

CEO Ideology & De-Internationalization

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■ Questions

- ❖ What is the main **CONTENT** of this article? What **CONTRIBUTIONS** does this piece of work make to the existing literature on de-internationalization?
- ❖ Investigate **HOW** the Russia-Ukraine War **IMPACTED** MNCs (Italian & other European MNCs) operating in Russia & neighboring countries & discuss **HOW** they **RESPONDED/HAVE BEEN RESPONDING** to this crisis from a strategic point of view in detail. (**3 students**)
- ❖ Summarize the **LOGIC** of Figure 1 with your own words.
- ❖ What **MANAGERIAL IMPLICATIONS** can be drawn from the empirical findings of this article?
- ❖ What is the **TAKE-HOME MESSAGE** of this article?

Hubbard, N. (2013). Chapter 7: “*Cross-Border Mergers & Acquisitions*” (pp.97-131)

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Factors for Acquisition Success & Failure

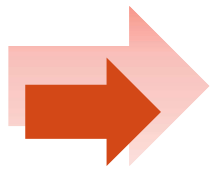


■ Value-Destruction or Value-Creation?

- ❖ As many as 70% of acquisitions reportedly fail.
- ❖ Acquiring firms' performance does **NOT IMPROVE** after acquisitions on average.

■ The Failure Case of Daimler-Chrysler

- ❖ In 1998, Daimler paid US\$35 billion to acquire Chrysler, a 40% premium over market value.
- ❖ In 2007, Chrysler was sold to Cerberus Capital, US\$7.4 billion.



Consequently, **4/5** of the value had been lost !

Factors for Acquisition Success & Failure



■ Why Acquisitions Often Fail?

Pre-acquisition: Overpayment for Targets

- > Managers **OVERESTIMATE** their ability to create value.
- > **INADEQUATE** pre-acquisition screening.
- > **POOR** strategic fit.
- > **LACK** of familiarity with foreign cultures, institutions & business systems.
- > **NATIONALISTIC** concerns against foreign takeovers (political & media levels).

Post-acquisition: Failure in Integration

- > **POOR** organizational fit.
- > **FAILIURE** to address multiple stakeholder groups' concerns.
- > **CLASHES** of organizational cultures linked to clashes of national cultures.
- > **NATIONALISTIC** concerns against foreign takeovers (firm & employee levels),



The case of **Daimler-Chrysler**: Little organizational fit (e.g., American managers resented the dominance of German managers).

Cross-Border Mergers & Acquisitions



■ Exercise: A Short Presentation

Choose **one unsuccessful cross-border M&A case**. Be well-prepared to discuss **the logic behind its failure** in a organized & structured manner **within 2 minutes** at a maximum.



Daniel/Riccardo/Daniele+2 additional students

**Gill, C. (2012). “Cross-Border Mergers & Acquisitions:
The Cases of Renault-Nissan & DaimlerChrysler-
Mitsubishi”, *Human Resource Management*, 51(3): 433-456.**

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Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Carlos Ghosn (born 9 March 1954)

- ❖ ... is a **French Lebanese Brazilian** businessman who is currently the **Chairman & CEO of Renault (FRA)** & holds the same positions at **Nissan (JPN)**.
- ❖ ... spent **18 years at Michelin** after his graduation.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



*“Leadership is firstly based on your ability to **connect** & to **attract** people around you”.*

*“Being afraid of failure usually **provokes** failure”.*



*“You have to have **strategy**, how do we get there, what are the **action plans**, & make sure they are deployed at **every level** of the company”.*



Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Akio TOYOTA vs. Carlos GHOSN

❖ CEO Messages to Shareholders (2013)

587

words



1,175

words

Global Mindset

2.00

3.50

Entrepreneurial Orientation

2.00

3.75

Confidence

2.00

2.50

Long Term Orientation

5.50

3.75

Note: Own calculation based on DICTION 7.0.

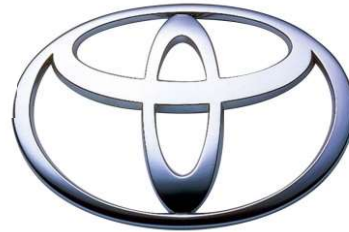
Renault-Nissan vs. DaimlerChrysler-Mitsubishi



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2



3



4



5



6



7



8



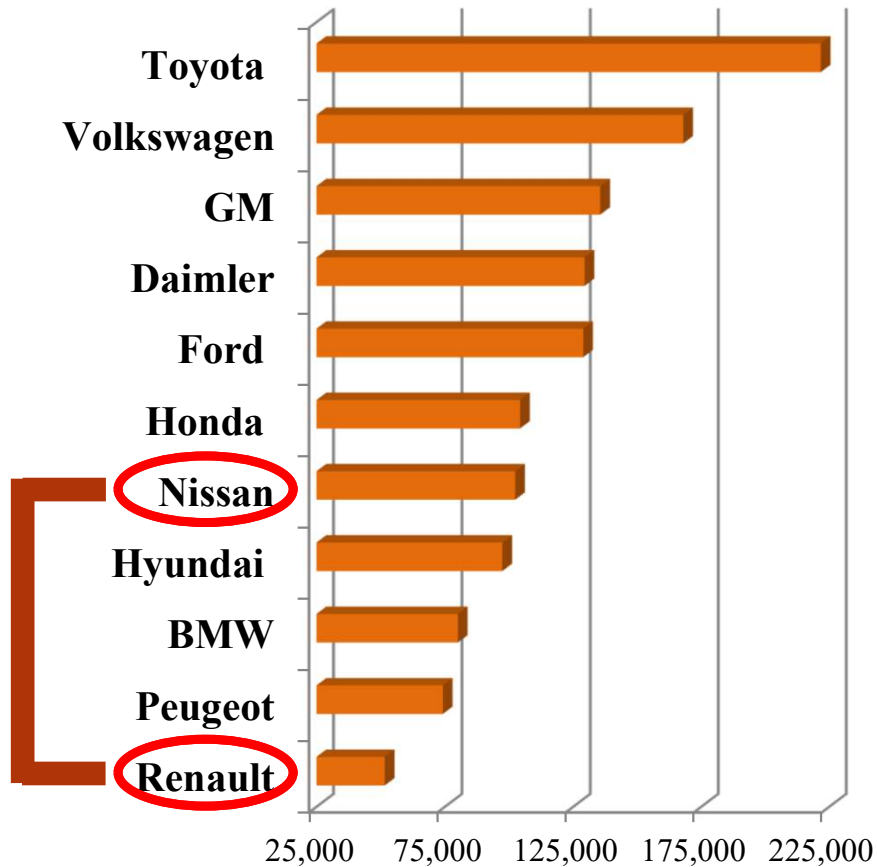
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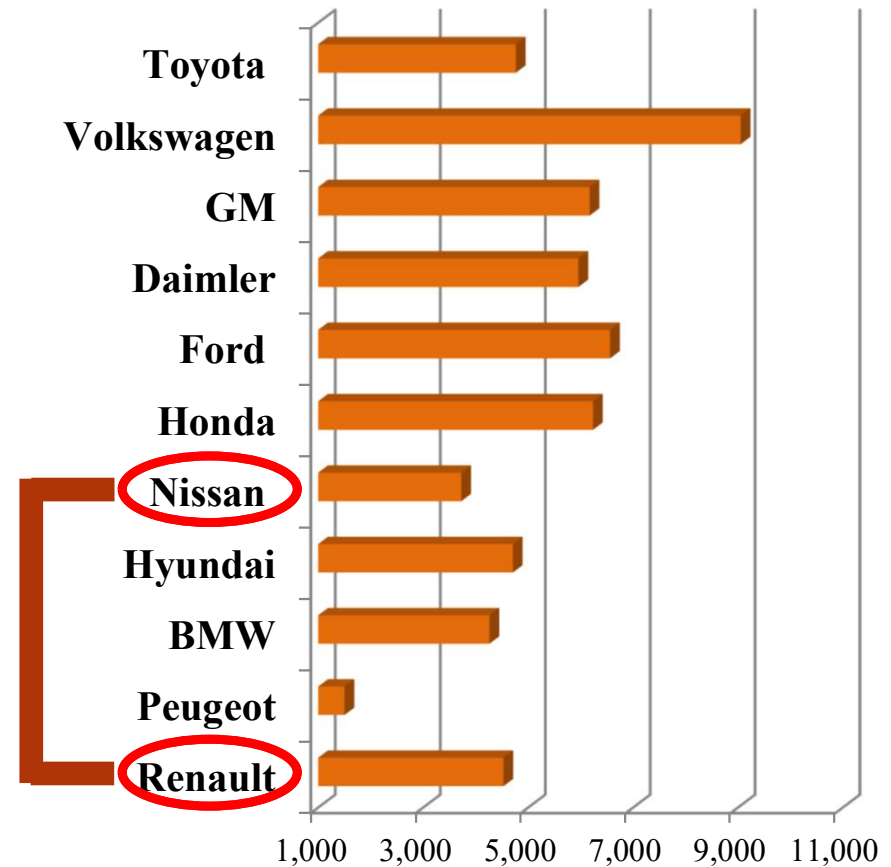
Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Revenue (US\$ million)

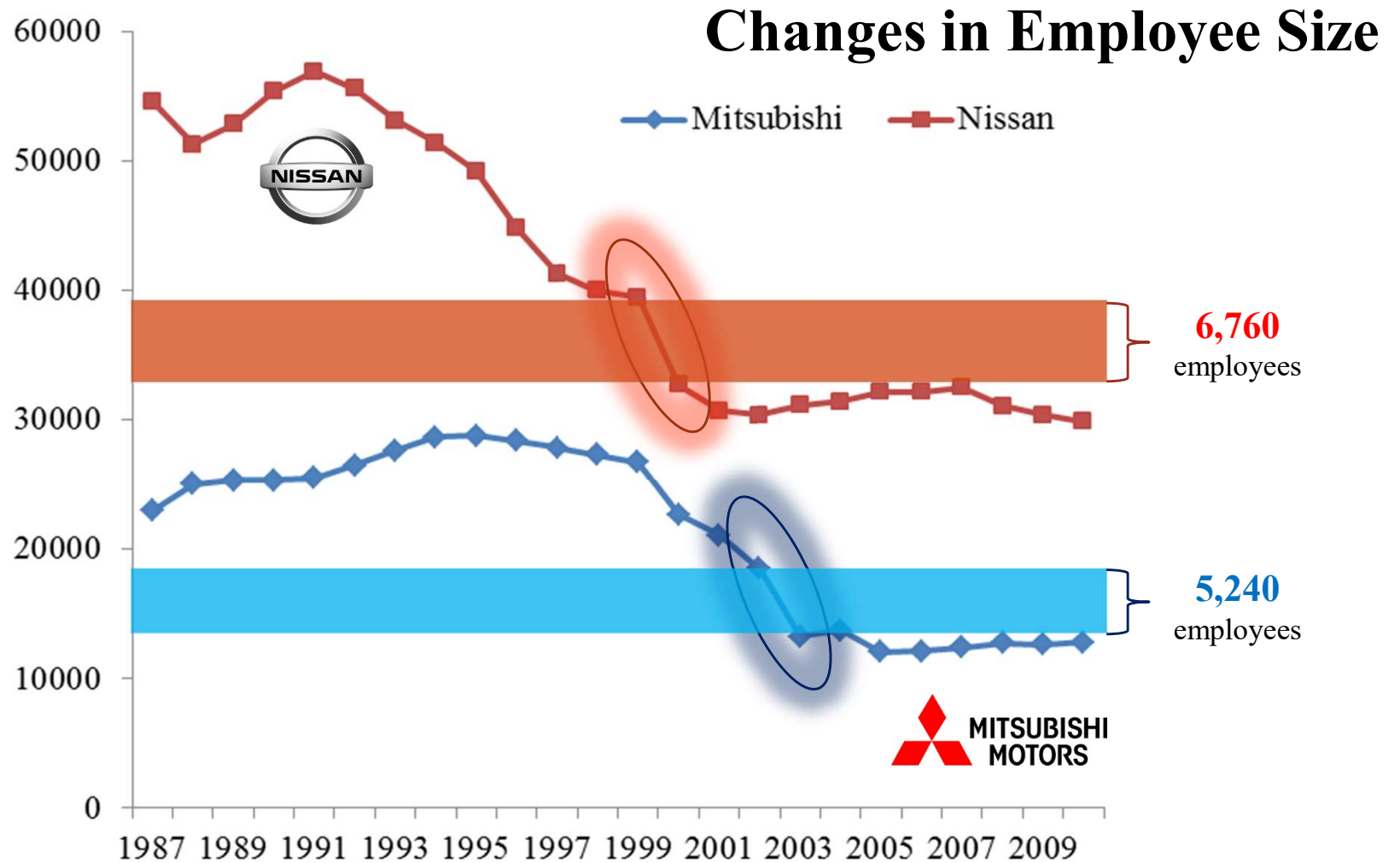


Profit (US\$ million)



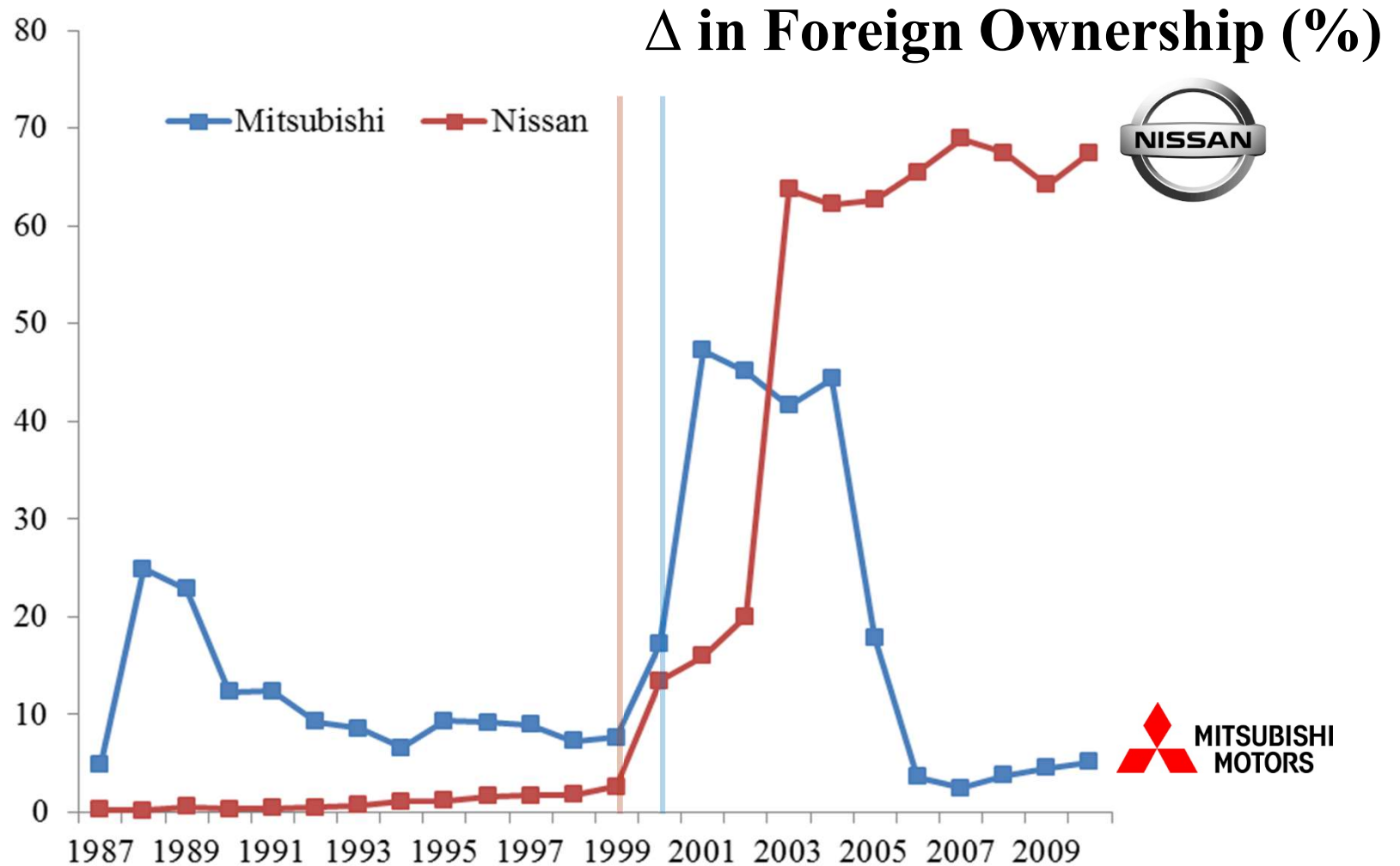
Source: Own illustration based on http://money.cnn.com/magazines/fortune/global500/2011/full_list/

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



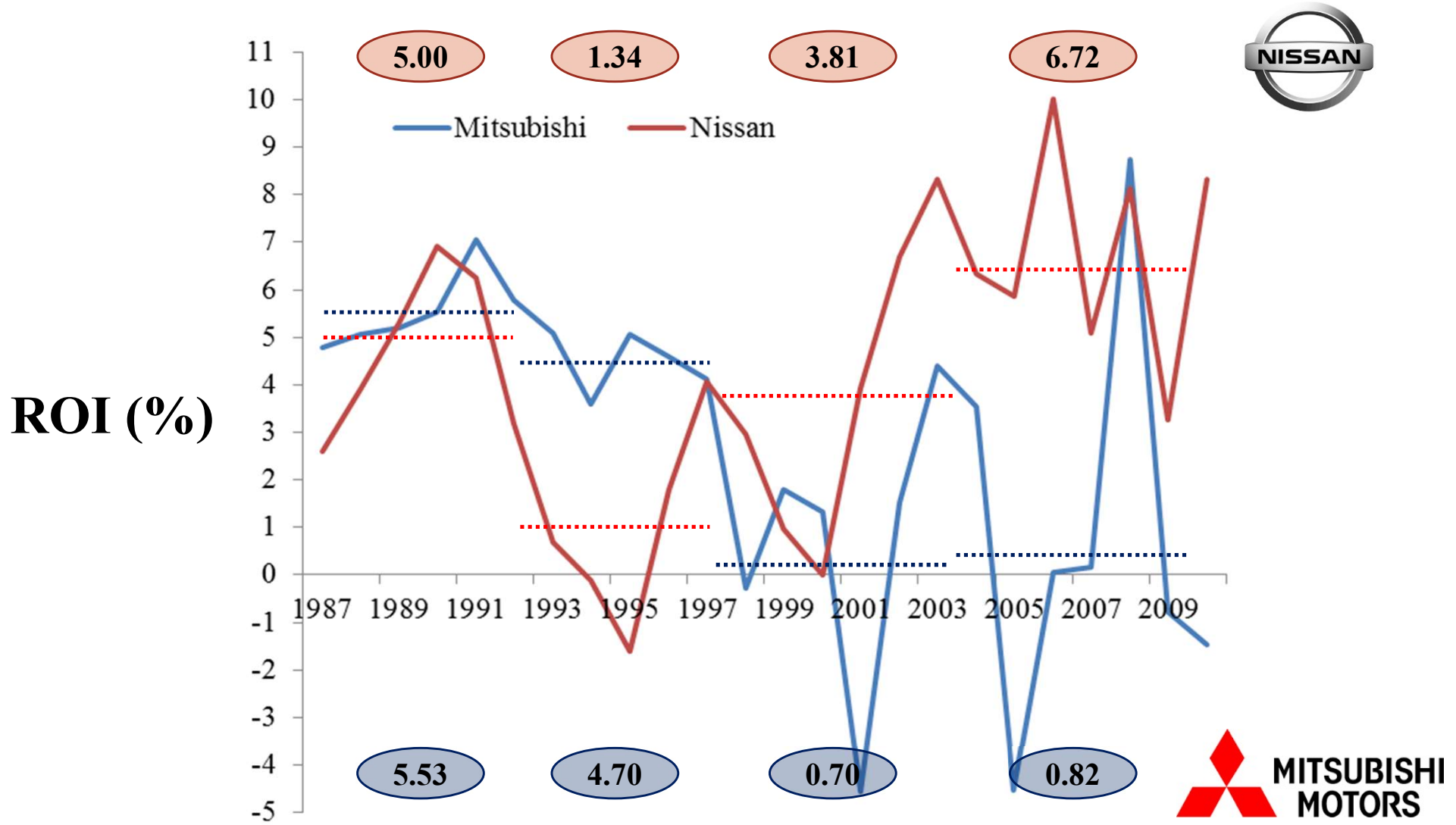
Source: Own illustration based on NEEDS.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Source: Own illustration based on NEEDS.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Source: Own illustration based on NEEDS.



■ Questions

- I. **WHAT** were the relative & combined effects of **national & organizational cultures** on the performance of Nissan & Mitsubishi?

- II. **HOW** did **Carlos Ghosn & Ralf Eckrodt** influence **HRM practices** in Nissan & Mitsubishi, respectively?

- III. **WHY** was Carlos Ghosn's transformation of Nissan **successful** while Ralf Eckrodt's efforts were **unsuccessful**?

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Overview of the '2' Acquisitions

	Renault-Nissan	DaimlerChrysler-Mitsubishi
HQs of acquirer	France	Germany-USA
Acquired stake	37%, later increased to 44%	34%
Financial strength of acquirer	Medium	Medium to high
Financial situation of target	Distressed	Distressed
Motives of acquisition	Global expansion, acquiring technologies	Global expansion, acquiring technologies
Outcome	Success	Failure, divestment

Source: Froese & Goeritz (2007).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Organizational Change & Leader Authenticity

Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures		
Changes in HRM practices		
Approaches to implementing teams		

Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness		
Balanced-processing		
Transparency		
Ethical/moral conduct		

Source: Froese & Goeritz (2007).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures	<ul style="list-style-type: none"> • Reduce production capacity by closing down 5 factories. • Breakup of <i>kreiretsu</i> supplier systems. 	<ul style="list-style-type: none"> • Cut material costs by 15%. • Reduce the number of platforms by 50%. • Close down a factory. • Dump inefficient suppliers. • Selling assets.
Changes in HRM practices	<ul style="list-style-type: none"> • Performance-based incentive. • New hire at higher entry salaries. • Hiring employees in alignment with change vision. • Promotion based on change vision. 	<ul style="list-style-type: none"> • Elimination of promotion based on seniority. • Breaking with Japanese norms of lifelong employment. • Appointment of new, young German executives.
Approaches to implementing teams	<ul style="list-style-type: none"> • Cross-company teams (CCTs). • Cross-functional teams (CFTs). • Engagement in frequent meetings with CFTs & management. 	<ul style="list-style-type: none"> • Several small CCTs, but with uncertainty of responsibility. • No Japanese executive was involved in top management decisions.

Source: Gill (2012).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness	<ul style="list-style-type: none"> Ghosn was aware how his actions would impact on employees. Understanding that Nissan employees would see him as an outsider. 	<ul style="list-style-type: none"> Eckrodt misread yes as “I heard you” > “I agree”) He falsely assumed that Mitsubishi managers were committed to the changes he was trying to make.
Balanced-processing	<ul style="list-style-type: none"> Ghosn was friendly & wanted to talk to people & learn. Ghosn ensured that a wide range of voices were heard. 	<ul style="list-style-type: none"> Eckrodt failed to gather information, including employee passive resistance.
Transparency	<ul style="list-style-type: none"> Ghosn spoke openly about problems & results. Worth hearing dissension. Communication with the press. 	<ul style="list-style-type: none"> Eckrodt seldom gave interviews. Eckrodt failed to generate the trust required for change.
Ethical/moral conduct	<ul style="list-style-type: none"> Ghosn’s words & actions were consistent; role model/clear strategy/rigorous execution. 	<ul style="list-style-type: none"> Plans were not consistently executed; too laid back & informal; marionetts by HQs.

Source: Gill (2012).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Summary of Human Integration

	Renault-Nissan	DaimlerChrysler-Mitsubishi
Leadership	Well-defined objectives	Unclear objectives
Communication	Information flow at all levels	Often restricted to top level
Participation	Cross-company & cross-functional groups initiated changes	Some task forces, but without execution
Sense of urgency	Created	Assumed, not actively created
Commitment	Commitment & accountability	Unclear
Human integration	Achieved	Not achieved

Source: Froese & Goeritz (2007: 105).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



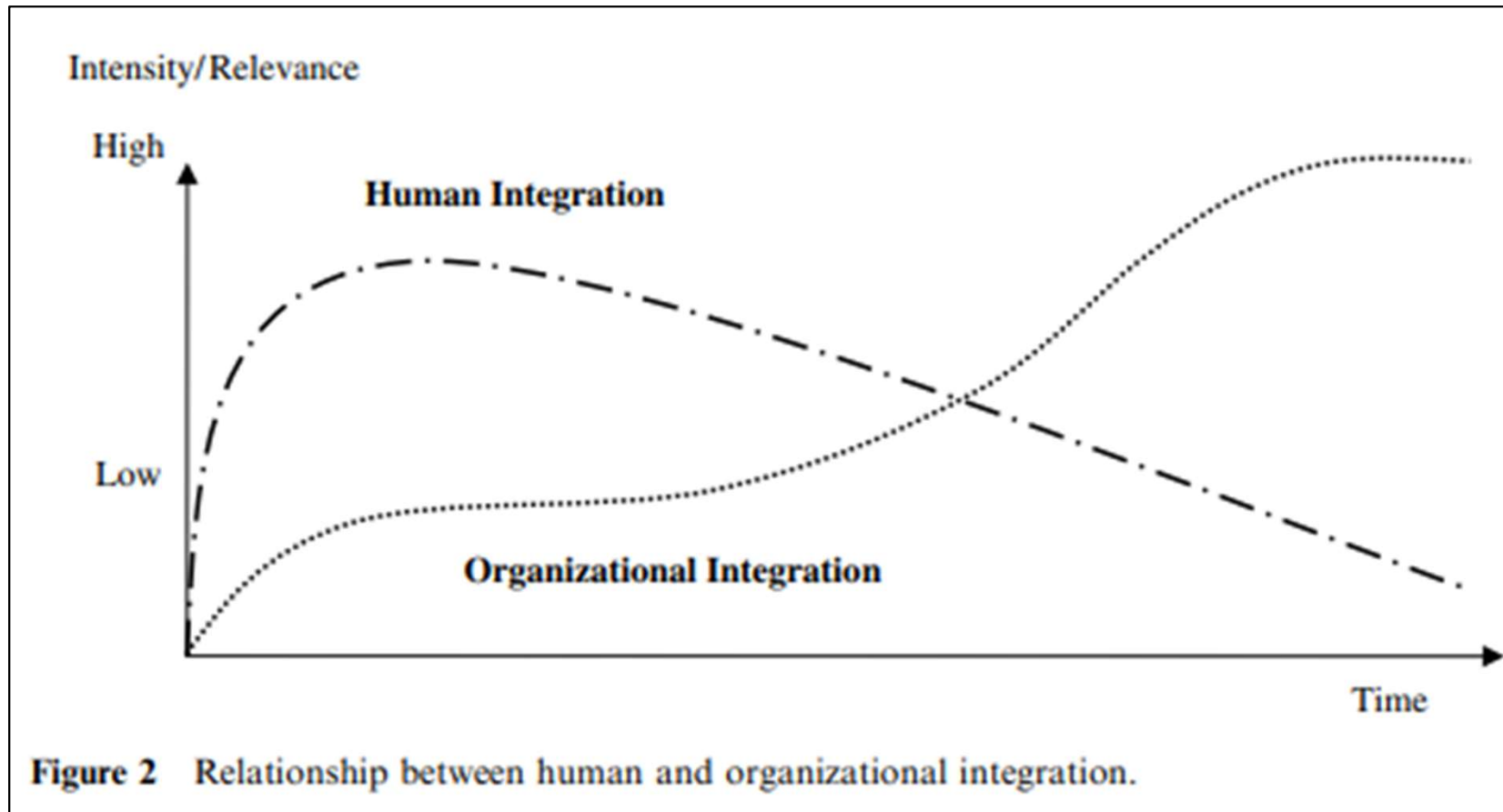
■ Summary of Organizational Integration

	Renault-Nissan	DaimlerChrysler-Mitsubishi
Intended level of integration	High	High
Speed	High	Intended to be high
<i>Keiretsu</i>	No	Strong <i>keiretsu</i>
Autonomy	Yes	Limited, decisions needed approval of Headquarters
Employee resistance	Overcome	Persisted
Organizational integration	Achieved	Not achieved

Source: Froese & Goeritz (2007: 107).



■ Human & Organizational Integration



Source: Froese & Goeritz (2007).

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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