



# Case Study: Oil and Wasser

May 22, 2010  
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## Background Information of the Case Study

### Merger between Royal Biscuit Company and Edeling GmbH

Two companies coming together and creating the world's second-largest consumer food business:

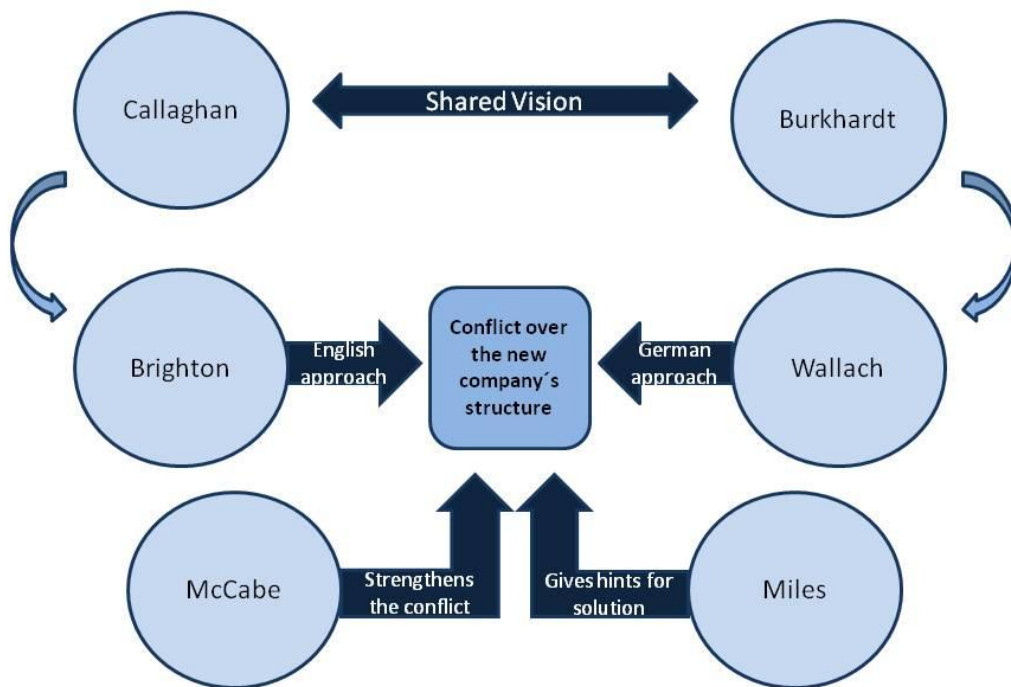


Time situation: In this case study the HR-Managers of Royal Biscuit and Edeling GmbH have less than one week of time to create list of the leaders for the new merger.<sup>1</sup>

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<sup>1</sup> The graphics is based on the case study material.

## Characters



### Michael Brighton

- Has been the HR-Manager of Royal Biscuit over five years.
- Is not used to receiving critiques from his boss.<sup>2</sup>
- Is very unsatisfied with the planning approach of his partner Wallach.
- Avoids open cultural problems discussion with Wallach at first, but then offends him.
- Is ready to make decision based on intuition and feelings.
- His planning approach is: Make a plan and then make it perfect during the implementation.
- Is not ready to give up parts of the corporate culture and replace his co-workers with German managers from Edeling.
- Has a negative opinion of Germans as leaders and seeks for confirmation of negative stereotypes about the Germans.<sup>3</sup>

<sup>2</sup> Case study material: page 1, paragraph 4: "Brighton had never been on the receiving end of his boss's fury,"

## **John Callaghan**

- Is the CEO of Royal Biscuit Company.
- Is a straight-forward speaker and thinker.
- Has a strong temperament.
- Is goal-oriented and performance-oriented.<sup>4</sup>
- Seems to be able to think globally without cultural influence but does not see that his employees are not. He does not try to solve the intercultural issues in this merger.

## **Anthony Miles**

- Is the Marketing Manager of Royal Biscuit.
- Is avoiding conflicts.<sup>5</sup>
- Lived in Germany and had a German girlfriend, and therefore has experience with both cultures – the German and the English. He is able to see it from both perspectives.

## **Dieter Wallach**

- Is a very careful decision maker.
- His decisions are based on previous broad research and analysis and different perspectives.
- Is seeking for consensus of all parties that are involved.
- Has a strong focus on detail.
- His planning approach is: Make a perfect plan that does not need improvements afterwards and meets with agreement from all parties beforehand.

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<sup>3</sup> Case study material: page 4, paragraph 2: “And perhaps this is not so much your fault as it is a Teutonic tendency,” paragraph 6: “He’s stubborn and incredibly process driven, and –well, just so German.”

<sup>4</sup> Case study material: page 1, paragraph 4: “a self-made billionaire”

<sup>5</sup> Case study material: page 1, paragraph 3: “He raised his eyebrows and quickened his step.”

- Is not ready to give up parts of the corporate culture and tradition.
- Wants Brighton to understand and appreciate the Edeling's successful tradition and history.

### **Heinz Burkhardt**

- Is the CEO of the Edeling GmbH.
- Is ready to compromise.
- Supports the Callaghan's vision.

### **Andrew McCabe**

- Is a Quality Assurance Engineer of Royal Biscuit.
- Is seen as a reliable and a friendly co-worker in the company.
- Has no tertiary education. He collected experience with the typical English model of learning-by-doing.
- Fears that Germans with tertiary education will take over his job.

## **Analysis**

### **Identification of the Problem**

There are a few problems which should be discussed and analyzed further. Going through a merger is always a very difficult situation that brings many challenging and uncertain stressful moments. It is widely known that only a small number of all mergers and acquisitions can survive the first year. But in order to survive, managers of the merging companies must cooperate more than excessively and fight for creation of a new and better environment. When well managed, mergers will bring production efficiency, improvement of capabilities and furthermore a competitive advantage.

Royal Edeling did some things horribly wrong. First of all, the merging firms had different and very strong corporate cultures, in addition they originated in different countries. The HR-Managers and the CEOs lacked intercultural experience which would normally help them to overcome the cultural

issues or even identify the cultural problems. Due to the lack of intercultural inexperience, the German and English managers and the employees were single-minded and saw negative stereotypes about each other as sources of an absolute truth. This made a friendly and well-going cooperation impossible. The HR-Managers and other employees on both sides feared for their jobs and for the company’s future. Although the CEOs were assuring media, employees and investors that the merger will be successful and nobody will be disadvantaged.

Examples of negative stereotypes and differences in English and German managerial approaches and values will be presented and explained in the following.

### English and German Approach to Business

The approaches mentioned below are my conclusions based on a broad research on the internet and on the case study material. All sources will be listed in the section of resources at the end of the paper. This graphic does not say that all Germans and English behave that way.

German	English
<b>Management Style</b>	
<ul style="list-style-type: none"> <li>▪ Management is a science.</li> <li>▪ Managers are chosen on behalf of expertise and are mostly technicians or engineers with tertiary education.</li> <li>▪ Recruitment of young managers is based on high studying performance and internships with outstanding recommendations.</li> <li>▪ Tradition-oriented approach. They stick with successful processes and strategies.</li> <li>▪ Concentrate on very detailed planning.</li> <li>▪ They tend to be rather risk-averse.</li> <li>▪ German approach enhances teamwork and individual performance at once.</li> <li>▪ Germans are rather process-driven.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management is an art.</li> <li>▪ Managers have developed social and communication skills and high emotional intelligence, no tertiary education is required. Learning on the job is preferred.</li> <li>▪ Recruitment of fresh graduates who are then trained in-house to get adapted to corporate culture easily.</li> <li>▪ Flexible and creative approach.</li> <li>▪ Planning is more spontaneous.</li> <li>▪ They are ready to take risk.</li> <li>▪ English approach is like the American one very individualistic, nurtures healthy competition among individuals.</li> <li>▪ English are rather result-driven.</li> </ul>

Negotiating	
<ul style="list-style-type: none"> <li>▪ They are trying to identify common goals and objectives.</li> <li>▪ Appointments are made for almost everything.</li> <li>▪ They develop a very detailed schedule for the meetings and want to stick with it.</li> <li>▪ Their talking is highly fact-oriented.</li> <li>▪ Straight-forward and direct communication.</li> <li>▪ They are good in making and taking objective criticism.</li> </ul>	<ul style="list-style-type: none"> <li>▪ They want to assure that their goals and objectives have been stated.</li> <li>▪ Appointments are made only for important meetings.</li> <li>▪ They do mostly not have detailed schedules for meetings because they see meetings as places of open discussion.</li> <li>▪ Small talk is part of the meeting.</li> <li>▪ Rather indirect communication, conflict avoidance.</li> <li>▪ They are not good in making and taking criticism.</li> </ul>
Decision Making	
<ul style="list-style-type: none"> <li>▪ They make only rational decisions based on facts.</li> <li>▪ They seek for consensus from all stakeholders before making a decision.</li> <li>▪ Contract must be perfect before signing.</li> <li>▪ Slow decision making, everything must be discussed very carefully with all parties.</li> </ul>	<ul style="list-style-type: none"> <li>▪ They make rational decisions mostly but they sometimes let the intuition take over.</li> <li>▪ They tend to seek for consensus after a decision was made.</li> <li>▪ Contracts can be slightly changed after signing. They are seen as “statements of intent”.</li> <li>▪ Spontaneous and cautious decision making. They are ready to make partial agreements.</li> </ul>

### **Stereotypes about the German and English**

As I said above, one of the main problems of the merger is the stereotyping of British and English people. Stereotypes are defined as conceptions or opinions of specific group of people. These stereotypes say that all people in that group have the same specific characteristics and behave the same way. People make stereotypes to simplify their environment and to make strange situations easier to understand.<sup>6</sup> The problem is that most of all stereotypes are not true and do not fit to the

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<sup>6</sup> Mandy Barrow, British Life& Culture: <http://www.woodlands-junior.kent.sch.uk/customs/questions/stereotypes.htm>. May 25, 2010. 00:46.



most of members of a specific group. Positive stereotyping can be sometimes helpful but negative stereotyping is, like in our case, destructive. I think that a list of a few examples of British and German stereotypes will support my further analysis of this case. Again, all sources are listed in the section of reference.

### German stereotypes

Germans “are”/”do”:

- Cautious.
- Very serious, with no sense of humour.
- Unfriendly towards foreigners.
- Like to control everything and everyone and like being controlled.
- Dependent on detailed structure, processes and rules.
- Heartless and cold.
- Prudent.
- Scrupulous.



### English stereotypes

English “are”/”do”:

- Sarcastic.
- Having a strange sense of humour.
- Extremely polite.
- Risk-taking.
- Very conservative.
- Avoiding criticism at all case.
- Too much relaxed.
- Too self-confident.
- Reserved in manners, dress and speech.
- Snobbish.
- Lazy to learn foreign languages.
- Interested only in weather.
- Stiff and prudish.



## Main issues

The decision of Royal Biscuit Company and Edeling GmbH to build a merger was based on a vision of two men, the British CEO Sir John Callaghan and the German CEO Heinz Burkhardt. The possible outcomes of a successful merger were more than tempting – large market share and global profits. The two men were global thinkers and were driven by a vision of two food companies becoming one. And maybe it was their global thinking that hindered the merger from becoming a reality.

The CEOs ordered their HR-Managers to develop a programme of the new company's structure together. But after three months of planning no real decision was made and the programme proposals were unsatisfactory.<sup>7</sup> The HR managers, Michael Brighton and Dieter Wallach, were unable to come to a decision. Brighton complained that Wallach had been slowing the whole process down because of the urge to meet all over again and discuss all the details repeatedly without ever being prepared to make a conclusion.<sup>8</sup> Wallach did not feel informed and prepared enough to make a decision and wanted Brighton to appreciate and to understand the long history and organizational processes of Edeling. Wallach stressed on gaining of additional perspectives in order to be able to come to an agreement.

The two different proverbs that are presented in the case study nicely demonstrate that there are significant culture differences on the national and corporate level. The German say 'What's the use of running if you're not on the right road?'. The English say 'Any port in a storm.' This basically means that the Germans concentrate on development of the right base and then as a consequence develop a perfect plan of action. On the other hand, the English are ready to develop any plan if they suffer from a great time pressure. The plan can be later improved and worked on further.<sup>9</sup> So the national differences in culture are quite big. A list of some significant differences was made above. I will take one example again – the background of managers. In Germany managers are experts with a scientific approach to leadership, they gain respect through having an expanded knowledge about the field of study they work in. English managers are communicative people with strongly developed social skills and high emotional intelligence. They see leadership as a soft skill and often do not have any tertiary education. They gained their experience through learning-by-doing on the job. One can see that this

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<sup>7</sup> Case study material: page 1, paragraph 2: "You've had over three months to put together a coherent program, not a mishmash of features culled from warmed-over HR presentations!"

<sup>8</sup> Case study material: page 1, paragraph 4: "If Dieter weren't such a stickler for process, we would have been a lot further along,"

<sup>9</sup> Case study material: page 2, paragraph 9 and 10.

difference in education and recruitment of managers brings one significant problem to the merger. How can the two companies find a common objective evaluation on managers' quality and expertise when there are no common basics? How can you compare apples with bananas?

Furthermore, there are rapid differences in the corporate culture. Edeling GmbH is a 120 years old company driven by tradition and modesty. Royal Biscuit Company is a very modern firm that puts stress on creativity, innovation and quick adaptability to the changing environment. Both companies have been very successful with their strategies so that one cannot say that the one or the other approach is bad. The worst issue due to the cultural differences is the single-mindedness of both parties. As said, both companies were successful with their own strategy, which means that they regard their own solutions as the only way to success and as the best solution ever and want to stick with it. They have to make compromises. Otherwise, it is as if they wanted to learn how to swim without getting wet.

The next difficulty lies in the strong differentiation between "them" and "us". The German and the English employees regard each other as the worst competitors who want to take over each others' jobs and destroy what the other had been building for so many years. They keep in mind all the negative stereotypes about Germans and English and consciously or unconsciously look for their confirmation. They develop a distrustful attitude from the beginning and stop trying before they even start fighting. Both parties complain that the other "don't think, act, work, or manage" like they do.<sup>10</sup> This is partly a problem and partly a solution. They see that they are different but they complain about it and do not try to accept it and find a common ground. Although British managers value diversity, in this case the differences are seen as something bad and contra-productive. An intercultural training and explanation of advantages of cultural diversity will help to solve this issue.

The last main issue I was able to identify concerns the CEOs and the HR managers. As said above, the CEOs see the global vision and do not accept or see the fact that their employees might have difficulties with finding a harmony between the two different cultures. On the other hand, one can see that the HR managers who have to develop strategy of the new firm are not able to think globally and cannot free themselves from the cultural prejudices. The CEO of Royal Biscuit, Sir Callaghan, displays open threats to the managers because they do not meet his expectations but he fails to provide them with hints and tips about intercultural communication and conflict solution. Their failure is his failure. Mr Callaghan should have been the one telling them a story about two

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<sup>10</sup> Case study material: page 6, paragraph 1

perspectives. The end of the case study shows that Miles' story about his girlfriend and the statement of the fact that the Germans think about the British like the British do about Germans opened Brighton his eyes and made him realize that the cultural problems must be addressed and solved.

## Solutions

Possible solutions to the main issues presented above will be outlined here.

### 1) Managerial 1-day-training on intercultural communication

- For all German and English managers.
- Goals are:
  - To learn to accept cultural differences
  - To learn how to handle cultural differences
  - To make managers aware about and sensitive to the issue

### 2) Cultural newsletter for all employees

- Develop and send a cultural newsletter to all employees regularly.
- The newsletter could contain:
  - Tips considering intercultural communication
  - Interesting aspects of German and English culture (national and business culture)
  - Outline not only the differences but also what they have in common
- Goals are:
  - To make both nationalities familiar with each other
  - To destroy wrong stereotypes
  - To neutralize the fear of strange foreigners and unknown environment

### 3) Intercultural communication and conflict trainer for Wallach and Brighton

- Concentration on these two managers is unavoidable because they have been ordered to develop a new programme for the new structure.
- The trainer will attend all their meetings and telephone conferences and objectively comment on any cultural difficulties or mistakes he will observe.
- Goal is:
  - To help the two managers to overcome the prejudice

### 4) Development of new organizational culture with the help of a merging method

- Take the two corporate cultures and analyze them

- Find differences and common values and goals
- Analyze and compare all process and rules of both companies
- Objectively assess all steps, objectives and procedures
- Take the best practises from both companies and add these to the new company's culture and principles
- Develop common evaluation and assessment procedures for HR and production.
- Communicate changes with all employees strongly and quickly
- Explain the necessity and advantages of the change
- Goal is:               To create the advantage of a merger – enhance your capabilities and create a better and a more competitive organization

### **Recommendations**

If Royal Biscuit Company and Edeling GmbH want to succeed despite all the difficulties they will have to adopt at least three of the recommended solutions above. It is necessary for all managers regardless the management level to have a basic training in intercultural issues. Although the training on culture has been discussed and seen as important during the last few years, many people still think that it is not needed. With my experience I can say that they are wrong. If the topic is not discussed one is not aware of the issues and makes unnecessary mistakes which actually can destroy new business opportunities, for instance a merger. The training should take place in London and all managers should attend at once. When the Germans and the English will be trained together they will meet and get the chance to use the freshly gained knowledge in practise.

One of the hardest tasks of management is assurance of a communication flow to their employees. In a merger situation this becomes even more important. The cultural newsletter gives both companies a cheap chance to talk to all employees and keep them informed about the merger and about the secrets of the Germans and English. Most employees appreciate it when they receive informative newsletters regularly and feel more committed to the company. If the newsletter is designed properly and contains interesting information, the employees will learn that those "bloody" Germans are not evils at all and that the snobbish English with weird sense of humour are just ordinary people who like to laugh.

The most important solution though, is the one that will make the merger work. As said before, the two companies have very strong but very different organizational cultures. No party is ready to leave all their successful strategies and procedures behind and adapt to the other one. Therefore, a

compromise is necessary. The CEOs refer to the merger as a one “of equals”. It will be a “merger of equals” only when both parties take the best from their old system and adapt it to the new one. I recommend the companies to take the “merging method” where they objectively assess all procedures and values of both companies together and then again based on objective measures create a new organizational structure. This method is complicated and takes a lot of time into account but it is a fair-play that enhances an improvement of the competitive advantage.

The intercultural communication trainer for the HR managers must not be employed. The managers should know what to do. It will be assumed that they went to the 1-day-training on intercultural communication. But since these two people really have to cooperate well in order to develop a basis for the merger, I think that an extra support should be provided. What will the rest of the solutions help if they fail on the programme again?

## Summary

All mergers are difficult. The international ones even more. The Royal Biscuit and Edeling GmbH have many problems to solve on their list.

- Significant differences in national and corporate culture
- One-perspective thinking of key managers
- Stereotyping about German and English workers
- Lack of intercultural experience
- Uncertainty and fear among employees and public due to the merger

The solutions to these issues are simple and effective when implemented with diligence. The solutions encourage communication, discussion and cultural learning.

The recommended solutions are:

- Training on intercultural communication
- Culture newsletter for employees
- Intercultural trainer for key managers
- Compromise and development of a new even more powerful organizational culture

Communication is about honesty and trust. Both parties must accept the difference and see it as a part of their every-day life. With help of the right communication tools the differences can be turned into advantages and can bring significant and creative improvements into the organization. If both organizations implement solutions recommended above they should be able to meet the deadline of

June 1 for the programme and make a big step into being a world's second-largest consumer foods business.

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Picture: The German

<http://www.fotosearch.com/bthumb/FSP/FSP549/656030.jpg>

Picture: The English

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