

UNDERSTANDING TRUSTOR'S NATIONAL CULTURAL PROPENSITY ON TRUST BUILDING IN POST- ACQUISITION INTEGRATION CASE STUDIES OF AUTOMOBILE INDUSTRY IN JAPAN AND SOUTH KOREA

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GLOBAL STRATEGY AND ORGANIZATION

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Summary

This study started with a question, why so many M&As failed. The reasons are various in accordance with how we handle with each step of the transactions from finding strategic reasons to integration implementation. Influenced by my previous work experiences and own personal interests, my focus moved to the integration of acquisitions. Integrating two different companies brings a lot of changes in the organizations, especially in acquired companies, and effective leadership is essential to overcome obstacles and resistances from the changes. However, the effective leadership isn't given to new top management from acquiring companies naturally, but it is more likely to develop based on the degree to which the employees in acquired companies trust the top management. In the process of trust building, trustors determine the trustworthiness of trustees in the basis of how the trustors perceived the trust relationship. In the acquisition process, the trustors are affected by own propensity to trust such as individual characteristics and national culture. Based on the study above, I come up with my research questions as follows; 1) how national cultural propensity to trust influence the trust building process between new top management from acquiring companies (Trustees) and the employees in acquired companies (Trustors) in cross-border acquisitions, particularly in Japan and South Korea? and 2) what practices should be considered to facilitate or

damage the trust building process? To answer these questions, I studied four integration cases in automobile industry, two from Japan and two from South Korea including one successful case and one failed case for each country. After observing and analyzing the cases, I found some common and different influencing factors between two countries. For example, in the case of common factors, facilitating communication and information sharing, making power balance in top management positions and paying respect are important to develop trust. For different factors, in the case of South Korea, providing employment security and top management's experience based on seniority were played importantly to develop trust, on the other hand, in the case of Japan, actual performance of top management with strong leadership was regarded as one of influencing factors.

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CHAPTER 1. INTRODUCTION

According to J.P.Morgan, transaction volumes of global mergers and acquisitions (M&As) in 2017 reached US\$3.7 trillion including 30% of cross-border transactions. M&As have been major tools to create value through achieving synergy between acquiring and acquired companies. However, the outcome of M&As haven't been promising as 50~70% or much higher percentage of deals failed to achieve the synergy estimated before and at the deal closing (Ashkenas & Francis, 2000; Christensen et al., 2011; Marks & Mirvis, 2001). The research (Schweiger et al., 1993) suggested that there are three major factors influence the success of M&As. First, a transaction must have strategic reasons (not solely financial or tax reasons). Second, the final purchase price shouldn't be overpaid, which means that acquiring companies need to do appropriate analyses in valuation process. Last, the integration plan should be implemented effectively. It's not clear how much impact of each factor influence the failure of M&As, but the last factor is assumed to represent one third of all merger failures (Kitching, 1973).

In the integration process of M&As, it's inevitable to avoid the organizational changes to realize the synergies, i.e. cost reduction, revenue increase, market consolidation and acquiring intangible assets (Schweiger & Very, 2003). These changes are executed under the newly appointed top managements who are transferred from the acquiring companies to the acquired companies to control the acquired business. (Shrivastava, 1986). A longitudinal study (Kavanagh & Ashkanasy, 2006) explained that leaders need to be competent and trained enough to be perceived by the employees in acquired companies as authentic leaders and to lead them to the acceptance of the changes by mergers. Also, after acquisitions, leaders can play important roles to ease the psychological and emotional changes of employees, e.g. loss of identity and anxiety about the future, by handling the issues with honesty and treating people with dignity (Schweiger et al., 1987). In the perspective of strategy, leadership should give direction and purpose and guide integrated strategy formulation and implementation in M&As (Shrivastava, 1986).

Leadership is imperative in the organizational changes; however, leadership isn't given to

every leader. The effectiveness of leadership is the degree to which subordinates and co-workers trust the leaders (Burke et al., 2007). In the post M&A integration phase, trust is initially lacking due to a new organization, a new top management and new colleagues (Lubatkin et al., 1999; Marks & Mirvis, 2001). In this sense, the new top management may not be accepted by existing employees of the acquired companies (Shrivastava, 1986). Then, when should the top management make efforts to build trust with the employees of the acquired companies? A case survey (Stahl et al., 2011) of fifty cases related to post-acquisition integration and trust issues suggested that the acquirers' approach in the integration will affect the acquired companies' employees trust in the top management rather than the pre-deal history and relationship. In sum, it's essential for the top management to build trust in the integration process to make sure that their leadership is effective.

If so, what is trust? Mayer et al. (1995) defined that trust is a willingness for a trustor to be vulnerable to the actions of a trustee based on the expectation that the trustee will perform a particular action important to the trustor without the ability to monitor or control the trustee. In the model of trust they proposed, trust is developed by perceiving trustworthiness of the trustee, and trustor's propensity to trust will affect the likelihood the trustor will trust. The propensity to trust could be described as the general willingness to trust others, and the differences in developmental experience, personality and cultural background can define the degree of the propensity to trust. Their new published paper (Schoorman, 2007) suggests that the national culture can affect the perception of ability, benevolence, integrity, and the importance given to each of these variables in the proposed trust model in 1995.

The purposes of my research are 1) to observe how national cultural trustor's propensity influence the trust building process between top management from acquiring companies and the employees in acquired companies in cross-border acquisitions in Japan and South Korea, and 2) to find practices and factors for top management to facilitate the trust building process by understanding national cultural propensity to trust.

To answer these questions, first, I will examine the national culture literature to define the national characteristics. Second, I will look at how national culture influence trust building process and apply the process to the contexts of, particularly, Japan and South Korea. Third, I will examine

four different post-acquisition integration cases, two from Japan and two from South Korea to analyze how different approaches of post-acquisition integration by the top management from the acquiring companies influence trust building process of the employees in the acquired companies. Lastly, I will explain some findings from the analyses and conclude with some implications in terms of trust building for the managers who pursues future acquisitions in Japan and South Korea.

CHAPTER 2. LITERATURE REVIEW

Section 1. CHARACTERISTICS OF NATIONAL CULTURE

According to Hofstede (1980), there are four dimensions of national culture, power distance index, individualism versus collectivism, uncertainty avoidance index, and masculinity versus femininity. The cultural dimensions represent individual preference for one over another that distinguish countries, rather than individuals, from each other (Hofstede insights). Each country is given scores of each dimension and the comparison of the scores between countries are relative.

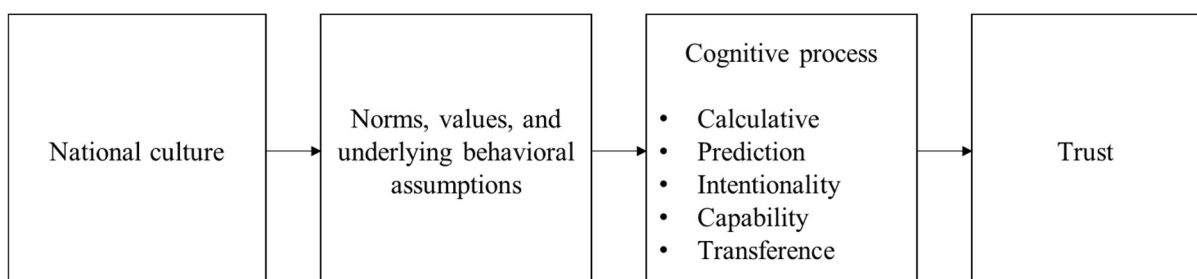
- Power distance index: This describes the degree to which less powerful people of a society accept and expect that power is distributed unequally. In high power distance societies, people accept a hierarchical order and believe everyone has each place to be, which means there is no need to justify the power. On the other hand, people in low power distance societies make an effort to distribute the power equally and ask justification of unequal power. The higher score means the higher power distance is.
- Individualism versus collectivism: This index describes the degree to which people in society are knitted into groups. Individualistic societies expect people to take care of only themselves and their close families. People in collective societies have tightly integrated extended relationships with their relatives and members of ingroups. People in these ingroups help and look after each other with unquestioning loyalty. This index is explained as “I” versus “We”. The higher score means more individualistic is.
- Masculinity versus femininity: Masculinity describes a preference in society for achievement, heroism, assertiveness and material rewards for success. Masculine society is competitive. Femininity describes a preference for cooperation, modesty, caring for the weak and quality of life. This society is consensus-oriented in general. The higher score means more masculine is.
- Uncertainty avoidance index: This index describes the degree to which people can tolerate uncertainty and ambiguity, especially about the future which will be always unknown. In high

uncertainty avoidance societies, rigid codes of belief and behavior are maintained, and unorthodox codes are not tolerated. Low index societies are more accepting different beliefs and behaviors and more relaxed about practices than principles. The higher score means the higher uncertainty avoidance is.

Section 2. HOW NATIONAL CULTURE INFLUENCES TRUST BUILDING PROCESS

Doney et al. (1998) describes five cognitive trust building processes that help explain how trust develops. These five cognitive trust building processes are defined by behavioral assumptions based on the various theoretical perspectives. Whether trustors trust by a particular process is depending on these underlying behavioral assumptions being met. The behavioral assumptions are influenced by organizational, relational, or individual factors, however, they focus on how national culture influence the behavioral assumptions, eventually, the development of trust (Figure 1). Five cognitive trust building processes are described as calculative, prediction, intentionality, capability and transference. The characteristics of national culture (Hofstede, 1980) influence trustors' likelihood to form trust via the processes. I will explain how each national culture dimension influence each cognitive process.

Figure 1. Summarized version of Proposed Model of National Culture and the Development of Trust (Doney et al., 1998)



- **Calculative process:** The economics literature suggests that the development of trust involves a calculative process. Most people behave opportunistically and seek self-interest, therefore, to establish trust, trustors must determine whether the trustees' costs for being opportunistic exceed the benefits of maximizing self-interest. In this regard, trustors in individualist and masculine

cultures are more likely to trust trustees by the calculative process compared to trustors in collectivist and feminine cultures. Furthermore, the power distance dimension influences the development of trust. In low power distance culture, people tend to share the power and are more participative in decision making, which means it's less likely to behave opportunistically. In uncertainty avoidance dimension, high uncertainty avoidance societies resist to change while low uncertainty avoidance societies are more willing to change which engages in opportunistic actions. In this regard, it's more likely to form trust by the calculation process in low uncertainty avoidance cultures than high ones.

- Prediction process: Trust is formed when trustors have confidence in predicting trustees' future behaviors with accuracy. Trustors determine whether trustees are trustworthy by using information of trustees' past actions. To establish trust, trustee's consistent and predictable behaviors are important. In the national culture dimensions, individualist and masculine societies are more tolerant in variance and accepting inconsistency and independence. On the other hand, collectivist and feminine societies expect people act in unison to accomplish groups' goals and pursue solidarity. Therefore, trustors in collectivist and feminine cultures are more likely to trust trustees by the prediction process compared to trustors in individualist and masculine cultures. The power distance dimension is about conformity versus independence. In high power distance cultures, people are expected to conform norms, which means people can predict others' behaviors more easily than the ones from low power distance cultures. Thus, it's more likely to develop trust by the prediction process in high power distance cultures. In the perspective of uncertainty avoidance dimension, high uncertainty avoidance societies desire to have clear rules to predict and control others' behaviors. It shows that high uncertainty avoidance cultures are more likely to form trust by the prediction process compared to low uncertainty avoidance cultures which are more accepting variances.
- Intentionality process: Trustors are more likely to form trust when they perceive trustees' intentions and motives are benevolent. If trustees' words and behavior are interpreted as selfish intention, trust is unlikely to develop. In individualist and masculine societies, it's acceptable to

act opportunistically and have some degree of conflict. In contrast, collectivist and feminine societies expect people behave with benevolent motives. In this sense, trustors in collectivist and feminine cultures are more likely to trust trustees by the intentionality process compared to trustors in individualist and masculine cultures. In high power distance societies, all the decisions are made by ones at the top, and lower levels follow the decisions. Also, some degree of conflicts and competitions are acceptable. In this case, it may be hard to find benevolent intention from others. Thus, it's more difficult to develop trust by the intentionality process in high power distance cultures compared to low power distance cultures. Uncertainty avoidance dimension addresses the degree to which people desire to continue current relationships. High uncertainty avoidance societies are reluctant to change current status quo including relationships. In contrast, low uncertainty avoidance societies are willing to risk cutting them. Thus, it's more probable to establish trust by the intentionality process in high uncertainty avoidance cultures compared to low ones.

- **Capability process:** People are different significantly in their competence, ability, or expertise. In a capability process, trustees' trustworthiness is determined by whether trustees' ability meets their obligations as well as the trustors' expectations. Contrast to individualist and masculine societies, in collectivist societies, people work together to achieve common goals and evaluate the performance based on group achievement. Similarly, feminine societies give less acknowledgement to individual achievement. In other words, it's more likely to form trust by the capability process in individualist and masculine cultures. In terms of power distance dimension, low power distance societies have equal view of others regarding abilities and expertise while high power distance societies emphasize on the difference between experts and nonexperts. Therefore, it's more likely to form trust by the capability process in high power distance cultures compared to the low ones. In uncertainty avoidance dimension, people in high uncertainty avoidance societies try to mitigate uncertainty and expertise is highly regarded as an ability to help change trustor's uncertainty to certainty. In this regard, trustors in high uncertainty avoidance cultures are more likely to develop trust by the capability process than ones in low uncertainty

avoidance cultures.

- Transference process: Trust is transferred from a trusted “proof source” to another party, which the trustors have little or no direct experience. For example, certified doctors may be trusted because they are certified by a trusted institution. The transference process is active when faith in people and institutions is high. Because individualist culture doesn’t have a close social bond, it makes difficult to transfer trust to people. Also, masculine culture emphasizes on independence of individuals, so people are reluctant to rely on others. In other words, collectivist and feminine cultures are more likely to develop trust by a transference process. As the transference process is associated with faith in others, in power distance dimension, the low power distance societies are more likely to form trust by the transference process because people in these societies have high faith in others. As explained above, uncertainty avoidance dimension is the degree to which people desire to maintain existing relationships. High uncertainty avoidance societies are highly motivated to keep stable relationships and see others similar to them. This addresses that high uncertainty avoidance cultures are more likely to form trust by the transference process compared to low uncertainty avoidance cultures.

Table 1. Summarized version of Conceptual Domains, Cultural Taxonomies, and the Influence of Societal Norms and Values on the Formation of Trust (Doney et al., 1998)

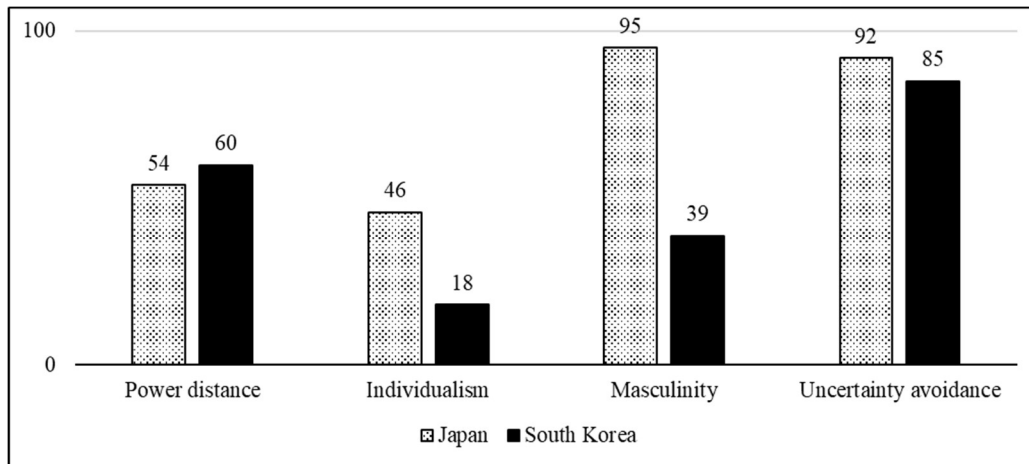
Hofstede’s (1980) cultural dimensions	Influence on trust building process				
	Calculative process	Prediction process	Intentionality process	Capability process	Transference process
High power distance	+	+		+	
Low power distance			+		+
Individualism	+			+	
Collectivism		+	+		+
Masculinity	+			+	
Femininity		+	+		+
High uncertainty avoidance		+	+	+	+

Low uncertainty avoidance	+				
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Section 3. HOFSTEDE’S (1980) NATIONAL CULTURAL DIMENSION AND FIVE COGNITIVE PROCESSES IN THE CASES OF JAPAN AND SOUTH KOREA

Before examining how national culture of Japan and South Korea influence the trust building process from the cases of four acquisitions, I will explain the national culture characteristics of Japan and South Korea by Hofstede’s cultural dimensions referring to Country Comparison Tool in Hofstede insights. Referring to Figure 2, there are similarities and discrepancies in the national cultural dimension between two countries. First of all, power distance index scores of Japan and South Korea are over but close to 50. This means that two countries belong to high power distance cultures but more likely moderately. For example, Japanese corporate organizations are hierarchical, but their decision-making processes are slow. Because they don’t make decisions by one top guy who makes all the important decisions in other high power distance countries. Second, in the comparison of individualism, Japan and South Korea are collective societies. Interestingly, Japan is more individualistic and close to 50. Unlike other neighboring countries such as South Korea and China, one of the explanations of this characteristics is that Japanese society doesn’t have extended family system. In terms of masculinity, you will see the biggest gap between two countries. Japan is a masculine society where competition is high among individuals and individuals’ achievements are well regarded, on the other hand, South Korea is a collective society where cooperation for group’s goal is important. Last, the scores of uncertainty avoidance index tell us that both countries are high uncertainty avoidance societies. In these societies, people make precise norms and expect everyone to follow the norms, but innovation may be difficult to happen. Security is important in individual motivation.

Figure 2. Comparison of National Culture between Japan and South Korea (Hofstede Insights)



Based on the comparison above, I applied these characteristics to the five cognitive trust building processes, the model of Doney et al. (1998) as mentioned above (Table 1), to understand and observe how these processes worked in the four acquisition cases in the next chapter. As you can see Table 2 below, I put a plus sign in each box in accordance with relations between the national cultural dimensions and the five cognitive trust building processes suggested by the model. The only difference is masculinity. Each number represents the degree to which each process is important in terms of trust building. For instance, Japanese society highly regards trustee's predictable behaviors and competency and ability. It doesn't mean that the other three are not important but more likely to be less important. In the case of South Korea, it's notable that the most important process is prediction, and intentionality and transference are followed as the second importance. Then, how will these processes work in the real world? what practices/trustees' behaviors will influence these processes? Does the level of importance of each process have a significant role in the development of trust? Are there any similarities or differences of influencing factors between two countries? I will answer these questions in the following chapters.

Table 2. Five Cognitive Trust Building Processes in Japanese and South Korean National Cultures

Country	Cultural dimensions	Influence on Trust building process				
		Calculative process	Prediction process	Intentionality process	Capability process	Transference process
Japan	High power distance	+	+		+	
	Collectivism		+	+		+
	Masculinity	+			+	
	High uncertainty avoidance		+	+	+	+
	Total	2	3	2	3	2
South Korea	High power distance	+	+		+	
	Collectivism		+	+		+
	Femininity		+	+		+
	High uncertainty avoidance		+	+	+	+
	Total	1	4	3	2	3

CHAPTER 3. RESEARCH METHDOLOGY

To answer the first two questions from the previous chapter, 1) how the trust is developed through the five cognitive trust building processes in the real world and 2) what factors influence the processes, I will explain four transactions of cross-border acquisitions, Mitsubishi Motor/DaimlerChrysler, Nissan Motor/Renault, Ssangyong Motor/Shanghai Automotive Industry Corporation (SAIC) and Daewoo commercial/Tata Motor (Table 3.), and then explain each process of post-acquisition integration. Thereafter, I will analyze the post-acquisition integration processes to find out what trustees' behaviors/implementation would influence the trustors' trust development through the five cognitive trust building processes. In the cases, trustors are Japanese and Korean employees from acquired companies and trustees are top management from foreign acquiring companies. Furthermore, I chose two cases by each country, which consist of success and failure. I defined the success and failure by evaluations generally accepted among the public including researchers and media. The cases were collected based on the secondary sources, including business school cases, research papers and news reports (Gill, 2012; Froese & Goeritz, 2007; Zhang & Stening, 2013; Leiping & White, 2011, 2012; Kotosaka & Yamazaki, 2014; Singh & Singh, 2008).

Table 3. Summary of Four Acquisition Cases

Month/Year	Acquiring companies	Acquired companies	The stakes of purchase	Integration results
March/2000	DaimlerChrysler (Germany-US)	Mitsubishi Motor (Japan)	34% (USD 2.1 billion)	Failure
March/1999	Renault (France)	Nissan Motor (Japan)	36.8% (USD 5.4 billion)	Success
October/2004	Shanghai Automotive Industry Corporation (China)	Ssangyong Motor (South Korea)	48.9% (USD 572 million)	Failure
March/2004	Tata Motor (India)	Daewoo Commercial (South Korea)	100% (USD 102 million)	Success

CHAPTER 4. CASE STUDIES ANALYSIS: POST-ACQUISITION INTEGRATION IN AUTOMOBILE INDUSTRY

Section 1. MITSUBISHI MOTOR AND DAIMLERCHRYSLER

4.1.1. Overview

In 1998, a German car maker, Daimler Benz merged with American Chrysler to make a transcontinental automobile company with a vision ‘Welt AG (World company)’. To achieve the vision, the merged company tried to find a partner in Asia. After Honda Motor and Nissan Motor rejected their offers, DaimlerChrysler decided to partner with Mitsubishi Motor (“Mitsubishi”), the last Japanese automobile company searching for an international partner. DaimlerChrysler expected access to Asian market and create synergy in the subcompact car and small-size truck markets. Mitsubishi has been struggling with multiple problems such as declining market share, losing profit and increasing debt. And, even worse, they had launched only one car in 2000. Consequently, Mitsubishi decided to sell a third of its share to obtain lacking cash. In March 2000, DaimlerChrysler announced to buy a controlling 34% stake in Mitsubishi for \$2.1 billion (CNN Money). But, in the same year later, Mitsubishi’s covered scandals about defect parts were uncovered, which makes DaimlerChrysler renegotiated the price to \$1.9 billion (BBC News). In 2001, DaimlerChrysler acquired additional 3.3% stake of Mitsubishi from Volvo and had a 37.3% stake finally. Though both companies called this as a strategic alliance, it seemed more like an acquisition because a shareholder with a more than 33 % stake can control a company under the Japanese Corporate Law (Froese, F.J., & Goeritz, L.E, 2007). Affected by a risky car loan program in the US in 2003, Mitsubishi recorded a net loss \$2.0 billion in 2004. In April 2004, shareholders of Mitsubishi had asked to inject capital to save the company, but DaimlerChrysler refused further investment. In consequence, Rolf Eckrodt, a dispatched CEO from DaimlerChrysler, stepped down. Mitsubishi received capital injections in June 2004 and January 2005, which resulted dilution of DaimlerChrysler’s stake to 12.4%. In November 2005, DaimlerChrysler sold the remaining stake at \$1.1 billion and Mitsubishi returned to its Keiretsu.

4.1.2. Post-acquisition integration

In July 2000, DaimlerChrysler sent a team of managers, led by Rolf Eckrodt, to turnaround Mitsubishi. Before coming to Japan, Rolf Eckrod had two corporate turnaround experiences as President of Mercedes-Benz do Brasil, a producer of trucks and buses, and President and Executive Office of Adtranz, the rail system unit of DaimlerChrysler group (Profile of Rolf Eckrodt). He became Executive Vice President and Chief Operating Officer in January 2001, and after one and half years, he became President and Chief Executive Officer of Mitsubishi. Even though, he was well respected, he and the managers from Germany couldn't earn the full support of the Mitsubishi employees. In the beginning of the turnaround, several small cross-company teams were formed to find solutions for Mitsubishi, however, it was unclear who is going to take charge of the executions of the findings. Even the Mitsubishi employees were willing to learn from and cooperate with DaimlerChrysler, the DaimlerChrysler managers treated the Mitsubishi employees as junior partners, and the managers were perceived as temporary guests who behave opportunistically and were less committed. Also, DaimlerChrysler didn't make enough effort to create good flows of communication and collaboration between divisions. Only the heads of division communicated with each other and most time they reported directly to the CEO. On top of that, 'a target-specific information' policy of DaimlerChrysler hampered the communication. This means that the access to important information was only allowed to top management. Furthermore, all Japanese top-level management were excluded from top management decisions. Therefore, most of the Mitsubishi employees didn't know what was happening in the company. When Rolf Eckrodt became a CEO, after 2 years of the dispatch from Germany, he put joint decision-making in importance and established cross-functional teams. However, it didn't go well as he planned due to imminent profitability pressure and short-term results. Some projects were not finished, and others were cancelled even though they were ready to execute the plans. To facilitate participation, two companies set up the several meetings, but the meetings were perceived as inefficiency by the Mitsubishi managers due to a large number of participants. Eventually, the meetings made the managers irritated and this resulted with less information sharing with their subordinates. Lastly, Rolf Eckrodt's leadership was in question. "One manager noted that Eckrodt was

‘too soft’ and sought consensus with the Mitsubishi managers instead of striving for more ambitions and sometimes painful cost-cutting measures” (Froese, F.J., & Goeritz, L.E, 2007). In addition to this, he and his team was criticized not having a clear direction and well-defined goals. Unfortunately, there were external circumstances which influenced his authority negatively in doing turnaround the Mitsubishi. For instance, Rolf Eckrodt didn’t have a direct reporting line to the DaimlerChrysler’s CEO, which made him hard to get solid support from headquarter.

4.1.3. Five cognitive trust building processes analysis

Firstly, in a calculative process, the Mitsubishi employees may see the amount of investment for the 37.3% stake DaimlerChrysler paid as cost if DaimlerChrysler failed to turnaround Mitsubishi and to create the synergies. Secondly, DaimlerChrysler doesn’t seem to be careful about establishing communication channels and information sharing systems with the employees in Mitsubishi. The decision that no single Japanese executive was included in top management decisions and having ‘a target-specific information’ policy caused disconnection between the top management and the employees in Mitsubishi. Also, there was only limited exchanges between heads of divisions, even worse, the heads reported only to CEO mostly. There is no doubt why Mitsubishi employees had no idea what is going on in the organization. Furthermore, top management canceled the cross functional projects when there was high profit pressure. This may leave questions about the future plans of the top management to the Mitsubishi employees because the projects were expected to implement, but later they were turned down suddenly. In a prediction process, trustors can hardly form trust when trustees’ behaviors are unpredictable. In this sense, the Mitsubishi employees may have high doubt about the top management’s behaviors. Thirdly, in an intentionality process, to develop trust, trustees need to show good intention and motivation that trustees’ behaviors are benevolent to trustors. In regard to the turnaround plan implementation, DaimlerChrysler relied mainly on their team to execute and Japanese executives couldn’t involve in top management decisions. This would be interpreted badly by the Mitsubishi employees because there was no one who can represent their interests. Moreover, the Mitsubishi employees were treated as juniors not equal partners by the DaimlerChrysler’ managers, which the Mitsubishi employees may feel disrespected. Also, the Mitsubishi employees saw

the German managers as temporary guests who were less committed and acting opportunistically, which helps forming the perception that the German managers acted against the interests of Mitsubishi. Lastly, in a capability process, it's more likely to form trust if the Mitsubishi employees perceived the top management as capable and competent leaders to turnaround the company. Although Rolf Eckrodt succeed to turnaround two companies in his previous works, his lack of clear and well-defined goals and too soft leadership were criticized by the Mitsubishi employees. And the failure of cross functional projects and insufficient formal meetings gave disappointment and irritation to the Mitsubishi managers. Furthermore, Rolf Eckrodt didn't have a direct reporting line to a CEO of headquarter which may implicate his weak position in the group of DaimlerChrysler. Based on the assessment above, it's highly likely that the employees in Mitsubishi evaluated Rolf Eckrodt incapable to lead Mitsubishi by a capability process.

Section 2. NISSAN MOTOR AND RENAULT

4.2.1. Overview

In the early 1990s, the economic bubble burst. Nissan Motor ("Nissan"), a Japanese carmaker, became suffered due to its massive borrowing for previous aggressive expansion plan. Its domestic market share declined from 19% in 1988 to 13% in 1998 and the global market share decreased from 6.6% in 1991 to 4.9% in 1998. The net automotive debts reached 2.1 trillion yen in 1998. While Toyota Motor and Honda Motor, its competitors, were never in red from 1990 to 1998, Nissan recorded consecutive losses for all but one year. The company continuously tried to restructure its organization, but the attempts resulted with all failure. Nissan needed to find an alliance partner to help them to turnaround. Renault, a French carmaker, looked for a new opportunity outside Europe to sustain the growth and survive in the integrated global auto industry. Renault found Nissan as an attractive partner in Asia because of Nissan's global presence in the US, Asia and Europe and high-quality technologies. Also, Renault's top management thought Renault contribute to restructuring of Nissan from their own restructuring experiences. On March 27, 1999, Nissan-Renault alliance was signed by two companies. Renault injected 643 billion yen (\$5.4 billion) for a 36.8% share of Nissan, with an option to increase

the ratio up to 44.4%. Like the case of Mitsubishi-DaimlerChrysler' strategic alliance, the Nissan-Renault alliance seemed more like an acquisition because a shareholder with a more than 33 % stake can control a company under the Japanese Corporate Law (Froese, F.J., & Goeritz, L.E, 2007). Nissan elected a new COO in June 1999, Carlos Ghosn who later became a CEO in June 2001. As soon as he arrived in Nissan, he announced to develop the "Nissan Revival Plan" for fiscal years from 2000 to 2002 and the final version was announced in October. After implementing the plan, Nissan turned in black in fiscal year 2000 and achieved 11% operating margin in fiscal year 2001 from 1% in fiscal year 1999. The goals of the plan were achieved a year earlier than the original schedule in March 2002. Nissan again announced their second plan which is called "Nissan 180", mid-term plan for fiscal year from 2002 to 2004. After completing the two plans successfully, Nissan truly became on track for profitable growth. Operating margin increased to 10% in fiscal year 2004 and global sales volume reached 3 million in fiscal year 2003. With the remarkable record in Nissan, Carlos Ghosn became the CEO of Renault in June 2005 along with the one of Nissan.

4.2.2. Post-acquisition integration

Before the integration team was dispatched from France officially, Carlos Ghosn, who was appointed as COO three months later and led the Renault managers, arranged the one-on-one meetings with 600 Nissan employees, dealers and customers. The reasons behind his movement are not only to gather and enrich solutions for Nissan's revival but also to make people be part of the solutions. In June 1999, Ghosn was elected as COO and the board of directors were decreased from 43 to 9 at the general shareholders' meeting. The newly elected 9 members, 3 from Renault and 6 from Nissan, formed Executive committee which was the decision-making body of Nissan. The selection of members from Nissan was left entirely to Nissan. When Ghosn decided the managers from Renault, he selected purely based on their capability and willingness to work for Nissan. Also, he sent back anyone who acted without respect to the Nissan employees to Renault. On July 7, 1999, Ghosn explained nine areas for progress based on his assessment from the previous tour in Nissan and announced a plan to form nine Cross-Functional Teams (CFTs) and their leaders. At the same time, he encouraged everyone to suggest and propose the plans directly to him or the Executive committee.

The CFTs aimed to make proposals to Ghosn and the Executive committee. The proposals covered issues of business development, cost reduction, organization and decision-making process. Each team was under the supervision of two members of the Executive committee, who are called as “Leaders” and nine middle-levels managers were selected as “Pilots” by the team leaders. To encourage and motivate the pilots, Ghosn personally invited the nine pilots to dinner and surprised them by showing his expectation and interest in their capacity. Also, he was in close contact with the pilots and made his chief of staff attend many meetings to encourage and provide advice as needed. The leaders also played as mediators between the management and the pilots. For three months of the preparation, 200 employees took a part in the CFTs and many more staff were interviewed by the teams or contributed to the teams’ initiatives. On October 18, 1999, the Nissan Revival Plan (NRP), a mid-term plan for FY 2000 to FY 2002, was announced. Ghosn and the executives promised to resign if they failed to achieve their commitments in the NRP. Soon after the announcement, Ghosn emphasized on the execution of the NRP as his first priority. To facilitate the process, firstly, he was clear about the responsibility and authority of each member of management and delegated managers to make decisions within the defined scope. Also, he introduced Program Directors (PD) from Renault, which six major car categories will be responsible for operating profit, so that the directors are more actively to work cross-functionally with all related functions. In the process of changing mindset of the people in Nissan, he brought the fact/number-based proposals and made efforts to persuade them continuously. To avoid confusion and doubts from inside and outside Nissan, Ghosn frequently communicated the Nissan’s current situations with various media and carefully delivered the messages to avoid misinterpretation. As one of the Nissan employees, Ghosn also showed his commitment by working hard unlike traditional Japanese executives. He got a nickname of “Seven-eleven” as he came to the office early in the morning and left in the late night.

4.2.3. Five cognitive trust building processes analysis

In a calculative process, trustors evaluate the rewards and costs trustees gain or pay when the trustees behave for self-interest. Renault injected 643 billion yen to acquire a 36.8% share of Nissan. This amount includes the value of Nissan and synergies that two firms will create. If Renault failed to

capture the values from the revival of Nissan, the amount they invested will be considered as cost. Also, when new management of Nissan promised to step down from their seats if the NRP failed to meet its commitments, this implicates that losing their jobs will be regarded as cost. In a prediction process, when trustees' behaviors are more predictable, trustors are more likely to think trustees are trustworthy. In terms of this process, it seems like the top management had done quite a lot of initiatives. First of all, the top management made the employees of Nissan participate in making decisions and developing and implementing the revival plans. The nine members of board of directors formed the Executive Committee which was an important decision making body. This allowed two firms to exchange the ideas and communicate important issues together. When CFTs prepared for their proposals of the NRP, 200 employees in Nissan participated and many more employees were interviewed. Also, adopting PDs gave higher authority and responsibility to the employees in Nissan, which also facilitated to work coherently with other functions. By involving in the project and cooperating more with others, Nissan employees would learn better about what the top management aimed and planned for the company and predict what will happen to the company in the future. In addition, Ghosn's open and frequent communication inside and outside would be helpful to give a clear direction to the Nissan employees where they were heading to. In an intentionality process, trustors evaluate trustees' behaviors to know if the intention and motivation of the trustees are benevolent. Ghosn's behaviors would be effective in this process. For example, before coming to Japan as COO, he arranged one-on-one meetings with 600 employees in Nissan to find the solutions and he promised to resign if the NRP's commitments were not met. These would show his strong commitments to revive Nissan to the employees in Nissan. Also, his personal touch with the pilots of CFTs would deliver his benevolent motives toward Nissan. Together with his behaviors, Renault also tried to show his approach to Nissan by bringing the managers who are willing to work for Nissan. In a capability process, the top management's ability to revive Nissan would be influential to form trust of the Nissan employees. Ghosn's successful turnaround history and hard-working style would be seen as his competency to save Nissan. Furthermore, his fact-based discussion and using logic with numbers would be interpreted as his good understanding of the business and good negotiation skills.

Section 3. SSANGYONG MOTOR AND SHANGHAI AUTOMOTIVE INDUSTRY CORPORATION

4.3.1. Overview

When Asian financial crisis hit the market in July 1997, Ssangyong Motor (“Ssangyong”), a Korean carmaker specialized in producing 4WD passenger cars, was forced to transfer 53.5% of its share to Daewoo Group which took KRW 2 trillion debt of Ssangyong. After 2 years later, Daewoo Group went bankrupt and Ssangyong was spun off. Ssangyong’s creditors planned to turnaround the company and a 3-year workout program was announced in 2001. The program was led by a well-respected CEO, Jin-kwan So who worked for Ssangyong for 30 years. Thanks to the restructuring efforts, Ssangyong achieved net profit of USD 500 million along with sales of USD 2.8 billion and captured 12.5% of domestic market in 2003. After the successful turnaround, the creditors decided to sell the company. Shanghai Automotive Industry Corporation (“SAIC”), one of China’s big three state-owned car manufacturers, became a large conglomerate through JVs with Volkswagen (“VW”) and General Motors (“GM”). Though SAIC acquired technologies in assembly and manufacturing, the company wasn’t able to design and develop complete vehicles. By following Chinese government’s vision to make SAIC one of the largest global auto manufacturers by 2020, SAIC decided to acquire global resource to develop its own brand. On October 28, 2004, SAIC and Ssangyong’s creditors group signed on a contract to transfer 48.9% of Ssangyong’s share to SAIC for USD 572 million including special agreement negotiated with Ssangyong’s union labor which demanded employment security, long-term investment commitment, and independent operation of Ssangyong. The Korean media largely reported that SAIC planned to invest USD 1 billion in Ssangyong to increase production capacity and develop new models. On March 2, 2005, a 100-day integration plan was announced combining ideas from two sides. By June 2006, SAIC had bought additional 2% of Ssangyong’s share from open market and reached 50.91% share. In October 2005, management announced the S-100 project to establish a JV between Ssangyong and SAIC in China to produce new Ssangyong cars. However, in March 2006, China’s National Development and Reform Commission (NDRC) ruled against SAIC’s S-100 project. This rule triggered SAIC to focus more on transfer of Ssangyong’s

technology and R&D capabilities. On July 10, 2006, SAIC notified the Ssangyong labor union of the lay-off plan for 19% of total employees and this resulted with 43 days of union strike. On August 30, 2006, the union action was ended after SAIC cancelled the lay-off plan and promised the investment USD 300 million annually through 2009. In 2007, management uncovered a long-term growth plan for Ssangyong and its net profit became positive. However, together with increasing diesel and gas prices and heavy dependence on diesel vehicles, Ssangyong's domestic sales dropped 68% and exports decreased 17% year-on-year. Ssangyong requested SAIC to provide emergency cash, but SAIC refused the request due to union's demand that all Chinese executive step down and their refusal about the restructuring plan. SAIC also approached Korean Development Bank ("KDB") to gain financial support, but the KDB refused additional fund unless SAIC invests. On January 9, 2009, Ssangyong filed for court receivership to restructure the company and SAIC started to divest from April 2010 by selling the share in the open market.

4.3.2. Post-acquisition integration

After the ownership was transferred to SAIC officially in January 2005, SAIC selected Zhiwei Jiang as co-CEO of Ssangyong along with existing CEO, Jin-kwan So. Jiang had worked for SAIC since 1970 and had involved in the two major JVs with VW and GM. As a vice president of SAIC, he was the representative of SAIC in the negotiations with Ssangyong's creditors. SAIC also implemented cultural integration by training Chinese managers to understand Korean culture and providing a special fund for giving gifts, a part of Korean business culture. Also, they invited the Ssangyong employees to its headquarters in China. The employees in Ssangyong also made effort to understand Chinese culture. Including Jin-kwan So, 30 senior executives studied Chinese and they became to communicate with their Chinese managers. Despite the changes brought by SAIC, the Ssangyong employees didn't seem to worry about the change because they had a promise of 100% employment security from SAIC. After announcing the first integration plan on March 2, 2005, SAIC sent Jiang and five Chinese expats who were appointed to top management position to South Korea on March 15 to take stronger control. Also, SAIC appointed Hong Chen, a president of SAIC, and Haitao Zhang, one of five expats, as members of board of directors on March 25. This resulted with

that three out of four directors were from SAIC. The employees in Ssangyong weren't happy with those personnel changes because they considered the SAIC's managers are too young and inexperienced compared to the Korean senior executives. In general, the Chinese executives lacked experiences in international and corporate-level management. Unfortunately, the diesel price increase and Korean won appreciation started to hurt the Ssangyong performance. As a result, SAIC decided to improve cost structure, but the Ssangyong labor union criticized the decision by saying that SAIC isn't fulfilling the promise about the investment in Ssangyong and SAIC instead seek the way to reduce the cost. While dealing with the challenges externally and internally, the board dismissed Jin-kwan So from his position due to his disturbance in the process of integration and appointed Hyung-tak Choi, chief of product development, as president. This shook the Ssangyong employees including Choi himself because there were more than six senior executives above him. The labor union saw the dismissal of Jin-Kwan So as a sign of lay-offs and technology transfer to China. Soon, the representatives of union made a secret trip to China to meet Maoyuan Hu, chairman of SAIC, and obtained assurance from him that SAIC will invest USD 1 billion in Ssangyong. Followed by So's dismissal, additional eight senior Korean executives were dismissed. After the S-100 project was rejected by the NDRC in March 2006, SAIC revised the plan and signed the L-Project with Choi and Ssangyong. Because this agreement allowed SAIC to access to the all technologies in Ssangyong developed model in China, the labor union angered about that SAIC only pay USD 24 million despite the R&D expense to develop the model was USD 300 million. Moreover, South Korea's Civil Collective Speculative Agency concluded that SAIC was attempting to transfer the technology, value of USD 200 million, to China at USD 24 million. In July 2006, SAIC announced a plan to lay off 19% of total employees in Ssangyong. After experiencing hard resistance from the union, SAIC dropped their plan and promised USD 300 million investment annually to 2009, which is consistent with the promise Maoyuan Hu made. From the series of devastating events, more and more the employees in Ssangyong started to question about the future of the company.

4.3.3. Five cognitive trust building processes analysis

SAIC paid more than USD 572 million to acquire majority share of Ssangyong. In a calculative

process, trustors compare the cost trustees pay to the reward trustees get when trustees put their interests prior to the interests of trustors. If the cost is higher than the reward, the trust is more likely to be formed by trustors. In the SAIC case, the Ssangyong employees would consider the invested amount by SAIC as the cost if SAIC failed to gain their trust. In a prediction process, the more predictable the trustee's behaviors are, trust is more likely to be formed. The Ssangyong's labor union obtained the special agreement from SAIC when the transaction agreement was made. This special agreement guaranteed the total employment security and long-term investment in Ssangyong, which are critical to gain sustainable growth of Ssangyong. However, the top management from SAIC broke the promise by announcing the lay-off plan and delaying the investment. This would cause a large doubt about the management's behaviors which were highly difficult to predict. To increase the predictability, the labor union visited in SAIC in China for getting the assurance of Maoyuan Hu, the president of SAIC, but the predictability was never improved as there was no change made thereafter. Also, the access to the important information was very limited to the Ssangyong employees as there was only one executive in top management and board of directors. Thus, it's understandable why the employees in Ssangyong depended so much on the promise that was made in the deal, not on the unofficial tools such as an internal decision-making system. In terms of intentionality, the SAIC's management had performed quite poorly although there were some efforts to build cultural understanding by learning Korean culture and inviting the employees to China. After announcing the S-100 project, the Korean employees interpreted the project as a tool of technology transfer and a path to losing jobs. Moreover, when the NDRC rejected the project, rushing to transfer the technology by the L-project seemed to confirm the interpretation and suspicion that the Ssangyong's employees had. Another example is the appointment of five Chinese to top management as soon as the deal was completed. Because Ssangyong had been successful to turnaround the company, the existing managers in Ssangyong were well respected in the company. The drastic change in top management and taking out the Korean representatives would be a threat to the Ssangyong employees. In a capability process, the trust is more likely to be formed if trustees regard trustors' capability meets the trustors' expectations. The Korean employees thought their Chinese management were not capable to run the

company due to lack of experiences in international and corporate-level management along with relatively young ages compared to the Korean senior executives. In the perspective of a transference process, trust is transferred from a trusted proof source to another party, which the trustors have little or no direct experience. After knowing that SAIC and Ssangyong signed on the L-Project, the labor union argued that SAIC tried to transfer the technology with a very low price. Later, this allegation was confirmed by South Korea's Civil Collective Speculative Capital Surveillance Agency's conclusion. As a result, this confirmation would influence negatively forming the trust.

Section 4. DAEWOO COMMERCIAL AND TATA MOTORS

4.4.1. Overview

Tata Motors ("Tata"), the largest manufacturer of medium and heavy commercial vehicles in India, was looking for a new partner to meet increasing customer demand and global standard, which was driven by launching "World Truck" program. Although Tata had internal technology to develop its own trucks, with engines of up to 210 horsepower, Tata sold its vehicles mainly in domestic market with only five percent in foreign sales in 2003. Daewoo Motor, the second largest automobile and truck manufacturers by the mid-1990s in South Korea, had good technologies for manufacturing high-end trucks with engines in the 210 to 400 horsepower. With the bankruptcy of Daewoo group after Asian Financial crisis in 1997, Daewoo Motor went bankrupt in November 2000. The car operations were sold to GM in November 2002 and the bus operations were sold to a Korean firm. The only remaining truck operations, Daewoo Commercial Vehicle Company ("DCVC"), sustained their presence in the market with sales of about 4,000 units a year thanks to local competitors' exit the industry after the financial crisis. In 2003, DCVC seemed to recover from the crisis and became the second largest market player with 26 percent market share in South Korea. However, DCVC's models were dated due to a lack of investment since the crisis. To introduce a new product line, the company needed investment from outside. After being selected as one of 10 firms, Tata conducted a due diligence by its own team instead using M&A consultants. During the due diligence, the team found out the preference of DCVC to be acquired by a European company which had advanced technology

and strong finance that DCVC needed. This finding also led the team to realize the acquisition isn't going to work unless DCVC accepted Tata as an owner. Soon, the team initiated a program to educate the Korean company about Tata. The key was to have good communications with Koreans, so Tata translated its bid and company material into Korean and made presentations in Korean for the DCVC employees and stakeholders. To understand more about Korean operations as a foreign buyer, Tata visited other Korean companies acquired by foreign buyers and gain confidence on Koreans' work ethics and passion. Later, this view convinced the Tata team to agree on no lay-off in the first three years after the acquisition. With the strong communications efforts, Tata was able to gain support from DCVC. In February 2004, Tata acquired DCVC at USD 102 million (own funds; 50%, loans against DCVC assets; 50%) for 100% stake and changed the name of DCVC to Tata Daewoo Commercial Vehicle (TDCV). By having support of Tata, TDCV launched new medium trucks in a decade and increased market share to about 30 percent in 2005. From 2004 to 2005, the sales and the export units were increased by 31% and 112% respectively. Also, the poor sales and service of TDCV had been improved by doubling the number of service outlets in Korea. In early 2006, despite that TDCV could repay the loan from the acquisition in full, the top management of TDCV decided to repay the half of the loan and invest USD 10 million for future production expansion in Gunsan.

4.4.2. Post-acquisition integration

As a first step, Kwang-Ok Chae was appointed as president and CEO. Mr. Chae had been in the Daewoo group throughout his entire career and served as a bankruptcy court-appointed CEO in DCVC. Ravi Kant, Tata Motor's chairman/executive director and the leader of the negotiation team, selected a team of nine managers to execute the integration. The integration plans were developed by the managers and detailed in 30-day, 60-day, 90-day and one-year plans. The policies of the integration were 1) TDCV is a Korean firm, but shareholding is Indian and 2) deep involvement is avoided and the integration will be gradually implemented. The new top management consisted of one president, Mr. Chae, two vice presidents from Tata and two most senior TDCV general managers. Mr. Chae and the two Indian vice presidents were of the same age and the oldest in TDCV. This executive management team made all policy decisions, but the major issues were handled by the team leaders

“Team jangs”, which had been existing in the DCVC structure. The 20 Team jangs played an important role to communicate with the TDVC’s employees. To ensure the TDCV’s nationality as a Korean firm, Tata sent back six of the nine integration team members to India after finishing their tasks. To reinforce the integration, Tata introduced its three key requirements to comply as a member of Tata group such as the Tata Code of Conduct. Also, Tata brought SAP’s Enterprise Management Software systems into TDCV for common information and management platform. For the performance management, Tata introduced its “balanced scorecard”. These new introductions of systems were considered as implementing Tata’s superior systems. To facilitate communication, the Indian managers took Korean language classes and some of Korean managers made efforts to learn English. Also, important information sharing was conducted in Korean and English. On top of this, Tata tried to increase cultural affinity by holding Indian nights in Gunsan. To give confidence the TDCV employees in Tata, TDCV sent the union leaders to visit Tata’s plants in India. Compared to other labor unions from the competitors, TDCV achieved a wage negotiation without having a strike. For the effective integration in design, the product development teams in India and South Korea were integrated into one and the design work was divided in two countries based on expertise with allowing regular visits each other. To build transparency and fairness in R&D exchange, Tata verified the works done by TDCV and paid the prices for the works using external consultants.

4.4.3. Five cognitive trust building processes analysis

Tata had been very careful to plan the gaining trust from DCVC since the moment that they were not welcome by DCVC at the bidding process. It’s hard to evaluate the effect of trust building efforts Tata made before the transaction was completed, but it’s assumable that these efforts didn’t play negative roles on the process of trust development after the integration plan was implemented. First of all, in a calculative process, trustors evaluate the costs or rewards that trustees pay or gain if the trustees behave against trustors’ interests. If the trustors evaluate there are a lot more to pay than gain by the trustees, the trust building is more likely to develop. The financial commitments that Tata made can be interpreted as cost that Tata should pay if Tata failed to achieve the potential synergies from the deal. In this case, the payment of acquisition and investment in future expansion and IT

system will be considered as the cost. In a prediction process, trustors are more likely to develop trust when the trustors can predict trustees' behaviors. The TDCV's employees had a guarantee of job security in the next 3 years after the deal was finished. This provided the clarity about the new top management's behavior in the near future in terms of organizational changes. Also, keeping the old "Team jangs" structure helped the employees of TDCV involving in the major issues, so the employees could know what was happening in the newly changed company. To overcome the language barrier which affects the quality of communication, all the important information and meetings were conducted in both English and Korean. This showed the access to information wasn't restricted and the TDCV employees could know the important issues in the company. Also, the decision to invest in future expansion and systems gave a sense to the TDCV employees, which is what TDCV planned for their future. In an intentionality process, trust is more likely to be formed when trustees' behaviors are considered benevolent to trustors. By adopting a new policy that the TDCV is a Korean firm, Tata put this policy into actions. For instance, Tata appointed Korean CEO and tried to minimize its involvement in the operations of TDCV by sending the Indian managers who completed their jobs in TDCV back to India. In addition to this, TDVC's new management made efforts to foster cultural understandings by learning Korean languages and holding Indian nights, which can be interpreted as respect and openness to learn from each other. In a capability process, trustees need to prove their abilities that meet trustors' expectations. DCVC had a highly hierarchical organizational structure, and therefore the serving years were considered equally to the level of experience and competency. To apply this culture, Tata sent two Indian vice presidents who were as old as the Korean president was, and the all three were the oldest in TDVC as well. As Tata was not known among the TDCV employees, it was crucial to prove that Tata is superior in some areas than TDCV and Tata can provide this superiority to help growing TDCV. To show Tata's abilities, Tata invited the representatives of labor union to its much larger production site in India and introduced new IT and management systems to TDCV.

Table 4. Summary of Five Cognitive Trust Building Processes in the Four Cases

	Calculative Process	Prediction Process	Intentionality Process	Capability Process	Transference Process
Mitsubishi Motor and Daimler-Chrysler	(+) Price paid for the stake	(-) No Japanese management (-) Lack of communication (-) Poor execution of the integration (-) Information sharing was restricted	(-) High reliance on the DaimlerChrysler managers (-) Daimler Chrysler managers' arrogant attitude and lack of commitment (-) No single Japanese management in top positions	(+) Eckrodt's Successful turnaround experience (-) Lacking clear and well-defined goals (-) Too soft leadership (-) Lack of support from Germany (-) Poor execution of the integration	
Nissan Motor and Renault	(+) Price paid for the stake (+) Personal commitment of top management	(+) Build a supreme decision-making body consisting of Nissan and Renault (+) Endorsement of proposals and implementation to CFTs and PDs (+) Transparency through communications	(+) Ghosn's one-on-one meetings with 600 employees in Nissan (+) Personal commitment of top management (+) The Renault managers based on the capabilities and willingness to work for Nissan (+) Ghosn's personal touch on the Nissan managers	(+) Ghosn's successful turnaround experiences (+) Ghosn's hardworking style (+) Fact-based discussion and logic using numbers	
Ssangyong Motor and Shanghai Automotive Industry Corporation	(+) Price paid for the stake	(+) A special agreement in no lay-off and long-term investment (+) Assurance by the SAIC's president on	(+) Fostering cultural understanding (+) Inviting the Ssangyong employees to its headquarter in China	(-) Relatively young and inexperienced Chinese top management	(-) South Korea government agency concluded on attempts to transfer the technology to China

		<p>investment</p> <p>(-) Breaking the special agreement (Lay-off and delaying the investment)</p> <p>(-) Unfulfilled the promise by the SAIC's president</p> <p>(-) Only one executive in top management and board of directors</p>	<p>(-) Projects in China with using the Ssangyong technology</p> <p>(-) Five Chinese appointed to top management positions</p> <p>(-) Dismissal of the respected CEO and senior executives</p>		with very low price
Daewoo commercial and Tata Motors	<p>(+) Price paid for the stake</p> <p>(+) Additional investments</p>	<p>(+) A guarantee of job security</p> <p>(+) Teamjang system continued</p> <p>(+) Information meetings conducted in both English and Korean</p> <p>(+) Additional investments</p>	<p>(+) Integration policies; Korean firm, minimizing involvement by Tata</p> <p>(+) Fostering cultural understanding</p>	<p>(+) Two Indian VPs were the oldest along with the Korean president</p> <p>(+) Introduction to new IT and management systems</p> <p>(+) Inviting representatives of labor union to Tata in India</p>	

CHAPTER 5. ANALYSIS ON THE LEVEL OF IMPORTANCE OF FIVE COGNITIVE TRUST BUILDING PROCESSES AND KEY FINDINGS

To answer my last two questions, 1) the role of the degree to which each process influences the development of trust and 2) similarities and differences in influencing factors between Japan and South Korea, I will use the summary of five cognitive trust building processes described in Table 4. As mentioned in Table 2, Japanese societies are more likely to be influenced by a prediction process and a capability process in the development of trust. On the other hand, Korean societies are most likely to be influenced by a prediction process in the trust building and more likely by an intentionality process and a transference process. Though I found that it's hard to measure what degree to which each cognitive trust building process influence the development of trust, it's observable that what changes were implemented by top management from acquiring companies, which are related to the five processes. For example, in the Japanese cases, it seems like that the top management made changes mostly in terms of a prediction, an intentionality and a capability processes and, in the Korean cases, the top management had implemented changes that are associated with a prediction and an intentionality processes mainly. Considering the importance of each cognitive process in each country, it's interesting to see how the results of integration could be turned out in the four cases. For instance, the Ssangyong employees continued to fight with the top management from SAIC to protect their employment which was highly regarded as a sign of predictable future. In regard to the importance of a prediction process in the development of trust in South Korea, SAIC couldn't be successful to gain trust from the employees in Ssangyong unless SAIC deliver the promise they made at the deal.

On top of that, it's also notable to see what specific influencing factors play in the development of trust in Japan and South Korea. In a calculative process, the financial commitment in the form of investment and top management's personal commitment can be good factors to influence the process of trust building. Especially, the additional investment after paying the deal price would be a good way to show future commitment. In terms of a predictability process, it seems improving communication and sharing information are important to avoid uncertainty from the changes. Also, locating the enough

number of executives from acquired companies in top management positions would facilitate the information sharing to the bottom in the acquired companies. In addition to this, it's notable to see that how the Korean employees demanded an agreement with the acquirers for protecting employment which can help giving stable future forecast in their organizational changes. Moreover, the Korean employees conflicted with the new management when the agreement was broken and tried to bring the agreement in place. In an intentionality process, the dominance of the acquirers in top management positions doesn't seem to deliver a positive message to the employees in the acquired companies because there is little possibility that the interests of the employees will be represented and accepted in the course of decision making. Also, paying respect to the employees in the acquired companies seems important as benevolent behavior. Furthermore, it's interesting to see that Ghosn tried to use his personal touch to the Japanese CFTs managers when he expressed his passion in Nissan while SAIC and Tata made efforts to express their benevolence by improving national cultural understanding. In a capability process, the employees in Nissan and Mitsubishi seemed to evaluate their new leaders by the integration performance. For example, Ghosn was considered as a strong and competent leader whereas Eckrodt was a weak and incompetent leader. However, the employees in Ssangyong thought their Chinese management was incompetent because their previous background was not enough to manage a global firm like Ssangyong. In the case of TDCV, Tata sensed the rigid seniority system in DCVC and sent two Indian vice presidents who were the oldest ones along with the Korean president. Also, it's noticeable that the TDVC employees evaluated Tata as a firm which is demonstrating superior systems rather than evaluated the traits and performance of new top management. Relatively, a transference process wasn't detected much in my analyses except for the case of Ssangyong and SAIC. In the case, a transference process didn't seem to play a major role in the trust building process but more likely to reinforce another process such as an intentionality process. For instance, the Ssangyong employees had suspicion about the technology transfer to China by SAIC(Intentionality) and later this suspicion was confirmed by a third party (Transference).

Table 5. The Influencing Factors on the Five Cognitive Trust Building Processes

Country	Cultural dimension	Calculative process	Prediction process	Intentionality process	Capability process	Transference process
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Japan	The degree of importance on the trust building based on cultural dimensions	2	3	2	3	2
	Influencing factors	Financial commitment Personal commitment	Number of Japanese executives in top management positions Communication & Information access Endorsement to subordinates	Power balance in top management positions Commitment of managers from acquiring companies Personal touch and commitment by top management	Successful turnaround history of top management Giving directions and leading the changes with strong leadership	N/A
South Korea	The degree of importance on the trust building based on cultural dimensions	1	4	3	2	3
	Influencing factors	Financial commitment Additional investment	Employment security Number of Korean executives in top management positions Continuing previous system Information sharing	Improving cultural understanding Inviting the employees in acquired companies to HQs Power balance in top management positions Respect the identity of acquired companies	Experiences based on seniority Introduction to the advanced systems Inviting the employees in acquired companies to HQs	Proof by governmental bodies

CHAPTER 6. CONCLUSION

To realize the value of the acquisition, successful integrations between the acquiring companies and the acquired companies are crucial through effective leadership. The performance of the effective leadership depends on the degree to which the employees in the acquired companies trust in top management from the acquiring companies. In the process of trust building, one of factors influences the process is propensity to trust of trustors. Throughout my research, I focused on the propensity to trust based on national culture and explained how national cultural differences influence five cognitive trust building processes. To be specific, applying the national culture dimensions of Japan and South Korea to the trust building processes, I observe how this relationship can play in the four post-acquisition cases. After analyzing the cases, I found out what practices by top management would influence the trust building process with the employees in the acquired companies (Table 5). For the managers who work in the companies looking for future investment opportunities in Japan and South Korea, my research offers some insights in terms of nation-specific factors in the trust building process. In South Korea, employment security seems highly critical considering the employees put this on the deal agreement and fought to fix the problems when the agreement was broken. In the selection of new top management, Koreans tend to evaluate their new top management by seniority while Japanese tend to consider the actual performance of the top management in course of the integration execution. For the managers who seek opportunities in South Korea, it will be necessary to check whether the employees in the acquired company consider the job security as a priority issue if your company can't offer a such promise. In regard to the appointment of new management, age and years of experience should be considered along with candidate's capabilities. For the managers who look for new opportunities in Japan, it would be suitable to appoint new top management who can drive the changes with strong leadership.

Together with my suggestions above, it's important to understand that my research has limitations. First of all, the four cases are all from automobile industry where strong labor unions are well-known. For example, the practice of guaranteeing employment could be still valid in some of

manufacturing industries, but it couldn't be applicable to other industries such as service industry in South Korea. Also, I researched only four cases, which means that the findings can be different or reinforced by additional cases. Lastly, the cases happened in early 2000. In the perspective of 2018, almost 20 years later, the practices may be outdated and the perceptions the employees have can be different after experiencing more globalized environment.

For the future research, it would be interesting to see how national culture of acquiring companies influence the integration strategy. In my research, Tata and SAIC were sensitive to learn the cultures of acquired companies while Renault and DaimlerChrysler were not. Also, the Renault managers treated the Nissan employees with respect, but the DaimlerChrysler managers were criticized by the Mitsubishi employees due to their arrogant attitude. This study would benefit the managers from acquired company to understand potential acquirers' integration strategy which becomes one of considerations in the course of buyer selection.

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