Degree to which organisational and societal institutional practices encourage and reward collective distribution of resources and collective action
Collectivism II (In-group Collectivism)	Degree to which individuals express pride, loyalty, and cohesiveness in their organisations or families
Assertiveness	Degree to which individuals are assertive, passive or aggressive in their relationship with others
Gender Egalitarianism	Degree to which a collective minimises gender inequality
Future Orientation	Extent to which individuals engage in future-oriented behaviours such as delaying gratification, planning and investing in the future
Performance Orientation	Degree to which a collective encourages and rewards group members for performance improvement and excellence

Source: House, et al., (2004, p. 30)

As seen in Table 2.1, House, et al., (2004), building on Hofstede’s culture dimensions, further differentiate Collectivism (Hofstede, 1980, 1991, 2001) into Institutional Collectivism and In-group Collectivism (House, et al., 2004; Munley, 2011) and differentiate Masculinity (Hofstede, 1991) into Gender Egalitarianism and Assertiveness (House, et al., 2004; Munley, 2011). House, et al., (2004) also replace Long Term Orientation (Hofstede, 1991; 2001) with Future Orientation (House, et al., 2004) and add two new dimensions of Performance Orientation and Humane Orientation (House, et al., 2004; Munley, 2011).

The Project GLOBE dimensions have met with some criticisms. For example, among the proposed five culture dimensions, Hofstede (1991, pp. 260-261) concludes that Individualism versus Collectivism is the most important dimension of cultural variation across societies. However, for Project GLOBE, Munley (2011) is critical that among the nine culture dimensions, there are no conclusions about which dimensions are more important than the others. McCrae (2008) and Minkov and Blagoev (2012) challenge the validity of the culture dimensions of Project GLOBE on the basis that Performance Orientation and Humane Orientation are just unfounded national stereotypes and not objective reality. Minkov and Blagoev (2012) also disagree with Munley (2011) that the nine culture dimensions are replacements for the five culture dimensions proposed by Hofstede (1991). Instead, Minkov and Blagoev (2012) argue that Project GLOBE has only

contributed to a better understanding of the existing dimension of Individualism versus Collectivism by Hofstede (1991), these dimensions being about differences in the degree of tolerance and respect between Asian and western societies. Minkov and Blagoev (2012) are also critical that Project GLOBE has not considered the differences between each individual's personal values and their expectations of norms for others. Since GLOBE proposes that each culture dimension has two aspects, the culture value (*should be*) and the practice (*as is*), Minkov and Blagoev (2012) argue that only one valid new dimension, that of the Assertiveness norm, is added by Project GLOBE while all the other dimensions are equivalent to the dimensions by Hofstede (1991).

Schlosser and his fellow researchers challenge that the Humane Orientation dimension from Project GLOBE should be further segmented into In-group Humane Orientation and Out-group Humane Orientation (Schlosser, et al., 2012). They argue, from their empirical studies in 25 countries with high and low Humane Orientation scores from Project GLOBE, that people tend to show caring treatment more to their in-group members (Schlosser, et al., 2012). Once their culture norm or benefit are challenged, the relationships between the in-group members and out-group members are most likely to be hostile (Schlosser, et al., 2012).

Schlosser, et al., (2012) is also critical that Project GLOBE is not able to identify the reciprocal nature in Humane Orientation, which means that together with high Humane Orientation, there are high expectations on conformity in return. They propose that the conformity in high Humane Orientation societies includes harmony maintenance, tendency to avoid confrontation and valuing group over individuals (Schlosser, et al., 2012). In this regard, the high Humane Orientation has a strong relationship with low Assertiveness and high In-group Collectivism (Schlosser, et al., 2012). They further propose that high Humane Orientation means that people are being taken care of under the condition that they conform to social or organisation norms as expected by the authorities. Once harmony is broken, and social norms are violated, the punishment from the authorities will be severe. Thus there is also a strong relationship between high Humane Orientation and high authoritarianism. On the other hand, in low Humane Oriented societies, there is less emphasis on conformity and the societies are mostly individualistic and assertive (Schlosser, et al., 2012). Further, Minkov and Blagoev (2014) challenged Project GLOBE (House, et al., 2004) claiming

they inappropriately grouped Asian countries into Confucian Asia and Southern Asia which may not be valid as cultural characteristics should be specific to each country versus being generalised at cluster level.

Although several researchers such as Hofstede and Hofstede (2005), Hofstede (2006), McCrae (2008), Hofstede, Hofstede, and Minkov (2010), Minkov and Blagoev (2012), Schlosser, et al., (2012) and Venaik and Brewer (2013) criticise the validity of the proposed nine culture dimensions of Project GLOBE (House, et al., 2004), Dorfman, et al., (2012) and others (Chhokar, et al., 2007; House, et al., 2010; Sully de Luque, et al., 2011; Dorfman, et al., 2012; House et al., 2014) argue that the 20 years Project GLOBE remains the latest and most comprehensive cross culture study. Findings of the Project GLOBE study have been used to understand culture differences in global advertisement activities (House, Quigley, & Sully de Luque, 2010), culture awareness training on overseas assignment (Light, 2003; Fu, 2004, Beechler & Javidan, 2007), collectivism as a positive dimension on diversity initiatives (Herrera, Duncan, Green, Ree, & Skaggs, 2011), and influence of cross culture differences on leadership (Dickson, Hartog, & Castano, 2009; Resick, Hanges, Dickson, & Mitchelson, 2006; Steyrer, Schiffinger, & Lang, 2008; Laspita, Breugst, Heblich, & Patzelt 2012; Kabasakal, Dastmalchian, Karacay, & Bayraktar, 2012; Ozgen, 2012; Stock & Ozbek-Potthoff, 2014).

Overall there have been limited studies on cross border M&As by using the findings of nine culture dimensions from Project GLOBE. As reviewed earlier in this chapter, Stahl and Javidan (2009) applied the nine culture dimension from the GLOBE in their non-empirical study to discuss the implication of cross culture differences in cross border M&As. Steigner and Sutton (2011) matched the related culture dimensions from Project GLOBE with four main culture dimensions from Hofstede (2001) to examine how national culture distance between the U.S. acquiring companies and acquired companies in other countries would impact on the internalisation benefits of intangible assets in cross border M&As.

In Phase I and II of Project GLOBE (House, et al., 2004), society scores of each nine culture dimension are proposed. For example, when comparing China and countries in the Anglo culture cluster (which is made up of U.K., U.S., Australia, and other English speaking countries), among

all the scores, China is at the high end of Power Distance and Collectivism while the Anglo culture cluster is at the high end of Individualism and Assertiveness. House, et al., (2004) suggest that the results of the culture dimension scores for China are highly influenced by Chinese Confucius culture which has been in place for around 4000 years, yet still has a strong influence over contemporary Chinese society (Pressey & Qiu, 2007; Tian, 2007).

Chinese and Western Culture Differences and Implications on Business and People Management

Hofstede (1991, p. 165) suggests that according to Confucianism the ‘stability of society is based on the unequal relationships between people’. Walumbwa and Lawler (2003) and Steers, et al., (2009) elaborate that the core concepts of Chinese Confucius culture are to respect authority, harmony maintenance and uncertainty avoidance. Hofstede (1991) also points out that family is an important part of Chinese social organisations and family members are expected to give up personal interests for the overall good of the family.

Gold, et al., (2002), Pressey and Qiu (2007) and Tian (2007) suggest that as influenced by Confucianism, Chinese culture also has the characteristics of ‘guanxi’ (personal relationship), ‘renqing’ (personal favour) and ‘mian-zi’ (face). Several researchers argue that ‘guanxi’, ‘renqing’ and ‘mian-zi’ have strong influence on business relationships in China, facilitate loyalty, faithfulness, and harmony between managers, subordinates and co-workers (Huang, 1999; Tian, 2007; Steers, et al., 2009; Ahlstrom, et al., 2010; Ahlstrom & Wang, 2010) and have strong implications on human resource management practices in Chinese companies (Huo & Glinow 1995).

Some comparative studies (Huo & Glinow, 1995; Giacobbe-Miller et al., 1997; Steers, et al., 2009; Ahlstrom, et al., 2010; Dow, 2010) on how culture differences have impacted on business management between Chinese Confucius culture and western Culture (referred as Anglo culture in Project GLOBE). The comparative studies include areas such as business negotiation (Osman-Gani & Joo-Senq, 2002), communications (Lin & Miller, 2003) and human resources management (Huo & Glinow 1995). Given there are notable differences in the Confucius culture between

Taiwan, Hong Kong and mainland China due to the different economic and political history and context as pointed out by Brice (2012), specific regions of ‘China’ will be given prominence in this literature review as needed for the comparative studies between China and another culture.

Guanxi, Renqing & Mianzi

Fock (1999), Pressey and Qiu (2007) and Gallo (2008) suggest that ‘guanxi’ is a form of trust that normally exists between individuals within the network of relationships such as family members, friends, classmates, rather than organisations. Hence, the business relationship is more of a ‘one-on-one’ transferrable personal relationship rather than an institutional relationship through business contracts. It is not uncommon for a sales person in China to keep their customer information secret from their employers and to take their customer information with them when they leave the company (Pressey & Qiu, 2007; Tian, 2007). This is virtually unheard of in the West where customer information is considered to be the property of the employer (Pressey & Qiu, 2007; Tian, 2007). Pressey and Qiu (2007) and Ahlstrom, et al., (2010) also found that entertainment activities such as dinner, and giving gifts are important to build trusting business relationships in China; activities which may be viewed as unethical business behaviours in the West (Leung & Wong 2001; Ip, 2003).

Similar to ‘guanxi’, Buttery and Leung (1998), Pang, Roberts, and Sutton (1998), Fock (1999), Wong and Tam (2000), Pressey and Qiu (2007) and Lin and Si (2010) all agree that Chinese businesses rely heavily on ‘renqing’ to such a degree that ‘renqing’, before economic reform, had replaced the legal infrastructure needed for business transactions and to a great extent continues to do so after economic reform. Pang, et al., (1998), Gold, et al., (2002), Pressey and Qiu (2007) and Tian (2007) emphasise the importance of maintaining everyone’s ‘mian-zi’ (face) in the sense of dignity, self-respect, prestige and status in the society. Hofstede (1991, p. 165) also reinforces that ‘face’ maintenance is important for harmony of the group and society. Caulkin (1996) further indicates that loss of ‘face’ would lead to disgrace and greatly disappoint people and disable their capability and capacity in business activities.

In the context of the above Chinese culture characteristics, it behooves foreign companies to be culturally aware. Pressey and Qiu (2007) strongly suggest that foreign companies need to pay

attention to the impact of ‘guanxi’, ‘renqing’ and ‘mian-zi’ in managing business relationships in China and make careful choices and transition plans when terminating existing business relationships. Otherwise, they indicate that lack of such culture awareness may result in unintended consequences such as loss of customers or reliable suppliers (Pressey & Qiu, 2007; Tian, 2007).

Implications of National Culture Differences on Business and People Practices

Lin and Miller (2003) and Jiang (2013) discuss the notable behavioural differences in business negotiations as influenced by Confucius and western culture respectively. Lin and Miller (2003) and others observe that Chinese business people perceive taking legal measures to resolve disagreement as being signals of failure of trust in relationships while U.S. negotiators view contract signing as formalising the mutual relationships to work with each other (Buttery & Leung 1998; Imai & Gelfand 2009). Pang, et al., (1998) and others (Pun, Chin & Lau, 2000; Lin & Miller, 2003; Imai & Gelfand, 2009) also observe that the Chinese ways of communications are normally indirect, non-confrontational and parties need to read between the lines while westerners who are direct and straightforward may have difficulty following the thought process and conversation with Chinese people (Pun, et al., 2000; Lin & Miller, 2003; Imai & Gelfand, 2009). Some Chinese negotiators place more importance on relationships than written transactions while U.S. negotiators are the opposite (Buttery & Leung 1998; Lin & Miller, 2003; Imai & Gelfand, 2009). Therefore, Buttery and Leung (1998) suggest that westerners should not view negotiations in China as an economic activity only.

Besides business activities, implications of culture differences on people management are also captured in the areas of recruitment, compensation and rewards, performance management, work-life balance, supervisors and subordinate relationship (Huo & Glinow 1995; Giacobbe-Miller, et al., 1997; Pun, et al 2000; Dickson, et al., 2009, Xiao & Cooke, 2012). These are discussed in detail below:

Recruitment. Chinese managers rely on personal relationships (kinship) to make hiring decisions while western managers focus more on face to face interviews and job qualifications (Huo & Glinow 1995; Giacobbe-Miller, et al., 1997; Pun, et al., 2000; Chen, Partington, & Qiang, 2009; Dickson, et al., 2009).

Compensation and rewards. Dickson, et al., (2009) argue that due to the different philosophies, U.S. companies emphasise performance based equity which connects pay with each individual's contribution. In contrast, Chinese companies design the pay system more based on equality with the philosophy that everyone should get a fair allocation of the reward (Huo & Glinow 1995). Furthermore, Huo and Glinow (1995) argue that the concept of performance based pay differentiation is against the Chinese culture of 'face'; for example, those who do not receive the same merit bonus as the others will feel loss of face and humiliation. Consequently, it may lead to intra-organisational conflict in Chinese companies (Huo & Glinow 1995).

Performance management. Differences in performance appraisal and feedback process between U.S. managers and Chinese managers in mainland Chinese companies are noted by a number of researchers (Huo & Glinow 1995; Pang, et al., 1998; Cooke, 2008; Dickson, et al., 2009). Chinese managers are reluctant to provide direct feedback to the employees possibly because they do not feel it is necessary due to their belief in their authority (Huo & Glinow 1995; Pang, et al., 1998; Dickson, et al., 2009). At the same time, Chinese subordinates do not want to challenge the managers' authority as it may result in direct confrontation (Huo & Glinow 1995; Pang, et al., 1998; Dickson, et al., 2009). Pang, et al., (1998) also indicate that Chinese managers would determine performance partly by the loyalty and affection shown by subordinates.

Work-life balance. Both Chinese managers and employees in the privately-owned business sectors tend to accept long working hours as a norm which is different from the idea of work/life balance in developed countries (Xiao & Cooke 2012).

Supervisor and subordinate relationship. Chen, et al., (2009) observe how construction project managers from China and Britain perceive their work. Chinese construction project managers value the harmonious personal relationship between supervisors and subordinates more than the work itself while the British project managers viewed the supervisor and subordinate relationship as more employment contract based (Chen, et al., 2009). Also Chinese project managers try to maintain harmony by using personal relationships to manage conflict while British project managers prefer to use open and direct discussions to confront the conflict and solve the problems (Chen, et al., 2009).

Implications of National Culture Differences on Organisational Culture

Regarding cross culture differences at the organisational level, organisational culture is strongly influenced by national ownership type and national culture (Hofstede 1991, 1998; House, et al., 2004; Cooke, 2008; Steers, et al., 2009). Steers, et al.,'s (2009) comparative study on organisations in eight different societies, including mainland Chinese companies and U.S. companies, suggest that there are significant differences in organisational culture between firms in these two countries in terms of decision making process, structure design and employee participation. Further, Steers, et al., (2009) suggest that U.S. corporations usually have formal organisational structures with power in the hands of stockholders and the executive team, with emphasis on highly trained and competent management teams, respect for rules and policies, linear decision making process, and rapid but with slow implementation. Interestingly, Steers, et al., (2009) argue that both the Chinese and U.S. companies have centralised decision making. They argue that for U.S. corporations centralised decision making is reflected through the following processes. *First*, supervisors or management identify problems through formal data-driven problem solving process or information systems, then the problems are reported through the formal management structure. *Second*, the management team analyses problems and proposes solutions, often in consultation with external experts. *Third*, the decisions are made by the management team and announced to the employees for execution. At the same time, for Chinese family businesses, a similar process takes place for decision making. The supervisors or managers identify problems and report problems to the top leaders in the hierarchy. The managers analyse problems and propose solutions, often consulting with family members and make decisions (Steers, et al., 2009).

The difference in the view of Steers, et al., (2009) is the decision implementation process between the Chinese family businesses and U.S. Corporations. They suggest that the reason the decision made by the Chinese owners is quickly accepted and implemented in Chinese companies is possibly because the cultural influence is to respect authority and following the decision as a demonstration of loyalty (Steers, et al., 2009). They also believe it may be the influence of Chinese collectivism culture where each individual employee has the intrinsic motivation to sacrifice their own personal interest in order to protect the overall good of the company (Steers, et al., 2009). Often employees are concerned that they may lose their jobs if they do not follow the instructions which may be seen as extrinsic motivation.

According to Steers, et al., (2009) the reasons decisions generally are slowly accepted and implemented or even resisted in U.S. corporations is possibly because when the U.S. employees are not involved in the decision making process, they have limited understanding of the rationale of the decisions made, and may feel threatened by the decisions on their own job security. However, they do not have the intrinsic motivation to sacrifice personal interest for the overall good of the company and they may need extrinsic monetary motivation to implement the decisions.

Ownership Types and Its Implications on Organisational Culture

Some researchers argue that national culture has a stronger influence than organisational culture on employees' mindset and behaviours in that society and in organisations (Hofstede, 1991, 1998; Bjorkman & Lu 1999; Bjorkman & Yuan 2001; Bjorkman & Fan 2002; House, et al., 2004; Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006; Cooke, 2008). However, Adler (1997) and Naor, Linderman, and Schroeder (2010) argue that organisational culture is more influential in shaping employees behaviours than national culture. Ralston, et al., (2006) argue that the ownership types of organisation have even stronger influence on the organisational culture and employees' behaviours. Elsey and Leung (2004), Garg and Ma (2005), Cartwright and Schoenberg (2006), and Cooke (2008) agree with Ralston, et al., (2006) that significant organisational culture differences exist between foreign wholly owned enterprises (FOE), local Chinese owned enterprises (COE) and foreign Chinese joint ventures (JV). For example, Elsey and Leung (2004) point out employees in Chinese companies can be over-compliant without taking initiatives for problem solving and the senior leadership in the Chinese company are reluctant to consult employees. On the other hand, Cartwright and Schoenberg (2006) suggest that employees in FOEs focus both on team work and respect for the individual and their rights and are therefore, more willing to speak up and voice their own opinions. Additionally, Cooke (2008) indicates from her study on culture in different ownership types of Chinese companies that managing relationship is a primary feature of Chinese owned enterprises both internally and externally. Out of her proposed six dimensions of organisational culture (referred as 'enterprise culture' by Cooke, 2008) in China, four out of the six which are employee welfare, employee entertainment, enterprises external image/relationship and employee development are driven by relationship building and maintenance. On the other hand, the foreign wholly owned/joint ventures focus more on productivity improvement and enterprises procedures and rules (Cooke, 2008, p. 306).

Among the studies on organisational culture of different ownership types of companies, there have been many studies on the privately owned enterprises and most of them are about overseas Chinese family owned businesses (FOB) including in Taiwan and Hong Kong (Wright, Szeto, & Geory, 2000). However, studies on FOBs in mainland China have been limited, especially medium sized industrial businesses. Therefore, it is an important knowledge gap to be investigated in this study.

In consideration of the cross culture implications on people management, Cooke (2004), Ahlstrom, et al., (2010) and Dong and Liu (2010) argue that it is a wrong perception that western people practices may be better than local Chinese firms' people practices, and that the simple transfer of western people practices into Chinese companies may not be effective. Cooke (2004) points out managers' choice of HR practices may be influenced by cultural factors both at national and organisational level. Cooke (2014) further argues in her recent analytical paper on studies of Chinese-owned multinational companies (MNC) in the South/Southeast Asian and African regions that the formation of HR practices in cross culture environment are also impacted by the interactive effects between political factors (e.g. role of the government) and other institutional factors such as the nature of the industry, its' positioning in the value chain, the role of trade unions, relationship with local media and communities and corporate HR and managerial competencies. The Chinese MNC's capability to adopt and transfer their HR practices from their home country and to adjust to the overall labor environment in the targeted overseas host countries have influence on the outcome of their HR practices (Cooke, 2014).

Zhou, Lu, and Jiang (2005) indicate that foreign investment companies in China share some common challenges in managing the cross culture issues at organisational level. This includes managing national culture conflict and the gap between headquarters based in western countries and the newly adopted Chinese employees in relation to effective communications, performance evaluation, recruitment and retention of high quality skill-based work force.

To effectively manage these organisation culture issues, Zhou, et al., (2005) argue that the foreign companies should understand the importance of localising the management team in managing cross culture issues. Dong and Liu (2010) and a few others suggest that it is important for all parties

involved to understand that no culture is better than the other and all parties should strive to understand each other's culture without bias (Ambler, 1994; Lin & Si, 2010). Pang, et al., (1998) further advise westerners not to apply their biased stereotypes of Chinese culture, however, at the same time, they acknowledge that Chinese employees are often reluctant to give up their Chinese way of doing things and to not trust the westerners as they are outsiders. Therefore, the perception is always that the westerners do not understand Chinese culture and how to do business effectively in China (Pang, et al., 1998).

Pang, et al., (1998) emphasise the importance of cross culture training to build awareness and mutual understanding for Chinese and western managers. The necessity of culture training is also agreed to by Cooke (2004) and Dong and Liu (2010) as important for cross culture management. In addition, they believe that culture communications and establishment of a new organisation culture are also ways to manage cross culture differences.

While most of cross culture studies discuss the differences and conflict, Tjosvold, Yu, & Liu (2003) and Tjosvold & Fang (2004) argue that there are compatible values and beliefs between Chinese and western cultures. For example, one compatible culture value is when Chinese people value harmony in work relationships, western culture emphasises team work and collaboration (Tjosvold et al., 2003; Tjosvold & Fang, 2004). Another example is that Chinese culture advocates senior leaders have responsibility (and employees expect) care for subordinates, and in western culture, employees similarly value those managers who use their assigned managerial responsibilities constructively in supporting employees (Tjosvold, et al., 2003; Tjosvold & Fang, 2004).

CROSS CULTURE LEADERSHIP

There has been extensive past research on leadership theories such as trait theories and situational theories (as summarised by Davidson, Gottschalk, Hunt, Wood & Griffin, 2006), and transformational and transactional leadership (Bass, 1999). Additionally there has been more recent study about leadership such as on authentic leadership (Avolio & Gardner, 2005), spiritual leadership (Karadag, 2009), empowering leadership (Zhang & Bartol, 2010), distributed leadership (Bolden, 2011) and servant leadership theory (Parris & Peachey, 2013). However discussion of

such theories is beyond the scope of this thesis which focuses on the major leadership studies that have been conducted in the cross culture contexts, primarily the CLT by Project GLOBE (House, et al., 2004). Because Chinese leadership is an important part of this study, literature about Chinese Leadership style such as Chinese Implicit Leadership (Ling, Chia, & Fang, 2000) and Paternalistic Leadership (Cheng, et al., 2004) are also reviewed.

As Project GLOBE is a study on both cross culture differences and cross culture leadership. While the key findings on cross culture difference, such as the nine culture dimensions, were reviewed previously, the focus of the review in the next section will be the findings of cross culture leadership such as the global leadership dimensions from Project GLOBE.

Cross Culture Leadership Study: Project GLOBE

Project GLOBE (House, et al., 2004) integrates the Implicit Leadership Theory (Hanges, Baverman, & Rentsch, 1991; Lord & Maher, 1991; Sipe & Hanges, 1997) and the Value-Belief theory (Hofstede, 2001; Trandis, 1995) to identify the culture specific leadership attributes and styles that are perceived as effective or ineffective by the society members as a whole, or CLT. In Phase I and II of GLOBE Project, leadership attributes are grouped by House, et al., (2004) into six global leadership dimensions which are defined as follows in Table 2.2 (House, et al., 2004; Dickson, et al., 2009).

Table 2.2: Global Leadership Dimensions

Leadership Dimensions	Definition
Charismatic/value-based leadership	Ability to inspire, to motivate, and to expect high performance outcomes from others based on firmly held core values
Team-oriented leadership	Emphasises effective team building and implementation of a common purpose or goal among team members
Participative leadership	Degree to which managers involve others in making and implementing decisions
Humane-oriented leadership	Supportive and considerate leadership but also includes compassion and generosity
Autonomous leadership	Independent and individualistic leadership attributes
Self-protective leadership	Ensuring the safety and security of the individual and the group through status enhancement and face saving

Source: House, et al., (2004, pp. 41-42)

Throughout the four phases of the GLOBE study on the six global leadership dimensions, Charisma/Value based leadership dimension and Team-oriented leadership are consistently proposed as universally effective across cultures while Participative leadership, Humane-oriented leadership and Self-protective leadership dimensions are proposed as culturally contingent (House, et al., 2004; Chhokar, et al., 2007; Javidan, 2007; Dickson, et al., 2009; Reilly & Karounos, 2009; Javidan, et al., 2010; Dorfman, et al., 2012). Autonomous leadership is suggested as universally negative (House, et al., 2004; Chhokar, et al., 2007; Dickson, et al., 2009; Reilly & Karounos, 2009; Dorfman, et al., 2012). Phase IV of Project GLOBE on CEOs behaviours also supports the above findings (Javidan, et al., 2010; Dorfman, et al., 2012; House, et al., 2014).

The GLOBE project team also present their findings of the relationship between the nine culture dimensions and the six global leadership dimensions (Javidan, 2007; Duncan, Green, & Herrera, 2012). For example, Uncertainty avoidance dimension is proposed as a positive predictor of self-protective, team-oriented and humane-oriented leadership and is a negative predictor of participative leadership (Javidan, 2007; Duncan, et al., 2012). Collectivism is proposed to positively predict Charismatic/valued based and team oriented leadership and negatively predict self-protective leadership (Javidan, 2007; Duncan, et al., 2012). Power distance is suggested to positively predict self-protective leadership and negatively predict Charismatic/value-based and participative leadership (Javidan, 2007; Duncan, et al., 2012). Duncan, et al., (2012) explain that the GLOBE findings reveal that uncertainty avoidance, humane orientation, and power distance are inversely related, while gender egalitarianism, in-group collectivism, and institutional collectivism are positively related for predicting leadership dimensions.

As part of the GLOBE project, House, et al., (2004) also suggest the most preferred leadership dimensions by culture clusters. For example, Charismatic/value-based leadership is valued the most in the Anglo Cluster and Participative leadership is valued the most in the Germanic Europe cluster. Humane-oriented leadership is valued the most in the Southern Asia cluster.

Steers, et al., (2009) build on Project GLOBE and further propose that since employees have different preferences for leadership styles influenced by their culture, when the followers and leaders have congruent culture values and the leaders establish identification of the group with a

collective vision, the leadership impact on performance of followers could be maximised. Their argument is supported by other researchers (Brown & Rayment, 1986; Brown & Treviño, 2009; Munley, 2011). One example provided by Steers, et al., (2009) for preferred leadership style is that a ‘normal’ Chinese manager is expected to have answers for all the questions from the subordinates, while it is not the same expectation for a ‘normal’ British manager. In the view of Steers, et al., (2009) the expectations of ‘normal’ managers are almost two extremes between China and United Kingdom (U.K.).

So far, Project GLOBE claims to be the most comprehensive cross culture leadership study (Dorfman, et al., 2012) while most of the other cross culture leadership studies focus on how to train expatriates to do effective international assignments (Littrell, 2002; Tams & Arthur 2007; Ghafoor, Khail, Khan, & Hassan, 2011; Idrees, Javed, & Ahmed, 2011).

Chinese Leadership Studies: Implicit Leadership & Paternalistic Leadership

In their Chinese Implicit Leadership study, Ling, et al., (2000) are the first ones who use Implicit Leadership theory (Hanges, Baverman, & Rentsch, 1991; Lord & Maher, 1991; Sipe & Hanges, 1997) to explore how Chinese people think about a leader, to identify the dimensions of the implicit Chinese concept of leadership, and to examine whether different social groups within China differ in their perceptions of desired leadership styles. The first phase of their study invited Beijing based participants from five different occupational groups (from shop floor workers to management groups) to randomly write down the characteristics for their ideal leaders. The second phase asked broader participants for their agreement or disagreement on the ideal leaders identified in the first phase.

Ling, et al., (2000) propose four dimensions to be used to describe Chinese people’s conceptualisation of ideal leadership. The *first* is personal morality which suggests that the ideal Chinese leaders are willing to be a public servant and role model with integrity, honesty and consistency in thought and word. They accept criticism from others and are self-critical. The

second is goal effectiveness. The ideal Chinese leaders are expected to have a broad vision and the ability to plan strategically for the future. They have the willpower and decisiveness to do what is right and are also insightful in maximising the ability of others. The *third* is interpersonal competence which requires the ideal Chinese leaders to be charming and sophisticated in interpersonal and social skills. The *fourth* is versatility which requires the ideal Chinese leaders to be multi-talented with command of knowledge and broad interests and to be easily approachable. The research methods used by Ling, et al., (2000) has limitations as the findings were drawn from the quantitative analysis of the description of words put down by the participants without necessarily having a deep understanding of the meaning in the context of their own life experience.

On the other hand, the dimensions of morality and interpersonal competence and external charm are consistent with the characteristics of Charisma and Value based leadership dimension which are proposed as universally effective across cultures (House, et al., 2004). The dimension of versatility by Ling, et al., (2000) is also consistent with the finding by Steers, et al., (2009) that the 'normal' Chinese managers are expected to be knowledgeable and to know all the answers. However, for the dimension of goal effectiveness, the expectation on the ideal Chinese to have long term orientation seems to be contradictory to the findings from Project GLOBE that Chinese culture has relative low score for Future Orientation (House, et al., 2004).

Besides the Chinese Implicit Leadership study (Ling, et al., 2000), Paternalistic Leadership (PL) is claimed by Cheng, et al., (2004) as the dominant leadership style for Chinese leaders. PL was firstly identified by Cheng, et al., (2004) as a Chinese Leadership style with the Taiwan Chinese community with more follow up studies completed subsequently to explore the applicability in Hong Kong, mainland China and other countries.

Paternalistic Leadership

Cheng, et al., (2004) propose authoritarianism, benevolence, and moral leadership as the three elements of PL. Authoritarianism indicates that the leaders have absolute control and power and that subordinates should have absolute obedience to the leaders' demands and authority; benevolence means that the leaders show individualised and holistic care to subordinates' personal

or family benefit; moral leadership means that the leaders demonstrate outstanding personal integrity and self-discipline (Cheng, et al., 2004). The moral aspect of PL (Cheng, et al., 2004) is consistent with the personal morality dimensions of Chinese Implicit Leadership by Ling, et al., (2000) while the authoritarianism aspect of PL (Cheng, et al., 2004) is consistent with the decisiveness part of the goal effectiveness dimension of the Chinese Implicit Leadership (Ling, et al., 2000). The benevolence aspect of PL (Cheng, et al., 2004) is similar to the interpersonal competence of Chinese Implicit Leadership (Ling, et al., 2000) in terms of harmonious relationship between the leaders and their subordinates. Paternalistic values are argued as important determinants of PL leadership behaviours (Mustafa & Lines, 2012) while Far and Cheng (2000) and Wu, Huang, & Chan (2012) suggest that the cultural root of paternalistic authoritarian leadership is from Confucianism.

Different studies on PL debate how the various elements of PL may affect employee work attitudes and performance differently (Pellegrini, Scandura, & Jayaraman, 2010; Soylu, 2011). Ferris, Brown, and Heller, (2009) and Chan, Huang, Snape, and Lam (2013) from their studies on PL in mainland China point out that authoritarianism, with the absence of supervisory benevolent support, maybe considered a threat to subordinate's self-identity, eventually undermining their self-esteem. This is agreed to by other studies that authoritarian leadership behaviours may send messages to subordinates that they are not valuable or competent which results in a low self-evaluation and eventually poor performance (Pierce & Gardner, 2004; Ferris, et al., 2009; Chen & Kao, 2009; Niu, Wang, & Cheng 2009; Rank, Nelson, Allen, & Xu, 2009; Wang & Cheng 2010; Chou, 2012; Ning, Zhou, Lu & Wen 2012; Wu, et al., 2012). At the same time, Farh, Liang, Chou, and Cheng (2008) believe the effect of authoritarian leadership on work motivation and compliance is related to the control of resources that the authoritarian leaders have in the organisation. Niu, et al., (2009) predict that when leaders have control over these resources, subordinates tend to accept the leader's power status and comply with leaders' instructions.

Sheer (2012) and other researchers (Pellegrini & Scandura, 2008; Pellegrini, et al., 2010; Cheng & Lin, 2010) argue that as influenced by authoritarianism, the leaders who demonstrate a high level of PL generally are not very expressive but are still perceived to be effective. Further, Madlock (2008) and a few others suggest that when managers spend time to communicate and

socialise with subordinates, employees are found to have increased organisational commitment and satisfaction with the job, the working relationship and the leadership styles (AbuBakar, Dillbeck, & McCroskey, 2010; Mackenzie, 2010).

Zhou and Long (2007), Sheer (2012) and Chan, et al., (2013) believe benevolence has the strongest influence over positive employee outcomes, that the relationship management between the Chinese leaders and employees is primarily based on benevolence in exchange for respect. Chinese leaders generally receive unquestioned trust from subordinates as influenced by authoritarianism. Sheer (2012) indicates it is possible that the benevolence of PL is able to compensate for the deficiency of lack of communications as influenced by authoritarianism. Aycan (2006) suggests that authoritarianism and benevolence are two completely separate and different types of leadership styles and behaviours while Chan, et al., (2013) argues that PL carries dual and contradictory roles characterised by authoritarianism on the one hand and benevolence on the other, which means a single leader has two distinct faces.

A few researchers suggest that the benevolent leadership behaviours such as provision of care and protection to subordinates, guidance in both work and non-work matters may make employees feel that the leaders treat them as members of a group (Pierce & Gardner, 2004; Ferris, et al., 2009; Chou, 2012; Karakas & Sarigollu, 2012). In return, it is believed that subordinates are more likely to show respect, loyalty, trust and commitment to the leader and identify themselves as followers of the leader (Pierce & Gardner, 2004; Ferris, et al., 2009; Rank, et al., 2009; Chou 2012; Karakas & Sarigollu 2012; Wu, et al., 2012). High level benevolent behaviours are believed to have a 'neutralising' effect on the negative implications of authoritarian leadership on employees' self-esteem (Aycan, 2006; Pierce & Gardner, 2004; Ferris, et al., 2009; Rank, et al., 2009). Furthermore, a high level of leader benevolence may make the followers believe that the authoritarian behaviours do not have the intention to show distrust in employees, instead, these authoritarian behaviours are a demonstration of the leaders' passion and commitment to overall good of group and the company (Aycan, 2006; Pierce & Gardner, 2004; Ferris, et al., 2009; Rank, et al., 2009). Therefore, under such circumstances, subordinates are more likely to be open to negative feedback from authoritarian leaders and tolerate their disrespectful behaviours (Rank, et al., 2009; Chan, et al., 2013).

Niu, et al., (2009) and Ning, et al., (2012) indicate that the co-existence of benevolent and moral leadership could maximise leadership effectiveness. However, Sheer (2012) argues from her quantitative survey with 37 family businesses in mainland China, that while benevolence is the strongest factor influencing the positive employee outcome for PL, Morality is found as the weakest factor, sometimes resulting in unethical practices which do not benefit staff. In Sheer's (2012) study mainland Chinese respondents reported in a questionnaire survey that their managers engaged 'low moral acts' in the following questions: "my supervisor sometimes takes advantage of subordinates for personal gains; my supervisor used his or her authority to seek special privileges; my supervisor sometimes takes credit for the things he or she didn't do" (p.46, Sheer, 2012). Despite such unethical behavior by some mainland China managers, Sheer (2012) shares an "unexpected" finding (p.53, Sheer, 2012) that the subordinates still reported high satisfaction and loyalty to their supervisors. Sheer (2012) suggests that this anomaly should be explored further in future studies.

Besides Cheng, et al., (2004), many other researchers also argue that PL is the dominant leadership style for China FOBs throughout Hong Kong, Indonesia, Singapore, Taiwan and Korea (Lee, 2001; Cheng, Chou, Huang, Farh, & Peng, 2003; Cheng, et al., 2004; Mikhailitchenko & Lundstrom 2006; Cheng, Wang & Huang, 2009; Cheng & Lin 2010; Delbridge & Keenoy 2010; Wu & Tsai 2012). Furthermore, PL is also argued to be effective in business organisations in mainland China (Ning, et al., 2012; Sheer, 2012; Wu, et al., 2012; Zhu, Zhang, & Shen 2012; Chan, et al., 2013). However, up to today, Sheer (2012) has been the only empirical quantitative study of PL in FOBs in mainland China.

For Paternalistic Leadership, Ning, et al., (2012) conclude that authoritarianism and collectivism as part of the Chinese culture have enhanced Chinese subordinates' positive reaction to PL. This view is consistent with Aycan, et al., (2000) who indicates that PL is generally effective in cultures with high collectivism where the prevalent mindset of people is in compliance with authority, feeling obligated to take care of others and where people are more relationship driven when working with others.

KNOWLEDGE GAP IDENTIFIED

With cross border M&As becoming the fastest growing type of acquisition since late 1990s (Evans, Pucik, & Barsoux, 2002), many research projects have been conducted on cross border M&As. However, these studies are more about the unique challenges associated with the international nature of M&As, such as different legal systems and regulatory requirements, accounting standards and employment systems and often focus only on one aspect of the M&A versus an integrated study of various factors (Kissin & Herrera, 1990; Rajan, et al., 1998; Chen & Findlay, 2003; Very & Schweiger, 2001; Aguilera & Dencker 2004; Woodard & Wang 2004; Ullrich, et al., 2005; Busco, Frigo, Giovannoni, Riccaboni, & Scapens, 2006; Hawk, 2006; Bhagat & Steers, 2009; Reis, et al., 2015).

Specific to the people issues in M&As, although past studies discuss the people issues such as culture, communications, stress, trust, and employee resistance; these previous studies focus only on one or two of the people issues. Therefore, there has been no study to date that integrates all the people issues in one in-depth study in M&As, especially cross border M&As. Reis, et al., (2015) confirm from their study the knowledge gap and general need for an integrated study to understand the various critical success factors of the cross border M&As and their interrelationships throughout the M&A process.

The knowledge gap about cross border M&As in China is even bigger. Since China allowed foreign companies to acquire local Chinese companies from 2003 (Woodard & Wang, 2004; Fu & Ying, 2005; Dong & Ding, 2007; Meng, 2007), there has been increased research on cross border M&As in China, however, the focus has been primarily on the economic and foreign direct investment aspects of the deals (Yan, 2001; Davies, 2003; Yang, 2005; Fu & Ying 2005; Ahn, Luedi, & Zhang, 2006; Cooke, 2006; Peng, 2006; Chen & Jin, 2007; Dong & Ding 2007; Li, 2007; Ligorner, 2007; Meng, 2007; Tan & Wan 2007; Tian, 2007; Zou & Simpson, 2008; Budhwar, et al., 2009; Du & Girma 2009; GarcÃ-a-Castro, 2009; Lau, et al., 2012). There are limited research projects on people issues and how people issues have affected the success of cross border M&As in China.

Furthermore another knowledge gap exists – there has been no in-depth empirical study to understand the culture dynamics when Chinese culture comes up against a non-Chinese culture and how the dynamics affect the people issues in M&A activities. The existing studies on culture and people issues of cross border M&As are more about drawing learning from western M&As. At the same time, although there are studies about M&As between U.S. companies and Chinese companies (Huo & Glinow, 1995; Giacobbe-Miller, et al., 1997; Steers, et al., 2009; Ahlstrom, et al., 2010; Dow, 2010), there have been no studies on cross border M&As between U.K. (British) companies and Chinese companies which adds depth to the Anglo-Chinese M&As.

Given the cross culture nature of cross border M&As, an integrated study of people issues should include an in-depth understanding of the cross culture differences between the acquiring and acquired companies and how the leadership team manages such culture differences and other related people issues. So far, Project GLOBE (House, et al., 2004) remains the most comprehensive study on cross culture differences and cross culture leadership. However from a cross cultural difference perspective, the findings of the culture dimensions in Project GLOBE have not yet been tested with both quantitative and qualitative data in the Chinese cultural environment and a cross cultural M&A environment when two different cultures interact with each other. At the same time, from a cross culture leadership perspective, the Culturally Endorsed Implicit Leadership (CLT) theory from Project GLOBE (House et al., 2004) has not been applied in a cross border M&A context. This can be done by examining how the various culture dynamics affect the leadership in their management of the people issues, and the interrelations between the people issues and cross cultural differences and leadership, as well as how effective the leadership behaviours are evaluated from the cultural lens of employees.

The current study is designed to close the knowledge gaps as identified above. This requires the conduct of an integrated study to gain deep understanding of the critical people issues and their interrelationship in a cross border M&A acquisition between a Chinese company and a British company. This study aims to apply and examine in depth for the first time the cross culture and leadership findings from Project GLOBE (House, et al., 2004) in this cross border Chinese and British acquisition.

At the same time, the objective of this current study is also to close the knowledge gaps identified by several researchers who call for a comprehensive research on M&A to answer the ‘unresolved questions’ on M&A research (Gomes, et al., 2013; Stahl, Angwin, Very, Gomes, Weber, Tarba, Noorderhaven, Benyamini, Bouckenoghe, Chreim, Durand, Hassett, Kokk, Mendenhall, Mirc, Miska, Park, Reynolds, Rouzles, Sarala, Seloti Jr., Sondergaard, & Yildiz, 2013). Gomes, et al., (2013) and Stahl, et al., (2013) strongly advocate that future research to be conducted on M&A integration in the following areas: linking pre- and post-merger processes to understand the overall impact of the key factors on the outcome of M&As. Furthermore impact of culture, prior acquisition experience, role of integration managers, assessment of M&A performance, influence of power distances, speed of integration, trust, and social capital. Stahl, et al., (2013) also calls for the mixed method research design to combine qualitative, quantitative and case study methods for the future research. The current study intends to address the gaps of the influence of culture, trust and speed of integration throughout the pre-and post-acquisition phases as identified by the above researchers.

Considering the complexity of the knowledge gaps to be addressed, an effective research design with an appropriate theoretical framework built from the literature reviewed in this chapter is required to accomplish the research objectives. The research framework, methodology and design which aim to address these identified knowledge gaps are set out in the next chapter.

CHAPTER 3

CONCEPTUAL FRAMEWORK AND RESEARCH METHODOLOGY

Studies on the three areas of effective leadership behaviours in managing people issues in cross border M&As were discussed in the review of literature in Chapter 2: people issues, cross culture issues and cross culture leadership. Research on these three areas was critically reviewed individually, as well as the relationships between them that is, cross culture differences at society and organisation level and their influence on leadership styles and behaviours, perceived effective leadership style and behaviours endorsed by different cultures in managing people issues, and how effectiveness of people issues management such as cross culture or communications may influence the outcome of M&As. However, among these studies, there has been no empirical study yet to integrate all these three areas together into the same context of cross border M&As in China to understand each of the people issues in depth as well their relationships with each other.

Previous studies on cross border and domestic M&As used as their samples, many organisations and used predominantly quantitative methodologies which did not lend themselves to exploring depth. In order to provide in-depth detailed understanding of the three areas involved in cross border M&As, this study adopts an interpretivism research paradigm with both qualitative and quantitative methods of data collection in one case study of a British-Chinese cross border acquisition in China. Quantitative methods are used to test the reliability and validity of the qualitative data for the case study. This chapter sets out the research methodology and design of this study as well as the conceptual framework.

THE CONCEPTUAL FRAMEWORK

In this thesis the term ‘conceptual’ is used rather than ‘theoretical’ framework in order to distinguish the use of the framework from deductive studies where relationships between variables

are hypothesised and tested (Cavana, Delahaye, & Sekaran, 2001). The findings of the Phase I and II of Project GLOBE (House, et al., 2004) from which this conceptual framework was developed were deductive and could be generalised to the wider population. The framework in this study is used to describe and explain in-depth the concepts depicted, and to identify possible relationships (House, et al., 2001, p. 82) rather than to test these relationships. Although this conceptual framework is developed from the theoretical model used by Project GLOBE, it has been modified to reflect the conceptual logic flows of the three areas of this study in the context of one cross border M&A in China.

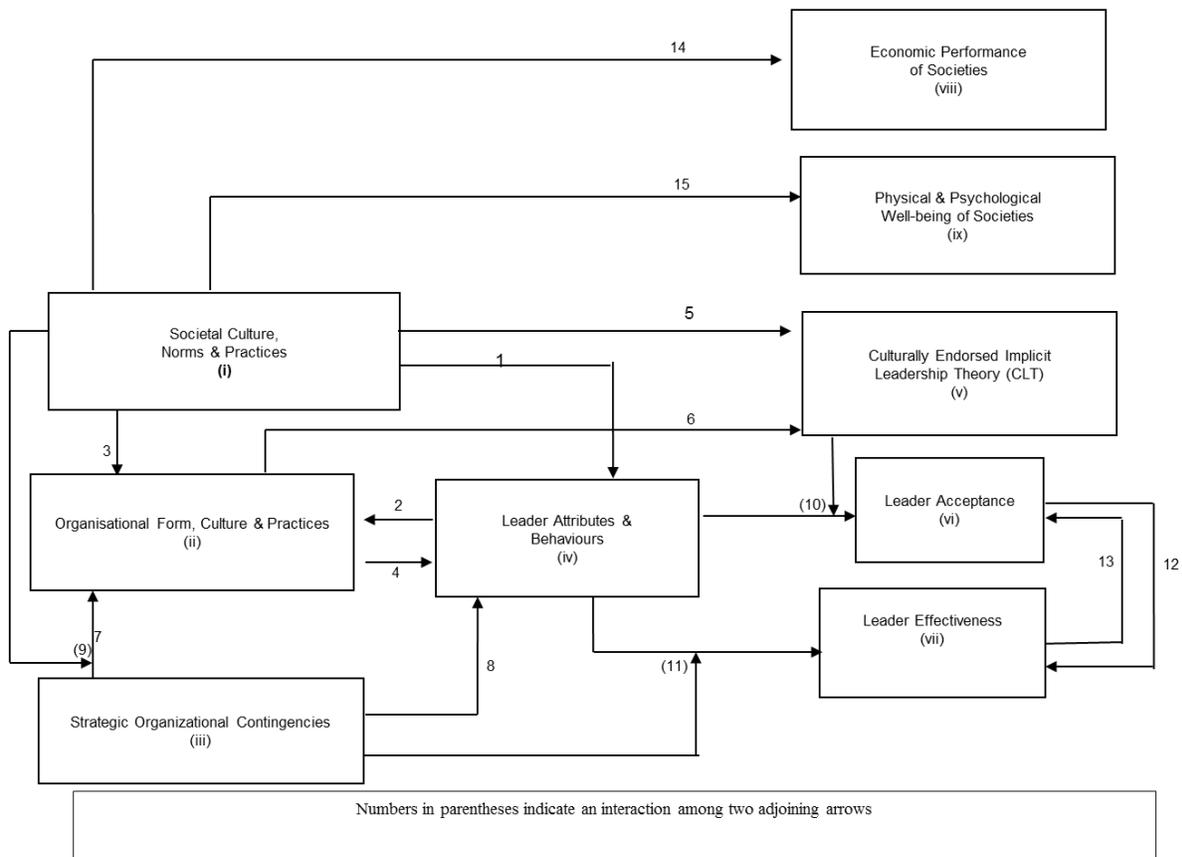
Rationale to Utilise Theoretical Framework of the GLOBE

As introduced in Chapter 2, Phases I and II of Project GLOBE (House, et al., 2004) built on the dimensions of organisational culture and societal culture developed by Hofstede (1991) in a major empirical cross culture study on how different societal cultures and organisational culture have impacted on the perception of acceptable and effective leadership attributes and styles in different cultures. Phase III of Project GLOBE (Chhokar, et al., 2007) validated the empirical evidence for the relationship between societal culture values and their proposed culturally endorsed leadership styles in 25 countries and Phase IV of Project GLOBE (Dorfman, et al., 2012) validated the empirical evidence for the relationship between the culturally endorsed leadership theory (CLT) and actual CEO leadership behaviours in 24 countries.

The findings from the four-phased Project GLOBE are an important foundation upon which to build an in-depth understanding of societal culture differences including between Chinese culture and Western culture and to study how such culture differences influence people issues in cross border M&As. The findings from Project GLOBE also help to understand how culture differences influence the formation of leadership attributes, styles and behaviours as well as the influence on perception of effective and acceptable leadership style and behaviours by different cultures. The theoretical framework (referred to by GLOBE as a model) presented in Figure 3.1 was developed for Project GLOBE based on a review of various past theories including Hofstede's (House, Wright, & Aditya, 1997; Lord & Maher, 1991; Hofstede, 1980, 1991, 2001). Their outcome after Phase 2

of the project of nine culture dimensions, (House, et al., 2004) which are detailed in Chapter 2, differentiate the culture differences across societies and enable the consistent application of their theoretical model (House, et al., 2004, p. 17-19) across societies with different cultures. In their model there are nine variables depicted which describes the interrelationships between Societal Culture, Norms & Practices, Organisational Form, Culture & Practices, Strategic Organisational Contingencies, Leadership Attributes & Behaviours, Culturally Endorsed Implicit Leadership Theory (CLT), Leadership Acceptance and Leadership Effectiveness. The interrelationships between Societal Culture, Norms & Practices, Economic Performance of Societies and Physical & Psychological Well-being of Societies are also described in Figure 3.1. The Roman numerals, (i to ix) inside the boxes in Figure 3.1 were not used by GLOBE, but have been added here to make it easier to understand the variables as described below and the interrelationships of the variables.

Figure 3.1 Theoretical Model in Project GLOBE



Source of the Theoretical Model: House, et al., (2004, p.17-19)

In summary, among the nine variables depicted in Figure 3.1, House, et al., (2004) proposes that three of them are the most critical variables. They are Societal Culture, Norms & Practices (i), Organisational Forms, Culture & Practices (ii), and Strategic Organisational Contingencies (iii) faced by the organisation. The differences in these three critical variables will affect all the other culturally-based variables, notably the formation cross culturally of different Leader Attributes & Behaviours (iv), Culturally Endorsed Leadership Theory (CLT), (v), Leadership Acceptance (vi) as well as the perceived Leadership Effectiveness (vii). Between the three critical variables, House, et al., (2004) propose that Societal Culture, Norms & Practices (i) may influence the formation of Organisational Forms, Culture & Practices (ii). At the same time, House, et al., (2004) also proposes that Societal Culture, Norms & Practices (i) may influence the dynamics in the Strategic Organisational Contingencies (iii) which in turn, influences the formation of Organisational Forms, Culture & Practices (ii). Furthermore, House, et al., (2004) propose that Strategic Organisational Contingencies (iii) may influence the Leader Attributes & Behaviours (iv), which in turn, may affect the Leadership Acceptance (vi) and Leadership Effectiveness (vii). The model also proposes that when the Leader Attributes & Behaviours (iv) are in alignment with the Culturally Endorsed Leadership Theory (CLT), (v), that is, expected leadership behaviour, it may result in higher Leadership Acceptance (vi) and Leadership Effectiveness (vii). In addition, it is also proposed that Societal Culture, Norms & Practices (i) may influence two further national broad-based dimensions of Economic Performance of Societies (viii) and Physical & Psychological Well-being of Societies (ix) generally (House, et al., 2004). Appendix A shows a detailed explanation of the theoretical model used by Project GLOBE.

The Conceptual Framework for This Study

Throughout the four phases of Project GLOBE, parts of the above theoretical model were validated, such as that culture differences influence the formation of leadership styles and behaviours as well as the perceived effectiveness of leadership attributes and CEO behaviours cross culturally for selected countries. Although House, et al., (2004) propose that Strategic Organisational Contingencies (iii) should be further studied, the model of Project GLOBE (see Figure 3.1) has not been applied yet to various strategic organisational contingencies such as M&As to further

understand the relationships between the Societal Culture Norms & Practices (i) , Organisational Form, Culture and Practices (ii), Strategic Organisational Contingencies (iii) and the perceived Leadership Effectiveness (vii) for leadership behaviours during the Strategic Organisational Contingencies. This current research project, by focusing on identifying the leadership behaviours for people issue management in a cross border M&A and the perceived effectiveness of those behaviours, extends Project GLOBE and therefore their model was modified to fit the study context of this research (see figure 3.2).

Figure 3.2 The Conceptual Framework for this Study

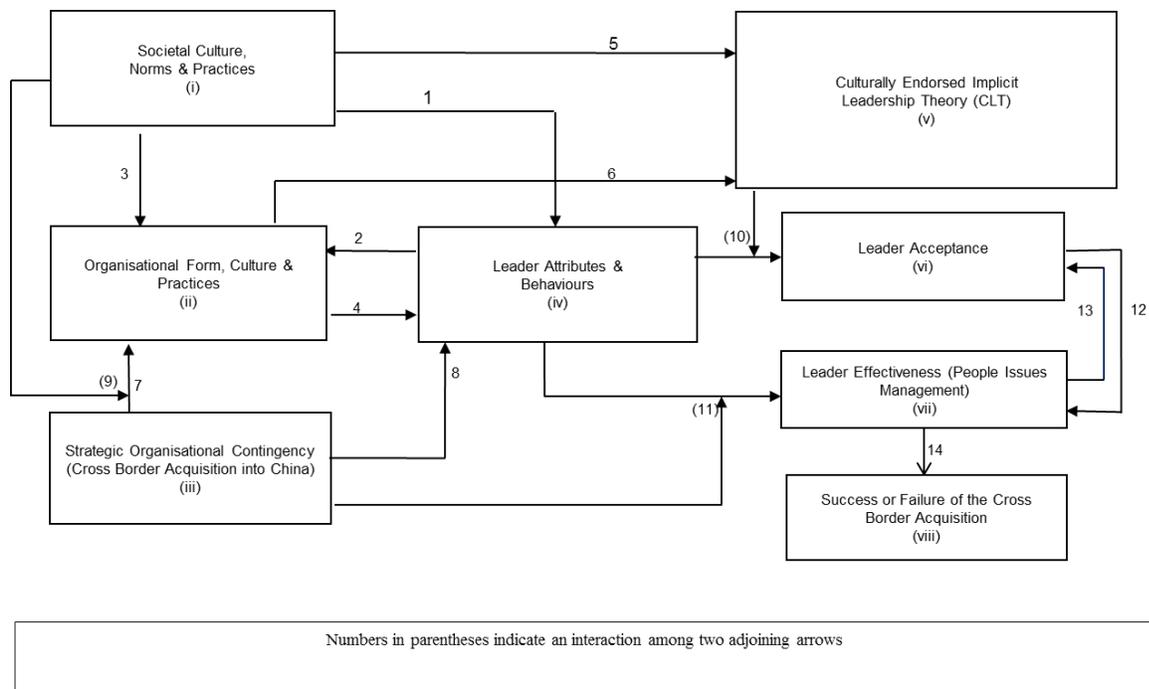


Figure 3.2 shows the conceptual framework for this study with the variables in the boxes in Figure 3.2 reflecting the following modifications. In order to make it easy to understand the interrelationships between the variables in Figure 3.2, all variables have been labelled with Roman numbers from (i) to (viii).

Firstly, Strategic Organisational Contingencies (iii) are not defined for the theoretical model of Project GLOBE and can refer to many contingencies. In this study the strategic organisational

contingency is one cross border acquisition into China, and therefore this forms the context of this research. *Secondly*, the relationship between Societal Culture, Norms & Practices (i) and their influence on the Economic Performance of Societies (viii) in Figure 3.1 and Physical & Psychological Well-being of Societies (ix) in Figure 3.1 are not covered in this proposed conceptual framework given it is not the focus of this research. *Thirdly*, this study goes deeper into the specific aspects of people issues of one cross border acquisition into China and studies the leadership behaviours in managing these issues and the perceived effectiveness in this regard. Therefore Leader Effectiveness (vii) in this conceptual model specifically refers to the perceived effectiveness of leadership behaviours in managing people issues in this cross border acquisition in China and is labelled as Leader Effectiveness (People Issues Management, (vii) in Figure 3.2. Additionally this study covers all levels of management hierarchy as well as employees. The fourth modification is recognition that the success or failure of this cross border acquisition into China might be influenced by the effectiveness of people issues management throughout the acquisition process of the two companies which is added to this conceptual framework and is labelled as Success or Failure of the Cross Border Acquisition (viii).

It is important to note that due to the modifications mentioned above between the theoretical model of Project GLOBE and the conceptual framework for this study, the numbering of the variables in the boxes in Figures 3.1 and 3.2 are not exactly the same. The differences are that in Figure 3.1, there are variables of ‘Economic Performance of Societies’ (viii) in Figure 3.1 and ‘Physical & Psychological Well-being of Societies’ (ix) in Figure 3.1 while these two variables are removed in Figure 3.2. A new variable of ‘Success or failure of the Cross Border Acquisition’ (viii) is added in Figure 3.2 which does not exist in Figure 3.1.

Within the context of the objectives for this research, this proposed conceptual framework starts with the three variables identified by Project GLOBE as the critical ones affecting other culturally-based variables. The interrelationships between the variables are numbered from (1) to (14) and described below:

- (1) Societal Culture, Norms & Practices (i) will influence the formation of certain Leader Attributes & Behaviours (iv) perceived as appropriate leadership style and behaviours for the specific societal culture (Hofstede, 1991; House, et al., 2004).
- (2) Leaders Attributes & Behaviours (iv) influence the Organisational Form, Culture & Practices (ii). Founders of the organisation have a strong influence on the formation of organisational culture and subsequent leaders generally reinforce the organisational culture and adjust their own leadership behaviours accordingly (Hofstede, 1991, 1998).
- (3) As well as influencing Leader Attributes & Behaviours (iv), Societal Culture, Norms & Practices (i) will influence the formation of Organisational Form, Culture & Practices (ii) and all members of the organisation will hold common beliefs and values as influenced by the societal culture (House, et al., 2004).
- (4) Organisational Form, Culture & Practices (ii) reinforces the Leader Attributes & Behaviours (iv) for that organisation (Hofstede, 1991; House, et al., 2004).
- (5) & (6) People in different organisational cultures and societal cultures have different perceptions of effective leadership style and behaviours. This is referred to as culturally-endorsed implicit leadership theory (CLT) (House, et al., 2004). Organisational Form, Culture & Practices (ii) and Societal Culture, Norm & Practices (i) inform the Culturally Endorsed Leadership Theory (CLT, v).
- (7) & (8) The Cross border acquisition as a Strategic Organisational Contingency (iii) imposes 'new' requirements and expectations to the existing Organisational Form, Culture & Practices (ii) as well as the Leader Attributes & behaviours (iv) of the two organisations involved in the cross border acquisition.
- (9) Societal Culture, Norms & Practices (i) differences between the two countries involved influence the dynamics of the Strategic Organisational Contingency (Cross Border Acquisition into China, (iii).
- (10) There is an interactive effect between the perceived Leader Attributes & Behaviours (iv) and the acceptance of such perceived leadership attributes and behaviours by people in the specific culture, i.e. Leadership Acceptance (vi). The degree of alignment between the Leader Attributes & Behaviours (iv) with the expected leadership attributes and behaviours in that culture, i.e. Culturally Endorsed Implicit Leadership Theory (v) influence the level of Leader Acceptance (vi) in that culture.

(11) The Strategic Organisational Contingency of the Cross Border Acquisition into China (iii) brings impact on Leader Attributes & Behaviours (iv) on how they manage the people issues in the acquisition. Leader Effectiveness (vii) is influenced by how such Leadership Attributes & Behaviours (iv) address the perceived business needs of the acquisition as well as staff needs.

(12) & (13) In the Strategic Organisational Contingency (Cross Border Acquisition into China, (iii), when two organisations with two different Societal Norms, Culture & Practices (i) and Organisational Forms, Culture & Practices (ii) come together, employees in each of the organisations have their own perceived effective Leadership Attributes & Behaviours (iv), which influence their acceptance of the leadership behaviours (Leader Acceptance, (vi), which further impacts on their perception of how effective the leadership team managed the people issues are managed in the transaction, i.e. Leader Effectiveness (People Issues Management, (vii). Likewise, the perceived Leader Effectiveness (People Issues Management, (vii) affects the Leadership Acceptance (vi) level by the employees.

(14) Leader Effectiveness of People Issues Management (vii) in this cross border acquisition significantly influences the Success or Failure of the Cross Border Acquisition (viii). The variable of Leader Effectiveness (People Issues Management, (vii) brings together all the issues related to effective leadership behaviours in managing people issues in a cross border M&A, thus addressing the research question in this study.

As was discussed in the literature review, there are many influencing factors contributing to the success or failure of M&As (Donnelly & Donnelly, 2005). One of the contributing factors to enable the success of M&As is effective management of people issues (Appelbaum, et al., 2000; Dixon & Marks, 1999; Hubbard, 1999; Schabracq & Cooper, 2000). In order to capture the complexities of the interrelationships between culture, leadership and a major change such as an M&A and the impact of such change on employees at all levels, an in-depth study is needed that utilises research methods that enable the researcher to discover not only what is happening to employees in the M&A process but also the reasons for people issues and their effect on people.

RESEARCH DESIGN AND RESEARCH PROCESS

Examination of business research texts reveals that researchers hold different beliefs or assumptions about how research should be conducted. Collis and Hussey (2013) acknowledge the wide array of terms used to describe approaches to research and that various writers use them interchangeably (for example Crotty, 1998; Collis & Hussey, 2013) and further that the research process is explained differently by these and other authors. Collis and Hussey (2013) for example refer to two main research paradigms, positivism as quantitative and interpretivism as qualitative and explain that many researchers consider the choice of methodology to be determined as either quantitative or qualitative. However they acknowledge that not all positivism as a research paradigm is all quantitative in research methods, for example, qualitative tools like interviews can also be used (Collis & Hussey, 2013). At the same time, they also acknowledge that not all interpretivism as a research paradigm is all qualitative in research methods, for example, quantitative tools such as questionnaires can be used in an interpretivism study (Collis & Hussey, 2013).

Crotty (1998) also acknowledges the inconsistency of the terminology used to describe the research process. Crotty (1998) proposes four stages or elements in the research process – epistemology, theoretical perspective, methodology and methods. These four elements inform one another and set up the theoretical assumptions for the research process and determine the status of research findings (Crotty, 1998). Collis and Hussey (2013) extend the four element structure to suggest that the research process consists of epistemology, research paradigm, research strategies, choices, approaches, time, horizon and methods. A posited research onion is presented by Saunders, Lewis, & Thornhill (2009a, p.108) as a framework for the overall research process which includes research philosophy, research approach, research strategies, research choices, time horizon and research techniques and procedures.

For the research design of this study, the framework proposed by Crotty (1998) is chosen, though it also draws on Collis and Hussey (2013) and Saunders, et al., (2009a), in particular their research

onion. In the next section each of the four elements and their relevance to the research process and research design are discussed.

Epistemology

Epistemology is concerned with the nature of knowledge and what researchers accept as being valid knowledge according to their own perception (Saunders, et al., 2007, 2009a). According to Crotty (1998, p.5) the three main epistemologies are objectivism, constructionism and subjectivism. Objectivism means that regardless of the consciousness and experience of people, truth and meanings exist independently. Constructionism views truth or meaning as constructed by the interactions of individuals with each other and with the realities in the world (Crotty, 1998). People with different interactions and experience will construct different meanings for the same phenomena. In subjectivism, the belief is that truth and meaning come from the subjective mind and has no connections with the experience or interactions between individuals and the world (Crotty, 1998).

The researcher's belief about the nature of reality is that of social constructionism based on her personal and professional experience of M&As. In social constructionism the overall social environment, culture, personal experience and interaction with the overall environment influence people's perception about the world. This provides the worldview (or lens) of the researcher which is in strong alignment with the conceptual framework of this study that cross culture differences and organisation contingencies influence people's mindset and behaviours as well as perceptions about the dynamics in this cross culture acquisition. Therefore constructionism is adopted in this research.

Theoretical Perspective

A theoretical perspective is the 'philosophical perspective or belief' that the researcher holds which determines their choice of research methodology (Crotty, 1998 p. 3). Crotty (1998) suggests that

the major theoretical perspectives are positivism and post-positivism, interpretivism under which he includes symbolic interactionism, phenomenology and hermeneutics, critical inquiry, feminism and postmodernism. Collis and Hussey (2013) refer simply to positivism and interpretivism as the two extremes of assumptions underpinning research design. Collis and Hussey (2013, p.38) explain that interpretivism is used to assemble diverse epistemological approaches (or worldviews), including social constructionism, phenomenology and hermeneutics. An alternative stance is pragmatism defined by Saunders, Lewis, & Thornhill (2007, p. 607) as an approach where it is possible 'to work within both positivist and interpretivist positions', an assumption that is inconsistent with the researcher's ontological beliefs about the nature of reality. The theoretical perspective by Crotty (1998) is referred to as research philosophies by Saunders, et al., (2009a) which is the outer layer of their research onion.

For this study, interpretivism from Crotty (1998) is adopted as the theoretical perspective, or research paradigm (Collis & Hussey, 2013) or research Philosophy (Saunders, et al., 2009a). This choice is consistent with the researcher's belief of social constructionism as well as the theoretical foundation of the conceptual framework of this study. Interpretivism requires engagement with phenomena and makes sense of them (Crotty, 1998) and to not take current or common understandings of phenomena for granted but to 'call into question our whole culture, or manner of seeing the world in the way we have learned it growing up' (Wolff cited in Crotty, 1998, p. 80). Therefore, Crotty (1998) argued that constructionist epistemology in fact informs the interpretivistic perspectives. Collis and Hussey (2013) support Crotty (1998) that interpretivists believe that people's minds will determine their perception of social reality and people's minds are influenced by the social environment in which they exist. Thus, interpretivism is consistent with social constructionism.

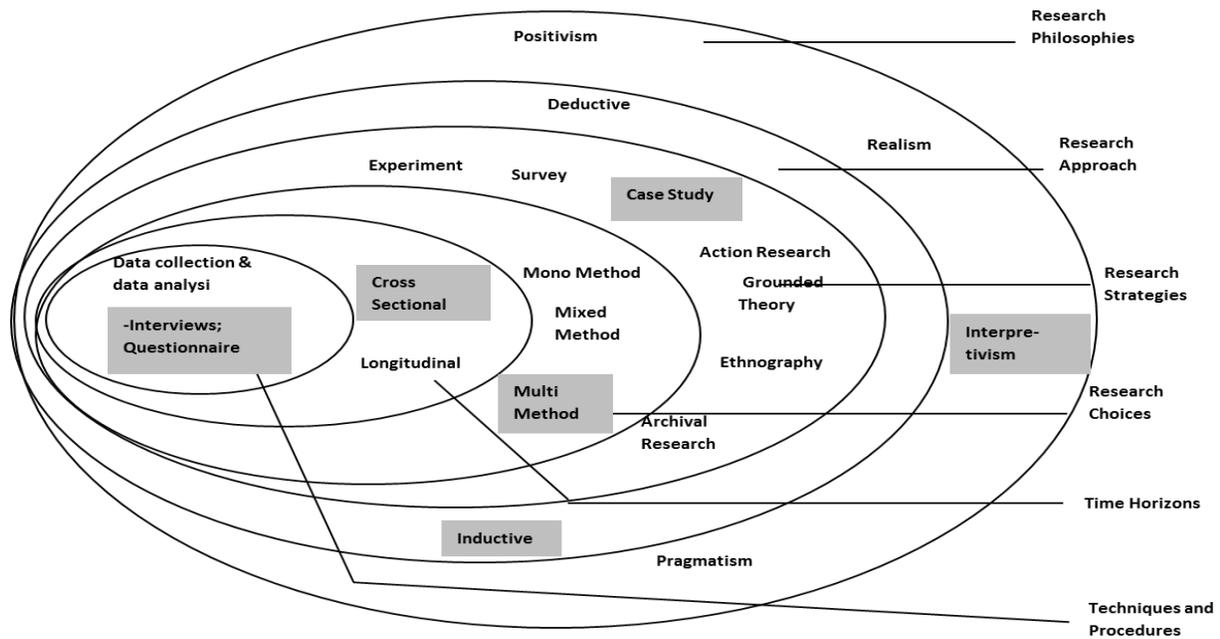
This interpretivism view is also consistent with the theoretical foundation of the conceptual framework of this study (House, et al., 2004) which suggests that different societal cultures will differentiate people's perception of effective leadership style, attributes and behaviours while formation of different societal cultures are influenced by the social environment and social interactions of the society members (Hofstede, 1991, 1993, 2001). Because it is people's

perceptions that are being studied and the meaning people gave to their experiences during a cross border acquisition, the use of constructionism and interpretivism, with the main focus on qualitative methods, in this research is appropriate.

Research Design

Crotty (1998) defines research design as a strategy or plan of action which determines the selection of research methods that links to the desired outcome of the research. The chosen design should reflect the epistemology or ontological assumptions, or research philosophy made and the theoretical perspective (Crotty, 1998; Collis & Hussey, 2013) and the chosen research design of this study is consistent with this approach. Saunders, et al., (2009a) have developed a research onion to portray a research plan of action. The choices of the research processes and research design for this study are highlighted in Figure 3.3, which shows the research design within the Saunders, et al., (2009a, p.108) research onion.

Figure 3.3 Summary of Research Process & Research Design of this Study



Research Onion Source: Saunders, et al., (2009a: p.108)

The outer layer of the onion, that is, research philosophies, has been discussed above with this study signified by interpretivism. Whether a study is deductive or inductive is referred as the research approach layer of the research onion (Saunders, et al., 2009a). It is important to note that this study is not a deductive study to set up and test hypothesis (Saunders, et al., 2009a; Collis & Hussey, 2013) such as the theoretical framework for Project GLOBE. Instead, this study adopts an inductive research approach to use the established conceptual framework to identify and explain the influence of cross culture differences on people issues and leadership behaviours in managing people issues as well as the perceived effectiveness. This is consistent with the earlier discussions on the conceptual framework of this study which is built on the theoretical framework of Project GLOBE but applied in the organisational contingency context of a cross border acquisition.

In this study, exploratory case study is used, referred to as the primary research strategy in the research onion. Yin (2014) defines case study research as an in-depth examination of a contemporary phenomenon in a real life context; that is people, organisations and experiences are placed in their social context. Case study methodology allows researchers to study the entire features of the subject in an intensive study of an individual, group, organisation, culture, incident or situation (Ghauri, Gronhaug, & Kristianslund, 1995; Yin, 2014). Selltiz (cited in Ghauri, et al., 1995) also suggests that a case study approach has the ability to study an object with multi-dimensions and then to draw an integrated interpretation. Case study methodology is an appropriate strategy to use in interpretivism research and in this case the research question aims to investigate in-depth one cross border M&A. The phenomenon of interest in this research is the acquisition of a Chinese privately owned family business by a British company and the merging of the two cultures. This research aims to gain deeper and comprehensive insights about people issues including cross culture issues, communications, employee resistance, employee stress, trust and leadership therefore case study approach and the use of a single case study is adopted.

An exploratory case study methodology is one where empirical data collected from the real context is used to analyse and understand a phenomena. Existing theory from the literature may be drawn upon to guide the data analysis to accomplish the in-depth understanding of the phenomena

(Eisenhardt & Graebner, 2007; Saunders, et al., 2007). Exploratory case study is an appropriate strategy to use in interpretivism research (Saunders, et al., 2007).

For this exploratory case study, the time horizon for data collection is cross sectional. Cross sectional or Longitudinal are the two alternatives from time horizon perspectives of the research. Longitudinal allows a long interval between the different times of the data collection so that comparison could be made by analysing the data collected over a period of time. Cross sectional refers to the data collected and analysed for the same period of time to thoroughly understand with in-depth all different perspectives from all research participants (Saunders, et al., 2009a). The cross sectional time horizon is appropriate for this case study given the need to gain deep understanding of the different perspectives from all the staff for the same people dynamics in this acquisition.

Methods of Data Collection

Research methods generally can be categorised into quantitative and qualitative methods (Crotty, 1998; Collis & Hussey, 2013; Tichhurst & Veal, 1999; Saunders, et al., 2009a). The major difference between quantitative and qualitative research is the procedures adopted for obtaining the findings and conclusions. Quantitative research adopts statistical methods to get the findings while qualitative research does not (Tichhurst & Veal, 1999).

Quantitative methods are the methods favoured by positivists when they study human behaviour (Crotty, 1998; Collis & Hussey, 2013). Qualitative methods, favoured by interpretivists emphasise understanding of research participants' perspectives and include methods such as observations, interviews and focus groups. Findings and conclusions are drawn through interpretation of the perspectives of participants in the research rather than through statistical methods (Crotty, 1998; Collis & Hussey, 2013). A qualitative approach is appropriate, according to Crotty (1998) and Collis & Hussey (2013), when the research objectives are to gain an in-depth understanding of the phenomena through understanding people's experience and behaviour. Qualitative research can be applied to study organisations, groups and individuals. As explained by Crotty (1998) and Collis

& Hussey (2013) both qualitative and quantitative approaches can be used under the interpretivist paradigm. Mixed methods may often be the most appropriate method, depending on the research problems and objectives (Crotty, 1998; Tichhurst & Veal, 1999; Collis & Hussey, 2003). Saunders, et al., (2009a) suggest that a case study may involve a variety of quantitative and qualitative data collection and analysis methods, therefore, they consider mixed methods to be a key feature of the case study research design choice (Saunders, et al., 2009a). In this study the primary method is qualitative, however quantitative data collection was also used.

Triangulation

Data triangulation means using different methods of data collection in the same research study. Crotty (1998) and Collis & Hussey (2013) point out that combining different specific collection tools across qualitative and quantitative methods (e.g. interviews, focus groups, surveys, expert insights) and analysing the data from these different sources will provide a broader and complimentary view of the research question as well as a more in-depth perspective. Triangulation allows the researcher to minimise potential bias and leads to greater validity and reliability than a single research collection method (Collis & Hussey, 2013; Yin, 2014).

Qualitative Methods

Employees' perception is subjective in nature and can best be obtained with in-depth discussions. Therefore semi-structured in-depth interviews as qualitative method is the main method adopted in this study. In-depth interviews provide more accurate and clearer understanding of the participant's view on situations and their perception of other people's behaviours. The questions are open-ended and participants can share their views openly. Also the interviewer can probe further during the interviews to explore the responses in more depth (Saunders, et al., 2009a; Collis & Hussey, 2013).

Critical incident technique is applied to probe in-depth. Flanagan (cited in Saunders, et al., 2007, p. 163) defines critical incident technique as data collection "procedures for gathering certain important facts concerning behaviours in defined situations". Observable activity in specific

situations is defined as an ‘incident’ and when the incident is important to the researcher in relation to the research objectives, this specific incident is regarded as critical (Saunders, et al., 2007) and thus is probed in greater depth. A typical question using critical incident technique is to ask interviewees to reflect back on decisions made and reflect on the reasons decisions were made (Saunders, et al., 2007). In this study as well as understanding what leadership behaviours happened in the past, it is important to gather suggestions from the interviewees about what could be done differently. This is one of the elements of critical incident technique. Therefore, critical incident technique was used as the data collection method for the in-depth interviews.

The core interview questions for this study, as listed in the interview schedule in Appendix B, were guided by the research objectives and the conceptual framework as well as findings of the literature. Each of the interviews took approximately 60 minutes and was tape-recorded. The findings from the interviews informed some of the questions asked in the survey questionnaire.

Quantitative Methods

Survey questionnaire is one of the most popular data collection methods in business studies and other social research. Surveys are frequently used to identify the specific characteristics of a specific population, at a fixed time point or at different times for comparative purposes (Saunders, et al., 2009a). The survey questionnaire focuses on the representativeness of the population to be surveyed and the findings often have high generalisability (Ghauri, et al., 1995).

The survey questionnaire of this study was informed by the findings from the interviews. While the interviews were conducted with selected groups of employees, the objective for the survey questionnaire approach in this study was to understand, from a broader base, how employees perceive the management of the people side of the M&As, such as culture differences, communications, changes imposed by the acquisition, what the leadership team did, and what the leadership team could have done. Thus questionnaire was used to survey all employees in the case study organisation. The findings from the questionnaire were also used to determine whether there was general agreement or disagreement with the findings from the interviews. The findings from

the qualitative interviews and the quantitative survey questionnaires were compared to validate the qualitative findings. The survey questionnaire is provided in Appendix C.

Sampling

In this study, one sample organisation was chosen as the case study and a sample from a cross section of the organisation were interviewed. The survey questionnaire was distributed to all of the staff of the case study organisation, therefore, it covered the whole population of the organisation.

Choice of Case Study

A case study which reflects the real-in-context situation being studied and possesses the typical characteristics of the phenomenon to be studied should be carefully selected. It is not recommended to use a random approach to select the case (Eisenhardt, 1989). In selecting the case for this study, several criteria were considered. *First of all*, the case study selected was a cross border M&A between Chinese culture and western culture. *Secondly*, as different types of mergers and acquisitions involve various degrees of people issues, a case study was chosen with the criteria that it has the full complexity of people issues that may occur in M&As. *Thirdly*, organisational culture is different between different ownership types of Chinese companies, for example, privately owned companies have a different organisational culture from the state-owned companies or a local foreign invested company. The case selected for this study is a privately owned family business which is an organisation type that has not been studied before for people issues in cross border M&As but one which has an increasingly important role in cross border M&As in China. Such a family business would clearly be embedded well into the dominant Chinese culture.

An acquisition between a British company and a China privately-owned enterprise was chosen as the sample case study organisation. Considering the above criteria, the case selected for this study possesses the typical characteristics of the phenomenon to be studied. The Chinese privately-owned enterprise was acquired by the British Company and merged with the British Company.

One reason this case was chosen is that the acquisition imposes a large scale of complexity of people issues, including culture differences between the British Company and the Chinese company.

Another reason this case study was chosen is that the new company is currently being led by a former colleague of the researcher and the researcher was able to access adequate information and conduct in-depth study of the population which is critical to the research. Thus it is also a convenience sample (Saunders, et al., 2007). Nevertheless the case study meets all criteria and thus is not prone to the bias common for convenience sampling.

There has been some debate about whether findings from a single case study can or cannot be generalised, thus single case studies should not be used in theory development where more than one case study would be needed (Flyvbjerg, 2006). On the one hand although findings from a single case study cannot normally be generalised to a wider population (Eisenhardt, 1989), findings from a single case study can contribute to theory confirmation and development (Saunders, et al., 2007). A single case is able to describe in-depth the phenomenon with rich data within a real-life context (Siggelkow, 2007). The depth of the data consists of descriptive narratives of the phenomenon with quotations of key research participants and other supporting data, thus demonstrating the close linkage between empirical data to the theory (Eisenhardt & Graebner, 2007).

Even though multiple case studies could provide a stronger base for theory development by clarifying if the findings from one case study will be replicated by other case studies, the depth of empirical findings will be lost compared with a single case study approach (Eisenhardt & Graebner, 2007). Furthermore, Glaser & Strauss (1967) suggest that when theoretical saturation is reached, there is no need to add more case studies or further collection of data. Theoretical saturation refers to the point at which incremental learning is minimal because the researchers are observing phenomena seen before and the phenomena start to repeat (Glaser & Strauss, 1967). This principle of theoretical saturation is applicable to decisions about numbers of case studies as well as numbers of data collection points, including number of interviews within one case study (Glaser & Strauss,

1967). While it is noted that this study has limited generalisability to a wider population, theoretical saturation was reached by the time the interviews were completed, and further supported by the analysis from the survey results.

Since this study is the first empirical study on leadership behaviours in managing people issues in cross border M&As in China, it was critical to have a deep understanding of the phenomenon in its real life context, therefore the priority for this study was depth of data, and the reason why one single case study was chosen for this research.

Sampling of Participants in Interviews and Questionnaire

According to the literature reviewed, involvement of both the management team and employees is critical in managing the people side of the issues in M&As (McLean 1985; Bourantas & Nicandrou 1998). Therefore selected samples of senior and middle management, supervisors and employees were interviewed and surveyed for this study. CEOs and top executives play a critical role in providing directions on managing the people issues and shaping organisational culture during M&As (McLean, 1985; Shearer, et al., 2001). Middle management and first line supervisors also play an important role in managing the day-to-day people issues by making decisions such as performance ratings and rewards, and managing employee resistance as well as general communication with operative staff (Bijlsma-Frankema, 2004; Searle & Ball, 2004). On the Chinese employee side, if they do not feel they are involved in the integration process, they will have more resistance and respond negatively to the mergers and acquisition which could contribute to the failure of the M&As (Bijlsma-Frankema, 2004; Searle & Ball, 2004). The change agent, the new Chinese General Manager was included in the interviews because he was perceived as the culture bridge who was supposed to influence the actions before, during and after the change. Decisions were made on the following sample size to be interviewed which allowed the researcher to have research interactions with a cross section of the different employee groups. A total of 60 interviews were conducted: 40 'acquired' staff from the original Chinese firm that still work for the new British company after the acquisition; Also, 20 'new' staff who were employed subsequent to the acquisition; 13 were Chinese professionals and managers, and the other seven were British management staff. Detailed breakdown of staff interviewed by their levels in the organisation is

presented in Table 3.1. The ‘Employee Sampling’ is set against the actual employee population data at the same date provided by Alexander China to the researcher.

Table 3.1 Sample Size for the Interviews

Employee Type	Employee Population			Employee Sampling			
	New	Acquired	Total	Sample % New	# New	Sample % Acquired	# Acquired
Chinese Managers (Senior)	1	4	5	100%	1	100%	4
Chinese Managers (Middle)	6	3	9	100%	6	100%	3
Chinese Supervisors	3	11	14	0	0	82%	9
Chinese Professionals	21	13	34	29%	6	54%	7
Chinese Operators	54	171	225	0	0	10%	17
Total	85	202	287		13		40
British Managers (Senior)	6		6	100%	6		
British Managers (Middle)	1		1	100%	1		
Total	92		294		20		40

Since the objective for the survey questionnaire was to seek the perspectives of the broader population of the organisation and to validate the interview findings, all Chinese employees of the merged new firm were invited to complete the questionnaire, including those who participated in the interviews. Therefore the population size for the survey questionnaire was all 287 employees. In total 247 employees responded which represents a response rate of 86%. Demographic details of the respondents are explained in Chapter 6 for quantitative data analysis.

All seven British managers, who were part of the leadership team making decisions for this acquisition were interviewed to provide both the senior leadership and western culture perspectives. Given the small size of the population, these seven British managers were not included in the survey questionnaire. To be able to distinguish between previous Chinese company employees and those who were new hires after the acquisition, demographic questions were designed in the questionnaire to differentiate the two groups of employees although the data analysis focuses on those Chinese employees who experienced the acquisition before and after.

The data collection started from January 2009, a year and half after the formal acquisition in June, 2007. The data collection started with the Lucky China interviewees, followed by a questionnaire survey to all employees in August, 2009. However, due to the size of the sample and challenges to coordinate the schedules for interviewees, especially the British management, the whole data collection process was not completed until November, 2009.

Methods of Data Analysis

The data analysis was guided by the conceptual framework as discussed earlier in this chapter. For the semi-structured in-depth interviews, the responses from the interview participants were audio-taped and transcribed. Themes were identified and coded through multiple readings of the transcripts. Relevant verbatim quotes are used in the final thesis, however, some details for example, references to specific jobs, may be changed slightly to ensure interviewees cannot be recognised. Pseudonyms are used for staff and for name of firms. The coding reference of the interviewees is in Appendix D.

SPSS software was used for the analysis of the questionnaire with an initial focus on descriptive statistics and simple co-relational data to explore the links between central variables, such as levels of employees and the alternative answers chosen. Pearson Chi Square Test of Independence was performed on a number of variables to identify significant relationships and to test whether differences such as gender or age, occurred by chance. ANOVA tests were applied to identify if significant different responses exist across different occupation groups for the same question. If the difference did exist, Multiple Comparisons Tukey HSD test was performed to further analyse the specific different responses. Factor analysis was conducted to ensure the items designed in one question had the adequate consistency to measure the same construct. In case of comparing the culture characteristics before and after acquisition, Paired Factors Analysis was conducted for the same set of questions for pre-acquisition and post-acquisition respectively. Two Paired Sample test was also conducted to compare the differences of culture characteristics of the organisations before and after the acquisition.

Validity, Reliability and Transferability Generalisability

Validity refers to the degree of accuracy of research findings to reflect the actual dynamics in the phenomenon being studied. For the interpretivism research paradigm the objective is to capture deep understanding of the phenomena through rich and in-depth data, therefore validity in such studies is generally high (Collis & Hussey, 2013). In this study, semi-structured in-depth interviews provide such quality and in-depth information through interacting with selected employees of the case study organisation, therefore validity of this study is high.

Reliability is obtained if another researcher repeats the same research work and the same findings can be obtained (Collis & Hussey, 2013). Generally speaking, for quantitative research methods, reliability is high (Collis & Hussey, 2013). For this study, questionnaire approach was adopted to survey the entire population. The response rate was very high at 86% thus the findings could contribute to the reliability of the research findings.

Generalisation refers to when the patterns, concepts and theories which have been generated in a particular environment can be applied in another environment. Generalisation in quantitative research means that the statistical results can be applied from the sample group to the whole population. Generalisation in qualitative research normally means the findings of an interpretivist study could be generalised from one setting to another but given the specific context of one phenomena, generalisation in qualitative research is normally limited (Collis & Hussey, 2013). Saunders, et al., (2007) argued that for the case study strategy, only one or a few cases are examined, therefore the findings produced by the case study are generally not universally representative and it is not possible for the findings to be generalised to a defined wider population.

With a single case study, the use of a combination of qualitative and quantitative data collection methods enhances the depth and breadth of the findings of this case study. Furthermore, when the findings of this study were applied to the conceptual framework of Project GLOBE which was validated from prior research, the findings from this study enabled the research question to be addressed with confidence. Addressing the research question in this manner provides transferable

theory and research design processes that can be further examined by more such in-depth case studies and also through broader studies using other methods.

The Researcher

Researchers as human beings also bring their own perception and values into the research process, especially when interpreting research results (Collis & Hussey, 2013). The perceptions and values of the researchers are influenced by the social environment they are in and the kind of social interactions they have (Collis & Hussey, 2013). Specifically, Cooke (2006) pointed out that M&A studies in western countries may not be applicable to the Chinese environment given the different social and cultural environment. The researcher of this study is a Chinese national, who is able to better understand Chinese people's perceptions of the effectiveness of people issues management in cross border M&As in China because of her deep understanding of Chinese culture. Most research on societal cultures and M&As has been conducted by western researchers who interpret their research findings from a western perspective. In this regard, this study will contribute to the knowledge by adding a Chinese view. Furthermore, the Researcher is an experienced and senior HR professional with over 15 years of experience and has been personally involved in a major cross border M&As in China. Finally, Ethics approval was obtained by the researcher from the university enrolled and a final report was submitted on 26 October 2015.

INTRODUCTION TO THE CASE STUDY COMPANY

The case study featured in this research project is the acquisition of a Chinese privately-owned family manufacturing business (Lucky China – pseudonym name) by a British Company (Alexander Global – pseudonym) in the engineering industry. The new company formed after acquisition (Alexander China) is a subsidiary of the parent company Alexander Global.

Alexander Global

Alexander Global is a global engineering group producing a wide range of engineering products. It has operations in 25 countries worldwide with 3,000 employees with primary activities of

manufacturing and sales of its products. Alexander Global has been building on their core capability to continuously invent new products and has been the industry leader for over 100 years in terms of the product offerings and the product quality. Even though the company started in the UK, the vision of the founder was to expand the business internationally. The major approach Alexander Global took was through M&As both locally and internationally. Out of the 25 countries where Alexander Global has a business presence today, operations in 16 countries were through M&As. In June 2007, the Alexander Global acquired Lucky China.

Lucky China

Lucky China was based in the eastern part of China and prior to the acquisition was a Chinese privately family owned local engineering company. The company had capability in manufacturing, sales and research of its specialised products and was the industry leader in the China market in terms of product offerings and product quality up until acquisition. The company was also the largest manufacturer in the industry in China. The Chinese company was established in the early 1990s. The founder of the Lucky China worked for a State-owned Enterprises (SOE) as shop floor worker and technician for many years thus he is a technical expert in the products and the industry.

After China launched its economic reforms and encouraged the emergence of privately-owned enterprises, the founder decided to establish his own company. He believed that the business opportunity for the engineering product would be huge, mainly because he foresaw that rapid economic development and improvement of living standards in China would increase the demand for the engineering product. Also in the 1990s, most such engineering products were imported from other countries. He believed that localising manufacturing in China would gain him a competitive advantage and enable him to provide the engineering product at a lower cost and shorter delivery cycle to Chinese customers. All the beliefs of the founder came true in the first decade of the 21st Century and the company was able to leverage the increasing demand in the market to continue to expand its business in China.

Since the start-up of the company, Lucky China kept adding new product offerings and manufacturing capacity as well as upgrading research capabilities. The major accomplishment achieved by the company was the localisation of manufacturing for many products that used to be imported from other countries which helped the company to build a strong leading reputation in the market. The company gained certification of the quality system which is International Standardization Organisation (ISO) 9002. Before acquisition, Lucky China was the contracted manufacturer for Alexander Global.

In total, Lucky China used to have around 200 employees with the majority of them shop floor workers. There were also other occupational groups such as professional and administrative clerks, workshop supervisors, department managers such as purchasing, sales, manufacturing and Engineering. There were no formal and separate human resources, quality and information technology departments in Lucky China.

The company's senior leadership team included the Owner as the General Manager of the company, Chief Financial Officer (CFO) who was the family member of the Owner, the Chief Engineer, who used to be a past co-worker with the Owner. Overall, the company was managed under the sole discretion of the Owner as a privately-owned enterprise.

The Acquisition

Alexander Global, due to the price increase of many raw materials for its product, was facing tremendous pressure on the profit margin. Another cost pressure for the company was that all of their manufacturing facilities used to be in high cost countries, such as U.K. and U.S. To increase the profit margin, Alexander Global decided to explore options such as moving the manufacturing facilities to low cost countries. China was chosen because of its rapid economic development, low manufacturing cost as well as the removal of legislative constraint on foreign companies to merge or acquire local Chinese companies.

Alexander Global, aimed to achieve the following objectives through this acquisition:

- (1) Expand the manufacturing capacity to low cost countries;
- (2) Access business opportunities and customers in the fast growing Far East markets;
- (3) Improve the financial performance of Alexander Global both in sales and profit after 12 months of the acquisition by leveraging the production capability of Lucky China.

The next step for the owner of Lucky China, after ten years of development, was to access the international market to continue to grow his business, however he did not want to take the risk of investing in more capability. At the same time, the owner had health issues. Therefore, the owner decided to cash out his company for financial income when the company was at its best performance.

Since the acquisition became effective in June 2007, there have been some integration activities, such as productivity improvement, quality system improvement, implementation of Enterprise Resource Planning (ERP) system, modification of compensation and benefit system, and English training in Alexander China. The organisational structure in the new company post-acquisition also aligned with the structure of Alexander Global. As a result, some new departments were set up such as human resources, information technology and quality. At the same time, for some existing departments in Lucky China, new department heads and new roles were also introduced post-acquisition. However, these activities primarily focused on improving operational efficiency and did not deal with the people side such as resistance, employee stress, culture integration, and communications. There is a need to understand in depth the activities on the people side and how leadership approached and dealt with these activities. This forms the focus of this study.

SUMMARY

This research adopted an exploratory case study strategy to gain the in-depth understanding of the people issues in a British-Chinese cross border acquisition when Alexander Global acquired Lucky China. This M&A led to the formation of Alexander China post-acquisition as the new company. In-depth interviews were conducted with sampled employees representing all the levels of the

Lucky China organisation, as well as British management who were involved in the acquisition process and made management decisions for Alexander China. The findings from the interviews informed the questionnaire design which was distributed to all Alexander China employees to validate the findings from the interviews. Given this study integrates people issues in M&As, cross culture issues and cross culture leadership in one case study setting, a conceptual framework was established for this study to guide the data collection and analysis. The conceptual framework is based on, and modified from, the theoretical framework of CLT as part of Project GLOBE which starts from the national and organisational culture and their influence on leadership attributes and styles. Thus, the data analysis of this study are presented in the next three chapters starting from the interview findings of culture in chapter 4.

CHAPTER 4

INTERVIEW FINDINGS: CULTURE

The acquisition of Lucky China by Alexander Global involved the interaction of British and Chinese culture which resulted in many culture misunderstandings and conflict issues throughout the full pre-acquisition and post-acquisition phases. Alexander China, the new organisation formed post-acquisition and operating in China was under the influence of both a prior organisation (Lucky China) informed by Chinese culture and a new organisation (Alexander Global) informed by British workplace norms and culture. This forms the cross culture context which is the ‘backdrop’ of this acquisition.

Culture, both at national and organisational level, according to the conceptual framework for this study, influences the leadership mindset and behaviours as well as employees’ perceptions of leadership effectiveness. Therefore, understanding of the culture issues is a pre-requisite to understanding the appropriate leadership behaviours to manage the people issues in this acquisition. Thus, this chapter discusses the interview findings regarding organisation culture in Lucky China and Alexander China as influenced by the Chinese culture and British culture, together with the recognised culture differences and conflict. The perspectives from both Chinese employees and British managers are captured when applicable. Based on the themes emerged from the interviews, the culture findings are categorised into seven dimensions: unequal power distribution; management by rules and procedures; equity equals equality; nepotism (guanxi); employee care; conflict avoidance; and future viability and social sustainability. Each is discussed in the following sections.

When reading the findings in this chapter and subsequent chapters, the interview participants are referred to by a code, as set out in Appendix D. For recognition in the text that follows: ‘A’ refers to Alexander China; ‘L’ to Lucky China; ‘SM’ to Senior Manager; ‘MM’ to Middle Manager; ‘SP’ to Supervisor; ‘PF’ to Professional; ‘SF’ to Operators. Also, ‘UK’ is prefixed to ‘SM’ and ‘MM’, thus denoting British managers from Alexander Global.

UNEQUAL POWER DISTRIBUTION

In Chinese culture respect for authority and seniority is core to relationships. Strict hierarchies based on seniority and age was the norm in Lucky China and accepted by managers and workers alike. Several aspects of high acceptance of unequal power distribution in Lucky China were discussed by both Lucky China interviewees as well as British managers. These aspects included the authoritarian behaviours of the Owner and other senior Chinese managers and the unconditional acceptance of Lucky China employees for such leadership behaviour. Conflict occurred between British managers' expectations of requiring employees to take the initiative and engage in independent problem solving, while the Lucky China employees continued their expectations of authoritarian management and waited for the decisions to be made by one single leader. Furthermore, from the perspective of Chinese managers authority and face (mianzi) were important and the Lucky China management team fought to protect their status when it was threatened by the perceived 'young and junior' new employees as well as the 'removal' of their managerial responsibilities due to implementation of the new information system.

Authoritarian versus Consultative Leadership Styles

The authoritarian behaviours of the Owner and the unconditional acceptance of such authoritarian behaviours from Lucky China employees were observed in this acquisition. Furthermore, there seemed to be cultural value alignment between the Owner and the Lucky China employees in this regard. However, the above cultural value was not in alignment with that of the British managers. As a result of such difference, the British managers experienced some culture shock and frustration.

Of the 60 interviewees, 13 were new Chinese employees to Alexander China and seven were British managers from Alexander Global; all the rest (40) were former Lucky China employees (referred to simply as 'Lucky China employees'). The Lucky China employees discussed the authoritarian behaviour of the Owner and the unconditional acceptance of such behaviour. All

these 40 agreed that authoritarian behaviour was expected and accepted by both the Chinese managers and workers. Table 4.1 presents the details.

Table 4.1 Responses to Authoritarian Lucky China Owner as Unconditional Acceptance

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	7	9	7	40
British managers	NA	NA	NA	7	7

One example of the authoritarian behaviour of the Lucky China Owner that A-UKSM3 noted in his interview was that the Owner rejected the British managers' request to notify Lucky China employees when the Letter of Intent of the acquisition was signed. A-UKSM3 said "the Owner felt that there was no need to let the employees know about this". Lucky China employees were not officially informed about the acquisition until they were told to sign the labour contract with the new company.

A-UKSM3 also observed the authoritarian behaviours of the Owner by handling the whole acquisition negotiation solely by himself. The Owner rejected the request by British management to meet with and involve Lucky China local managers. On the other hand, all seven Lucky China local managers interviewed showed their acceptance of authoritarian leadership when they agreed that they should not participate in the negotiation process, as commented by L-SM3, "It is quite normal for us not to participate, the boss could make the decisions. We don't have any problem with this because it was his company and he was the boss". Furthermore, all 40 interviewees from Lucky China agreed that they would follow the leaders' instructions unconditionally without question. The shop floor operator L-SF15 said: "We just do what the boss asked us to do". These comments clearly demonstrated that when the Owner had an authoritarian mindset, Lucky China employees fully accepted such mindset and behaviours.

In some situations, Lucky China employees' obedience to the Owner was even at significant cost to their own benefit, which turned out to be a culture shock for the British managers. For example, all seven British managers explained how shocked they were when they learned that the Owner of Lucky China had not paid employees for three months, yet no employee had complained about it.

The British managers commented that if it had happened in England, it would be impossible for the employees to continue to trust the Owner and work for the company. The employees in UK would have taken industrial action against the Owner and stopped working. All of the British managers said that this type of issue had never entered their minds as A-UKSM4 said:

What amazed me was that we did not think about that at all. In fact, nobody actually told us 'of course we have not been paid for three months'. I suspect if we've said, what the last time you were paid was, somebody would have said 'three months ago, and I am pretty unhappy about it'...I think this question just did not show up at all. From the western point of view you just don't think it is right, because why is anybody still there if they have not paid people?!

The culture shock to the British managers caused by the unconditional acceptance of authority was not just about the delayed salary payment issue. In another example five out of seven British managers learned with surprise that Lucky China employees only expected authoritarian supervisory styles with clear and specific instructions to be given to them, otherwise, they would become confused and not know what to do. The consultative approach by the British managers did not seem to work for the Chinese managers either. As well as the Lucky China Owner, the new Chinese General Manager of Alexander China was observed to use the same authoritarian style. A-UKSM4 said:

I am not sure if the Chinese prefer a clear order style, which was done by the Chinese senior manager, or Chinese people need more communication before they move to do things. One example was that there were some problems with Shipping and Docking. We expats could not get it fixed by using the British consultative approach, and then I told the Chinese general manager. He said 'I will fix it'. He went and shouted at the people at Docking and Shipping area and showed his anger, things were fixed immediately. I was confused by this.

From the perspectives of the five out of seven British managers, the consequence of Chinese employees' belief of 'follow leaders unconditionally' was the suppression of Lucky China employees' ability to think independently and act proactively. This consequence applies to all Lucky China employees, including supervisors and managers.

Consequences of Conflicting Expectations

Evident from the comments of both British managers and Chinese managers and employees, the British managers had different expectations about authoritarian versus participative management. These British managers would have preferred Lucky China employees to take more initiative and work independently on issues and problems while the Lucky China managers and employees had expectations of being told what to do by their leaders. Such conflicting expectations created frustrations for both the British managers and the Lucky China employees including Chinese managers. There were in total 28 interviewees (all Lucky China professionals, supervisors and managers and five out of seven British managers) who agreed that there were different expectations on taking initiatives and independent problem solving between British management and Lucky China employees. Table 4.2 presents the details.

Table 4.2 Different Expectations on Taking Initiatives and Independent Working

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	7	9	7	23
British managers	NA	NA	NA	5	5

For British managers this tendency to act only on instructions was potentially counter-productive as well as frustrating. For A-UKSM2, while he tried to engage the Lucky China employees to be part of the problem solving and decision process, it was frustrating to him that the managers and supervisors were very quiet in meetings and never responded to A-UKSM2 when he asked for suggestions for improving the business processes. Further frustration for the British manager was that employees not only never questioned his directions but would even just do what they assumed he wanted them to do, A-UKSM2 shared one such experience:

I remember I came in one Monday morning, there was a wall that was being built in the middle of one of the workshops. So I went to the guy and said, ‘tell me please why are you building the wall?’ The response was, ‘if you want us to pull it down, we will pull it down’. I said, ‘no I don’t particularly want you to pull it down, I just don’t know why you built it’. I never could get an answer. Then the wall was gone. Even today, I absolutely had no idea why the wall was built. Again this was one of the things I found so frustrating. They must have had good reasons to build the wall but because I challenged it, it was automatically taken as it was the wrong thing to do. That was the most frustrating part of the whole thing.

All Lucky China supervisors, managers, and professional staff continued to believe, even after the acquisition, that to have one single boss, just like the Owner of Lucky China, making all decisions was the most effective way for problem solving. These interviewees complained that with Alexander China, the decision making process for problem solving without a single decision maker was confusing and frustrating for them. According to the Chinese interviewees, each functional head based in UK made their own decisions without alignment with each other, nor did they empower the local new Chinese General Manager to make decisions. All Lucky China interviewees at managerial and professional level described their struggle and confusion. L-SM3 commented on not having a single person to go to for a decision:

In Lucky China, there was one person who could make the overall decision to be accountable, while in the new company, there is no such a person who could make decision or be accountable for the whole company, rather than it is managed by each functional lines. When we have something to look for decision, we could not find the person who is the right person. The term the foreign leaders used often is the Alexander China team. Team is important but still a leader is needed who could make decisions. We could not find such as person.

Furthermore, according to L-MM5, the decision making process in Alexander China was not only confusing but also ineffective and slow. He commented that the British managers in Britain headquarters had little or no understanding of Chinese culture and the China market situation. However, it seemed that the British managers believed the decisions made by them were always correct, which to him was not true. His view that British managers had little understanding of Chinese culture or situation was echoed by five other Lucky China managers, including L-SM3:

There is a situation now that all decisions are being made by foreigners and all decisions made by foreigners seemed to be right. In fact this situation is not good for the company. The foreigners may not understand the local situation and it requires a lot of time to have a very good understanding of the local situation. I felt that decision time is very slow, even though email could be sent timely but after all there is a time difference, and it will take time to read the email, to think about it, and then ask for more information before decision.

At the same time that Chinese workers had expectations of their managers to give clear directions and to take responsibility for decision making, Chinese managers had clear expectations that their role was exactly that and they guarded their authority actively and defensively.

Protecting Authority and Seniority

An important finding from the interviews is that Lucky China employees fought to protect their authority if it was threatened. Authority in Chinese culture includes respect for seniority and being expected to take directions from younger or less experienced managers also caused resistance and conflict in Alexander China. Further resistance and conflict occurred from the Lucky China managers and supervisors as the result of their perception that their authority and power was being ‘taken-away’ by the introduction of new automated systems.

There were 17 interviewees (all Lucky China supervisors and managers, one new employee out of 13) who discussed ensuing conflict between the former Lucky China supervisors and managers with seniority, and the perceived new ‘junior’ English speaking employees who acted as the interface between the British managers and non-English speaking Chinese employees. The more senior employees resisted the junior ones to protect their authority and seniority (‘face’). Table 4.3 presents a breakdown of the 17 interviewees who commented on and agreed on the existence of conflict between Lucky China managers and supervisors and new employees.

Table 4.3 Conflict Behaviour between New Employees and Lucky China Staff

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	0	9	7	16
Alexander China new employees	NA	NA	NA	1	1

All Lucky China department managers and supervisors discussed their dissatisfaction when they received criticism for their work from the British managers through the new and less experienced employees, thus violating the respect for seniority custom. In the minds of department managers, although the new employees had English skills, they did not have adequate knowledge about the work and should have consulted with the more experienced long service employees like them about issues before reporting to British managers. When the British managers, not understanding the cultural norm of respect for seniority, deemed the problems were with the senior employees, the senior employees felt that their authority and ‘power and face’ was challenged by the new employees and thus conflict occurred between these two groups. A new employee A-PF5

confirmed the defensive and unfriendly behaviours from Lucky China managers against him when he tried to support email communications between Lucky China managers and British managers. However, none of the seven British managers interviewed seemed to be aware that conflict between Lucky China employees and new employees might be caused by the ‘power’ loss issue as the result of making new employees the communication interface between Lucky China employees and British managers.

Dissatisfaction from department managers continued when changes in business processes resulted in some of their managerial responsibilities perceived to be taken away, thus leading to a loss of their authority. A-UKMM7, together with four of the six new local managers and one of the six new professional staff, encountered resistance from the Lucky China staff in that several months after the introduction of the new information system manual reports were still generated by Lucky China staff who refused to input into the information system. In their view it was the department managers of Lucky China who were the barrier to the implementation of the information system. A-UKMM7, who experienced the resistance about the new system from Lucky China managers believed that the resistance came from the uncertainty of losing power because the new business process re-design in the new information system had changed the authority in the roles and responsibilities that Lucky China managers used to have, thus A-UKMM7 noted:

...one important thing about system implementation is that you have to do process re-engineering. There were some certain barriers and resistance to this process redesign. We worked on questions like which part of the manual processes should be built into the system and which should become obsolete, who owns the new process in the system environment, which affected maybe the power balance between the departments, there we got into areas where we saw reluctance because some departments did not want to see their power diminished. That’s how I felt it.

By reviewing the overall interview results related to the unequal power distribution (see Table 4.4), it is evident that all Lucky China employees and British managers shared the same view that in Lucky China, the Owner’s decision was followed unconditionally. In Alexander China however, except for the operators who did not have much interactions with the British managers, all other Lucky China employees recognised that British management expected the employees to take initiatives, hence, there are significant culture differences identified between Lucky China and Alexander China. It is also evident from the interview results that the perceived loss of authority

happened primarily to the Lucky China supervisors and managers who used to possess greater authority in their positions in Lucky China.

Table 4.4 Overall Interview Findings of Unequal Power Distribution

Unequal Power Distribution	Lucky China Operators	Lucky China Professionals	Lucky China Supervisors	Lucky China Managers	Alexander China New Employees	British Managers
Responses to Authoritarian Lucky China Owner as Unconditional Acceptance	17	7	9	7		7
Different Expectations on Taking Initiatives and Independent Working		7	9	7		5
Conflict Behaviour between New Employees and Lucky China Staff			9	7	1	

The new information system was only one of the new management processes that were introduced in Alexander China by the British managers. The introduction of managing by rules and procedures was another western management practice introduced into Alexander China post-acquisition which caused resistance and conflict.

MANAGEMENT BY RULES AND PROCEDURES

Lucky China as a privately-owned Chinese family business, the way how the Owner managed the company was heavily influenced by the relationship (guanxi) aspect of the Chinese culture. Guanxi-based business management was an important aspect of Lucky China Owner’s approach in managing the external customers and suppliers of Lucky China. Within Lucky China, the Owner was more authoritarian in decision making and problem solving, but also had an informal relationship building approach with Lucky China employees. The Owner’s approach was in full alignment with Lucky China employees’ expectation. However, when western-based management rules and procedures were introduced by the British management without any relationship building

considerations, these rules and procedures encountered objections from Lucky China employees, including their Chinese managers.

Findings from the interviews indicate the clear differences between Lucky China and Alexander China in terms of the degree of managing by rules and procedures. All Lucky China interviewees explained that there were very few written rules or procedures in Lucky China because the Owner of Lucky China made all the decisions for the company. In contrast, the British managership team was found to have placed strong emphasis on a data-driven problem solving processes and also implemented many new rules and procedures in Alexander China for example to manage suppliers and customers. These new rules and procedures received very strong resentment from the Chinese staff who complained that British managers just transplanted the western procedures into Alexander China without understanding the culture compatibility. However, at the same time, they complained that the British management did not set up rules and procedures in the areas of compensation and performance management which they left to the new Chinese General Manager to organise. The new Chinese General Manager in turn used his authoritarian leadership style to make compensation decisions which the Chinese employees thought were not equitable.

Informal Walk-Around Versus Formal Data-Driven Process

Introduction of formal problem solving processes such as meetings and email communications were resisted by Lucky China employees. This resulted in ineffective problem solving and solutions which did not work, mainly because due to cultural reasons the Chinese staff did not utilise them effectively. All Lucky China interviewees at professional, workshop supervisors and manager level considered the informal walk-around approach by the Owner of Lucky China was most effective for problem solving. The Owner walked around the workshop to interact with employees, listen to problems, provide directions and answer any employee questions. On the other hand, strong resistance against the formal data-driven problem solving process in Alexander China was identified by four out of 17 operators, all Lucky China managers, supervisors and professional staff. The data-driven problem solving process included the new information system for data collection, frequent review meetings and emails to analyse the data and discuss solutions.

There were 34 out of 60 interviewees (27 Lucky China employees, five out of 13 new employees and two out of seven British managers) who discussed and agreed on the ineffectiveness of the formal problem solving process related to data, information systems, review meetings and emails in Alexander China. Table 4.5 provides the details.

Table 4.5 Ineffective data-driven problem solving processes

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	4	7	9	7	27
Alexander China new employees	0	1	0	4	5
British managers	NA	NA	NA	2	2

While British leader, A-UKSM1, believed the newly implemented information system post-acquisition was important to automate and improve the data quality for problem solving, all Lucky China managers and supervisors interviewed commented that the information system did not fit a medium-sized company like Alexander China. For example, L-SP2 and L-SM3 complained that too much time was wasted on data collection and analysis and their complaints were even stronger against the newly implemented information system. Their complaints were consistent with the resistance behaviours from the department managers that were encountered during the new information system implementation as discussed earlier.

Besides data collection and analysis, all Lucky China managers and supervisors, including L-SP2 and L-SM3, complained that too many review meetings took away their time to spend in the workshop without really solving any problems. This complaint was echoed by A-UKSM2 who also believed that the global conference calls participated in by global leaders and local Chinese employees often did not come to effective solutions. In particular, as A-UKSM2 pointed out in the earlier discussion, that Lucky China employees were normally quiet in meetings without active participation in discussions, thus, two way communications was lacking in getting to the root of any problems. Even if Lucky China employees believed British managers made inappropriate decisions, they would not speak up and give their opinions to British managers, rather they

remained quiet but felt frustrated. As a result, the problem solving through meetings were not effective.

Further to data analysis and regular review meetings, an email system was implemented in Alexander China as a common method for communication for data sharing and problem solving. There were 23 out of 40 Lucky China interviewees who strongly argued that email was misused in many situations. For example, L-SP7 said that while emails were intended to be used as ways to reach agreement and decisions, the reality was, in many situations, when there were issues or disagreements, emails were sent which escalated the conflict and no one wanted to give up first for ‘face’ reasons to avoid being viewed as the one who should be accountable for the problems.

Relationship (Guanxi) Based Versus Contractual Based Business Management Procedures

Traditionally in Chinese organisations business dealings were relationship (guanxi) based. Lucky China management and employees had no experience of contract based management procedures when the acquisition occurred. Besides issues with the problem solving process, all Lucky China managers, workshop supervisors and professional staff strongly resented the new contract based supplier and customer management process in Alexander China. They believed this was not suitable for the Chinese culture and had negatively impacted company’s performance and eventually employees’ income. There were in total 32 out of 60 interviewees including all Lucky China professionals, supervisors and managers, and two out of seven British managers who believed that the culture tension existed between managing the business by ‘guanxi’ and by procedures. Table 4.6 provides the details.

Table 4.6 Tension in Managing Business: ‘Guanxi’ versus Contracts

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	7	9	7	27
Alexander China new employees	0	3	0	0	3
British managers	NA	NA	NA	2	2

The crux of the issue was related to managing the business by guanxi (relationship), including the reciprocal issues of mianzi (face) and renqing (personal favor), versus written contractual agreement, rules and procedures. These issues were applicable to both supplier management and the customer management.

Supplier Management

Building guanxi, in the experiences of Chinese business dealings, allows time for trust to be developed in the relationships. There is strong resistance to the idea of signing a binding contract with a person with whom they had not established such a relationship. All Lucky China managers, supervisors and professional staff believed that personal relationship (guanxi) was the most effective low risk approach to manage suppliers and customers. There was a common lack of respect for contracts. A-UKSM2 gave an example of this lack of respect for contracts. Even though the written agreement of the acquisition had legally become effective, the Owner, still revisited the terms and conditions and attempted to negotiate more favourable terms, “To him, the written agreement did not count at all. It ended up that six months after the acquisition agreement had been signed he still negotiated on the pricing.” All seven British managers interviewed observed that the Lucky China Owner showed little regard for written contractual agreements which for the British managers were legally binding documents to be observed completely once signed.

According to L-MM5, before the acquisition, suppliers of materials for Lucky China were primarily managed by the Owner through his personal relationship network. All Lucky China interviewees believed that the Owner’s long term guanxi building with the suppliers protected the company from supply shortage issues. However, A-UKSM3 noted that Alexander Global identified the guanxi based suppliers model as a potential business ethical concern and introduced new supplier qualification process post-acquisition using written contracts to manage business relationships with performance conditions. L-MM5 noted the differences in managing suppliers through the qualification process versus guanxi:

My understanding is that foreign companies’ emphasis on quality and price comes second. There are no other factors that should be considered in the purchasing process. While for Chinese companies, guanxi always comes first...Foreign managers would favour the ones that meet the criteria, and once decided not easily changed.

According to A-PF5 and L-MM5, the new supplier qualification process was perceived by the suppliers of Lucky China as lack of trust from the British management and in return the suppliers withdrew their personal trust from the business relationship. A-PF5 and L-MM5 also explained that the suppliers felt loss of face when they were required to meet performance conditions such as on-time delivery. The consequence of the damaged relationship with the supplier was such that for a period of time, all suppliers collectively stopped supplying to Alexander China which significantly impacted on business performance. As shared by L-MM5:

In the past, the Owner and we shared the same thought that we relied on suppliers to support us for our business growth, we needed to treat suppliers well...So, in the past, if the material delivery was one day or two days late, it was not a big issue at all. Now the foreign management required on time delivery of the materials and asked the suppliers to exactly follow the delivery schedule...This created big challenges for us to manage the suppliers. As you know in our industry, the materials supply is always in shortage and we need the suppliers to prioritise our supply on their list, and that requires good relationship with them. Only relying on contractual relationships does not work in China, which the foreign managers don't understand. Our biggest problem now is on time delivery, which remains a problem as of today.

The culture differences in supplier management process clearly frustrated all the Lucky China managers and supervisors, whose criticisms were that the new processes were not suitable for Chinese culture. The reactions from the related Lucky China employees involved in supplier management were that they quietly resisted by not following the new processes, as described by L-MM5:

I felt a dilemma and I am in-between. On this side, my bosses are foreign managers; on the other side, all are our suppliers. Owners of privately-owned companies, and sometimes the foreign managers' practice could not be accepted by the suppliers in many aspects...So sometimes, even the foreign manager would raise the order, but we still did what we should...if we followed 100% the practice by foreign managers, we would not even get materials delivered and we would not get our job done at all.

A-PF6 and A-PF5 confirmed that the new supplier management processes were not fully followed by Lucky China employees and frequently false supplier performance reports were submitted showing positive results which were different from the facts. A-PF6 and A-PF5 also mentioned Lucky Chinese managers wanted to avoid British managers having bad impressions about them if they reported the factual poor results. Similar acts of resistance, hidden from British management, were done to manage customers.

Customer Management

Culture difference between guanxi-based and contract-based customer management caused a loss of market share by Alexander China post-acquisition. From the view of A-UKSM3, a definite disadvantage for Alexander China was the lack of networks and relationships (guanxi) in China which hindered Alexander China from broadening their customer base:

We thought we could gain more market share in China and achieve our growth target. However, in China, the businesses were conducted through guanxi, personal relations, while that is something we at Alexander Global don't have and we could not get into this guanxi network, therefore, our business growth in China did not meet our original expectations.

A-UKSM3 also lamented that Alexander China even lost some of the existing customer base of Lucky China due to the customer information loss during post-acquisition integration. A-UKSM3 experienced a culture shock when he learned that all sales representatives in Lucky China believed that the customer information were their personal assets. This was very different in Alexander Global where all customer information was company assets as defined through employment contracts. A-UKSM3 described his shock about this:

I was absolutely shocked when the employee said that the customer information was his own personal assets and had nothing to do with the company. In my whole career experience, the customer information belonged to the company and never belonged to me personally. But this obviously was not what these Lucky China employees thought. By the way, they won't even let us know which customers they are visiting because they don't want us to know them.

A-UKSM5 was very disappointed to see that eight out of nine Lucky China sales representatives left Alexander China when they were required to share their customer information and sign the new labour contract which specified the company's ownership of customer information. These eight sales representatives took their customer information with them which meant Alexander China lost these customers as nobody else knew the information. A-UKSM5 said, "So the factory does not know the customer....So everything was kept by the sales person. So we were trying to find out who the customers were, which is amazing."

Strong ethical concerns about the exclusive personal guanxi based customer relationships were articulated by A-UKSM3 and A-UKSM5. A-UKSM5 described one situation when one sales representative manipulated the sales order fulfillment process to gain personal financial benefit.

A-UKSM5 said:

There was one time, I ran into one of our customers in the hotel, and he mentioned that he was waiting for our products and wanted to know the status. I went to the factory to check the status for him. What I found out was that Alexander China only received the order to produce half of the quantity he ordered while the invoice he received from us was for the full quantity. Obviously the sales person assigned another manufacturer to produce the other half and managed to bill from us. This was clearly an unacceptable unethical behaviour. We terminated the sales person.

Another potential ethical concern, related to personal guanxi based customer relationship identified by the British managers, was the entertainment expense with customers. L-MM5 strongly claimed that entertainment activity was critical in customer relationships by showing respect, therefore, he believed that entertainment expenses should be a legitimate business expenses. However, L-MM5 complained that the British management restricted the entertainment activities with customers in Alexander China:

Just take an example, if you, the foreign management comes to my place, I must take you to have lunch, right? However, the foreign management did not understand this, they did not think this was a necessary expense at all. So they don't understand the Chinese culture. They certainly could afford the expense, so maybe this is the difference between western culture and oriental culture. If you visit my company, I should pay the meal as I am the host, since I am representing the company, so I think this should be business expense not my personal expense.

The tension regarding customer expenses issue, together with other conflicts between managing businesses by guanxi versus by procedures consistently illustrate that Lucky China employees felt strong frustration about the approach that the British managers took in implementing managing rules and procedures in Alexander China.

Implementation Approach of Management Rules and Procedures in Alexander China

Both Lucky China employees and the new employees felt frustration about the extent to which management rules and procedures were introduced in Alexander China and how they were implemented. Their frustration included the fact that for business management, the British managers just quickly and simply ‘transplanted’ the western procedures into Alexander China without considering how appropriate they were to the organisation and how sensitive to the culture. Further the speed of implementation of strange and new methods was beyond the learning capacity of local Chinese employees.

All Lucky China interviewees, as well as all of the new employees hired by Alexander China, were frustrated that the British management transplanted western rules and processes too quickly into Alexander China without considering the local situations and culture factors. All 60 interviewees agreed on the issues of culture awareness related to the introduction of western rules and processes in Alexander China. Table 4.7 provides the details.

Table 4.7 Lack of Culture Awareness in Transplant of Western Rules and Processes

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	7	9	7	40
Alexander China new employees	0	6	0	7	13
British managers	NA	NA	NA	7	7

A-PF4 described his frustration. He believed that changes should have been implemented step by step based on the local capacity of the new company:

...the British management has too strict standards for the local factory. However most of the local employees’ qualifications or capabilities are limited and it is very difficult to reach the high standards overnight, other than it should be approached step by step...I suggest that the senior management should not simply apply the British standards to the local factory, they should consider the local situation then introduce a plan to improve the local performance step by step, so that it is achievable, and set the benchmark goal as the local performance. In another words, to set the standards based on local situation not the British standards.

Six of the seven British managers interviewed reflected the same learning that during the integration planning phase, local situations and cultural factors should have been considered for integration activities. They agreed that they learned about cross culture conflict the hard way through strong employee resistance and failure to accomplish the goals of integration activities.

Overall, the interview findings related to Managing by Rules and Procedures (see Table 4.8) illustrate that all Lucky China employees, all British managers and most of the Alexander China employees agreed that there was lack of culture awareness when the British management simply ‘transplanted’ their western rules and procedures into Lucky China. The characteristics of the western management for problem solving were more data driven which were perceived as ineffective by the majority of Lucky China employees compared with the past problem solving approach when the Owner walked around the workshop. When the British management implemented new rules to manage customers and suppliers versus managing by ‘guanxi’ as was done in the past according to Chinese culture, tension was created between all Lucky China employees except the operators who had limited access to customers and suppliers management.

4.8 Overall Interview Findings of Managing by Rules and Procedures

Unequal Power Distribution	Lucky China Operators	Lucky China Professionals	Lucky China Supervisors	Lucky China Managers	Alexander China New Employees	British Managers
Lack of Culture Awareness in Transplant of Western Rules and Processes	17	7	9	7	7	7
Ineffective data-driven problem solving processes	4	7	9	7	4	2
Tension in Managing Business: ‘Guanxi’ versus Contracts		7	9	7	3	2

Interestingly, while rules and procedures were introduced for business management almost none were established for the people management side to guide the consistent and equitable decisions on compensation and benefit treatment, performance management as well as clarifications of roles and responsibilities. While the Lucky China employees protested against the cultural fit issue for the new rules and procedures on the business side, some selected Lucky China employees also

protested that lack of the consistent guidance on compensation treatment in Alexander China had caused the perceived inequity issues among different groups of employees.

EQUITY EQUALS EQUALITY

The relationship (guanxi) and face (mianzi) aspect of the Chinese culture had strong influence on how the Owner managed the compensation practice in Lucky China. As the Owner managed Lucky China employees through relationship building, harmony was an important part of the relationship maintenance at workplace. Lucky China Owner applied the approach of ‘equal job, equal pay’ to compensate the workforce which avoided conflict among the work group and nobody would lose ‘face’ as they received same money for doing the same job. The Lucky China Owner’s approach for compensation was perceived a fair and equitable approach by all Lucky China interviewees except the operators who were on piece rate compensation system. Therefore, when there was any violation against the perceived fair approach for compensation, issues occurred.

Equitable approaches for compensation is an important workplace practice to maintain harmony and avoid conflict. The interview findings disclosed the strong dissatisfaction from Lucky China employees against how the compensation and benefit rewards were handled in Alexander China. The dissatisfaction came from the perceived inequity of compensation and benefit treatment between Lucky China employees and new employees and the selected groups of Lucky China employees who received salary increase in this acquisition versus those who did not. As a result, conflict and resistance occurred between these different employees groups as well as groups agitating for salary increase and threatening resignations. There were 43 interviewees including all Lucky China interviewees, two new employees out of 13 and one British leader out of seven who agreed that there were perceived inequity issues in salary treatment in Alexander China; Table 4.9 provides the details.

Table 4.9 Perceived Inequity in Salary Treatment

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	7	9	7	40
Alexander China new employees	0	0	0	2	2
British managers	NA	NA	NA	1	1

In Lucky China, according to all Lucky China employees, except for the shop floor operators who are on piece rate pay system, all other employees who are at similar levels should receive similar pay. The Owner of Lucky China made compensation and benefit decisions without guidelines and policies but no employee complained about the fairness. All pay information was listed on the same piece of paper and all Lucky China managers, supervisors and professional signed their names to receive the cash on spot. This transparent approach created the feeling that all were treated equally.

The cash payment of salary, according to A-UKSM1, had a serious compliance issue in that no individual income tax had been withheld to meet legal requirements. To fix the compliance issue, British managers increased the salary of Lucky China managers so that their after-tax income could be the same or even higher than before. All Lucky China interviewees at supervisors, professionals and operators level were critical of this move and believed that it was unfair to only increase the salary for Lucky China managers rather than for all Lucky China employees. Furthermore, five out of nine Lucky China supervisors interviewed expressed their strong resentment against the selected salary increase for another four Lucky China supervisors because of the perceived inequity. L-SP8 and A-MM6 explained that the four Lucky China supervisors negotiated their salary increase with the new Chinese General Manager when being asked to help with ending the three-day strike by Lucky China employees. A-MM6 thought that it may be due to face reason, the authoritarian mindset of the new Chinese General Manager, as well as the fear that these supervisors would not help with the strike, that he promised the salary increase for those who negotiated. As a consequence, four out of the five workshop supervisors without salary increase collectively threatened to resign together to fight for their salary increase.

In addition to the perceived inequity issues, strong inequity concern was raised by all Lucky China employees about the unfair compensation and benefit treatment between Lucky China employees and the new employees hired by Alexander China. All Lucky China interviewees were very critical of British managers for giving new employees higher salary just because of their English skills. Furthermore, in the new company, salary information was required to be kept personal and confidential which aroused many rumors and even stronger dissatisfaction about the inequity of compensation benefit practice. L-MM5 shared:

We have worked in this industry for more than 10 years, we understand the products and we are the technical experts. It is not fair for them to get paid higher only because they speak good English and have high education degree than us. But we have experience, which is more valuable than just English and education level.

Dissatisfaction by Lucky China employees about the compensation equity was so strong that 20 Lucky China employees did not show up at work to protest for salary increase when their new manager, A-MM7, started his first day with Alexander China. A-MM6 believed that the serious consequence of ‘negotiation based’ salary increase was due to the perceived rule breaking of past ‘equity’ in Lucky China. Furthermore, A-MM6 also worried that the inconsistent salary treatment by the new Chinese General Manager had become a challenge to ‘standardise’ the compensation and benefit policies in future as it could create another round of perceived equity issues for some employees, which in turn could result in serious industrial relationship issues. The British managers interviewed were not aware of the strong resistance and unhappiness from Lucky China employees about the perceived inequity in salary treatment.

As discussed earlier in the above section of ‘managing by rules and procedures’, all Lucky China professionals and four of the nine supervisors expected British managers to establish a fair and transparent performance management system to differentiate performance and also to link performance objectives to compensation. Such expectation was discussed in the context of ‘compensation inequity’ between former Lucky China employees and new employees who were in similar roles and was different from the past practice in Lucky China.

In the views of L-PF3 and L-SP1, when the Owner made all compensation and benefit decisions in Lucky China and differentiation in performance was introduced in Alexander China, it would be a foreign concept to Lucky China employees. They explained that because Lucky China employees were either relatives or former colleagues, it would create face and relationship issues especially if performance feedback was tough. L-SP1 said:

...in the family business, relatives took the critical positions, and they often cared about face to each other. They were all brothers and sisters and could not say tough words to each other.

Evident from the interviews, the perceived compensation equity by Lucky China employees essentially meant 'equality', that is the 'equal' treatment for people in the similar roles without differentiation. Such expectations, according to the comments above, were influenced by the past practices in Lucky China when compensation differentiation was 'impossible' due to the relatives or friends relationships (nepotism) in the Lucky China organisation.

NEPOTISM

Nepotism was a strong characteristic of Lucky China but nepotism became unacceptable with Alexander China. All Lucky China employees identified the impact on relationships between different employee groups post-acquisition. Within Lucky China there were three main implications of nepotism. The first was that the hiring process was through personal relationship networks, therefore most of the employees had some relationship with each other. The second was that although there were strong relationship networks there was differentiation in the degree of cohesiveness of relationship between the family relatives and former colleagues. Thirdly, the relationship network among Lucky China employees continued to exist post-acquisition within some groups. The new hires were perceived as potential job security threat to the Lucky China employees. These new employees were treated with hostility and regarded as 'outsiders' by the Lucky China employee network. There were 46 out of 60 interviewees (all Lucky China interviewees, four new professionals out of six and two new managers out of seven) who discussed

nepotism and agreed on the influence of nepotism in Lucky China and Alexander China respectively. Table 4.10 provides the details.

Table 4.10 Influence of Nepotism in Lucky China

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	7	9	7	40
Alexander China new employees	0	4	0	2	6

Recruitment through personal relationship networks, such that most of the employees had some relationship to each other, had a flow on effect with problems on other people issues.

Relationship Networks

Common in Chinese family businesses, including Lucky China, is the practice of selecting relatives for key senior leadership positions, such as finance management, while hiring former colleagues and friends from the larger guanxi network for other management positions.

According to L-SM3, the Owner appointed his own relatives for the most critical finance management positions and hired his former colleagues and friends into other senior technical leadership positions. L-SM3 said:

The Owner used to be in the same factory I worked for. He sincerely invited me to join his company as he needed some help at that moment, so I joined Lucky China. There were also another two colleagues of mine joined Lucky China as senior managers.

L-PF3 confirmed L-SM3 on the nepotism feature of Lucky China:

Lucky China was a family business, and senior leaders were either relatives or colleagues of the Owner. They had all kinds of relationships connecting them together, like the spider net, which are very strong and complicated.

Nevertheless there was some differentiation between the relatives' and the former colleagues' relations within the new company. L-PF2 mentioned that the sister of the Owner was the Accounting Manager while the brother-in-law of the Owner was Chief Financial Officer, and

therefore, they were the only people who could access financial information whereas former colleagues did not have this access. The different treatment of access to finance information illustrated that the relatives of the Owner were a smaller and more cohesive inner group among the different employee groups of Lucky China.

At the shop floor operator level, nepotism occurred through referral of relatives or friends to work for Lucky China, including those who were from the same town or province. Therefore, even among the shop floor workers, there were also some relationship networks. L-SF1 said, “In Lucky China, if you were relatives of someone, then you could be hired. In the past, many employees were from the same family.”

L-SF12 further commented that in Lucky China some family members even had reporting relationships and complained that when workshop supervisors had their relatives or friends report to them in the workshop, they engaged in personal favoritism such as allowing their relatives to have more income. L-SF12 explained that in the workshop, where shop floor operators were on piece rate compensation system based on the volume of work completed, the workshop supervisor would favour those with whom he had good relationships by assigning more work to those workers who could thus earn a higher income. Even though such favouritism violated the equity in compensation rule Chinese staff still perceived that there was greater equity in compensation in Lucky China than in Alexander China.

The reporting relationship between supervisors and their direct reporting employees who were their relatives was identified as one potential ethical concern. Alexander China did not allow such kind of reporting relationship to continue in the new company. At the same time, Alexander China also reinforced that the hiring process should be based on qualifications and not on relationship networks.

Overall the findings consistently suggest that there were strong nepotism in Lucky China impacting the management practices for staffing and compensation decisions. Within the relationship network, the findings indicate there were smaller ‘inner circles’ among family members and relatives and the influence of such small ‘inner circles’ was strong. For example, in

the situation of workshop supervisors who had their relatives reporting to them, the personal favouritism to the relatives ‘voilated’ the equality based compensation principle.

Hiring by Relationship versus by Qualification

A-SM1 noted that all hiring decisions in Alexander China for new employees were based on the skills and qualifications needed for the job as opposed to the nepotism practice in Lucky China. All British managers interviewed stated that the key criteria for new hire decisions included English capability and working experience with multinational companies which they could not find with Lucky China employees. Furthermore, all seven British managers commented that the new managers were hired for new departments to align with the organisational structure of Alexander Global. As explained by A-UKSM3:

No one from the Lucky China spoke the language, nor did we speak Chinese, therefore, we needed some communication bridge with someone who spoke English. The foundation of modern management system was not there with Lucky China, for example, finance and accounting management did not meet compliance requirements and some functions of management were missing, such as Information System, Logistics, Customer Fulfilment etc. Therefore we decided to hire some new employees into these functions, both managers and professional staff.

While the British managers’ intent for the new hire was to close the competency gaps that existed with the Lucky Chna employees, the hiring of the new employees created other unintended consequence between the new hires and the Lucky China employees. One unintended consequence was the formation of two ‘hostile’ employee groups.

Them verus Us

With Alexander China, the qualification based hiring process made the new hires an ‘outsider’ group and a potential threat to the original Lucky China employees’ relationship network. Thus a ‘them versus us’ atmosphere was created. As a result, tension and hostility occurred between Lucky China employees and the new employees.

All 23 Lucky China interviewees at managers, supervisors and professional level voiced their strong opposition against the new employees. Many of the the new employees were perceived as younger and less experienced. The unhappiness experienced by existing managers and professionals came from the perceived lack of respect given by new and younger employees to the senior and experienced Lucky China staff, as well as the perceived inequitable higher salary offer for new employees in the new company. The resulting violation of both respect for seniority and salary equity were discussed earlier in this chapter. As a result, of the qualifications recruitment practice there was a lack of cooperation and harmony. L-SM5 spoke of the uncooperative behaviour between Lucky China employees and new employees:

All new hires could speak good English and hold high education degrees. Most of them felt that they knew everything and looked down upon us. In fact, they knew nothing about our products and our industry. For example, there was one time a new engineer released a design blueprint of a new product, which was impossible to make from technical perspective, but he insisted to produce that product. We did not follow his idea.

Another new arrangement in Alexander China which caused a ‘them versus us’ atmosphere was the establishment of new departments. All Lucky China managers and supervisors discussed the strong concern caused by the establishment of new departments and appointment of new managers which were perceived as taking away their existing authority, as well as job opportunities. This job security concern led to their resistant behaviours against the new management group by delaying transfer of staff to the new departments and not allowing the new employees to access critical business and supplier information.

A-MM7 experienced a long and difficult process to get the assigned team members transferred from the existing departments to work for him, as described by A-MM7:

I idled around the factory for 3 months without work to do. I went to discuss the employee transfer issue with the existing manager, but the manager could always find some excuses for not transferring staff. When my department needed to secure a space for storage of products, the existing department employees would not let us have the space, and they said the space was theirs. It was indeed very hard to establish the new department.

A new employee A-PF5 shared that his Lucky China manager allocated non-critical jobs to him and prohibited him from accessing critical business information:

There was one emergency situation that we need to contact a supplier urgently for material delivery...I could not find my manager so I had to contact the supplier directly, but I did not have the contact information. I asked my colleague who was a previous Lucky China employee about the telephone number of the contact. He did not tell me. Five minutes later I received a phone call from my manager who seriously told me that it's his job to contact the supplier and not mine. I should not obtain such information. I felt very frustrated about this.

A-PF5 also observed that the Lucky China employees always gathered together during lunch or break time for small group discussions. This looked as though they always had some secret discussions to hide from the new employees. A-PF5 said:

In my department, the previous Lucky China employee treated me as an enemy who wanted to know their secret and took away their job. Often when they were talking about something in the office, if I came in, they would stop the conversation and go back to their seats.

All British managers interviewed revealed that they only learned about the 'nepotism' in the workplace after they started to work in Alexander China. They had no prior knowledge before the acquisition. All British managers interviewed also agreed they could feel the tension and resistance between the new employees and Lucky China employees but they did not know the full details of the confrontations and the reasons behind them. They all also explained that they were not aware of any of the cultural issues when they planned and implemented the hiring of new employees and establishing new departments, only learning about the cultural issues afterwards.

From the interviews, it is evident that Lucky China as a family business was heavily influenced by the nepotism in managing practices which resulted in strong personal relationship networks at the workplace. Such relationship networks were considered to be the foundation of Lucky China as a more caring organisation for employees than Alexander China.

EMPLOYEE CARE

The interview findings indicate that Lucky China employees perceived different degrees of employee care between Lucky China and Alexander China. The informal interpersonal interactions by the Lucky China Owner, which involved providing meals, entertainment activities, resolving

employees' personal problems, and frequent and direct interactions walking around the floor, were perceived as strong employee care by Lucky China employees. For Alexander China, although significant investment was made on new benefit programs and employee safety protections, these effort were not perceived as employee care as they involved no direct interpersonal interactions. Most of the Lucky China interviewees commented that Lucky China was a more caring organisation than Alexander China, although there were mixed views about whether the Lucky China Owner was a caring leader.

There were in total 36 out of 40 Lucky China employees (13 out of 17 operators and all Lucky China professionals, supervisors and managers) who continued to feel that employee care of Lucky China was better than Alexander China. Table 4.11 provides the details.

Table 4.11 Employee Care in Lucky China was better than Alexander China

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	13	7	9	7	36

The employee care issue discussed in the interviews showed that Alexander China invested more financially and structurally on this issue than the Owner of Lucky China. Yet, the personal interactions by the Owner had a more positive impact on the employees' perception of care than the Alexander China employee care program.

Employee Care in Lucky China

Among the Lucky China interviewees, there were mixed views as to whether the Lucky China Owner was a caring leader, there were in total 30 out of 40 Lucky China employees (13 out of 17 operators, one out of seven professionals, all supervisors and managers) who believed that the Owner of Lucky China was a caring leader. Table 4.12 provides the details.

Table 4.12 Owner of Lucky China Perceived as a Caring Leader

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	13	1	9	7	30

All Lucky China managers and supervisors interviewed commented on the strong and warm connection felt with the Owner when he took them to entertainment activities. At shop floor operator level, being taken out for a meal by the Owner was also viewed as the care and recognition for their hard work, as well as giving ‘face’. One shop floor operator L-SF 5 related one of his experiences with the Owner:

There was one time that we needed to do a new product development which was difficult. But the Owner gave the instruction to the whole factory that we must deliver it. He personally got involved in the whole product development process and worked together with the employees very late until 2 or 3 am in the morning. After the work, he took all the employees involved to have a good meal and sent them off home one by one. With such kind of boss, it made the employees feel great to gather around him.

The Owner often provided personal help to the managers, supervisors and professional staff with their difficult personal situations. For example, he helped one professional staff member’s child to be accepted by a local school when there was no space available, and he attended the wedding of employees’ family members when he was invited. All this made these employees feel that the Owner gave them ‘face’ as normally senior people like the Owner would not take care of employees at such a personal level. A supervisor L-SP8 commented:

When I invited him to my son’s wedding ceremony, he showed up and this gave me big face. The Owner knew what is Renqing (personal favour), and this meant he cared about me.

A significant demonstration of the Owner’s care to all Lucky China interviewees was that the Owner personally tried to use his influence to help Lucky China employees to successfully purchase the limited train tickets back home for Chinese Lunar New Year holiday which is the most important family gathering holiday in Chinese culture. It is always a challenge to the Chinese national government to transport the hundreds of millions of people home within the short period of this Lunar New Year holiday time. The owner’s effort was greatly appreciated by Lucky China interviewees, especially 13 shop floor operators who came to work for Lucky China from another province.

There were 13 out of 17 shop floor operators interviewed who said that they experienced care from the Owner when he walked around the workshop and talked to them directly every few days. The

Owner talked to them informally about various topics, such as production schedule, reminders about safety, etc. L-SF17 said: “In Lucky China, the Owner always came to the workshop to talk to the employees, remind employees on safety, etc. He always said some warm words to the employees.” L-SF10 also shared her feeling about the Owner:

The Owner of Lucky China communicated well with employees and told employees not to get too tired and encouraged employees to think about ways to complete things quickly so that they could get more rest. He cared about employees, such as he bought instant noodles for the employees when the employees needed to work overtime. All these made employees felt warm and inspired.

In contrast, four out of the 17 shop floor operators and six out of seven professionals disagreed that the Owner was caring. There were in total 10 interviewees who believed that the Owner of Lucky China was not a caring leader, Table 4.13 provides the details.

Table 4.13 Owner of Lucky China was not Perceived as a Caring Leader

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	4	6	0	0	10

L-SF16 commented that the Owner only cared about production rather than the well-being of operators. L-SF15 complained that for example, salary payment in Lucky China was always delayed around three months on average, which clearly impacted on the employees’ quality of living. L-SF15 disclosed that Lucky China did not pay the mandatory social welfare benefit for employees such as retirement. Further L-SF15 said that there was no minimum living wage for Lucky China shop floor operators who were under the piece rate wage system. L-SF11 and L-SF12 both said that in Lucky China the shop floor operators suffered financially when there were no customer orders. Being a long service employee with more than 15 years’ service in Lucky China, L-SF15 also explained that the Owner had more direct communications with those shop floor operators who had a relationship with him, but not with all shop floor workers.

Evident from the interviews above was the perceived employee care in Lucky China positively impacted by the frequent and direct interpersonal interactions between the Lucky China Owner and the employees, as well as Lucky China Owner’s attention to the personal issues of his

employees. There were some contradictions identified in the Lucky Owner's behaviours for employee care, such as, between the unethical act to delay employee salary payment and the closer relationship with some operators. The findings indicate when an authoritarian leader, like the Owner, makes an effort to take care of employees, such caring behaviours may override the inappropriate unethical behaviours of the authoritarian leader. Nevertheless, the Lucky China Owner was viewed by most of the Lucky China employees as a caring leader with strong followership by the employees.

Employee Care in Alexander China

Looking at employee care in Alexander China, one British manager, A-UKSM2, observed that former Lucky China senior managers do not care about the lower level Alexander China employees. He related one experience:

Unfortunately what I found was that the senior management, the wealthy people were absolutely brutal. Let me give you an example of what I am talking about. I had a driver who was a wonderful person...He fell and broke one of his ankles, a really nasty break. Two things happened. The first thing happened was that the senior manager of the company wanted to fire this driver, I was shocked, this is our employee and he broke his ankle and you want to fire him! The guy was quite surprised about my attitude and almost offended at my attitude. I don't understand it why would you want to keep him? So that was one thing that I found to be very very hard and very brutal in many ways from senior management.

A-UKSM2 also discussed another case when the local senior manager did not explain to an employee about the change of medical insurance scheme when the employee was transferred from one factory to another. When the employee had a medical incident it was found that the new medical insurance scheme could not cover the medical expense required while the old one could. It seemed to A-UKSM2 that the local senior management did not have any consideration of lower employees benefit or needs.

For Alexander China, all Lucky China interviewees talked about their low level of sense of belonging and motivation with the new company, even though the compensation and benefit treatment, as well as new safety management procedures were implemented to protect employee

safety. In the interviews, four of the 17 Lucky China shop floor operators mentioned that Alexander China implemented a number of measures including a minimum wage for shop floor operators underpinning the piece rate compensation system, a new 14 days paid annual leave policy and paid government mandatory social benefits for all employees. Unlike at Lucky China, where there was no or little income when business was poor the shop floor operators were now paid a minimum living wage even when there were no production orders. L-SF11 said that as long as they continued to work for Alexander China, “we will not starve to death”. L-SF12 also shared the same comment, she said: “It is better now to have the minimum living standard salary to guarantee the living, which did not exist in the past; it was only on piece rate, no work, no salary.”

All shop floor workers interviewed generally also spoke positively about the safety management processes that Alexander China put in place which showed British management’s attention to their safety. L-SF12 shared her comment on this:

After acquisition, safety is better than before. The company provided us the personal protection equipment to protect us. In the past, the Owner saved cost on anything and he did not invest in this. Now the foreigners invested on the safety equipment which benefited all the employees.

However, three out of seven local Lucky China managers held a different opinion of the new safety management processes. They did not believe it was necessary and to use L-SM3 words, “it was a waste of company’s money”. It seemed that the local China management continued to have less care for the employees at lower level of the organisation, as noted earlier by A-UKSM2.

Although there were positive comments about the new minimum wage system and the safety management processes, all Lucky China interviewees perceived the new benefit policies and safety management protections were more of a ‘business’ nature for the British management. This was perceived as attempting to run the company efficiently, rather than an indication of that the leadership truly cared about them as individuals. Thus, the actions did not engaged a sense of belonging in employees. The Lucky China employees complained about the lack of care for employees’ personal needs with Alexander China and the new management team not doing the ‘extras’ such as buying train tickets as Owner of Lucky China had done. With Alexander China,

the employees had to take leave to wait in a queue for three to five days at the train station to buy the ticket themselves. L-SM3 said that the new company management team rejected the request from employees to support the effort to purchase the train ticket because it was considered personal and not business related.

In contrast to the frequent and direct interpersonal interactions with the Owner of Lucky China, 14 out of 17 shop floor operators interviewed complained that the new management of Alexander China seldom visited the workshop and they did not feel the care and connection with the new company as they had with Lucky China. L-SF10 made the representative comment which summarised the difference of the perceived care by these 14 employees between Lucky China and Alexander China:

In comparison, the care to employees was much better in Lucky China than the new company. As the Owner of Lucky China directly talked to employees very often but there were no direct leadership interactions or communications with employees in the new company at all. In the new company, it is only about doing a job and we are just informed about working overtime or not overtime, without seeing the leaders in person at all. It made us feel better and comfortable that the Owner talked to us in Lucky China.

L-SF11 emphasised the important role of one central senior leader in delivering employee care. He explained that while the employees respected the authority of the senior leader, they felt stronger care when the senior leader was willing to pay personal attention to employees' welfare. L-SF11 was not happy that no such senior leader existed in Alexander China, who had the authority for employees to look to for care and recognition. L-PF11 elaborated:

Lucky China could motivate the employees, because if you work hard and do more contribution, the Owner will appreciate the worker and take good care of the worker, such as ask driver to send the employees home, etc. Now in foreign company, I don't know who I am working for, everyone is working at different levels, including the general manager. No one could see how good you are as the senior leaders are in Britain.

All employee care in Lucky China was utilitarian behaviour by the Owner but warmly received by most employees, although the majority of professionals did not recognise the Owner as caring. In contrast, employee care from Alexander China was more structural, involved greater security and safety, and was appreciated for its systematic protection it provided. This, however, was not recognised by many of the former Lucky China employees as genuine care. The unconditional

followership mindset by the Lucky China employees brought about by the influence of respect for authority and Lucky China Owner’s care to employees, formed the foundation for a harmonious relationship that was valued by most Lucky China employees. Such an informal relationship was in direct opposition to the less appreciated structured western employee care program introduced into Alexander China. This was so, even though part of achieving harmony made conflict avoidance part of the Lucky China organisational culture, as discussed next.

CONFLICT AVOIDANCE

Chinese workers tend to be conflict avoiders in pursuit of harmony. Lucky China employees’ tendency to avoid confrontation and conflict was found to be a factor that caused much frustration with the British managers. Primarily, the conflict avoidance behaviours of Lucky China employees identified from the interviews included quiet resistance when they had different opinions, always saying ‘yes’ even though they disagreed, never raising issues in problem solving meetings, filtering negative messages during translation process to turn them into positives ones to maintain harmony. At the same time, British managers were clear that they preferred open resistance and direct confrontation to deal with the issues as well as assertive and direct communications when there were different opinions or bad news. Obviously, conflict was found between Lucky China employees’ conflict avoidance style versus British managers’ conflict confrontation style. All the seven British managers discussed their observations and there was agreement on the conflict avoidance behaviours by Chinese employees. Table 4.14 provides the details.

Table 4.14 Conflict Avoidance Behaviours by Chinese employees as viewed by British Managers

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	1	0	0	1
Alexander China new employees	0	1	0	0	1
British managers	NA	NA	NA	7	7

The conflict avoidance behaviours from Chinese employees were foreign to the British managers who preferred direct confrontations with issues. However, there was only one Alexander China

new employee who commented on the conflict avoidance behaviours by Chinese employees which indicates that Chinese employees were not aware of their own 'conflict avoidance' behaviours.

Quiet versus Open Resistance

All seven British managers interviewed expressed their strong frustration when Lucky China managers agreed to do assigned tasks but as days passed did not do anything. This had occurred to A-UKSM2 who felt extremely frustrated and sought unsuccessfully to get an explanation about the way a local manager behaved. A-UKSM2 was extremely frustrated about an approach taken by the local manager who accepted a direction with no intention to act on it. He explained that he preferred more direct resistance from the local manager:

Western managers prefer open resistance. They want to be told what to do...It is better than just say yes and then not do it. That happened most of the time. Most of the time, people would nod, do you understand, yes, would you repeat back to me what I just said, would you tell me in your own words what you thinking I am asking you to do. Ninety percent of the time they did something entirely different.

Later during the research, one interviewee who happened to be the interpreter who translated the discussion quoted above between the Lucky China manager and A-UKSM2 explained that the Lucky China manager did not think the British manager A-UKSM2 had made the right decision due to his lack of understanding of the local situation. The Lucky China manager A-SM2 did not want to confront the British manager about the different opinion so he chose to agree with him but do nothing. The behaviours of A-SM2 appeared to be consistent with the earlier discussions about the Lucky China interviewees' mindset of unconditional following of leaders' decisions, however in this case the decision by the A-UKSM2 was ignored. Saying yes when they meant no was a common form of passive resistance for Lucky China employees. Direct communications was difficult for them whereas indirect communication was more common around difficult situations.

Indirect versus Direct Communications Style

As a general observation, A-UKSM2 and A-UKSM5 explained that the Chinese staff frequently answered "yes" to their questions which in many cases was subsequently proved to be "no" instead

of “yes”. The British managers eventually learned the difference between a Chinese persons’ “yes” from a westerner’s “yes”. A-UKSM5 reflected his learning about this:

For western people, yes, means, I agree and I will do it. It does not mean yes I hear you. To western people with good understanding of English, it is yes, there is a difference between yes, I hear you and yes, I agree. You just got to be careful, because Chinese people could say yes all the time.

A-UKSM5 learned that for Chinese people one way of avoiding saying “no” was to respond positively to questions by using phrases such as “try our best” and “we will help as much as we can” even though they had no intention of acting on the request. A-UKSM5 reflected on his dawning understanding as he encountered many such experiences in business negotiations with Chinese people:

Then if something happens, you will not lose face as you never agreed to it the first place...The reason they responded like that is because they don’t want to lose face if they can’t do anything. But they got the point, they understand, and that’s the maximum commitment that they can make. That reflects the kind of different cultural aspects between western culture and Chinese culture.

Besides always saying “yes” in a difficult situation, another conflict avoidance strategy was to remain silent. An example was provided by A-UKMM7 when he learned the hard way that silence in meetings did not mean agreement in Chinese culture. His experience was that local Lucky China managers chose to withhold issues and problems related to their co-workers to maintain harmony, give face and avoid conflict. The consequence was that problems and issues were not raised by the Chinese and thus not solved which significantly hindered actions for example delaying the implementation of the new information system.

Another area reflecting conflict avoidance of the Chinese employees, including the new employees, was the distortion and loss of messages during the translation process. In the opinion of A-UKSM2 this was largely because the interpreters tended to translate what they thought the bosses wanted to hear and avoided translating the tough messages. A-UKSM2 often found himself extremely frustrated about the way translation was handled. For example he wanted his emotions, such as feelings of anger to also be communicated, as A-UKSM2 stated:

Now as I said I had the highest regard for the person who was my translator, but I would find that he was too much diplomatic. He would translate what he thought I wanted to hear, which I tried to tell him that 'what you are doing to me is a major disservice' because it was much more important for me and them to understand than whether I am offended or not. That's fine, I don't have problem with that, just translate that...to translate that with the same anger that I had. He just could not do that.

A-UKSM2 explained that the same happened in reverse, that the interpreter would not accurately translate what the Chinese staff were saying to him:

I know that this guy is obviously very upset, what is he saying and what is he doing? The translator said oh, nothing really, it's just he is not really upset. So it is not just a matter of language, it is a matter of communicating! I think it is very very difficult indeed. I think it is the No.1 issue by far that we have.

A-UKSM5 recognised that the translation style was not just a language issue rather it was a cultural issue in that the communications style of Chinese people were more indirect than in the West and influenced by the cultural value of pursuit of harmony while the style of western people was more direct. A-UKSM5 expressed his view as follows:

It is easy to say in China, we Chinese do not approach things directly at all, it is alluded to, it is an approach from the peace angle, etc. where in the west, we very much admire straightforwardness, tell us straight to the face, it is not regarded as unpleasant, I want it clean, all are done in the face.

Besides the British managers, Lucky China professional staff L-PF4 also agreed that Chinese style of talking was more indirect and to be polite to people to maintain relationship, while the British manager's style was more direct and focused on the task completion. The rest of the interviewees did not make comment on the difference of the communications style.

From the interviews, it is evident that two British managers perceived that the motives behind the conflict avoidance of Chinese employees were to avoid the potential risks and uncertainties of 'breaking' the harmony within the relationship groups and offending those who were in authority. Although only two British managers held this view, it is important to note that these two British managers were the expatriates assigned by Alexander Global to be based in China, and their perception was based on their daily direct interactions with Lucky China employees.

Such a conflict and uncertainty avoidance mindset was also found to have implications on Lucky China employees' focus on the 'current' and short term benefit versus the long term future viability.

FUTURE VIABILITY AND SOCIAL RESPONSIBILITY

Findings from the interviews indicated that although holding high expectations about a long term viable future, the Owner of Lucky China, Lucky China managers and Lucky China shop floor operators did not behave in a way that would build a long term viable future. At the same time, Alexander China was found to invest in equipment, facilities and new employees to prepare for future capability improvement. However, these investments by Alexander China were negatively perceived by some Lucky China interviewees as potentially 'damaging' to the long term company future because they could see no connection between the investments and the future direction of Alexander China.

There were in total 28 out of 60 interviewees (all Lucky China operators and managers, one out of 13 new employees and three out of seven British managers) whose perception was that both Lucky China and Alexander China have done some disturbing activities that would damage the long term viable future of each company, including aspects of social responsibility. There were no comments from the rest of the 32 participants on this area. Table 4.15 provides the details of these 28 interviewees

Table 4.15 Activities to Build a Long Term Viable Future

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	0	0	7	24
Alexander China new employees	0	1	0	0	1
British managers	NA	NA	NA	3	3

The disturbing activities include focus on short term investment versus long term investment, and pursuit of cost competitiveness at the cost of social responsibilities.

Short Term Return versus Long Term Investment

The 'respect authority' part of the Chinese culture had strong influence on the Lucky China Owner in terms of his strong motivation to protect his current power and status against any future risk that might be a threat. Lucky China Owner was found to protect his own authority at the cost of the benefit of employees and overall society which included some unethical acts.

In Lucky China, the Owner of Lucky China was found not to invest for long term technology capability building for Lucky China, nor did Alexander Global have a long investment plan to optimise the acquisition outcome. It was also found that the Lucky China Owner chose not to comply with many laws and regulations which would have cost him money so as to maintain the short term cost competitiveness of Lucky China. This is discussed in detail below. Cost cutting through non-compliance with laws was fully supported by Lucky China managers. Lucky China shop floor operators were found to be only interested in immediate cash income versus any sort of long term benefit plan which might help them to improve work-life balance, or future interests.

According to L-SM5, the past fast growth of Lucky China came by copying other companies' product design. When competition intensified, investment in its' own product design centre to design differentiated new products became critical to Lucky China's long term competitiveness. However, the Owner did not want to make such investment due to the potential risks of not being able to achieve financial return in the investment. L-SM3 disclosed that the Owner agreed to sell his business to Alexander Global to secure immediate cash and thus to avoid uncertain investment returns in the longer term.

With Alexander China, A-UKSM1 explained that investment was made post-acquisition to turn Alexander China into a strategic low cost global manufacturing base for Alexander Global. The investment from Alexander Global included factory equipment upgrades, providing safety protection equipments to employees, implementation of new information systems and hiring of new employees with English capability and multinational company experience. However, such

huge investment received negative comments from all Lucky China managers interviewed as waste of money because they believed there was a lack of connection between these investments and Alexander China's future. L-SM4 said:

Until now, we have not been communicated about a clear and complete direction of the new company. There should be a clear direction of the company future, what will be the goal of the company, which will guide the integration activities step by step. Now there was no such direction at all, but only rushed to invest the money on bringing in new equipment and hiring new staff. When we asked questions about why we spent this money on investment, the foreign manager told us not to worry about money but to focus on what we were told to do.

A-UKSM2 did admit the lack of master investment planning for Alexander China's future. He admitted that the investment decisions were made individually by each global functional leader at headquarters in Britain without cross functional integrated discussions. As a result, there was no communications either with the China organisations about the objectives of the investment and how these investment would link with the company's future.

On the compensation and benefit side, all 17 Lucky China shop floor operators clearly expressed their interest in getting short term cash versus long term benefits. One example of this was their resistance to the implementation of a new annual paid leave policy about which the shop floor operators criticised as taking away their opportunity to make more money, especially as they were under piece rate system. According to A-UKSM2, this new leave intended to improve Lucky China employees' work-life balance, however, he was shocked to see the negative reactions from shop floor operators. A-UKSM2 explained what happened:

We said this is two weeks paid vacation you can have and we expected that to be well received. I had people come to me repetitively saying 'why are you doing this to us, why are you making me taking the vacation for this period'. I said 'Well, we just think that you are deserved it'. 'Oh, no I am here to make money and I cannot make money if you want me to take vacation, so it is a piece of waste'. As the whole factory is on piece work', so that's a major lesson we thought we were doing things well, but we were not.

A-UKSM2's stated learning from the experience was that if the company failed to allow the shop floor workers to make more cash income, the shop floor workers might resign and/or also work

for the other companies at the same time. This is a difference he saw between employees in Lucky China and employees in the west. He said:

In America, for instance, you will find people do not talk very much about salary, they will talk about their benefit package...the general workforce in China is not, made up of purely money. A lot of these people were people who came from the country and were living in dormitory environment and wanted to make as much money as they could to hand back to their family to have a better life. What we have to do again we recognised the different situation we did need to accommodate that. For example, during the spring festival leave, we want to make sure they came back. Many times they may not come back again. So we will go get them. So that's another lesson we learned.

Evident that when comparing with long term return, Lucky China managers and operators wanted to secure the short term benefit which were found to be supported even at the cost of compliance with laws and regulations.

Cost Competitiveness versus Compliance

A worrying aspect for a viable future with Lucky China was the non-compliance with many legal requirements, such as income tax, employees' social benefit contribution as discussed earlier in this chapter. Non-compliance issues in accounting and environment were also mentioned in the interviews. For example, A-UKSM3 disclosed that Lucky China was found not to be in compliance with accounting rules and L-PF3 also disclosed that the company had serious issues about discharging environmental waste into public areas which polluted the environment. In contrast, Alexander China emphasised legal compliance and also invested on waste water treatment equipment. However, L-SM3, L-SM4 and L-MM7 disagreed with British managers' investment on compliance which they thought made Alexander China less competitive in the China market due to the high compliance costs.

SUMMARY OF CULTURE FINDINGS

In summary, based on the themes identified from the interviews, Lucky China and Alexander China as firms, were found to have differences in their organisation cultures in the following dimensions:

- (1) ***Unequal power distribution:*** Lucky China was found to have high acceptance of unequal power distribution. This was reflected through the authoritarian behaviours of the Lucky China Owner and the unconditional acceptance of such behaviours by Lucy China employees. It was found that in Alexander China, the British managers had a more consultative leadership style while former Lucky China employees continued to have the mindset of acceptance of unequal power distribution. Therefore, culture conflict was found in Alexander China between the expectations of the British managers and former Lucky China employees. In addition, the new Chinese General Manager was also found have an authoritarian leadership style in Alexander China which was different from that of the British managers.
- (2) ***Management by rules and procedures:*** All the decisions for the company were found to have been made by the Lucky China Owner, and there were very few rules and procedures. The Owner's problem solving process through informal walk-around was regarded as very effective for problem solving and decision making and this continued to be the view post-acquisition in the mind of Lucky China employees. In Alexander China, the formal data-driven problem solving process, new management procedures for customer and suppliers, implementation of new information systems were not acceptable to the Lucky China employees and resistance occurred.
- (3) ***Equity equals equality:*** In Lucky China, except for the shop floor operators, the compensation treatment was found to have been managed under the 'equal' treatment principle for employees in similar roles without differentiation. Although there was no written guidance on such compensation treatment, there was no complaint from the employees. In Alexander China, it was found that no performance based compensation policies were established either to guide the compensation treatment, but the differentiated approach by the new leaders caused significant resistance among the different employees groups due to the perceived inequity.

- (4) ***Nepotism:*** Lucky China was found to be high in nepotism in terms of management practices such as recruitment and hiring with the result that employees generally had a personal relationship with each other. Alexander China was found to be less influenced by nepotism and employees were hired based on qualifications. The new employees were perceived as a potential threat by the former Lucky China employees. Thus, two hostile groups were formed between the former Lucky China employees and the new employees groups.
- (5) ***Employee care:*** Some contradictory behaviours by the Lucky China Owner in his demonstration of care to his employees was evident through the interviews. On the one hand, he delayed the salary payment to employees. On the other hand, he spent time to have interpersonal interactions with employees and supported their personal matters. In Alexander China, employee care was managed through formal safety procedures, provision of a minimum wage and annual leave policies. However, it was found that regardless the ‘contradictory’ behaviours of the Lucky China Owner, he was still perceived as a ‘caring’ leader and Lucky China was perceived as a more ‘caring’ organisation compared to the new British managers in Alexander China.
- (6) ***Conflict avoidance:*** Lucky China employees tended to engage in passive resistance when they disagreed with the senior leaders, whereas the British managers preferred open resistance as recognised through the interviews. Chinese employees generally had indirect communications styles whereas the British managers preferred direct communications styles. These two styles were a mismatch with each other. The language barrier was found to have underlying culture issues reflected through the message loss in controlled translations by the interpreters because of the motives to avoid conflict and maintain harmony.
- (7) ***Future viability and social responsibility:*** The Owner of Lucky China, together with Lucky China employees were found to have a strong focus on securing strong short-term returns instead of investing in long term capability and social responsibility including legal compliance. Alexander China was found to have made investment for future capability and legal compliance, however, due to lack of communications with staff about the company’s vision and the connection between the investment and the company’s vision, these investments were perceived by Lucky China employees as lack of long term planning.

The interview findings also indicated that there were some relationships between the different cultural dimensions identified. For example, relationships were found between unequal power distribution and conflict avoidance. At the same time, relationships are also found between unequal power distribution (respect for authority) and employee care. Unequal power distribution seemed to be strongest and the primary culture dimension that has impact on the other culture dimensions.

The interrelationship among different culture dimensions and their holistic impact on the organisational culture of Lucky China and Alexander China is significant. In Lucky China, for example, the high acceptance of unequal power distribution influenced the authoritarian behaviours of the Lucky China Owner who made all the decisions for himself (managing by rules and procedures) including hiring decisions through his own personal relationship network (Nepotism). As a result of the personal relationship between the Lucky China staff, the related employees took care of each other to maintain harmony and to avoid conflict (conflict avoidance). Considering the personal relationships at the workplace, the Owner gave 'equal' treatment to all employees in similar roles with the same pay (equity equals equality) as well as taking care of employees' personal needs (employee care). However, the Owner only made the effort of maintaining harmony and supporting employees' needs to protect his own authority and power. When there was conflict between his own personal benefit and employees' benefit, he made the choice to protect his own, such as delayed employees' salary. He also chose to focus on the short term return to avoid the potential financial of risk longer term (future viability and social responsibility) even with noncompliant behaviours. Reflecting on the relationship between different culture dimensions, unequal power distribution seemed to be the strongest dimension which influenced the rest of the dimensions.

In Alexander China, the British managers preferred consultative leadership styles sought employees' opinions and feedback for decision making (low unequal power distribution). In contrast with making decision by one person, they established management procedures to guide decisions to business management (managing by rules and procedures) and hiring based on qualifications versus relationships. With respect to each individual, they expected employees to have open resistance and give direct feedback rather than conflict avoidance and also invested to

protect the safety of the employees (employee care). Instead of protecting their short term personal authority and power, the British managers also invested to the long term capability building and complied with the ethical and regulatory requirements (future viability and social responsibility).

The above findings showed the cultural mismatch between Lucky China employees' expectations and British managers' expectations in relation to management of the new merged Alexander China. This cultural mismatch reflects the influence of Chinese culture in Lucky China, and western culture in British management of Alexander China which acquired Lucky China. The leadership style of the Lucky China Owner, the other Chinese managers and British managers were very different. Unfortunately, the British management team was not aware of these culture differences before the acquisition and when they did the integration planning. They only slowly became aware after the cultural mismatch in the acquisition when the consequences of culture conflict became apparent.

According to the conceptual framework for this study, culture has a strong influence leadership behaviours and employees' perceived effectiveness of such leadership behaviours. In summary, there were two different leadership styles in Alexander China: one was the old Chinese-based Lucky China culture implicitly existing and the other was the new western culture from a British management team. The next chapter discusses the different leadership styles and behaviours in people issues in Alexander China and its relation to the former Lucky China. This next chapter will complete the findings from the interviews.

CHAPTER 5

INTERVIEW FINDINGS:

LEADERSHIP BEHAVIOURS AND MANAGING PEOPLE ISSUES

INTRODUCTION

Leadership is identified as one of the people issues in M&As studies and the effectiveness of leadership behaviours as having influence on the outcome of M&As (Searle & Ball, 2004). In this study, leadership is identified as having the ultimate responsibility to manage all the people (i.e. employee) issues and is therefore isolated and studied as human resource management. Following the conceptual framework, the interview findings of leadership behaviours and the perceived effectiveness in managing people issues in this cross culture acquisition are discussed in this chapter.

There is a strong interrelationship between leadership (the subject of this chapter) and culture (the subject of the previous chapter), insofar as culture influences leadership styles and behaviours, as well as perceptions of leadership effectiveness. Because of this interrelationship this chapter necessarily deals also with some issues discussed in Chapter 4, however where there is cross-over the issues in this chapter are discussed from the perspective of leadership whereas in Chapter 4 they were discussed from the perspective of cultural differences. The objective for this chapter is to present the complete and integrated findings between culture and leadership. In this chapter to help illustrate the interrelationships between culture and leadership and to avoid repetition of the findings in Chapter 4 the interrelationship is summarised in tables where appropriate.

The leadership behaviours discussed in this chapter focus mainly on the leadership team managing Alexander China, in contrast to Lucky China which was managed by one single leader, the Owner. At the time of the study, the firm was managed by a leadership team consisting of British managers

based in the UK, two British managers based in China and one new local Chinese General Manager. The British managers based in the UK were the global heads of the functional departments, such as finance, logistics, and information technology. The two British managers based in China were expatriates assigned to do specific functional integration work for the new company. Lucky China managers were part of the employee groups to be managed. However, given that the Lucky China managers' leadership behaviours in reaction to the acquisition integration activities had an influence on their subordinates, their behaviours are also examined in this chapter when relevant.

The interview findings from the current study indicate that overall evaluation from Lucky China employees was that the leadership team managing Alexander China had not effectively managed the people issues during and after acquisition. Among all the people issues, the failure of effectively managing cross culture differences and ineffective communications are the two most fundamental issues that caused employees' resistance, stress, and loss of trust. Therefore, leadership behaviours and perceived effectiveness on managing cross culture issues are discussed first as it sets the cross culture context of this study, followed by communications, employee resistance, stress and trust issues.

MANAGING CROSS CULTURE ISSUES

The ineffective management of cross culture issues included lack of awareness of the Chinese culture by the British managers, failure to recognise the potential culture issues and challenges for the acquisition, inadequate attention and resources assigned to understand the culture differences, and no well-defined culture integration plan to manage the issues throughout the acquisition. Also, failure of management to appreciate the importance of culture led to unexpected culture shock post-acquisition for both the British managers and Lucky China employees interviewed. All 60 interviewees who discussed from their own perspectives the problems related to the management of cross culture issues agreed that there was a lack of understanding by the British management of Chinese culture. Table 5.1 provides the details.

Table 5.1 Ineffective Cross Culture Management

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	7	9	7	40
Alexander new employees	0	6	0	7	13
British managers	NA	NA	NA	7	7

All of the interviewees noted that the lack of awareness in Chinese culture prior to acquisition, exacerbated by the complacency of the past successful M&As of Alexander Global, led to a failure of the senior British managers to recognise or acknowledge that cross culture issues may exist in this acquisition. This became the fundamental initial ineffective cross culture leadership issue to be discussed in this section.

Pre-acquisition: Culture Awareness

Alexander Global had undertaken many successful M&As prior to the Lucky China acquisition, including successful cross border M&As involving other western countries. Therefore, cultural issues were not seen as a major issue in this Chinese acquisition. A-UKSM1 was very confident in his comment that Alexander Global was very experienced and successful in global M&As as part of the company's historical growth. Thus, he did not feel there would be any major cross culture issues or challenges for this acquisition, although this was their first one in the Asia-Pacific region. A-UKSM1 believed that Alexander Global had done more than it needed to address what he referred to as the 'non-major' cross culture aspects of this acquisition. He proudly summarised the leadership actions taken by Alexander Global in this regard:

- (1) Contracted a China based Australian consulting firm to help with the due diligence process.
The consultants were Australian but had worked in China for a period of time;
- (2) After the acquisition sign-off, the Global Human Resources Director of Alexander Global based in the UK visited Alexander China for two days to understand the people aspects of this acquisition;
- (3) Alexander Global assigned two experienced British managers to be based in Alexander China to work on the integration of sales and marketing as well as operations;

- (4) Hired a new bi-lingual local Chinese General Manager to manage Alexander China post-acquisition who was believed to have cross culture management capabilities; and
- (5) Hired new English speaking staff as well as interpreters.

However, four out of the seven British managers interviewed reflected that due to the lack of culture awareness and subsequently the failure of recognising the culture issues and challenges, Alexander Global did not assign appropriate and adequate resources to effectively manage culture and people issues throughout the acquisition process. Based on the interviews with A-UKSM2 and A-UKSM3, there were four lessons they learned during the due diligence and negotiation process.

First lesson was that most of the consultants from the local based Australia consulting firm were Australian who lacked deep understanding of local Chinese companies and Chinese culture, especially a privately-owned family business like Lucky China. Furthermore, the consulting firm primarily focused on accounting practices and not people aspects. Second lesson was that the Alexander Global British team working on the initial due diligence dedicated resources only British managers for commercial negotiation issues without dedicating any resources to understanding culture and people issues. Third lesson was that the British managers who participated in the due diligence and negotiation phase only worked with the Owner. Their request to involve Lucky China local managers was rejected by the Owner. Therefore, the British managers did not have an opportunity to interact with Lucky China employees and had no exposure to the culture differences between Lucky China and Alexander Global, as identified in the previous chapter. Fourth lesson proved to be a 'misguided judgment' that someone with bilingual capability would also have cross culture management capability to bridge the gap between British managers and the Lucky China employees. They specifically referred to the appointment of new English speaking Chinese General Manager as central to this decision. As noted in the previous chapter, this Chinese manager made authoritarian decisions about compensation treatment for selected employees which created perceived compensation inequity issues in Alexander China.

Based on the above findings on leadership as well as the related culture findings in Chapter 4 regarding the due diligence process, Table 5.2 summarises and illustrates one specific example of

ineffective leadership behaviour when the British managers were not aware of the unequal power distance cultural dimension in China and did not provide adequate due diligence instructions to the Australian firm regarding culture. As a result they were not aware of the authoritative behaviours of the Lucky China Owner and the unconditional acceptance of the Owner’s behaviours by Lucky China employees. The example in Table 5.2 uses the delayed salary issue discussed in Chapter 4.

Table 5.2 Salary Issue – Ineffective Leadership Behaviours on Due Diligence

Acquisition Phase	Leadership Behaviours	Due Diligence Outcomes	Culture Dimension
Pre-acquisition	<p>Lucky China Owner: Made the authoritative decision not to pay Lucky China employees for several months before the acquisition.</p> <p>British managers: No dedicated and effective resources were assigned to understand the culture difference and their implications.</p>	<p>Ineffective due diligence process: Neither the British managers nor the consulting firm identified the authoritative leadership style of the Owner and the mindset of unconditional acceptance of the Owner’s behaviours by Lucky China employees, even with delayed salary.</p> <p>Missed the critical information that Lucky China employees did not get paid for several months before the acquisition. No Lucky China employee complained about it under Owner’s leadership. No question was asked from the due diligence team.</p>	Unequal Power Distribution

The consequence of missing critical information from the due diligence process (e.g. Owner’s delayed salaries) was felt keenly by all seven British managers interviewed throughout the acquisition. These seven British managers acknowledged that indeed they did not have much knowledge about Chinese culture, including the two British managers assigned to be based in Alexander China post-acquisition, but did not get any culture training before their expatriation. The seven British managers expressed that they constantly experienced unexpected culture shocked during the implementation of integration activities throughout the acquisition. The Table 5.2 example of culture shock, together with many other examples, indicate that due to lack of culture awareness, culture factors were not adequately considered by the British managers in either the pre-acquisition due diligence or in the post-acquisition integration.

Post-acquisition: Consideration of Integration Activities

Three out of seven British managers revealed that as well as no specific planning for culture integration, culture factors had not even been considered when the integration activities were planned and implemented for the creation of Alexander China, even at the corporate level. Therefore, the post-acquisition integration in Alexander China was primarily decided by each global functional head of Alexander Global independently without calibrating the overall impact to Alexander China.

From the employee side, three out of seven Lucky China managers observed that most of the global functional heads of Alexander Global only paid short visits to the China factory each year yet they made decisions for the integration changes and also provided day to day detailed guidance to Alexander China operations. These three managers further complained that the British managers did not make the effort or allocate the time to really understand the local culture and market where Alexander China operates. They also did not spend the time to get to know the (former) Lucky China employees being absorbed into Alexander China for their experience and capability. These integration decisions and the day to day operational guidance made by the global function leaders of Alexander Global received strong criticism from all Lucky China interviewees for not appreciating Chinese culture and the China market.

Table 5.3 illustrates an example, discussed in Chapter 4, where due to British functional leaders' lack of awareness of the relationship based (guanxi) management practices in China, Alexander China lost much of the customer base of Lucky China.

Table 5.3 Guanxi Issue – Ineffective Leadership Behaviour on Integration Outcome

Acquisition Phase	Leadership Behaviours	Integration Outcomes	Culture Dimension
Post-acquisition	<p>Customer information transition process:</p> <p>British managers had no awareness or consideration of the difference between personal relationship-based customer management in China.</p> <p>British managers asked the Lucky China sales representative to transfer all customer information to Alexander China customer database during the transition period.</p>	<p>Most of the sales representatives resigned taking with them their ‘personal customer’ information to which nobody else had access.</p> <p>Alexander China lost contact lists of the previous Lucky China customers.</p>	Management by Rules and Procedures

In summary, there seemed to be a ‘multiplier’ effect due to the lack of awareness of cultural differences and the ensuing ineffective cross culture management activities by the British managers. Firstly, due to lack of culture awareness of the new China market, and the complacency of senior management led to their failure to recognise that potential culture issues and challenges may exist in this acquisition that were different from their past M&A experiences. As a result, no adequate attention or resources were assigned by the British managers to understand the culture differences and implications of these culture differences on the acquisition. Consequently, critical information was missing from the due diligence process, followed by no consideration of culture factors in the post-acquisition integration activities. Without consideration of culture factors, the integration activities were only treated as ‘functional’ activities. As a result, unexpected culture shock and frustrations occurred to both the Lucky China employees and the British managers.

Cross culture issues and the ineffective management of the cross culture issues by the British managers underpinned the leadership behaviours in managing the rest of the people issues such as communication, resistance, stress and trust. Cross culture issues were found to be embedded with the rest of the people issues and are one of the reasons that caused problems with the rest of the people issues. Communication issues, along with cross culture issues, are identified as the two primary causes of other people issues.

COMMUNICATIONS

Communications has been identified as a critical people issue in many studies, and was not effectively managed in this acquisition. The identified communication issues from the interviews were language barrier, lack of an effective communications strategy and process as they impacted throughout the acquisition, including the pre-acquisition and post-acquisition stages.

Language Barrier

Language barrier was identified as one of the top communication issues in this acquisition. The communication issues associated with the language barrier were: (1) No direct interactions between Lucky China employees and British managers and Lucky China managers, as well as interpreters, becoming the ‘gatekeepers’ in an effort to not escalate issues and problems British managers; (2) Employee perception that English was made as the official working language for Alexander China by British managers; (3) British managers overly reliant on interpreters and new employees as the communications interface between Lucky China employees and British management. Overall, the interview findings indicate that the solutions intended to resolve language barrier by the British managers created more people issues even beyond just communications. Language barrier and related people issues were discussed and agreed as an issue by 42 out of 60 interviewees. Table 5.4 provides the details.

Table 5.4 Interviewees on Language Barrier and People Issue

Employee Type	Operators	Professional	Supervisors	Managers	Total
Lucky China employees	4	7	9	7	27
Alexander China new employees	0	4	0	6	10
British managers	0	0	0	5	5

Of the Lucky China interviewees, 27 out of 40 (all professional staff, workshop supervisors and managers, as well as four out of 17 shop floor operators) commented that the language difference prevented them from being able to directly interact with British management. In the view of all workshop supervisors, all professional staff and four operators, this sometimes had substantial impact on employees' willingness to raise issues and give feedback to British management. This was due to their direct local managers preferring that all problems from the employees stop with them and not being escalated to higher management. The reasons the direct local managers did this may be for 'face' reasons or being afraid that they would be the ones blamed by British managers. As explained by professional staff L-PF3:

...because of the language barrier, the employees could not directly escalate their issues to foreign management, and always the issues were stopped by the middle/senior local management team, and they may change or modify the issues, etc. So the workshop operators know about this situation, and they are not willing to raise issues, as it is useless, maybe it is better not to say anything.

Furthermore in addition to the inability to directly interact with British managers due to the language barrier, there were some perception that the British managers had set English as the working language in Alexander China and all Lucky China employees were expected to be able to read the English work manuals. This further exacerbated the language issue. According to the supervisor L-SP2 and new professional staff A-PF3, such emphasis on English presented significant morale impact on Lucky China employees who were not able to read English. A shop floor operator L-SF5 also mentioned the feedback from her co-workers that it was an unfair expectation for Chinese staff to learn English to be able to work in a company operating in China. Instead, British management should be the ones to learn Chinese to close the language barrier. L-SF5 said:

The employees' feedback was that why the westerners wanted us to study English while they set up a factory in China, they should learn Chinese to communicate with us, then it is much more convenient, as the foreigner is just one person while the Chinese employees are so many...

On the other hand, five out of seven British managers interviewed explained that some effort had been made to help improve the English capability of Lucky China staff but it seemed not to be effective. The perception of Lucky China staff was that British managers expected Chinese

employees to be able to read the English work manual which caused them stress. However, that was not the case from the perception of the British managers. A-UKSM3 said that the English training was offered to all employees aimed to help employees with basic communications, "...we did training to our people on language. Just to allow them to say hello, equivalent to what we could do in Chinese. Hello, good-bye, thanks, see you again, etc. all these sort of things". A-UKSM3 said that the English classes started with enthusiastic participation by Lucky China employees but waned within three months.

With their understanding that English capability was strongly emphasised by the British managers, there were 21 out of 40 Lucky China interviewees (five out of seven professional staff, all workshop supervisors and all managers) who believed that the British managers used English capability as an indication of the capability of staff. These interviewees believed that the British did not truly understand the capability of the Lucky China staff who possessed rich industry knowledge and technical expertise. Professional staff L-PF5 said:

Foreigners have a misperception that if the employee could not speak English, then it means this employee is not capable. They meant that if you don't know English, then you are not able to do other things, but we are able to do it and could do better.

Furthermore, all Lucky China supervisors and managers expressed their strong dissatisfaction that the British managers unfairly blamed the Lucky China staff for the issues and problems that occurred in Alexander China when such issues and problems were reported to the British managers by the new staff. The Lucky China supervisors and managers believed that the new staff, who could speak English, but did not have the right industry and technical background, inappropriately escalated the small issues into big ones to the British managers. In the mind of L-SM4, the new employees tried to avoid taking responsibility by over-reporting to the British management. He said:

I think the new employees were thinking if I don't report it, it is my accountability. So they wrote a long email to the upper management, then the upper management wrote back a long email, the whole thing was made public.

Having the issue made public was perceived as inappropriate by the Chinese managers and supervisors, and resulted in loss of face, therefore conflict and trust issues occurred between the Lucky China managers, supervisors and new employees.

There were also 18 Lucky China interviewees, five out of seven professional staff, six out of nine workshop supervisors and six out of seven managers who expressed frustration that the British managers blamed Lucky China for not acting on instructions that had in fact not been communicated to them by the new staff who were the communication interface between Lucky China staff and the British managers. According to professional staff L-PF6 in one example:

We had a new employee who went to attend a meeting and got the assignments for our department. But the new employee did not share with us when she was back and we did not get any information and we did not take any actions. She held information to herself. While when things were not got done, we were the ones the foreigners blamed.

Thus, Lucky China employees expressed their dissatisfaction with the new hires as the communications interface, whereas all seven British managers interviewed believed it was an effective solution to make the new employees the communications interface between the Lucky China staff and the British managers. The seven British managers commented that hiring of English speaking new staff was an important integration action that each of the Alexander Global function heads took to help close the capability gap in Lucky China staff both for English and for experience with multinational companies. At the time of the interviews they were not aware of the problems the new English speaking hires had created nor the dissatisfaction the Chinese staff felt about them. It seems that the language barrier and the British manager's solution to resolve the language barrier triggered other issues such as mistrust and conflict between different employees groups in Alexander China.

The interview findings indicate that although the intent of the British managers for hiring the new employees was to resolve the language communications issues, it was found out that due to lack of culture considerations in this new hire process and its impact on the existing Lucky China staff, the language barrier was not being able to effectively resolved and other unintended consequences occurred which led to even greater communications problems than just the language barrier. These

unintended consequence of new hires in the communications process included message distortion during the translation process, Lucky China managers felt loss of ‘face’ when they had to take work instructions from British managers via the new lower seniority staff. Thus conflict between Lucky China staff and the new hires arose and the British managers blamed the Lucky China staff for all the problems.

Table 5.5 summarises all related leadership behaviours associated with managing the language barrier and the culture dimensions that influenced the leadership behaviours and Lucky China employees’ response to such leadership behaviours.

Table 5.5 Leadership Behaviours in Managing Language Barrier

Acquisition Phase	Leadership Behaviours	Language Barrier Outcomes	Culture Dimension
Post-acquisition	Lucky China managers did not report issues raised by the employees to British managers for fear of being blamed by British managers	Due to no direct interaction with British managers because of the language barrier, when Chinese managers did not pass on employees’ issues to British management, the employees were no longer willing to raise issues and question management	Unequal Power Distribution
Post-acquisition	British managers created the perception that in the company English was to be the working language and expected Lucky China staff to be able to read the English work manual	Lucky China employees perceived the British managers favoured the young and junior new staff just because of their English capability. Lucky China staff capability was assumed to be undervalued	Unequal Power Distribution
Post-acquisition	British managers made the new English speaking staff the communications interface between British managers and Lucky China staff	Lucky China managers felt loss of ‘face’ by taking instructions from or through the inexperienced new staff	Unequal Power Distribution
Post-acquisition	British managers held Lucky China staff accountable for issues and problems	Lucky China managers felt loss of ‘face’ when blamed by the British managers for issues escalated by the ‘junior’ new staff. Conflict occurred between Lucky China staff and new staff	Unequal Power Distribution
Post-acquisition	British managers and Lucky China staff relied on interpreters for communications	Messages were distorted by the interpreters due to their intent to maintain harmony and only translated what they believed the boss wanted to hear.	Conflict Avoidance; Unequal Power Distribution

Communications Process

The interview findings indicate that a well-planned communication process was missing throughout this acquisition which included no prior notification of the acquisition to Lucky China employees, ineffective communication channels connecting management and employees and ineffective leadership communication about the company's future and changes.

Pre-notification of the Acquisition

The interview findings indicate that the only people in Lucky China who had knowledge about the forthcoming acquisition were the Lucky China managers. The timing, and in particular the methods, of informing Lucky China employees of the acquisition were widely resented by all the rest of the Lucky China interviewees including shop floor operators, supervisors and professional staff. There were in total 33 out of 40 Lucky China interviewees who discussed their dissatisfaction about the lack of prior notification of the acquisition, including 17 operators, 6 professionals and 9 supervisors. Also one British manager, A-UKSM3, also regretted the resentment he identified in the Lucky China employees arising out from the lack of prior notification.

The impact of the poor communication was keenly felt, as explained by L-SF6:

All employees were not ready for this [the takeover], yet labour contracts were distributed to the workshop and nobody knew what was going on. Sure there was impact...Alexander quietly came into our factory without any communication. The management was changed before we knew it...they should have communicated more. The company was like a family, they should have let employees know about the company's decision.

A female professional, L-PF2, wished that the British and Lucky China management team had held face to face meetings with employees regarding the acquisition once the intent was firmed up between the two parties, and those meetings followed up with regular updates. She also wished that when the acquisition was finalised, another face to face communication session had been held with all employees to introduce the new company and implications for such matters as employee compensation and benefits, and career opportunities.

Subsequently, A-UKSM3 admitted with regret that the British managers should have insisted that the Owner of Lucky China notify the employees of the acquisition. Now, with the wisdom of hindsight, he concluded that the reasons the Owner did not want to do pre-communications with employees was primarily related to his authoritarian style which the British management were not aware of at the time. As reflected by A-UKSM3:

I think it is part of his authoritative view that communication with employees is not an issue ‘These people do what they were told and they work for me... why we need to tell them anything...’ ‘Why the hell do we need to tell them anything’! I know subsequently he expressed a number of times that ‘we just not managed the people right’. It is culture difference that there is still a more of authoritarian style of management in China than there (UK)...

This reflection of A-UKSM3 is consistent with the findings discussed in Chapter 4 regarding the authoritarian mindset and behaviour of the Owner. The findings in Chapter 4 also indicate that the British managers had a different mindset and behaviours from the Owner. Without awareness of such differences, the British managers did not insist on the pre-notification of Lucky China employees of the acquisition.

Direct Interactions between Leadership and Employees

A few new and formal communications processes such as General Manager Mail Box and Monthly All Employees Meeting were introduced into Alexander China after the acquisition. Despite these initiatives, lack of effective direct interactions from management to listen to employee issues and concerns was identified as a problem by 41 out of 60 interviewees, including 36 out of 40 Lucky China employees and five out of 13 new employees. Table 5.6 gives the breakdown of the 36 Lucky China and five new Alexander China interviewees who identified the lack of direct communication between British managers and employees as a problem.

Table 5.6 Lack of Effective Communications Processes on Employees’ Issues and Concerns

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	14	6	9	7	36
Alexander China new employees	0	3	0	2	5

Note, 29 out of the 36 non-managerial Lucky China interviewees (14 operators, six professionals and nine supervisors) commented that when comparing the informal and direct interactions they had with the Lucky China Owner, the lack of direct interactions between the employees and the Alexander China management team was, in their view, a major communications breakdown in the new company. Two factors were identified by Lucky China interviewees that may have contributed to this problem. The first factor (as identified by 14 out of 17 shop floor operators) was that the Alexander China management team “always sat in office buildings”. This is consistent with the discussion under the culture dimension of employee care in Chapter 4 where lack of direct face to face interactions with management team created the perception in Lucky China employees that the Alexander China leadership cared less about employees. Another contributing factor was the language barrier that was discussed earlier.

A specific complaint about the lack of communications between the British management and Chinese staff was from the Lucky China supervisors group. In comparison with Lucky China, six out of nine shop floor supervisors expressed their unhappiness about the ‘hierarchical’ communications approach in the new company took away their opportunities to engage in direct conversation with the new management team. They explained that in Lucky China the shop floor supervisors used to be invited by the Owner to participate in middle management meetings together with the department managers. However, in Alexander China, information was only being cascaded down by their supervisors, that was, the department managers, which made them feel they had become ‘second class citizens’ in the new company, and that their contributions were not important. As a result they felt undervalued in the new company.

A further complaint, in this case from the Lucky China managers, was the lack of informal communications in the new company across the broad management/supervision team. In Lucky China, when invited by the Owner to meals and entertainment activities, all the department managers and supervisors felt strong connections with the Owner and also felt valued. This is consistent with the findings in Chapter 4 under the culture dimension of employee care. However, in Alexander China, there were no such gatherings and interactions by the Chinese management

team with the British managers through indirect communication settings. Lucky China manager L-MM11 shared his perspectives about the difference:

In Lucky China, the owner will gather the management together quarterly to have some informal chat, but now there is no such gathering practice. The owner created more face to face communication opportunities to proactively ask people to come to talk to him.

Furthermore, there were also complaints by three out of nine Lucky China supervisors and six out of seven Lucky China managers that their suggestions were not listened to nor adopted by the British managers. This was different from their interaction with Lucky China Owner. A Lucky China manager L-MM6 said:

In the past, we could talk directly with the Owner about our suggestions, now the foreign senior management hear you, but did not make any considerations even to try. Now the foreign management do not accept our ideas.

Overall, the leadership behaviours of interpersonal communications were different between Lucky China Owner and the British management team of Alexander China. The above findings indicate that post-acquisition former Lucky China employees, including the managers, continued to prefer informal and direct interpersonal communications with their managers just like what they did with the Lucky China Owner. However, the communications approach implemented in Alexander China was more formal and indirect which was in conflict with former Lucky China employees' expectations, thus it was not viewed as effective for former Lucky China interviewees. These findings are consistent with the culture findings in Chapter 4 under the culture dimension for employee care and clearly indicate that formal communications channels and methods were effective with Lucky China employees.

New Formal Communications Channels

The new communications channels included the General Manager Mail Box and Monthly All Employees Meetings. There were 26 out of 60 interviewees who evaluated the new formal communications channels with Alexander China as overall ineffective. The intent of these new formal communications channels was to encourage employees to raise issues and concerns in different ways than they were comfortable with. However, there was a perception by some that the British managers rarely acknowledged or acted on employee suggestions and it was common that

Chinese employees rarely spoke up at the monthly meetings. Table 5.7 describes the breakdown of these 26 interviewees.

Table 5.7 Ineffective Formal Communications Channels in Alexander China

Employee Type	Operator	Professional	Supervisor	Manager	Total
Lucky China employees	10	6	2	1	19
Alexander China new employees	0	3	0	2	5
British managers	0	0	0	2	2

While one of seven Lucky China professional staff and one of the nine Lucky China workshop supervisors appreciated that at least the General Manager Mail Box was a channel attempting to collect employee feedback, three of seven Lucky China professional staff and one of nine Lucky China supervisors were critical of the effectiveness of such a channel as it lacked follow up. Lucky China supervisor L-SP4 said, “The General Manager Mail Box is the approach to take individual employee’s feedback which is good.” While professional staff L-PF6 said:

The company needs a good communication channel with employees, for example, currently there is a general manager mail box and employees send in suggestions. The responses should be posted to all employees, including improvement actions. But so far, I have not seen such responses yet. Some employees did raise suggestions to the mail box, but when there was no response, they have no further desire to raise suggestions any more.

The Monthly All Employees Meeting, the other communications channel, was discussed by 15 out of the 30 non-managerial or supervisory staff interviewees (nine of 17 Lucky China operators, three of seven Lucky China professionals, three of six new professionals). They spoke positively about these meetings insofar that it was at least a channel for management to share information with employees. Shop floor operator L-SF15 said:

Communications in the new company is good, as monthly there is an all staff meeting where the general manager reports on the latest situation and future development trends. There was no such meeting in Lucky China.

However, there were five interviewees who evaluated the Monthly All Employees Meeting as ineffective, as in their view it was just one way communication by the new Chinese General

Manager and no follow up. These five interviewees included four Lucky China employees (one operator, two professionals, one supervisor and one manager) and one new professional staff.

Professional staff L-SP4 made his comment:

The Monthly All Employees Meeting is only a format, not much interactions to engage employees to provide feedback and suggestions. There was no communications to fully communicate with employees about what the company is doing and ask for their suggestions. Employees are quiet in the meetings. And no one from management team tried to understand why operators were not willing to raise suggestions, to understand why.

A-PF5 shared his comment:

Communications between the management and employees are disconnected. There should have sessions between management and operators. Currently, except the Monthly All Employees Meeting, there are no such meetings. And also from many suggestions in the Monthly All Employees Meetings, there were no follow up actions as was committed.

During the interviews, when being asked to evaluate the effectiveness of formal employees communications channels from a management perspective, one new manager A-SM1 expressed his frustration about Lucky China employees' response to the General Manager Mail Box. He explained that first of all, there were very few letters from the employees, and all of the letters received were anonymous, therefore, there was no effective way to identify and respond to the sender. For the Monthly All Employees Meeting, employees were always very quiet during the questions and answers session.

One out of nine Lucky China supervisors and two out of seven British managers suggested a strategy should be in place to effectively listen to employees' issues and concerns. A-UKSM4 suggested that the senior leadership team of Alexander China, both local Chinese General Manager and British managers, should exercise more active listening to employees about their issues and concerns and address them. Part of the effort should be taken by British management to work together with local employees to develop effective communications channels that overcome the language barriers. A-UKSM4 suggested:

I think we need more communications with local people, for example: what should have been done differently; listen to people more; understand their issues and problems; and managers [British and Chinese] to work together to overcome language barriers.

Lucky China supervisor L-SP7 suggested a weekly communications roundtable meeting between the management and employees to learn about their issues and concerns. A-UKSM2 also proposed a “skip meeting”, which would allow the shop floor supervisors to skip the manufacturing department manager level and directly talk to the new Chinese General Manager.

Overall, the above interview findings indicate that the choice made by the Alexander China leadership to implement formal communication channels is consistent with the culture findings in Chapter 4 that British management tended to manage the company by formal procedures. Secondly, the responses from Lucky China employees to the General Manager Mail Box and Monthly All Employees Meeting are consistent with the culture findings on unequal power distribution and conflict avoidance that Lucky China employees were generally quiet in meetings and these meeting generally became one way management communication.

In addition to Lucky China employees’ slow response to General Manager Mail Box and their inaction in the Monthly All Employees Meeting, Lucky China employees were also found to be consistently quiet in the regular supervisors meeting organised by the British managers and were also not effective with email as a new communications method. These findings too were consistent the culture dimensions of unequal power distribution, conflict avoidance, as well as managing by rules and procedures.

At the same time, Lucky China employees did expect more communications from the leadership, especially communications about the company’s future and any significant changes associated with the future.

Leadership Communications About Company’s Future

Lack of effective leadership communications about the company’s future and the changes introduced in integration was identified by 30 out of 40 Lucky China interviewees as a major leadership issue which accelerated Lucky China employees’ uncertainty about the new company and their own job security concern. Furthermore, when there were communications about the

company's future, the effectiveness of such communications were confusing. Table 5.8 provides details of these 30 Lucky China interviewees about the poor communications.

Table 5.8 Ineffective Leadership Communications about the Company's Future & Changes

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	14	4	6	6	30

According to three out of seven British managers, communications about the new company's future was delivered to the Lucky China employees. They were unaware of Lucky China employees' expectations about these communications. A-UKSM3 explained that the communications to Lucky China employees about the company's future was done in a cascading approach. It meant that British managers firstly communicated with all Lucky China department managers. The message included an introduction about Alexander Global and the objectives and current and future vision for the new Alexander China. Lucky China department managers were expected to pass on this communications to their staff by using the same standard communication material. At the same time, a company introduction brochure was distributed to all Lucky China employees. However, A-UKSM3 mentioned that there was no official monitoring system to ensure all Lucky China managers had communicated to their direct staff as required.

Overall, Lucky China employees' feedback to such communications about the company's future was not very positive, according to A-UKSM3. His reflection was that fundamentally, there appeared to be a mismatch between what the British management team communicated and the sort of information the employees wanted and needed to allay their concerns about the future. A-UKSM3 and A-UKSM4 eventually realised that it seemed that the shop floor workers were only interested in their jobs and making money, so they really did not care about who or what Alexander Global was. It was only the small number of employees who had expectations about their future careers that these communications seemed to generate some interest on the future of the new company. As A-UKSM3 stated:

I think for a quite large number of employees, they probably went away smiling that we are going to continue to be paid...who really cares about Alexander, as long as we got a job tomorrow. I think that would be OK. From some of the reactions I saw and from some

of the feedback, I think that was quite a large element of the response. This [communications on the company’s future] may relate a bit to the more aspirational people with qualifications and careers in mind rather than jobs in mind, then they would take a little more notice.

For the small number of employees who were interested in the company future – primarily the employees at professional, workshop supervisors and manager levels – their expectations about the leadership communications about company future were not fulfilled by the British managers. This was particularly the case in relation to the significant changes associated with the future, and implications of these changes to employees.

Lack of communications about significant changes impacting employees, such as organisation structure changes involving new departments and new employees, was raised as a strong concern by 19 out of 40 Lucky China interviewees and six out of 13 new employees (Table 5.9 provides the details). The specific issues raised included no prior communications about the hiring of new employees and establishing the new departments and, more importantly for them, no communications to clarify the roles and responsibilities between the new employees and former Lucky China staff. As a result, there was poor communications about these changes. New hires were perceived as potential job security threat to Lucky China employees and conflict occurred between Lucky China employees and the new hires, as well as resistance from Lucky China employees against the new departments.

Table 5.9 Lack of Prior Communication about New Departments & New Employees

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	3	9	7	19
Alexander new employees	0	2	0	4	6

When the new departments were established, the British managers were criticised by 19 out of 40 Lucky China interviewees for no prior communications about reasons and objectives for setting up the new departments. There was also no prior communications to notify Lucky China managers

and employees that new employees or new managers were coming, their roles and who they were.

Professional staff L-PF7 made the comment:

There were no communications about the establishment of the new departments. It may be designed by foreign management, but the local team did not know it. It should be communicated to the employees about the overall blueprint of the new organisation, the role of the new departments, and the overall written description of each department, etc., but no such thing happened even after 17 months passed...The employee felt there is no objective or goal with the new departments, and got confused.

As the department manager for the new hires, Lucky China Manager L-SM4 was very frustrated and complained that he was not consulted nor invited to participate in the recruitment and selection process for his new direct report staff into his department. L-SM4 was just told after decisions were made that:

My boss in UK headquarters made the decision...I was not involved in interviewing these new hires and I have no idea about their salary. I was communicated after fact about what he wanted to do with the new hires and he wanted me to execute it. There was no broad communications to managers about the new employees in my department and I was questioned by other departments...It created negative impression to the other departments which I think we should have communicated to the managers why we needed to increase the new headcount.

Lack of prior communications about the new employees and their roles and responsibilities caused job security concerns for Lucky China employees as well as concern about future career opportunities. Lucky China professional staff L-PF4 said:

There was no communications with the team before the new hire joined us. We just knew that there will be one new member would come today, but we didn't have any other information; such as who the person was, what was his or her background, what kind of role and responsibilities for the new employees, etc..

Professional staff L-PF2 said:

We used to have certain job scope in the past and we were happy with that. But the new employees arrived to become my manager and took away my career advancement opportunity. I am disappointed about this. I had hoped the management team would have a discussion with me about my career expectations before making the decision to hire a new manager for my department.

With the concern about job security and future career opportunity, three out of seven Lucky China professional staff had hoped the British management team would have provided information about

clear goals of the new departments as well as the descriptions of roles and responsibilities between the new staff, who seemed to have the same roles and duties, as the former Lucky China staff. However to their disappointment, it did not happen. One of them, L-PF5, assumed that the British management took it for granted that the Alexander Global organisation and staffing model would work in China. L-PF5 said:

All the new departments did not exist in Lucky China, so there was no experience in managing and positioning these new departments, but it seemed that the foreigners assumed that all these new departments should have the functions in Lucky China...The staff always asked for the documentation about the objectives and scope of the new departments, so that they could do their job well, and also agree with other departments and also staff about the roles and responsibilities. Without such clearly defined scope and roles and responsibilities, it is always difficult to fulfil the roles.

The perception held by Lucky China employees that the new employees were a threat to their job security was so strong that Lucky China staff started to protect their own territories against the new staff. A new professional staff A-PF5 suffered from being suspected as a “spy” sent by the British management to monitor the Lucky China staff. A-PF5 said:

My co-workers from Lucky China felt very uncomfortable about my arrival in the department. They did not want me to get involved in important tasks and only allowed me to work on the data collections. Later on I learned that they were feared that I might be the “spy” sent by the foreign management in the UK to collect evidence for any potential ethics issues.

Such fighting for territory was elaborated on by two out of seven Lucky China managers. In their view, a more serious consequence caused by no prior consultation and communications of the changes was the poor collaboration across departments between new managers and Lucky China managers. This occurred because in the absence of information about their own future, instead of collaboration between departments, everyone was trying to work within their own boundaries and fight for their own resources. A further impact of poor collaboration across departments was the unwillingness to take accountability for problem solving. This was felt by the professional staff L-PF7:

The new departments and specialised jobs resulted in a self-protection mindset. In the past, as everything is within one person’s boundary, so the person will not only raise question but also solve the problem. But with the new organisation structure, everyone just reported the issues without proposing solutions. The root cause is not to bear liability. So problems could not be solved effectively.

The above findings indicate that the British managers failed to communicate the changes with hiring new employees, the establishment of new departments, and the implications on Lucky China employees. Thus, new employees received hostile treatment from the Lucky China employees who perceived a job security threat due to the new staff. This is consistent with the culture findings related to nepotism, when the in-group benefit (Lucky China staff) is threatened by the ‘outsider’ group (new staff), one group would fight against the other and created two hostile groups. This was the case in Alexander China between Lucky China employees and new employees hired by Alexander China.

Overall, Table 5.10 summarises the leadership behaviours in managing the communications about future and the significant changes, together with the culture dimension that influenced the leadership behaviours and employees response to such leadership behaviours.

Table 5.10 Leadership Behaviours in Managing Communications about Future

Acquisition Phase	Leadership Behaviours	Communication Outcomes	Culture Dimension
Post-acquisition	Communication about the company’s future was done through a cascading approach. Standard written communications materials were used.	Ineffective communication due to communications content mismatch between what British managers communicated versus what employees cared about the most. Shop floor operators primarily focused on short term opportunities to make income	Future Viability and Social Responsibility
Post-acquisition	No prior communications about changes of new hires and new departments and impact to existing employees. No prior communications about who were the new employees, clarity of roles and responsibilities between Lucky China staff and new staff.	In absence of communications, Lucky China employees viewed the new hires as job security threat and treated new hires with hostility. Conflict occurred between Lucky China staff and new employees.	Nepotism

In summary, the overall findings from the communications section indicate that the communications with Lucky China employees was not effectively managed by the British managers and the new local Chinese General Manager throughout the acquisition. Before the acquisition, there was no prior notification of the acquisition to Lucky China employees. Post the

acquisition, when the language difference became a barrier to direct interaction between the British managers and Lucky China employees, the solutions, such as using new English speaking employees as the communications interface, intended to resolve the language barrier created more communications issues which resulted in conflict between Lucky China employees and new employees.

While the British managers implemented some formal communication channels intended to collect employee feedback and concerns, Lucky China employees were quiet in these processes without active interaction with management. Thus, it was always one-way communication. At the same time, leaders' communications about the company future was not deemed as effective due to the mismatch between the expectations on the communication content between the British managers and the Lucky China employees. Leadership communications about the significant changes was missing, such as the objectives of new departments, introduction of the new employees and clarity of duplicated roles and responsibilities between Lucky China staff and new employees. The combination of the ineffective management of all these communications issues by British managers, together with the 'gatekeeping' role of Lucky China managers, escalated employees' concerns with the British management. As a result, employee resistance from Lucky China employees occurred against the post-acquisition integration activities such as new employees and new departments.

EMPLOYEE RESISTANCE

Employee resistance was found to be interrelated with the ineffective management of cross culture differences and communications based on the findings discussed in the earlier sections in this chapter. In order to avoid repetition, the focus of this section is the resistance behaviour demonstrated by Lucky China employees and how the Alexander China management team managed such resistance. The related cross culture conflict and communication issues that have caused the resistance are only referred to briefly in this section in order to provide the interrelationship between employee resistance and culture and communications.

The findings indicate that Lucky China employees demonstrated their resistance against the acquisition and integration in the following ways: before the acquisition, Lucky China employees went on strike due to lack of information about how the new company would treat their compensation and service year continuity. After the acquisition, Lucky China employees displayed strong resistance against the perceived inequity of compensation and benefits decisions, implementation of new management policies and procedures for customers, suppliers, information systems and safety as well as the perceived threat posed by the new employee groups. Each is discussed below.

Employee Strike before the Acquisition

In response to the lack of communication about service year continuity and the treatment of employees' compensation and benefit with the new company, Lucky China employees went on a three-day strike. This strike action was discussed by 21 out of 40 Lucky China interviewees (ten out of 17 shop floor workers, three out of seven professional staff and eight out of nine supervisors).

As discussed earlier, British managers did not insist on prior notification of the acquisition with Lucky China employees after the Owner of Lucky China turned down their request. Without any prior notification of the acquisition, Lucky China employees were asked to sign a new labour contract with a fresh service year start with Alexander China. Seemingly their previous years of service with Lucky China would not be recognised by the new company. This caused huge concerns for them. As explained by a shop floor supervisor L-SP7:

The biggest concern from the employees was the service year recognition treatment for the years we worked in the Chinese company. We thought this would be communicated to us before we were told to sign the new labour contract. However, there was no formal communications at all for things like this. Our expectation was that the Owner would pay the severance pay to us to finish off the employment with them, then we could start with the new company after acquisition fresh. However, there was no such consideration at all. The previous years of service with the Chinese company was not recognised by the new company after the acquisition, which meant that if we were terminated by the new company, we would get nothing for the service years we worked before acquisition. This was unfair to us.

Due to the ineffective due diligence process, as discussed earlier, four out of seven British managers admitted that the above service year continuity issue was not identified before the acquisition neither by the British management nor by the contracted consulting firm. Furthermore, as discussed in Chapter 4, A-UKSM5 explained that all British management were shocked to learn that the employees had not been paid for a period of time prior to the acquisition. The fallout from these inequities was that all employees of Lucky China refused to sign the new labour contract with Alexander China and went on the three day strike.

In response to the strike, the British managers together with the new local Chinese General Manager, actioned to ease employees' concerns, and thus they expected the strike to end quickly. A-UKSM3 explained that the Owner was requested to hold a formal joint meeting with British managers with all Lucky China employees and to pay the salary and bonuses that Lucky China employees were owed, as well as a commitment to recognising the Lucky China service years. However, A-UKSM3 witnessed that during the formal joint meeting, the Owner arrogantly announced that decisions about prior service and money owed would be at the management's discretion and had nothing to do with what the employees expected. As a result, no employees came to sign the labour contract after the meeting. As a follow up, according to A-UKSM3, more actions were taken by the leadership team of Alexander China to motivate the employees to sign. Firstly, Alexander China formally put in writing the commitment to recognise Lucky China employee's service year continuity with the new company. Secondly, there was also a commitment from the Alexander Global leadership team that Alexander China would ensure that the Owner pay back the salary and bonuses owed by Lucky China. Thirdly, additional benefit incentives such as a greater contribution into the employees' pension fund, would be paid to those who signed within the deadline set by management.

A-UKSM3 further explained that at the same time one-on-one discussions were held by the new Chinese General Manager with each Lucky China department manager and shop floor supervisor to convince them to lead by example and sign the new labour contract. During these one-on-one discussions, some saw an opportunity for gain and negotiated and received special salary increases

and benefits agreed to by the new Chinese General Manager. As a result, some supervisors took the lead and signed the labour contract. Then, they encouraged their subordinates to do the same.

With all of these efforts the strike finally ended after three days. However, the above mentioned private deals on salary between the department managers, shop floor supervisors and the local Chinese General Manager leaked to the rest of the organisation. This caused severe resistance against the inequitable decisions in compensation and benefit among different Lucky China employee groups, especially among the workshop supervisors group, which was identified in Chapter 4.

Inequity Issues in Compensation and Benefit

The compensation inequity issues first discussed in Chapter 4, allows context to the discussion of employee resistance. Table 5.11 summarises the previous discussions on leadership behaviours in managing the compensation and benefit issues, the culture factors that influenced these leadership behaviours, and the employees' response to the leadership behaviours.

Table 5.11 Leadership Behaviours in Managing Compensation and Benefit and the Integration Outcome

Acquisition Phase	Leadership Behaviours	Compensation Inequity Outcomes	Culture Dimension
Pre-acquisition	New Chinese General Manager increased the salary for those managers and supervisors who negotiated for a salary increase as a condition to help with ending the strike	New Chinese General Manager was perceived to have broken the rule of ‘equal job, equal pay’. Some supervisors threatened to resign collectively due to lower pay compared with their peers	Equity equals Equality
Post-acquisition	British managers increased the salary for the managers to fix the compliance issue for individual income tax so that the managers’ take-home pay was not impacted	The rest of the Lucky China employees felt it was unfair for only managers to get the salary increase. They expected all employees should get salary increase at the same time. Some operators collectively did not show up at work when their new managers came to work for Alexander China the first day.	Equity equals Equality
Post-acquisition	For new hires with English capability, the new Chinese General Manager made the decisions for their compensation without establishing related rules and guidelines.	The Lucky China staff felt that young and inexperienced new staff did not deserve the higher pay just for their English capability. They requested performance management policies to be set up so that consistency could be maintained	Equity equals Equality; Unequal Power distribution
Post-acquisition	No policies were established for performance management. British managers implemented the confidential policy for salary information in Alexander China	Lucky China employees’ perception was that there should be transparency and consistency for salary treatment. Rumor and speculation started.	Equity equals Equality

As seen in Table 5.11, Lucky China employees’ resistance behaviours occurred when their perceived rule of ‘equity’ was broken while their perceived ‘equity’ was essentially ‘equality’. Although the decisions of compensation and benefits had been made solely by the Owner without rules or procedures, all Lucky China interviewees believed the Owner was fair because their expectations of ‘equality’ were met. When the new Chinese General Manager changed the principle of ‘equality’ to differentiated compensation treatment without consistent criteria after the acquisition, his leadership behaviours were perceived as ineffective by the Lucky China employees.

Primarily, the interview findings indicate that when some Lucky China employees raised expectations for Alexander China to establish some consistent guidelines and procedures which link compensation to performance, essentially, they were possibly looking for the form of ‘equality’ that can be delivered from these guidelines and procedures. The lack of ‘equality’ in compensation treatment between Lucky China staff and new hires became one of the reasons for Lucky China employees’ resistance against the new hires.

Resistance against the New Employees and New Departments

While compensation inequity was identified as one reason that had caused Lucky China employees' resistance against the new staff, it was not the only reason. It was found that the combined effect between compensation inequity and no prior communication about intended changes, led to the strong resistance from Lucky China employees against the new employees and new departments.

Table 5.12 summarises the four primary reasons that were perceived to have caused such resistance against the new employees. Table number for each of the four reasons is noted in the Table 5.12 for easy reference back to the original table in this chapter where that reason was first discussed.

Table 5.12 Summary of Causes Leading to Lucky China Employees' Resistance against New Employees and New Departments

Acquisition Phase	Leadership Behaviours	Resistance Outcomes	Culture Dimension
Post-acquisition (Table 5.11)	For new hires with English capability, the new Chinese General Manager made the decisions for their compensation without establishing related rules and guidelines.	Lucky China staff felt that young and inexperienced new staff did not deserve the higher pay just for English capability. They believed it was unfair. They requested performance management policies to be set up so that consistency could be maintained	Equity equals Equality; Unequal Power Distribution
Post-acquisition (Table 5.10)	Leadership did not conduct prior communications about changes of new hires and new departments and their impact on existing employees. No prior communication about who the new employees were, nor clarity of roles and responsibilities between Lucky China staff and new staff.	Absence of communications, Lucky China employees viewed the new hires as job security threat and treated the new hires with hostile attitude. Conflict occurred between Lucky China staff and new employees.	Nepotism
Post-acquisition (Table 5.5)	British managers made the new English speaking staff the communications interface between British managers and Lucky China staff;	Lucky China managers felt loss of 'face' by taking instructions via the inexperienced new staff.	Unequal Power Distribution
Post-acquisition (Table 5.5)	British managers held Lucky China staff accountable for issues and problems	Lucky China managers felt loss of 'face' when being blamed by the British managers for issues. Conflict occurred between Lucky China staff and new staff	Unequal Power Distribution

Strong resistance from Lucky China employees against the new hires resulted in poor collaboration between the two groups and negatively impacted on getting work done for Alexander China. Furthermore, the experience from 25 out of 53 Chinese interviewees was that there was no effort by the Alexander China leadership team to resolve the conflict between the two groups and manage the resistance from Lucy China employees. Table 5.13 provides the details of these 25 interviewees.

Table 5.13 Negative Impact of Poor Collaboration between New Employees and Lucky China Employees

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	3	7	4	3	17
Alexander new employees	0	4	0	4	8

The new management team, made up of new local managers, Lucky China managers and British managers in Alexander China, would normally have a critical role to improve the collaboration between new employees and Lucky China employees. However, according to three out of seven Lucky China professionals, in reality, it was the Lucky China managers and the new managers hired by Alexander China who should be held accountable for creating the negative attitude of ‘them versus us’ in Alexander China. Consequently, the new employees and Lucky China employees became two hostile groups. L-SP7 said:

If the top management is teaming together, we as subordinates could deliver as well and work well together. We could not get team work now as our managers are not working together.

In Alexander China, among the prevailing mindset of ‘them versus us’, two positive exceptions were identified where one out of seven Lucky China managers and one out of six new local managers demonstrated good leadership behaviours to facilitate the integration between new employees and Lucky China employees. One out of seven Lucky China professional and two out of six new professionals appreciated that one Lucky China manager led by example to establish a collaborative environment for his department. Lucky China professional staff L-PF6 said:

We did not have any communications problems between new members and Lucky China staff because of our leader. He is leading by example to encourage open communications style between the new hires and us Lucky China employees.

The view of L-PF6 was echoed by new professional staff A-PF4, “Our leader is from Lucky China and he has a lot of experience and willing to teach the new staff, very patient. We very much appreciated his support”.

The new manager A-MM7 was another role model who facilitated good integration between the new employees and Lucky China staff. In the view of A-MM7, an attitude of openness from the new employees was very important to the Lucky China staff. His insight was that the critical foundation for good personal relationships was to take care of employees’ personal needs, he said:

I got along with Lucky China staff very well, including my own direct reports and the managers. What I did was that I helped my direct reports with their salary issues and they got their salary increased. Now they followed me completely and we had very good team work in my team. I also always gathered my team together off work to have meals, and I feel that situation is better and better than before.

A-MM7 believed that confrontation between new managers and Lucky China managers could have been avoided, and his view was that good personal relationship building with Lucky China managers was critical to a good working relationship:

I think personal relationship with Lucky China leaders will help with the business relationship. So I always join the meals with Lucky China leaders together to get familiar with them, also I consult with them about some staff. I have tried to get along with them through these things. And it worked out well for me.

British management was criticised for not making any effort to promote collaboration between Lucky China staff and new employees. In fact, nine interviewees, including five out of nine Lucky China supervisors and four out of six new managers specifically pointed out that British managers contributed to the conflict between Lucky China staff and new employees. Their stated reasons for their belief that British managers contributed to the group conflict were found consistent with the four causes listed in Table 5.12.

Five out of six new managers expressed their strong frustration about the resistance they received from Lucky China managers. However, they were more disappointed about how ineffectively the British managers and the local Chinese General Manager managed such resistance, especially during the initial period when they joined Alexander China. Details of one example of such frustration from A-MM7 were discussed earlier in Chapter 4 under the section on nepotism.

Regarding the overall poor collaboration between the Lucky China employees and the new staff, some specific suggestions were raised about how to improve collaboration. L-SP4 recommended that the British senior leaders should have established a company culture that engaged both the Lucky China staff and new employees. He said:

The senior leaders should establish a company culture to make all staff, old Lucky China and new employee felt that we are on the same boat. Without such a culture, we could not engage employees' heart.

The recommendation from L-PF5 was that the management team could organise collective training attended by both employee groups so that the new employees could teach the Lucky China staff modern management systems such as quality process while Lucky China staff could teach the new employees about the industry and product knowledge.

Furthermore, two out of nine Lucky China workshop supervisors and two out of seven Lucky China managers recommended that the management team should have sent new employees to work in the shop floor for at least two to three months to become familiar with the products and the people, instead of sitting in the offices. As described by L-SM4:

The new employees should come to the workshop to interact with the old staff instead of sitting in the offices. The new employees are strong in theories but are disconnected from the real practice, while the old staff work according to experience without too much theoretical knowledge. This will help the old staff to accelerate the acceptance of new ideas and new projects, which they needed some time to absorb and work effectively.

Overall, the management team of Alexander China, including the Lucky China managers, new manager and British managers were perceived to have contributed to the creation of resistance

between Lucky China employee and the new employees group and they had not done much to improve the collaboration between the two groups.

Besides the conflict between the Lucky China employees and the new employees, Strong resistance against the establishment of new departments was discussed and agreed as an issue by 25 out of 53 Chinese interviewees (see Table 5.14).

Table 5.14 Lucky China Employees’ Resistance against New Departments

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	0	9	7	16
Alexander China new employees	0	4	0	5	9

The contributing factors to such strong resistance as discussed by these 25 interviewees were primarily related to the lack of leadership communication about the significant changes such as restructuring the existing Lucky China organisation to align with the Alexander Global structure and establishing new department as a result of such realignment. In the absence of such communication, the impact on Lucky China employees and new employees were discussed in the earlier section of Leadership Communications on Future and Significant Changes (refer to Table 5.10).

Resistance against New Rules and Procedures

Organisational alignment between Alexander China and Alexander Global, together with the other new management rules and procedures, received criticism from Lucky China employees for inappropriately transplanting western management practices into Lucky China. This was discussed in Chapter 4 under the culture dimension of managing by rules and procedures. However, in this section it is discussed from the perspective of leader’s behaviours in implementing the new rules and procedures. As a result of the poor culture fit issue, resistance occurred by Lucky China employees against fully implementing the new rules and procedures in the areas of customer

management, supplier management, implementation of new information system as well as new employees benefit policy. Table 5.15 provides the details of the 49 out of 60 interviewees (all Lucky China interviewees and three out of six new professional staff and six out of seven new managers) who observed and commented on the Lucky China employees' resistance against the implementation of the new management rules and procedures.

Table 5.15 Resistance against New Management Rules and Processes

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	17	7	9	7	40
Alexander China new employees	0	3	0	6	9

Table 5.16 summarises the leadership behaviours in implementation the new rules and procedures and the culture dimensions that influenced the leadership behaviours and employees' response to such leadership behaviours.

Table 5.16 Leadership Behaviours in Managing Rules and Procedures and Integration Outcome

Acquisition Phase	Leadership Behaviours	Rules and Procedures Outcomes	Culture Dimension
Post-acquisition	Customer Management: Requested Lucky China sales representatives to transfer their customer information to Alexander China customer database	Most of the sales representatives refused and resigned with their ‘personal’ customer information. Alexander China lost the customer base from Lucky China	Management by Rules and Procedures (Relationship based Customer Management versus Contractual based)
Post-acquisition	Supplier Management: Established new supplier qualification and performance process	Suppliers felt loss of ‘face’ when being challenged on performance, and for once collectively stopped supplying Alexander China Lucky China staff and managers refused to implement the new process but provided false supplier performance report and data to British management	Management by Rules and Procedures (Relationship based Customer Management versus Contractual based)
Post-acquisition	Information Management System: Redesigned and automated the business processes	Lucky China managers felt their ‘power’ was lost as a result of the automated business process and continued to operate through manual process; their behaviours influenced their subordinates who continued to generate manual reports. Lower level employees had job security concerns due to the system automation	Unequal Power Distribution
Post-acquisition	Data-drive problem solving process: Requested data collection for problem analysis. Problem solving through formal review sessions and emails	Lucky China staff chose to submit false data into the problem solving processes for data analysis. They were quiet in review meetings and defensive in emails when discussing accountability for problems. Lucky China staff passively resisted by not following the British managers’ decision as they believe it was not suitable for the local culture and situation	Management by Rules and Procedures ; Unequal Power Distribution
Post-acquisition	New Employee Benefit Policy: Implemented a standard of 14 days paid leave policy in Alexander China	Lucky China shop floor operators who were on a piece rate compensation system voiced strong resistance against the leave policy because it took away their working time and opportunity to make income	Future Viability and Social Responsibility
Post-acquisition	Safety Management: Implemented safety management procedures and invested in personal protection equipment for employees	Lucky China managers believed it was waste of money to invest in safety for shop floor operators. They chose not to follow the safety rules. Safety management was generally well received by shop floor operators	Future Viability and Social Responsibility; Unequal Power Distribution

Among the new management rules and procedures implemented the new information system received several comments about how it could have been done differently. For example, both

Lucky China manager L-SM4 and British manager A-UKMM7 agreed that the implementation of the new information system should have been planned better. L-SM4 said:

Alexander introduced some advanced management system, but the foundation for Lucky China was not good, so the gap is very big...Lucky China did not even have computers or network, but now all of sudden, needs to implement information system... I think the information system is not implemented for running this business well, but rather for the top management so that they could track the data and status of the China factory...

A-UKMM7 admitted that the system implementation was treated as a technical information system issue only and the overall system implementation was not done well due to a lack of understanding of the China situation, especially cultural issues. For example, Lucky China managers' perception of diminution of their authority, as well as the communications needed for the change. As a result, there was lack of motivation from Lucky China employees to implement the system. He said:

I think a little bit more emphasis on the pre-implementation was needed. Try to get a clear understanding of how the company works, then set up a strategy, instead of jumping into it a little bit too early...Generally, what we did not fully achieve was motivate people in the way that they really embrace the change. We have tried our best but we did not fully achieve it.

A-UKMM7 suggested that it would have been more effective to appoint a local experienced Chinese leader as the project leader to take care of both the technical and cultural issues. He also recommended better communication by the British management team to local employees about the connection between the information system and the future vision of the company so that employees could understand the value of the system and align their efforts in the same direction. Effective communication, according to A-UKMM7, could also have solved the tension between new employees and previous Lucky China employees as both sides would share the same vision and work towards the same direction. However, he recommended that the most important matter for the senior leaders of Alexander China was to understand how Lucky China worked as an organisation first, then work out a strategy to address the potential issues when implementing the change.

Overall, the resistance against the new management rules and procedures from Lucky China employees as well as the reflections on what could have been done better indicate that British

managers did not have a good understanding of the China situation before they implemented many changes, which caused a lot of stress to Lucky China employees.

STRESS

Findings from the interviews indicated that 35 out of 40 Lucky China interviewees experienced some degree of stress caused by the change process of this acquisition. The types of stressors identified included lower financial income due to the poor business performance, uncertainty about the company’s future and job security, uncertainty about their professional capability as required by the new company, and the perceived undervaluing of Lucky China staff by the new company. The perceived undervaluing by Lucky China staff is associated with their English capability and education background, their exclusion from the management team participation, and not being recognised for their rich industry experience and capability. Each is discussed below.

Stress Associated with Low Income Due to Poor Business Performance

In total 32 out of 40 Lucky China interviewees said that the main reason for their stress was low financial income due to poor business performance in the new company

Table 5.17 Low Financial Income due to Poor Business Performance

Employee Type	Operators	Professional	Supervisor	Manager	Total
Lucky China employees	14	6	6	6	32

The key factors identified by the interviewees that had contributed to poor business performance. This included low volume of business orders due to the loss of the customer base when the sales staff resigned, too much inappropriate investment, and hiring of too many new people with inappropriate high salaries.

Low income associated with low volume of business orders was discussed by 13 Lucky China non-management interviewees (eight out of 17 operators, three out of seven professional and two out of nine supervisors). They commented that the shop floor operator group suffered the most financially because they were on a piece rate compensation system, which largely depended on the volume of business orders. Even though Alexander China introduced a new minimum base rate pay to protect the basic living standard for the shop floor operators, their income in fact was lower in Alexander China due to the loss of customers and unsuccessful relationship development with new customers. L-MM6 emphasised that the loss of the old customers was caused by how the British managers handled the sales staff transition from Lucky China to Alexander China due to lack of understanding of the Chinese relationship based ways of customer management. The low business volume caused a great deal of stress among the workshop operators group as their primary motivation was to make money to support their family. L-SF2 elaborated on this stressor for operators:

We are concerned about business orders so that we could make more money. But we did not have enough orders so we did not have much work to do, our income was very low. We are very concerned about this. If the company has any future, it should be associated with business orders and our income.

Another factor identified by 16 out of 40 Lucky China interviewees (see Table 5.18) that had caused poor financial performance in Alexander China was what they considered to be inappropriate investment by British managers. This referred to new equipment, facilities upgrade, and employees' personal protection equipment; as well as a non-investment expenditure of unreasonably high salaries paid to new employees.

Table 5.18 Inappropriate Investment Contributed to Poor Financial Performance

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	4	2	3	7	16
Alexander China new employees	0	0	0	3	3

The group of Lucky China managers was the one who collectively had negative comments about the 'inappropriate investment' by the British managers. L-SM1 shared the response from British

managers when he and other Lucky China managers tried to provide feedback not to invest too quickly in new equipment:

One foreign manager told me, ‘the only thing you don’t need to worry is money. As we have plenty of cash and we need to upgrade the equipment to make sure they have the capacity to produce the products we need. Also we need to upgrade the facilities to make it look consistent like our other plant sites in the world’.

The above response from British managers was witnessed by three out of seven new managers who believed that such comments from the British managers had misled Lucky China employees by believing Alexander China would provide higher income and job security for everyone. This turned out not to be true in reality. Therefore, when faced with poor financial performance, the employees blamed the British management for too much investment.

The root causes for the inappropriate investment decisions, as commented on by three out of nine Lucky China supervisors and five out of seven Lucky China managers was that the British managers did not have a clear idea about what aspects of Alexander China needed to be improved before making decisions. L-SP4 said:

Foreign senior managers need to understand the China situation before they quickly invest. They should have an objective before investing the money. Otherwise, it’s a waste of money on equipment (and people).

Overall, the poor business performance was found not only to have impacted on the shop floor operators’ income, but also created job security concern among the former Lucky China employees.

Stress Associated with Job Security Concern

For 30 out of 40 Lucky China interviewees one of the stressors identified was their job security. This was associated with the future uncertainty of the company and that they thought Alexander China management believed they lacked the professional capability required by the new company. The reasons causing the job security concerns identified by the interviewees were lack of communication about the company’s future as noted above and no active effort by the British

managers to help with employees' capability development through skills training and development. Table 5.19 provides the details of these 30 Lucky China interviewees.

Table 5.19 Job Security Concerns Associated with Company's Future

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	14	4	6	6	30

All the 30 employees maintained that lack of communications about a clearly defined future direction of the company caused great uncertainty and stress in the organisation. L-MM5 said, "There is no clear big direction for the company makes the employees stressful. Employees are wondering about what they should do."

One supervisor L-SP1, aged in his mid-50s, said:

I am concerned about my job security. And I personally expect that the company could have a good future so I could smoothly retire from this company. But now the situation is concerning.

In addition, 23 Lucky China interviewees out of 40 (all supervisors, all managers and five out seven professional staff) explained that they were not confident about their professional capability which led to their job security concern and stress (see table 5.20).

Table 5.20 Job Security Concerns Associated with Their Professional Capability

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	2	5	9	7	23

Among the 23 interviewees, all Lucky China supervisors and managers expressed concern that their low education level might not fit with the new company. This was also the common concern with five out of seven Lucky China professional staff. As L-PF7 said:

I was really concerned about my low education level could not meet the requirements of the new company. Because the new company is a foreign company with advanced management system and I am afraid I could not catch up. All the new employees have high education.

Among the 23 Lucky China interviewees, 12 of them were critical that the British managers did not make an effort to help them relieve stress in this regard. L-PF2 considered that management could have helped employees define a development plan for their professional capability improvement. L-PF7 suggested to management to organise interactive training between Lucky China staff and new employees to coach each other.

The lack of English capability was another source of stress identified for 23 out of 40 Lucky China interviewees (50%, five out of seven professionals, all supervisors and all managers). They personally struggled with the communication difficulties with British managers, reading and understanding the English work instructions, as well as feeling they were not fairly evaluated by British management (see table 5.21).

Table 5.21 Stress Associated with English Capability

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	5	9	7	23

Manager L-SM4 openly discussed how embarrassed he was when he exchanged emails with British management:

My English was not good, so the foreign managers could not understand what I said, and they asked me to repeat again. The email back from them was very direct. I felt losing face, as well as pressure. So I felt very stressful when communicating with foreign management. Whenever possible, I always chose to avoid communicating with them.

Chinese workers perception was that in the eyes of British managers, “English equals capability” (L-PF7). The employees would not be viewed capable if they did not speak the language. These 23 interviewees felt that Lucky China staff was not fairly evaluated by British managers for their ‘true’ capability due to lack of English capability.

Stress Caused by Being Undervalued

There were 17 out of 40 Lucky China staff (five out of seven professionals, six out of nine supervisors and six out of seven managers) who said that they felt undervalued by the British

management, which was different from their experience with the Lucky China Owner. Such difference caused them stress (see Table 5.22).

Table 5.22 Stress Associated with Being Undervalued

Employee Type	Operators	Professionals	Supervisors	Managers	Total
Lucky China employees	0	5	6	6	17

According to these 17 interviewees, British managers did not fully utilise the experience and expertise of Lucky China staff and often ignored their suggestions. The six workshop supervisors believed their position in the managerial hierarchy was downgraded in the new company. The leadership behaviours of not utilising staff expertise and ignoring suggestions talked about by Lucky China interviewees were discussed in the earlier sections in this chapter and the culture aspects of these leadership behaviours were discussed in Chapter 4. Table 5.23 summarises the leadership behaviours that caused Lucky China employees' perception of being undervalued in the new company and the culture dimensions that had influenced the leadership behaviours and employees' response to such leadership behaviours.

Table 5.23 Stress Associated with Being Undervalued in Alexander China

Acquisition Phase	Leadership Behaviours	Stress Outcomes	Culture Dimension
Post-acquisition	British managers valued new staff more for their English and higher education background	Lucky China staff perceived that their skills and knowledge were not fully utilised and valued by British managers compared with the young and inexperienced new staff	Unequal Power Distribution
Post-acquisition	British managers implemented an information cascading process, workshop supervisors were not invited to the managers level meeting anymore	Workshop supervisors perceived they had become 'second class citizens' in Alexander China different from their position in Lucky China when they were treated as part of management and invited to management meetings	Unequal Power Distribution
Post-acquisition	British managers did not spend time to get to know the individual capability of each Lucky China staff	Lucky China interviewees' perception was that British managers treated all Lucky China staff as a group with low capability without differentiation	Unequal Power Distribution
Post-acquisition	British managers did not consult Lucky China senior staff for suggestions and input, which was different from the Lucky China Owner	Lucky China managers and supervisors perceived that British managers were not interested in or valued their suggestions	Unequal Power Distribution

All 17 Lucky China interviewees from Table 5.23 expressed that they were undervalued and suggested that British management should have fully utilised the Lucky China staff for their expertise in the industry by encouraging them to raise suggestions and also adopt some of them where appropriate. This would have enhanced their sense of ownership and engagement with the new company and in the opinion of L-SM3 been perceived by them as a non-monetary reward:

For employees who have a high expectation about their career, the foreign senior leaders should provide them more recognition and more space for development that other companies could not provide. In this way, instead of fully relying on salary as reward, the existing capability of the supervisor have been fully utilized which would have provided valuable non-monetary rewards.

Overall, when significant changes took place with this acquisition, the way changes were managed by the Alexander China management team impacted on the stress level of Lucky China interviewees. The stress of Lucky China interviewees, in turn, was found have impacted on their trust in the new management team of Alexander China.

TRUST

Lucky China interviewees' trust level in the new management team was evaluated as very low. Leadership behaviours were discussed during the interviews regarding what behaviours had generated trust and what had damaged employees' trust in management. The findings indicate that the new management team had done more to damage trust than to build trust with employees.

There were 33 out of 40 Lucky China interviewees who indicated that the leadership behaviours of Alexander China management did have impact on employees' level of trust in management. While some of the leadership behaviours were found to have damaged employees' trust, other behaviours had generated employees' trust in management.

Behaviours that Generated Trust

The findings suggest that only a minority number of Lucky China shop floor operators had high trust in their direct workshop supervisors which indicates that general perception was that the

majority of the new management team, including Lucky China department managers, the local Chinese general manager and British managers had not done much to generate trust in employees. Although the existence of trust generating behaviours is a minority view from the few shop floor operators, the leadership behaviours that generated trust in the shop floor operators is worthy of mention and are identified in this section as examples of perceived positive leadership behaviours.

There were only four out of 17 Lucky China shop floor operators who expressed that when their direct workshop supervisors kept their promises to the employees this generated trust in them. Promises included fixing problems, resolving personal compensation and benefit issues. One operator, L-SF7 described how his supervisor generated trust in him:

I don't trust the department managers, as they always have excuses for poor performance on quality and many other issues. I trust my direct workshop supervisor 100%. He could communicate with his subordinates and could solve problems better than many other managers, who committed to solve problems but always forgot.

Three out of 17 Lucky China operators mentioned that they trusted those direct workshop supervisors who always communicated and engaged directly with them about work arrangements.

L-SF7 described why he trusted his direct supervisor:

He let subordinates talk to him about any issues freely, other than just keep to themselves. He always maintains a daily communication with his staff. He is viewed as a very good leader in the employees' heart, because he could get along well with the subordinates, and listen to employees. He does not just ask employees to follow his orders. If he asked employees to do something, then employees could raise suggestions and he analysed the suggestions and compared the two approaches, so this is viewed positively.

The few shop floor operators who believed that trust had been generated felt that when their workshop supervisors kept their commitment to employees and communicated directly with them, trust was generated. In most of the situations however, it was found that Alexander China management damaged the trust from employees.

Leadership Behaviours that Damaged Trust

The findings indicate that the same leadership behaviours that had caused resistance and stress among Lucky China employees had also damaged their trust in the Alexander China management

team. Considering the above behaviours have been discussed in the previous sections of employee resistance and stress, this section summarises the related behaviours that had damaged trust in different employees groups (see Table 5.24).

Table 5.24 Lucky China Employees on Leadership Behaviours that Damaged Trust

No.	Behaviours that damaged the trust	Operator	Professional	Supervisor	Manager	Total
1	Did not make equitable salary decisions	17 (100%)	7 (100%)	9 (100%)	7 (100%)	40 (100%)
2	Made inappropriate decisions without understanding the local culture and situations	17 (100%)	7 (100%)	9 (100%)	7 (100%)	40 (100%)
3	Not able to maintain adequate communications with employees	17 (100%)	7 (100%)	9 (100%)	7 (100%)	40 (100%)
4	Did not keep their promise to develop the business well with better income	14 (82.4%)	6 (51.7%)	6 (66.7%)	6 (85.7%)	32 (80%)
5	Not able to develop better business to enable higher income for employees	14 (82.4%)	6 (51.7%)	6 (66.7%)	6 (85.7%)	32 (80%)
6	Did not reward employees equitably for their contributions	17 (100%)*	5 (100%)	9 (100%)	0	31 (77.5%)
7	Did not have the capability to run the company well to ensure employees' job security	14 (82.4%)	4 (66.7%)	6 (66.7%)	6 (85.7%)	30 (75%)
8	Did not recognise and fully utilise employees' professionalism and expertise	2 (11.8%)	5 (71.3%)	9 (100%)	7 (100%)	23 (57.5%)
9	Did not provide employees with good career opportunities	0	5 (71.3%)	9 (100%)	7 (100%)	21 (52.5%)
10	Did not trust employees for what they did	0	5 (66.7%)	6 (66.7%)	6 (85.7%)	17 (42.5%)

*Notes: % in bracket in each column represents the response % of that Lucky China employee group

The perceived inequitable compensation treatment between former Lucky China employees and new hires was identified as a factor that had shifted all Lucky China employees' initial trust in the British management to distrust. L-PF6 said that his distrust came from the inequity of salary between Lucky China and new employees, "employees will trust management if we could get good salary and benefit in a fair and equitable way." When the British managers made

‘inappropriate’ decisions and implemented new rules and procedures that were not suitable for Chinese culture and business practice, they lost the trust from all 40 Lucky China interviewees.

Lack of effective communications throughout the acquisition was identified as an important factor by all 40 Lucky China interviewees that had damaged their trust in British managers. In particular, all Lucky China managers strongly believed that lack of communications about the company’s future and strategy had damaged employees’ trust in the management team. L-SM2 said:

What could be done to develop a better trust? Communicate with employees a clear company objective and what we plan to do to achieve this objective. So the employees could have the confidence that we have some work to do. Tell the employees what is the meaning of what they do so that employees understand what is going on. Right now, without this, the employees could only judge through the orders and there were many cancellations of orders, which they could not understand and accept, as these impacted on their job security, which then damaged their trust in management.

Financial concern was identified as another important cause that had damaged employees’ trust in the Alexander China leadership team. There were 32 out of 40 Lucky China interviewees who complained that the Alexander China management team did not put in effort to develop more business which impacted on the overall financial performance of the new company. As a result, the new company failed to fulfil their promise of offering employee a better future and better income. There were some specific comments from 14 out of 17 operators who said that for operators, the trust level was decided by the income offered by the new company.

In total 30 out of 40 Lucky China interviewees said that they did not trust the Alexander China leadership team due to the fact that this leadership team did not demonstrate their capability to manage the company well. Out of the 30 Lucky China interviewees, 24 interviewees at non-managerial level discussed that they also lost trust in local department managers (both Lucky China managers and new managers) primarily because the local managers were not willing to take accountability to solve problems. Operator L-SF7 explained her frustration based on her experience with the local management team. She said:

I don’t trust the management team as the company is not managed well. One example is that there was water leakage in my work area and I called the department manager to tell him and he said he knew it. But because the maintenance fee required an invoice and needed to go through an approval process, the maintenance was not carried out. Now I just

use a plastic bag to contain the water leakage. So looks like everyone is pushing off responsibilities and no one wants to solve problems.

Being undervalued in the new company was another source of distrust in the Alexander China leadership team. One supervisor L-SP5 said that his trust with the company was damaged because he felt he was not viewed as important as he had been in Lucky China. One professional staff commented that foreign management's lack of trust in local staff in turn generated distrust in the local staff. L-PF5 explained one of her experiences of how one British manager, by asking whether she could do a job, caused her to feel that he did not trust her ability to do it. The perceived distrust generated an emotional response in her but she agreed with him because to argue with a more senior person would cause both to lose face:

The British manager has a pre bias that the old Lucky China staff could not do this. He asked the interpreter to ask me: 'are you able to do this'? I don't think it is not necessary to ask at all if the leader knew the old staff well...It made me very uncomfortable, in fact, of course I could do it, but I responded to him that 'I am not able to do it'.

The perception of lacking career opportunities in Alexander China damaged trust in the Alexander China management from 21 out of 40 Lucky China interviewees. L-MM5 said that when the British managers always favoured the new employees who spoke English and blamed the Lucky China employees for mistakes, Lucky China staff did not perceive they have bright career opportunities with Alexander China. They also mentioned that the approach adopted by British managers regarding conflict handling between local Lucky China staff and new hires damaged the trust of Lucky China employees.

In summary, the leadership behaviours that had damaged Lucky China employees' trust in Alexander China leadership team were found primarily associated with inequity in compensation decisions, inappropriate 'culturally unfit' decisions, ineffective communications, financial concern as well as the perceived lack of career opportunities.

OVERALL FINDINGS

The interview findings indicate that overall, the leadership team managing Alexander China had not done an effective job in managing the people issues which was rooted in ineffective management of cross culture issues. In turn, ineffective management of cross culture issues impacted on the ineffectual communications throughout the acquisition. From the perspective of the employees interviewed, ineffective management and communications of cross cultural issues were found to have caused other people issues, including stress, resistance and trust in the acquisition. Further interrelationship issues were also identified as resistance, stress and trust. For example, the reasons that had caused employees' resistance and stress were found to be the same reasons that had caused the distrust. Another example is that when ineffective change management generated employee resistance, employees' stress was also influenced by the way changes were managed by the leadership team.

A 'multiplier' effect was found from this study within the management of cross culture issues, beginning with the lack of culture awareness by the British senior British leader as well as the leader's complacency given their past M&A successes in western countries. As a result, there was no recognition from the British managers about potential culture differences and challenges in this acquisition, followed by inadequate attention and resources assigned to understand if there were any culture differences and their implications on the acquisition. Consequently, critical information regarding culture and people were missing from the due diligence process which led to the inadequate consideration of culture factors in the integration planning and implementation phases of the acquisition. Without the awareness of culture differences and its implications on business and people management, all integration activities were treated as 'function' integration post-acquisition, which resulted in unexpected culture shock when they implemented these 'functional' integration activities.

Leadership behaviours in managing the people issues were found to be influenced by the respective culture and beliefs of both Chinese and British managers. The perceived effectiveness of such leadership behaviours by employees was also influenced by their culture and belief. Where there

was a mismatch between the expected leadership behaviours and the actual leadership behaviours in managing the people issues, the actual leadership behaviours were perceived as ineffective.

Among the leadership team managing Alexander China – namely the British managers in UK, British managers based in China and the new Chinese General Manager – it was found that the British managers played the most influential role in impacting on the effectiveness of people management due to the fact that they made the integration decisions as well as providing day to day operations guidance to Alexander China.

The new Chinese General Manager who was supposed to play a culture ‘bridge’ role, was found to have done the opposite, which led to a negative role in effectively managing the people issues. This was because his own leadership behaviour and style was too influenced by authoritarian Chinese culture, which did not fit the more inclusive approach by the British managers.

Important to note in this study is that although Lucky China managers and supervisors were not part of the decision making leadership team for Alexander China, they played an important role in acquisition integration. The Lucky China managers were found to be barriers to the integration changes due to the negative impact on them imposed by the integration changes, particularly the perceived diminution of their authority and seniority, and the loss of ‘face’ when interacting with the new employees who they perceived as young and inexperienced. Some of the Lucky China supervisors were identified as ‘effective’ leaders who the shop floor operators trusted. However, the shop floor supervisors were also similarly impacted by the same integration changes as the Lucky China managers, and to some extent, they were part of the barrier to the integration changes as well.

The interviews findings were drawn from the group of 60 interviewees with the themes of the findings presented in Chapters 4 and 5. According to the research design of this study, it is important to validate the themes from the interview findings with the broader population through the questionnaire survey which was informed by the themes from the interviews findings. The quantitative findings are discussed in Chapter 6 which follows.

CHAPTER 6

QUESTIONNAIRE FINDINGS: ACQUISITION EXPERIENCE

A set of hypotheses were developed after the interview findings from Chapter 4 and Chapter 5 were analysed. Then, a questionnaire was produced that aimed to test these hypotheses through an organisation-wide survey. This chapter explores the quantitative data analysis results for the questionnaire in four parts. The first part is the demographic information for all survey participants. The second part is experience and reflection of the full acquisition. The third part is about perception of the similarities and differences between Chinese and western ways of managing people and organisations. The final part is an overall evaluation of the acquisition as reflected by the respondents to the questionnaire.

Analysis of the data focuses on the Lucky China respondents who stayed on when the company became Alexander China and who thus had full experience of the entire acquisition process. The data of new employees hired by Alexander China is only included in the demographic information to provide a complete view of the current employee profile. Detailed data analysis was not conducted with new employees given their lack of experience with the full acquisition.

A few data administration steps were taken to ensure the adequacy and accuracy of the data analysed, as well as its validity and reliability. These data administration steps involved data treatment of ‘Not Applicable’, missing values, normality test of distribution, small number responses, and factor analysis for certain questions. Detailed explanation is covered in Appendix E – Data Administration Method for Questionnaire Survey. Furthermore, in order to keep this chapter’s focus on the critical data analysis related to the key findings, the detailed statistical tests results are listed separately in Appendix F – Detailed Statistical Tests.

DEMOGRAPHIC INFORMATION OF SURVEY PARTICIPANTS

The employing company, years of experience, occupation, age, sex, education level and English proficiency level are included in the demographic information section of the questionnaire. Both Lucky China employees and new employees hired by Alexander China were invited to participate in this part of the questionnaire. In total 247 employees responded to the survey which represented 86% of the total employees in Alexander China. Of the 247 respondents, there were 70.4% from Lucky China, while 29.6% were new employees hired by Alexander China as presented in Table 6.1. This employee self-reported demographic data is proportionally in alignment with the demographic data provided by Alexander China (refer to Table 3.1) except the category of ‘professional staff’ from Lucky China. There were 21 survey respondents from Lucky China who self-reported that they were ‘professional staff’ whereas there were only 13 professional staff listed in Alexander China’s company record. It is possible that Lucky China staff such as those in the warehouse who were responsible for receiving and distributing resources were identified by the company as ‘shop floor operators’ whereas they self-reported as ‘professional staff’. This data difference sets the context for the comparison analysis across occupation groups in this chapter.

Table 6.1 Employing Company

Employment Company	Frequency	Valid Percentage
New employees by Alexander China	73	29.6
Previous Lucky China employees	174	70.4
Total employees	247	100.0

Lucky China started its business in 1993 and was acquired by Alexander Global in mid-2007. Table 6.2 shows that the majority of respondents (59.5%) joined between 1993 and 2003, thus they had over 10 years’ experience with Lucky China when this survey was administered in August 2009 (two years after the acquisition).

Table 6.2 Years of Experience

Years of Experience	Frequency	Valid Percentage
1993-2003	147	59.5
2004-2006	25	10.1
2007	43	17.4
2008 and after	32	13.0
Total	247	100.0

Table 6.3 illustrates the current occupation profile of the respondents. According to Pearson's Chi-square test, it could be concluded there was an overall significant difference in occupation profile between employees from the previous Lucky China and new employees hired by Alexander China ($P=0.004 \leq 0.05$). It indicates that among Lucky China employees, the distribution ratio of employees at shop floor operator level in Lucky China was larger than that of the new hires by Alexander China. Among the new hires by Alexander China, the distribution ratio of professional staff was larger than that of Lucky China.

Table 6.3 Current Occupation Profile of Respondents

	Employment Company			
	Previous Lucky China		New Hire by Alexander China	
Current occupation	Count	%	Count	%
Shop Floor Operator	127	73	40	54.8
Professional Staff	21	12.1	21	28.8
Workshop/Administrative Supervisor and above	15	8.6	10	13.7
Others	11	6.3	2	2.7
Chi-square	$\chi^2=13.514, df=3, P=0.004 \leq 0.05$			

Table 6.4 presents the age profile of all survey respondents. According to the Pearson's Chi-square test result, there was an overall significant difference in age profile between employees of Lucky China and new hires by Alexander China ($P=0.000 \leq 0.05$). Table 6.4 indicates that from a distribution percentage perspective, overall Lucky China had a larger percentage of employees' age at 29 and less, while there was a larger percentage at 30-39 among the new hires by Alexander China. In comparison with the employee data provided by Alexander China, among the group of managers, the data indicated that the age profile of the new managers is between 30-39 while the Lucky China managers is between 40-49 with senior managers being age are 50 and above.

Table 6.4 Age Profile of the Respondents

	Employment Company			
	Previous Lucky China		New Hire by Alexander China	
Age	Count	%	Count	%
29 and less	57	32.8	10	13.7
30-39	18	10.3	31	42.5
40-49	12	6.9	4	5.5
50 and above	87	50.0	28	38.4
Chi-square	$\chi^2=35.29$, $df=3$, $P=0.000 \leq 0.05$			

Table 6.5 presents the sex profile of the respondents. According to Pearson's Chi-square test result, there was an overall difference in sex between Lucky China respondents and new hires by Alexander China ($P=0.000 \leq 0.05$). The data presented in Table 6.5 indicates that the percentage of female respondents in Lucky China was higher than that of the new hires by Alexander China. At the same time, the percentage of the male respondents was higher with new hires by Alexander China than that of the Lucky China employees.

Table 6.5 Sex Profile of the Respondents

	Employment Company			
	Previous Lucky China		New Hire by Alexander China	
Sex	Count	%	Count	%
Male	91	52.3	56	76.7
Female	83	47.7	17	23.3
Chi-square	$\chi^2=12.721$, $df=1$, $P=0.000 \leq 0.05$			

Education level differed between respondents from Lucky China and new hires by Alexander China according to Pearson's Chi-square test result ($P=0.000 \leq 0.05$). This illustrates that the percentage of respondents with Junior Middle School education in Lucky China was higher than that of new hires by Alexander China, while the percentage of respondents with college and above education among new hires by Alexander China was higher than that of Lucky China. Table 6.6 presents the details.

Table 6.6 Education Profile of Respondents

Education level	Employment Company			
	Previous Lucky China		New Hire by Alexander China	
	Count	%	Count	%
Primary School and less	11	6.3	2	2.70
Junior Middle School	103	59.2	16	21.90
High School & Vocational/Technical school	45	25.9	27	37.00
College and above	15	8.6	28	38.40
Chi-square	$\chi^2=44.388$, $df=3$, $P=0.000 \leq 0.05$			

For English proficiency level, overall, there was a significant difference in self-reported English proficiency between respondents from Lucky China and new hires by Alexander China according to Pearson's Chi-square test result ($P=0.000 \leq 0.05$). This illustrates that there was a significantly higher percentage of respondents from Lucky China whose reported English proficiency level was either at 'not at all' or 'a little'. At the same time, a significantly higher percentage of new hires by Alexander China reported their English level was 'fair'. There were also 13.7% of new hires who reported that their English was 'good and above'. Table 6.7 presents the details.

Table 6.7 English Proficiency Level

English Proficiency	Employment Company			
	Previous Lucky China		New Hire by Alexander China	
	Count	%	Count	%
Not at all	52	29.9	10	13.7
A little	114	65.5	35	47.9
Fair	8	4.6	18	24.7
Good	0	0.0	4	5.5
Excellent	0	0.0	6	8.2
Chi-square	$\chi^2=51.494$, $df=4$, $P=0.000 \leq 0.05$			

Overall, significant differences were found between respondents originally from Lucky China and new hires by Alexander China in occupation, age, sex, education level and English proficiency. Lucky China had higher percentages of employees in shop floor operator positions, with a younger age profile, more female employees, lower education and lower English proficiency level. Compared with Lucky China employees, the new employees who were hired post-acquisition by Alexander China were in higher percentages in terms of holding professional staff positions, more men and a higher education with a higher level of English proficiency.

EXPERIENCE AND REFLECTIONS: PRE-ACQUISITION

Participants were asked about their experience and reflections on the different phases of this acquisition: pre-acquisition, during acquisition, and post-acquisition. The responses were analysed based on the respondents from Lucky China employees who experienced the entire acquisition process. Analysis of the results is presented by phases of the acquisition. Foci of the questions asked in the phase of pre-acquisition are two: (i) prior communications about the acquisition, and (ii) respondents' expectations and concerns about the acquisition. Two hypotheses were developed and are tested in this section, and each is discussed below:

- H1: During pre-acquisition phase communications were ineffectively managed by Lucky China & Alexander China management team;
- H2: During pre-acquisition phase Lucky China employees had high expectations and concerns prior to the acquisition on employment related issues.

Communications about the Acquisition

Three questions were asked about communications for the pre-acquisition phase: how Lucky China employees first found out about the acquisition, followed by what information was provided during the communication sessions they attended, and how effective they evaluated the communications based on both the method and content of communication.

Table 6.8 presents ranking according to the information source from which respondents first found out about the acquisition. Table 6.9 presents the information sources differentiated by occupational groups. Overall, the top three information sources identified by the respondents are 'fellow worker' as the No.1 information source; 'Staff meeting jointly held by Lucky China/ Alexander Global management' as No.2; and conversations with 'the Lucky China management' as No.3. There were also 11.5% of Lucky China employees who did not find out about the acquisition until they were asked to sign a labour contract with the new company.

Table 6.8 Information Sources about Acquisition

Information Source about the Acquisition	Frequency	Valid Percentage
Fellow workers	57	32.8
Staff meeting jointly held by Lucky China/ Alexander Global management	48	27.6
Lucky China management	39	22.4
Notifying Lucky China employees to sign labour contract with Alexander China	20	11.5
Others	10	5.7
Total	174	100

In Table 6.9, Pearson's Chi-square test result indicates that there were significant differences across different occupation groups in Lucky China regarding how they first got to know about the acquisition ($P=0.000 \leq 0.05$). This illustrates that among the following two groups, higher percentages of respondents first learned of the acquisition from Lucky China management; 52.2% of professional staff, 66.7% of workshop and administrative supervisors and above. In comparison, only 12% of the shop floor operators first learned of the acquisition from Lucky China management. This result shows that the higher the level of the occupation group, the higher the percentage of the respondents who first learned of the acquisition from Lucky China management. This result suggests that Lucky China management were less inclined to communicate with lower level occupational groups.

Table 6.9 Information Source about the Acquisition by Occupation Group

Information Source	Shop Floor Operator %	Professional Staff %	Workshop/ Administrative Supervisor and above %
Fellow worker	36.8	26.1	6.7
Lucky China Management	12.0	52.2	66.7
Staff meeting jointly held by Lucky China / Alexander Global management	30.4	17.4	6.7
Notifying Lucky China employees to sign labour contract with Alexander China	15.2	0.0	6.7
Others	5.6	4.3	13.3
Chi-square	$\chi^2=45.227, df=12, P=0.000 \leq 0.05$		

According to the respondents, the following information in Table 6.10 was communicated during the communications sessions employees attended. The information consisted of: Lucky China

service year recognition (80.4%), overall compensation and benefit policy of the new company (70.7%), future goals of the new company (64.4%), and an introduction to Alexander Global (64.4%). There was a smaller percentage of respondents who recalled information about treatment of employees from Lucky China (58.1%) and background of the acquisition (36.2%).

Table 6.10 Information included in the Communication Sessions

	Frequency	Valid Percentage
Lucky China service year recognition	140	80.4
Overall compensation & benefit policy of the new company	123	70.7
Introduction to Alexander Global	112	64.4
Future goals of the new Alexander China	112	64.4
Treatment of employees from Lucky China	101	58.1
Acquisition background	63	36.2
None of the above	7	4.02

The participants' evaluation about the overall effectiveness of communications relating to the acquisition was low at 9.8%. An ANOVA test result indicates that there was no significant difference across different occupation groups for the overall rating on effectiveness of communications ($P=0.051>0.05$). Table 6.11 presents the summary results on the overall effectiveness of communications and the result of the ANOVA test.

Table 6.11 Overall Effectiveness of Communication Related to the Acquisition

	Frequency	Valid Percentage			
Not effective	75	43.1			
Somewhat effective	82	47.1			
Effective	12	6.9			
Very effective	5	2.9			
Total	174	100.0			
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.051	3	1.350	2.644	.051
Within Groups	86.805	170	.511		
Total	90.856	173			

In summary, the data analysis confirms H1 that communications were ineffectively managed during the pre-acquisition phase by Lucky China & Alexander China management team.

Expectations and Concerns about the Acquisition

The survey participants were asked about their first reaction when they heard news of the acquisition. Table 6.12 presents that 46.6% of the respondents had positive reactions to the news of the acquisition, while 32.8% had a neutral reaction and 20.7% of the respondents reacted negatively to the acquisition. Pearson's Chi-square test result shows that no significant differences in responses across different occupation groups ($P=0.16>0.05$).

Table 6.12 First Reaction to the News of Acquisition

Reaction	Frequency				Valid Percentage			
Positive	81				46.6			
Nothing special	57				32.8			
Negative	36				20.7			
Total	174				100			
	Your Current Occupation							
Reaction	Shop Floor Operators		Professional Staff		Workshop/ Administrative Supervisor and above		Others	
	Count	%	Count	%	Count	%	Count	%
Positive	51	41.0	14	61.0	11	73.0	5	45.0
Nothing special	44	35.0	7	30.0	3	20.0	3	27.0
Negative	30	24.0	2	9.0	1	7.0	3	27.0
Chi-square	$\chi^2=9.244$, $df=6$, $P=0.16>0.05$							

Overall, the data results confirm H2 that Lucky China employees had high expectations prior to the acquisition about the employment related issues. The top three expectations identified by the respondents (see Table 6.13) were 'improved benefits' (93.7%), 'higher personal income' (92.5%) and 'better company business that enhances my job security' (89.1%).

Table 6.13 Expectations about the Acquisition

	Frequency	Valid Percentage
Improved benefits	163	93.7
Higher personal income	161	92.5
Better company business that enables my job security	155	89.1
Better work environment	141	81.0
Compliance with Chinese labour laws	135	77.6
Better career opportunities	110	63.2
Learning opportunity for personal development	99	56.9
No expectations	1	0.57

Pearson's Chi-square tests results indicate significant differences in responses for specific items across all different occupation groups (see table 6.14). These differences consisted of 'improved benefits' ($P=0.034 \leq 0.05$), 'Better company business that enables my job security' ($P=0.008 \leq 0.05$), 'higher personal income' ($P=0.008 \leq 0.05$), 'compliance with Chinese labour laws' ($P=0.008 \leq 0.05$), and 'learning opportunity for personal development' ($P=0.005 \leq 0.05$). The results indicate that shop floor operators expressed higher expectations on 'improved benefits' and 'compliance with Chinese labour laws' than the group of professional staff, workshop and administrative supervisors and above. Their expectation on 'better company business that enables my job security' was higher than that of the professional staff. While the group of professional staff expressed higher expectations on 'learning opportunities for personal development'.

Table 6.14 Expectations about the Acquisition by Occupation Group

Items	Your Current Occupation			Chi-square
	Shop Floor Operator %	Professional Staff %	Workshop & Administrative Supervisor and above %	
Improved benefits	96.8	87.0	80.0	$\chi^2=8.693$, $df=3$ $P=0.034 \leq 0.05$
Better company business that enables my job security	93.6	73.9	73.3	$\chi^2=11.926$, $df=3$ $P=0.008 \leq 0.05$
Compliance with Chinese labour laws	84.0	60.9	53.3	$\chi^2=11.876$, $df=3$ $P=0.008 \leq 0.05$
Learning opportunity for personal development	49.6	87.0	73.3	$\chi^2=12.865$, $df=3$ $P=0.005 \leq 0.05$

In addition to the expectations, the data results also confirm H2 that Lucky China employees had high concerns prior to the acquisition about the employment related issues. The top three concerns about the acquisition were also identified by respondents (see Table 6.15) which consisted of 'poor business decision could impact negatively on my income' (70.7%), 'service year in Lucky China not recognised' (69.5%), and 'compensation and benefits not maintained by the new company' (69.0%). All top three concerns were related to compensation and benefits.

Table 6.15 Concerns about the Acquisition

	Frequency	Valid Percentage
Poor business decisions could impact negatively on my income	123	70.7
Service year in Lucky China not recognised	121	69.5
Compensation & benefits not maintained by the new company	120	69.0
Fear of loss of jobs	52	29.9
My English may not be good enough	51	29.3
Less important role in the new company	32	18.4
I may not have the professional skills needed in the new business	30	17.2
Less career opportunity	29	16.7
No concerns	10	5.7

The Pearson's Chi-square results illustrate that there were significant differences in responses across different occupation groups for the following items: 'fear of loss of jobs', 'my English may not be good enough', 'service year in Lucky China not recognised', and 'I may not have the professional skills needed in the new business'. For the purpose of simplification of data presentation, only the items with differences are presented in Table 6.16. The results indicate that there was a significant difference in 'fear of loss of jobs' ($P=0.024 \leq 0.05$) and the group of administrative supervisors and above had more concerns over this than the other two groups. The results indicate that shop floor operators had stronger concern about recognition by the new company of their service year with Lucky China than the group of workshop supervisors and above ($P=0.004 \leq 0.05$). Both groups of professional staff and the group of workshop supervisors and above shared the same concern that their English proficiency level may not be good enough as required by the new company ($P=0.000 \leq 0.05$). The group of administrative supervisors and above had a stronger concern than the shop floor operators that they might not have the professional skills required by the new company ($P=0.038 \leq 0.05$).

Table 6.16 Concerns about the Acquisition by Occupation Group

	Your Current Occupation			Chi-square
	Shop Floor & Field Workers %	Administrative & Technical Staff %	Workshop/ Administrative Supervisor and Above %	
Fear of loss of jobs	24.0	34.8	53.3	$\chi^2=9.458$, df=3, $P=0.024 \leq 0.05$
My English may not be good enough	19.2	56.5	80.0	$\chi^2=33.646$, df=3, $P=0.000 \leq 0.05$
Service year in Lucky China not recognized	76.0	65.2	33.3	$\chi^2=13.117$, df=3, $P=0.004 \leq 0.05$
I may not have the professional skills needed in the new business	12.8	26.1	40.0	$\chi^2=8.441$, df=3, $P=0.038 \leq 0.05$

Overall Results of the Pre-Acquisition Phase

The data results confirm both H1, that communications were ineffectively managed, as well H2 that Lucky China employees had high expectations and concerns prior to the acquisition about the employment related issues.

During the pre-acquisition phase, the overall evaluation of communications about the acquisition across all occupational groups was that it was not effective. The data showed that co-workers were the primary information source about the acquisition for Lucky China employees. The second highest information source was the staff meeting held jointly by Lucky China/ Alexander Global management. The third highest information source was from the Lucky China management team. There were significant differences between different occupational groups who first learned of the acquisition from the Lucky China management team. The data indicates that the higher the position in Lucky China – professional staff, supervisors and managers – the higher percentage of employees who first learned of the acquisition from the Lucky China management team. There was a very low percentage of the shop floor operators who first learned of the acquisition from the Lucky China management team.

The result indicates that across all occupation groups, the majority of Lucky China respondents had either positive or neutral first reactions about the acquisition, while a small percentage of the employees held negative reactions. Across all occupational groups, the top three expectations of Lucky China employees about the acquisition were related to compensation, benefits and job security. However, different occupational groups had significant differences in their group about specific expectations. The shop floor operators held higher expectations of benefits and legal compliance with Chinese labour law than the groups of professional staff, supervisors and managerial staff. The expectation of better company business to enable feelings of job security was higher among the shop floor operators than professional staff. The professional staff groups clearly expressed their higher expectations of learning opportunities for personal development than the rest of the employee groups.

The data indicates that across all occupational groups, the top three concerns were related to compensation and benefits. These concerns consisted of the fear that ‘poor business decisions by management might impact negatively on employees’ income’, ‘employees’ service year in Lucky China might not be recognised by the new company’ and ‘the new company might not be able to maintain the existing compensation and benefits’ offered by Lucky China.

Different occupational groups had different concerns. The groups of supervisors and managers were more concerned about the ‘fear of loss jobs’ than the groups of professional staff and shop floor operators. Both the groups of professional staff, supervisors and managers shared the common concern that their English proficiency level could not meet the requirements by the new company. The professional staff had more concerns of lacking the professional skills required by the new company compared with the shop floor operators. The shop floor operators felt more concerned about the service year recognition issue by the new company than the group of supervisors and managers.

DURING ACQUISITION

The questions asked for the phase of during acquisition were: to what extent employee’s expectations were met, perceptions of management effectiveness in easing the respondents’

concerns, the acceptance level of integration activities, and perceptions of how well management had managed the trust of employees. There are two hypotheses tested in this section:

- H3: During the acquisition phase employees’ expectations and concerns were not effectively managed by the management team;
- H4: During the acquisition phase integration activities were not well accepted by employees

Managing Expectations and Concerns

Overall, the data results confirm H3 that employees’ expectations during the acquisition were not effectively managed. There were very high percentages of respondents whose evaluation was that their expectation had not been met at all or only somewhat met (see Table 6.17). The following areas were identified by over 50% of the respondents as having not met their expectations: ‘higher personal income’ (71.3%), ‘development opportunity for personal growth’ (62.1%), ‘better career opportunities’ (54.6%) and ‘better company business that enables my job security’ (50.6%). These four areas are related to job security and compensation as well as to personal development. The following areas were identified by over 50% of the respondents that their expectations were ‘somewhat met’: ‘improved benefits’ (60.3%), ‘better work environment’ (56.9%), ‘compliance with labour laws’ (51.7%).

Table 6.17 Extent to which Expectations about this Acquisition were Considered Met

Items	Not Met at All (%)	Somewhat Met (%)	Met (%)	Met Completely (%)
Improved benefits	27.0	60.3	10.3	2.3
Higher personal income	71.3	23.6	4.0	1.1
Better work environment	28.7	56.9	12.1	2.3
Better career opportunities	54.6	41.4	3.4	0.6
Better company business that enables my job security	50.6	36.8	11.5	1.1
Opportunity for personal development	62.1	30.5	6.9	0.6
Compliance with labour laws	25.9	51.7	20.1	2.3

The results of an ANOVA test (presented in Table F-1, Appendix F) indicate that there were significant differences in responses for ‘high personal income’ ($P=0.011 \leq 0.05$) and ‘compliance with labour laws’ ($P=0.028 \leq 0.05$) across different occupation groups.

A further Tukey HSD test (presented in Table F-2, Appendix F) illustrates that the differences for these two items existed between shop floor operators and professional staff ('for high personal income', $P=0.022 \leq 0.05$, for 'compliance with labour law', $P=0.017 \leq 0.05$). The group of professional staff had more positive responses than the group of shop floor operators in both these two items (for 'higher personal income', the mean= -.396, for 'compliance with labour law', mean= -.495).

The respondents were asked about the effectiveness of how the management team had eased their concerns about the acquisition. The data results confirm H3 that employees' concern during the acquisition were not effectively managed. As this question was measuring the construct of 'concerns', factor analysis was conducted as described in Appendix E which consisted of both the steps as well as explanations of the criteria for acceptable validity and reliability. According to Table F-3 (Appendix F), both validity ($KMO=0.801 \geq 0.7$, $p=0.000 \leq 0.05$) and reliability (Cronbach's Alpha= $0.822 \geq 0.6$) of this question were good, and factor analysis could be conducted to identify the common key factors which could explain the majority of the variances.

Two key factors were identified as the output of the factor analysis which explained 64.8% of the total variance. Themes were assigned to these two factors (see Table F-3, Appendix F). Factor 1 was more related to the continuous recognition of Lucky China employees' importance to the new company as well as service year recognition by Alexander China. It also covered whether Alexander China had provided professional training to continuously develop Lucky China staff so that their importance to the company could be continuously recognised by Alexander China. Factor 1 explained 43.3% of the total variances and Cronbach's Alpha score was $0.748 \geq 0.6$ which indicate an acceptable reliability.

The theme for Factor 2 was whether Alexander China had provided the same or better compensation and benefits than Lucky China. Also, as Alexander China was a foreign company which granted higher compensation for new employees with English skills, Lucky China employees had concerns about whether the new company could provide English training so that they could master the language skills as required by the company and received appropriate pay. Factor 2 explained 21.5% of the total variances, and Cronbach's Alpha score was $0.705 \geq 0.6$, which

indicate an acceptable reliability. Table 6.18 presents the items under each key factor with the reliability score and total variance explained.

Table 6.18 Key Factors of Employees' Concerns about the Acquisition

Factor 1 Continuous Recognition and Professional Training for Development			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Continued to recognise my importance in Alexander China	0.768	0.748	2.597	43.282	43.282
Recognised my service year in Lucky China	0.684				
Provided professional training for my development	0.610				
Factor 2 Same or Better Compensation and Benefit and English Training			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Same or better salary income than in Lucky China	0.825	0.705	1.292	21.533	64.814
Maintenance of employee benefits	0.628				
Provided English language training	0.504				

Overall the perceived effectiveness of what managers had done to ease employees' concerns was low. Table 6.19 presents the results of the effectiveness for the two key factors. The effectiveness was measured against the scale of 1 to 4, with '1=not effective at all, 2=somewhat effective, 3=effective and 4=very effective'. The result for Factor 1 (continuous recognition and professional training for development) was 1.77 out of 4 (mean=1.77, Std. Deviation=0.708). The result for Factor 2 (same or better compensation and benefit, and English training) was 1.35 out of 4 (mean=1.35, Std. Deviation=0.588).

Table 6.19 Effectiveness of What Management did to Ease Employee Concerns

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Factor 1-Continuous recognition and professional training for development	174	1.00	4.00	1.7701	.70835
Factor 2 -Same or better compensation and benefit and English Training	174	1.00	3.00	1.3563	.58846
Valid N (listwise)	174				

Through the ANOVA test, it illustrates that there were no significant differences across all occupational groups for their responses in all items for both Factor 1 ($P=0.555>0.05$) and Factor 2 ($P=0.221>0.05$). The detail results were presented in Table F-4 in Appendix F.

Acceptance of Integration Activities

The respondents were asked about their acceptance level of the integration activities implemented. As this question was measuring the construct of ‘integration’, factor analysis was conducted per the steps as described in Appendix E. According to Table F-5 (Appendix F), both validity ($KMO=0.769\geq 0.7$, $p=0.000\leq 0.05$) and reliability (Cronbach’s Alpha= $0.847\geq 0.6$) of this question were good, and factor analysis could be conducted to identify the common key factors which could explain the majority of the variances.

One key factor was identified as the output of the factor analysis which explained 48.5% of the total variance. An overarching theme of ‘integration activities’ was assigned to this one factor with three subthemes based on the items contributing to this key factor. The first sub-theme was related to the hiring of new staff, including professional staff and managers. The second sub-theme was related to communications, such as the ‘establishment of monthly employees meeting’ and a ‘General Manager Mail Box’ and ‘provision of various training courses’ as one of the means for communication. The third sub-theme was about the new management procedures implemented, such as ‘safety management’ and the ‘purchase of mandatory benefits to comply with labour law’. Therefore, to summarise the three sub-themes, the overall theme assigned to this factor was ‘Factor 1-Integration Activities (new hires, communications and management processes)’. The reliability of this question was quite high with a Cronbach’s Alpha score at $0.805\geq 0.6$. Table 6.20 presents the items under the Factor 1, total variances explained as well as the reliability score.

Table 6.20 Key Factor for Integration Activities

Factor 1 Integration Activities (New hire, Communication & Management Processes)			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Hiring of new administrative & professional staff	0.718	0.805	3.398	48.544	48.544
Hiring of new managerial staff	0.712				
Monthly employees meetings	0.678				
Establishment of General Manager mail box	0.668				
Various Training courses	0.587				
Implementation of Safety management	0.545				
Purchased the mandatory social benefits	0.501				

Overall, the data results confirm H4 that the acceptance level of the integration activities was not high according to the respondents. The acceptance level was 2 out of 4 (mean=2, Std. Deviation=0.672) which indicate that the integration activities were only somewhat accepted. An ANOVA test was conducted and the result indicates that no significant differences across different occupational groups existed regarding the acceptance of the integration activities ($p=0.448>0.05$). Table 6.21 presents the details of the responses.

Table 6.21 Acceptance Level of the Integration Activities

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Factor 1 - Integration activities (new hire, communication & management processes)	174	1.00	4.00	2.1034	.67206
Valid N (listwise)	174				
ANOVA					
Factor 1 - Integration activities (new hire, communication & management processes)					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.207	3	0.402	0.889	0.448
Within Groups	76.931	170	0.453		
Total	78.138	173			

Overall Results of During Acquisition

In summary, the data results confirm both the H3 that Lucky China employees' expectations and concerns during the acquisition were not effectively managed.

Overall, most of Lucky China employees' expectations about the acquisition were not met at all or just somewhat met during the acquisition. The four areas the respondents identified for which their expectations were not met at all were related to two themes: compensation and job security and development (both career opportunities and personal growth). There were also three expectations that were somewhat met: 'improved benefits', 'better work environment', 'compliance with labour laws'. These three issues were among the changes that Alexander China made as part of the integration. However, significant differences were found in responses by different occupation groups as to how much expectation of 'high personal income' and 'compliance with labour laws' were met. The differences existed between the groups of shop floor operators and professional staff. The group of professional staff had more positive responses than the group of shop floor operators in both of these two expectations.

Two themes were identified for the employees' concerns during the acquisition. The first theme was whether Alexander China continued to recognise Lucky China employees' importance to the company post-acquisition, and if Alexander China had provided professional training to develop Lucky China employees so that they could acquire the skills required by Alexander China and continue to be recognised as important resources by the new company. The second theme was about whether Alexander China had provided the same or better compensation and benefit than Lucky China. As Alexander China provided higher compensation to the new employees with English skills, this theme was also about whether Alexander China had provided English training for Lucky China employees to master the language skills required for the job. The data showed that across all occupational groups, the management team had not effectively eased these employees' concerns.

Three sub-themes were identified under the overall integration activities, which consisted of hiring of new staff, communications and new management processes. The data showed that overall, H4 was confirmed that the acceptance level of integration activities was not high. No significant differences were found across different occupational groups regarding the acceptance of the integration activities. The data showed that the integration activities were not effectively managed.

In summary, the above data results show that the management team did not effectively meet Lucky China employees' expectations or ease employees' concerns about the acquisition.

POST-ACQUISITION

During this phase, the questions asked were: how the management team managed to generate trust or damage trust in employees and the level of overall trust employees had in the management team.

One hypothesis is tested in this section:

- H5: During the post-acquisition phase there was a significant low level of trust by employees which resulted in negative impacts on the new company.

Trust

Respondents were asked about their overall trust level with the management team in the post-acquisition phase, and to identify what behaviours from the management team that had generated or damaged their trust. H5 is accepted as the result indicates that the overall trust level in the management team was low: 30.5% responded that they had no trust in the management team at all, 53.4% said that they somewhat trusted the management team, only 16.1% of the respondents responded that they trusted the management team. An ANOVA test result indicates that there was no significant difference about the level of trust across different occupation groups ($p=0.575>0.05$). Table 6.22 presents the result of the overall trust level and ANOVA test result.

Table 6.22 Overall Level of Trust in the Management Team

	Frequency	Percentage			
No trust	53	30.5			
Somewhat trust	93	53.4			
Trust	25	14.4			
High Trust	3	1.7			
Total	174	100			
ANOVA					
How do You Rate Employees' Overall Trust Level in Management Team					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.011	3	0.337	0.665	0.575
Within Groups	86.207	170	0.507		
Total	87.218	173			

According to table 6.23, the only management behaviour that generated trust in the respondents was ‘cared about employees’ safety through implementation of safety management’ (count=119, 68.4%). The percentages of responses for the rest of the behaviours listed in the questionnaire were low (from 38.5% to 13.8%).

Table 6.23 What the Management Team did to Generate Trust

	Count ‘Yes’	Valid Percentage
Cared about employees' safety through implementation of safety management	119	68.4
Had the capability to run the company well to ensure job security	67	38.5
Trusted employees in what they do	61	35.1
Developed better businesses to enable higher income of employees	51	29.3
Nothing	35	20.1
Kept promises to employees	32	18.4
Recognized the professionalism of A Company employees	32	18.4
Rewarded me equitably for my contribution	30	17.2
Maintained adequate communications with employees	24	13.8

Pearson’s Chi-square tests were conducted to understand the differences in responses across different occupation groups. The results indicate that there were significant differences in the following behaviours, which were:

- (1) Cared about employees' safety through implementation of safety management ($P=0.004 \leq 0.05$)
- (2) Developed better businesses which enabled higher income of employees ($P=0.002 \leq 0.05$)
- (3) Maintained adequate communications with employees ($P=0.000 \leq 0.05$)

The detailed results are presented in Table 6.24. For the purpose of data simplification, Table 6.24 only presents those with significant differences across different occupation groups.

Table 6.24 What the Management Team did to Generate Trust by Occupation Group

	Shop Floor & Field Workers %	Admin & Technical Staff %	Workshop & Admin. Supervisor and above %	Chi-square
Cared about employees' safety through implementation of safety management	74.4	69.6	33.3	$\chi^2=13.307$, $df=3$, $P=0.004 \leq 0.05$
Developed better businesses which enabled higher income of employees	37.6	13.0	6.7	$\chi^2=15.356$, $df=3$, $P=0.002 \leq 0.05$
Maintained adequate communications with employees	7.2%	30.4%	40.0%	$\chi^2=18.769$, $df=3$, $P=0.000 \leq 0.05$

Table 6.24 indicates that shop floor operators had more positive responses to ‘cared about employees’ safety through implementation of safety management’ than the workshop/administrative supervisors and above. Both the group of professional staff and the group of workshop/administrative supervisors and above had more positive responses to ‘maintained adequate communications with employees’ than the group of shop floor operators. For the behaviours that management had ‘developed better business which enabled higher income of the employees’, the group of shop floor operators had more negative response than the rest of the two groups, namely the group of professional staff, and the group of workshop/administrative supervisors and above.

In contrast, the survey results indicate that there was more behaviours from the management team that had damaged trust in employees than generated trust. Among all the behaviours that had damaged employees’ trust, the percentages to the following behaviours were higher than 50%:

- (1) Did not make equitable salary decisions (count=133, 76.4%)
- (2) Was not able to develop better businesses to enable higher income for employees (count=113, 64.9%)
- (3) Did not have capability to run the company well to ensure employees job security (count=98, 56.3%)
- (4) Was not able to keep their promises to employees (count=95, 54.6%)

All of these four behaviours that had damaged the employees’ trust were related to employees’ compensation and job security, including the one that the ‘management had not been able to keep their promises’ to provide a good future with the new company. Table 6.25 presents the details of the behaviours that damaged the trust which is consistent with the key interview findings in Table 5.20

Table 6.25 What the Management Team did that Damaged Trust

	Count 'Yes'	Valid Percentage
Did not make equitable salary decisions	133	76.4
Was not able to develop better businesses to enable higher income for employees	113	64.9
Did not have capability to run the company well to ensure employees' job security	98	56.3
Was not able to keep their promises to employees	95	54.6
Made inappropriate decisions without understanding local culture & situation	61	35.1
Not rewarded employees equitably for their contribution	57	32.8
Was not able to maintain adequate communications with employees	49	28.2
Not recognised employees for their professionalism & expertise	35	20.1
Did not trust employees in what they did	29	16.7
Not provided employees with good career opportunities	18	10.3
Has not done anything to damage trust	10	5.7

According to Pearson's Chi Square test result, among all of the items, there were significant differences for the following two items across different occupation groups, 'made inappropriate decisions without understanding local culture & situation' ($P=0.001 \leq 0.05$) and 'was not able to keep their promises to employees' ($P=0.036 \leq 0.05$). The result indicates that a higher percentage of respondents from the group of workshop/administrative supervisors and above believed that British management had made inappropriate decisions without understanding the local culture and situation which had damaged their trust. A higher percentage of respondents from the group of workshop operators believed that the management team had not kept their promises to the employees to provide a good future with the new company than the group of workshop and administrative supervisors and above. Table 6.26 presents the details of the Pearson's Chi-square tests results.

Table 6.26 What the Management Team did that Damaged Trust by Occupation Group

	Shop Floor & Field Workers %	Administrative & Technical Staff %	Workshop & Administrative Supervisor and above %	Chi-square
Made inappropriate decisions without understanding local culture & situation	28.8	52.2	73.3	$\chi^2=16.138$, $df=3$, $P=0.001 \leq 0.05$
Was not able to keep their promises to employees	60.0	30.4	40.0	$\chi^2=8.541$, $df=3$, $P=0.036 \leq 0.05$

Overall, according to the data, H5 is accepted that across all occupational groups, the trust level with the management team from the respondents was low and resulted in a series of negative outcomes in relation to people issues, like inequitable salaries and poor career prospects. The only management behaviour with over 50% of the total responses that had generated trust in the respondents was 'cared about employees' safety through implementation of safety management'. The result also indicates that there were significant differences in responses between different occupational groups to the following three management behaviours, 'cared about employees' safety through implementation of safety management', 'developed better businesses which enabled higher income of employees' and 'maintained adequate communications with employees'. The group of shop floor operators had more positive responses to the implementation of safety management than the group of workshop/administrative supervisors and above. Both the group of professional staff and the group of workshop/administrative supervisors and above had more positive responses to 'maintained adequate communications with employees' than the group of shop floor operators. This reflects the respective occupational priorities of the operator and supervisory groups. For the 'developed better businesses which enabled higher income of employees', the group of shop floor operators had more negative responses than the group of professional staff and the group of workshop/administrative supervisors and above. This reflects that shop floor operators had more concern about the financial income in comparison with the other groups.

The survey results illustrate that more behaviours from the management team had damaged trust in employees than generated trust. Out of all the management behaviours that had damaged trust, the following ones had over 50% of the total responses, 'did not make equitable salary decisions', 'was not able to develop better businesses to enable higher income for employees', 'did not have capability to run the company well to ensure employees job security' and 'was not able to keep their promises to employees'. All of these four behaviours that had damaged the employees' trust were related to employees' compensation and job security, including the one that the management had not been able to keep their promises to provide a good future with the new company.

Between different occupational groups, there were significant differences in responses for the following two management behaviours ‘made inappropriate decisions without understanding local culture and situation’, and ‘was not able to keep their promises to employees’. The data showed that a higher percentage of respondents from the group of workshop/administrative supervisors and above believed that British management had made inappropriate decisions without understanding the local culture and situation which had damaged their trust. A higher percentage of respondents from the group of workshop operators believed that the management team had not kept their promises to the employees to provide a good future with the new company than the group of workshop and administrative supervisors and above.

Similarities and Differences between Chinese and Western Ways of Managing People and Organisations

In this section, the respondents were asked about their experience with Lucky China and also Alexander China to identify if there was any difference before and after the acquisition related to organisation culture and how the management team managed cross cultural differences. Responses from Lucky China employees who experienced the full acquisition process are analysed in this section. One hypothesis is tested in this section:

- H6: During post-acquisition phase cross-cultural differences were ineffectively managed in the transition from Chinese to Western firm organisation.

How Companies Were Managed In Lucky China and Alexander China

Overall, two themes were identified for organisation culture comparison between Lucky China and Alexander China. The first theme is about managing processes and policies which consisted of compliance, communications, decision making process and safety management. The second theme is about Nepotism, which consisted of the appointment of relatives in leadership positions, as well as situations where relatives are the subordinates reporting to family who are the managers. The results relate to the factor analysis on the identified themes are presented in this section.

With a focus on organisation culture, respondents were asked about how each company was managed in Lucky China and Alexander China respectively. As referred to in Appendix E, given that comparison analysis is conducted between the pair questions for Lucky China and Alexander China for the same set of variables (i.e. the same set of items), a statistical approach was adopted to firstly create a set of new variables by calculating the mean of the same two variables for the questions about Lucky China and Alexander China respectively. Then, factor analysis was conducted with the new set of variables to identify the common key factors applied to both Lucky China and Alexander China. A Factor weight was calculated for each item under each of the common key factors, and was applied back to the question related to Lucky China and Alexander China to calculate the variable value for the key factors respectively (see Appendix E for an explanation of the detail Factor Analysis steps for paired questions).

In this section, the common key factors for the organisation culture questions for Lucky China and Alexander China, based on the new variables, are discussed first, then the factors for Lucky China and Alexander China are discussed separately. Comparison analysis result is discussed on the difference before and after the acquisition. Regarding the common key factors applied to both Lucky China and Alexander China, according to Table F-6 (Appendix F), the result of KMO test and Bartlett's Test indicate that the validity ($KMO=0.734 \geq 0.7$, $P=0.000 \leq 0.05$) and reliability (Cronbach's Alpha= $0.7 \geq 0.6$) are acceptable, and factor analysis can be conducted on the new set of variables to identify the common key factors which could explain the majority of the variances.

Two common key factors were identified (see Table 6.27) as the results of the factor analysis based on the new variables which explained 55.8% of the total variance. Under the first key factor, the items were primarily related to how the company was managed, consisted of: ethics and compliance, staff communication and treatment, decision making process, and safety management. Therefore, the theme assigned for the first key factor was 'Factor 1 Managing Processes and Policies'. The Factor 1 explained that 37.38% of the total variance and the reliability was very good (Cronbach's Alpha= $0.814 \geq 0.6$). The second key factor was about the influence of nepotism (guanxi) on the company managing practices, including the appointment of senior leaders and supervisors who had their relatives reporting to them. Therefore, the theme assigned to the second

key factor was ‘Factor 2-Nepotism (guanxi)’. The Factor 2 explained 18.4% of the variance and the reliability was good (Cronbach’s Alpha=0.750 \geq 0.6).

Table 6.27 Common Key Factors for how each Company was Managed in Lucky China/Alexander China

Factor 1 - Managing Processes and Policies			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Ethics was very much emphasised in company management	0.768	0.814	3.364	37.378	37.378
Staff were well informed about what they should know	0.737				
All levels of employees were treated equally with respect	0.730				
Personnel policies and practices complied with labour law	0.707				
Decisions were discussed by various people before made	0.653				
Compensation and benefit decisions were guided by policies	0.635				
Management invested money for protecting employee safety	0.576				
Factor 2 Nepotism			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Senior positions were held by relatives of the top leader	0.896	0.750	1.659	18.434	55.812
Supervisors had their relatives reporting to them	0.876				

Respondents were asked about their evaluation on Factor 1 and Factor 2 with Lucky China. An ANOVA test revealed that across different occupational groups, no significant differences in responses for Factor 1-Managing Processes and Policies ($P=0.513 > 0.05$) were found, but there were significant differences in responses for Factor 2 – Nepotism (guanxi) ($P=0.027 \leq 0.05$). For simplification purpose, only Factor 2 – Nepotism, which has the significant difference in response is presented and Table 6.28 provides the details.

Table 6.28 How the Company was Managed in Lucky China

Descriptive Statistics						
		N	Minimum	Maximum	Mean	Std. Deviation
Factor 1 - Managing Processes and Policies		174	1.00	4.00	2.0805	.75599
Factor 2 Nepotism		174	1.00	4.00	2.1149	.81070
Valid N (Listwise)		174				
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Factor 1 - Managing Processes and Policies	Between Groups	1.323	3	.441	.768	.513
	Within Groups	97.551	170	.574		
	Total	98.874	173			
Factor 2 Nepotism	Between Groups	5.939	3	1.980	3.123	.027
	Within Groups	107.762	170	.634		
	Total	113.701	173			

According to Table 6.29, based on a further Tukey HD test result, for Lucky China, a higher percentage of the group of shop floor operators responded that nepotism was part of how Lucky China operated than the group of workshop and administrative supervisors and managers above ($P=0.03 \leq 0.05$, mean difference=-0.60).

Table 6.29 How the Company was Managed in Lucky China by Occupational Group (Tukey HD Test)

	(I) your current occupation	(J) your current occupation	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
						Factor2: Nepotism	Shop Floor Operators
	Shop Floor Operators	Workshop/Administrative Supervisor and above	-0.60	0.22	0.03	-1.17	-0.04
	Workshop/Administrative Supervisor and above	Professional Staff	0.49	0.26	0.25	-0.19	1.18

The respondents were asked about their experience of Factor 1- ‘Managing Processes and Policies’ and Factor 2 – ‘Nepotism’ with Alexander China. The responses indicate that there were no significant differences across different occupational groups. Table 6.30 illustrates the ANOVA test result.

Table 6.30 How the Company Was Managed in Alexander China

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	
Factor 1 - Managing Processes and Policies	174	1.00	4.00	1.8218	0.67779	
Factor 2 – Nepotism	174	1.00	4.00	3.0805	0.80774	
Valid N (Listwise)	174					
ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Factor 1 - Managing Processes and Policies	Between Groups	1.459	3	0.486	1.060	0.368
	Within Groups	78.018	170	0.459		
	Total	79.477	173			
Factor 2 Nepotism	Between Groups	3.694	3	1.231	1.918	0.129
	Within Groups	109.179	170	0.642		
	Total	112.874	173			

A further Two Paired Sample Test was conducted to compare how the Factor 1- managing processes and policies and Factor 2 – nepotism were managed between Lucky China and Alexander China. Table 6.31 presents the results of the Two Paired T tests, which were made up of Paired Sample Statistics and the Paired Sample differences. The rating scale was from 1 to 4, with ‘1=happened all the time, 2=happened most of the time, 3=happened sometimes, and 4=did not happen at all’.

Table 6.31 Two Paired T Tests–How Each Company was managed in Lucky China and Alexander China

Paired Samples Statistics									
		Mean	N	Std. Deviation	Std. Error Mean				
Pair 1	Factor 1 Managing Processes and Policies (Lucky China - LC)	2.0805	174	0.75599	0.05731				
	Factor 1 Managing Processes and Policies (Alexander China -AC)	1.8218	174	0.67779	0.05138				
Pair 2	Factor 2 Nepotism (Lucky China - LC)	2.1149	174	0.81070	0.06146				
	Factor 2 Nepotism (Alexander China-AC)	3.0805	174	0.80774	0.06123				
Paired Samples Test									
		Paired Differences					T	Df	Sig. (2-tailed)
		Mean (LC – AC)	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Factor 1- Managing Processes and Policies (LC) Factor 1 - Managing Processes and Policies (AC)	0.25862	0.88456	0.06706	0.12626	0.39098	3.857	173	0.000
Pair 2	Factor 2 Nepotism (LC) Factor 2 Nepotism (AC)	-0.96552	0.99069	0.07510	-1.11376	0.81728	-12.856	173	0.000

Overall, the test results illustrate that there were significant differences for both ‘Factor 1 – Managing Processes and Policies’ ($P=0.000 \leq 0.05$) and ‘Factor 2 – Nepotism before and after the acquisition’ ($P=0.000 \leq 0.05$). For ‘Factor 1 – Managing Processes and Policies’, the results indicate that the way Alexander China was managed depended on processes and policies to a greater extent than that in Lucky China (mean difference=0.259). For ‘Factor 2 – Nepotism’, the responses indicate that Nepotism had greater influence on how Lucky China was managed than in Alexander China (mean difference=0.966).

Cultural Characteristics in Lucky China and Alexander China

In the survey questionnaire, two questions focused on the cultural characteristics of Lucky China and Alexander China. These were relationships, interpersonal style and management style. The same statistical approach for the previous questions regarding organisation culture in Lucky China and Alexander China was taken for these two questions regarding the cultural characteristics for

Lucky China and Alexander China. Factor analysis was conducted to identify the common key factors of cultural characteristics applied to both Lucky China and Alexander China; then factor weight was calculated for each item under the common key factors to calculate the variable value for the key factors of cultural characteristics for Lucky China and Alexander China respectively. The detail explanation of the Factor Analysis steps can be referred to the Appendix E.

In this section, the common key factors for cultural characteristics of Lucky China and Alexander China are discussed first then factors of cultural characteristics of Lucky China and Alexander China are discussed separately. Comparison analysis result is discussed to compare the change before and after the acquisition. Regarding the common key factors of cultural characteristics applied to both Lucky China and Alexander China, according to Table F-7 (Appendix F), the result of KMO test and Bartlett's Test indicate that the validity ($KMO=0.711 \geq 0.7$, $p=0.000 \leq 0.05$) and reliability (Cronbach's Alpha= $0.756 \geq 0.6$) are acceptable, and factor analysis can be conducted on the new set of variables to identify the common key factors of cultural characteristics which could explain the majority of the variances.

Two common key factors of cultural characteristics were identified as the results of the factor analysis based on the new variables and totally explained 53.2% of the total variance. The theme assigned to the first key factor was 'Factor 1 - initiatives, communications and conflict avoidance. Under the first key factor, three sub themes were found which were the degree of initiatives the staff took at work, communications style (direct versus indirect), and conflict avoidance. Factor 1 explained 33% of the total variance and the reliability was acceptable (Cronbach's Alpha= $0.722 \geq 0.6$).

The theme assigned to the second key factor was 'Factor 2 – authoritarian management style and personal relationship (guanxi)'. For the second key factor, there were two sub themes which were authoritarian management style and personal relationship (guanxi). Factor 2 explained 20.1% of the total variance with acceptable reliability (Cronbach's Alpha= $0.766 \geq 0.6$). Table 6.32 provides the details of the Factor Analysis results for the cultural characteristics in Lucky China and Alexander China.

Table 6.32 Common Key Factors for Cultural Characteristics in Lucky China and Alexander China

Factor 1 Initiative, Communication & Conflict Avoidance			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Communications about problems are handled in an indirect way	0.753	0.722	2.979	33.096	33.096
Staff tend to avoid conflict to pursue harmony at work	0.719				
Management expect staff to take initiatives at work	0.696				
Staff bring up issues on their own initiatives	0.647				
Communications about problems are handled in a direct way	0.593				
Factor 2 Authoritarian Management Style and Personal Relationship			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
The management style is primarily authoritarian	0.843	0.766	1.811	20.121	53.217
Management expect staff to follow instructions with no questions	0.804				
Staff tend to say 'yes' even if they don't agree	0.697				
Business dealings are organized through personal relationships	0.691				

The respondents were asked about how much these cultural characteristics applied to Lucky China. The results indicate that no significant differences existed across different occupational groups in their response about the cultural characteristics for both 'Factor 1 - Initiative, Communication & Conflict Avoidance' ($P=0.335>0.05$) and 'Factor 2 - Authoritarian Management Style and Personal Relationship' ($P=0.265>0.05$) in Lucky China. Table 6.33 presents the details.

Table 6.33 Cultural Characteristics by Occupational Group in Lucky China

Descriptive Statistics						
		N	Minimum	Maximum	Mean	Std. Deviation
Factor 1 Initiative, Communication & Conflict Avoidance		174	1.00	3.00	2.0345	.58790
Factor 2 Authoritarian Management Style and Personal Relationship		174	1.00	3.00	1.9195	.70863
Valid N (Listwise)		174				
ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Factor 1 Initiative, Communication & Conflict Avoidance	Between Groups	1.177	3	0.392	1.138	0.335
	Within Groups	58.616	170	0.345		
	Total	59.793	173			
Factor 2 Authoritarian Management Style and Personal Relationship	Between Groups	1.996	3	0.665	1.333	0.265
	Within Groups	84.877	170	0.499		
	Total	86.874	173			

The respondents were also asked about how strongly the cultural characteristics applied to Alexander China. The results indicate that there were no significant differences across different occupational groups in terms of their response about the cultural characteristics for both ‘Factor 1 - Initiative, Communication & Conflict Avoidance ($P=0.319>0.05$)’ and ‘Factor 2 - Authoritarian Management Style and Personal Relationship ($P=0.590>0.05$)’ in Alexander China. Table 6.34 presents the details.

Table 6.34 Cultural Characteristics by Occupational Group in Alexander China

Descriptive Statistics						
		N	Minimum	Maximum	Mean	Std. Deviation
Factor 1 Initiative, Communication & Conflict Avoidance		174	1.00	3.00	2.0230	.60779
Factor 2 Authoritarian Management Style and Personal Relationship		174	1.00	4.00	2.0632	.68131
Valid N (Listwise)		174				
ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Factor 1 Initiative, Communication & Conflict Avoidance	Between Groups	1.305	3	0.435	1.181	0.319
	Within Groups	62.603	170	.368		
	Total	63.908	173			
Factor 2 Authoritarian Management Style and Personal Relationship	Between Groups	0.898	3	0.299	0.641	0.590
	Within Groups	79.407	170	0.467		
	Total	80.305	173			

To compare the differences before and after the acquisition for cultural characteristics, a Two Paired Samples t-Test was conducted. Table F-8 (Appendix F) presents the results.

The results found no significant differences for the cultural characteristics regarding the extent to which the employees took initiatives at work, direct or indirect style of communications and conflict avoidance before and after the acquisition ($P=0.794>0.05$).

However, regarding the management style and personal relationships, there were significant differences before and after the acquisition ($P=0.005\leq 0.5$). The result illustrate that Lucky China had stronger cultural characteristics of authoritarian management and personal 'guanxi' based business relationship than Alexander China (mean difference= -0.14). The rating scale was from 1 to 4, '1=happened all the time, 2=happened most of the time, 3=happened some times, 4=did not happen at all'.

Managing Cross Culture Differences

In this section, the foci is to evaluate how much the respondents believed the British management understood Chinese culture, what the British management did to manage the cross culture differences between Chinese culture and the British culture, and how effective the British management managed the culture differences. In summary, H6 is accepted as the data results indicate that only 2.9% of the participants responded positively that the British management understood Chinese local culture. An ANOVA test result indicates no differences in responses across all occupational groups ($P=0.165>0.05$), which means that all the groups consistently believed that the British management had not obtained a good understanding of Chinese local culture. Table 6.35 presents the overall result.

Table 6.35 How Well British Management Understood China Local Culture

	Count	Valid Percentage			
Not understand	82	47.1			
Somewhat understand	87	50.0			
Understand	5	2.9			
Understand very well	0	0			
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.560	3	0.520	1.721	0.165
Within Groups	51.366	170	0.302		
Total	52.925	173			

Regarding what the British management did to manage cross culture differences between Chinese and British culture in Alexander China, there were 63.2% of the respondents who noted that British management used interpreters to support language communications, and around 52.9% of respondents explained that the approach British management used to deal with the culture difference was through hiring of new Chinese staff with English capability. Except for the above two efforts, the other behaviours listed were identified by less than 50% of the respondents, such as British managers spending some one on one time with local employees (12.6%), organise English training (14.4%), try to understand local culture (17.2%) and understand local situations before making decisions (17.8%). Table 6.36 presents the actions according to the observations of the respondents that British Management had taken to address the cross culture differences.

Table 6.36 British Management Action to Manage the Culture Difference between Chinese and British Culture in Alexander China

	Count	Valid Percentage
Used interpreters to support language communications	110	63.2
Hired new Chinese staff with English capability	92	52.9
Spent some time on site to understand China and the Hangzhou factory	75	43.1
Appointed local Chinese in senior management positions	72	41.4
Fully utilized the expertise of Lucky China staff	70	40.2
Tried to understand the needs and concerns of local staff	39	22.4
Tried to learn Chinese language	37	21.3
Respected the input and perspectives of local staff for decision making	35	20.1
Organized team building activities with local staff	35	20.1
Tried to understand local situation before making decisions	31	17.8
Spent much effort trying to understand the local culture	30	17.2
Organised English training sessions to local staff	25	14.4
Spend time one on one with Chinese staff to understand who they are	22	12.6

The responses illustrate that effectiveness was rated very low at 7.5% while about 92.5% of the respondents believed the management team had not managed the cross cultural differences effectively. There were no significant differences across occupational groups for this evaluation ($P=0.906>0.05$). Table 6.37 presents the results.

Table 6.37 How Well the Culture Differences Were Managed?

	Frequency	Percentage		
Not effective	77	44.3		
Somewhat effective	84	48.3		
Effective	12	6.9		
Very effective	1	.6		
Total	174	100.0		
ANOVA				
How Well do you Think the Culture Differences Have Been Managed?				
	Sum of Squares	Df	Mean Square	F
Between Groups	1.105	3	0.368	0.906
Within Groups	69.085	170	0.406	
Total	70.190	173		

Overall, the results indicate that the British management did not have good understanding of the Chinese local culture. The data reports that the primary solutions taken by the British management to resolve cross culture differences were to use interpreters to assist with language communications and to hire new English speaking staff. The data shows that the British management did not effectively manage the cross culture differences.

Overall Results Post-Acquisition

In summary, the data results confirm that H6 is accepted as the cross culture differences between Chinese culture and British culture were not effectively managed post-acquisition.

The data shows that there are differences in how Lucky China and Alexander China were managed before and after the acquisition in two aspects: (i) managing by policies and procedures and (ii) influence of nepotism (guanxi). The comparison analysis illustrates that Alexander China was managed more by policies and procedures, whereas Lucky China was managed under greater

influence of nepotism (guanxi). Nepotism (guanxi) appears as a feature of Lucky China's management practices, influencing appointment of friends and relatives into senior leadership positions, and supervisors had their relatives report to them.

The data also reveals the different organisation cultural characteristics between Lucky China and Alexander China in two areas. The first area is about 'initiatives, communications and conflict avoidance'. This relates to the extent to which the staff took initiatives at work, communicated with a direct or indirect style, and confronted or avoided conflict. The comparison results between Lucky China and Alexander disclose that there were no significant changes in this area before and after the acquisition.

The second area is about 'authoritarian management style and personal relationship' in business dealings. This is related to the extent that authoritarian management style was demonstrated in managing the company and the influence of such style in managing a business. The comparison results between Lucky China and Alexander China highlight that there were significant changes in this area before and after the acquisition. The results illustrate that Lucky China engaged in more (compared to Alexander China) of the cultural characteristics of authoritarian management and business arrangements were primarily carried out through the personal relationships of the authoritarian leader.

The analysis from this section concludes that British management generally did not have good understanding of the Chinese culture, and they had not acted effectively to manage the cross culture differences. Primarily, the results indicate that the two major approaches adopted by British managers for managing the culture differences were limited to the use of interpreters to support language communications and to hire new Chinese staff with English capability.

OVERALL EVALUATION OF THE ACQUISITION

In this section, the respondents were asked about their overall evaluation of the acquisition, consisting of the effectiveness of communications and people management throughout the

acquisition period, the overall success level of the acquisition and the extent to which success of the acquisition was related to the people management. Two hypothesis are tested in this section:

- H7: Communications were not effectively managed throughout the acquisition;
- H8: The degree of effectiveness of people management of this acquisition has impact on the extent of success of the acquisition.

Communications

The respondents were asked to rate the effectiveness of communications activities throughout the acquisition process. As the question was designed to measure the construct of 'communications', Factor Analysis was conducted to test the validity and reliability. The result of KMO (KMO=0.882 \geq 0.7) and Bartlett's Test (p=0.000 \leq 0.05) as presented in Table F-8 (Appendix F) indicates that this question had very good validity. The result of the reliability test (Cronbach's Alpha=0.921 \geq 0.6) indicates that this question has very high reliability.

Two key factors were identified through the Factor Analysis which explained 68.1% of the total variance. The first factor was related to how the company had communicated with employees about its vision and future direction, and how that was related to the change decision about business and people, especially the value of establishment of new departments. Therefore the theme assigned to the first factor was Factor 1 - Company vision and decision on staffing and organisation'. This factor explained 48.0% of the total variance with acceptable reliability (Cronbach's Alpha=0.757 \geq 0.6). The second factor was primarily related to how well management had understood employees' issues and concerns, especially those related to the compensation and benefit policy, and how the changes introduced might have benefited the employees. Therefore, the theme assigned to this second factor was 'Factor 2-understanding employees' concerns on compensation and benefit and value of changes introduced'. The second factor explained 20% of the total variance with acceptable reliability (Cronbach's Alpha=0.761 \geq 0.6). Table 6.38 presents the result of the factor analysis for communications.

Table 6.38 Key Factors for Communications

Factor 1 Company Vision and Decision on Staffing and Organisation			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Key company decisions regarding business & people	0.855	0.757	2.884	48.064	48.064
Value of establishment of new departments	0.782				
Company's vision and future business direction	0.771				
Factor 2 Understanding Employees' Concerns on Compensation and Benefit and Value of Changes Introduced			Initial Eigenvalues		
Item	Loading	Cronbach's Alpha	Total	% of Variance	Cumulative %
Value of the changes introduced	0.830	0.761	1.204	20.066	68.130
Company's compensation and benefit policy	0.812				
Understanding employees issues and concerns	0.767				

According to the data results, H7 is accepted. In terms of communications, the overall evaluation of the effectiveness was not high. For 'Factor 1 – company vision and decision on staffing and organisation', the mean was 1.42 out of 4. For 'Factor 2 - Understanding employees' concerns on compensation and benefit and value of changes introduced', the mean was 1.6 out of 4. The rating scale was from 1 to 4, 1=not effective at all, 2=somewhat effective, 3=effective and 4=very effective. According to the ANOVA test result, there were no significant differences across different occupational groups both for Factor 1 ($p=0.385>0.05$) and Factor 2 ($p=0.402>0.05$). This clearly indicates that the communications effort by the management team was not effective. Table 6.39 presents the results.

Table 6.39 Effectiveness of Communications by Occupational Groups

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	
Factor 1 Company vision and decision on staffing and organization	174	1.00	3.00	1.4253	0.54044	
Factor 2 Understanding employees' concerns on compensation and benefit and value of changes introduced	174	1.00	4.00	1.6207	0.67561	
Valid N (Listwise)	174					
ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Factor 1 Company vision and decision on staffing and organization	Between Groups	0.894	3	0.298	1.021	0.385
	Within Groups	49.634	170	0.292		
	Total	50.529	173			
Factor 2 Understanding employees'	Between Groups	1.347	3	0.449	0.983	0.402
	Within Groups	77.618	170	0.457		
	Total	78.966	173			

Effectiveness of People Management

The respondents were asked to evaluate the effectiveness of people management throughout the acquisition. The results indicate that only 9.1% of respondents thought the people management efforts were effective while about 90.9% of respondents evaluated it as somewhat effective (58.1%) or not effective (32.8%) at all. Table 6.40 presents the overall evaluation result of the effectiveness of people management for this acquisition. An ANOVA test result indicates that there were no significant differences across different occupation groups ($P=0.245>0.05$).

Table 6.40 Overall Effectiveness of the People Management

	Frequency	Valid Percentage			
Not effective	57	32.8			
Somewhat effective	101	58.1			
Effective	14	8.0			
Very effective	2	1.1			
Total	174	100.0			
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.692	3	0.564	1.398	0.245
Within Groups	68.567	170	0.403		
Total	70.259	173			

Success and Failure of the Acquisition

When asked about the overall evaluation of the acquisition, 15.5% of the respondents rated the acquisition as successful and 1.7% rated very successful (1.7%), 51.7% of the respondents rated the acquisition as somewhat successful while 31% of the respondents felt that the acquisition was not successful at all. In summary, the overall evaluation of this acquisition was that it was not successful. According to the ANOVA test result, there were no significant differences across occupation groups. Table 6.41 presents this evaluation result.

Table 6.41 Overall Success of this Acquisition

	Frequency	Valid Percentage			
Not successful	54	31.0			
Somewhat successful	90	51.7			
Successful	27	15.5			
Very successful	3	1.7			
Total	174	100.0			
ANOVA					
How do you Rate the Overall Success of this Acquisition					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.398	3	0.133	0.250	0.861
Within Groups	90.067	170	0.530		
Total	90.466	173			

Correlations between People Management Effectiveness and Success of the Acquisition

A correlation test was conducted to understand H8 that is if there are correlations between the overall effectiveness of people management and the lack of effectiveness of the acquisition, the test result indicates that there was a significant correlation between the two, which indicate that the extent to how well people were managed would have impacted on the overall success of the acquisition. Table 6.42 presents the result of the correlation test result ($p=0.000 \leq 0.05$). Therefore, according to the results, H8 is accepted.

Table 6.42 Correlations between People Management Effectiveness and Success of the Acquisition

		How do You Rate the Overall Success of this Acquisition before Economic Crisis
How do you rate the overall effectiveness of the people management before the economic crisis	Pearson Correlation	0.505(**)
	Sig. (2-tailed)	0.000
	N	174

** Correlation is significant at the 0.01 level (2-tailed).

Overall Results of the Evaluation of the Acquisition

The data results of this section firstly accept H7 which illustrate the ineffectiveness of communications activities throughout the acquisition process. Two key factors were identified through the Factor Analysis for communication activities and overall effectiveness evaluations were conducted on these two key factors. Factor 1 was ‘company vision and decision on staffing and organisation’ and the overall effectiveness on this factor was low, the mean was 1.42 out of 4. This indicates the new company did not do an effective job communicating with the employees about its vision and future direction. The new company also did not do an effective job communicating with employees about the decisions made with business, people, staffing and organisation, and how these decisions were connected with the company’s vision and future direction. Factor 2 was ‘understanding employees’ concerns on compensation and benefit and value of changes introduced’. The overall evaluation on Factor 2 was not effective either and the mean was 1.6 out of 4. This data result indicates that the new company did not do an effective job of appreciating employees’ issues and concerns, especially those concerns related to compensation and benefits. When new changes were introduced, the new company did not do an effective job to communicate with employees about the value of the changes, especially those changes that might be part of the employees’ concerns.

The second part of this section was to evaluate the effectiveness (or lack thereof) of people management throughout the acquisition. The results indicate that only 9.1% of the respondents thought the people management efforts were effective while about 90.9% of the respondents evaluated it as somewhat effective (58.1%) or not effective (32.8%) at all. There were no significant differences across different occupation groups for this evaluation result.

The third part of the section was about the overall evaluation of the acquisition. There were 15.5% of the respondents who rated the acquisition as 'successful' and 1.7% rated 'very successful', while 31% of the respondents felt that the acquisition was 'not successful at all', while 51.7% of the respondents who rated the acquisition as 'somewhat successful'. In summary, the overall evaluation of this acquisition by the staff across all levels was that it was not successful. There were no significant differences across different occupation groups.

The result of the correlation test between the overall ineffectiveness of people management and that of the acquisition indicate that there was a significant correlation relationship between the two. Therefore H8 is accepted. This result suggests that how people were managed in the acquisition had impacted on perceptions of the overall success of the acquisition, which indicate that failure to manage the people well had contributed to the 'unsuccessful' evaluation of the acquisition by the employees.

CONCLUSION

As part of the research design of this study, the survey detailed in this chapter was informed by the findings from the in-depth structured interviews. Eight hypotheses, based on the interview findings, were tested by the quantitative findings. In turn, the quantitative findings are able to validate the qualitative findings by integrating, comparing and analysing these quantitative results with the interview data set out in the previous two chapters. Based on the quantitative findings, the eight hypotheses are accepted. The findings from the integrated analysis between qualitative and quantitative findings are discussed in the next chapter. This discussion will be guided by the conceptual framework established for this study and allows reasoned addressing of the research questions.

CHAPTER 7 DISCUSSION

INTRODUCTION

The findings from the interviews and the questionnaire surveys are integrated in this discussion chapter to address the research question on the effectiveness of leadership behaviours in managing people issues in the western cross border acquisition of a Chinese company under investigation. To put the discussion of the findings into context, this is the first study to adopt and modify the theoretical model of Project GLOBE (House, et al., 2004) into a cross border acquisition context. This modified conceptual framework (see Figure 3.2) guides the analysis and discussions of the findings from the previous chapters in order to address the research question.

This first part of this chapter set out the seven culture dimensions that emerged from this study. These dimensions influenced the behaviours of leaders and employees in Lucky China and Alexander China before and after the acquisition. The second part of this chapter focuses on how the leadership effectiveness of people issues management impacted on the overall outcome of this acquisition. The chapter ends with a summary response to the research question.

This study identifies the interrelationships between the specific people issues and points out that the root causes are due to a lack of awareness and misunderstanding of cultural differences which resulted in an ineffective management of these differences. Furthermore, this study also identifies a ‘multiplier’ effect between the people issues which means that mismanagement of one people issue led to other people issues. The findings of this study show that the people issues are interrelated and that the ineffective management of these people issues influenced significantly the outcome of the acquisition.

The theoretical model of Project GLOBE has not been applied to any organisational contingency. This research examines one contingency: the management of people issues during a cross border M&A which necessitated the modification of their model to fit the parameters of this study. In

summary, this study's conceptual framework provided the basis for the findings of a strategic organisational contingency of cross border acquisition into China between a British company and a Chinese privately-owned company. Throughout this chapter the conceptual framework underpins the discussion.

SEVEN CULTURE DIMENSIONS AND THEIR INFLUENCE ON BEHAVIOURS

Seven culture dimensions are identified by this study to differentiate the organisational culture of Lucky China and Alexander China as influenced by the Chinese culture and British culture. Together these dimensions influence the specific cultural mindset and behaviours of the Chinese managers, Chinese employees and British managers. The dimensions are different from the nine culture dimensions from Project GLOBE which differentiate culture differences across the 62 different societies (House, et al., 2004). The seven culture dimensions that emerged from the findings of this study are unequal power distribution, management by rules and procedures, equity equals equality, nepotism, employee care, conflict avoidance and future viability and social responsibility. Each of the seven culture dimensions from this study will be discussed separately in relation to the findings, as presented in the following sections below.

Unequal Power Distribution

The degree of acceptance of 'unequal power distribution' was found to be different between the Lucky China employees and the British managers. The interview findings from this study indicate high acceptance of unequal power distribution by Chinese managers and Chinese employees. Important findings of high acceptance of 'unequal power distribution' from this study included the authoritarian behaviours of the Owner and other Chinese managers, and the unconditional acceptance from Lucky China employees of such leadership behaviours. At the same time, Lucky China employees were found to protest their authority and seniority when they perceived it was threatened.

The finding of the high alignment between the Lucky China Owner's authoritarian leadership style and the unconditional acceptance by Lucky China employees is consistent with the discussion on authoritarianism by Cheng, et al., (2004) and Mustafa and Lines (2012) in their study about Paternalistic Leadership (PL) as an important Chinese leadership style with authoritarianism being an element of PL. The authoritarianism in their definition is when the leaders have absolute control and power and the subordinates demonstrate absolute obedience to the leaders' demands and authority (Cheng, et al., 2004; Mustafa & Lines, 2012). This study supports Wu, et al., (2012) who suggests that the root of paternalistic authoritarian leadership stems from Confucianism which possibly explains the alignment in high acceptance of unequal power distribution between the Lucky China Owner and Chinese employees.

Such high acceptance of unequal power distribution among the Chinese Managers and employees was present before the acquisition in Lucky China and continued after the acquisition in Alexander China. For example, post-acquisition, Lucky China employees seemed to respond well only to the authoritarian leadership styles. This is despite British managers' efforts, based on western culture styles of consultative and data-driven problem solving (Sheers, et al., 2009), to involve staff in decision making (refer to participative leadership in Table 2.2); efforts which failed due to lack of understanding of other culture differences such as saving face (*mianzi*) and personal relationship (*guanxi*). They expected Lucky China employees to show initiative and be more proactive in independently solving problems, oblivious to the fact that due to culture differences the Chinese workers had never taken such initiatives previously.

Although not specific to a Chinese and British cross border acquisition context, cultural differences in problem solving and employee participation are noted by some past studies. For example, Steers, et al., (2009) state that data-driven problem solving process is common in U.S. corporations. On the other hand, Elsey and Leung (2004) pointed out that Chinese employees in Chinese owned companies might be over-compliant without taking initiatives for problem solving and Chinese senior leaders did not seek to consult employees. Table 7.1 provides details of the cultural behaviours identified from the interviews related to the difference in degree of acceptance for 'unequal power distribution' between Chinese people and British managers.

Table 7.1 Unequal Power Distribution: Behaviours from Chinese People and British Managers

Chinese Managers & Employees	British Managers
Lucky China	Alexander China
Lucky China Owner believed he could make all decisions for the company without employees' engagement	Decisions made by each Alexander Global functional leader but not always consistent across functions for Alexander China
Lucky China employees looked to Lucky China Owner as the single leader to make all decisions and followed his instructions unconditionally	Encouraged Lucky China supervisors to raise improvement suggestions by using a 'consultative' management approach
Lucky China employees acted based on what they assumed the leaders wanted them to do; Interpreters only translated what they thought the British managers wanted to hear	Expected Lucky China employees to take more initiatives to proactively and independently solve problems
Lucky China employees did not speak up or protest when their personal benefit was significant impacted e.g. salary payment delay	Did not know about delayed payment. Never occurred to them that Lucky China employees would keep quiet when not paid for several months.
Lucky China department managers and supervisors would defend and fight when their power or face was threatened, e.g. when being criticised by British managers due to 'over-reporting' by the perceived 'junior' new employees	Used young but capable new hires with English and multi-national company experience as the communications interface with Lucky China employees
Alexander China	
Authoritarian behaviours by new Chinese General Manager who made compensation decisions for new employees without rules and procedures	

While Lucky Chinese employees expected the British managers to make all the decisions for their subordinates, such expectations were not in alignment with the leadership style of the British managers. This misalignment is consistent with Steers, et al., (2009) that a 'normal' Chinese manager preferred by Chinese employees is someone who has answers for all the questions from the subordinates. This is not the same expectation of a 'normal' UK manager. In the view of Steers, et al., (2009) the expectations of 'normal' managers are almost two extremes between China and UK, as confirmed by the findings of this study.

Another important finding from the interviews that related to unequal power distribution was when perceived their authority and seniority were not respected, Lucky China employees, especially managers and supervisors felt loss of face (*mianzi*) and engaged in resistance behaviours against the integration activities and new staff. Such behaviours are highly influenced by Confucianism which emphasises that the core concept of Chinese Confucius culture is respect for hierarchy, authority and seniority (Hofstede, 1991; Pressey & Qiu, 2007; Tian, 2007; Steers, et al., 2009).

Management by Rules and Procedures

Evident from the interview findings of this study is that the degree of managing by rules and procedures was different between Lucky China and Alexander China. Such difference was validated by the quantitative results ($P=0.000 \leq 0.05$). The different extent of managing by rules and procedures between Chinese companies and western companies is noted by several past studies although not specific to a Chinese and British cross border acquisition context. For example, Cooke (2008) examined the organisational culture (referred as enterprises culture by Cooke, 2008) of different ownership types of companies and proposed that while Chinese-owned companies focus on relationship building and maintenance, the foreign wholly-owned and joint venture companies focus on productivity and enterprises rules and procedures. Stahl and Javidan (2009) stated that in Chinese organisations, decisions are normally made by the authority figure. There are limited business planning processes and the business processes and structures are very informal. Bhagat, et al., (2009) note that Chinese corporations generally do not have many rules and procedures which is different from the U.S. corporations who utilise rules and procedures. Steers, et al. (2009) note that U.S. corporations emphasise respect for rules and policies, also that decisions are normally based on formal data-driven problem processes or information systems.

The British Managers of Alexander China, according to western culture norms, also implemented new global business management rules and procedures which were criticised by Lucky China employees as not fitting the Chinese culture and local situations. Meanwhile, the failure to implement rules and procedures in compensation and performance management by the new Chinese General Manager was criticised by Lucky China employees as it resulted in inequitable compensation decisions. As a result, tension was created between Lucky China employees and the British Managers. Such tension was exacerbated as they were perceived to diminish the existing authority of the Lucky China managers, supervisors and even employees.

Primarily, the tension associated with the culture fit issues of the new business rules and procedures were found to be related to the conflict between Chinese relationship based (*guanxi*) business management and contract based business management which are consistent with the findings in past cross culture business studies (Lin & Miller, 2003; Cooke, 2008; Imai & Gelfand, 2009; Lin

& Si, 2010; Jiang, 2013). Chinese businesses rely heavily on personal relationship networks (renqing and mianzi) which to an extent had replaced the legal infrastructure needed for business transactions (Fock, 1999; Pressey & Qiu, 2007).

The tension created by the perceived diminution of existing authority of Lucky China managers, supervisors and even employees is possibly associated with the Chinese culture of respecting authority (Pressey & Qiu, 2007; Tian, 2007). This supports Cooke (2004), Ahlstrom, et al., (2010), Dong and Liu (2010) and Correia, et al., (2013) when there is a lack of awareness of culture differences, a simple transfer of western practices into Chinese companies may not be effective. Although her study is about the Chinese companies' cross border M&As in other countries, Cooke (2014) made the similar point that it will not be effective for Chinese multinational companies to simply transfer the Chinese management styles into the South/Southeast Asian and African countries. Table 7.2 summarises the comparison of the cultural behaviours related to 'management by rules and procedures' between Lucky China and Alexander China.

Table 7.2 Management by Rules and Procedures: Behaviours from Chinese People and British Managers

Chinese Managers & Employees	British Managers
<i>Lucky China</i>	<i>Alexander China</i>
Very few rules and procedures due to the Lucky China Owner making all decisions	Implemented the Alexander Global business managing rules and procedures immediately post-acquisition
Lucky China Owner managed business primarily through personal relationships and had little regard for written agreements for business management	Used written contractual agreements to replace personal relationship driven customer and supplier management
Did not address ethical concerns and compliance rules of government policies	Focused to address the ethical concerns and compliance issues
Lucky China employees believed that personal relationship was the most effective way to manage customers and suppliers with low risk in China;	Customer information belongs to the company, the company's ownership of customer information was part of the employment terms and conditions in the labour contract of Alexander China;
Lucky China sales staff believed customer information were their personal assets	It was a culture shock that customer information was considered a personal assets
Entertainment expenses with customers and suppliers were a legitimate business expense	Restricted entertainment expense with customers and suppliers due to potential ethical concerns
Owner did frequent informal walk-around approach to interact with employees; Lucky China interviewees believed this was the most effective problem solving approach	Focused on data-driven problem solving processes; Regular review meetings scheduled for problem solving; New email system introduced for communications and problem solving; New information system was installed to redesign the operations processes and automate the data flow accordingly
<i>Alexander China</i>	
No rules and procedures for compensation and performance were established as the new Chinese General Manager made decisions compensation and performance management	

In summary, as influenced by the difference both in organisation culture and society culture, conflict occurred between Lucky China employees, managers and the British managers. This is consistent with Stahl and Javidan (2009) that in cross border M&As, the integration of systems and processes such as business policies are challenging due to the culture differences. Organisation culture clash may occur when there are differences between the written rules of the two companies, which leads to resistance (Buono & Bowditch, 1989; Cartwright & Cooper, 1996; Badrtalei & Bates, 2007).

Equity Equals Equality

The interview findings from this study explain that in the views of Lucky China employees perceived 'equity', meaning fairness, of compensation decisions was in fact 'equality'. For Lucky China employees this meant all employees should be treated equally in a transparent way. When the 'equality' norm was broken, resentment and resistance was generated among the groups who believed that they were not treated equally. The interview findings on 'equitable salary decisions' are validated by the quantitative results of the questionnaire survey that 'inequitable salary decisions' is listed as the No.1 leadership behaviours that had damaged trust in the leadership from Lucky China survey respondents.

The interview findings indicate that whether or not the decisions were made in an authoritarian leadership style, the perceptions of equity and fairness were different if the rule of 'equity equals equality' were not followed. For example, when the Owner of Lucky China made the authoritarian decision to pay all employees in the same job with same pay, it was perceived as fair. The findings on the 'equity equals equality' issue from this study stemmed from the fact there was no formal performance management procedure in Lucky China due to the 'equity equals equality' based compensation allocation by the Owner of Lucky China. Also due to the similar authoritarian leadership style of the new Chinese General Manager of Alexander China, a performance management system did not get established either post-acquisition. However, when the new Chinese General Manager made an authoritarian decision for differential salary treatment for selected employee groups doing the same job, it was perceived as unfair and resentment was created among the Lucky China employees.

The interview findings also clearly disclosed that British managers had no awareness of the ‘equity equal equality’ rule in the minds of Lucky China employees and unknowingly ‘violated’ the rule by providing higher salary to selected employees groups either to recognise the qualification of the new hires or to fix the tax compliance issue for Lucky China managers. Furthermore, the new salary confidentiality rule was perceived as ‘non-transparent’ in compensation payment and generated more rumours about ‘unequitable’ treatment and favouritism. Table 7.3 provides the detailed behaviours by the Chinese managers and the British managers in managing the ‘equity’ and ‘equality’ respectively from the interviews.

Table 7.3 Equity Equals Equality: Behaviours from Chinese People and British Managers

Chinese Managers & Employees	British Managers
<i>Lucky China</i>	<i>Alexander China</i>
All Lucky China employees in similar jobs received similar pay. Shop floor operators under piece rate compensation were an exception	Increased the salary for managers to correct the income tax non-compliance issue; Offer of higher salary to new hires in recognition of their English and multi-national company experience.
Salary payment was delivered in cash with all names on the same piece of paper, employees signed to get the cash on spot	Changed the salary payment approach to direct deposit into employees’ bank account; Announced the new rule that all salary information was personal and confidential and could not be discussed and shared with others
<i>Alexander China</i>	
Higher salary was granted to those Lucky China managers and supervisors who ‘negotiated’ with the new Chinese General Manager	
Differentiated salary decisions to new hires per individual situation	

The findings from this study on ‘equity equal equality’ in Lucky China is consistent with the findings by Huo and Gilnow (1995) who mention that Chinese companies design the pay system based on equality with the philosophy that everyone should get a fair allocation of the reward. The concept of performance based pay differentiation is against the Chinese culture of ‘face’ which may result in ‘intra-organisational’ conflict in the Chinese companies (Huo & Gilnow, 1995) such as happened in Lucky China. This study also agrees with Cooke and Huang (2011) that Chinese culture plays an important role in influencing employees and managers’ resistance against differentiating performance pay.

Nepotism

The interview findings of this study identified the differences between Lucky China and Alexander China in terms of nepotism which also was validated by the quantitative results ($P=0.000 \cong 0.05$). Nepotism was identified as a strong characteristic of Lucky China which had a strong influence on how Lucky China managed staffing decisions as well as relationships between different employee groups.

The interview findings from this study indicate that personal relationships (guanxi) had dominated the staffing practices in Lucky China from the appointment of senior positions to the hiring of shop floor operators and resulted in the formation of different relationship groups, similar to findings from past comparative studies on people practices between Chinese companies and American companies that Chinese managers rely on relationships to make hiring decisions while western managers focus on job qualifications (Huo & Glinow, 1995; Chen, et al., 2009; Dickson, et al., 2009). Alexander China's staffing decisions were primarily based on skills and competency the norm for western companies that value well-trained and competent workforce, as noted by Steers, et al., (2009).

In Lucky China, more cohesiveness was observed with the family members as an 'inner' group compared with the rest of the relationship networks such as friends and former colleagues. This is typical with Chinese family owned business that decisions are often consulted and made within family member groups (Steers, et al., 2009). Nepotism, also found in Lucky China, negatively affected the fairness of compensation allocation practices when the workshop supervisors had their relatives reporting to them. The possible reason for this is also due to the more cohesiveness within the family members that led to such treatment. Overall, the difference of degree of cohesiveness between the different relationship groups seems to align with the 'in-group' and 'out-group' concept raised by Stahl and Javidan (2009) who emphasise that higher trust may exist in certain 'in-group' relationship network than others. Table 7.4 provides the comparisons of cultural behaviours related to nepotism.

Table 7.4 Nepotism: Behaviours from Chinese People and British Managers

Chinese Managers & Employees	British Managers
<i>Lucky China</i>	<i>Alexander China</i>
Owner appointed friends and former colleagues into senior technical leadership positions; and family members into the most critical finance leadership positions;	Staffing decisions for new hires based on skills and qualifications, such as English and multi-national company experience
Lucky China employees referred their family members and friends to work for Lucky China; people had relationships with each other or with Lucky China managers	
Lucky China supervisors had family members reporting to them and favoured their relatives who were under piece rate system by allocating more work to the relatives	<p>Organisation and reporting structure of Alexander China was aligned with Alexander Global;</p> <p>Established new departments and hired new managers, re-arranged the responsibilities of current Lucky China managers and supervisors in the new structure;</p> <p>Re-assigned existing Lucky China staff to work for the new departments</p>

The ‘in-group’ and ‘out-group’ concept by Stahl and Javidan (2009) could also possibly explain the formation of two hostile groups between Lucky China employees and the new Alexander China employees post-acquisition; ‘them versus us’. The previous nepotism decisions in Lucky China which resulted in the two groups of family and non-family now created an additional conflicting relationship group between all Lucky China employees and the new employees. As explained by Stahl and Javidan (2009), the trust relationship within certain in-group or networks with high solidarity may constrain effective information sharing and communication with other groups and these groups may approach outsiders with resistance. British managers had no awareness of nepotism as part of the Chinese culture when they planned and implemented the staffing actions which resulted in unexpected confrontation and resistance. Such resistance may be particularly due to the uncertainty and anxiety created by the perceived threat posed by the acquiring employees or others which could also lead to culture clashes and dysfunctional consequences (Stahl & Javidan, 2009).

Employee Care

The interview findings from this study indicate that the Lucky China Owner and the British managers had different ways of demonstrating employee care. It was clear that the Lucky China Owner had a relationship based approach through informal but direct personal interactions with Lucky China employees and also helped employees with their personal issues. This is consistent with the benevolence aspect of PL that the leaders show individualised and holistic care to subordinates' personal or family benefit (Cheng, et al., 2004). In contrast, the formal approach taken by the British managers for employee care through actions such as new annual leave policies and safety management procedures was rejected. The personal approach of the Lucky China owner was highly valued by the Chinese employees compared with the formal approach in Alexander China. The possible cause for this could be the influence of respecting authoritarianism. When the respected leaders spend time to communicate and socialise with subordinates, employees are found to have increased organisational commitment and satisfaction with the job; with subsequent working relationship and the leaders' leadership styles (Madlock, 2008; AbuBakar, et al., 2010; Mackenzie, 2010).

The interview findings however disclosed the contradictory nature of employee care by the Owner of Lucky China between the personal care to employees and unethical actions such as not complying with some laws and regulations, for example, not contributing into employees' social pension fund. Despite this, the Lucky China Owner was still perceived as a caring leader by the majority of the Lucky China interviewees, while some other Chinese recognised the contradictory nature of his behaviours and challenged the 'genuineness' of his employee care.

The interview findings of the 'employee care' as influenced by the authoritarian but personal relationship driven leadership style of the Owner are validated by the quantitative findings from the questionnaire. Table 7.5 provides the comparison of the cultural behaviours related to employee care between the Lucky China Owner and the British managers from the interviews. The 'minority' voices who perceived the Lucky China Owner as a 'non-caring' leader are also listed in Table 7.5 for the reason that these voices identified the factual 'contradictory' behaviour of the Owner.

Table 7.5 Employee Care: Behaviours from Chinese People and British Managers

Chinese Managers & Employees	British Managers
<i>Lucky China</i>	<i>Alexander China</i>
<p>Lucky China Owner was viewed as a caring leader: Frequent informal and direct interpersonal interactions with Lucky China employees: meals and entertainment activities with managers and supervisors; walked around the shop floor to talk to employees; stayed together with employees when they worked overtime, bought instant noodles for employees and sent them home by personal car;</p> <p>Support to employee’s personal matters: school issue for employees’ children; used personal influence to buy train ticket for employees to go home for national holidays; gave ‘face’ to attend employees’ family event when invited, i.e. wedding</p>	<p>Did not visit the shop floor often to interact with employees;</p> <p>Did not support employees in personal matters like buying tickets back home during holiday</p>
Lucky China managers wanted to terminate one lower level employee when he was injured; did not inform the medical insurance change when one employee was transferred to another factory.	Did not support Lucky China managers’ suggestion to terminate one lower level injured employee
Lucky China managers held negative opinion against the new safety management processes aimed to protect shop floor operators	Executed the new safety management process, purchased personal protection equipment for employees
Lucky China Owner was viewed as a non-caring leader:	
‘Harsh’ in his communications to Lucky China employees that he could make the decision not to pay employees for months	Ensured on-time salary delivery to employees
Employees’ salary payment had always been delayed for 2-3 months on average; did not pay employees for several months before the acquisition	Ensured Lucky China paid back the money owed to employees
Did not comply with the legal requirements to pay employees government mandatory pension fund	Corrected and paid the government mandatory retirement fund
There was no minimum wage for operators who were on piece rate compensation scheme	Implemented minimum wage for operators who were under piece rate compensation scheme
Perceived to care about production more than the well-being of employees	Implemented a new 14 days annual paid leave benefit policy
Only showed employee care to those who had a relationship with him	New safety process and benefit policies applicable to all eligible employees

The findings of employee care from this study regarding the Lucky China Owner are consistent with the three elements of PL as proposed by Cheng, et al., (2004) which included authoritarianism, benevolence and morality. This study also supports Chen, et al., (2013) that relationship management between the Chinese managers and employees is primarily based on benevolence in exchange for respect. When the leaders provide care and protection to subordinates, it may make the subordinates feel they are treated as members of the group and in turn, Chinese managers

generally receive unquestioned compliance and unconditional trust from subordinates as influenced by authoritarianism (Ferris, et al., 2009; Chou, 2012; Karakas & Sarigollu, 2012). Sheer (2012) thought it is possible that the benevolence of PL is able to compensate for the deficiency of authoritarianism and Rank, et al., (2009) believe that benevolence could neutralise the negative implications of authoritarian leadership on employees.

The findings from this study on the unethical behaviour of the Lucky China Owner related to employee salary payments support Sheer (2012), who reports that mainland Chinese supervisors could demonstrate unethical or behaviours without integrity. This study also agrees with Chan, et al., (2013) that PL has dual and contradictory roles characterised by authoritarianism on the one hand and benevolence on the other.

In line with the findings by Sheer (2012), Lucky China managers proposed to illegally terminate an injured employee. At the same time, the safety management process implemented post-acquisition received positive feedback from the operators while it was criticised by the Lucky China managers as unnecessary investment. These authoritarian behaviours of the Lucky China managers for not treating the lower level employees well were also possibly caused by their hierarchal mindset of the Chinese culture (Walumbwa & Lawler, 2003; Steers, et al., 2009) as well as the 'in-group' and 'out-group' differentiation of the employee care as noted by Schlosser, et al., (2012). Similar to the 'in-group' and 'out-group' discussion in the nepotism section (Stahl & Javidan, 2009), Schlosser, et al., (2012) believe that humane oriented caring behaviours could be differentiated into 'in-group' and 'out-group' as influenced by the cohesiveness of the relationship network.

Conflict Avoidance

The interview findings from this study identified different conflict management behaviours between Chinese employees and British managers. The quantitative findings confirm that there are no significant differences ($P=0.794>0.05$) before and after the acquisition for the following characteristics of Lucky China employees: lack of initiatives at work, indirect style of

communication to avoid conflict and maintain harmony relationship at work place. The reasons that Lucky China employees avoided conflict were possibly due to the fear of authority while also wanting to maintain harmony and good working relationships, as influenced by Confucianism (Walumbwa & Lawler, 2003; Steers, et al., 2009).

Lucky China employees' behaviours of conflict avoidance were different from the expectations of the British managers who preferred to be open and direct, confront any conflict and deal with the issues. The British managers did not have awareness of the conflict avoidance pattern of Chinese employees and learned the hard way. This had an adverse impact on the effectiveness of problem solving post-acquisition. Table 7.6 provides a comparison of the behaviours related to conflict avoidance between Chinese employees and British managers from the interviews.

Table 7.6 Conflict Avoidance: Behaviours from Chinese People and British Managers

Chinese Managers & Employees <i>Lucky China</i>	British Managers <i>Alexander China</i>
<p>Lucky China Owner: Expected the employees to follow their instructions unconditionally without question; therefore, not expecting conflicting views from employees;</p> <p>Was defensiveness and aggressive when he was challenged for delaying employees salary payment</p>	<p>Preferred open resistance from employees, as well as assertive and direct communications when there were different opinions or bad news;</p> <p>Expected employees to directly confront and deal with issues;</p>
<p>Alexander China</p> <p>Lucky China employees, including managers: Always agreed with British managers to work on the assigned tasks although they actually disagreed, walked away and did nothing;</p> <p>Avoided saying 'no' to avoid losing face; therefore, always said 'yes' but in fact it was 'no';</p> <p>Always said what the bosses wanted to hear; submitted false data to management to avoid potential negative impressions if they shared the true poor data;</p> <p>Stayed silent during meetings with British managers;</p> <p>Indirect communication style with conflict avoidance; withheld issues and problems related to their co-workers to maintain harmony and avoid conflict</p>	<p>Focused on task completion versus the relationship maintenance</p>
<p>Alexander New employees Interpreters were perceived to filter messages during translation and only translated what they thought the bosses wanted to hear and also filtered the negative message and translated them into positive or neutral messages.</p>	<p>Direct and open communications style, e.g. did not expect interpreters to filter negative messages</p>

Similar notable behavioural differences in avoiding conflict between Lucky China employees and British managers are discussed by Lin and Miller (2003) and Jiang (2013) as influenced by Confucius and western cultures respectively. Pang, et al. (1998) and others (Pun, et al., 2000; Lin & Miller, 2003; Imai & Gelfand, 2009) also observe that the Chinese ways of communication are normally indirect, non-confrontational and needing to read between the lines. While westerners who are direct and straightforward, may have difficulty following the thought processes and conversations with Chinese people (Pun, et al., 2000; Lin & Miller, 2003; Imai & Gelfand, 2009), also observe that for business discussions, Chinese people place more importance on relationships than the tasks while Americans are the opposite (Buttery & Leung 1998; Lin & Miller, 2003; Imai & Gelfand, 2009).

Although not specific to the Chinese and British cross border acquisition context, Chen, et al., (2009) find that Chinese construction project managers value the harmonious personal relationship between supervisors and subordinates more than the work itself while the British project managers viewed the supervisor and subordinate relationship as more employment contract based (Chen, et al., 2009). They also find that Chinese project managers tried to maintain harmony by using personal relationships to manage conflict while British project managers prefer to use open and direct discussions to confront the conflict and solve the problems (Chen, et al., 2009). The findings from this study support Welch, et al., (2005) that language is influenced by culture and Chinese interpreters tend to translate negative message from English into less negative or positive messages for the audiences to maintain harmony.

Future Viability and Social Responsibility

The interview findings of this study indicate that there are differences in both the attitudes and the demonstrated behaviours to build a viable longer term future between the Owner of Lucky China, Lucky China employees and the British managers. This is evident in the ethics and compliance aspects of the future viability of the company and social responsibility, which are supported by the quantitative results that Alexander China, to a larger extent, was managed by rules and procedures, including compliance with laws and regulations. This is in direct opposition to the lack of such

leadership behaviours in Lucky China in respect to this longer term perspective. Table 7.7 provides the comparisons of cultural behaviours related to future viability and social responsibility from the interviews.

Table 7.7 Future Viability and Social Responsibility: Behaviours from Chinese People and British Managers

Chinese Managers & Employees	British Managers
Lucky China	Alexander China
<p>Lucky China Owner Did not invest in long term technology capability building to avoid risks of not getting return for the investment;</p> <p>Sold Lucky China for immediate cash return;</p> <p>Chose not to comply with laws and regulations, such as labour laws, accounting and environmental, etc.</p>	<p>Made investment on factory equipment upgrades, providing safety protection equipment to employees, implementation of new information systems and hiring of new employees with English capability and multinational company experience;</p> <p>Complied with all laws and regulations</p>
<i>Alexander China.</i>	
<p>Lucky China managers Strongly disagreed with the investment made by British managers, and viewed this investment as a waste of money;</p> <p>Strongly disagreed in compliance with laws and regulations, as they believed it reduced the overall competitiveness of Alexander China in the China market</p>	<p>Did not have a well-coordinated master plan to guide investment;</p> <p>Did not define and communicate the future of the company or the linkage to investment</p>
<p>Lucky China employees Shop floor operators preferred immediate cash versus longer term benefit plan, e.g. complained that the new 14 days annual paid leave took away their working opportunity to make high income through piece rate; would work for someone else part time during the paid holiday break</p>	<p>Implemented a new 14 days paid annual leave to improve employees' work life balance</p>

Different from the investment made by the British managers with the intent to improve long term business capability, the Owner of Lucky China was found to focus on short term financial return instead of investing for the long term, including technological capability. Both the Owner of Lucky China and the Lucky China managers did not care about compliance with laws and regulations and so made no contribution to employees' pension fund and did not comply with tax laws as part of the long term viability of the company. Rather they viewed compliance as an additional cost burden which might have reduced the company's competitiveness in the China market.

The behaviours of the Owner and the Lucky China managers are consistent with the observation by Sheer (2012) and Chan, et al., (2013) that some mainland Chinese supervisors for family businesses may have unethical practices.

Considering Lucky China was a privately-own company, also based on authoritarian leadership style and contradictory employee care behaviours from the Owner, the short term driven behaviours by the Owner was possibly associated with his own protection about his current power and status as part of the authoritarianism norm; concerned that his personal benefit would not suffer from investing more on the uncertain future. As the founder of Lucky China, the Owner's behaviour highly impacted the similar mindset and behaviours of the Lucky China managers and employees who were also short term focused. This is consistent with Hofstede (1991) that the founder had strong impact on the organisation mindset and behaviours. For example, the behaviours that the Lucky China operators resisted against the new 14 days annual paid leave was consistent with Xiao and Cooke (2012) who note that both Chinese managers and employees in the privately-owned business sectors tend to accept long working hours as a norm which is different from the idea of work/life balance in developed countries.

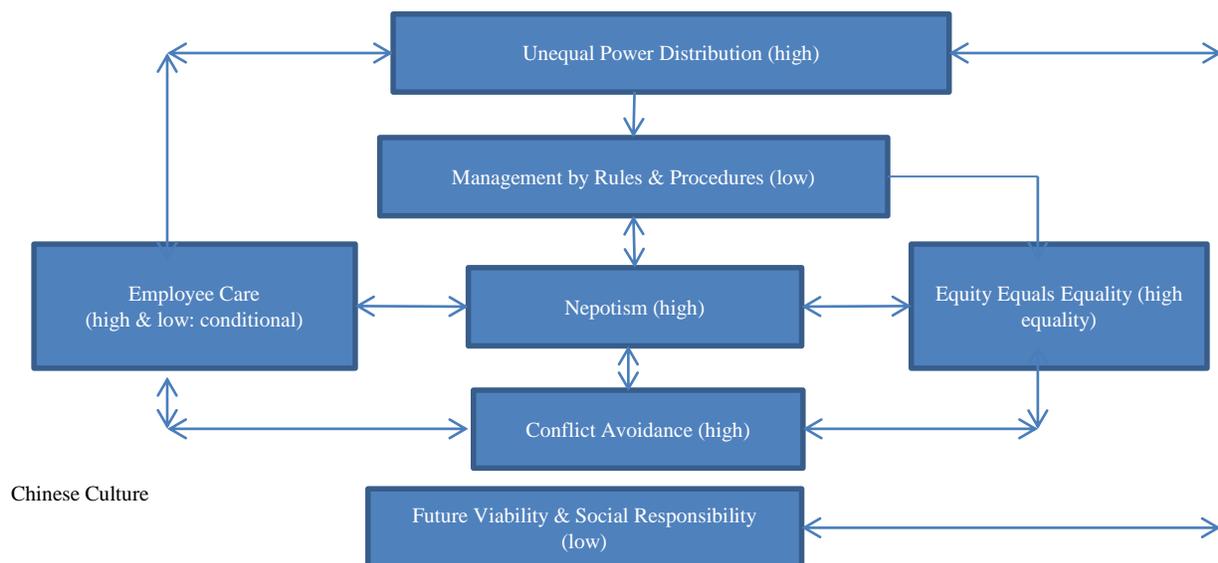
The Influence of the Culture Dimensions on Behaviours in Lucky China and Alexander China

Overall, this study argues that the cultural behaviours of Chinese people and the British managers are influenced by several interrelated culture dimensions. This study shows how the seven culture dimensions emerged and are interrelated. These interrelationships are different between Lucky China as an organisation influenced by Chinese culture and Alexander China influenced by Chinese and western culture. At the same time, when the seven culture dimensions are compared to the related culture dimensions from Project GLOBE, this study proposes that similar interrelationships possibly also exist for the related culture dimensions of Project GLOBE.

Lucky China Culture: Relationships of the Seven Culture Dimensions and Influence on Behaviours

Within Lucky China, this study indicates that the seven culture dimensions influenced the behaviours of Lucky China leaders and employees differently depending on their status in the organisation ‘hierarchy’. As a result, a new proposition is raised that ‘unequal power distribution’ is the most fundamental culture dimension that drives the rest of the culture dimensions. From this study, unequal power distribution can be seen as fundamentally influencing the people issue leadership behaviours of owners, managers and other staff in Chinese family based firms like Lucky China. Figure 7.1 illustrates the interrelationships between the seven culture dimensions in Lucky China, followed by an explanation of how these interrelationships influenced the behaviours of the Lucky China Owner and Lucky China employees.

Figure 7.1 Interrelationships between the Seven Culture Dimensions in Lucky China (Lucky China Owner and Employees)



For the Owner of Lucky China, the following illustrates how the related culture dimensions have influenced his behaviours:

- (1) In order to protect his authority, the Owner exercised his authoritarian behaviours to demand all Lucky China employees follow his instructions unconditionally (high unequal power distribution).

- (2) He introduced no rules and procedures for Lucky China so he was the only decision maker for all contingencies (low management by rules and processes).
- (3) Personal relationship based business networks and staffing decisions were also approaches used by the Owner to minimise risks associated with business relationship and staff as he only trusted his own relationship networks (high nepotism).
- (4) Maintenance of harmonious relationship with employees through equal treatment of compensation for professional and managerial staff without performance differentiation (equity versus equality-high equality), offering support to employees' personal issues (high employee care–conditional) were ways for the Owner to minimise organisational conflict and 'unrest' to safeguard his authority (high conflict avoidance).
- (5) When there was conflict between the personal benefit of the Owner of Lucky China and the employees, the Owner chose to protect his own benefit at the cost of employees' benefit, such as no salary payment to employees for several months before the acquisition (low employee care–conditional).
- (6) The Owner of Lucky China also chose not to comply with some laws and regulations nor invest in technology capability for the company's long term success, rather he chose to sell the company when it was at its best financial performance to secure the maximum cash income (low future viability and social responsibility).

The findings of this study clearly reveal that the basis of the Lucky China Owner's management and business behavior was his motivation to protect his own benefit, authority and fear of losing it (conditional employee care). Therefore, the 'unequal power distribution' seems to be the most fundamental culture factor that affects the rest of the culture dimensions in this study.

This study suggests that the Owner of Lucky China demonstrated both authoritarianism and benevolence which are the two major characteristics of PL behaviours as proposed by Farh and Cheng (2000). However, this study does identify some 'contradictory and conditional' relationships between the authoritarianism and benevolence in the behaviours of the Lucky China Owner. Unfortunately, Farh and Cheng (2000) and other researchers who argue that PL is the effective leadership for Chinese family business in mainland China do not identify this 'dual face' of PL which meant these PL leaders expect conformity in exchange of benevolence from

employees. At the same time, morality, that is, high personal integrity in words and actions, as the third characteristic of the PL proposed by Farh and Cheng (2000), was found missing in the behaviours of the Lucky China Owner. The unethical behaviour of the Lucky China Owner, such as delaying employee salary payment, non-compliance with laws and regulations demonstrated low morality in his leadership.

Using the same Figure 7.1, Lucky China employees' behaviours can be illustrated on how the culture dimensions influenced their behaviours:

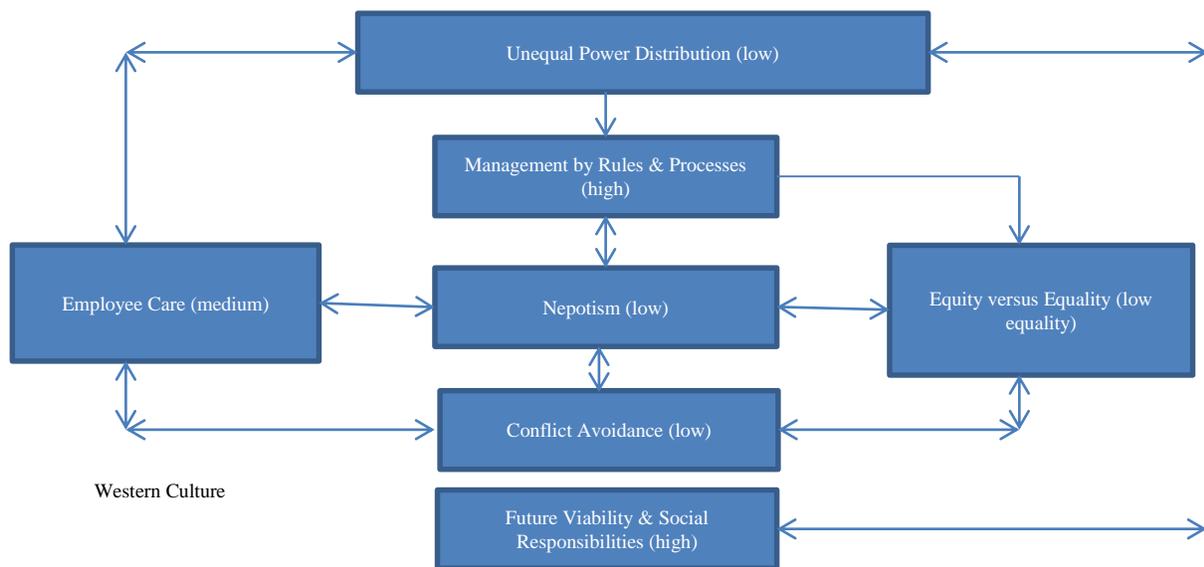
- (1) Due to the fear of severe punishment if the instructions of the senior leaders with authority are not followed (high conflict avoidance), Lucky China employees followed the Owner's instructions unconditionally and without question (high unequal power distribution);
- (2) Lucky China employees looked to the Owner to make all the decisions (low management by rules and procedures) without taking any initiatives (high conflict avoidance);
- (3) While Lucky China employees followed and 'obeyed' the Lucky China Owner, at the same time they also expected the Owner to take care of their needs and interests (high employee care-conditional). The direct personal attention to the employees' personal matters by the Owner was especially appreciated by the Lucky China employees because of the authority status of the Owner.
- (4) As trust existed among personal 'guanxi' networks, Lucky China employees referred their family members and friends for employment in Lucky China to become the co-workers. The members of the guanxi networks took care of each other (high nepotism).
- (5) The working relationship in Lucky China therefore was more personal relationship driven (high nepotism) with high maintenance on harmonious relationship with co-workers (high conflict avoidance). The harmony maintenance effort included indirect communications and no direct confrontation with conflict situations;
- (6) The equal treatment in compensation and benefit (high equality based compensation practice) by the Owner was especially appreciated by Lucky China employees to maintain the harmony and the feeling that everyone was fairly treated and all were together as one family (high nepotism, high conflict avoidance) until the Owner sold the company and left its loyal employees without payment and in the hands of a strange ownership/management structure (low employee care-conditional).

Overall, the behaviours demonstrated by Lucky China employees and the Owner seemed to be nearly fully aligned in terms of cultural values and beliefs, as well as the expected behaviours from each other. This has one exception; the low employee core conditionality of the Owner by the way he treated his employees when he sold the company to Alexander Global.

Alexander China Culture: Relationships of the Seven Culture Dimensions and Influence on Behaviours

For the Alexander China culture, the interrelationships between culture dimensions from this study were found to be different to that of the Lucky China culture. This study suggests that the low acceptance of unequal power distribution was the starting point for the British managers to engage in different behaviours from the Owner of Lucky China. The basis of the low acceptance of unequal power distribution was influenced by strong respect for individualism relative to respect for authority. Figure 7.2 illustrates the interrelationships between the seven culture dimensions in Alexander China, followed by an explanation of how these interrelationships influenced the behaviours of the British managers.

Figure 7.2 Interrelationships between the Seven Culture Dimensions in Alexander China (British Managers)



For the British managers, the following illustrates how the culture dimensions influenced their behaviours:

- (1) The British managers fundamentally believed that everyone should be treated fairly and with respect and anyone who was treated unfairly should speak up (low unequal power distribution); The British managers did not expect Lucky China employees to have the fear and anxiety about offending authority that they had (low unequal power distribution);
- (2) The British managers managed the company and made decisions by following rules and procedures instead of any single individual authority; a data-driven problem solving approach was preferred (high management by rules and procedures);
- (3) The British managers focused on getting things done versus harmonious relationship in the workplace. They preferred open resistance and direct communications about issues and concerns (low conflict avoidance);
- (4) By following the rules and procedures, the British managers hired new employees based on skills and qualifications (high management by rules and procedures, low nepotism), offered the new employees a higher salary to recognise their English capability and multi-national company working experience (high management by rules and procedures, equity equals equality –low equality);
- (5) The British managers implemented safety management processes, new annual paid leave policies and minimum wages to take care of employees' well-being and minimum living standard despite the low wages that attracted the British firm to China (medium employee care, high management by rules and processes);
- (6) To ensure the longer term success and viability, the British managers emphasised ethics and compliance, as well as investment for the future (high future viability and social responsibility).

This study highlights that the behavioural characteristics of the British managers are consultative and process-driven. Although there are many studies on western leadership styles, such as transformational leadership, participative and charismatic/value based (as part of the Global Leadership Dimension from the GLOBE project for Anglo culture cluster, House, et al., 2004), this study is the first one that specifies behaviours of British managers' in the context of British and Chinese cross border acquisition. The behaviours of the British managers and the Lucky China Owner were found to have influenced the organisation culture of Lucky China and Alexander China, respectively.

Organisation Culture Clash in Alexander China

The organisation cultures of Lucky China and Alexander China, were found to have been influenced by the leadership behaviours of the Lucky China Owner and the British managers respectively which in turn, were influenced by the Chinese culture and western culture. This is consistent with past findings that society culture influences leadership behaviours which in turn influence organisation culture formation (Hofstede, 1991; House et al., 2004). The characteristics of the organisation culture of Lucky China is found to be consistent with the characteristics of the Chinese culture which confirms again that society culture influences organisation culture (Hofstede, 1991; House et al., 2004). Furthermore, the organisation culture of Lucky China was found consistent with the culture characteristics for Chinese Family Business as proposed by Sheers (2012) and Steers, et al., (2009); as discussed under the section of management by rules and procedures in this chapter.

Both the qualitative and quantitative results from this study confirm that there are differences in how Lucky China and Alexander China were managed before and after the acquisition. For example, the leadership style in Lucky China was more authoritarian and personal relationship driven compared with Alexander China ($P=0.005 \leq 0.05$); 'Nepotism' was stronger with Lucky China compared with Alexander China ($P=0.000 \leq 0.05$). Furthermore, 'Management by rules and procedures' was stronger with Alexander China compared with Lucky China ($P=0.000 \leq 0.05$).

On the other hand, both the qualitative and quantitative results also indicate Lucky China employees' behaviours and expectations on the desired leadership behaviours remained unchanged before and post-acquisition ($P=0.794 > 0.05$). This finding clearly suggests that in Lucky China, the strong culture alignment between the Lucky China Owner and the Lucky China employees made the majority of Lucky China employees believe that the Owner of Lucky China had the 'right', most 'efficient and effective' way to operate the company. This also confirms previous studies that the founder has a strong influence on organisation culture formation (Carroll, 1991), that the company succeeds by following the founder's direction, and the founder's beliefs and values become an integral part of the organisation shared by employees and difficult to change (Carroll, 1991).

Different from the organisation characteristics of Chinese Family Business, overall, what the British managers implemented for Alexander China are consistent with the findings of organisation culture characteristics of U.S. corporations by Steers, et al., (2009) as discussed under the management by rules and procedures in this chapter. Therefore, the findings from this study suggest that the organisation culture of Alexander China was still in its developing phase with culture clash (Bijlsma-Frankema, 2001) between different groups. The culture clash was the result of the misalignment in behaviours and expectations between different employee groups, Lucky China employees and managers, British managers, the new Chinese General Manager and new Alexander China employee. Such culture clash was heavily influenced by the culture differences as summarised in the findings of the seven culture dimensions and specific cultural behaviours examples referred to in Tables 7.1 through to Table 7.7 above.

The findings of specific cultural behaviours that resulted in culture clash as part of the organisation culture of Alexander China are new findings from this study in the context of an acquisition between a Chinese privately-owned family business and a British company. This study also points out that culture clash did not only happen between Chinese culture and another foreign culture, it happened within Chinese culture as well. For example, similar authoritarian leadership behaviours by the new Chinese General Manager were not accepted by the former Lucky China employees in the same way they accepted the Lucky China Owner's authority. This finding indicates that once certain expectations on the desired leadership behaviours are formed, other leadership behaviours different from the desired ones would possibly be rejected.

Comparing the Seven Culture Dimensions of this Study and the Culture Dimensions from Project GLOBE

The seven culture dimensions that emerged from this study which are drawn from the culture findings of Lucky China organisation culture (as influenced by Chinese culture) and Alexander China (as influenced by western culture from the British managers) are compared to eight of the nine culture dimensions from Project GLOBE (excluding gender egalitarianism for which there was insufficient data). Table 7.8 sets out this comparison in summary form.

Table 7.8 Comparison of the Culture Dimensions from this Study and Project GLOBE

Culture dimensions (from this study)	Culture dimensions of Project GLOBE (House et al., 2004)
(1) Unequal Power Distribution	(1) Power Distance
(2) Management by Rules and Procedures	(2) Uncertainty Avoidance
(3) Conflict Avoidance	(3) Assertiveness
(4) Equality Driven Compensation Practices	(4) Institutional Collectivism
(5) Nepotism	(5) In-group Collectivism
(6) Employee Care	(6) Humane Orientation
(7) Future Viability and Social Responsibility	(7) Future Orientation
	(8) Performance Orientation

Based on the comparison, this study supports House, et al., (2004) that their eight cultural dimensions are interrelated. However Project GLOBE does not identify which of their culture dimensions (if at all) influence all other dimensions. As discussed earlier in this chapter, this study presents a new finding that in this cross border acquisition, unequal power distribution appears to be the most fundamental culture dimension out of the seven that influenced the behaviours of the Lucky China Owner and employees. Therefore it may be that power distance from Project GLOBE may also be the most fundamental culture dimension. This is different from Hofstede (1991) who maintains that Individualism and Collectivism are the most important dimensions of cultural variations across cultures. Furthermore, as Minkov and Blagoev (2014) claim that Project GLOBE may have inappropriately generalised the Asian culture into clusters of Confucian Asia and Southern Asia versus cultures specific to each country, this study does advance the findings of cultural characteristics for Chinese culture and British culture at country level beyond the cluster level by Project GLOBE (House, et al., 2004).

In the case of this cross border acquisition, the findings of Chinese culture clearly indicate that hierarchy (Power Distance) overtook collectivism and drove the behaviours of the Lucky China Owner, managers and employees. At the same time, the study proposes a new argument that Power Distance may also be the most important culture dimension in western culture rather than Individualism as proposed by Hofstede (1991). This argument is based on the possibility that British managers' low acceptance of unequal power distribution might lead to their high respect for individualism.

Based on the contradictory nature of the leadership behaviours of Lucky China Owner, between his authoritarian leadership style, employee care and influence of nepotism in his management practice; this study also challenges that Project GLOBE did not differentiate the Humane Orientation into ‘in-group’ and ‘out-group’. Project GLOBE was not able to identify the contradictory nature of Humane Orientation although the interrelationship between Humane Orientation and Power Distance were identified with some interrelationship. The findings from this study regarding the differentiation of ‘in-group’ and ‘out-group’ and the contradictory nature of the humane orientation dimension of Project GLOBE are consistent with the findings by Schlosser, et al., (2012). This was seen in this study through hierarchical authoritarian behaviours by Chinese managers (both in Lucky China and Alexander China) in their differing leadership actions with employees who were perceived as ‘in-group’ (via nepotism) compared to those perceived as ‘out-group’.

In summary, based on the findings discussed in the above sections, culture clash occurred in Alexander China as the result of the misalignment in culture behaviours and expectations between Lucky China employees, British managers, the new Chinese General Manager as well as Alexander China new employees. This is consistent with the findings that cross culture differences have strong influence on leadership and employees behaviours in that culture (House, et al., 2004; Kabasakal, et al., 2012; Laspita, et al., 2012; Stock & Ozbek-Potthoff, 2014). This culture clash sets the context (or ‘backdrop’) for the perceived effectiveness of people issues management. The next section is related to the conceptual framework for this study, as shown in Figure 3.2 which focuses on leadership behaviours in managing the people issues in the cross border acquisition. The acceptance of such behaviours by employees eventually impact on the overall effectiveness of people issues management.

PEOPLE ISSUES MANAGEMENT AND PERCEIVED EFFECTIVENESS

This study argues that the culture clash, as discussed in the section above, influenced Lucky China employees’ perception on their acceptance and perceived effectiveness of the leadership

behaviours in managing this acquisition. This is consistent with past studies which show that culture, both at organisation level and society level, plays a critical role in influencing employees' reactions to M&As, as well as understanding managers' behaviours in managing the people issues (Cartwright & Cooper 1996; Cooper, 1996; Bijlsma-Frankema, 2001; Evans, 2006; Weber & Tarba, 2011; Weber, et al., 2011b; Weber, et al., 2011c; Chakrabarti, et al., 2009). For example, Weber, et al., (2012a) explain that culture clash has impact on employees' trust which directly affect the attitudes and behaviours of management from the acquired firms. This finding from Weber, et al., (2012a) is consistent with all four phases of the Project GLOBE study which show that employees perceive the leadership behaviours as ineffective if these behaviours did not meet their expected behaviours.

Overall, both the interview findings and the quantitative findings from this study suggest that the Alexander China leadership team (i.e. the British managers and the new Chinese General Manager) had not effectively managed the people issues in this acquisition. This study shows that there was a 'multiplier' effect (as set out in Figure 7.3) between the people issues of cross culture issues, communications, resistance, stress and (dis)trust.

Figure 7.3 Interrelationships of People Issues in Alexander China & Lucky China Acquisition

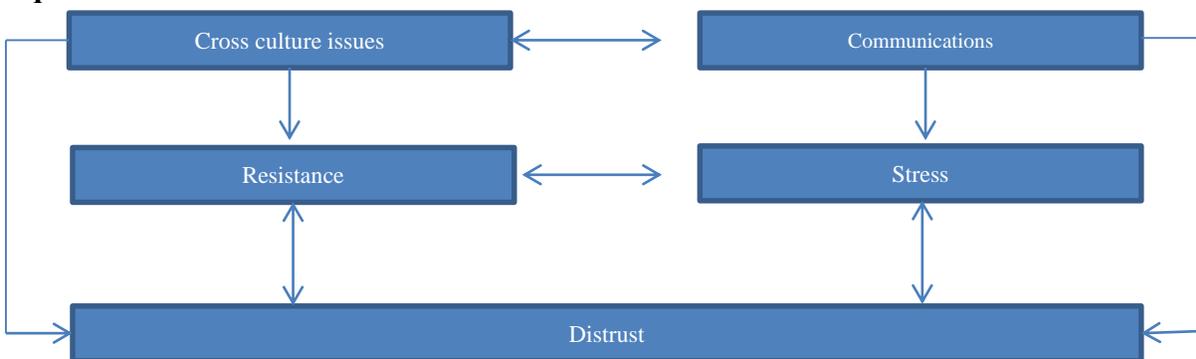


Figure 7.3 summarises the interrelationship between different people issues. Ineffective cross culture management is shown by this study as the most fundamental people issue that caused other people issues. Furthermore, this study argues that the ineffective cross culture management before the acquisition led to culture clash post-acquisition and generated significant people issues. At the

same time, ineffective cross culture management would possibly lead to ineffective culture integration planning and ineffective culture communications. When there is no effective culture communications, effectiveness of cross culture issues management are impacted. Cross culture conflict and ineffective communications lead to employees' uncertainty and concerns and cause employee resistance and stress. From this study, it is evident that these same cross culture issues, ineffective communications, resistance and stress all are the reasons that damage employee's trust in leadership.

The findings from this study support the previous studies that cross culture issues and communications issues seem to be the two most important issues in cross border M&As and consequent interrelationships between some of the people issues (Schweiger, et al., 1993; Cartwright & Cooper 1996; Bijlsma-Frankema, 2001; Shearer, et al., 2001; Weber & Tarba, 2010; Weber, et al., 2012b; Gomes, et al., 2013; Rottig, et al., 2014). However, Gomes, et al., (2013) , Stahl, et al., (2013) and Reis, et al., (2015) point out that the past studies only focus on one or two people issues at a time without a comprehensive view of all people issues and their interrelationships, and how these interrelationships have impacted on the M&A as a whole. Although Gomes, et al., (2013) have done a review of the past studies on the critical success factors of M&As, and the interrelationships of the critical success factors in the pre and post-acquisition stages, their study again does not have a comprehensive coverage of all the primary people issues as identified in the past studies. For example, resistance, stress and trust issues are not covered in their studies. Therefore, this study for the first time integrates all the primary people issues into one case study. Therefore, this interrelationship between all the people issues is a new finding from this study. Each of the five elements in Figure 7.3 will be examined below to identify theoretical implications based on this study's conceptual framework (Figure 3.2).

Cross Culture Issues

As indicated by both the qualitative and quantitative findings from this study, cross culture issues were not effectively managed by the leadership team. Besides the overall 'multiplier' effect

between all people issues management, this study identified that there was a ‘multiplier’ effect for ineffective cross culture management, as seen in Figure 7.4. This effect started from lack of awareness of the potential cross culture issues in this cross border M&A by the senior leaders, then resulted in lack of dedicated attention or resources being assigned to understand and manage the culture issues during the due diligence and negotiations of a pre-acquisition. As a result, important information was missing from the due diligence process which led to no consideration for a culture integration plan or even culture considerations for all the integration activities post-acquisition. The integration activities were treated as ‘functional’ issues only. Consequently, there was very low acceptance of the integration by Lucky China employees.

Figure 7.4 Multiplier Effect of the Ineffective Cross Culture Issues Management



Overall, the findings from this study confirms other studies on the importance of cross culture issues in cross border M&As (Cartwright & Cooper, 1996; Dixon & Marks, 1999; Hubbard, 1999; Weber, et al., 2011a; Rottig, et al., 2014). This study also supports the importance of a culture audit as part of the pre-acquisition due diligence process (Buono & Bowditch, 1989; Stanwick, 2000; Mirvis & Marks, 2002; Weber, et al., 2011a) and also to assess the impact of culture on effective negotiation primarily related to trust, information exchange and communication effectiveness (Weber, et al., 2011a; Weber & Tarba, 2012; Ahammad, et al., 2015), post-acquisition integration planning and implementation process (Hubbard, 1999; Shraeder, 2003; Weber, et al., 2011b; Weber & Tarba, 2012; Weber, et al., 2012c; Correia, et al., 2013; Gomes, et al., 2013; Ahammad, et al., 2015).

Overall, this study agrees with Buono and Bowditch (1989) that leaders play a critical role in managing culture issues throughout the M&As, with a lack of attention from the leadership on culture issues being the root cause for ineffective cross culture management which eventually impacts on the outcome of cross border M&As.

At the same time, this study also notes that similar to Angwin (2001) and Gomes, et al., (2013), Chinese and western culture differences influenced Alexander Global executives' choice of external consulting firm and the appointment of the new Chinese General Manager. Neither choice turned out to be effective due to lack of cross culture competency. This study suggests that it is a false assumption that language capability equals cross culture competency. This contradicts Very and Schweiger (2001) who propose that an external consulting firm might be the solution for overseas M&As, but supports Rajan, et al., (1998) and Fealy and Kompare (2003) with their view that special attention should be given when hiring 'talent' overseas for M&As. Holden (2001) emphasises that language plays a critical role in international recruitment. Therefore, managers should be educated on cross culture differences and be open to the differences between the acquiring and acquired firm. Language barrier was identified as one of the top communication issues in this acquisition study.

Communications

The language barrier and the lack of an effective communications procedure and plan throughout the acquisition are consistently identified by both the qualitative and quantitative findings as not effectively managed by the leadership team and identified. Two major communications issues were identified in this acquisition study; language barrier and communication procedures and plan. Both issues are discussed below.

Language Barrier

The identification of language barrier by this study as one of the major communications issues confirms the findings from Very & Schweiger (2001) that language indeed is one important issue in cross border acquisitions.

The findings from this study indicate that the 'simple' solution by the British managers to hire English speaking new staff and interpreters to solve the language barrier had triggered more unintended culture issues. Primarily the unintended consequential culture issues were associated with Lucky China employees' perceived loss of authority and seniority as well as perceived job security concerns from the younger and inexperienced new hires with the required English capability. Another consequential issue was related to the interpreters who distorted and translated the harsh messages into softer tones to maintain harmony.

The underlying reason for the above unintended consequences was the British managers' lack of awareness of the Chinese culture value of respecting authority and seniority, part of the unequal power distribution culture dimension in this study. Therefore culture was not a consideration in the new staffing decisions regarding the implications for both the existing Lucky China staff as well as the new hires including interpreters. The 'simple' language solution through hiring new hires as a strategy confirms the general criticism from Welch, et al., (2005) who pointed out that leadership teams in M&As tend to view language differences as a simplistic language speaking issue instead of a deeper cross culture phenomenon.

For Lucky China employees, although it was only an employee perception that English was made the official working language by the British managers, this perception contributed to the differentiation and conflict between the non-English speaking Lucky China employees group and the English speaking new hire group. As Welch, et al., (2005) point out, an official working language policy in global corporations may divide employees into different identity groups and feelings of superiority or inferiority may be created between the employees who speak the language and those who do not (Piekkari, et al. 2005). As a result, language differences can create different social networks with inclusions ('in-group') and exclusions ('out-group') of certain language groups which could lead to group confrontation (Piekkari, et al. 2005; Welch, et al., 2005), as was the case for Alexander China.

The message distortion issues identified in this study are similar to the findings by Welch, et al., (2005) who note that when there are language differences and employees fluent in the required language are nominated as the communications interface for corporations, important messages

may not be passed on to those who do not have the language skills due to various reasons of the communication interface gatekeepers. Welch, et al., (2005) specifically note the issues with Chinese interpreters who may distorted the 'harsh' and direct message into indirect ones in order to maintain harmony and save face.

Overall, language barrier as the one critical communication issue in this cross border acquisition supports Welch, et al., (2005) that when foreigners working in a Chinese environment without being able to speak Chinese, the language is a serious barrier for them to work effectively with Chinese employees.

Communications Procedures and Plan

The issues associated with the ineffective communications procedures and plans included no prior notification of the acquisition to Lucky China employees, lack of direct interpersonal interactions between leaders and employees, ineffective communications channels to gather employees' issues and concerns, and ineffective leadership communications about the company's future and significant changes. Findings from this study on each of these issues identify culture awareness as a problem western leaders need to address in their communication procedures.

The underlying reasons for there being no pre-notification of the acquisition to Lucky China employees, as identified from the interview findings, are related to the British managers' lack of awareness of the Lucky China Owner's authoritarian leadership style which was identified as part of the unequal power distribution section, discussed in Chapter 4. Yet, the questionnaire reports that fellow workers were the primary communication source for the majority of Lucky China employees' first hearing about this acquisition. The survey also indicates that a significant higher percentage of the Lucky China managers, workshop supervisors and professional staff first were advised of the acquisition from discussions with Lucky China management ($P=0.000 \cong 0.05$). This quantitative finding indicates the influence of hierarchy in Lucky China where managers had more information and shared it among themselves but not with the lower level employees. Therefore, it could be recognised that the pre-notification process of this acquisition was heavily influenced by the unequal power distribution dimension as identified in this study.

Lucky China employees placed strong emphasis on informal but direct face-to-face interpersonal interactions as the desired communication approach with the new Alexander China leadership team. The Chinese culture value of relationship (guanxi) based work relationship (Walumbwa & Lawler, 2003; Steers, et al., 2009) could possibly explain such expectations, particularly when the direct communications approach proved to be effective within Lucky China's culture. This reinforces that a perceived effective organisation culture is very difficult to change (Badrtalei & Bates, 2007). From the literature, it seems to be 'good' recommendations for researchers to suggest that diversified communications channels and communications feedback process are important to enhance communication effectiveness (Stanwick, 2000; Appelbaum, et al., 2000, 2003; Saunders, et al., 2009a). However, the inactive response of Lucky China employees to the General Manager Mail Box and the Monthly All Employees Meeting clearly indicate that culture factors were not carefully considered in the communications process design when the acquisition occurred. Lucky China employees, as influenced by the unequal power distribution culture dimension as well as conflict avoidance culture dimension, did not utilise these communication channels and did not speak up at meetings. Yet, they had many unspoken issues and concerns which eventually led to their resistance against many integration activities.

Lack of leadership communications about the company future, the significant company changes and their impact on employees were found to be the critical reasons that caused high anxiety, stress and job security concern with Lucky China employees. In particular, this study suggests that the major organisation restructuring, such as setting up new departments in Alexander China and hiring of new staff, created tension and conflict between Lucky China employees and the new hires within Alexander China. The negative consequences created by lack of leadership communications about the company changes and future reinforced the significant role of leadership in communications and the importance of an effective communications plan (de Camara & Renjen, 2004; Scanlan, 2005; Foster, 2012), especially in cross border M&As (Foster, 2012).

This study found that for this acquisition, the one communication effort about the new company's future was not effectively implement due to the mismatch of communications content between what the British managers communicated and the employees wanted to know, neither having

consulted the other. This finding reinforced that for effective communication in cross border M&As that involve different target audience groups from different cultures, differentiated communication approach should be carefully designed (Schweiger, et al., 1993; Senter, 1999; Foster, 2012). In cross border M&As, special effort should be made to understand the culture differences between the acquiring and the acquired firms (Schweiger, et al., 1993; Senter, 1999; Foster, 2012).

Finding from this study suggest that lack of culture awareness by the British managers, which was the starting point for the ineffective management of cross culture differences had led to ineffective communications in this cross border acquisition, which is consistent with previous studies (Nikandrou, et al., 2000; Tu, 2010). The findings from this study also supports studies that argue both cross culture and communications issues are the major causes of other people issues, such as employee resistance (Hubbard, 1999; Neuyen & Kleiner, 2003; Yan, 2001), stress (Lotz & Donald, 2006) and trust (Nikandrou, et al., 2000; Searle & Ball, 2004; Bhagat, et al. , 2009).

Employee Resistance

The interview findings from this study clearly demonstrate that employee resistance has an interrelationship with the ineffective management of cross culture issues and communications issues. The employees' resistance identified from the interviews included the employee strike before the acquisition due to lack of information about the terms of employment in the new company. After the acquisition, employees strongly resisted the perceived inequity in compensation and benefits decisions, new 'culturally-unfit' business rules and management procedures implemented by the British managers, as well as the new hires and new departments which were perceived as a potential threat to their job security and career opportunity.

The findings of some of the specific causes of the employee resistance in this acquisition are consistent with some previous studies. For example, employee resistance generated by the uncertainty caused by the integration activities such as organisation restructuring (Lasson &

Finkelstein, 1999), the perceived inequity caused by differences in compensation levels between the acquiring and acquired companies (Bourtantas & Nicandrou, 1998), management recognition of certain perceived inappropriate behaviours, job dissatisfaction after the acquisition, employees' expectations on the acquisition are not met (Bourtantas & Nicandrou, 1998).

Furthermore, the resistance caused by the conflict between Lucky China employees and new hires was also consistent with McGee-Cooper (2005) who pointed out that during M&As, an 'us against them' mindset is prevalent when employees feel anxious and fearful about the future. Thus, it is common to see sub-groups of acquired employees compete with new staff of the acquiring firm and resist interdependent team work.

This study clearly suggests employee resistance is related to ineffective management of communications and cross culture issues. For example, employees went on strike before the acquisition, and Lucky China employees submitted false data and did not comply with the new business procedures. This finding is consistent with Dam, et al., (2008) who suggest that effective communications, especially daily interactions are a useful solution to reducing employee resistance. Furthermore, Atkinson (2005) notes that differences and mismatch of the existing organisational culture and leadership styles of the two companies could also cause employee resistance. It is because cross culture conflict and ineffective communications create high uncertainty, stress and negative perceptions in cross border M&As that employees withdraw from the organisation change activities (Kiefer, 2005). From this situation, it is not surprising that the quantitative results reported low acceptance rate by Lucky China employees about the integration activities post-acquisition, which indicate that employee resistance could negatively impact on the change process (Piderit, 2000; Stanley, et al., 2005; Oreg, 2006).

Overall, the past studies also suggest the interrelationship between different people issues, for example, low trust in management post M&A is believed to be one reason that causes resistance (Bourtantas & Nicandrou 1998; Kiefer, 2005) while other root causes that generate employees' resistance, as noted by Kiefer (2005) and Bellou (2007) are similar to those that generate the employee stress and distrust.

Stress Caused by the Change Process

The interview findings from this study, as validated by the quantitative results, indicate that most of Lucky China interviewees experienced some kind of stress caused by the changes throughout the acquisition and the Alexander China leadership team did not help employees to manage this stress. The three types of stressors identified from the interviews included lower financial income due to poor business performance, job security concern and stress caused by the perception of being undervalued which potentially impacted on career development. The interview results as well as the quantitative results both indicate that these three stressors affected the various employee groups differently. Compared with Lucky China professional staff and shop floor workers, Lucky China supervisors and managers were found to have more concern about job security and whether they had the professional skills required by the new company. Lucky China supervisors, managers as well as the professional staff also shared the same concern that their English proficiency may not meet the expectations of the new company.

The stressors identified from this study are consistent with past research. For example, this study confirms that uncertainty associated with job security is a primary cause of employee stress (Marks & Mirvis 1985; Schweiger, et al., 1987; Schabracq & Cooper, 2000; Millward & Kyriakidou, 2003; Ullrich, et al., 2005; Cooke, 2006). Job security concern is associated with an uncertain company future (Marks & Mirvis, 1985, 1992, 2001b; Schabracq & Cooper, 2000; Millward & Kyriakidou, 2003; Cooke, 2006) and lack of required skills (Marks & Mirvis, 1992; Cooke, 2006). This study clearly indicates that the root causes of the three stressors are associated with the ineffective management of cross culture issues and communications. For example, poor business performance contributed by the loss of Lucky China customer information during the transition was influenced by the culture issues. The job security concern and feeling being undervalued are associated with the emphasis on English by the British managers.

The above finding from this study is supported by Funnel (2003) and Ullrich, et al., (2005) that without timely and transparent communications with employees about the significant changes impacting them, their stress accelerate and result in negative actions which eventually contributes

to the failure of the M&A. At the cultural level, Bhagat, et al., (2009) note that both societal culture and organisational culture have influence over the causes of stress. A specific example from them was people from relationship based cultures are likely to develop stress and feel uncertain if they do not get the recognition from their supervisors on whom they place high value (Bhagat, et al., 2009; Makri, et al., 2012). In cross border M&As, the acquired employees are likely to feel more uncertain and stressful about the future when the acquiring company is foreign with differences in national and organisational culture as well as employment conditions (Nirandou, 2000). While the Alexander China leadership team was evaluated as not having helped employees with their stress, their leadership role was reinforced by many studies critical of employee stress management. Examples of studies on this stress management relate to providing career opportunities (Marks & Mirvis, 1985; Ullrich, et al., 2005), providing training to employees to improve their competencies (Cooke, 2006), and paying special attention to the acquired employees when implementing the new organisational structure (Ullrich, et al., 2005).

Overall, the findings from this study suggest that similar to many M&As, it is important for senior management to manage employees' uncertainties through understanding the concerns first and then developing actions to address the concerns accordingly (Appelbaum, et al., 2000; Saunders, et al., 2009a). From the discussions above, it is illustrated clearly again that ineffective management of cross culture and communications issues by the British managers caused the ineffective management of the uncertainty and stress which is consistent with previous finding by Lotz and Donald (2006). If the leadership team does not effectively handle employees' uncertainty in M&As, employees' stress is likely to increase and trust in management would decrease (Schweiger & DeNisi, 1991).

Trust

Except for a few shop floor operators who identified in the interviews that their workshop supervisors had generated trust in them through daily interpersonal interaction and fixing problems, for the rest of the leadership team, both the qualitative and quantitative findings disclosed that the leadership team had damaged Lucky China employees' trust more than build trust. The shop floor operator's trust with the workshop supervisors support Searle and Ball (2004) and Barratt-Pugh,

et al., (2013) that the immediate local management team is important for employees' trust building in the management team. It also reinforces that the importance of interpersonal relationship building between employees and supervisors for trust building (Dam, et al., 2008; Bhagat & Steers, 2009; Mackenzie, 2010; Barratt-Pugh, et al., 2013), especially in China (Kriz & Keating, 2010). As explained by Chua, et al., (2009) and Kriz and Keating (2010), compared with trust building with western people which is more instrumental and rational based, the trust building with Chinese people is more emotional and affect-based (Kriz & Keating, 2010).

Both the qualitative and quantitative findings from this study suggest that overall Lucky China employees' trust level in the Alexander China leadership team was very low. Also there was a shift from trust or neutral before the acquisition to distrust post-acquisition. This is consistent with the observation of trust issues in M&As by Kramer (1999) and Searle and Ball (2004) who discuss that initially most of the employees in acquisitions would be willing to trust the new leadership team, but over time, employees' trust might be shifted to distrust due to the way the leadership team manages the acquisition. Such distrust will lead to negative employee behaviours such as absenteeism, low morale and job dissatisfaction as well as turnover (Mayer, et al., 1995, Nikandrou, et al., 2000; Loh, Smith, & Restubog, 2010; Jafri, 2012; Weber, et al., 2012a; Cho, et al., 2014), similar to the negative effects as discussed in the sections of cross culture issues management, ineffective communications, employee resistance and stress in this chapter.

The same issues associated with cross culture differences, communications, employees' resistance and stress are found from the interviews to have impacted on Lucky China employees' trust building with the leadership team. For example, the perceived quick transplant of 'culturally-unfit' western business management procedures by the British managers was a test of Lucky China employee's low tolerance with change. As suggested by Nikandrou, et al., (2000), such low tolerance of change may be caused by uncertainty associated with changes introduced too quickly or too slowly especially when there is culture conflict. As confirmed by the quantitative survey from this study, for Lucky China workshop supervisors and managers, the perceived 'inappropriate' decisions made by the British managers that lack of local culture considerations damaged their trust the most. This supports the past findings that culture differences in cross border M&As may lead to distrust in leadership (Buono & Bowditch 1989; Mayer, et al., 1995; Loh, et al., 2010).

This study suggests that ineffective communications contributed to Lucky China employee's loss of trust in the leadership team which is supported by Mackenzie (2010). A well-defined communications strategy and employee focused communications about the company's future are critical to build employee's trust, especially in cross border M&As (Buchan, 2009).

This study also suggests that ineffective management of the collaboration between Lucky China employees and the new hires may have also contributed to Lucky China employees' distrust in the leadership team. This view is consistent with the findings with Loh, et al., (2010) that if a leadership team does not effectively advocate and manage collaboration between acquiring and acquired employees, adverse effects may occur that the acquired employees may perceive the new employees as a threat (Buono & Bowditch 1989; Mayer, et al., 1995; Clark, et al., 2010; Loh, et al., 2010; Drori, et al., 2011). This was the situation in Alexander China.

Inequity compensation decisions were identified by both the interview and quantitative results as the top one factor that had damaged Lucky China employees' trust. This was influenced by the mindset of 'equity equals equality' of Lucky China employees, similar to the causes that lead to Lucky China employees' resistance as discussed earlier in the section of employee resistance. At the same time, it is important to note that the leadership behaviours that generated employees' financial concern were consistently identified by the interviews and quantitative results to have significantly damaged the employees' trust'. This finding is consistent with Nikandrou, et al., (2000) and Jafri (2012) that when employees have financial concerns and feel their jobs are at risk, their trust in management will drop significantly.

Overall, based on the findings from this study, it suggests that there are interrelationships between all the people issues and these people issues intertwined with each other creating a holistic impact to the outcome of this cross border acquisition.

PEOPLE ISSUES MANAGEMENT AND OVERALL OUTCOME OF THIS ACQUISITION: ADDRESSING THE RESEARCH QUESTION

The research question can now be formally and simply addressed in the context of this chapter's discussion of the findings from the cross border M&A by Alexander Global of Lucky China and its theoretical relevance to the extant literature. This section sets out the effective leadership behaviours when managing the cross culture differences in people issues for this one cross border M&A by a western company in China. The answer to the question is framed around the conceptual framework that enables this case study to extend and develop the theoretical understanding of cross culture management.

Both the qualitative and quantitative findings from this study indicate that the people issues were not effectively managed by the Alexander China leadership team consisting of both the British managers and the new Chinese General Manager. The questionnaire survey also reports that this acquisition was not successful based on Lucky China employee's evaluation. Statistically, the quantitative results confirm that the overall ineffectiveness of people issues management had a positive co-relationship with the failure of the acquisition. Thus, based on the interview findings and also the quantitative results, it can be concluded that it was the holistic integrated effect of all the people issues that had impacted on the outcome of this cross border acquisition rather than any single people issues alone.

Overall, the findings of this study clearly suggest that awareness of cross culture differences and the effective management of cross culture differences by the leadership team had a critical impact on the creation and effective management of other people issues in this cross border acquisition. The organisation cultures of Lucky China and Alexander China, as influenced by the Chinese culture and western culture, had impacted on the belief and behaviours of the leaders in managing the people issues and employees' perception about the effectiveness of these leadership behaviours.

Regarding the people issues to be managed, there were interrelationships among these people issues and also there was a ‘multiplier’ effect in that if one of the people issues was not managed well, other people issues might be generated. Among all the people issues, cross culture management was the most fundamental people issue and ineffective cross culture management had caused other people issues. It is important to note that it was the holistic and integrated effect of all the people issues that caused problems and all people issues would need leadership attention given the multiplier effect.

The leadership team in Alexander China, it was found did not effectively manage these people issues. The critical failure was the ineffective management of cross culture issues starting from failing to recognise that there might be culture clash in this acquisition. Failing to recognise the potential culture issues led to inadequate attention to culture issues, followed by an ineffective due diligence process ending with critical culture and people information missing, which impacted on the post-acquisition integration plan for culture integration and no culture factor considered in the overall integration plan. It turned out to be ‘functional’ integration only. British managers had the most critical role in effectively managing people issues.

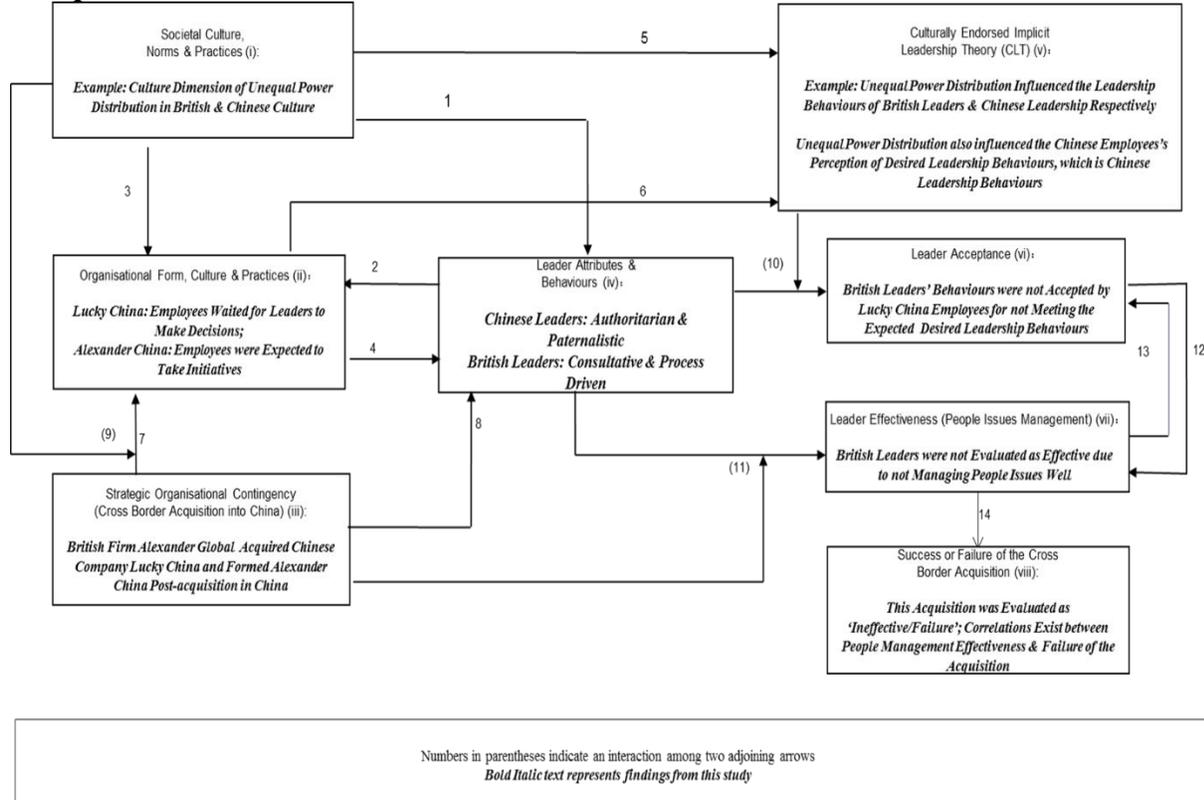
This study clearly suggests the society culture had influenced on both the formation of organisation culture and the leadership styles and behaviours, and employees mindset and behaviours. The leadership effectiveness was judged on the employees’ expected behaviours, any different behaviours were perceived as ineffective. The findings from this study validated the applicability of the modified theoretical framework from Project GLOBE (House, et al., 2004) in the new organisation contingency context of a British and Chinese cross border acquisition.

This study has addressed the research question by integrating the new findings from this study and past findings. The new findings from this study make significant contributions to the knowledge of leadership effectiveness in managing people issues in cross cultural acquisition context. The next chapter brings together the full study; in it are detailed the key findings and main original contributions to the literature from this study, notes the limitation of this study, and points out the implications for future research and practices.

THE CONCEPTUAL FRAMEWORK

This research, on the contingency of management of people issues during an M&A, necessitated the modification of the theoretical model of Project GLOBE as set out in Figure 3.2 in order to fit the parameters of this study. In summary, the findings from this study validate that this modified conceptual framework is able to be applied in a strategic organisational contingency of cross border acquisition into China between a British company and a Chinese privately-owned company. Figure 7.5 below illustrates how the research findings from this study supports the modified conceptual framework. This modified framework can be applied to all three phases of the acquisition across the seven cultural dimensions examined in this thesis. Considering the large amount of the findings from this study, one cultural dimension only is illustrated in Figure 7.5, which is the culture dimension of Unequal Power Distribution. Since this dimension is set out at the top of Figure 7.1 and reflects a crucial starting point to understanding the critical success factors in any interrelationships within cross cultural acquisitions, Figure 7.5 is an appropriate illustration of the research findings using the modified conceptual framework.

Figure 7.5: Illustration of Conceptual Framework Validation by Findings of this Study using Unequal Power Distribution



Using the findings of culture dimension of Unequal Power Distribution from this study, Figure 7.5 describes that the differences between British culture (low acceptance of unequal power distribution) and Chinese culture (high acceptance of unequal power distribution) has influenced the leadership styles and behaviours of the Chinese leaders (authoritarian and paternalistic) and British leaders (consultative and process driven) respectively. The differences between Chinese culture (high acceptance of unequal power distribution) and British culture (low acceptance of unequal power distribution) as well as the differences in the leadership styles and behaviours between Chinese leaders (authoritarian and paternalistic) and British leaders (consultative and process driven) have influenced on the organisational culture of Lucky China before the acquisition and Alexander China after the acquisition. One of the organisational culture characteristics of Lucky China was that Lucky China employees waited for leaders to make decisions while in Alexander China post acquisition, employees were expected to take initiatives. It is evident that this cross border acquisition between British firm Alexander Global and Chinese company Lucky China has brought the two different organisational cultures (as influenced by the

British culture and Chinese culture) into the newly formed Alexander China post acquisition, and these organisational culture differences have contributed to the leadership behaviours of Chinese leaders and British leaders in how they manage the new company.

Meanwhile, Figure 7.5 also illustrates that as Lucky China employees were influenced by the high acceptance of unequal power distribution, their perceived ideal leadership styles and behaviours were authoritarian and paternalistic. When the British leaders demonstrated the different consultative and process driven leadership styles, such leadership behaviours did not meet the expectation of Lucky China employees and were not accepted by them as effective leadership behaviours. As a result, the way British leaders managed the people issues in Alexander China was not evaluated as effective by Lucky China employees, which had impact on the overall outcome of the acquisition.

Build on the illustrative example of Figure 7.5, in summary, the findings from this study validate that in the context of this cross border acquisition (Strategic Organisational Contingency of Cross Border Acquisition into China, iii), culture differences at organisational level between Lucky China and Alexander China (Organisational Forms, Culture & Practices, ii) as influenced by Chinese culture and western culture (Societal Culture, Norms & Practices, i) influenced leadership behaviours (Leader Attributes & Behaviours, iv) before and after the acquisition.

The culture differences between Lucky China and Alexander China as influenced by Chinese culture and western culture are identified with the seven culture dimensions that emerged from this study which include unequal power distribution, management by rules and procedures, equity equals equality, nepotism, employee care, conflict avoidance and future viability and social responsibility. The differences in these seven culture dimensions between Lucky China (see Figure 7.1) and Alexander China (see Figure 7.2) influenced the leadership behaviours in the two organisations respectively.

At the same time, the organisational culture differences between Lucky China and Alexander China (Organisational Forms, Culture & Practices, ii) as influenced by the Chinese culture and western culture (Societal Culture, Norms & Practices i) also influenced the mindset and behaviours

of the employees as well as their expectations on the desired leadership behaviours before and after the acquisition (Culturally Endorsed Implicit Leadership Theory, CLT, v). The findings from this study suggest that within the context of the cross border acquisition (Strategic Organisational Contingency of Cross Border Acquisition into China, iii), when the way the British managers managed the people issues did not meet Lucky China employees' expectations on the desired leadership behaviours (Culturally Endorsed Implicit Leadership Theory, CLT, v), the acceptance of such leadership behaviours (Leader Acceptance, vi) was low which led to the perceived ineffective leadership behaviours in managing people issues (Leader Effectiveness, People Issues Management, vii).

This study suggests that interrelationships exist between the people issues in this cross border acquisition which are cross culture awareness communications, resistance, stress and trust. Cross culture awareness is the most fundamental issue that caused other people issues (see Figure 7.3). This study also suggests that there is a 'multiplier' effect from Ineffective Cross Culture Issues Management and that lack of culture awareness is proposed as the starting point of ineffective cross culture management (see Figure 7.4).

This validates that Societal Culture, Norms & Practices (i), Organisational Forms, Culture & Practices (ii) as well as Strategic Organisational Contingency (iii), in this case a Cross Border Acquisition into China, are the three critical variables in the conceptual framework (see Figure 3.2) which affect other culturally-based variables including Culturally Endorsed Implicit Leadership Theory (CLT), (v), Leader Acceptance (vi) and Leader Effectiveness (vii) of People Issues Management,. It is suggested from this study that it is the overall integrated effect of the ineffective people issues management that influenced the perceived failure of this cross border acquisition (Economic Performance of Societies (viii)).

CHAPTER 8 CONCLUSION

INTRODUCTION

Despite the continued increase of cross border M&As in China and their strategic importance to accomplish the strategic goals of the firms, the estimated success rate has been low. Although people issues in western countries have been identified by the M&As studies as one of the critical factors influencing the M&A outcome, not much has been written yet about the people side of the M&As in China. At the same time, although there have been studies on people issues in western M&As, these studies only focus on one or two people issues rather than examining the holistic impact of all people issues in one study on success or failure of M&As. This is particularly important for cross border M&As when complicated issues might be encountered such as cross culture differences, differences in legal system and business practices between the acquiring firm and the acquired firms. To date, there have been no in-depth empirical studies that integrate all people issues into one cross border M&A setting between Chinese culture and western culture. This study aims to address this issue.

THEORETICAL CONTRIBUTIONS

Overall the findings from this study indicate significant theoretical contributions to the literature. Essentially there is a lack of awareness in the existing literature of cultural differences between Chinese culture and western culture where the starting point is ineffective cross culture management by both Chinese and western management teams of an acquisitions. From this study, it can be seen that due to poor management of cross cultural differences, related communications activities were not managed well throughout the acquisition, which caused employees resistance to the acquisition itself. The changes introduced through the acquisition involved integration activities that generated stress within employees. As a result of the combination of poor communications, resistance to changes and stress related to integration activities; the employees

had low trust in the management team post-acquisition to manage the company well. This study proposes that a ‘multiplier’ effect exists between the ineffective management of cross culture differences and other people issues of communications, resistance, stress and trust. This study further emphasises that cross culture difference is the most fundamental people issue among all the people issues in this cross border acquisition. The acquisition in this study was evaluated by the employees as unsuccessful and the findings from this study confirm the interrelationship between the ineffective people management and the unsuccessful outcome of the acquisition.

The high level findings of this study also illustrate the cultural differences between the Chinese company before acquisition as influenced by the Chinese culture, and after acquisition as influenced by both the British culture and the Chinese culture, with the British culture as a dominant culture. Leadership styles and behaviours of the Chinese managers and British managers are also compared and it is found that Chinese leaders are authoritarian and paternalistic while British leaders are consultative and process driven. The findings from this study highlight that Chinese culture has significantly influenced Chinese employees’ perception about the desired leadership behaviours. They normally ‘judge’ the leadership behaviours as ineffective if such behaviours do not meet their expected protocols of ideal leadership. In summary, this study modified the theoretical model of Project GLOBE (House et al., 2004) to create a conceptual framework that enabled the analysis of a cross border acquisition to be conducted. The findings from this study validated the modified conceptual framework and the underlying theoretical GLOBE model.

The current study makes several key original contributions to the literature on cross border mergers and acquisitions. *Firstly*, this study is the first in-depth empirical research about a cross culture acquisition by a British company of a privately-owned mainland Chinese company. *Secondly*, this study is the first one that integrated all people issues identified by the past studies into one in-depth cross border M&A case study. It identified the specific causes of each people issue and revealed the strong inter-relationship between the people issues. *Thirdly*, this study is the first one that examined the specific leadership behaviours in managing these people issues and evaluated the perceived effectiveness both from Chinese employees and British leadership perspectives.

Fourthly, this is the first study that leveraged and modified the theoretical model the Project GLOBE (House, et al. 2004) to a strategic organisational contingency that is, cross culture acquisition context and therefore validated the framework. *Fifthly*, this study is the first one that integrated people issues in M&As, cross culture studies and cross culture leadership into one study to provide a holistic picture of the interrelationships. *Sixthly*, this study identifies seven culture dimensions from the findings and argues that these seven culture dimensions can be used to categorise the culture differences between organisation cultures as influenced by Chinese culture and Western culture. From this study, the new detailed description of the cultural behaviours of the identified seven culture dimensions, as well as an interrelationship between the seven culture dimensions, can form the basis of future studies. Of further significance from this study, unequal power distribution is shown in this study to be the most fundamental culture dimension that impacted the other six culture dimensions. *Seventhly*, this study also compared the seven culture dimensions from this study with the related culture dimensions by the Project GLOBE (House, et al., 2004) and generally support that relationships exist for the eight culture dimensions from Project GLOBE (House, et al., 2004). Furthermore, this study does advance the findings of cultural characteristics for Chinese culture and British culture at country level beyond the cluster level by Project GLOBE (House, et al., 2004).

An important contribution this study made is that it provided empirical evidence to support Schlosser, et al. (2012) who challenged the Project GLOBE (House, et al., 2004) for not differentiating the ‘in-group and out-group’ nature of Humane Orientation and Humane leadership as well as not recognising the expected return for humane leadership is conformity with authority. Furthermore, this study provided empirical evidence to support Chan, et al., (2013) to challenge the past Paternalistic Leadership studies (Farh & Cheng, 2000; Cheng, et al., 2004) for not capturing the ‘contradictory and conditional’ relationship between the three elements of the Paternalistic Leadership.

For the first time, an examination was conducted in a cross border acquisition context about the interrelationships between culture, languages (English as official working language in the non-English environment, translation between English and Chinese) and communications and the findings illustrate that such interrelationships exist.

Finally, the study provided insights into the organisational culture of a Chinese privately-owned mainland China company for the first time and the cause and impact of ‘culture clash’ during a cross border M&A.

LIMITATIONS OF THE STUDY

Despite the unique contributions made by the present study, several limitations are acknowledged. *Firstly*, the objective of this study was to undertake a deep empirical study which was achieved, however due to the huge amount of data generated by such depth, it was only possible to do one case study. Therefore, this study does not have any generalisable conclusions. However, because the conceptual framework of this study adopted and modified the validated theoretical model from Project GLOBE, together with the combined qualitative and quantitative data collection methods, the knowledge presented in this study could be transferred to future research when multiple case studies research strategies could be deployed to enhance the generalisability.

Secondly, given the context and focus of this study is the two organisations involved in this cross border acquisition, parts of the theoretical model of Project GLOBE (House, et al., 2004) were removed as part of the modification to establish the conceptual framework for this study. In particular, the macro level factors such as economic performance of societies, physical and psychological well-being of societies were removed. Although this study mentioned that China’s economic development history has an impact on the emergence of Chinese privately-owned enterprises and the mindset and behaviours of the people during this development journey, this study did not investigate the impact of economic development on this acquisition. For future research, these two macro factors might need to be considered.

Thirdly, this was a case study of a British global corporation that acquired a Chinese privately-owned enterprise. Other cross culture acquisition contexts such as USA-Chinese and German-Chinese were not looked at for this study. The Chinese State-owned enterprises were not looked at, as only a private Chinese company scenario was examined.

Fourthly, the participants of the study were limited to internal employees with Alexander Global, Lucky China, and Alexander China. External stakeholders such as customers, suppliers, and government were not investigated. Such stakeholders could provide other perspectives to the culture changes, in particular pre-acquisition with Lucky China and post-acquisition with Alexander China. Governments also could provide perspectives on the non-compliance aspects of the company management in Lucky China. However it was beyond the scope of this study to include them.

Fifthly, only seven British leaders from Alexander Global were interviewed for this study. There was no further investigation with a broader sample of Alexander Global employees to understand the broader organisation culture of Alexander Global beyond these interviewees. Given the research question focus on managers involved in the acquisition, it was not necessary to include any further employees from the Alexander Global organisation.

Sixthly, during the questionnaire survey, the survey respondents were asked to self-report and identify their own demographic profile. Some survey respondents might not have enough knowledge to provide accurate input for such self-reporting, such as distinguishing between employee categories of shop floor operator clerical duties and professional. Furthermore determining their personal English proficiency level is subjective.

Seventhly, this study builds on the cross culture leadership study from Project GLOBE (House, et al., 2004) without exploring other leadership studies.

Eighthly, the researcher is a Chinese person who conducted the interviews with Chinese interviewees in Chinese, then wrote up the learnings in English by herself. Therefore, there might be issues associated with the translation and culture bias. At the same time, all the interviews with the British leaders were conducted by the researcher in English, the researcher then transcribed the audio recording into text without independent translation help. There might be issues associated with the language issues as well.

Finally, this study only looked at the M&A process and has not covered the other forms of cross culture business processes into China, for example, Strategic Alliances and Joint Ventures.

While acknowledging the above limitations, the major findings to answer the research question and objectives from this study are presented in the next section by following the conceptual framework for this study.

IMPLICATIONS FOR FUTURE RESEARCH

This study has made significant contributions to the literature. Given the multiple areas involved in this study, such as M&As, cross culture studies and cross culture leadership, there is more that could be explored in future research.

Firstly, of necessity to gain the depth of findings, this study only used one case study which limited the generalisability of the findings, but the conceptual framework allows transferability of the results in this study to further studies. Future researchers could consider using a multiple case study approach to verify the findings from this study so that generalisability could be advanced. Special considerations are recommended to be given to future multiple case studies in the difficult areas of data overload and possible loss of depth in the findings.

Secondly, this study was only about the cross border acquisition by a British company of a Chinese privately-owned enterprise. Future researchers could consider other organisation contingencies for comparative studies purposes, the options to be considered could include: (1) Cross border acquisition by western companies of a Chinese State-owned enterprises operating in China to compare the findings with this research; (2) Cross border acquisition by Chinese companies acquiring foreign companies operating outside China post-acquisition; (3) Cross border acquisition by another Asian culture-based company (e.g. Japanese or Singaporean) acquiring a Chinese company (private and/or State-owned) operating in China post-acquisition. Future studies could also explore the other forms of cross culture business processes into China, for example, Strategic Alliances and Joint Ventures.

Thirdly, the conceptual framework of this study could be further developed theoretically to integrate the seven culture dimensions that emerged through the findings into a more advanced theoretical structure. This more advanced framework could then be applied to future studies with multiple case studies with more complicated organisational contingencies as suggested above. The macro factors such as economic, physical and psychological status of the society in the original framework could be included in the future research.

Fourthly, currently the data collection in this study was only done with Alexander China employees and seven British managers who managed Alexander China post-acquisition. A broader participant base of internal and external key stakeholders could be included in the future research. The internal key stakeholders could include employees and management from both the acquired and acquiring organisations. External key stakeholders such as government, customers and suppliers could be invited to participate in the research to provide their broader perspectives.

Fifthly, more in-depth studies of cross border M&As in China could be done to understand the level of cross culture awareness of the CEOs and senior executives of the foreign-based company (most who only visit China for short periods) that have experienced or have interest in cross culture M&As with Chinese companies. This would allow such learnings to be shared for future improvement of cross culture management.

Sixthly, more in-depth future studies could be done to understand the deeper insights of the related people issues such as trust, communications, stress etc in M&As, especially cross border M&As in different culture settings. Such future studies could build on the findings from current study and also advance the related knowledge.

Finally, Paternalistic Leadership could be explored more with the mainland Chinese privately-owned businesses as well as Chinese State-owned enterprises to assess applicability of the past findings on Paternalistic Leadership. It is also important to gain further understanding of the ‘contradictory’ findings from this study about the Paternalistic Leadership.

IMPLICATIONS FOR PRACTICE

To effectively manage the people issues in cross border M&As, there are a few practical implications that senior leaders could draw from the findings in this study to contribute to the success of cross border M&As. For any company that plans to embark on a cross border M&A, the senior leadership team needs to start with an awareness of culture differences, then plan resources and define a culture integration plan to manage the culture differences. This is to avoid the situation where leadership team members “don’t know what they don’t know” which will impact on the effectiveness of the whole acquisition process. As part of the culture integration plan, the acquiring company is advised to provide cross culture training to both the foreign managers and the Chinese managers and employees on the culture differences, because culture understanding is a “two way street”.

As well as specific cross culture training and developing a culture integration plan, it is important for the acquiring company to establish effective communications processes to listen to employees issues and concerns throughout the acquisition and for a period of time post-acquisition, and to address these issues in a transparent way.

It is important for the senior leaders of the acquiring company to acknowledge that there are two critical resources that will impact on the effectiveness of the culture integration plan and communication plan: Integration Leader and Human Resources managers. The senior leaders of the acquiring company need to ensure a ‘qualified’ Integration Leader is appointed to manage the culture issues and communications process throughout the merger and acquisition. The Integration Leader should be appointed based on his or her culture background and cross culture experience, language capability, and prior experience in managing similar people issues in cross border M&As. The senior leaders should also recognise that Human Resources managers bring professional expertise to the acquisition in terms of understanding of culture and people issues as well as the systems, tools and policies to manage these issues accordingly. In cross border M&As, Human Resources managers need to acquire the skills and capability to straddle two cultures around the acquisition and effectively manage the implications of the cross differences on people practices throughout the acquisition.

Finally, the acquiring company should avoid immediately introducing their western management practices into the Chinese companies. Such practices should be either incrementally introduced and/or adapted to Chinese practices where appropriate. Studies should be done to understand the differences of organisation cultures, evaluate the potential impact of culture differences to the employees, decide the most effective management processes and implementation approach, communicate the changes and then implement the changes.

CONCLUDING THOUGHTS

In summary, this study shows that ineffective people issues management start from the ineffective management of cross culture issues. This results in a ‘multiplier’ effect flowing on to the people issues of communications, resistance, stress and trust. Ineffective cross culture issues management was shown in the findings to be the most fundamental people issue which largely caused the other people management problems to emerge from the acquisition. This study argues that interrelationships exist between other people issues, for example, communications issues impact on cross culture understanding and integration, cross culture issues and communications relate to employees’ resistance, stress and trust building. Similar causes for cross culture issues, communications, resistance and stress affect trust building. This study also demonstrates how the holistic and integrated effect of all the people issues impact on the effectiveness of integration activities. This was evident in the study where there was a statistical co-relationship reported between the overall effectiveness of people issues management and the outcome of this particular cross border acquisition.

This study contributes to the literature through the validation of the theoretical model of Project GLOBE in the new cross border acquisition context which was untested before. This study developed and applied a new framework that is specific to cross border M&As as set out in Figure 3.2, which is a modified version of Project GLOBE. This modified framework was used in a case study of western-Chinese cross border M&A where the western culturally specific company acquired a Chinese culture-based company. From the findings emerged seven culture dimensions and many demonstrated specific cultural behaviours related to the seven culture dimensions. These

dimensions support and also advance the findings of Project GLOBE. Suggestions were raised by this study for future research as well as practical implications to leaders in managing people issues in future cross border acquisitions. Overall, the findings of this research contribute to the knowledge body to improve the success of future M&As.

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APPENDIX A: DETAIL EXPLANATION OF THEORETICAL MODEL IN GLOBE PROJECT

Source: Project GLOBE (House, et al., 2004)

1. Leadership attributes and behaviours are to some extent indicative of societal cultural dimensions (Kopelman, Brief, & Guzzo, 1990).

2. Leadership affects organisation form, culture, and practice. Founders and subsequent leaders continue to influence and maintain the organisational culture (Bass, 1985; Miller & Droge, 1986; Schein, 1992; Thompson & Luthans, 1990; Yukl, 2002).

3. Societal cultural values and practices also affect organisational culture and practices. Although societal culture has a direct impact on organisational culture, over time, organisational culture influences the broader societal culture. Collective meaning that results from the dominant cultural values, beliefs, assumptions, and implicit motives endorsed by societal culture results in common leadership and implicit organisation theories held by members of the culture (House, Wright, & Aditya, 1997; Lord & Maher, 1991).

4. Organisational culture and practices also affect leaders' behaviour. Over time, founders and subsequent leaders in organisations respond to the organisational culture and generally alter their behaviours and leader style accordingly (Lombardo, 1983; Schein, 1992; Trice & Beyer, 1984)

5. and 6. Societal culture and organisational culture and practices influence the process by which people come to share implicit theories of leadership. Overtime, culturally endorsed implicit leadership theory (CLT) profiles are developed in each culture in response to both societal and organisational culture and practices. CLT profiles are composed of the six CLT leadership dimensions.

7. Strategic organisational contingencies (organisational environment, size and technology) affect organisational form, culture and practices. Organisational practices are largely directed toward meeting the requirements imposed by organisational contingencies (Burns & Stalker, 1961; Donaldson, 1993; Lawrence & Lorsch, 1967; Tushman, Newman, & Nadler, 1988).

8. Strategic organisational contingencies affect leader attributes and behaviour. Leaders are selected to meet the requirements of organisational contingencies. They will then continue to adjust their behaviour on the basis of these contingencies.

9. Relationships between strategic organisational contingencies and organisational form, culture, and practices will be moderated by cultural forces. For example, in low uncertainty avoidance cultures it is expected that forces toward formalisation will be weaker, and therefore the relationship between such forces and organisational formalisation practices will be lower. In low power distance cultures, it is expected that forces toward centralisation of decision making will be weaker, and therefore the relationship between such forces and decentralisation and delegation practices will be lower.

10. Leader acceptance is a function of the interaction between CLTs and leader attributes and behaviours. Accordingly, leader attributes and behaviours that are congruent with CLTs will be more accepted than leader attributes and behaviours that are not congruent with CLTs.

11. Leader effectiveness is a function of the interaction between strategic organisational contingencies and leader attributes and behaviours. Leader attributes and behaviours that meet the requirements of strategic organisational contingencies will result in increased leader effectiveness.

12. Acceptance of the leader by followers facilitates leader effectiveness. Leaders who are not accepted by members of their organisation will find it more difficult and arduous to influence these members than leaders who are accepted.

13. Leader effectiveness, over time, will increase leader acceptance. Effective leaders will, over time, demonstrate their competence by being effective. Demonstration of competence will change attitudes of some of the organisational members toward the leader and result in increased acceptance of the leader. Further, over time, followers who do not accept the leader will either be dismissed or will leave their organisation voluntarily.

14. Societal cultural practices are related to economic competitiveness of nations. Societies that are high on power distance and low on uncertainty avoidance and performance orientation will be less competitive internationally, because these dimensions of culture are assumed to impede competitive performance.

15. Societal cultural practices are related to the physical and psychological well-being of their members. Cultures that are high on power distance and low on humane orientation practices will have members who are dissatisfied with life in general. Further, in such societies members will have less social support and less access to medical care.

APPENDIX B: QUESTIONS FOR IN-DEPTH INTERVIEWS

The questions below include core questions and anticipated probing questions as per the critical incident technique. The letter detailing the research will define concepts such as “people side”.

PART 1: INTERVIEW QUESTIONS WITH SENIOR LEADERS

Pre-Acquisition

1. What was the original objective to do this acquisition?
2. What was defined as the criteria to measure success or failure for this acquisition?
3. What sort of information was gathered on the people side about both the acquiring company and the acquired company such as organization culture, etc?
4. What was the integration planning on the people side before this acquisition was finalised? What was included in the integration plan?
5. What communications activities were done before mergers and acquisitions are finalised?

Post-acquisition

1. What integration activities were done by you and your leadership team on the people side?
2. What communications activities were done throughout the people integration process?
3. What was employees’ reaction to the integration activities?
4. What do you believe are the reasons that employees have reacted the way they did?
5. What did you and your leadership team do to manage employees’ reactions?

6. How did you and your leadership team manage the staff movement in mergers and acquisitions, including layoffs, transfers, re-organizations, etc.?
7. How did you and your leadership team manage the stress and resistance of the employees?
8. How did you and your leadership team manage to generate trust among employees?
9. How did you and your leadership team manage the mentality of “us versus them” between the employees of the acquiring company and the acquired company?
10. What kind of change was created to the organisation culture as a result of this acquisition? Did cross culture conflict or misunderstanding occur? Can you describe this?
11. How did you and your leadership team manage the cross cultural differences?
12. What communication activities were conducted on the perceived cultural differences between the acquiring company and acquired company?
13. How did you and your leadership team manage the culture integration?
14. What kind of role and influence did leaders play in managing the people side issues in mergers and acquisitions?
 - Top leaders
 - Human resources leaders;
 - Middle management
 - First line supervisors
15. How do you view the overall effectiveness of management process of the people side in this mergers and acquisitions?
16. How would you rate the overall effectiveness success for this acquisition so far?
17. What could the leadership team have done differently if you will do it again?
Or
18. If you were to manage a M&A in the future, what, if anything, would you do differently given this experience?

PART 2: INTERVIEW QUESTIONS WITH MIDDLE MANAGEMENT

Pre-acquisition

1. What was your involvement in the information gathering process on the people side to collect adequate information about the acquired company?
2. What was your involvement in the integration planning on the people side before the mergers and acquisitions are finalised?
3. What role did you play in the communications activities before closing?
4. What could the leadership team have done differently if you will do it again?
Or
5. If you were to manage a M&A in the future, what, if anything, would you do differently given this experience?

Post-acquisition

1. What integration activities were done by you and the leadership team on the people side?
2. What was your involvement in communications throughout the people integration process?
3. What was employees' reaction to the integration activities?
4. What do you believe are the reasons that employees reacted the way they did?
5. What did you do to manage employees' reactions?
6. How did leaders manage the staff movement in mergers and acquisitions, including layoffs, transfers, re-organisations, etc.?
7. How did leaders manage the stress and resistance of the employees?
8. How did leaders manage to generate trust among employees?
9. How did leaders manage the mentality of "us versus them" between the employees of the acquiring company and the acquired company?
10. What kind of changes do you think that has been created to organization culture as result of this mergers and acquisitions?
11. What did you do to manage the cross cultural differences?

12. What was your involvement in communications to manage the perceived cultural differences between the acquiring company and the acquired company?
13. What did you do to manage the culture integration?
14. What kind of role and influence did leaders play in managing the people side issues in mergers and acquisitions?
 - Top leaders
 - Human resources leaders
 - Middle management
 - First line supervisors
15. How do you view the overall effectiveness of management process of the people side in this mergers and acquisitions?
16. How would you rate the overall effectiveness success for this acquisition so far?
17. What could the leadership team have done differently if you will do it again?
Or
18. If you were to manage a M&A in the future, what, if anything, would you do differently given this experience?

PART 3: INTERVIEW QUESTIONS WITH FIRST LINE SUPERVISORS, PROFESSIONALS AND SHOP FLOOR WORKERS

Pre-acquisition

1. What was your original expectation on this acquisition?
2. What communications were conducted by leadership team to you before the mergers and acquisitions are finalised?

Post-acquisition

1. What integration activities were done by the leadership team on the people side?

2. What communications were done by the leadership team throughout the people integration process?
3. How did these people integration activities impact you?
4. What were your biggest concerns?
5. What did leaders do to address your concerns?
6. How did leaders manage the staff movement in mergers and acquisitions, including layoffs, transfers, re-organisations, etc.?
7. How did leaders manage the stress of the employees?
8. How leaders managed to generate trust among employees?
9. How leaders managed the mentality of “us versus them” between the employees of the acquiring company and the acquired company?
10. What kind of change has been created to organization culture as result of this acquisition?
11. Did you see any culture difference between Chinese culture and British culture that has been reflected through the leadership behaviours of Chinese leaders and British leaders respectively?
12. How did leaders manage the cross cultural differences?
13. How did leaders manage the cultural integration?
14. What kind of role and influence did leaders play in managing the people side issues in mergers and acquisitions?
 - Top leaders
 - Human resources leaders
 - Middle management
 - First line supervisors
15. How do you view the overall effectiveness of management process of the people side in this mergers and acquisitions?
16. How would you rate the overall effectiveness success for this acquisition so far?
17. What advice would you give to leaders in terms of what they should do differently if they were to do it again?

APPENDIX C: SURVEY QUESTIONNAIRE

PART 1: DEMOGRAPHIC INFORMATION (Please tick in the bracket)

1. You are originally from

- Previous Lucky China
- New hire by Alexander China
- Previous Alexander Global before Acquisition

2. When did you join the following companies? (Please write down the year)

- Previous Lucky China -----
- Alexander China -----
- Previous Alexander Global before Acquisition -----

3. Your Current Occupation

- Shop Floor Operators
- Professional Staff
- Workshop/Administrative Supervisor
- Department Managers & above
- Other (Please specify) -----

4. Your Age: 20& less 21-29 30 – 39
- 40-49 50 and above

5. Sex: Male Female

6. Education: Your Highest Level of Education:

- | | | | |
|-----------------------------|---|------------------------------|---|
| Less than Primary School | <input type="checkbox"/> <input type="checkbox"/> | Primary School | <input type="checkbox"/> <input type="checkbox"/> |
| Junior Middle School | <input type="checkbox"/> <input type="checkbox"/> | High School | <input type="checkbox"/> <input type="checkbox"/> |
| Vocational/Technical School | <input type="checkbox"/> <input type="checkbox"/> | College (2 years University) | <input type="checkbox"/> <input type="checkbox"/> |
| University Bachelor | <input type="checkbox"/> <input type="checkbox"/> | University Master | <input type="checkbox"/> <input type="checkbox"/> |
| Above University Masters | <input type="checkbox"/> <input type="checkbox"/> | Other (Please specify) | ----- |

7. Your English Proficiency

- Not at all A little Fair Good Excellent

PART 2: EXPERIENCE AND REFLECTIONS OF THE ACQUISITION

Pre Acquisition (Please tick in the bracket)

8. How did you FIRST get to know about the acquisition? (tick one only)

- From customers Colleagues Newspapers
- Television News Lucky China Management
- Staff meeting with Lucky China/Alexander China management
- At notification of contract signing with Alexander China
- Others (please specify)

9. What information was included in the communication (tick as many as apply)

- Acquisition background Introduction to Alexander China
- Future goals of the new Alexander China
- Treatment of employees from Lucky China
- Service year recognition
- Overall compensation & benefit policy of the new company
- None of the above
- Others (please specify)

10. How do you rate the overall effectiveness of communications related to the acquisition?

(Rating: 1=not effective, 2=some what effective, 3=effective, 4=very effective, 5=not applicable)

- 1 2 3 4 5

If your answer is rating 1-3, please state your suggestions on improvements of communications of acquisition if it can be done again.

11. What was your reaction when first heard the news of acquisition?

- Positive Negative No Particular Reaction
- Other (Please specify)

12. What were your expectations about the acquisition (tick as many as apply)

- Improved benefits Higher personal income
- Better work environment Better career opportunities
- Better company business that enables my job security
- Learning opportunity for personal development
- Compliance with Chinese labour laws No expectations
- Others (Please specify)

13. What were your concerns about the acquisition (tick as many as apply)

- Compensation & benefits not maintained by the new company
- Poor business decisions could impact negatively on my income
- Fear of loss of jobs
- My English may not be good enough
- Less career opportunity
- Service year in Lucky China not recognized
- Less important role in the new company
- I may not have the professional skills needed in the new business
- No concerns
- Others (please specify)

During acquisition

14. To what extent have your expectations about this acquisition been met?

(Rating:1=not met all at, 2=somewhat met, 3=met, 4=met completely, 5=not applicable)

- | | 1 | 2 | 3 | 4 | 5 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Improved benefits | <input type="checkbox"/> |
| Higher personal income | <input type="checkbox"/> |
| Better work environment | <input type="checkbox"/> |
| Better career opportunities | <input type="checkbox"/> |
| Better company business that enables my job security | <input type="checkbox"/> |
| Opportunity for personal development | <input type="checkbox"/> |
| Compliance with labour laws | <input type="checkbox"/> |
| Others (Please specify) | <input type="checkbox"/> |

15. How do you rate the effectiveness of what management did to ease your concerns? (Rating: 1=not effective, 2=somewhat effective, 3=effective, 4=very effective 5 = not applicable)

	1	2	3	4	5
Maintenance of employee benefits	<input type="checkbox"/>				
Same or better salary income than in Lucky China	<input type="checkbox"/>				
Eased fear of loss of jobs	<input type="checkbox"/>				
Good business decisions resulted in higher income	<input type="checkbox"/>				
Provided English language training	<input type="checkbox"/>				
Provided career opportunity	<input type="checkbox"/>				
Recognised my service year in Lucky China	<input type="checkbox"/>				
Provided professional training for my development	<input type="checkbox"/>				
Continued to recognise my importance in Alexander China	<input type="checkbox"/>				
Other (Please specify)					

16. The following integration actions were implemented during the acquisition phase. What is your acceptance level of the following activities? (Please answer all questions)

(Rating: 1=Not acceptable, 2=somewhat acceptable, 3=acceptable, 4=very acceptable, 5=not applicable)

	1	2	3	4	5
a) Increased my salary	<input type="checkbox"/>				
b) Increased others' Salary	<input type="checkbox"/>				
c) New confidentiality rule for salary information	<input type="checkbox"/>				
d) Purchased the mandatory social benefits	<input type="checkbox"/>				
e) Implemented a 14 working days paid leave policy	<input type="checkbox"/>				
f) Established new departments	<input type="checkbox"/>				
g) Hiring of new administrative & professional staff	<input type="checkbox"/>				
h) Hiring of new managerial staff	<input type="checkbox"/>				
i) Email for communications	<input type="checkbox"/>				
j) English as a language for communication	<input type="checkbox"/>				
k) Implementation of Safety management	<input type="checkbox"/>				
l) Weekly supervisors meetings	<input type="checkbox"/>				
m) Monthly employees meetings	<input type="checkbox"/>				
n) Establishment of General Manager mail box	<input type="checkbox"/>				
o) Various Training courses	<input type="checkbox"/>				
p) Having to report to a British manager as well as a Chinese manager	<input type="checkbox"/>				
q) Changed from piece rate to monthly base pay	<input type="checkbox"/>				
r) Others (please specify)					

17. What are the top three integration activities that had the most positive impact on you?

(Please mark the number of the integration activity from question No.16 or tick "not applicable" if you did not experience these integration activities)

Top first Top second Top third Not applicable

18 What are the top three integration activities that had the most negative impact on you?

(Please mark the number of the integration activity number from question No.16 or tick "not applicable" if you did not experience these integration activities)

Top first Top second Top third Not applicable

Post-acquisition

19. What do you think the management team has done that generated your trust in them? (tick as many as apply)

- Had the capability to run the company well to ensure my job security
- Cared about my safety through implementation of safety management
- Kept their promises
- Maintained adequate communications with me
- Rewarded me equitably for my contribution
- Recognized my professionalism
- Trusted me in what I do
- Developed better businesses which enabled my higher income
- Nothing
- Others, please specify

20. How do you rate your overall trust level in management team? (Rating: 1=no trust, 2=some what trust, 3=trust, 4= high trust, 5=not applicable)

- 1 2 3 4 5

21 What do you think the management team has done that damaged your trust with them? (Tick as many as apply)

- Did not have capability to run the company well to ensure my job security
- Was not able to keep their promises
- Was not able to develop better businesses to enable my higher income
- Did not make equitable salary decisions
- Not rewarded me equitably for my contribution
- Was not able to maintain adequate communications with me
- Not recognized me for my professionalism & expertise
- Not provided me with good career opportunities
- Not trusted me in what I do
- Made inappropriate decisions without understanding local culture&situation
- Has not done anything to damage trust
- Others, please specify

PART 3 THIS PART SEEKS TO UNDERSTAND YOUR PERCEPTIONS OF THE SIMILARITIES AND DIFFERENCES BETWEEN CHINESE AND WESTERN WAYS OF MANAGING PEOPLE AND ORGANISATIONS

22. According to your experience, which of the followings best describes the ways in which things were done in the former Lucky China? (Please tick one of the five options. 1=it happened all the time, 2=it happened most of the times, 3=it happened sometimes, 4=did not happen at all, 5=not applicable)

- | | 1 | 2 | 3 | 4 | 5 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| All decisions were made by the one person at the top | <input type="checkbox"/> |
| Decisions were discussed by various people before made | <input type="checkbox"/> |
| Company was operated under one top leader's discretion | <input type="checkbox"/> |
| Company was operated under rules and principles | <input type="checkbox"/> |
| Senior positions were held by relatives of the top leader | <input type="checkbox"/> |
| Senior positions were appointed based on job requirement | <input type="checkbox"/> |
| Supervisors had their relatives reporting to them | <input type="checkbox"/> |
| Management decided employees compensation & benefit at their discretion | <input type="checkbox"/> |

Compensation & benefit decisions were guided by policies	<input type="checkbox"/>				
Personnel policies and practices complied with labour law	<input type="checkbox"/>				
All levels of employees were treated equally with respect	<input type="checkbox"/>				
Staff were well informed about what they should know	<input type="checkbox"/>				
Management invested money for protecting employee safety	<input type="checkbox"/>				
Ethics was very much emphasized in company management	<input type="checkbox"/>				

Please comment if you wish to elaborate:

23. According to your experience, which of the followings best describes the ways in which things are done in Alexander China? (Please tick one of the five options 1=it happens all the time, 2=it happens most of the time,3=it happens sometimes, 4=does not happen at all, 5=not applicable)

	1	2	3	4	5
All decisions are made by the one person at the top	<input type="checkbox"/>				
Decisions are discussed by various people before made	<input type="checkbox"/>				
Company is operated under one top leader's discretion	<input type="checkbox"/>				
Company is operated under rules and principles	<input type="checkbox"/>				
Senior positions are held by relatives of the top leader	<input type="checkbox"/>				
Senior positions are appointed based on job requirements	<input type="checkbox"/>				
Supervisors have their relatives reporting to them	<input type="checkbox"/>				
Management decides employee's compensation at their discretion	<input type="checkbox"/>				
Compensation & benefit decisions are guided by policies	<input type="checkbox"/>				
Personnel policies and practices comply with labour law	<input type="checkbox"/>				
All levels of employees are treated equally with respect	<input type="checkbox"/>				
Staff were well informed about what they should know	<input type="checkbox"/>				
Management invest money for protecting employee safety	<input type="checkbox"/>				

Please comment if you wish to elaborate:

24. According to your experience of working in the former Lucky China, please tick each cultural behaviour which applied in Lucky China . (Please tick one of the five options, option 1=it happened all the time, 2=it happened most of the time, 3=it happened sometimes, 4=did not happen at all, 5=not applicable)

	1	2	3	4	5
<u>Relationship</u>					
Business dealings are organised through personal relationships	<input type="checkbox"/>				
Business dealings are primarily through contractual relations	<input type="checkbox"/>				
Personal relationships play an important role in working relationship	<input type="checkbox"/>				
Policies & principles are more important than personal relationships at work	<input type="checkbox"/>				

Interpersonal style

Staff tend to say "yes" even if they don't agree	<input type="checkbox"/>				
Staff say "yes" only when they agree	<input type="checkbox"/>				
Staff are usually quiet during meetings	<input type="checkbox"/>				
Staff usually speak their mind during meetings	<input type="checkbox"/>				
Communications about problems are handled in an indirect way	<input type="checkbox"/>				
Communications about problems are handled in a direct way	<input type="checkbox"/>				
Staff tend to avoid conflict to pursue harmony at work	<input type="checkbox"/>				
Staff directly confront conflict at work	<input type="checkbox"/>				

Management Style

Staff take actions only when instructed by leaders	<input type="checkbox"/>				
Staff take the initiative to work independently	<input type="checkbox"/>				
Staff respect hierarchy and thus follow senior leaders' orders	<input type="checkbox"/>				
Staff respect hierarchy but will voice opinions if necessary	<input type="checkbox"/>				
Staff will not bring up issues until being asked	<input type="checkbox"/>				
Staff bring up issues on their own initiative	<input type="checkbox"/>				
Management expect staff to follow instructions with no question	<input type="checkbox"/>				
Management expect employees to take the initiative at work	<input type="checkbox"/>				
The management style is primarily authoritarian	<input type="checkbox"/>				
The management style is primarily democratic	<input type="checkbox"/>				

Please comment if you wish to elaborate:

25. According to your experience in working in Alexander China, please tick each cultural characteristics which applies in Alexander China. (Please tick one of the five options, option 1=it happens all the time, 2=it happens most of the time, 3=it happens sometimes, 4=does not happen at all, 5=not applicable)

	1	2	3	4	5
<u>Relationship</u>					
Business dealings are organised through personal relationships	<input type="checkbox"/>				
Business dealings are primarily through contractual relations	<input type="checkbox"/>				
Personal relationships play an important role in working relationship	<input type="checkbox"/>				
Policies & principles are more important than personal relationships at work	<input type="checkbox"/>				

Interpersonal style

Staff tend to say "yes" even if they don't agree	<input type="checkbox"/>				
Staff say "yes" only when they agree	<input type="checkbox"/>				
Staff are usually quiet during meetings	<input type="checkbox"/>				
Staff usually speak their mind during meetings	<input type="checkbox"/>				
Communications about problems are handled in an indirect way	<input type="checkbox"/>				
Communications about problems are handled in a direct way	<input type="checkbox"/>				
Staff tend to avoid conflict to pursue harmony at work	<input type="checkbox"/>				
Staff directly confront conflict at work	<input type="checkbox"/>				

Management Style

Staff take actions only when instructed by leaders	<input type="checkbox"/>				
Staff take the initiative to work independently	<input type="checkbox"/>				
Staff respect hierarchy and thus follow senior leaders' orders	<input type="checkbox"/>				
Staff respect hierarchy but will voice opinions if necessary	<input type="checkbox"/>				
Staff will not bring up issues until being asked	<input type="checkbox"/>				
Staff bring up issues on their own initiative	<input type="checkbox"/>				
Management expect staff to follow instructions with no question	<input type="checkbox"/>				
Management expect employees to take the initiative at work	<input type="checkbox"/>				
The management style is primarily authoritarian	<input type="checkbox"/>				
The management style is primarily democratic	<input type="checkbox"/>				

Please comment if you wish to elaborate:

26. How well do you think foreign managers understand China local culture? (Rating: 1=not understand, 2=some what understand, 3=understand, 4=understand very well, 5=no opinion)

1	<input type="checkbox"/>	2	<input type="checkbox"/>	3	<input type="checkbox"/>	4	<input type="checkbox"/>	5	<input type="checkbox"/>
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27. Please specify any concerns with foreign management that made you think that they did not understand Chinese culture.

28. What has the British management team done to manage the culture differences between Chinese and British culture in Alexander China? (Please tick as many as apply)

- Spent much effort trying to understand the local culture
- Tried to understand local situation before making decisions
- Tried to learn Chinese language
- Tried to understand the needs and concerns of local staff
- Spent some time on site to understand China and the Hangzhou factory
- Fully utilized the expertise of Lucky China staff
- Used interpreters to support language communications
- Appointed local Chinese in senior management positions
- Hired new Chinese staff with English capability
- Organized English training sessions to local staff
- Spend time one on one with Chinese staff to understand who they are
- Respected the input and perspectives of local staff for decision making
- Organized team building activities with local staff
- Others, please specify

29. How well do you think the culture differences have been managed?

(Rating scale 1-5, 1=not effective, 2=some what effective, 3=effective, 4=very effective, 5= no opinion)

1 2 3 4 5

Please comment:

PART 4 OVERALL EVALUATION OF THE ACQUISITION

30. How effectively has the management team managed employee communications in the following areas since acquisition but before economic crisis? (Rating: 1=not effective, 2=some what effective, 3=effective, 4=very effective, 5=no opinion)

	1	2	3	4	5
Company's vision and future business direction	<input type="checkbox"/>				
Value of establishment of new departments	<input type="checkbox"/>				
Rationale and benefit of hiring new staff	<input type="checkbox"/>				
Roles and responsibilities of new staff	<input type="checkbox"/>				
Organization structure changes	<input type="checkbox"/>				
Company's compensation and benefit policy	<input type="checkbox"/>				
Value of the changes introduced	<input type="checkbox"/>				
Key accomplishments of the company	<input type="checkbox"/>				
Key company decisions regarding business & people	<input type="checkbox"/>				
Rewards & recognition to staff with contributions	<input type="checkbox"/>				
Understanding employees issues and concerns	<input type="checkbox"/>				
Responses to employees' issues and concerns	<input type="checkbox"/>				
Roles and responsibilities of different level management	<input type="checkbox"/>				
Others, please specify					

APPENDIX D: CODES OF INTERVIEW PARTICIPANTS

Table Appendix D – 1: Interviewee Sampling Group of Managers

	(Alexander China)			(Lucky China)		
Employee Type	New Employee Category Code	Detail Sampling Code	Total	Acquired Employee Category Code	Detail Sampling Code	Total
Chinese Senior Managers	A-SM	A-SM1	1	L-SM	L-SM1 L-SM2 L-SM3 L-SM4	4
Chinese Middle Managers	A-MM	A-MM2 A-MM3 A-MM4 A-MM5 A-MM6	6	L-MM	L-MM5 L-MM6 L-MM7	3
Total			7			7

Table Appendix D – 2: Interviewee Sampling Group of Supervisors

	(Alexander China)			(Lucky China)		
Employee Type	New Employee Category Code	Detail Sampling Code	Total	Acquired Employee Category Code	Detail Sampling Code	Total
Chinese Supervisors	A-SP	Not Applicable (N/A)	0	L-SP	L-SP1 L-SP2 L-SP3 L-SP4 L-SP5 L-SP6 L-SP7 L-SP8 L-SP9	9
Total			0			9

Table Appendix D – 3: Interviewee Sampling Group of Professionals

	(Alexander China)			(Lucky China)		
Employee Type	New Employee Category Code	Detail Sampling Code	Total	Acquired Employee Category Code	Detail Sampling Code	Total
Chinese Professional	A-PF	A-PF1 A-PF2 A-PF3 A-PF4 A-PF5 A-PF6	6	L-PF	L-PF1 L-PF2 L-PF3 L-PF4 L-PF5 L-PF6 L-PF7	7
Total			6			7

Table Appendix D – 4: Interviewee Sampling Group of Operators

	(Alexander China)			(Lucky China)		
Employee Type	New Employee Category Code	Detail Sampling Code	Total	Acquired Employee Category Code	Detail Sampling Code	Total
Chinese Operators	A-SF	N/A	0	L-SF	L-SF1 L-SF2 L-SF4 L-SF5 L-SF6 L-SF7 L-SF8 L-SF9 L-SF10 L-SF11 L-SF12 L-SF12 L-SF13 L-SF14 L-SF15 L-SF16 L-SF17	17
Total			0			17

Table Appendix D – 5: Interviewee Sampling Group of British Leaders

	(Alexander China)			(Lucky China)		
Employee Type	New Employee Category Code	Detail Sampling Code	Total	Acquired Employee Category Code	Detail Sampling Code	Total
British Leaders (Senior)	A-SM	A-SM1 A-SM2 A-SM3 A-SM4 A-SM5 A-SM6	6	NA	NA	NA
British Leaders (Middle)	A-MM	A-MM7	1	NA	NA	NA
Total			7	NA	NA	NA

APPENDIX E: DATA ADMINISTRATION FOR SURVEY QUESTIONNAIRE

As discussed in Chapter 6, a few data administration steps were taken to ensure the adequacy and accuracy of the data to be analysed as well as the validity and reliability.

This appendix covers the data administration steps and results of these data administration steps, including the data treatment of “Not Applicable”, missing value, normality test of distribution, small number responses and factor analysis for certain questions.

DATA TREATMENT OF “NOT APPLICABLE” DATA

Data administration steps started from the treatment of “Not applicable” and missing responses. These were needed because of the many missing responses from Lucky China employees who, despite having full experience throughout the whole acquisition period, for some reason did not respond to some questions. There were 13 questions out of 33 designed with scales for responses. The scale of responses could be illustrated through question No.10.

For example, for question No.10: How do you rate the overall effectiveness of communications related to the acquisition? (Rating: 1=not effective, 2=some what effective, 3=effective, 4=very effective, 5=not applicable). For the responses of “not applicable”, it was treated as missing value, as in theory, based on their full experience of the acquisition, the respondents should have been able to provide responses from rating 1 to rating 4 but in reality they did not.

DATA TREATMENT OF “MISSING VALUE”

For missing value analysis, Little’s MCAR (Missing Completely at Random) test was applied for all questions to identify the nature of missing value to see if they were missed completely at random (MCAR) or missed at random (MAR). The results of the Little’s MCAR tests are included in Table Appendix E-1, which illustrated that for some questions, the missing value belonged to MCAR, while for the other questions, the missing value belonged to MAR.

For the responses with the missing value less than 5%, also identified as MCAR, the missing values could be ignored as they would not impact on the reliability and validity of data analysis results. In cases where the range of the missing value was higher than 5%, and identified as MAR, it indicated that there might be some reasons for the missing data. Further, the higher number of missing values might have impacted on the results of data analysis.

Considering that all the data analysed was from Lucky China employees, and they should have been able to provide the responses, EM (Expectation-maximization) technique was applied to all responses to replace the missing values. EM technique is a commonly used approach to estimate and replace the missing values according to the pattern from the existing data, to improve the accuracy and completeness of the data analysed. After the application of EM technique, all missing values were replaced leaving no missing values.

Table Appendix E-1 Summary of Missing Value Test

Question No.	Missing Value % Range	Little's MACR Test Result	
A0100-A0700	0-4.6	Chisquare = 42.513,DF = 41,Prob = .406	>0.05 MCAR
B0800 -B1001	2.9-4	Chisquare = 21.355,DF = 26,Prob = .723	>0.05 MCAR
B1101-B1208	1.1-9.8	Chisquare = 13.689,DF = 8,Prob = .090	>0.05 MCAR
B1301-B1308	1.1	Chisquare = .000,DF = 0, Prob = .	<0.05 MAR
B1401-B1407	2.9-14.4	Chisquare = 132.029,DF = 61,Prob = .000	<0.05 MAR
B1501-B1509	4-10.9	Chisquare = 148.791,DF = 103,Prob = .002	<0.05 MAR
B1601-B1617	3.4-12.1	Chisquare = 449.978,DF = 413,Prob = .101	>0.05 MCAR
B1901-B1908	2.9	Chisquare = .000,DF = 0,Prob = .	<0.05 MAR
B2000-B2111	1.7-4.6	Chisquare = 12.743,DF = 11,Prob = .310	>0.05 MCAR
C2201-B2214	10.9-23	Chisquare = 939.608,DF = 663,Prob = .000	<0.05 MAR
C2301-2314	9.8-33.9	Chisquare = 878.799,DF = 648,Prob = .000	<0.05 MAR
C2401a-C2422c	10.9-26.4	Chisquare = 1432.428,DF = 1259,Prob = .000	<0.05 MAR
C2501a-C2522c	8.6-37.4	Chisquare = 1258.601,DF = 1049,Prob = .000	<0.05 MAR
C2600-C2901	4.6-9.8	Chisquare = 44.494,DF = 45,Prob = .493	>0.05 MCAR
D3001-D3013	12.6-27	Chisquare = 733.339,DF = 482,Prob = .000	<0.05 MAR
D3100-D3200	9.8-13.8	Chisquare = 5.357,DF = 2,Prob = .069	>0.05 MCAR
Remarks: MCAR: Missing Completely at Random, Prob>=0.05; MAR: Missing at Random, Prob<0.05			

TEST OF NORMALITY

For the questions with a scale from rating 1 to 5 Tests of normality were conducted to identify whether all data were normally distributed. Firstly, through the descriptive analysis, Skewness and Kurtosis were reviewed to identify if there were any data that deviated from the normal distribution curve. The results illustrated that there was no abnormal data that deviated from the normality curve. The second group of tests applied included the test of Komogorov-Smimov and Shapiro-Wilk with Ho hypothesis being that all data were not normally distributed. The test results indicated all the responses are within a normal distribution. The details of test results are included in Table Appendix E-2.

Table Appendix E-2 Test of Normality

Question No.	Description	Kolmogorov-Smirnov Sig ^a	Shapiro-Wilk Sig
10	Overall effectiveness of communications for the acquisition	0.000	0.000
11	First response at the acquisition?	0.000	0.000
12	The extent expectations about this acquisition been met	0.000	0.000
15	Effectiveness of what management did to ease your concerns	0.000	0.000
16	Acceptance level of the following integration activities	0.000	0.000
20	Overall trust level in management team?	0.000	0.000
22	The ways in which things were done in the Lucky China	0.000	0.000
23	The ways in which things are done in Alexander China	0.000	0.000
24	Tick each cultural behaviour applied in Lucky China	0.000	0.000
25	Tick each cultural behaviours applied in Alexander China.	0.000	0.000
26	How well foreign managers understand China local culture	0.000	0.000
29	How well culture differences have been managed	0.000	0.000
30	How effectively management team managed employee communications	0.000	0.000
31	Overall effectiveness of the people management	0.000	0.000
32	Overall success of this acquisition	0.000	0.000

a.Liffiefors Significance Correction

TREATMENT OF SMALL NUMBER OF RESPONSES

In the case of small number responses, if the number of responses to single item within one question or single question less than 5 respondents, the responses were merged into other responses so that the total number of responses is greater than five participants, which becomes statistically valid.

For example, in some cases, given the small size of the occupation group of managers, and the shop floor supervisors, the number of respondents from one of these two occupation groups to certain item or question were less than 5, the number of responses were then merged into the other group. As a result, responses from one of the two occupation groups were not presented as a separate occupation group, but they were presented as the group of supervisors and above.

For the questions that measured the same construct and responses were designed on a scale from rating 1 to 4, Factor Analysis was conducted to test the validity of whether all the items for choice were consistently measuring the same construct. Reliability tests were conducted on the design of these questions as well. The Principal Axis Factor Analysis approach was adopted to scale down the items for choices to a few key factors which explained the majority variances of the items. Reliability of the output of key factors was tested to ensure the key factors had both good validity and reliability.

FACTOR ANALYSIS

This section introduces the general factor analysis for single question as well as the factor analysis for paired questions. The following questions measured the same construct and responses were designed on scale from rating 1 to 4: No.15, No.16, No.22, No.23, No.24, No.25 and No.30. The Factor Analysis was conducted with all the above questions to test if these questions were designed to measure the same construct.

General Factor Analysis for Single Questions

The Factor Analysis for the single questions of this survey (Question No. 15, 16 & 30) included the followings key steps:

The first step was to conduct the KMO test (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) and Bartlett's Test (Bartlett's Test of Sphericity). When the results of KMO test ≥ 0.70 and Bartlett's test $p < 0.05$, they indicated that items designed for the question had an generally adequate degree of consistency to measure the same construct, the design of the question had some degree

of validity and factor analysis could be conducted to identify the common key factors that could explain the majority of the variances of the items. When the results of KMO test <0.70 and Bartlett's test $p \geq 0.05$, they indicated that items designed for the question did not have an adequate degree of consistency to measure the same construct, the design of the question did not have good validity. Factor analysis could not be conducted because there was little interrelatedness between the items and it would be difficult to identify the common key factors which could explain the majority of the variances.

The second step was to conduct the overall reliability test to test if the design of the question would receive consistent and reliable responses. When Cronbach's Alpha score was ≥ 0.6 , it indicated that the design of the question had relatively good reliability. When the Cronbach's Alpha score was <0.6 , it indicated that reliability of the question was low.

The third step was to conduct the factor analysis and the approach of Principal Axis Factor Analysis was adopted. Because the Principal Axis Factor Analysis would not only help to understand the common key factors that explained the total variances of the items for choices, it could also help to understand the variation at specific item level for each key factor. The number of common key factors were identified when the value of Initial Eigenvalues ≥ 1 , Varimax and rotated factor matrix were adopted to maximize the identification of the key factors. Reliability analysis was conducted for each identified key factor and when Cronbach's Alpha score was ≥ 0.6 , the key factor was retained, otherwise, that key factor was rejected due to low reliability. Items deletion was adopted in the reliability test to ensure the maximum reliability was achieved for each key factor.

The fourth step was to assign themes to the identified common key factors as the new key factors which were saved as new variables in SPSS. Data analysis was conducted with the new variables representing the new key factors.

Factor Analysis for Paired Questions

As one of the primary objectives for this study was to understand how different aspects of the companies were managed between Lucky China and Alexander China, Questions 22 and 23, and Questions 24 and 25 were two pairs of questions that measured these differences before and after the acquisition. To ensure the comparisons were conducted based on consistent key factors for each pair of the questions the following five steps approach for factor analysis was adopted.

The first step was to create the new variables whose value were the calculated mean of the variables in each pair of the questions, such as questions No. 22 and No.23 as a pair and Question No.24 and No. 25 as another pair.

After the creation of the new variables, the second step was to conduct a factor analysis according to the four steps as described in section 5.1 of this chapter to finally identify the common key factors with good validity and reliability.

The third step for each key factor was to calculate the factor weight score of each item under the key factor. The factor weight score was calculated according to the following process. Firstly all the loading scores for all the items were added to get to a total loading score, then the factor loading score for each item was divided by the total loading score to get the factor weight score for that item.

The fourth step was to apply the factor weight score for each item to calculate the value for the variable of the common factors for each question respectively. The fifth step was to save the calculation result for the common factors for the pair questions as the variable value.

The above steps applied to all the identified key factors for Questions No. 22 and No. 23, Questions No. 24 and No. 25. Data analysis was conducted based on the variable value of key factors accordingly.

The following example illustrated the complete process steps of how the factor analysis was conducted for the paired questions of No.22 and No.23, No. 24 and No.25. For example with question No.22 and No.23, the first step was to create the new variables which were calculated as the mean for each pair of the variables for questions No.22 and No.23.

Both Question No.22 and No.23 had the variable “all decisions were made by the one person at the top” which were labelled as variable C2201 and C2301 respectively. The new variable as the mean for C2201 and C2301 were labelled as C22_23_01, and the calculation of $C22_23_01 = \text{mean}(C2201, C2301)$. The same calculation was applied to all the variables in question No.22 and No.23 to get the new set of variables.

After the creation of the new variables, the second step was to conduct the factor analysis according to the four steps as described previously in this section to finally identify the common key factors with good validity and reliability.

The third step for each key factor, was to calculate the factor weight score of the each item under the key factor. For example for questions No.22 and No.23 two common key factors were identified as the final output of the factor analysis, and one of the key factor was “Factor 1 - Managing Processes and Policies”. Under this factor 1, there were a few items as illustrated in Table Appendix E-3 below and each item had its own loading score contributing to the factor. The factor weight score was calculated according to the following process. Firstly, added all the loading scores for all the items to get to a total loading score which was 4.806. Then for item No.C2214, the factor weight score $= 0.768 \text{ (factor loading score)} / 4.806 \text{ (total factor loading score)} = 0.160$.

Table Appendix E-3 Factor 1 – Managing Processes and Policies

Variable Label	Item	Loading	Weighting
C2214	Ethics was very much emphasized in company management	.768	.160
C2212	Staff were well informed about what they should know	.737	.153
C2211	All levels of employees were treated equally with respect	.730	.152
C2210	Personnel policies and practices complied with labour law	.707	.147
C2202	Decisions were discussed by various people before made	.653	.136
C2209	Compensation & benefit decisions were guided by policies	.635	.132
C2213	Management invested money for protecting employee safety	.576	.120
Total		4.806	

The fourth step was to apply the factor weight score for each item to calculate the value for the variable of “Factor 1 – Managing Processes and Policies”. Question No.22 and No.23 respectively.

For example, the value for variable Factor 1 in Question No. 22 was calculated as follows:

$$=(C2214*.160+C2212*.153+C2211*.152+C2210*.147+C2202*.136+C2209*.132+C2213*.120)$$

Factor 1 in Question No. 23 was calculated as follows:

$$=(C2314*.160+C2312*.153+C2311*.152+C2310*.147+C2302*.136+C2309*.132+C2313*.120)$$

The fifth step was to save the calculation result for Factor 1 for Question No.22 and No.23 as the variable value.

As discussed in Chapter 6, the above steps applied to all the identified key factors for Question No.22 and No.23, Question No.24 and No.25. Data analysis was conducted based on the variable value of key factors accordingly.

APPENDIX F: DETAILED STATISTICAL TESTS

In this Appendix F, tables with detail statistics tests results as referenced in Chapter 6 are listed below.

Table F-1 Extent to which Expectations about Acquisition were met by Occupation Group (ANOVA test)

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Higher personal income	Between Groups	4.129	3	1.376	3.805	.011
	Within Groups	61.486	170	0.362		
	Total	65.615	173			
Compliance with labour laws	Between Groups	5.008	3	1.669	3.120	.028
	Within Groups	90.969	170	0.535		
	Total	95.977	173			

Table Appendix F-2 Extent to which Expectations about Acquisition were met by Occupation Group (Tukey HSD test)

Multiple Comparisons Tukey HSD							
Dependent Variable	(I) your current occupation	(J) your current occupation	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Higher personal income	Shop Floor Operator	Professional Staff	-0.396	0.136	0.022	-0.75	-0.04
	Shop Floor Operator	Workshop & Administrative Supervisor and above	-0.277	0.164	0.333	-0.7	0.15
	Workshop & Administrative Supervisor and above	Professional Staff	-0.119	0.2	0.933	-0.64	0.4
Compliance with labour laws	Shop Floor Operator	Professional Staff	-0.495	0.166	0.017	-0.93	-0.06
	Shop Floor Operator	Workshop & Administrative Supervisor and above	-0.171	0.2	0.828	-0.69	0.35
	Workshop & Administrative Supervisor and above	Professional Staff	-0.325	0.243	0.541	-0.95	0.31

Table Appendix F-3 KMO and Bartlett's Test for Employees' Concerns about the Acquisition

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.801
Bartlett's Test of Sphericity	Approx. Chi-Square	491.302
	Df	36
	Sig.	0.000
Cronbach's Alpha		0.822

Table Appendix F-4 Effectiveness of What Management did to Ease Concerns by Occupation Group

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Factor 1-Continuous recognition and professional training for development	Between Groups	1.054	3	0.351	0.696	0.555
	Within Groups	85.751	170	0.504		
	Total	86.805	173			
Factor 2 -Same or better compensation and benefit and English Training	Between Groups	1.529	3	0.510	1.484	0.221
	Within Groups	58.379	170	0.343		
	Total	59.908	173			

Table Appendix F-5 KMO and Bartlett's Test for Integration Activities

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.769
Bartlett's Test of Sphericity	Approx. Chi-Square	993.359
	df	136
	Sig.	0.000
Cronbach's Alpha		0.847

Table Appendix-6 KMO and Bartlett's Test on how each Company was Managed in Lucky China and Alexander China Respectively

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.734
Bartlett's Test of Sphericity	Approx. Chi-Square	868.995
	Df	91
	Sig.	.000
Cronbach's Alpha		0.7

Table Appendix F-7 KMO and Bartlett's Test for Cultural Characteristics (Lucky China and Alexander China)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.711
Bartlett's Test of Sphericity	Approx. Chi-Square	1204.686
	Df	231
	Sig.	0.000
Cronbach's Alpha		0.756

Table Appendix F-8 KMO and Bartlett's Test on Communications

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.882
Bartlett's Test of Sphericity	Approx. Chi-Square	1441.708
	Df	78
	Sig.	0.000
Cronbach's Alpha		0.921

Table Appendix F-9 Two Paired t-Tests: Cultural Characteristics in Lucky China and Alexander China

Paired Samples Statistics									
		Mean	N	Std. Deviation	Std. Error Mean				
Pair 1	Factor 1 Initiative, Communication & Conflict Avoidance (Lucky China-LC)	2.034	174	0.588	0.045				
	Factor 1 Initiative, Communication & Conflict Avoidance(Alexander China –AC)	2.023	174	0.608	0.046				
Pair 2	Factor 1 Authoritarian Management Style and Personal Relationship (Lucky China-LC)	1.920	174	0.709	0.053				
	Factor 2 Authoritarian Management Style and Personal Relationship(Alexander China-AC)	2.063	174	0.681	0.052				
Paired Samples Test									
		Paired Differences				t	df	Sig. (2-tailed)	
		Mean (LC-AC)	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	Factor 1 Initiative, Communication & Conflict Avoidance (LC)	0.01149	0.57890	0.04389	-0.07513	0.09812	0.262	173	0.794
	Factor 1 Initiative, Communication & Conflict Avoidance (AC)								
Pair 2	Factor 2 Authoritarian Management Style and Personal Relationship (LC)	-0.14368	0.66891	0.05071	-0.24377	-0.04359	-2.833	173	0.005
	Factor 2 Authoritarian Management Style and Personal Relationship (AC)								