Importance of national and organisational culture management essay

With the recent acquisition of Nexen Inc. by CNOOC Limited, the problem of managing cross cultural challenges arises. This is because of the cultural differences between China and Canada which both companies represent. This management report addresses the envisaged challenges of national and organisational culture arising from CNOOC acquisition of Nexen, by applying Hofstede cultural models. The report commences with introduction, followed by background of CNOOC acquisition of Nexen. It also discusses meaning and importance NC and OC culture; it then discusses the challenges and management strategies. It would conclude and make recommendations on how to mitigate the challenges.

WORD COUNT: 2, 498

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This is a report by 110024120 an MSC student in International Oil and Gas Management, University of Dundee, Centre for Energy, Petroleum Law and Policy (CEPMLP). The report has been prepared exclusively for and at the request of the Senior Strategy Team of CNOOC Limited to address potential management challenges to the continued effective control of business arising from the acquisition of Nexen Inc. This report is focused on the perspective of delivering suitable management practices in meeting the envisaged challenges.

The aim of the report is to present a critical and informed analysis of appropriate managerial strategies and practices for the challenges of national and organisational culture differences in post-acquisition performance. It concludes with some recommendations for consideration by the Senior Strategy Team of CNOOC and Nexen.

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LIST OF ABBREVIATIONS

NC National Culture

OC Organisational Culture

NXY New York Stock Exchange

KIFs Knowledge Intensive Firms

KIWs Knowledge Intensive Workers

CHAPTER ONE

1. INTRODUCTION

CNOOC Limited made global headlines on July 23, 2012 when it announced

the acquisition of NEXEN, a Canadian based oil and Gas Company at the cost

of $15. 1 Billion. The acquisition is seen as China's largest Oil and Gas

Company overseas acquisition Lauren (2012). NEXEN was founded in 1971 and is headquartered in Calgary, Canada. Nexen is a global energy company and is listed on the Toronto and New Yorks stock exchange under the symbol of NXY (www. nexeninc. com). Nexen is strategically located in different regions of the world; it has over 3, 067 employees that add value for shareholders through successful oil and gas exploration and development. Consequent to the acquisition of Nexen, CNOOC Limited is now among one of the largest independent oil and gas exploration and production companies in the world (www. cnooc. com).

According to Barney (1988) many international acquisitions creates value for the acquirer through cooperation and integration to enhance sustainable growth. The objective of acquisition is to bring companies together and increase their competitive advantage through knowledge transfer, innovations and management skills. This is also a justification for an acquisition Fitzgibbon & Seeger (2002). However, most international acquisitions come with complex management challenges Hitt, Harrison and Ireland (2001). Many factors are responsible for these challenges. Thus, this management report is aimed to address the envisaged challenges of national and organisational culture to the effective business performance in CNOOC acquisition of Nexen.

This report will apply Hofstede (1980) four dimensions models and Hofstede (1990) six dimensions models as literature to argue that the challenges of NC and OC will affect post acquisition performance. The application of the two models is in line with a separate model developed by Hofstede for comparing OC differences. This is also consistent with Schein (1985)

argument that organisational culture differences are not the same with national culture. The report will discuss the background of CNOOC acquisition of Nexen. It also discusses the meaning and importance of NC and OC culture; it then discusses the challenges and management strategies. It would conclude and make recommendations on how to mitigate the challenges.

CHAPTER TWO

2. BACKGROUND OF CNOOC ACQUISITION OF NEXEN

CNOOC Limited was established in 1999 and listed on the Hong Kong Stock Exchange and New York Stock Exchange in 2001 and is 70 percent owned by China National Offshore Oil Corporation (www. cnoocltd. com). CNOOC is one of China's largest producers of oil and natural gas and is also among the largest independent oil and gas exploration and production Companies in the world (www. cnoocltd. com). According to the chairman Mr Wang Yilin, based on the strategic business objective to expand CNOOC overseas business and deliver sustainable growth, thus complementing the large offshore production footprint in China. Extending its global presence to oil rich region like Western Canada, and other parts of the world are mandates for management to achieve.

Consequently, the opportunity for the acquisition of NEXEN is an important part in CNOOC international business growth platform as mentioned by Chief Executive Officer of CNOOC Mr Li Fanrong, CNOOC Press release (2012). The acquisition of NEXEN by CNOOC Limited was announced on July 23, 2012 and approved by NEXEN shareholders on September 20, 2012 at the cost of $15.

1 Billion (www. nexeninc. com). The acquisition will bring in benefits for both firms. CNOOC brings in a reassurance of stable company and strong financial base for investment, while Nexen Inc. will play an important part in international business growth platform.

However, securing approval and making purchase does not end acquisition challenges. The challenges of acquisition may be ahead of what happens afterwards, the issues after takeover Lauren (2012). For NEXEN a Canadian company with western values and culture, the management and staff are accustomed to working independently. But with the acquisition, they will align with CNOOC as their new Chinese owner with a different culture and orientation Lauren (2012). As both companies are knowledge intensive firms (KIFs) with knowledge intensive workers (KIW) there will be challenging issues on NC and OC differences Alvesson (2004). Thus, this report addresses the challenges of NC and OC in CNOOC acquisition of NEXEN. We will proceed by looking at the meaning and importance of NC and OC.

CHAPTER THREE

3. MEANING AND IMPORTANCE OF NATIONAL AND ORGANISATIONAL CULTURE

NATIONAL CULTURE

This was defined as the collective programming of the mind acquired by growing up in a particular country Hofstede (1991). National culture is reflected in basic values, such as feelings of right and wrong, good and evil, beautiful and ugly, rational and irrational Olie (1990). NC impacts many forms of organisational behaviour, ranging from decision-making styles and

human resources management to behaviour in groups Kirkman, Love & Gibson (2006). NC is treated as a relatively stable feature that changes very slowly Erez & Earley, 1993; Hofstede (2001).

ORGANSATIONAL CULTURE

Hofstede (1980) defined organisational culture as the collective programming of the mind that differentiates the members of one organisation from others. Trice and Beyer (1984) views it is a system of publicly accepted meanings which operate for a group at a particular time; it is a pattern of shared basic assumptions developed by a group or organisation on how to cope with its environment, that are stable and difficult to change, and difficult to observe because many important parts of culture are invisible Schein (1985); and more so it can simply imply the way we do things around here Deal and Kennedy (1982).

IMPORTANCE

The importance of national and organisational culture in international acquisition cannot be disregarded Hatch, 1993; Schein, 1985 and Hofstede (1980). Managing international business or acquisition means handling and understanding both cultural differences at the same time. Knowledge of cultural practices across borders is significant for multinationals in order to hold the company together. National cultures are embedded in values, whereas organisational cultures are embedded in practices, when both cultures are ignored there could create challenges that affects post-acquisition performance.

CHAPTER FOUR

4. THE CHALLENGES OF NATIONAL AND ORGANISATIONAL CULTURE

For the purpose of analysing the challenges of national and organisational culture, this report applies Hofstede cultural models to illustrate the major cultural differences which CNOOC of China and Nexen of Canada represent. Canada reflects the western cultural values wheras China reflects the Oriental Confucian group. The models are identified as follows:

4. 1. HOFSTEDE FOUR DIMENSIONS MODELS FOR NATIONAL CULTURE

INDIVIDUALISM/COLLECTIVISM

This implies disharmony of interests on personal and collective goals Parsons and Shils (1951). Hofstede (1980) culture index (from the appendix) scored Canada 80 while China scored 20. This shows that the Canadians are highly independent of their organizations, preferring personal time, freedom, and challenge, whereas the Chinese employees have a stronger sense of belonging to their organization.

POWER DISTANCE

This refers to how different societies find different solutions on social inequality Mauk (1977). China scored 80 while Canada scored 39, indicating that Chinese employees are more comfortable with structured hierarchical levels and supervisors who make decisions. Canadians, on the other hand, prefer a more participatory style.

UNCERTAINTY AVOIDANCE

This implies the degree to which cultural members are willing to accept and deal with risky situations or unknown future Hofstede (1980). China scored 30 while Canada scored 48, meaning that the Chinese try to avoid risk and anxiety, while the Canadians neither seek nor avoid ambiguous situations.

MASCULINITY/FEMININITY

This refers to stereotyping gender expectations in organisations Hofstede (1984). China scored 66 while Canada scored 52, meaning that China has medium/high masculinity culture; whereas Canada has a medium/low masculinity culture.

4. 2. HOFSTEDE SIX DIMENSION MODEL FOR ORGANISATIONAL CULTURE

PROCESS ORIENTED VERSUS RESULT ORIENTED

Process oriented cultures are dominated by technical and bureaucratic routines, while results oriented by a common concern for outcomes. In results-oriented units, everybody perceived their practices in about the same way; in process-oriented units, vast differences exist in perception among different levels and parts of the unit Hofstede (2011).

JOB ORIENTED VERSUS EMPLOYEE ORIENTED

Job oriented assumes responsibility for the employees' job performance, while employee-oriented cultures assume a broad responsibility for their members' wellbeing. At the level of individual managers, the distinction between job orientation and employee orientation has been popularized Blake and Mouton's Managerial Grid (1964).

PROFESSIONAL VERSUS PAROCHIAL

Professionals usually imply the highly educated members identified primarily with their profession; while in Parochial, the members derive their identity from the organization for which they work. This is widely known as local versus cosmopolitan.

OPEN SYSTEM VERSUS CLOSED SYSTEMS

This dimension refers to the common style of internal and external communication, and to the ease with which outsiders and newcomers are admitted. It shows that organizational openness is a societal characteristic which means organization cultures also contain elements from national culture differences.

TIGHT VERSUS LOOSE CONTROL

This dimension deals with the degree of formality and punctuality within the organization; it is partly a function of the unit's technology: as most companies tend to show tight control, while others like advertising agencies show loose control.

PRAGMATIC VERSUS NORMATIVE

This last dimension describes the prevailing way of being flexible or rigid in dealing with the environment, particularly with customers. This dimension measures the degree of customer orientation, which is a highly popular topic in the marketing literature Hofstede et al. (1990).

4. 3. ANALYSIS OF THE MODELS AND CHALLENGES OF NC AND OC DIFFERENCES

By analysing the above cultural models as postulated by Hofstede, in the four dimension models we can identify differences in power distance, uncertainty avoidance, individualism/collectivism and femininity/masculinity between Canada and China which both companies represent. For the six dimensions models, CNOOC has process oriented culture with beurocratic routines while Nexen is more result oriented having concern for outcomes (www. nexeninc. com). Also Nexen culture are more job oriented while CNOOC have employee oriented culture with broad responsibility for their member's wellbeing (www. cnoocltd. com). These cultural differences as illustrated creates challenges of conflicts, costs, and difficulties Hosted (1980; 2001).

The cultural differences are also responsible for challenges and obstacles to achieving integration benefits Bjorkman, Stahl, & Vaara (2007). It leads to decrease in shareholders' value Datta and Puia (1995). It can complicate post acquisition integration and resource sharing Brock (2005). It causes human resource challenges like feeling of uncertainty and insecurity, causing culture clash and negative emotional reactions of employees towards acquisition Elsass and Veiga (1994) and culture collision Cartwright and Cooper (1993).

They also lead to communication problems, ego clashes, inter-group conflicts, low employee morale, poor performance and ultimately retention Adkins and Caldwell (2004). However, these challenges can be mitigated by applying management practices and strategies.

4. 4. STRATEGIES FOR MANAGING CULTURAL CHALLENGES

Managing the challenges of national and organisational culture involves applying management practices or strategies by managers to reduce the challenges. The strategies are as follows:

CULTURE INTEGRATION

It involves the varying extent to which we can integrate more than one cultural perspective, mind-set, and behaviour into one's identity and worldview. It implies being able to move easily among cultures. It highlights the central importance of developing leaders and managers to the point where they have an ethno-relative experience of cultural difference Randy and Jacob (2009).

SYNERGY APPROACH

The approach involves adopting the strategy of managing the differences in culture. This implies recognising the challenges and using them to their advantage, rather than ignoring or allowing the challenges to cause problems Adler (1997). Managers therefore should be taught how to respect culture differences at work and how to work with them to maximise the contribution of each employee Cascio (1998).

RESPECT FOR HOST COUNTRY CULTURE

This means accepting the cultural difference without any judgment. No particular culture should claim perfection over the other culture. Cultures are different and for people they represent the ability to manage life situations and conditions the way they are familiar with for a long time Anisha (2011).

IGNORING THE CULTURAL DIFFERENCES

The strategy implies a stage where the managers ignore the differences. It later becomes irrelevant as the managers and employees would be having good understanding about each other's cultures and practices and they would have to respect the cultures. The employees and managers in this strategy feel that our way is the only way Adler (1997).

CULTURAL ADAPTATION

This strategy involves mutual understanding and simplification of complicated demanding processes of behaving in a different cultural condition. This step does not mean that the participating partner should give up their cultural background, but rather they should use their knowledge of their own culture to gain knowledge about the partner's culture Anisha (2011).

CHAPTER FIVE

5. CONCLUSION

The challenges of national and organisational culture remain crucial in post-acquisition performance. Although CNOOC may experience many complex problems during the integration process, however the challenges of national and organisational culture differences can be very devastating. This is because most successes and failures of international acquisitions have been attributed to the challenges of cultural differences (

From the analysis of Hofstede cultural models we identify cultural differences between China and Canada which CNOOC and Nexen represent. For individualism/collectivism, it implies that Canadian employees are more

independent of their organization, preferring freedom, whereas Chineese employees have a stronger sense of belonging to their organization. In power distance, China employees are more comfortable with structured hierarchical levels while Canada, on the other hand, prefer a more participatory style. With respect to uncertainty avoidance, Chineese tries to avoid risk and anxiety, while Canadians neither seek nor avoid ambiguous situations. In masculinity/femininity, China has medium/high masculinity culture whereas Canada has a medium/low masculinity culture. In terms of the organisational culture six dimensions models; there are cultural disparities between CNOOC and Nexen in the OC.

Consequently, we can surmise that national and organisational culture differences are the biggest challenges that could affect international acquisition performance Hofstede (2001) such as that of CNOOC and Nexen. Thus, in order to mitigate these challenges, the recommendations below are made for the senior strategic team to adopt.

CHAPTER SIX

6. RECOMMENDATION

For CNOOC to enjoy sustained business performance in the acquisition of Nexen, the following recommendations are made to mitigate the challenges of NC and OC:

Firstly, CNOOC should adopt culture management approach. This implies the process of developing or reinforcing an appropriate culture in the organisation Pretorius (2004). Culture management is also concerned with culture change, culture reinforcement, implementation and change

management. The approach will achieve effective control of cultural difference challenges between CNOOC and Nexen.

Secondly, culture training for employees is vital. It will sensitize them to the discriminations, biases and negative feelings of the diverse employees in the organisation Farren and Nelson (1999). Through training, employees can understand cultural diversity that exists between CNOOC and Nexen. Cultural training will also promote cooperation and coordination among employees to enable them live harmoniously and work comfortably.

Thirdly, CNOOC should create awareness on cross cultural communication. This is because all levels of communication are affected by cultural dimensions like words, language, body language, gestures, etiquette dos and don'ts, clothing, gift giving, dining, customs and protocols William (2005). The knowledge of cross cultural communication is necessary because what may be considered perfectly acceptable and natural in China, can be uncultured or offensive in Canada.

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