

International Acquisition Cultural Misunderstandings Case

By JoAn A Mann, MBA

How can a multi-national pharmaceutical corporation based in Germany effectively integrate a newly acquired long-standing American research facility that had seen profitability decline over the past decade?

The top management in Germany was enthusiastic about the new acquisition and the opportunities it offered. They saw how bringing in this English speaking research firm into its 'mix' could enhance the research caliber with the specific scientific talent in the American plant as well as bring the company to a stronger global position. Having English as the common language would build a strong organizational platform for entering cultures where German was not a frequently spoken language.

The American firm was fifty years old and had been a family business for all but the last seven years, when it had been sold to another research company. Ever since the founding family owners sold the company, profitability had been declining steadily. Turnover was increasing and several key scientists had left in the past two years prior to the multi-national pharmaceutical corporation's acquisition. The American company had developed a very effective drug treatment for a genetically linked disease; there were few, if any competitors in that market.

The Division CEO of the German based company was German, had lived all over the world, including the US. He was very well received by 6 of the 8 American top management team members. All but two of the Americans held PHD degrees and prided themselves on their strong academic background. The German executive for the newly acquired American plant was also accepted well by the American management team. The other German on the management team was the VP of manufacturing. He was known for his efficiency, something that the home office required for improving profitability at the American site.

The Division CEO arranged a visioning process to begin to integrate the American plant more effectively with the remainder of the company. A German consulting group was hired for the vision project design and implementation. The facilitators were required to be fluent in English. The lead facilitator had studied in the US, in the same city as the newly acquired plant he enjoyed the US culture, as well as his German culture. He hired three other German facilitators and 2 coaches to conduct the major Vision initiative. He also hired one American independent contractor to substitute for other coaches on the German team when their schedules did not permit them to be in the States. Her role was to coach managers concurrently during the follow-up team building workshops after the initial visioning process was complete. She had studied in Germany and had an active Team Building and Coaching practice, working in the US, Canada and England. She had also lived in Mexico and Austria growing up.

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The new American management team was comprised of: two Germans (President, VP Manufacturing), six Americans (VPs of Process Science, Administration, Finance, Clinical Research, HR [the only female and non PhD], and a reluctant VP of Applied Research. The two who were not supportive of the Vision initiative were the VP of Applied Research, being quite vocal about his resistance and the VP of Manufacturing, who gave lip service to the process.

The Lead facilitator was an impressive 2 meters tall, was fluent in English, articulate, had a PhD in Physics and MBA from the USA, was a bit argumentative, creative and very skilled in organizational behavior exercises and facilitation. In the opening session he invited feedback as part of the consultive role and style of his company and co-facilitators. Five of the six Americans followed along quite amicably. The other American and German nationals who had been resistant to the process initially were very slow to join in and began to deliberately slow the process.

The German VP stopped coming to the sessions and joined the group for meals only. The American became more openly confrontational and challenging of the process. In one of the later sessions, the lead facilitator openly challenged the entire management team to become accountable for the visioning process and to work together. This met with mixed feedback. All but one of the Americans became more engaged and interactive; the American and German VP maintained their resistance. The VP of Clinical Research began to distance himself from the process and conflict.

The atmosphere deteriorated, but in the end, a vision was developed and accepted by all of the management team. The roll-out from the vision to the next level of management team sessions was accepted by the Division CEO. This roll-out set for implementing throughout the American plant with the German facilitation team. The VP of Process Sciences openly supported the Vision process and voiced encouragement of the team building sessions

The team building design included a 4 day retreat at a nearby resort with many experiential OD exercises, and concurrent coaching of executives during the workshop sessions. The German facilitators were frustrated after the second team session because the American managers were simply “not competent and untrustworthy.” The lead was not visually frustrated by the Americans in the same way as his facilitator-colleagues were and asked specifically why. They commented that when the Americans say “yes”, it wasn’t really “yes”—they couldn’t be trusted to be truthful. Further, the Americans didn’t know reality at all, since they could only say the positive things about activities and other people.

While the initial two team sessions were received by the participants as “favorable, enjoyable, enlightening”, the problems of low motivation and complaints about poor

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organizational communications continued to be written on follow up evaluations. Additionally, there was an increasing concern among American staff, voiced to the VP of Process Science, about direction of the new German management style being “too directive, structured and required too much documentation.” The Americans noted there was less overall comradery than previously and that the only way to “get ahead” was to take a Germany two-year position. The Germans coming to the US plant were seen as being given preferential positions and perks that the Americans thought they should have ‘been in line’ to receive.

The VP of Process Science had his own problems at the time. Two prominent PhD researchers , both critical to the key manufacturing process in the Process Sciences department, (one Israeli and one Palestinian) Additionally, both openly confronted the German management. He was seeking a solution to get his department running more smoothly.

This was a very important initiative for the German-based Multinational Company, as well as major contract for the also German-based consulting company. Sign-ups for the team building workshops were declining and there were several yet to take place according to the contract.

Attached is a diagram of the relationships.

Discussion questions:

1. Why do you think the German facilitators thought the American managers were ‘untrustworthy and incompetent’?
 - a. How could this link to the American management team’s evaluations of the workshop being “favorable, enjoyable, enlightening”?
2. What in the American culture would explain their complaints that the new German management was “too directive, structured, and required too much documentation” and resulted in a culture with less comradery than previously?
3. What role should the American contractor play in the collaborative meeting to review the progress of the Vision process and future sessions?
4. What would you recommend for the continuing process to revitalize the vision process?
5. What advice would you offer to the VP of Process Sciences with the difficulties inside his department?

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Relationships of the Case: International Acquisition

