



Ca' Foscari
University
of Venice

Master's Degree programme

in Languages, Economics and Institutions of Asia and North Africa –
Language and Management to China
“Second Cycle (D.M. 270/2004)”

Final Thesis

Meta-analysis of post-acquisition integration: a comparison of three cases

Supervisor

Ch. Prof. Andrea Pontiggia

Assistant supervisor

Ch. Prof. Franco Gatti

Graduand

Anastasia Fallena

Matriculation Number 865811

Academic Year

2017 / 2018

Acknowledgements

I would like to thank my supervisor, Professor Andrea Pontiggia, who has been an inspiration to me during these studies, giving me plenty of courage and motivation, and my assistant supervisor Professor Franco Gatti, for his kindness and helpfulness.

A special word of thanks to my whole family, particularly to my parents, my sister and my brother, who have always been my strongest support in all these years. I owe everything to you, and to all of you I dedicate my last achievement.

I also want to thank all my closest friends, and all my dearest friends from China, for their endless support and encouragement.

Last but not least, I want to thank Fengjie, who has always been my rock the last two years. Despite the distance between us, you have always been there for me, giving me much strength to achieve my objectives.

前言

兼并与收购（并购）的现象已成为全球化战略中最受欢迎的进入国际市场的模式之一，特别是最近十年。全球市场竞争的加剧，跨国企业全球化进程的加速，整合与多元化的需求，等因素，使得并购成为国际市场上竞争公司的紧要的一步。兼并和收购有利于企业扩大市场份额和提高利润率，而且是推动企业飞跃发展的重要助力。

中国公司也越来越在跟随这个趋势。在过去几十年中，中国公司一直在进行大量的投资交易，其中大部分是针对西方发达国家的：仅 2016 年，中国对外直接投资的总量达到 1,810 亿美元的最高峰，而其中 1110 亿美元为并购交易。中国公司的巨大投资趋势不仅针对市场份额扩张或全球化战略，也包括获得主要商标和战略专利技术及核心能力。中国政府对企业追求的目标有至关重要的影响。通过中国企业“走出去”的战略，政府鼓励中国企业去国外追求这些战略目标，寻找新的投资机会。2015 年发起的《中国制造 2025》项目是中国政府重大战略计划的行动纲领。

《中国制造 2025》计划的目标是让中国在十个高科技制造业，包括包括机器人、先进医疗技术、航空航天工业、农业机械和制药工业、半导体和新能源汽车等领域，达到国内外的主导地位，且具备国际竞争力，并进入世界制造强国前列。

本文第一章分析并购现象。调查了并购运作的背景和性质；参与此类交易的原因；公司合并带来的好处和价值。

第二章探讨中国境外投资产生的背景。首先概述过去三十年中国经济发展的简史；接着确定导致中国经济现状和国际地位的原因以及中国政府推行的政策和发展计划；然后对中国国有企业（SOEs）和私营企业（POE）从事的投资进行比较，以分析政府对中国境外投资的重要性；最后，简要分析了推动中国投资的目标。

第三章深入分析并购过程。介绍了交易不同阶段的特征，重点关注交易本最相关的阶段，即收购后的整合过程。许多研究人员认为这一阶段对于实现并购的成功至关重要，因为在这个阶段中大多数变量整合在一起对协同效应和价值创造造成一定的影响。在分析了整合过程与交易成功之间的关系后，结合研究人员先前的研究，本文研究和分析了各种整合方法，即公司合并时所使用的不同方法。本文证明了在整合过程中文化的重要性，以及在收购过程中不同的整合水平如何产生不同的结果：每个并购活动都需要不同的方法和不同的整合水平，这取决于文化方面和战略方面。在此结果基础上，本文分析了以前文献所研究的不同文化维度，并对其进行了整理和深入分析，以便了解国家文化和企业文化与在该国经营的公司业绩之间的关系。

在第四章中，在确定西方和中国媒体报道差异的一些因素后，并对三个案例进行了单独分析和比较。在一项荟萃（meta）分析（其分析方法在下一章中进行介绍）中旨在研究两个不同的方面：第一部分包括公司对并购目标的研究，中国投资者对整合方面的重视，以及他们如何管理整合过程以实现成功的并购；第二部分分析西方和中国观察者如何解释和描述与收购相关的目标和整合方面，他们的观点处于不同文化环境下是否更加分化，以及分析从收购前到收购后的阶段他们的观点随时间发生怎样的变化。本节的目的是分析这些观点在中国和西方国家之间的变化程度，以及

两种文化背景之间是否可以找到共同的观点。特别是，相对其他两个案例第一个案例研究拥有较长的历史，本人观察多年来的意见变化，以便将并购现象的解释与并购本身的表现进行比较。

吉利收购沃尔沃的第一个案例研显示，从并购前到并购后，之后的整个时期的舆论发生了戏剧性变化。在初期，此次收购遭受西方媒体的严重批评，并且在瑞典引起了广泛担忧。沃尔沃是瑞典工业的象征之一，具有悠久的历史 and 传统。沃尔沃在福特所有权下长期经受着巨大亏损，而被一个在汽车行业仍是新成员的中国小公司收购，成为该公司垮台的最后一根稻草。欧洲媒体表示对技术转让和技术诀窍的担忧，而在瑞典更多的是担心失业，或者沃尔沃将成为一家低质量汽车制造公司。沃尔沃不断上涨的利润证明这个并购已是举世闻名的成功案例。事实证明，中国吉利的“轻触”整合方法确实是正确的选择。本章深入讨论了这个战略选择，是如何实施的，以及如何说服欧洲媒体中国的“弱小”吉利有并购和管理“强大”沃尔沃的能力。事实上，在收购一段时间之后，瑞典媒体的看法开始逐渐出现积极的声音。中国媒体同样在最初担忧，吉利是否有能力管理沃尔沃这样的大公司。媒体怀疑吉利缺乏国际市场经验，或者吉利收购几乎失败的沃尔沃是否能实现盈利。无论如何，与西方观点相比，中国人的担忧更微妙和间接，他们无一例外在收购显示成功后表现出一定的宽慰。

第二个案例研究是一个更具争议性的案例。这次关美的收购库卡，库卡是德国机器人珍珠和德国“工业 4.0”的骄傲。此次收购发生在不同的背景下。首先，它是关于一个健康的公司（不像几乎失败的沃尔沃），并在一个高度战略的部门经营；其次，它是一个高增长的潜在产业部门，是中国政府战略计划的对象，如“中国制造 2025”计划。此外，美的收到了一些批评，因为从去年以来它的整合战略突然发生了变化。在收购之前

德国库卡被说服接受美的收购，中国同行承诺不干涉库卡业务或不允许技术转让，情况在 2018 年突然发生变化，美的对库卡的整合态度突然开始加速，德国媒体和投资者感到非常恼火。通过制定旨在促进两家公司之间合作的联合发展计划确实加速了整合进程，这样质疑技术转让的承诺。并且同时中国经济增长开始放缓，从而威胁到库卡的未来。自德国政府启动旨在控制未来外国投资的新保护主义政策以来，中国一直在努力降低德国的担忧。

第三个案例研究是中国化工集团收购先正达。这项交易在完全开展之前遇到了许多困难。此次收购发生在美的收购库卡的同一时期，这是一个严格贸易保护主义的时期，欧洲往往对入境投资有更多的控制权，而中国倾向于将其境外投资用于更明确的目标。此次收购采取了双管齐下的战略：一方面旨在通过改进目前生产率较低的技术和农业实践，来解决中国境内粮食安全的问题；另一方面旨在开发全球农业先进技术。该计划旨在通过购买或控制全球最关键的食品来源，确保中国和世界其他地区的食品供应充足。中国公司又一次接近此次收购，承诺采取不干涉的策略，从而避免了欧洲同行的抵制。两家公司之间互补关系、业务范围不交叉和两者之间竟然关系不强，促成了一种非一体化但强有力的合作，促进了双方在各自领域的发展。先正达拒绝了美国孟山都公司而选择中国化工为最佳收购者的提议，对此媒体并未进行激烈的批评。此次收购的担忧主要与财务方面有关，因为中国化工不得不借入资金以支付 430 亿美元的现金用于交易。无论如何，这笔交易对中国的战略重要性使这次收购成为一个很好的协议，不仅对中国，而且对全世界的国家都很重要。

Table of contents

Acknowledgements	1
前言	2
Table of contents	6
List of Figures and Tables	8
Introduction	9
Research methods: meta-analytic procedures	13
CHAPTER ONE – MERGERS AND ACQUISITIONS	15
1.1 Terminology	15
1.2 Types of M&A	16
1.3 M&A phenomenon	17
1.4 Reasoning for M&A	18
1.5 Synergy and value creation	19
1.6 Resource and capability transfer in M&A	20
CHAPTER TWO – CHINESE INVESTMENTS: WHO AND WHY	22
2.1 Chinese outbound activity: an overview	22
2.2 Trends in cross-border M&As	25
2.3 Chinese M&A: drivers and motives	27
CHAPTER THREE – POST-ACQUISITION INTEGRATION	28
3.1 Phases of M&A process	28
3.2 The integration process	29
3.3 The relation between integration process and M&A performance	30
3.4 The integration approach	31
3.5 The cultural dimension: national culture and organizational culture	34
3.5.1 Hofstede: dimensions of national culture	37

3.5.2 Trompenaars: an expanded model	40
3.5.3 Organizational culture.....	44
CHAPTER FOUR – CROSS-CASE ANALYSIS	47
4.1 Media opinions between China and Western countries.....	47
4.2 Case study 1: Geely’s acquisition of Volvo	48
4.2.1 Geely’s acquisition strategy: Integration management.....	51
4.2.2 Observers’ interpretation between China and Western countries.....	55
4.3 Case study 2: Midea’s acquisition of Kuka	66
4.3.1 Chinese acquisitions in Germany: a background.....	68
4.3.2 Midea’s acquisition strategy: integration management	72
4.3.3 Observers’ interpretation between China and Western countries.....	74
4.4 Case study 3: ChemChina’s acquisition of Syngenta.....	79
4.4.1 ChemChina’s acquisition strategy: integration management	82
4.4.2 Observers’ interpretation between China and Western countries.....	84
4.5 Cross-case analysis	88
Conclusions	89
References	91

List of Figures and Tables

Figure 1: China ODI flows 1980-2018.....	24
Figure 2: SOEs and POEs.....	26
Figure 3: Types of integration approach, Haspeslagh & Jemison.....	32
Figure 4: Levels of mental program, Hofstede.....	35
Figure 5: Different levels of culture manifestation.....	36
Figure 6: Volvo Cars annual sales.....	50
Figure 7: Number of Chinese investments in German companies.....	68
Figure 8: Chinese investments in German firms 2014-2017.....	70
Figure 9: Syngenta sales 2013-2017.....	82

Introduction

The phenomenon of mergers and acquisitions has become one of the most popular entry modes among the globalization strategies, especially in the last decade. The increasing competition and rivalry in the global markets, the accelerated process of globalization undertaken by multinational enterprises, the need for consolidation and diversification, all these factors made mergers and acquisitions a vital choice for many companies acting as competitors in international markets. Mergers and acquisitions are also a useful tool for expanding market share and profit margins, especially for those companies that try to compete for supremacy and guide roles in the global market.

This trend is increasingly concerning also the Chinese companies, that in the last decades have been engaging in a huge amount of investment deals, most of all addressed towards Western developed countries: only in 2016, the total amount of Chinese foreign direct investments reached the highest peak of \$181 billion, of which \$111 billion were only M&A deals. But behind Chinese surge in investments, there is more than just market share expansion or a globalization strategy: major drivers are the acquisition of major trademarks and strategic know-how, technology and core capabilities. These objectives are being pursued by Chinese firms with the fundamental contribution of the government, which has encouraged Chinese firms to “go global” and look for new investment opportunities. Major strategic plans were launched by Chinese government in the last two decades. One of them is the project “Made in China 2025”, aimed at upgrading by 2025 the manufacturing capabilities of Chinese industries, in particular certain key industries: automotive industry, robotics, IT, aerospace industry, agriculture machinery and pharmaceutical industry, together with green energy and green vehicles.

The first chapter of this thesis analyzes the phenomenon of mergers and acquisitions, investigating: the nature and the background in which they are operated; the reasons for engaging in this kind of deal; the benefits and the value that can be created by merging firms.

The second chapter shortly investigates the background in which Chinese outbound investments are generated: first, a brief history of Chinese economic development in the last 30 years is outlined, then the steps leading to the current situation of Chinese economy are defined, together with the international position of the country and the policies and the development plans pursued by the government; thereafter, a comparison is made between the investments engaged by Chinese state-owned companies (SOEs) and those engaged by private-owned companies (POEs), in order to analyze the importance of the government's contribution to Chinese outbound investments; lastly, a brief analysis of the objectives driving Chinese investments is made.

The third chapter engages in a deeper analysis of the M&A process, introducing the different phases that characterize the transaction, and then focusing on the most relevant phase of the deal itself, that is the post-acquisition integration process. This phase is indeed by many researchers considered as the most important for the realization of the M&A success, because it is the moment when most variables join together to exploit synergies and generate new value. After an analysis of the relationship between the integration process and the deal's success, the various kinds of integration approaches are researched and analyzed, through the help of previous studies by researchers that engaged in a deep analysis of the different approaches used by companies when merging together. It is demonstrated the importance of culture in the integration process, and how different levels of integration can generate different results in the acquisition process: every M&A event requires a different approach and a different integration level, depending on cultural aspects and strategic aspects. This result is followed by an analysis of the different cultural dimensions theorized by previous literature, which are reported and deeply analyzed, in order to understand the relationship between country's culture, corporate culture and the performance of the company operating in that country.

In the fourth chapter, after a description of some factors determining the differences in Western and Chinese media coverage, three case studies are individually analyzed and compared, in a meta-analysis (whose methodology is examined in the next section) aimed to research two different aspects: the first includes the research of the objectives of the M&A, the importance Chinese investors give to the integration aspect, and how they manage the integration process in order to achieve the M&A success; the second tries to analyze how Western and Chinese observers interpret and explain these aspects linked to the acquisitions, whether their opinions are more differentiated within Western environment or more between different cultural

environments, and how opinions have changed throughout the time, from the pre-acquisition to the post-acquisition phase. The objective of this section is to analyze how much these opinions change between China and Western countries and whether common points of view can be found between the two cultural contexts. In particular, for the first case study, which has a longer history in comparison with the other two, the change of opinions throughout the years is examined, in order to compare the interpretation of the M&A phenomenon with the performance of the M&A itself.

The results of this analysis were interesting. The first case study, Geely's acquisition of Volvo, showed a sharp change of opinions throughout the time, from the pre-acquisition phase to the post-acquisition phase and beyond. In the first period, Western media were extremely critic towards the acquisition, and a diffuse concern was spread in Sweden. Volvo was indeed one of the symbols of Swedish industry, with a long history and tradition. The company had been facing a period of huge loss under Ford's ownership, and the acquisition by a small Chinese brand, that was still new into the automobile sector, was seen as a definitive fall of Volvo. Diffuse concerns about the acquisition were related to the transfer of technology and know-how, together with the preoccupation for job losses in Sweden, and that Volvo would have become a Chinese company manufacturing low-quality vehicles. But as it is well known, the acquisition revealed itself to be a success, and the Chinese "light-touch" integration approach was indeed the right strategy: the chapter discusses deeply this choice, how it was carried out and how it persuaded somehow the European media coverage. Opinions started, after some time in the post-acquisition phase, to gradually gain a more positive accent, in direct proportion to the increasing performance success of Volvo. On their side, Chinese media opinions were similarly showing diffuse concerns at the beginning, which were related to Geely's ability to manage a big company like Volvo because of its lack of experience in international markets, or on the contrary, how could Geely receive benefits from the acquisition of a nearly failed company like Volvo. Anyway, Chinese concerns were subtler and more indirect in comparison with the Western points of view, and they did not hesitate to show a certain relief after the acquisition revealed itself to be successful.

The second case study is a more controversial one, and still an open matter. It is about Midea's acquisition of Kuka, pearl of German robotics and pride of German "Industry 4.0". This acquisition takes place in a different context. Firstly, it is about a company in good health and operating in a highly strategic sector. Secondly, it is about a high-growth potential industry

sector that is object of Chinese government's strategic programs, like "Made in China 2025". Furthermore, Midea's integration strategy has been object of discussion because of some changes of attitude observed in the last period. Since the pre-acquisition phase, when the German Kuka was persuaded to accept Midea as acquirer, through Chinese counterpart's promises to not interfere with Kuka business or to not allow technological transfer, the situation changed abruptly in 2018, and German media and investors still appear to be in flame. The integration process was indeed accelerated, through the development of joint development programs aimed at boosting the cooperation between the two companies that questioned the promises concerning the technology transfer, while Chinese economy started to sway, thus threatening the future of Kuka. The Chinese counterpart has been trying to alleviate German's concerns, and even more since German government started the new protectionist policy aimed at controlling the future foreign investments.

The third case study is ChemChina's acquisition of Syngenta, a deal that has met many difficulties before being completely carried out. This acquisition takes place in the same period of Midea's acquisition of Kuka, a period of strict protectionism, in which Europe tends to have more control over inbound investments, and China tends to address its outbound investments towards more definite objectives. This acquisition has been carried out with a two-pronged strategy: it aims on one hand to solve the problem of food security inside China, by improving technology and farm practices, in which the productivity is currently low; on the other hand, it aims at developing advanced technologies for agriculture in the whole world. This strategy is intended to ensure China and the rest of the world enough food supplies, by purchasing or controlling the most relevant foreign sources of food worldwide. Once again, the Chinese company approached the acquisition promising a hands-off strategy, thus avoiding resistance from the European counterpart. The complementarity between the two companies and their business scopes, the lack of competition between the two, allowed a non-integrative but strong cooperation that facilitates the development of both sides in their respective fields. Media opinions showed a less fierce criticism, and the same Syngenta had refused US' Monsanto offer choosing ChemChina as the best acquirer. Concerns regarding this acquisition were mostly linked to the financial aspect, since ChemChina had to borrow funds in order to pay an amount of \$43 billion cash for the transaction. Anyway, the strategic importance of this deal for China made the acquisition a good deal, not only for the Asian country, but also for the rest of the world.

Research methods: meta-analytic procedures

“Meta-analysis is a statistical research synthesis technique that, while correcting for various statistical artifacts, allows for the aggregation of results across separate studies to obtain an estimate of the true relationship between two variables in the population.” (King & al., 2003)

Meta-analytic method had been researched and conducted by Hunter and Schmidt (2004; Schmidt F. , 2007), and it has been applied differently in many areas of study, making use of different kinds of data and methods of data collection. Meta-analysis is defined as a statistical analysis that combines the results of many different studies. The basic principle behind this method is that there is a common truth behind all the different studies that are related to the same subject, while this truth may be measured with a margin of error within individual studies. This kind of analysis is meant to identify patterns among a great amount of study results. The basic element of meta-analysis is the existence and the availability of primary data, on which the process of statistical analysis is conducted, in order to research the relationship among different variables. An important benefit of this approach is the aggregation of information that allows a higher statistical power to detect a certain effect and is also a strong basis of estimate that could never derive from any individual study. Furthermore, through this method it is possible to clearly quantify and analyze inconsistent results.

A meta-analysis usually starts with a systematic review aimed at identifying the relevant evidence. Then, the research question is identified, and key literature is gathered. The collected studies are then selected, on the basis of their quality and their specificity. After this, it must be decided which dependent variables or summary measure are allowed, and also the meta-analysis model to be used (for instance, discrete data or continuous data). In the end, sources are analyzed through a sub-group analysis.

Traditionally, these studies are conducted by gathering researches or academic studies, along with statistical or market analysis, depending on the subject. In this thesis, an experiment was conducted, and the method was applied in a different area, collecting data not only from researches, academic publications, but also from news press, interviews and opinions, coming

from insiders (for example, statements during interviews by target companies' CEO or employees) and also outsiders (shareholders, analysts, observers' opinions).

The objective of this experiment is to analyze more deeply the phenomenon taken into account in this thesis, trying to maximize the range of variables in order to have a holistic vision of the phenomenon.

CHAPTER ONE – MERGERS AND ACQUISITIONS

1.1 Terminology

Mergers and acquisitions – usually abbreviated with the acronym M&A – are a tool of corporate finance and strategic management, a kind of business alliance used by companies in order to diversify or grow their businesses in their own or new locations. Mergers and acquisitions basically lead to the union of two or more business entities, previously separated. This is based on the principle that two or more companies joined together have the potential to create more value than if just staying separately owned. Mergers and acquisitions are strictly correlated, and the two terms are often used interchangeably, despite having slightly different meanings. Sherman (2011) defines mergers as “a combination of two or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm”. After the merger is carried out, the buying firm may be a different organization, but it retains its original identity. Gaughan (2005) describes a merger as “a combination of two corporations in which only one corporation survives”, while the merged corporation ceases to exist. Sometimes, when the merging companies are of similar sizes, both of them cease to exist and a completely new company is created. However, it is demonstrated that usually the bigger company acts as the *buyer* which survives the other one, the *target* company. In this case, it is more correct to talk about acquisitions. An acquisition is defined by Sherman (2011) as “the purchase of an asset such as a plant, a division, or even an entire company”, while Johnson & al. (2005) describe it as a strategy where a company takes over ownership of another organization. This explanation describes how the term *acquisition* can sometimes have a negative meaning: in fact, it is usually referred to mergers as *mergers of equal* (when two companies of about the same size decide to join together and form a single new company), which is a balanced and friendly transaction; but the term acquisition is used when a bigger company takes over another buying its assets, thus creating a hierarchical situation that may sometimes be hostile.

Generally, while mergers can be considered as a fusion of two or more companies to form a new entity, an acquisition is the purchase of one company by another in which no new company is formed.

However, as Sherman (2011) highlights, this differentiation is not relevant from a practical point of view, since its result is often that two or more companies previously separated are now operating under the same ownership.

1.2 Types of M&A

M&A are usually classified as four principal categories:

- Horizontal
- Vertical
- Concentric or congeneric
- Diagonal or conglomerate

Horizontal mergers are deals between two companies that are belonging to the same industry or product line and are at the same stage of production. Since they operate in the same field, the two companies are usually competitors, and their main goal is the growth of market share, the creation of economies of scale with the exploitation of synergies (Schmidt S. , 2013). Horizontal mergers have spread increasingly in the last decade, because of the benefits of a growth in revenues and profits. These mergers are always under observation of competition authorities, because in some cases the risk of creating a monopoly is very high. An example of horizontal merger was Facebook's acquisition of Instagram in 2012: they were both operating in social media industry and at the same production stage. Through this merger, Facebook was able to expand its market presence in the social media sector, thus reducing competition and creating new synergies.

Vertical mergers (also known as vertical integration) occur between companies operating in the same value chain of a certain industry but at different stages of production, and they are usually linked by a buyer and seller relationship. This kind of merger can be made backward or forward in the value chain process. If a manufacturer merges with a supplier, a backward merger occurs, in order to optimize supply sources. Then, if a manufacturer merges with a distributor, it is the case of a forward merger, which allows the buying company to get closer to the market (Gaughan, 2005; Schmidt S. , 2013). A renowned case of vertical integration is the business model adopted by Luxottica: the group improved business efficiency, covering the entire supply

chain from product development to distribution, thus ensuring quality of the product and cost optimization (Fook, 2018).

Concentric or congeneric mergers occur when two merging firms operate in the same general industry, but they have no mutual relationship and they do not offer the same products or services. The acquired firm is either an extension of the product line or a market related to the acquiring firm (Dash, 2010). This kind of merger usually facilitates the consumers, because the new company can sell related products more easily. This strategy, leading to product diversification, boosts revenues and profits.

Diagonal or conglomerate mergers are combinations of companies that operate in different industries and are not linked by any business relationship. The advantage behind these deals is the diversification of the product range, which helps reduce risk. The two firms usually share the same “technologies, production, marketing, financial management, research and development” (Schmidt S. , 2013; Peavler, 2018).

1.3 M&A phenomenon

Since the end of 19th century, M&A have been a relevant strategy for growth and renewal. Literature identifies six “merger waves”, defined as periods of more intense M&A trend activity, characterized by a sudden increase in the number of acquisitions, until the trend reaches a period of stability that can continue for several years, and finally drops back to the pre-wave levels. The first two merger waves (1890s-1920s) mainly occurred in the United States, while from the third onward (1960s) the trend moved towards European countries. With the fourth and fifth wave (1980s-1990s) there was an increase of Asian M&A activity, starting from Japan. The sixth and last wave started in 2001: emerging economies like China, India, Brazil and Russia have become the core countries in which M&A activity is observed (Faulkner & al., 2012; Schmidt S. , 2013).

During the first half of 2018, global M&A has reached its highest levels since 2007, with volume totaling \$2.49 trillion: this surge represents an increase of 57% in comparison to the same period of 2017, which demonstrates a sharp rise in mega deals in the current year (Dealogic, 2018). Despite majority of M&A involving firms operating in a domestic context,

in the last few decades one third of M&A transaction has involved firms operating in different countries. Cross-border M&As are used by multinational enterprises (MNEs) as a growth strategy and a mode of entry into foreign markets, and in the overall foreign direct investment (FDI) activity, it has resulted to be used in nearly 70 per cent of cases (Ai, 2014).

As cited above, in the last decades emerging economies have increasingly undertaken cross-border M&A activities, and among them China has achieved the highest peak: in the years 2015-2016 ‘Chinese outward FDI rose by 44 per cent to \$183 billion, driven by a surge of cross-border M&A purchases by Chinese firms, propelling the country to the position of second largest investor for the first time’ (UNCTAD, 2017). Despite trends in the last two years (2017-2018) saw a decline in outflows from China for the first time, this region still remains a major source of FDI worldwide, accounting for nearly a quarter of global outflows. This trend is expected to remain stable during 2018 (UNCTAD, 2018).

Outward M&A has become the dominant internationalization strategy for Chinese firms, whose investments targeted manufacturing, infrastructure, energy sector and services industries (UNCTAD, 2017; Ai, 2014).

1.4 Reasoning for M&A

Johnson et al. (2005) explain the motives for M&A by grouping them into three clusters, that are: environment, strategic capability and expectations.

Environmental reasoning sums up those motives linked to environmental factor or changes influencing business activity. It can comprehend the speed with which acquisitions allow a company to enter a new product or market area, because of the rapid change in business environment, and the competitive situation inside the market that company wants to enter, because it avoids excess capacity and reduces the risk of competitive reaction.

Strategic capability cluster contains those motives linked to core competences transfer, cost efficiency and learning. Core competences provided by an organization are worth to be exploited in a new market environment: engaging in international M&A can be an opportunity to realize this. Cost efficiency, that is a reason for acquisition mostly used in the public sector, is useful for merging units or rationalizing provision, because it allows to gain scale advantages.

Learning is a very relevant reason for engaging in M&A, because it is linked to the acquisition of new capabilities or expertise. This is fundamental for large and established companies, which would otherwise do it through internal development: this would require a slower process, in innovation and organizational learning. An acquisition would rather accelerate this process by bringing external innovation inside the company.

The third cluster is about stakeholders' expectations about the company. Since stakeholders may expect a continuing growth by the company, mergers or acquisitions could be a way to quickly deliver this growth. Some stakeholders may also have speculative motives, making use of M&A in order to get short-term boost to share value. Of course, a short-term orientation could easily destroy the long-term business objective, so it is important for other stakeholder to guard against speculators.

1.5 Synergy and value creation

As mentioned previously, synergies are often the most researched and exploited benefit of mergers and acquisitions, because they can represent an opportunity for external growth on the long-term. As Schmidt (2013) pointed out, synergies can be defined as a fit between units: different players combine their experiences, capabilities and expertise together, thus creating a new, unexpected added value. As Sirower (1997) explains, synergy is “the increase in performance of the combined firm over what the two firms are already expected or required to accomplish as independent firms”. Thus, in order for the merger to be successful, the two firms joined together must achieve more than what they would achieve if just being on their own. This concept represents the ultimate objective that every manager engaging in M&A should always consider and never leave behind.

Synergy success can be achieved in different ways. One way is the operating synergy, which takes place when the acquisition results into a relevant cost reduction – deriving from the simplification of the internal processes and the increased level of production – or may result from the creation of economies of scale.

Another way would be a synergy resulting into an increase in the ability of the firm to generate revenues. This one is generally more difficult to achieve, since it is easier to cut costs rather

than increase profits. For example, it may occur that a company merges or acquires another company in order to expand its product line. The increase of product variety would bring new consumers to buy from that company, but this process is not so immediate, and there is the need for strong basis or a successful marketing program to bring consumers to buy from them.

Financial synergy is another kind of synergy, that can be achieved when a small but at high profit potential company needs more access to capital: by merging with a bigger company, the small company gains access to this capital while giving more growth opportunities to the bigger one.

Generally speaking, it is always important to remember that synergy must always be defined in real and concrete terms, it must be always measurable in terms of improvements in competitive advantage, in order to avoid errors in overvaluation (Gaughan, 2005; Schmidt S. , 2013).

1.6 Resource and capability transfer in M&A

Resources and capabilities are ‘valuable, rare, inimitable and non-substitutable, and heterogeneously distributed across firms’ and they represent the core of a firm’s competitive advantage. Given their importance, in a M&A process it is relevant in the overall objective to analyze them and accomplish their transfer in the most profitable way, for one or both companies.

Several studies show the strong relationship among resource and capability transfer, value creation and the performance of M&A process. As Haspeslagh & Jemison (1991) explain, the aim of M&A is ‘to improve the competitive position of one or both companies by transferring resources and capabilities between them’. Also, value creation in a M&A is given by the transfer of capability and knowledge, and this contributes to the enhancement of company’s competitive advantage (Ai, 2014).

As it will be examined more deeply in the third chapter, these processes are analyzed in the pre-acquisition phase of the M&A, when the potential value of the transaction is anticipated. But the real value is created after the acquisition has occurred, in a longer period of time, through all the managerial actions undertaken: this is the post-acquisition phase, where

integration is pursued. During this stage, that is the M&A phase in which our research is focused, resources, capabilities, knowledge and experiences are transferred between the two firms, leading to the creation of a new firm, carrying a new and unexpected value.

Another point that will be analyzed in this research is the one related to socio-cultural and human resources issues. Prior literature demonstrates how cultural differences inside companies engaging in M&A affect knowledge transfer. Bjorkman et al. (2007) theorized how cultural differences affect the post-acquisition capability transfer, having an impact on social integration, absorptive capacity and capability complementarity (Ai, 2014). Following studies engaged by Junni and Sarala (2013) considered absorptive capacity as determinant for M&A knowledge transfer and also tested the antecedents of absorptive capacity (Ai, 2014).

CHAPTER TWO – CHINESE INVESTMENTS: WHO AND WHY

2.1 Chinese outbound activity: an overview

Cross-border activity undertaken by Chinese companies in the last decades has been giving new shape to the global business landscape. Its growth on average of 40 per cent per year from 2005 to 2015 made China the second largest investing country in the world, after United States. As seen before, the most relevant activity was observed in international M&A, which reached a higher peak in 2016, with a surge in megadeals, such as Wanda's acquisition of American Ironman Triathlon and Legendary Pictures, Haier's acquisition of GE Appliances, or ChemChina's acquisition of the Swiss Syngenta. For the first time in history, Chinese outbound investment deals exceeded inbound operations: this is a proof of the change in Chinese policy, which raised criticism and concern by advanced economies (Deng & al., 2017).

In order to understand Chinese policy in outbound activity, it would be useful to outline the history behind Chinese investments as we observe them today. Since 1979, when the “open-door” policy was launched by Deng Xiao Ping, outward investments became a tool for Chinese government to undertake a new path of “reform and opening” (改革开放 *gaige kaifang*), with the aim to integrate China into worldwide economy. Chinese state-owned enterprises (SOEs) were the first to be allowed to start engaging in international business and investing abroad. Any project of foreign direct investment (except for those directed to Macau and Hong Kong) had to be approved by various government commissions. These companies had to be firms operating under MOFERT (from 2003 onward taking the name of MOFCOM) or provincial and municipal trading cooperation enterprises controlled by the government. From 1986, many restrictions on ODI policies were abolished and more enterprises were allowed to establish affiliates abroad. For the first time, not only trading enterprises were allowed to operate in foreign markets, but also firms operating in non-commercial fields, in order to acquire foreign know-how and expertise and provide natural resources. Data published by UNCTAD refer to 1980s ODI investments as an amount of about \$450 million per annum. 1992 saw a strong encouragement by Deng's politics for domestic liberalization: enterprise internationalization

was incorporated into the national economic development policy and sub-national level authorities started to actively promote international business activities, even though under their supervision. This led to a huge rise in ODI investments up to \$4 billion, more than three times than the previous year. The financial crisis that struck Asian markets in 1997 led to the collapse of some enterprises, thus slowing down this development, accounting for an ODI flow of \$2.3 billion per annum. Because of the big losses registered in foreign branches, Chinese government tightened approval procedures for overseas investments, and this caused a decline in ODI activities. Only from 2001 onward, ODI activities had a new boost. Investments were regularized in order to control illicit capital transfer, and at the same time certain strategic industries were encouraged to engage in ODI with financial support and foreign exchange assistance. These measures were oriented to promote Chinese exports of raw materials, parts and machinery and in light industry sectors. In the same year China joined WTO and the new policy was formalized by premier Zhu Rongji (2001) within the 10th Five Year Plan (2001-2005), outlining the 走出去 (*zou chu qu*), “going global” directive, defined as one of the key thrusts enabling Chinese economy to “adjust itself to the globalization trend”. For the first time, once protected industries were opened to foreign and domestic competitors, and this enhanced competitive pressure in the domestic market, with the central government stressing again the importance for Chinese firms to “go global” and invest abroad (Buckley & al., 2007). In 2003 the SASAC (State-Owned Asset Supervision Administration Commission) was established, an institution aimed to strengthen state-owned enterprises and support their foreign investments, through the development of China’s equity exchange market. Policies regulating ODI had already taken a liberalizing path aimed to simplify procedures, by relaxing exchange controls for outward investments, decentralizing approval authority to the local level and simplifying application requirements for ODI proposals. The sharp rise of these years’ investment deals registered an outflow amount of \$6.9 billion, more than six times the amount recorded in the previous year. From this period onward, the trend had a steadily growth, more than doubling between 2007 and 2008, rising from \$26.5 to \$55.9 billion, when the financial crisis hitting developed countries became instead an opportunity for Chinese investors, who found themselves in a favorable financial position. The “go global” policy was stressed again in the 11th Five Year Plan (2006-2010), and so was in the 12th Plan (2011-2015), thus creating a continuum in the Chinese government foreign investment strategy of the new century. This led

to a progressive growth flow throughout the years, rising up to \$120 billion until 2015 (OECD, 2008; Davies, 2013)¹.

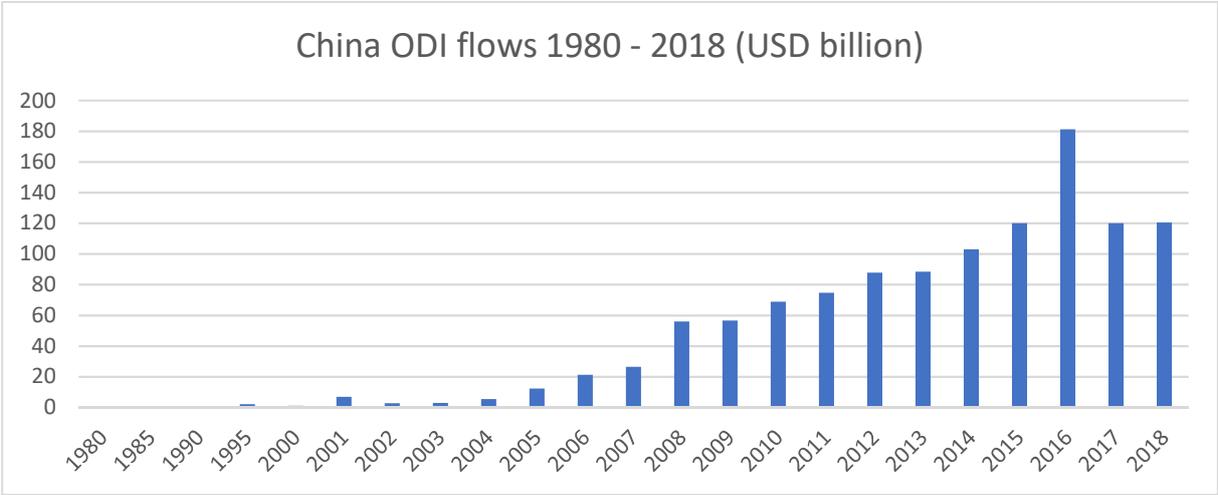


Fig. 1. Source: UNCTAD and MOFCOM.

The \$40 billion project “Belt and Road Initiative” (一带一路 *yi dai yi lu*) launched by Xi Jinping in 2015, aimed to build infrastructures and economic-political links between China and Eurasia, and the strategic plan “Made in China 2025” (中国制造 2025 *zhongguo zhizao 2025*), set to boost Chinese industry in several competitive sectors, caused a new surge in Chinese ODI, which reached the strongest annual growth amount of \$181.2 billion in 2016. This upswing was abruptly stopped in 2017, taking the ODI statistics back to the picture of 2015 (\$120.1 billion), and remained stable even in 2018, because of restrictive measures set by authorities in order to reduce risk and avoid an excess in capital outflow, defined by the Chinese Ministry of Commerce as “irrational” and that needs to be contained (Jing, 2019). Despite this, the support of the Chinese government for overseas investments is still strong (even if controlled to avoid risks), as the implementation of the two projects launched in 2015 testifies, and Chinese ODI are expected to continue growing (Huang & Xia, 2018).

¹ Data are collected from UNCTAD and MOFCOM statistics. Chosen data does not consider financial sector.

2.2 Trends in cross-border M&As

As seen before, Chinese outward investments are becoming more oriented towards M&A deals rather than direct investments. The reason is that for Chinese investors mergers and acquisitions are a more effective way to gain strategic assets and enter a target market, which requires a limited employment of resources, allows a more gradual adaptation to a new environment, whether socially or legally. Related research demonstrates how since the launch of the “open door” policy Chinese outward investments behavior has been influenced by central government, which has always maintained a strict control over outbound deals through the approval system and the currency control mechanisms. Through this system, Chinese government is able to allocate investments according to its objectives and support companies that compete in an international environment (Zhang & Daly, 2011). This explains why in a first phase of expansion in foreign markets, Chinese companies acting internationally were only State-Owned Enterprises. Only after a further opening carried out by the government in 2001 and implemented in 2003, Private-Owned Enterprises started to invest abroad and gain international experience. It is relevant to point out the difference between SOEs and POEs in China. The first category comprehends very large enterprises, which have access to many resources and facilities, are financially supported by government and can benefit of more simplified investment procedures. The second category, on the contrary, usually refers to small and medium enterprises (SMEs) operating in highly competitive industry sectors such as machinery, electronics and textiles. They usually face difficulties in gaining financial support from banks and lack those resources SOEs can easily get. Taking into account the rise in M&A deals occurred from 2010 and 2015 (Fig.2), it is evident that as the number of deals carried out by POEs exceeds the number registered for SOEs, the corresponding value amount in dollars is still lower – though showing a strong growing trend.

China's outbound M&A deals in 2015: SOEs vs POEs

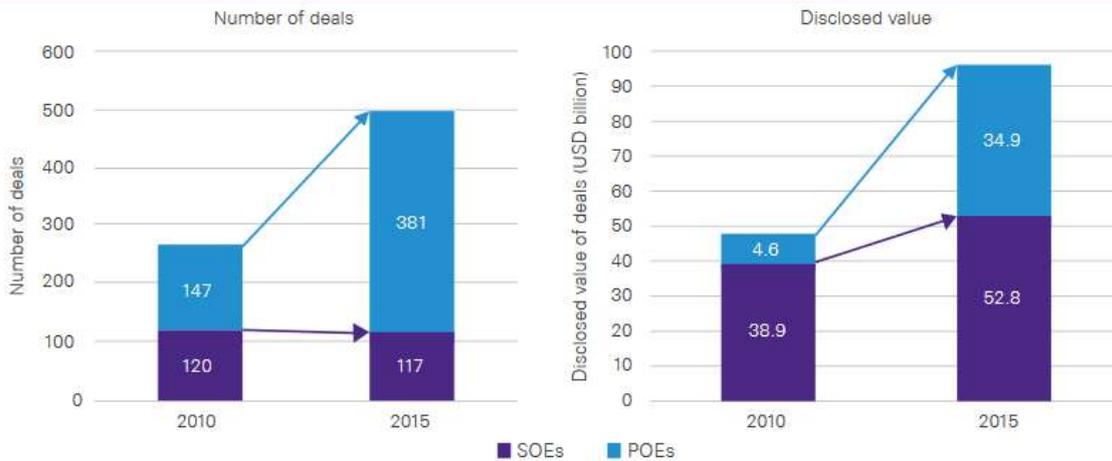


Fig.2. Source: Dealogic (2018), KPMG analysis (2016).

The figure explains the fact that despite the partial liberalization, POEs are still not allowed to operate in many industries that are limited to SOEs: natural resources like oil and gas, power supply, telecommunications services. In spite of this discrimination of POEs, their role in Chinese economy is crucial in the creation of new jobs, in profitability and productivity of domestic economy (Huang & al., 2014). Moreover, they are gaining a significant experience in international environment, as the previously analyzed figure testifies: the value rising from \$4.6 billion in 2010 to \$34.9 billion in 2015 shows a strong growth potential of POEs, which accounted for 75.9 percent of the total number of deals in 2015.

It can also be observed how the general trend leading Chinese firms engaging in M&A deals registered a relevant change of course. While in the first decades of Chinese internationalization companies were more oriented towards a 'quantity growth', recent trends saw it focused on a 'quality growth', with more and larger deals in high value-added and consumption related sectors, like high-tech and electronics. More deals were made in developed markets – where there are more high-quality targets – suggesting a change in this aspect too: in 2015 a \$14.4 billion value transactions were made in US (computers, electronics, real estate), \$10.6 billion in Italy (automotive, financial services), \$8.4 billion in Australia (mining, utility and energy, healthcare); (KPMG, 2016).

2.3 Chinese M&A: drivers and motives

Traditional literature concerning Chinese outward M&A motives usually refers to certain common features, mainly linked to strategic asset or natural resource seeking, to the access to new markets or to increase international competitiveness. Studies conducted by Tan & Ai (2010) make a distinction between motives leading SOEs engaging in M&A and those leading POEs. The main difference between the two is easily observed, as SOEs are more oriented towards natural resource seeking, to meet the interests of Chinese domestic economy (need for resources supply), and at the same time to increase international competitiveness. On the other hand, POEs are more oriented towards a strategic asset seeking, access to new markets and new technologies, as their role gains more importance in international business, and their limited access to resources and limited experience in international context make them pursue this objective as a strategic intent (Buckley & al., 2007).

As cited before, Chinese outward M&A activity saw an increase in investments oriented towards technology, industrial know-how and consumption. This trend is directly affected by firms' strategic objectives, aimed at enhancing certain core capabilities, developing Chinese industrial sector, building economies of scale and distribution into developed strategic markets. Moreover, certain domestic economy factors are useful to understand Chinese investors' strategy. Chinese economic shift towards a more mature market created an environment in which consumptions and services were rebalanced, growth pace slowing down and marked at 6% on the long-term basis. Difficulties faced by Chinese investors were the decrease of the number of domestic targets because of the consolidation made among small and medium enterprises, making independent companies look ahead and avoid local markets. Even from a financial point of view, Chinese buyers are supported by banks to invest abroad, by offering loans reducing benchmark interest rate and reserve requirements ratio. Besides, as seen before, Chinese government itself supports strategic investments through policies and initiatives, like the Belt and Road Initiative and the Made in China 2025. This positive environment offers major attractiveness to Chinese buyers, not only SOEs but also private owners (J.P.MORGAN, 2016).

CHAPTER THREE – POST-ACQUISITION INTEGRATION

3.1 Phases of M&A process

Before engaging in a detailed analysis of the importance of post-acquisition integration in M&A deals, that is a key point of this research, we will make an overview of all the phases characterizing the M&A process, identified by previous literature throughout the years.

Researchers have different opinions about the phases of the M&A process. Many of them agree that it is a two-phase process, with a pre-acquisition and a post-acquisition phase, and that the two of them are delimited by the transaction itself – the signature of the contract. Others consider the signature of the contract as a third central phase, a ‘during phase’ that is the actual M&A transaction. Some studies also add more than three phases, like four or seven phases. In fact, even when in this process three or more phases are identified, the boundaries between them are blurred, and some processes are not always positioned in the same phase – they would sometimes be positioned in the pre-acquisition phase, sometimes in the acquisition (central) phase – thus resulting in a classification that is not clearly defined, not attributable to every M&A.

This is the reason why in this research we will adopt the two-phase hypothesis, which comprehends the pre-acquisition and the post-acquisition phases. The limit between the two is given by the deal signature, as legal proof that the transaction has occurred. The pre-acquisition phase represents the planning stage, in which business’ strategic positioning is determined, the objectives to be achieved by the company through the transaction are identified, tasks are planned and the levels of compatibility between the two companies are analyzed. In this phase target company is attentively evaluated through a due diligence and potential synergies between the two companies are identified. Post-acquisition phase directly starts when the actual transaction is completed, and the deal signed. In this stage the actual integration process begins, the two companies start to cooperate, the creation of value becomes concrete and the process of strategic capability transfer is activated. Most researchers agree to define the post-acquisition

phase as the most delicate and problematic phase of the M&A process, as it represents the outcome of the deal itself (Haspeslagh & Jamison, 1991; Schmidt S. , 2013; Ai, 2014).

3.2 The integration process

The integration process activated during the post-acquisition stage is the main focus of most researchers engaging in the analysis of this delicate M&A phase. It is indeed considered as the phase in which most variables join together, resulting in a strong impact on the new firm's performance. Mainstream research defines it as the process of combining two firms under two different aspects, which are structural and socio-cultural, so it involves not only the transfer of assets but also human interaction. In fact, inside a company we can define integration as that process in which employees from two companies learn to work together towards a common task, integrating their work and their business objectives at the same time. This dual aspect of integration process was analyzed by Birkinshaw et al. (2000), who referred to them as 'task integration' and 'human integration', defining the first as the realization of operational synergies and the second as the integration among employees from the acquirer and the acquired companies. It is demonstrated how the two of them must be parallel and complementary, and must interact in the process of value creation in M&A. The ultimate objective is to simplify resource and capability transfer and at the same time create a shared identity among people operating in the new company. Haspeslagh and Jemison (1991) had somehow anticipated this concept, explaining how in the process of knowledge and capability transfer the real challenge was the creation of a right atmosphere inside the company. Bjorkman et al. later confirmed this theory, talking about them as 'operational integration' and 'social integration', and underlined the importance of establishing relationships among employees while creating that environment of shared identity and common goals (Bjorkman & al., 2007). A more recent study was instead conducted by Stahl et al., who further analyzed the role of 'socio-cultural integration', adding to the previous examined sub-process the cultural dimension that, how we will see later, is fundamental for the success of cross-border M&As (Stahl & al., 2013; Haspeslagh & Jamison, 1991; Ai, 2014).

3.3 The relation between integration process and M&A performance

Because of the high failure rate registered in merger and acquisition deals, which has been attested between 70 and 90 percent (Christensen & al., 2011), research has long been discussing the factors leading to performance (or under-performance) of M&A. Traditional literature used to attribute M&A failures to economic reasons, like the failure in the implementation of economies of scale, the market environment changes or the mistakes in the valuation of company's strategic objectives (Cartwright & al., 2012).

Even if we cannot deny the importance of these aspects, more recent studies have demonstrated how these concrete features of M&A failure are not sufficient to explain the problem as a whole, but they do it only partly. The research started to analyze acquisitions from a new point of view, that is what Sarala calls 'people dimension'. The studies focusing on this dimension try to explain from different perspectives psychological and behavioral responses of organizational members to acquisitions. These features can have a strong impact on business' overall performance: negative reactions to acquisition can lead to a lack of control over employees, threatening group values and identity, and at the same time trigger low commitment behaviors that affect the achievement of business objectives (Sarala, 2010).

Nowadays many researchers agree to attribute M&A failure to mistakes deriving from the integration process, and – especially talking about cross-border mergers and acquisitions – to the impact of different socio-cultural aspects rising during the post-acquisition integration. As said before, socio-cultural integration is given by the creation of a shared identity among employees, who follow common norms and values. In a global environment, where people from two different cultures get to work together, it is easy to witness to a lack of compatibility in organizational culture derived not only from a merely linguistic problem, but also from a misalignment in shared values. This makes it harder to transfer knowledge, develop trust among people, and create a common identity in the new business entity. Even when efforts are made to overcome these deep differences, the rise of what Barkema et al. (1996) call 'double-layered acculturation' is difficult to avoid: cultural barriers interfere with the two firms' mutual learning, hindering the integration process (Stahl & al., 2013).

Following the path of the theory analyzed in the previous paragraph, it is also relevant to examine the sub-process of operational integration (or task integration, as different studies

report), which is consequent and directly affected by the socio-cultural integration process, and includes the managerial decisions made during the post-acquisition phase of the M&A. Operational integration refers to the alignment or centralization of operational functions inside the new company, linking together the functions of the acquired firm with those of the acquirer (Birkinshaw & al., 2000; Ai, 2014; Zollo & Singh, 2004). It is demonstrated how the high rate of failure of M&A deals can also be attributed to an incorrect management during the post-acquisition phase. Hence a successful leadership, sound and willing to achieve a cultural alignment, but also prepared to establish and manage new company's objectives on a new basis, is the key for the acquisition success (Gomes & al., 2013).

As Birkinshaw et al. (2000) founded in their studies, "the relationship between the task integration process and acquisition success is mediated by the level of human integration already in place."². This finding links together the two sub-processes of integration, making them interdependent in order to achieve M&A success.

3.4 The integration approach

After having analyzed the integration levels on which M&A is based, it is fundamental for this research to explain how this process is managed, since integration itself is a neutral concept until concretely implemented. The term integration approach is referred to the strategy adopted by the firms for achieving the post-acquisition integration, which, as we demonstrated, must be accomplished linking together operational dimension with socio-cultural dimension. The two dimensions need to be balanced in the most effective way, considering them both at the same time.

The most relevant study that many researchers adopt as starting point when analyzing the different approaches to post-merger integration is the one engaged by Haspeslagh & Jemison (Fig.3), in which the need for strategic interdependence and the need for organizational autonomy are combined to be the two dimensions from which four different approaches are derived. The first dimension is referred to the level of interdependence required in order for the two firms to achieve the expected strategic resource and capability transfer. The second one

² *Op. cit.* BIRKINSHAW *et al.*, p. 419.

relates to the need to maintain the acquired strategic resources and capabilities after the M&A is accomplished.

Types of Integration Approaches

		Need for Strategic Interdependence	
		Low	High
Need for Organizational Autonomy	High	Preservation	Symbiosis
	Low	Holding	Absorption

Fig.3. Source: Haspeslagh & Jemison, 1991, p. 145.

The first approach that is derived is the absorption. It requires high levels of strategic interdependence to create value and low level of organizational autonomy. The ultimate objective of this approach is to delete, on the long run, any boundary between the two firms, combining the two of them into one business.

The second approach is the preservation. It requires high level of organizational autonomy and low level of interdependence between the firms. The primary task in this approach is to preserve the source of acquired resources and capability, as damaging them would mean failure for the acquisition.

The third approach is the symbiosis, defined as the most challenging for managers adopting it. Requiring a high level of strategic interdependence and high level of organizational autonomy, it implies the need to find a balance between key competencies absorption by the acquirer and the operational autonomy of the acquired firm.

The fourth approach is the holding. It requires low levels of interdependence and autonomy, basically it is not an integration. In this case the two firms share financial risk, and the acquirer controls the acquired, which has no autonomy (Haspeslagh & Jamison, 1991; Ai, 2014).

This study received great support among researchers, who throughout the years have enriched it, adding a socio-cultural dimension previously not in-depth taken into account. Many researchers have demonstrated how cultural differences, both on national and corporate dimensions, can have positive effects, like promoting knowledge transfer or unexpected synergies, or negative effects, like the rise of conflicts, misunderstandings and lack of collaboration (Gomes & al., 2013; Bauer & al., 2016). Since many empirical studies lead to different results, it is always important to remember that every M&A deal is very specific and must be treated on its own.

As anticipated, in order to achieve expected synergies and pursuing M&A success, it is fundamental to find the right balance between operational dimension and cultural dimension, that is on one side the achievement of the required level of integration among business processes while transferring resources and capabilities, and on the other side the minimization of the problems and frictions deriving from cultural differences (Bjorkman & al., 2007; Birkinshaw & al., 2000). The right level of integration should be pursued, since a high level of integration could lead to a loss of autonomy of the acquired firm thus affecting resource and capability transfer, with a consequent decline in business performance. As Ai finds out in his research, when management team reaches a high level of operational integration for the achievement of strategic synergies, at the same time it faces the risk of destroying socio-cultural integration, by disrupting the routines, resources and capabilities and especially limiting the acquired firm (Ai, 2014). This concept had already been explained in the research engaged by Weber et al. who stated that despite high levels of integration are needed in order to exploit synergies, they can cause culture and human resources problems, thus destroying the pre-existing value of the acquired firm. On the contrary, when synergy potential is expected to be very high, even if cultural distance is considerable, the destruction of synergy due to this problem still makes M&A performance successful. So the role played by synergy is fundamental: if its potential is high enough, cultural differences can be faced without damaging business performance (Weber & al., 2011).

The result of these studies is that in order to pursue M&A performance, all the dimensions of operational aspect, socio-cultural aspect and synergy potential must be considered together, because they are interrelated and all at the same time contribute to M&A performance. Only through a holistic approach, a framework for M&A success can be built (Zhang & Stening, 2014). Moreover, as an interesting study conducted by Liu & Woywode (Light-touch

integration of Chinese cross-border M&A: The influences of culture and absorptive capacity, 2013) shows, it must always be taken into account the right balance between all the factors determining M&A success. Their study, based on M&A deals between China and Germany, considers most of the dimensions we analyzed, that are synergy potential, cultural dimension and learning prospective – a factor directly linked to the positive effects of cultural distance with high synergy. Through this study, a particular integration approach is obtained, that is the so-called ‘light-touch’ approach. It has his roots in Haspeslagh & Jemison’s model, and it synthesizes the preservation approach and the symbiotic approach, due to the particular context of Chinese cross-border M&A.

3.5 The cultural dimension: national culture and organizational culture

As demonstrated, the cultural aspect of M&A process is fundamental to understand its performance. It follows an in-depth analysis of this heterogeneous dimension, as it will help in the understanding of the challenges that firms must face when engaging in cross-border M&A.

There is no harmonized definition of culture in the literature, as it is a very complex and diverse concept. It can be defined as an acquired knowledge that influences people’s way of thinking, acting and communicating, gives shape to their values and their perception of life, time, space, and the perception of themselves. Every person’s action, thought, feeling, is affected by a variety of cultures and sub-cultures that permeate his life: national cultures, religious or philosophical cultures, cultures belonging to certain social classes, political parties and so on. Culture can affect many aspects of a business: knowledge and technology transfer, managerial attitudes, managerial ideology. It influences the way employees think and behave. At the same time, a business organization is an entity carrying its own culture, which is affected by those elements belonging to the culture of the nation where the firm was founded, by the industrial culture in which it operates and by the individual culture of senior managers.

The major study analyzing the traditional concept of culture was conducted by Geert Hofstede, who defined it as a ‘software of the mind’ that distinguishes one group of people from another. Every person grows up in a certain environment, from which he acquires this knowledge that forms his mind, as a pattern of thinking, feeling and acting. This mental program, as Hofstede

defines it, is divided into three levels (Fig. 4). The first one, shared by all human beings, is the universal level. It is inherited and determines people's physical and basic psychological functioning, like emotions, attitudes and social behavior. The second level is acquired from the environment and influenced by the culture of the group in which the individual lives, and with whom he shares the same learning process: it includes language, religion, traditions and social norms. It is the collective level, as it depends on the group or category a person belongs to. The third one is the individual level: it is defined as the truly unique part of mental program, it is personal, and it is partly inherited and partly learned (Hofstede & al., 2010; Hofstede, 2001).

Levels of mental programming

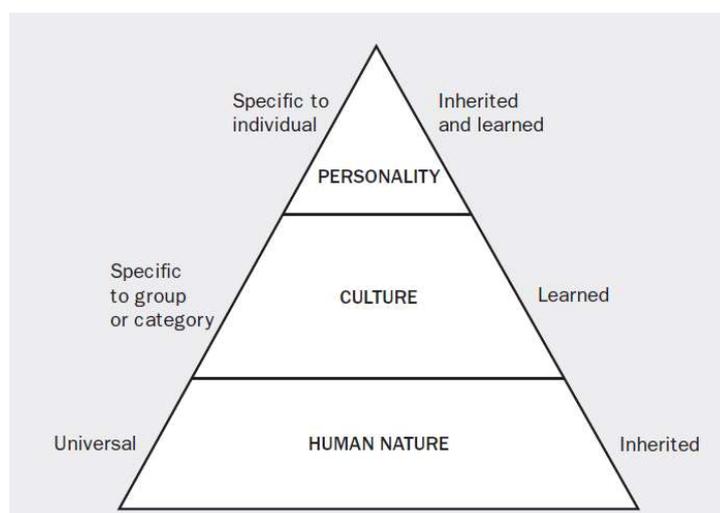


Fig. 4. Source: Hofstede, 2010, p. 6.

The manifestation of cultural differences is described by Hofstede through a scheme that puts together different levels of depth, depending on their level of expression (Fig.5). Symbols are the most superficial manifestations of a culture: they can be words, gestures, pictures, objects, flags, status symbols, dress or hairstyles, languages. Heroes are persons, real or imaginary, that are considered as symbols from a cultural group, and that, because of certain characteristics, are copied or taken as examples. Rituals are certain activities that characterize a group of people and are considered socially essential: they can be religious ceremonies, but also ways of greeting and treating other people. Inside an organization, rituals can assume a purpose of group cohesion, or reinforcement of roles inside the company. At the core there are values: they define

what is good and what is evil, moral or immoral, normal or abnormal. Values are broad beliefs, norms and tendencies shared by a group of people. They are unconsciously learned and imparted in early life. An outside observer can see the practices that link these three aspects together, but cannot see their real meaning, which lies only in his own interpretation (Hofstede, 2001; Hofstede & al., 2010).

Different levels of culture manifestation

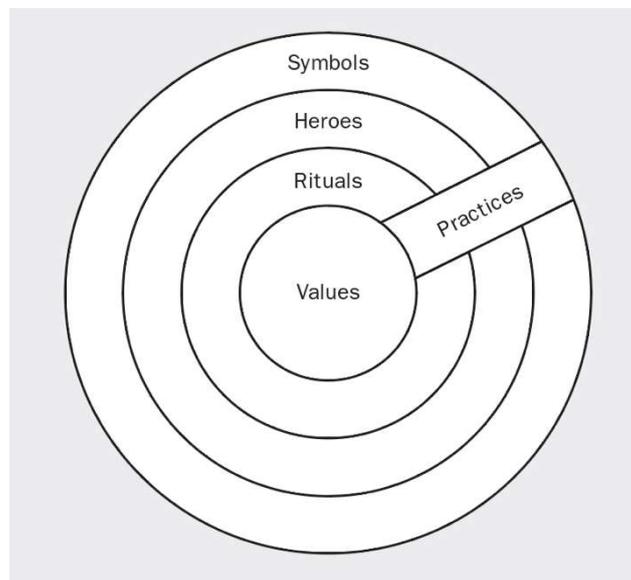


Fig. 5. Source: Hofstede, 2010, p. 8.

When talking about culture, we usually refer to national culture, that is the one shared by a broad group of people in a country, made of values and beliefs. The members of each national culture think, talk and act on the basis of their culture, which they consider as common sense. Understanding national culture and its manifestations inside a country is a key for the exploitation of synergies in an M&A context, especially in the integration phase. Many anthropologists and sociologists try to define patterns in order to distinguish and classify different cultures. This research area is wide, and it is hard to identify a mainstream theory defining and describing the differences among cultures, as the description of a cultural dimension can be arbitrary and analyzed by different points of view.

Two of the most supported theories are shown in this chapter.

3.5.1 Hofstede: dimensions of national culture

Hofstede's cultural model was made for the first time on the basis of an empirical study conducted in 1980 by the Dutch researcher, who gathered data from two questionnaire surveys with over 116.000 respondents from more than 70 countries in the world. The respondents all worked in local subsidiaries of IBM. Four dimensions were initially examined: power distance, uncertainty avoidance, individualism (versus collectivism) and masculinity (versus femininity). Further research engaged by Hofstede in 1988 identified a fifth dimension, that is time orientation. It was originally called Confucian Work Dynamism, that means long-term orientation and is in contrast with the short-term orientation. Hofstede defined time orientation as "dealing with society's search for virtue". In fact, this dimension rose from a study conducted in 1988 by the psychologist Michael Harris Bond in the Chinese University of Hong Kong. It includes all the features related to the Confucian culture, like dedication, thrift with money, the importance of hierarchy, and the high adaptability. Hofstede first study had in fact received critics because it focused only on individuals from Europe and America. Adding the fifth dimension, Hofstede was able to enrich his study giving it a view that would have been less "western".

In 2010 the study was further developed by adding a sixth dimension: indulgence versus restraint. This one was based on a research related to happiness around the world, and it measures the freedom to satisfy one's needs and desires within a society.

The final Hofstede model thus results in a six-dimension pattern, that is following explained:

- **Power distance.** This dimension concerns how nations deal with inequalities in the society or inside an organization. Hofstede defines it as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally". Countries in which people have more tendency to obey the orders of their superiors have high power distance. Countries in which organization structures are flatter and decision making is decentralized, have low power distance. In high-power-distance countries structures tend to be centralized and to have vertical organizations where inequality among workers is promoted. On the contrary, in

low-power-distance countries there is more equality among workers and the organization structure tends to be horizontal. Consequently, in a low-power-distance environment, employees are more likely to contradict their bosses, while in a high-power-distance environment there is more dependence of subordinates on bosses. Mexico, India, China are countries where power distance is higher, while Great Britain, Austria, Switzerland register a lower power distance.

- **Uncertainty avoidance.** This dimension is defined as “the extent to which people feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these”. Countries where people do not usually prefer uncertainty tend to have a higher need for security and strong beliefs in experts’ knowledge. People from these countries usually have more written rules, tend to predict future, managers are less risk taking and employees are less ambitious. Cultures with lower uncertainty avoidance on the contrary are more willing to accept the risks associated with the unknown. They have fewer written rules, managers are more risk taking, there is high labor turnover and employees are more ambitious and tend to assume responsibility of their own actions. Countries like Japan, France, Russia have higher index of uncertainty avoidance. Sweden, Great Britain, China have the lowest index.
- **Individualism versus collectivism.** In this dimension, individualism is defined as “the tendency of people to look after themselves and their immediate family only” and ties among people in the society are loose; collectivism by contrary is “the tendency of people to belong to strong groups or collectives and look after each other in exchange of loyalty”. Hofstede found that poorer countries tended to be more collectivists, while wealthy countries had a higher individualistic index. The first group tend to have more individual initiative and promotion based on market values. The second group has less tendency to take initiative individually, while promotions are based on seniority rather than on merit. Higher index of individualism were registered in countries like Great Britain, United States, Netherlands; more collectivist countries were by contrary South American countries, Pakistan, China.
- **Masculinity versus femininity.** In this dimension, masculinity is defined as the tendency among some cultures to clearly define and differentiate gender roles: men must be tough and take decisions, they are focused on material success, while women are more modest, tender, caring of others and concerned with quality of life. Femininity

is on the contrary the tendency to see the gender roles as overlapped: both men and women are modest, cooperative, focused on quality of life. In more masculine countries, more importance is conferred to earnings, success and challenge. Achievement is measured in term of recognition and wealth, while workplaces tend to be more stressful as higher performance is encouraged. By contrary in more feminine countries (where masculinity index is lower), greater importance is given to cooperation and security, the creation of a friendly atmosphere in the workplace. People are encouraged to work in group, they have more freedom, workplace is characterized by low stress and managers tend to encourage employees. Higher masculinity index countries are Japan, Austria, Slovakia. Higher femininity index countries are Scandinavian countries, Thailand, Costa Rica.

- **Time orientation.** This dimension measures the tendency of people from different countries to be more oriented towards long-term objectives or towards short-term objectives. Long-term oriented societies are more focused on future, they are more adaptable when conditions change, they tend to save and invest for the future, so they focus on results achievable on the long-term. People are persistent, thrifty with money and highly adaptable to unexpected circumstances. Short-term oriented cultures are more focused on the past and present, they are not oriented towards the future, are respectful of tradition and focus on achieving quick results. People are more oriented towards stability, consider good and evil as absolute values. Long-term orientation is particularly exhibited by Asian countries, like China, South Korea, but also Germany and Switzerland. On the contrary, short-term orientation is a characteristic of countries like United States, Egypt and Australia.
- **Indulgence versus restraint.** This dimension is based on a research relative to happiness around the world, engaged by Hofstede with the contribution of Michael Minkov. It measures the freedom to satisfy one's needs and desires within a society. Indulgent societies encourage the gratification of natural human needs, they tend to live in the moment, express happiness freely, view themselves as being in control of their own destiny. Restrained cultures tend to regulate and control their behavior, abiding by social norms, they participate in fewer activities, express less happiness and feel like they are not able to control their destiny. Low restraint index countries are United States, Sweden and most European and South American countries. High restraint index

countries are Egypt, China and most Eastern European countries (Hofstede & al., Cultures and Organizations: software of the mind, 2010).

In the understanding of the difference among countries and of the multi-cultural environments, Hofstede dimensions are extremely useful. The model can be used in the depiction of similarities between countries and the identification of common values and way of thinking, or also they can be integrated in two-dimensional plots, thus helping in the illustration of the complexity of understanding culture's effect on people's behavior. For example, it is deductible how developed countries like United States, Australia, Canada, Denmark, tend to be more individualistic, while underdeveloped or newly industrialized countries like Colombia, Hong Kong, Singapore, have a more collectivistic approach.

Hofstede model is still supported by many researchers, who expanded it and developed more projects on its basis.

3.5.2 Trompenaars: an expanded model

The Dutch researcher Fons Trompenaars published an expanded study based on the research of Hofstede in 1994. His research, based on questionnaire surveys administered to over 15.000 managers from 28 countries, was built on sociological studies on value orientation and relational orientation by Talcott Parsons. Trompenaars derived from this research five relationship orientations, defining the way in which people usually deal with each other, plus two other orientations measuring how they deal with time and environment. These orientations are similar to Hofstede's cultural dimensions, helping explain cultural differences and their application in management studies. The seven orientations are: universalism vs. particularism; individualism vs. communitarianism; neutral vs. emotional; specific vs. diffuse; achievement vs. ascription; time; environment.

- **Universalism vs. particularism.** Universalism is the tendency to look at ideas and practices as applicable to every situation without modifications, while particularism is the tendency to consider their applicability as depending on circumstances. Cultures with high universalism have the tendency to rely on the use of norms and rules, that are strictly abided by. Even when signing a business contract, they tend to closely adhere

to it. On the contrary, particularistic cultures rely more on relationships and trust than on formal rules. When signing a contract, clauses are often modified, as people change the way of deals execution as long as they get to know each other better. Findings demonstrated that countries like United States, Switzerland and Germany were among those with the highest index of universalism, while China, Venezuela and Soviet Union were more oriented towards a particularistic approach. Trompenaars states that when people from particularist cultures work in universalist environments, they should expect rational and professional behaviors, while people from universalist cultures working in particularist environments should be prepared to face attitudes aiming to get to know each other better and that are more personal.

- **Individualism vs. communitarianism.** These two orientations have the basic same meaning of the dimensions founded by Hofstede, with the only difference that what Hofstede calls collectivism is called communitarianism by Trompenaars. Individualism is defined in this research as people's tendency to perceive themselves as individuals, while communitarianism refers to people that tend to see themselves as part of a group. In cultures with high individualism people are more willing to assume their own responsibility and achieve things alone, while in communitarianism cultures decisions are typically shared, and so is responsibility, while achievements are jointly obtained. The countries that showed the highest index of individualism in Trompenaars studies are United States, Sweden, United Kingdom, while communitarianism index was higher in countries like Thailand, Japan and also China. When people from individualist cultures work with communitarian people, they should be patient in the group decision making, and focus more on building trust relationships. On the other side, when people from communitarian cultures get to deal with individualistic cultures, they should be prepared to take decisions quickly and take responsibilities.
- **Neutral vs. emotional.** This dimension deals with cultural orientation in relation to emotional expression. A culture is defined neutral when people tend to hold their emotions in check, while it is emotional when there is the tendency to express emotions naturally. Japan, United Kingdom and Austria are classified as the most neutral, while Mexico, China and Switzerland are the most emotional. Trompenaars states that when people from emotional cultures get to deal with people from neutral cultures should understand that the lack of emotion that they perceive from the counterpart is not a lack

of interest, but they are just not used to show their feelings openly. On the other side, when people from neutral cultures deal with people from emotional cultures should try to respond warmly to the counterpart showing affection.

- **Specific vs. diffuse.** This dimension deals with individuals' idea of public and private space in relation to other people. In a specific culture, individuals have large public space that is accessible to any other people and a small private space which is guarded and shared only with relatives and close friends. In a diffuse culture public space and private space are almost the same, so public space is guarded carefully, as soon as getting inside the public space means getting in the private one as well. In specific cultures, people are often invited into one's public space: they tend to be open and outgoing, and usually separate clearly work and private life. By contrary, diffuse cultures show the tendency to avoid inviting quickly people in their public space, since once they are in, they can easily get into the private space: they are usually indirect and introverted and tend to link together work and private life. Countries that show a specific orientation are Austria, Switzerland and United Kingdom, while China, Sweden and Spain show a more diffuse orientation. Trompenaars states that when people from specific cultures do business in diffuse cultures, they should pay respect to a person's title and age, and be patient when people are indirect. By contrary, people from diffuse cultures doing business in specific cultures should try to be efficient and avoid using their titles when unnecessary.
- **Achievement vs. ascription.** This dimension deals with a culture's tendency in the attribution of a certain status to people. In an achievement culture people are granted status based on their merit in the performance of certain functions, so high status is given to high achievers. In an ascription culture status attribution depends on who and what a person is, so status is granted according to age, gender or social connections. In Trompenaars model, achievement cultures are Austria, United States and Switzerland, while China, Indonesia and Venezuela are ascription cultures. He suggests that when people from achievement cultures get to work in ascription environments, they should pay respect to older or senior position holders and observe their status and influence. On the other side, when individuals from ascription environment get to work in achievement environments, they should pay respect to knowledgeable people and convince the group of his own knowledge and proficiency.

- **Time.** The concept of time can be analyzed from two different aspects. One deals with the approaches in relation to time, that can be sequential or synchronous. Sequential orientation is typical of those cultures where people do only one activity at a time. They have the preference to follow certain plans and agenda, trying not to deviate from them. In synchronous cultures people tend to do more things at the same time, they are generally more flexible with their schedules. A culture in which people tend to have a sequential time is United States, while France and Mexico are more synchronous cultures. The other aspect deals with time orientation, that is whether people are more past- or present-oriented, or more future-oriented. United States, Germany and Italy are more focused on future, while France and Belgium consider all the three time periods as important. When doing business in future-oriented cultures, it is recommended to always highlight the scope and the deadlines of the objectives. On the contrary, when working in past- or present-oriented cultures, managers should always highlight the tradition of the culture, explain the functions that need to be implemented without fixing deadlines.
- **Environment.** In the dimension Trompenaars examines the way in which cultures deal with the environment, outlining two orientations that are inner-directed and outer-oriented. The first one is defined as the tendency to control the outcomes and have a dominant attitude over the environment, while the second one is the tendency to let things take their own course and believe to be controlled by the environment. United States, Switzerland and Australia are the countries that show a more dominant attitude towards the environment, while China and other Asian countries tend to have a more flexible attitude towards the environment and to follow the flow of things. Trompenaars suggests that when dealing with people that tend to dominate the environment, it is important to be determined and test counterpart's resilience; on the other side, when dealing with people that tend to let things take their natural course, it is important to be persistent and maintain a good relationship (Luthans & Doh, 2016).

Trompenaars' research is very useful in international management studies, as it not only offers a more detailed model of cultural dimension, but it also provides practical guidelines for those engaging into international business.

3.5.3 Organizational culture

The most relevant research focusing on organizational culture was engaged in 1985 by Edgar H. Schein. He defined organizational culture as a “learned product of group experience” that is found in a defined and stable social unit, where the individuals shared a number of important experiences in solving internal and external problems, and these experiences have led them to develop over the time a common view of the world around them. In few words, individuals of a certain group or organization sharing a significant history, develop their own organizational culture, like a sub-culture of the nation in which the organization is settled, or whose individuals belong to. As the culture of the nation in which an organization is founded affects the organization functioning, so the organizational culture does, shaping the values and the assumptions, the philosophy, the rules and norms, and the behavioral patterns that are formed inside a company. Organizational culture on one hand facilitates the adjustment to the environment in which the company operates, on the other hand becomes a social bond connecting together the individuals operating in that company and creating a sense of continuity over the time (Schein, 1985).

Organizational culture is made of three elements, which can be seen as three levels of culture expression inside a group:

- Artifacts. This is the most visible level of culture, that is constituted by physical and social environment, like the physical space of a workplace, the language of the group and individuals’ behavior patterns, rituals and ceremonies shared by individuals belonging to a certain group.
- Values. This level determines how an individual sees the reality and deals with it, how he reacts to circumstances and problems. When in a group, values serve the function of norm or moral guide, leading the members in their choices. In this case, values are conscious and explicitly stated by leaders, who want them to guide organization’s decisions and actions. This kind of values, known as espoused values, do not define organizational culture, because they are just ideal values that leaders desire and long to. Organizational culture rather consist of enacted values, that are those values leaders and employees truly rely on to guide decisions and behaviors.

- Assumptions. This level is a deeper one, as it defines – according to some experts – the real essence of organizational culture. Assumptions are nonconscious, taken-for-granted. They are perceptions, or ideal patterns of behavior that are considered to be the correct way to think and act when facing environmental situations. They are like unwritten rules and cannot be questioned. These elements are observable factors, as they are nonconscious, and only analyzing people’s decisions and way of acting they can rise to surface (Schein, 1985; Luthans & Doh, 2016).

In order to understand how different organizational cultures can meet common features when merging, or can be a cause of incompatibility, some studies focused on identifying different types of organizational culture. A relevant study was conducted by Robert E. Quinn and Kim S. Cameron from University of Michigan. They developed a model synthesized in the OCAI (Organizational Culture Assessment Instrument), a survey-based instrument used to assess the culture of employees around the world. This model defines four different types of organizational culture:

- The Hierarchy culture. Based on a rigid structure, with a stable environment and integrated functions, this kind of culture is characterized by a strict control of leaders over employees, with a rigid standardization of rules and decision-making process. Work environment is formal, and long-term objectives are based on the maintenance of stability, predictability, control and efficiency. This structure is typical of large companies and conglomerates, like multinational enterprises.
- The Market culture. This kind of culture is based on the dynamics of competition, just as it happens in a market environment, and on the achievement of concrete results. In this kind of organizational culture external environment is more important than internal affairs, while internal control is maintained through economic market mechanisms, like monetary exchange, sales and contracts. Competitiveness, profitability and productivity are the major focus of this kind of organization.
- The Clan culture. This kind of culture is based on collaboration among employees, who share values and goals, and see themselves as part of a big family. Main values of clan-type firms are teamwork, employees’ involvement, commitment and consensus. In these firms, it is important to build relationships with employees and as well as with customers, while the team accomplishment is more important than individual accomplishment.

- The Adhocracy culture. This kind of culture emerged with the development of information in twenty-first century. Based on energy and creativity, this culture is better aligned with the tendencies and the needs of a fast-paced environment. Employees are encouraged to take risks and be dynamic. Fundamental values of this culture are adaptability, flexibility and creativity. This kind of culture is usually found in companies operating in information systems, software development and aerospace (Cameron & Quinn, 2006).

CHAPTER FOUR – CROSS-CASE ANALYSIS

4.1 Media opinions between China and Western countries

Western media perception of China's international expansion is generally quite negative and remarkably in contrast with the image Chinese actually have of their own country. One of the principal factors contributing to this difference in observers' opinion is the role played by the Chinese government. Contrasts regarding China's political system, whose ideologies are contrary to most of Western countries, have long been and still are motives of vivid debates. These contrasts emerge from media and inevitably affect public opinion, resulting in a certain impact on international management. The active role of the Chinese government in supporting and encouraging Chinese firms' outbound acquisitions is seen with suspicion and criticism by Western countries, and Geely's takeover of Volvo in 2010, which will be the first case analyzed in this chapter, represents a striking example of this trend. The principal reason is Western developed countries' concern for a Chinese acquisition of advanced technologies. This is the major driver for European countries – and most of all United States – increasing protectionist policies aimed at avoiding Chinese high-tech takeovers.

“Until recently, Europe has neither been or has been particularly protectionist. But lately the tone of several European countries has changed slightly. It expresses a growing concern that China is buying up everything.” (Karlsson, 2016)

One example is the protectionist action jointly made by Germany, France and Italy in February 2017, aimed to obtain from Brussels the right to decline Chinese investments in Europe's most sensitive industries (Chazan, 2017; Fang & Chimenson, 2017). This move is directly correlated to the previous year's acquisition of the German Kuka by the Chinese Midea, which is examined later in this chapter. Another factor involving Chinese government is the problem of the strict control over foreign investments in mainland China. The many restrictions foreign firms investing in China have to meet, together with an overall discrimination in the access to China markets, are considered as a limit that Chinese firms investing abroad on the contrary do not have (Huang Y. C., 2017).

Another factor dominating media opinions is the concern about safety and quality. As China was renowned as the “world’s workshop”, being the major industry of various tools, clothes and basic electronics, it was also associated with low quality and low price. This reputation made Chinese products become synonymous of poor quality and reliability. Year after year, Chinese industry – with the encouragement of the government – started to shift towards major fields, like automotive and high-tech. Consequently, numerous challenges had – and still have – to be faced by Chinese firms in the areas of safety and quality (Wang & Young, 2015).

A strict difference in opinions is observed between developed countries and developing countries, respectively showing a more negative image and a more positive one. As demonstrated in the research conducted by Fang & Chimenson (2017), China did not succeed in gaining developed countries’ trust despite the investments made in soft power, while it met a more favorable response from developing countries, where the Chinese investments were on the contrary welcomed. It has been discussed how China might have failed in its conception of soft power, made of a “top-down, State-centered image management”, that is not aligned with the idea Western developed countries have of soft power. Moreover, a relevant factor is constituted by the job loss versus job creation ratio and the country development model: while in developed countries there is a negative perception of job losses caused by Chinese investments, in developing countries the same factor is seen more positively, as long as African, South American and some Asian countries are suppliers to Chinese economy and receive strong benefits for their own economy. Furthermore, from a political point of view, Western countries disapprove the censorship of Chinese media as well as corruption and lack of freedom, while developing countries see Chinese development model led by the State as a possible way of national development (Fang & Chimenson, 2017; Creemers, 2015).

4.2 Case study 1: Geely’s acquisition of Volvo

Volvo’s acquisition by the Chinese Geely in 2010 was the first largest overseas acquisition by a Chinese company and the first Chinese acquisition of a premium European brand. The international relevance of this takeover has attracted the attentions of worldwide medias and researchers. The big differences between the two companies in many aspects, from brand and product specification to culture and language, were in fact seen as unpassable barriers and such an acquisition was so considered as one of the many acquisitions destined for failure. On the

other hand, a widespread skepticism and aversion of developed economies to Chinese government encouraging the acquisition of foreign brands and technology, added a major negative tone to media's opinions.

The Sweden Volvo had been facing a period of big loss and trouble, from both sales and financial points of view: the company had been losing money for four years in a row, registering its biggest loss of \$1.5 billion in 2008 (Wang L. , 2011; Fang & Chimenson, 2017). Ford, that had acquired Volvo in 1999 for \$6.4 billion, was forced to sell it for just \$1.8 billion, about a quarter of what they had paid for it. Despite the initial pessimism risen from Swedish media, after eight years the company is now going through a period of increasing success.

"[...]Today's Volvo is a far cry from the Volvo of a decade ago, when it was losing money, selling fewer cars by the year, and watching its talent for design and engineering get watered down by then-owner Ford Motor Co." (Gruley & Butters, 2018)

In fact, despite an initial turmoil, the acquisition revealed itself to be a successful one: Geely's strategy of leaving Volvo Cars in complete organizational independence, with an unprecedented free access to capital and a continuous investment in research and development, has proven to be effective. In only eight years, Volvo has built four new manufacturing plants, three in China (Chengdu, Daqing, Luqiao) and one in the United States (Berkeley, South Carolina), which were strategic complements of the already existing two in Sweden and Belgium. Through the expansion of its manufacture in China and United States, Volvo has expanded its home market while securing a second home market in China, where Geely automatically gave it a lift, and at the same time enlarged its pole of international expansion into the United States. This reinforced Volvo's international positioning, by establishing local production and reducing costs. As a result of this strategy, record sales were registered for the company: from 2010 to 2017, Volvo Cars sales increased by 66 percent, from 373.525 to 571.577 vehicles sold yearly (Fig.6). Looking at the image, we can notice a decrease, or a phase of uncertainty, in the sales of 2012. It has been explained that the 2012 figure was actually distorted, because of some dealer incentives which reported in 2011 sales that actually occurred in 2012. Volvo declared that in 2012 sales rose rather than falling, successively changing its dealer incentive program. (Waldmeir, 2013)

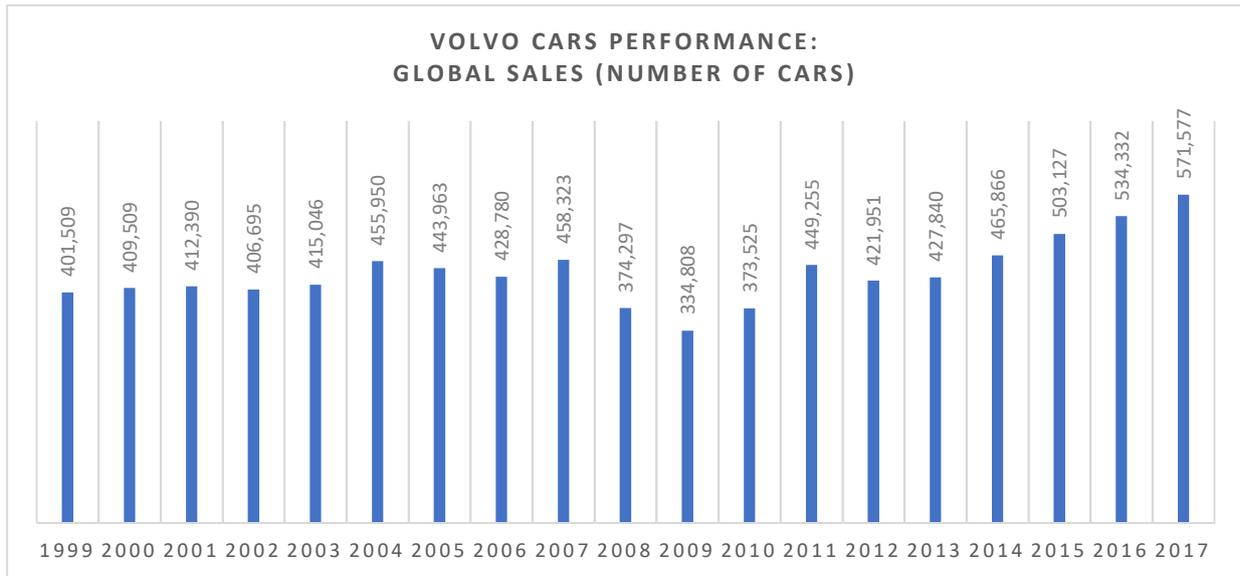


Fig. 6. Source: (Fang & Chimenson, 2017), *Volvo Car's annual reports (volvocars.com)*

Only in the first quarter of 2018, sales increased by 14 percent and the sale objective for the next years is fixed to 800.000 vehicles sold. Even satisfaction rate among customers reached its highest peak ever in Volvo's history, with an 84 percent rate (Wang & Young, 2015).

On its side, Geely saw a proportionate increase of its own sales and earnings in China and abroad: after this acquisition, Geely gained not only the technology and knowledge of the worldwide brand, but also its distribution channel, thus securing for itself a significant rise in market share (Daguo Pinpai Yang Chengji, 2018) and the possibility to operate in a secure financial environment on the long run (Balcet, Wang, & Richet, 2017). Before the acquisition of Volvo, Geely sold 330.000 cars a year, very close to the number of vehicles that the near-dead Volvo used to sell in that period. In 2016, Geely sold 1.3 million vehicles globally (Schmitt, 2017).

“Geely plans its next phase of expansion as it aims to become China's first automaker to market its own brand [...] in developed markets, beginning with Europe and the United States. Entering major markets with an unknown Chinese brand is an expensive risk, analysts say, but investors are unperturbed: Geely's share price has trebled over the past 12 months.” (Spring & Shirouzu, 2017)

4.2.1 Geely's acquisition strategy: Integration management

“Shortly after Geely founder Li Shufu acquired Volvo Car Corp. in 2010, he pledged to maintain Volvo's independence so that the Swedish brand's image would not be tarnished. But in private, he soon started pushing Volvo and Geely to work together. Six years later, Li finally has revealed his plan to build a global business empire on the foundation of the two car companies. And the key to that plan is the integration of Volvo and Geely.” (Yang, 2016)

The approach leading to the success of Volvo's takeover by Geely is what in Chinese is called “充分放权 (*chong fen fang quan*)”, a “full liberalization”, that results into the high level of independence that the acquirer gave to the Swedish firm, as opposed to the lack of freedom experienced under the former-owner Ford (Daguo Pinpai Yang Chengji, 2018). The maintenance of acquired firm's independence also comes from the need to make Volvo more efficient and quicker in business operations. Granting full responsibility to Volvo's headquarters, the choices for return in investment, future projects and business operational activities inside the company are expected to be more profitable (Norderyd & Nolgren, 2015).

Li Shufu stated that only by keeping the two companies separated (“Geely is Geely, Volvo is Volvo”) and giving more freedom to the acquired firm, it would have been possible to integrate them in the long-term, following a step-by-step method.

“Volvo will be run by Volvo management. We are determined to preserve the distinct identity of the Volvo brand, Mr. Li said at a news conference in Goteborg, Sweden.” (Bradsher, 2010)

This kind of approach reflects the Chinese philosophical concept of 无为而治 (*wu wei er zhi*), which means to govern by noninterference, giving complete liberty and keeping regulation to a minimum (Daguo Pinpai Yang Chengji, 2018). This strategy of not mixing the two brands was explained by the fact that the two of them were operating in different segments: Geely was operating in a low-medium segment in China, while Volvo targeted the premium segment (Norderyd & Nolgren, 2015).

But on the other hand, while stating the importance of maintaining the acquired firm's independence, Geely and Volvo started to work together and concretely cooperate, gradually implementing a precise integration plan. This plan was characterized by a three-step process. The first step was, in 2013, the creation of a joint R&D center in Gothenburg: the China-Europe Vehicle Technology AB (CEVT) for the development of compact cars – which also resulted into the creation of a new premium brand, Lynk & CO. The new brand was launched for both

Western and Chinese market and positioned itself on a higher level over Geely, but on a lower level below Volvo. In China, Lynk was going to be sold at a higher price, in order to align it to foreign prices. “Lynk’s first vehicle, a compact SUV, garnered 6,000 online orders in China in less than three minutes last November [2017]” (Gruley & Butters, 2018).

In the new development center, a brand-new platform was created, the Compact Modular Architecture (CMA). Its creation brought to Geely the opportunity to increase its market share, with the possibility to exploit the new platform in both firms. Furthermore, this new platform is intended to reduce costs and make more acceptable margins on small size cars (Sharman, 2015). The new research and development center will be exploited in many different areas, starting from engines and transmissions, and then engaging into more advanced researches based on high-tech, like connectivity and self-driving cars, which are markets with strong growth potential. The sharing of technology between the two firms will always be the basis of the joint R&D process, in order to reach a technology alignment (Balcet, Wang, & Richet, 2017).

In the near future, Li Shufu’s project will concern more areas. The second step is the joint production of vehicles, firstly in China and then outside China, starting from 2019. Outside China, Lynk’s vehicles production will occur in Volvo’s assembly plants as a first step. Third step of integration will be on the sales level, in the dealership: Volvo and Lynk will share spare parts, service and repairs, before Lynk launching its own distribution network in Europe and USA. This three-step integration of Geely and Volvo, with the creation of a third brand positioned in between, is intended to cut costs, boost Geely and Lynk’s market inside and outside China with the help of Volvo, and re-launch Volvo’s sales after its financial decline with Ford (Yang, 2016).

This kind of approach is what Haspeslagh & Jemison’s (1991) studies identified as preservation approach, characterized by high levels of organizational autonomy and low levels of interdependence between the firms, as reported in the previous chapter (Chap. 3.4). In fact, according to managers interviewed in the studies conducted by Norderyd & Nolgren (From captivity to emancipation: a case study of the effects on the acquired firm’s strategic core competence from different post-acquisition integration approaches, 2015), the only mechanism leading to a joint technology and resources development and exploitation is the project CEVT. Managers see Volvo as a company that operates alone, in total freedom and self-responsibility. In support of the empirical study conducted by Zaheer A. & al. in the publication “Synergy

sources, target autonomy and integration in acquisitions” (2013), the low level of integration revealed itself to be a successful choice: it is in fact demonstrated how between merging firms it must be pursued the right level of integration, which should be appropriate and aligned with the needs of the acquirer and the acquired. Value creation after the acquisition would have been undermined if the integration between Volvo and Geely had reached higher levels, as resource and capability transfer would have been damaged, in the attempt to control the new company. Moreover, if integration levels were too high, the cultural differences between the two business entities would have become an obstacle, leading to M&A failure. The approach was in fact welcomed by Volvo’s managers, as they perceived it as innovative for the company, after the strict control previously operated by Ford. It is stated that Volvo employees have no direct contact with Geely’s employees, as they are not allowed to communicate because of intellectual property rights complications, thus reducing to a minimum cultural barrier. People only interact through a monitored platform, where communication is formal. Only on a higher level the integration becomes more evident, because contacts between managers are necessary. Despite this, since the two companies operate in different segments, only few projects can be shared between them, still resulting in a generally limited interaction.

The “loose approach” described by Norderyd & Nolgren (2015) supports the research conducted by Liu & Woywode (2013), which we cited in the previous chapter (Chap. 3.4), and Cogman & Tan (2010). The “light touch approach” again demonstrates how emerging markets like China that operate in Western markets, adopt an attitude of non-interference with the acquired firm, preserving its autonomy and decision making. Even in the supervisory board, Chinese counterpart is defined as “passive”, as they do not try to influence other or take decisions. They rather tend to give advice and be more collaborative (Liu & Woywode, 2013).

This kind of attitude has demonstrated how Chinese firms tend to focus on learning and knowledge transfer with a long-term orientation, rather than making effort to exploit synergies on the short run.

The success of the Chinese approach is reflected in the change of opinion and in the trust gained by Geely inside Volvo through these years. Because of cultural distance and differences in institutional and economic environments between the merging firms, many concerns afflicted Volvo. Worries about potential hidden intentions behind the acquisition were concerned with the access granted to advanced know-how and intellectual property (Knoerich, 2010), which

are common concerns when engaging in M&A and usually worsened every time a Chinese company acquires a Western brand – a trend which is progressively rising in the last years. In this case, the acquisition of a world-renowned brand like Volvo became the symbol of these concerns, making Western countries year-by-year more suspicious about Chinese economic and technological rise.

But the step-by-step integration attitude adopted by Geely, characterized by a slow and attentive pace, is gradually leading to the creation of a mutual awareness between the two firms, which is generating a welcoming attitude by the acquired firm. Mutual learning is becoming source of a slow but effective synergy realization and value creation in the post-acquisition integration process, gradually facilitating capability transfer between the two firms. The long-term orientation of the Chinese acquirer and the independence it gave to the acquired firm, created a positive atmosphere inside the acquired company. When in 2013 Geely started the joint project of research and development of CEVT, this perception was even consolidated, because it brought innovation inside Volvo and confirmed that Geely's strategy aimed at investing in new facilities which brought many benefits to Volvo itself. A boost in trust towards Geely and self-confidence of Volvo created a positive equilibrium between the two parts (Norderyd & Nolgren, 2015).

All the studies previously cited in support of this thesis (Norderyd & Nolgren, 2015; Knoerich, 2010; Liu & Woywode, 2013; Cogman & Tan, 2010), agree in the consideration that emerging markets like China are not familiar enough with international business context and they often lack of the experience and the capabilities to face these environments; as a consequence of this inexperience, they are somehow limited by their knowledge of the market and they cannot adopt other strategies but the one of the loose approach. Geely's choice to not interfere in Volvo's operations, to maintain a low level of control over them, and to grant total freedom to Volvo, confirms the overall trend observed in many Chinese outbound acquisitions (cfr. Knoerich, 2010).

4.2.2 Observers' interpretation between China and Western countries

Geely's acquisition of Volvo has been discussed in many different ways throughout the years. Different observers have interpreted the same phenomenon from various points of view, and opinions have changed deeply throughout the time.

The objective of this section is to analyze how much these opinions are differentiated between China and Western countries and whether common points of view can be found between the two cultural contexts. Moreover, we will analyze the change of these opinions through the years, in order to compare the interpretation of the M&A phenomenon with the performance of the M&A itself.

As explained previously in the paragraph 4.1, it has been observed how the negative media coverage about China mostly comes from the criticism pointed toward the Chinese government, which maintains a predominant role of control over Chinese firms, thus becoming an active player in their internationalization decisions. As part of its "Made in China 2025" restructuring plan, Chinese government is encouraging and directing acquisitions in Europe, in order to replace foreign technology with Chinese technology and strengthen East Asian country's position as a superpower in the manufacturing industry. It has been in fact registered by the German Merics that only in 2016 the 70 percent of Chinese investments in the EU came from state-owned companies (Karlsson, 2016).

The case of Jeely-Volvo has been part of this debate, and in the first period of the acquisition has received fierce criticism, especially from Swedish media. In the study conducted by Fang & Chimenson (2017), 366 articles about the Chinese takeover of Volvo were analyzed. All of them were published in the Swedish media between 2008 and 2013, since the first announcement of Volvo's acquisition by Geely. This period is what the two researchers identify as the "negative phase", that is the limited period of time in which Western medias, and particularly Swedish media, sharply criticized Geely's acquisition of Volvo. In this range of time, from the pre-acquisition to the post-acquisition, different opinions were observed. In the first phase, the Chinese acquisition was depicted as extremely negative, a sort of ultimate defeat of the Swedish firm. The acquisition by a Chinese brand was seen as a danger, the collapse of the Swedish brand was forecasted, along with the loss of advanced technology in the automotive industry. First of all, it emerged a fierce sentiment of distrust towards the Chinese government (Fang & Chimenson, 2017):

“Chinese government supports the purchase of Volvo Cars, and Geely will forward Volvo's findings to other car industry in China. The Chinese state is under China's Communist Party's leadership. It is the [Chinese] state that will control Volvo future fate if Geely buys Volvo” (Palmstierna & Dreyer, 2009)

Further concerns were linked to the acquisition of technology, even defined as a “theft”:

“China is a dangerous country. Lars Holmqvist, CEO of the European suppliers’ organization CLEPA [European Association of Automobile Suppliers, n.d.r.], warns Swedish suppliers who follow Volvo Cars to China. “The risk is big for technology theft and a Chinese company takes over the customers,” he says.” (Larsson, 2010; Fang & Chimenson, 2017)

Another analyst claimed that Geely was intended to steal certain core capabilities from Volvo Cars, in particular LED lamps, new fuel-efficient engines and the latest safety technology.

“Geely is owned by a private consortium, but if it turns out that it is the Chinese state that is behind, CLEPA will advise his members to be cautious about the technology transfer. If it turns out that it is the Chinese state that is behind it in order to acquire technology for the Chinese car industry. Then we have to be cautious about how we act with quotes and specifications” (Jacobsen, 2009)

“The subcontractors are skeptical of all Chinese owners. They are afraid of illegal copies of their latest technology” (Gripenberg, 2009)

Analysts claimed that Swedish technology would have “disappeared to the Chinese Communists” and major losses were forecasted for subcontractors in Sweden (Fang T. , 2017). In few words, a main concern that rose in Geely-Volvo pre-acquisition phase was linked to risks of Chinese plagiarism of Volvo technology, that could be passed to other Chinese automotive brands. As Lars Holmqvist stated, it would have been rather acceptable to sell the new technology to competitors like Audi, BMW and Mercedes (Örnberg, 2010).

“There is a fear that Volvo will be dismantled in Gothenburg [after] the Chinese take over [...]. The engineer’s union at Volvo Cars took the initiative for the Swedish consortium, which at the last moment entered the bidding. They don’t believe in Geely. All the Chinese manufacturers have poor reputation among subcontractors, because they steal and copy patents and because they dump subcontractors ruthlessly. Geely is among the worst, says a union’s representative.” (Collins, 2009; Fang & Chimenson, 2017)

Worries and concerns were expressed on a large scale by Swedish medias, but also by executives and trade unions. It is reported that rising concerns also regarded the fear of loss in

competitiveness and the loss of jobs in Sweden. A 2009 article by Flood cited in Fang & Chimenson study (2017) and retrieved from *Svenska Dagbladet* reports:

“We are worried that our subcontractors will stop supplying the latest technology to us and the consequence will become that our cars will not be competitive anymore and the jobs move out from Sweden, says Magnus Sundemo, Chairman of the Swedish Engineers at Volvo Cars”

And again:

“Volvo sold to China: the jobs are saved – now Sweden is going to manufacture Chinese low-cost cars.” (Collins, 2009)

But also outside of Sweden many observers expressed skepticism and concern about the acquisition. Major worries were once again related to Volvo’s integrity, doubts about Geely’s capability to manage such a big firm. Many of these opinions came from business consulting groups or M&A advisory groups.

A partner at InterChina Consulting, an advisory firm based in Shanghai, defines the acquisition as a “gamble” and listed several reasons why Geely’s acquisition of Volvo Cars could not be a successful one:

“Geely lacks the management skills to integrate a large company like Volvo. [...] [Geely] lacks global exposure. [...] There are few production or marketing-related synergies. While Geely, a low-cost, low-end producer, will gain access to a premium brand and sophisticated technologies, it isn’t clear what it brings to Volvo. [...] The two have different platforms and quality standards. Managing becomes complicated because of differences in perspectives and hierarchical decision-making.” (Morcillo, 2010)

Other analysts expressed the same doubts and distrust toward the Chinese brand:

"The biggest concern is whether Geely can manage such a premium global brand," John Zeng, a Shanghai-based analyst at IHS Global Insight, told AFP. "If Geely wants to keep Volvo's brand independence and integrity, then it had better not get too involved with its operation - especially not to mix the brand of Geely with Volvo. Geely is targeted at low-end customers.

[...]

Volvo has been in the red for years, said Zeng. Whether Geely can alter its deficit situation remains the key question." (Jackson, 2009)

On the other hand, anyway, there were also positive opinions in the first stage of the acquisition.

“There have been several similar attempts at deals since the global recession knocked the stuffing out of the world's car industry (see box). But none have gone ahead. [...] No such fate awaits Volvo. Geely says the company will continue to be operated separately [...] and to keep on its management team.” (Arnott, 2010)

“It is good for humankind that Volvo has a Chinese owner. Through Geely's purchase of Volvo Cars, the world's most populous country will own the world's probably safest car brand. [...] Volvo can be even more innovative under Chinese ownership.” (Fang T. , 2010)

As a matter of fact, and how it is widely known, the acquisition resulted in a very successful one, making Volvo profits rise as they never did in the past: in 2015, 2016 and 2017, Volvo's profits were 5 billion, 10 billion and SEK 14 billion respectively. In the first half of 2018, even if the exchange rate changed to cause a loss of 2 billion, Volvo's profit in the first half was SEK 78 billion (21 Shiji Jingji Baodao, 2018). The Swedish brand's position in its own target market was reinforced and came back to compete with the other premium European brands in the luxury target. The continuous investments in R&D, the development of the two innovative platforms, CMA (Compact Modular Architecture) and SPA (Scalable Product Architecture) and the independence granted to Volvo in its return on investments was the right strategy to make the Scandinavian brand come back to breath. At the same time, Geely gained reputation in China and abroad, seeing the profits rise as well.

The success in the M&A performance was followed by a progressive change in public opinion, starting from the end of 2013.

“China is good for Volvo Cars. Volvo is doing well in China and this brings global sales to new heights.” (TT, 2013; Fang & Chimenson, 2017)

“Five years after falling under the control of Chinese industrial group Zhejiang Geely Holding in a landmark Asian acquisition, Volvo feels more Scandinavian — and more successful — than ever. [...] It is gaining credibility as an alternative to the three German premium carmakers. The privately held company is even preparing to tap the bond market for the first time.” (Sharman, 2015)

“Better results for Volvo Cars. Volvo Cars reported an operating income of SEK1.919 billion for 2013. This is an improvement compared to the half-year result, which was a loss of SEK577 million.” (Dagens Nyheter, 2014; Fang & Chimenson, 2017)

“Karin Backlund, the commercial director of the Volvo Ocean Race who has been with the company since 1995, says heritage is at the core of everything they do. The brand and the product has evolved immensely over the years, especially since Geely came in. [...] The aim is to produce the safest car that handles well under any roadside condition.” (Ambler, 2018)

The previously reported article from Dagens Industri by G. Larsson (2010) was later cited in another publication by the researcher Tony Fang (2017). In its publication, the author calls for a reevaluation of what has been said in the past, in order to learn from the mistakes:

“Recognize the underestimation of Volvo's Chinese owner Sweden's competitiveness is based on the ability to cooperate with other countries and cultures. The Chinese acquisition of Volvo Cars is an example of how we collectively misjudged Chinese vision and competence. We all make mistakes. Now is the time to acknowledge the mistake and learn lessons” (Fang T. , 2017)

The researcher identifies the problems behind the misjudgment about the acquisition as “prejudices, myths and misconceptions”. He calls for these problems to be crushed, because only by eliminating prejudices it will be possible to be creative in the development of international cooperation.

People working inside Volvo testify how Volvo has born again after Geely’s takeover and how all the investments made in Volvo are not taken outside of the company, but reinvested in Volvo itself:

“Lex Kerssemakers, a top Volvo executive under both Ford and Geely [says:] “It’s not that they came with a bag of money; actually, the opposite. The entire turnaround of Volvo has been financed by Volvo’s cash flow. They left us alone and had the patience as an investor not to take our money but to reinvest it in a new product portfolio. We were close to being dead in 2010. And here we are.” (Gruley & Butters, 2018)

In the same article published on Bloomberg in 2018, it is well said how many skeptics had predicted that Geely would have be destined to manufacture low-quality Volvo cars, and they did not trust Mr. Li. But interestingly, what it was predicted just did not happen, since Li Shufu was not intended and did not try to integrate Geely and Volvo:

“In a *Harvard Business Review* essay, Eduardo Morcillo, a partner at InterChina Consulting, asserted, “Geely lacks the management skills to integrate a large company like Volvo.” That may have been a problem if Li actually had intended to assimilate Volvo into Geely.” (Gruley & Butters, 2018)

On the other side, Chinese media look at the acquisition with the eye of Geely. Even from their point of view, the acquisition was seen with a sort of confusion and concern at the beginning. It was the first time that a small company like Geely, born as a refrigerator-maker and only in 1997 landing in the automotive industry, acquired such a renowned and historical European brand like Volvo. But what could Geely gain from acquiring a company that had already been in loss for so many years?

“The rumors first started at the beginning of the year. After 10 months, a joke that was once considered ridiculous was changing from a laughter to a reality, and gradually the breakdown of people’ suspicion gradually became clear.

[...]

The lessons of failure are always higher than the joy of success. [...] people can’t help but worry about whether Geely can “eat and digest” Volvo.

[...]

whether Geely’s miraculous cure can make Volvo live again, it is still a grave doubt.” (Changjiang Shangbao, 2009)

Various metaphors have been used to define this acquisition. It has been defined as 蛇吞象 (*she tun xiang*), “a snake swallowing an elephant” (Zhonghua Gongshang Shibao, 2011; Tian, 2016).

Another metaphor is the one of a marriage between Geely and Volvo, Geely as the poor guy from the countryside and Volvo as the rich woman from the city (Song G. , 2013).

“When both Geely and Volvo’s owner, Ford Motors, officially announced that they had started “talking about marriage”, people felt that happiness was coming too fast, and began to worry about their future marriage life.” (Changjiang Shangbao, 2009)

This definition was often reported in Europe as well:

“When Geely Auto snapped up Swedish car maker Volvo last year in what was to be China’s largest auto acquisition, the uneasy marriage might have best been described by the Chinese saying: “Same bed, different dreams”.” (Fang & Pollard, 2011)

“Volvo & Geely: The Unlikely Marriage of Swedish Tech and Chinese Manufacturing” (Ambler, 2018)

It has been said that Geely took the opportunity of buying Volvo during the financial crisis that struck international markets 2008. But many analysts had doubts about Geely’s ability to manage this acquisition:

“Some authors pointed out that although the financial crisis has created many opportunities to invest, companies must first examine whether they have the ability to ensure a good integration and not be blind to "cost-effective". Moreover, some of the financial strength and product technology are better than Geely's car companies, and they dare not gnaw this bone. How can Geely ensure that they can do it?” (Changjiang Shangbao, 2009)

Some Chinese analysts agree to recognize that Geely lacks the experience of operating in international markets, and the reputation of Geely as a manufacturer of low-cost cars would be a problem to Volvo, struggling to maintain its reputation for quality:

“Geely basically has no experience in selling cars overseas and it’s managing alone a major production business in a country that is very different from China [...]. The lack of Geely's global position and its reputation for producing low-end cars in the past have created challenges for operating a high-end automotive product and brand such as Volvo to maintain its reputation for quality and performance” (Yuan, 2010)

Another problem that had been faced in the same analysis was linked to how Volvo would be financed by Geely. It was indeed fundamental for Volvo to ensure sufficient R&D investment after the merger, thus maintaining its position as the world's top safety car manufacturer. But after the longtime money loss suffered by Volvo before 2010, questions concerning how Geely was planning to finance its investment soon rose.

“Ford bought a Volvo car for \$6.45 billion in 1999, when the Volvo Group, which manufactures trucks, was about to spin off the car business. At the time, the business was going through a profitable phase, but it has been losing money since then. At present, Geely has not stated how it intends to finance the transaction, but according to internal sources, Geely will finance through the company's own funds, state-owned enterprises and state-owned institutions and banks,” (Yuan, 2010)

Furthermore, as regards the market, there were doubts about how Volvo would have made sales rise again, especially in those markets where most Volvo vehicles were sold: United States, Sweden, Germany, United Kingdom and Russia. China did not figure in the statistics. But China market had a strong growth potential that Geely had already recognized: by expanding sales in China, Volvo would have made up for overseas losses. And this is right what it happened.

As regards market positioning, China recognized the differences in the target market between Geely and Volvo:

“In our country, everyone knows that Volvo has always been synonymous for luxury cars. Its competitors in China are mainly companies such as BMW, Mercedes-Benz and Audi. Geely is mainly engaged in the low-end market, mainly for low- and middle-income families. After the merger, Geely will reduce Volvo's main competitive market [...]. At this stage, there is still a lot of uncertainty in the confrontation of the same level of automobile brands.” (Tian, 2016)

Generally speaking, we can say that Chinese observers and analysts have been worried about the acquisition, almost at the same level of Swedish observers. In 2010, China was at its first steps of approach into international markets on a higher level, as the acquisition of Volvo was the first Chinese acquisition of such a big and relevant brand.

Concerns also came from that sense of inferiority Chinese people had (and still have, under some aspects) towards other countries and in the way they compare themselves to them:

“Currently, Chinese companies are not welcome in global acquisitions, partly due to political reasons, as some people discriminate against us because China is a socialist country led by the Communist Party” (Leung & Yan, 2009)

But it is interesting to observe how Chinese sources also reported Swedish opinions, in order to reassure Chinese people that the acquisition had been welcomed in Sweden – even if the majority of the observers had actually been very critical at the beginning, as we saw previously. The article published on the website *Huanqiuwang* clearly states: 多数瑞典人对吉利收购沃尔沃表态乐观 (*Duoshu Ruidianren dui Jili shougou Wo'erwo Biaotai Leguan*), “A great number of Swedish people are optimistic about Geely's acquisition of Volvo” (2010), is a clear demonstration of how Chinese press always shows this tendency to be positive and cover the reality.

“Geely means a bright future for Volvo [...] Now Geely’s acquisition has injected flesh and blood into Volvo, and Volvo will benefit from the huge Chinese market [...] (to be acquired) is a good opportunity for Volvo. [...] Volvo union supports the acquisition” (Huanqiuwang, 2010)

And again:

“For Geely's acquisition of Volvo, the reporter from the Swedish Daily, Niels-Olefo-Olevik, expressed concern about Geely's funds. The reporter reminded: "If Geely borrows money from a government-controlled bank, this will limit its future development."

Despite this, Olevik expressed his pleasure at Geely’s chairman Li Shufu’s statement that Geely is Geely and Volvo is Volvo. This means Geely will maintain the high quality of Volvo quality and price because he does not want to see Volvo become a cheap brand.” (Huanqiuwang, 2010)

As we will see later, the actual focus of Chinese observers was on Geely’s acquisition of Volvo technology, that is the main factor linked to this acquisition, that is what Geely really seeks to obtain.

“Geely pointed out that the technology sharing between the two parties can bring "synergistic effects" to it. [...] Volvo Cars enjoy a lot of technical leadership, these technology and car production experience. [...] Through technology sharing, Geely's experience in China's domestic operations and cost control can help Volvo to further expand its business in China and improve its competitiveness”. (Zhao T. , 2012)

Chinese media often enlighten how Geely has a deep respect of Volvo brand, and its strategy aims at maintaining Volvo’s independence and value.

“At the beginning of the acquisition of Volvo, Geely formulated a clear strategy and put forward the highest principle of "Geely is Geely, Volvo is Volvo", fully respects the mature commercial civilization of Europe, fully respects the brand value of Volvo's leading world, and continues to promote Volvo.” (Zhonghua Gongshang Shibao, 2011)

“It is reported that Geely is already working on how to build a firewall between the Geely brand and the Volvo brand to prevent the weakening of the Volvo brand value” (Licai Zhoubao, 2012)

At the same time, it has been stated that despite the announcement and the effective non-integration of Geely and Volvo, Li Shufu actually has some hopes to give more substance to this cooperation:

“Although after the acquisition of Volvo, Li Shufu repeatedly stressed: "Geely is Geely, Volvo is Volvo." But he still hopes two a "chemical reaction" can occur one day. So, shortly after the acquisition of Volvo, the Geely Group's board of directors set up the “Volvo-Geely Dialogue Committee”, which was personally written by Li Shufu.” (Licai Zhoubao, 2012)

The Committee that was instituted by Mr. Li, included four representatives each for Geely and Volvo, whose main responsibility was to ensure dialogue and communication between the two sides on an equal basis.

“Resolving the differences between China and foreign countries and opening up bridges also laid the foundation for future strategic cooperation between Geely and Volvo.” (Licai Zhoubao, 2012)

When the acquisition revealed itself to be successful, bringing unexpected results and boosting Geely and Volvo firms' performance, Chinese media did not wait to show relief and a certain pride:

“In March 2010, when Geely “swallowed” Volvo, many people were waiting to have a good laugh. But today, those people must be disappointed,” (Daguo Pinpai Yang Chengji, 2018)

“The challenge for Geely was big, but Geely seemed to take off from the voices of everyone's doubts. After nine years, [Volvo] has achieved the status of Geely's domestic brother.” (Baijiahao, 2019)

Li Shufu has been described as the one who not only saw the value and the potential in Volvo, but also the one who realized it. He had vowed to make Volvo profitable in two years, and so he did.

“He made an analysis: Volvo lost money because of its small size. Large investment in research and development leads to high unit costs. As long as you scale up, you can make a profit. How to make the scale up? Li Shufu's approach is to fully decentralize. Unlike many Chinese bosses who engage in overseas mergers and acquisitions, Geely reinvented Volvo through the philosophy of Taoism based on inaction. “Geely is Geely, Volvo is Volvo”, giving the Volvo team greater freedom than the Ford era. [...] Time proves everything.” (Daguo Pinpai Yang Chengji, 2018)

Comparing Chinese media coverage and international media coverage regarding Geely's acquisition of Volvo acquisition, we can see, on one side, a difference in the interpretation of the M&A case, but on the other side an objectively similar analysis of the same phenomenon. International media, and particularly Swedish media, have been extremely critic towards the

acquisition. The causes must be researched in China's negative image in the West, as we saw previously: the negative results obtained by China in its soft power campaigns, the general lack of trust towards the Chinese government (Creemers, 2015), the lack of confidence in Chinese firms' managerial ability, made foreign observers less interested in discussing the possible positive outcomes of the acquisition. More concerns also regarded the fear of job losses in Volvo, and the technology transfer. These problems inevitably influence the orientation of the media, and its content. These problems are all related to the general perception of China in the West, because of its political system, as a communist state, because of the cheap labor in China, that would lower the quality of the labor in Volvo firm, because of the common belief that China is the country of counterfeiting, that will copy Volvo technology for the benefit of domestic firms (Fang & Chimenson, 2017).

On their side, Chinese media could not but show a subtle concern ("people can't help but worry about whether Geely can "eat and digest" Volvo" (Changjiang Shangbao, 2009). Despite this, Chinese press was always ready to show the positive side and to demonstrate how Swedish media was on the contrary welcoming the acquisition by the Chinese brand. It is a common belief that Chinese media has the tendency to report good news rather than bad news. The Chinese media has always been strictly censored and controlled by the government, and this is a reality in China since the foundation of the People's Republic in 1949. With its propaganda soaked with its dominant ideology, the Chinese government only allows media that are established, operated and directly controlled by the state, thus limiting the independence and the free of speech of the media (Wang & Ye, 2013). China's rank on the Press Freedom Index, published by Reporters Without Borders, was 176 out of 180 countries in 2018³. This reality explains the data previously reported, and the tentative to partly cover the truth. An example is given by the article declaring that trade unions in Volvo Cars were welcoming the acquisition, when, on the contrary, most of them were worried about job loss and that the Volvo facilities in Sweden would have been closed (Huanqiuwang, 2010).

After the good performance demonstrated by Geely in the management of Volvo, the rise in sales and profits, Swedish and international media did not hesitate to show a relief and appreciation towards Geely, and how Li Shufu had been able to fulfil his dream of making Volvo born again. And so did the Chinese media, showing a certain pride for Geely's success

³ <https://rsf.org/en/ranking>.

after all the efforts Li Shufu had made: “The pride of domestic production has been on the road of high-end brands since Geely acquired Volvo” (Xiaodingkan qiche, 2017).

4.3 Case study 2: Midea’s acquisition of Kuka

Midea’s acquisition of Kuka is another example we will analyze in order to understand Chinese firms’ acquisition objectives and integration plans. This acquisition occurred under different circumstances, in comparison to the previously analyzed one. It was 2016, six years later than Geely’s acquisition of Volvo. China has already demonstrated to have the capabilities to operate in international business environment, to have to ability to achieve the predetermined objectives, and 2016 is the year in which most Chinese M&As and overseas direct investments take place, exceeding \$180 billion. This improvement in capabilities may have affected deeply the strategies adopted by the Chinese firms.

We now move from automotive industry to robotics. The German Kuka is a company operating in industrial robotics and factory automation. Kuka robots are widely used in the automotive, metallurgical, food, medical and plastic molding industries. The Chinese Midea is an electrical appliance manufacturer, principally producing home appliances, like kitchen, laundry and refrigeration devices. Again, we are in front of an acquisition of companies operating in two different sectors and product categories, as well as two different companies in terms of customer groups, market areas, brand image and sales channels (Dong, 2018).

But at the same time, it is about two complementary sectors: this acquisition opens in fact many possibilities to collaborate on the market of robots for home use, which is a sector with a high potential of growth. It is reported that this market is expected to triple in the next five years (McGee, 2017). Furthermore, it has been pointed out that in comparison with similar enterprises, Kuka has many advantages: simple human-computer interaction, flexible fad innovation, and core technology leading the industry. Another factor of synergy between Midea and Kuka is the one linked to the markets: for KUKA, the Chinese market has always been the main market, and it is also its the “base camp”. The entire Chinese robot market is a huge cake for the German company. In 2016, Kuka occupied the second place in the Chinese industrial robot market,

while in the 2017 annual report, it was reported that Kuka's revenue in the Chinese market accounted for approximately 20 percent (Gongye Jiqiren Peixun, 2018).

Just like the inexperienced Geely manufacturing low-quality cars approached the high-end target market acquiring Volvo Cars, so did Midea, that not only was not into robotics field, but also came from a country where the automation manufacturing was extremely below the average: China only had 36 robots per 10,000 manufacturing workers in 2014⁴, while the average in Europe is 85 units and in 79 in America. The first in the ranking is South Korea (478 robots), second is Japan (315 robots) and Germany (292 robots). Despite this, China accounted for the first position in the market of robotics, selling the 25 percent of robots worldwide in 2014 (China Sino-Pack, 2016). In a press release from IFR in 2017, it is stated: "Annual sales volume has currently reached the highest level ever recorded for a single country: Within a year, sales in China surged by 27 percent to 87,000 units (2016)". The trend is even estimated to rise between 2018 and 2020, making China a global leader in the sector of automation. This trend has been reinforced by the Chinese government program "Made in China 2025", in which robotics is one of the industries in which the country aims to become the worldwide leader (IFR, 2017).

Robotics is for China a strategic way to boost economic growth rates, solve the problem of rising wage costs and maintain the major competitive role among the emerging markets. "Replacing people with machines and robots will help push China up the manufacturing value chain" (Hibbard, 2016). Right after the scandal linked to Foxconn in 2011, the company declared that they would have deployed 1 million robots in the next 3 years. This statement soon reached the direction of China's leading manufacturing company, and that turned into a country-wide, government-sponsored initiative (Hibbard, 2016). The Project "Made in China 2025" is a proof of this. China is going to benefit from the acquisition, thanks to the government's plan. Kuka predicts that the Chinese market will increase at a compound annual growth rate of 20 percent, mainly focusing on automotive and electronic products (Gongye Jiqiren Peixun, 2018).

⁴ World Robot Statistics, International Federation of Robotics (IFR).

4.3.1 Chinese acquisitions in Germany: a background

As expected, the acquisition by Midea of Kuka drew the attention of the other leader-countries operating in automation market. As a matter of fact, political frictions between Germany and China were the main obstacle to this acquisition, which has been long discussed and often defined as controversial, or even not a really friendly transaction, as a merger of equals should be.

A widespread concern affecting German investors and government official was, once again, linked to technology and know-how transfer into Chinese hands (Huang Y. , 2017). In Germany, this concern was at its highest in 2016, since Chinese companies had announced or completed acquisitions of German firms for an unprecedented amount of € 11.3 billion (Freshfields Bruckhaus Deringer, 2018). The number of investments had been rising constantly since 2011, totaling to 68 transactions in 2016. But this rise has met a progressive fall starting from 2017, and in 2018 fell to the average registered in the years 2014-2015(Fig. 7).

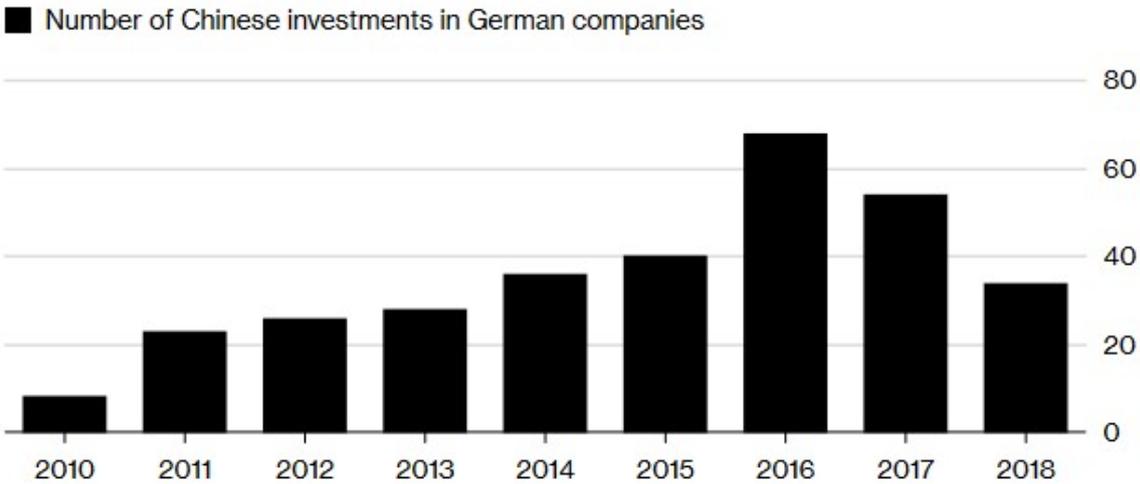


Figure 7. Source: Ernst & Young (Rogers, 2018)

The reasons behind this decline must be researched not only in Chinese change of policy aimed at stopping the uncontrolled flow of cash outside of China (“there’s a changing economic environment in China itself where the government in Beijing is bending over backward to prevent an excessive outflow of capital and save it for investment in crucial, future-oriented industries in line with its long-term economic policy”), but also in the German step back, which defined a change of attitude because of the concerns linked to the big amount of Chinese investments and to the fears of a sell-out of crucial industries (Graupner, 2019).

“The deal concerns a technologically sensitive area that can hurt Germany.” (Höpner & Buchenau, 2016)

As seen before, Germany is among the countries that most contribute in the robotics and automation industry (third worldwide, after South Korea and Japan), so the “loss” to China of Kuka, a key firm in German robotics “Industry 4.0”, has been seen with an extremely critical eye in Germany. It has been reported that many officials from Berlin and even Brussels opposed at first the acquisition, and tried to find different buyers for Kuka shares, but failed to find other acquirers (Deutsche Welle, 2016a). When Midea proposed itself as Kuka acquirer, it was said that even the German government was trying to create a consortium of European investors that would have bought Kuka and prevent Midea from the takeover. It was so reported on the German newspaper *Süddeutsche Zeitung*:

"We have to watch out that there's no China-bashing going on," and that in the end, it's up to shareholders to decide whether to sell their shares to Midea, "but I would be very pleased if there was an alternative offer based in Germany or Europe, to give shareholders that option." (Deutsche Welle, 2016b)

Furthermore, the key role of the Chinese government programs in this surge in investments (Made in China 2025, Belt and Road Initiative), particularly the acquisitions of high-tech companies, has generated the same criticisms and distrust registered when Geely had acquired the Sweden Volvo.

Many analysts and researchers did not hesitate to highlight that around 70 percent of Chinese acquisitions in German companies between 2014 and 2017 were all made in those key industrial sectors China aims to boost in order to achieve global leadership (Fig. 8), as meant by the governmental program “Made in China 2025” (Deutsche Welle, 2018; Kohlmann, 2016).

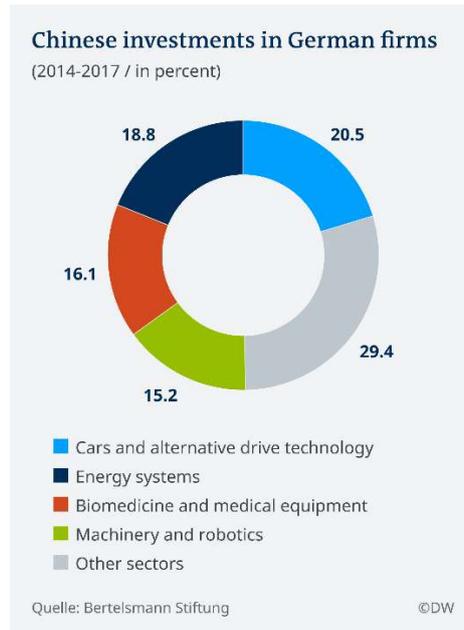


Figure 8. Source: Deutsche Welle (2018).

The overall trend has been defined as “no accidental choice”, as many German companies offering fuel-saving technology and alternative transmission know-how for the auto industry were the major targets of Chinese investments, as long as investments in robotics, energy systems and biomedicine (Deutsche Welle, 2018).

Another problem is the reciprocity in investments between China and European Union: it has been stated that only in 2017 Chinese direct investments in Europe approached € 30 billion, while the investments from Europe to China only accounted for € 4 billion (Bershidsky, 2018). Germany started to call for China to provide a more facilitated market access to German investors, complaining for unfair competition, since Chinese investors in Europe met a more facilitated path in comparison with European investors operating in China (Freshfields Bruckhaus Deringer, 2018; Deutsche Welle, 2018). It was in fact claimed that many foreign companies investing in China met strict protectionism, especially in some highly-protected industries, and had more difficulties to operate in China, because of the strong discrimination they came across (Clauss, 2017). It would be almost impossible to a European company to make in China the same investments that China makes in Europe (Bershidsky, 2018).

As a consequence of these conflicts, in 2017 Germany – as well as many other European countries, like France and Italy – adopted restrictive measures aiming at limiting Chinese investments and protect their technological advantage (Feng & Saha, 2019):

“German rules require a screening by the economy ministry of any plan for a foreign company to buy 25% or more of a business operating in fields such as defense and information security. The regulations were expanded in July 2017 to include investment in infrastructure and other key sectors by companies based outside the European Union or the European Free Trade Association” (Kosei, 2018)

In few words, German government conferred itself the power to intervene directly into foreign investments in Germany, in order to tighten the controls on foreign acquisitions and minimize risks in terms of technology transfer.

In the same period of the acquisition of Kuka, Germany had already started to concretely block some Chinese investments, in order to avoid the acquisition that involved critical technologies. The first example was represented by the block for Yantai Taihai Group (a Chinese firm producing components for nuclear reactors) from buying the German machine-tool firm Leifeld in August 2016. Since Leifeld was into nuclear and aerospace industry, this was considered an extremely sensitive area in case of technology transfer. Again, in August 2016, the German government blocked the State Grid Corporation of China⁵, a utility firm, from the acquisition of a stake in a German transmission system operator. Despite these blocked deals, concerns for investments in Germany are still high. At the beginning of 2018, Li Shufu, CEO of Geely, acquired a stake in the German Daimler, becoming its largest shareholder (Feng & Saha, 2019).

In August 2018, new measures were adopted by the German government, after the reduction of the threshold of investment’s control to 25 percent. In order to screen acquisition deals more effectively, and avoid the risk of technology transfer, the threshold of control was brought to 15 percent (Fernández, 2018). Another article published in December 2018 on *The Wall Street Journal* even reports that a further reduction of this threshold has been carried out recently, bringing it to the 10 percent, in sensible industries like defense, technology and media sectors (Feng & Saha, 2019; Grimm & Kowsmann, 2016).

Even more recently, on an article published on *Deutsche Welle*, it is reported that Germany has revealed a plan aimed at boosting German and European companies, in order to avoid foreign takeovers in key technologies. The plan is called “National Industry Strategy 2030”, and among its key points we find the following:

⁵ 国家电网有限公司, (*Guojia dianwang youxian gongsi*).

“German or European companies should be encouraged to take over key technology companies up for purchase.

In "exceptional situations" the state must be allowed to partially nationalize such a business in order to avoid takeover by a foreign investor.

An investment fund would be created in order to support these partial state takeovers, which would be of limited duration.” (Deutsche Welle, 2019)

The plan, drafted by the German economy minister Altmaier, is a clear declaration for Germany to compete with US and Chinese industries, develop German industrial sector and boost the international position of Germany.

4.3.2 Midea’s acquisition strategy: integration management

Despite its rather recent history, the case study of Midea’s acquisition of Kuka can be already analyzed in the integration strategies planned and implemented by the chief executive Paul Feng. The *Freshfields Bruckhaus Deringer*, the multinational law firm which advised Midea when engaging in the acquisition of Kuka, published a report synthesizing the strategy they developed for Midea in order to effectively acquire and integrate Kuka. A dialogue between the two businesses was encouraged through the strategy of building up a holding of shares aimed at testing the target market and the internal reaction to the acquisition. The main focus of the strategy was that Kuka’s management and finance were to be maintained independent from Midea, as well as the headquarters, factories and jobs to be left in Germany. Furthermore, the patented information belonging to the German company should have been kept in Kuka’s hands. Midea’s management was advised to restrain its intervention in the new company. This strategy was intended to build trust between the two firms and to alleviate the concerns of German politicians and shareholders that contested the acquisition. Midea agreed to implement this strategy, acquiring Kuka for € 4.5 billion – the largest deal ever carried out by a Chinese firm and the largest acquisition of a German industrial company by a Chinese investor. (Freshfields Bruckhaus Deringer, 2018; Höpner & Buchenau, 2016; China Sino-Pack, 2016).

Once again, as we saw in the acquisition of Volvo, the Chinese hands-off approach to integration has been the trump card of the M&A, giving a positive image of the Chinese

counterpart in front of the European companies. In fact, the strategy proposed by Midea allowed the success of the transaction, that had been close to be blocked by the intervention of the German government.

In order to concretely realize the integration between Midea and Kuka, in 2018 Midea invested an amount of RMB 10 billion (\$ 1.58 billion) in the construction of a Smart Manufacturing Industry Park in Guangdong province. The park is a comprehensive industrial pattern integrating the research and development, manufacturing and sales functions, and represents the technological bridge connecting Midea and Kuka. Their joint research program is focused on human-machine connection and collaboration, and it's the core of the synergy exploitation and cooperation between the two companies. "The launch of the industrial park will help to expand Midea and Kuka's business of robotics and automation in the Chinese market", Midea's CEO Paul Fang states (Qiu, 2018), and at the same time the German Kuka will pursue its objective of expansion in the Chinese market.

"Here in the Chinese market, Kuka and Midea have the same vision to further shape 'smart manufacturing, smart home' in the near future. We are working on advanced robotics and automation - not only in industrial production, but also in other areas such as healthcare and, one day, in our daily lives at home," Reuter said." (Qiu, 2018)

In the report published in September 2018 by Dong Lei on the website *Sohu*, the writer engaged in an attentive analysis of Midea's acquisition strategy, especially in the effort spent in the integration phase. Dong reports that for companies that have been acquired, Midea Group adopts a "differential treatment" (区别对待 *qubie duidai*) approach for subsequent integrated development:

"For example, for Toshiba, whose Home Appliances Business sector belongs to Midea, Midea Group fully taps the synergy between the two sides in terms of technology, industry chain and capital, which can directly reduce the costs. For the brand-new robot producer Kuka, it is difficult to rely on Midea's technology and management team's help. In this situation, there is the need to retreat behind the scenes and help Kuka in reducing operating costs, by expanding market resources and obtaining industrial policy support. At the same time, Midea will focus on Kuka, in the production of robot, industrial automation solutions, system integration, and intelligent logistics and other fields," said Mei Peng, director of Midea Group." (Dong, 2018)

At the beginning of the operations in international mergers and acquisitions, the first problem that Midea Group faced was the integration of the acquired firm. In order to achieve the integration, Midea's strategy is to vigorously introduce international talents and to employ local people as executives to solve the problem of cultural conflicts. Of course, hiring local people also brings problems linked to different employment systems.

In the strategic synergy development, Midea has also explored a set of practical experiences. The research institutes at all levels in Midea are closely connected with the innovation and R&D centers of the headquarters. The innovation R&D center coordinates the global R&D layout, the implementation strategy and the deployment direction. For the sector of the everyday management, a full decentralization policy is implemented on the basis of a certain responsibility, and it is managed individually in every branch.

It is precisely because of Midea's system of responsibilities, rights sharing, and the overall organizational structure and management style, that those companies which have already been acquired can complete the subsequent integration, showing a strong development impetus.

Kuka is expected to be integrated through this same integration pattern, and the establishment of the R&D center in Guangdong as the joint venture program between Midea and Kuka, the Smart Manufacturing Industry Park, represents the starting point of this integration project. It is estimated that by 2024, the robot production capacity of Kuka will reach 75,000 units per year, which is four times the current production capacity.

In the long term, the objective of Midea is to increase Kuka's performance, by enhancing the process of transformation and upgrade, in order to make it the most important player in the industrial robot sector in China (Dong, 2018).

4.3.3 Observers' interpretation between China and Western countries

"You currently can see such a form of light touch integration from almost all Chinese investors in Germany," [said] Lutz Berners, the managing director of Berners Consulting, a Stuttgart consultant to Chinese and German companies.

Mr. Berners said Chinese investors are keen to preserve German innovation in the long term and are willing to make concessions to ease German concerns about a loss of strategic technology.

It would be "senseless" to attempt to do something with Kuka or other acquisitions that weakens German engineering expertise." (Höpner & Buchenau, 2016)

This report demonstrates how Midea has stressed the importance of the strategy of non-interference in Kuka's business, the preservation of the acquired company's autonomy and decision making. The hands-off approach that has been noted by German analysts is what made Midea successfully acquire Kuka.

But still, the acquisition has struggled to find consensus among the Germans, even few years after the acquisition. Actually, the more times goes by, the more disapproval keeps somehow growing:

"The Financial Times reports: we really need to think carefully about whether we are willing to hand over such an important company to the Chinese, or to try our best to leave it in the hands of Europe. I am worried that due to this type of transaction, the future cars will no longer be produced in Stuttgart and Walsdorf, but in China." (Shidai Zhubao, 2016)

It can also be observed a certain resentment of the German media towards their own government, that has not done enough to avoid the Chinese takeover of the German robotics brand:

"Teutonic teeth were gnashed all the way to the top of German government, but despite calls to intervene, Chancellor Angela Merkel did not do so and the takeover went through serenely. Kuka is now effectively a Chinese company." (Sullivan, 2018)

It has been actually pointed out that because of certain differences between Chinese and German policy system, German government could not actually intervene or prevent somehow the acquisition. This is the reason why the impact of the German resistance to Midea's acquisition was essentially limited to the verbal level. The acquisition in fact did not involve security interests for Germany, nor it was concerned with those industries usually protected by the government, like defense industry enterprises or companies involved in IT security and state secret file processing.

Matthias Machnig, the State Secretary of the German Federal Ministry of Economic Affairs, told the German news agency that Germany, as a major exporter, has always agreed that the

market is open and the federal government supports foreign companies' investments, but these companies must show that the investment must be carried out in a German production base, without a government acting on the background, and it must provide financing conditions that are consistent with market economic principles. Mahnich pointed out that especially in key industries, controls must be tightened (Zhao S. , 2017).

Another concern was linked to the possibility of job loss inside Kuka, after Midea's acquisition:

"Kuka's new owners were at pains to point out that they did not want to cut jobs at the company's Augsburg base, and that they would be hands-off in their management approach." (Sullivan, 2018)

The recent news in November 2018 reporting the replacement of Kuka CEO Till Reuter, which left his role after ten years in the company, has added even more concerns among Germans. This change suggests indeed that something is happening inside the company:

"Monday's news that Kuka CEO Till Reuter is to step down in December 2018, several years earlier than expected, suggests that the pace of change at the company is going to increase significantly in 2019.

[...]

"With sensitivities over Kuka already keenly felt after the controversial takeover in 2016, a China-centric appointment to replace Reuter will likely confirm the worst fears that critics of the deal in Germany had." (Sullivan, 2018)

"When the Financial Times profiled Mr Reuter last year, he said becoming "number one in China" was the company's greatest aspiration. He noted that in the previous six years Kuka had already grown its China revenue tenfold from €50m to €500m, and in 2013 Kuka opened its first plant there.

More recently, however, growth stalled." (McGee, 2017)

Since the Chinese acquisition, Kuka has even been meeting some problems. From 2016 to 2017, Kuka profits had been rising from € 3.4 billion to € 3.5 billion. But in 2018, this trend stopped, registering a fall in profits to € 3.3 billion and a decrease of 50 percent in shares⁶. "Mr Reuter cited "weaker growth in Asia" and said the company would "keep a close eye" on the effects of the US-China trade dispute" (McGee, 2017).

⁶ www.kuka.com

Many analysts interpreted this setback as a possible problem deriving from Midea overloaded itself after purchasing Kuka, since the German firm had acknowledged to have delayed some projects and met some struggle to meet the demand quickly enough (Sullivan, 2018).

But it is also true that even Volvo had naturally met some problems right after Geely's acquisition. From 2010 to 2011, sales had grown quickly from 373,000 to 449,000 vehicles sold. But from 2011 to 2012 sales went down from 449,000 to 421,000, and they started rising again the next year, and never stopped so far, determining a success of the acquisition.

In comparison with the acquisition of Volvo, the acquisition of Kuka is much more controversial for one reason. While Volvo had been going through a period of huge loss and was close to death (it was also a brand that had always struggled to compete with other European top brands like Audi, BMW or Mercedes), Kuka is a pearl in the German economy, one of the most precious players in the German "Industry 4.0" program, as it is a very strong brand operating in a high-growth potential target market:

"[...] The sale of such an innovative company to China was effectively a loss of intellectual property and high-tech know-how into Chinese hands and heads, something which would make German ambitions to become a world-leader in so-called Industry 4.0 innovation all the more challenging."

And, always in the same article:

"As a cutting-edge German robotics firm, Kuka was precisely the kind of high-end European manufacturing company that many felt should not be sold off to the Chinese and their growing ambitions in the world of automation." (Sullivan, 2018)

The setback which in the last months has struck the Chinese market, that is suffering a period of slowdown of its economy, is raising even deeper concerns among German shareholders, worried that the slowdown of Chinese economy would affect Kuka, and with it German robotics (Bender, 2019).

In addition to this, as we saw before, Midea's strategy is quite different from the one adopted by Geely in the acquisition of Volvo. Despite the "promises" to not interfere in Kuka's business and not to transfer key technology from Kuka to China, some statements and some effective changes have demonstrated how Midea actually aims at boosting the integration process in the most efficient way:

“We have to speed up and make it happen quickly,” said Wilfried Eberhardt, chief marketing officer of Kuka, adding that combining Kuka’s innovative DNA with Midea’s high-volume electrical appliance production bodes well for the robot maker’s outlook in China.” (Ren, 2018)

The Chinese counterpart has on its side tried to overcome the concerns deriving from Kuka shareholders and – most of all – the German government. Fang Hongbo, member of Midea Group, publicly acknowledged this problem:

"I tried to think about their feelings from their perspective. This is not a problem that can be solved in a meeting." (Dong, 2018)

Another commitment from Midea, in order to alleviate German’s concerns, was to maintain Kuka’s listing status in the German stock market, while of course to grant full independence to Kuka:

“Midea has no intention to enter into a control agreement or delisting Kuka. The increase in the shareholding ratio of Midea to Kuka can not only maintain the independence of Kuka, but also enable the two companies to cooperate and drive further growth, especially in the Chinese market.” (Liu B. , 2016)

Furthermore, in response to the German government's concern about the outflow of corporate secret technology, Midea and Kuka signed an “Investment Agreement”, with a total of five articles, all of which did not involve technology transfer. Instead, they emphasized respect for the Kuka brand and intellectual property. An isolation prevention agreement was also established, in order to keep the Kuka Group's trade secrets and customer data confidential, to maintain a stable relationship between Kuka and its customers and suppliers.

Chinese press reports many statements from European analysts, acknowledging that, at the contrary of Kuka, which is a very important player in Germany’s “Industry 4.0”, the previous acquisitions that China made in Europe were all headed towards companies which were meeting problems, or were about to fail:

“China’s previous acquisitions were on the brink of bankruptcy in Germany, but now it’s about a successful and technologically advanced German company.

“People are worried that the technology that is considered to be the core of Germany’s ‘Industry 4.0’ will flow into China.” (Shidai Zhubao, 2016)

As an overall analysis published on *Sina*, the writer Liu Buchen states:

“Regardless of whether the acquisition can be completed as expected, Midea is the winner. Initiating the acquisition, Midea has made the world realize that it is a good Chinese company.” (Liu B. , 2016)

Because of the recent history of this acquisition, it is maybe soon to define a conclusion, as we made for Geely’s acquisition of Volvo. This M&A deal has in fact created many rifts between China and Germany, mostly on a political level. Germany has raised the level of control over non-European investments, the government has adopted specific measures aimed at controlling foreign investments and the relative loss of technology that may follow.

On its side, China has tried, and still tries hard to alleviate German concerns, not much for Kuka itself – as it is already fallen in Chinese hands and is about to bring many successes – but most of all for future investments in key industries that are necessary to the Chinese industrial development program. Furthermore, as it is stated by some Chinese reporters, China hopes to get German consensus, also for a matter of national pride: China has a lot of esteem towards Germany, and especially German industry (德国企业所具有的严谨的精神与精湛的工艺, “the rigorous spirit and exquisite craftsmanship of the German company” (Gongye Jiqiren Peixun, 2018). The strong esteem they have make them extremely proud, igniting a sense of honor and motivation.

4.4 Case study 3: ChemChina’s acquisition of Syngenta

The third case study analyzed in this thesis is concerned with a different industrial sector, that is the agrochemical sector. So, this time it is not about high-tech, nor a sector directly linked to “Made in China 2025” program, but it is still about a very important sector in the economic development plan of the Chinese government. Food security is indeed a fundamental element for China, which is a country that has struggled with meeting the need of people in delicate periods of its history. This background has been analyzed in the report issued by Geoff Colvin on *Fortune* (2017), referring to the period of famine that struck China in the years 1959-1961. The critical experience suffered by Chinese people still influences government’s strategic

thinking, and the acquisition of the Swiss Syngenta for \$ 43 billion (287 billion yuan) is the result of it. Chinese president Xi Jinping had claimed in 2013 that food security is “an eternal issue for us”, and the more it is for such a wide and populous country like China.

Syngenta is among the world leaders in advances insecticides, herbicides and other products for crop-protection and third worldwide producer of seeds. ChemChina (China National Chemical Corporation, 中国化工集团公司) is a Chinese state-owned chemical company operating in the segment of agrochemical products, along with rubber products, chemical materials, industrial equipment and petrochemical processing. The deal between the two companies, which was signed in 2017 and was the largest-ever foreign acquisition by a Chinese firms as that year, is very important in the understanding of Chinese government’s strategic plans, that besides investing in high tech, IT and robotics, also focuses on innovation in biotechnology, where an efficient development has the potential to change food supplies and costs in the whole world (Colvin, 2017).

The potential behind this acquisition is huge, and the strategy behind it, as we see, is two-pronged: China aims on one hand to solve the problem of food security inside China, by improving technology and farm practices, where the productivity is currently low; on the other hand, it aims at developing advanced technologies for agriculture in the whole world: “even if there’s a big drought or a big flood in China, they want to make sure there’s enough food available around the world to import” (Colvin, 2017). This strategy is intended to ensure China and the rest of the world enough food supplies, by purchasing or controlling the most relevant foreign sources of food worldwide.

It has also been observed by the Chinese researcher Li Guoxiang, from the Institute of Rural Development of the Chinese Academy of Social Sciences, that China has a strong potential, and Syngenta can help China to improve the country’s agricultural industry and also its international competitiveness:

“We now have a lot of agricultural products in the international market. We are the largest country in the world, but our import scale, our agricultural products and international markets are still expanding continuously. When we compare our agricultural industry with the international agriculture, our costs and prices are high. Syngenta could help to improve the competitiveness of our country's agriculture and promote the transformation of China's agricultural powers into agricultural powers.” (Zhang W. , 2017)

ChemChina has been in close contact with Syngenta since 2009 and has been seeking opportunities for cooperation. In May 2015, ChemChina seized the opportunity of Syngenta to reject the offer of other internationally renowned chemical companies and quickly contacted the board of Syngenta. The two sides reached a consensus after more than seven months of arduous negotiations and exchanges. In February 2016, ChemChina and Syngenta signed an acquisition agreement, and after strict approval by relevant governments, they finally passed investment review institutions including 11 countries including the US Foreign Investment Committee (CFIUS), and 20 countries such as the United States and the European Union. The review of state and regional antitrust agencies lasted for more than a year and eventually the acquisition was reached (Zhang W. , 2017; Chen, 2017).

The long-time acquisition process was also strived by competitive forces, due to the fact that also Monsanto, the American company operating in agrochemical and agricultural sector (which eventually ceased to exist in 2018 after being acquired by Bayer), was interested in acquiring the Swiss Syngenta. Monsanto, that was the world's largest seed and agrochemical company, had issued a \$45 billion offer for Syngenta. However, Syngenta had always refused this offer on the grounds of antitrust regulatory risk. Although Monsanto made efforts to promote Syngenta's seed business and partially overlapping agrochemical business, and once increased the purchase price to 47 billion US dollars, Syngenta chose ChemChina. Michelle Derimo, Chairman of Syngenta Group said: "If we merge with Monsanto, we will disappear in the future, while ChemChina, on the contrary will retain the value of Syngenta, its culture and sustainability. Food security is at the heart of our mission, and we can have very long-term investment plans" (Zhang W. , 2017).

Syngenta's financial profile in the years before ChemChina's acquisition was in a slight measure comparable to the situation of Volvo before Geely's acquisition: in recent years, the overall shrinkage of the pesticide industry had dragged down Syngenta's profitability. In 2014, it cut 1,000 jobs globally; in 2015, it achieved revenue of \$13.41 billion, down 8.78 percent year-on-year; in the first quarter of 2016, it continued to decline by 7 percent. The company's operating conditions had not effectively improved until 2017 (Fig. 9).

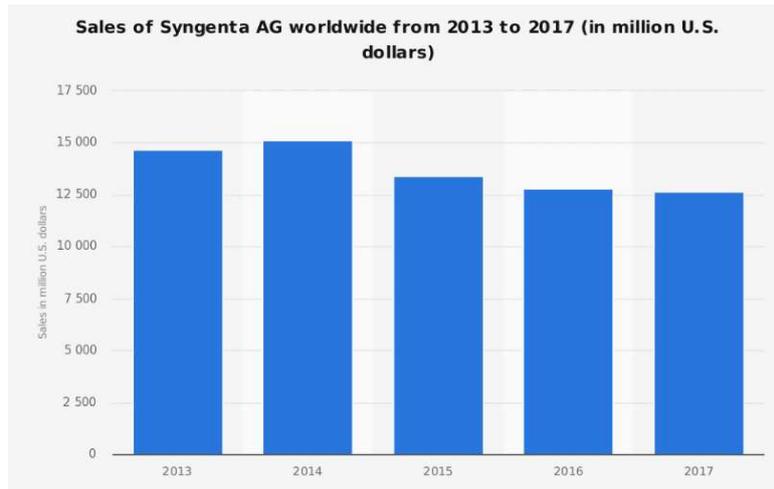


Fig. 9. Source: Statista, 2019

After the acquisition, Syngenta’s conditions seem to be recovered, as in the first half of 2018 an increase of 5 percent in comparison with the first half of 2017 was registered. Erik Fyrwald, Syngenta’s CEO, said:

“The result is an encouraging outcome given difficult market conditions and we continue to focus on serving customers to help improve their profitability and sustainability. [...] we have returned to growth, on an adjusted basis, in all regions [...]” (Syngenta, 2018)

China's seed and pesticide market had an annual scale of more than \$10 billion, but Syngenta's only occupied the 3 or 4 percent of that market. The researcher Jiang Changyun, from National Development and Reform Commission Industry Institute, stated that Syngenta could cooperate with ChemChina, in order to enter the Chinese market and also all the Asian market. Furthermore, ChemChina’s chemical industry had a potential complementary relationship with Syngenta, and since they were not competitors, the cooperation between the two could bring many benefits to both of them (Zhang W. , 2017).

4.4.1 ChemChina’s acquisition strategy: integration management

Since its announcement, the acquisition of Syngenta by ChemChina was defined in every aspect, also from the integration point of view. The Chinese news website *Xinhua* reports that

ChemChina decisions made in the pre-acquisition phase were to “respect Syngenta’s corporate culture, maintain continuity of corporate management and allow the management team of Syngenta to play its role to realize a smooth transition and orderly integration” (Song L. , 2017).

Once again, the acquisition has been presented as aimed at maintaining the *status quo* of the acquired company, premising the same hands-off approach that we observed in the previously analyzed case studies.

“Syngenta will stay Syngenta and will keep its headquarters in Basel, Switzerland” the company’s chief executive officer, Erik Fyrwald, said in an interview last month. [...] “We’re not integrating with ChemChina,” Fyrwald said. “There’ll be ChemChina members coming onto our board. The chairman will be Chairman Ren from ChemChina. But we fully expect to operate as we do today.” (South China Morning Post, 2017)

The integration factor has been analyzed also by the Chinese observers, as it is reported in the article published on *Guoji Guoshu*:

“There is a huge difference between Eastern and Western cultures, and Chinese companies will face even greater challenges in the integration after mergers and acquisitions. The difficulty of integration is mainly reflected in the differences between the national laws and regulations and the corporate governance culture, which makes the cultural integration challenge extremely great. Therefore, how to inherit the good things of Syngenta is also the key to the future.” (Liu J. , 2017)

The reporter Zhang Wei on the website *Sohu*, makes a similar analysis, acknowledging the differences that the two companies must face:

“The huge differences between Eastern and Western cultures have made Chinese companies face great challenges in post-merger integration. The difficulties in post-merger integration are mainly reflected in the differences between national laws and regulations and corporate governance culture. Their long-standing and deep-rooted characteristics make the challenge of cultural integration extremely great.” (Zhang W. , 2017)

It is also argued that the two companies have two complementary business scopes and products, and the competitive relationship is not very strong, which is more conducive to the development of both sides in their respective fields. In this way, a non-integrative but strong cooperation can be built, while the two companies exploit their own growth potential. But at the same time some observers acknowledge that despite the acquisition is very significant for Chinese agricultural industry, the transaction of more than \$40 billion will increase the debt

burden of China's chemical industry (Wang S. , 2017). More importantly, there will be integration issues in terms of corporate culture, institutional mechanisms, and talent use (Zhang W. , 2017).

4.4.2 Observers' interpretation between China and Western countries

Again, the acquisition of Syngenta by a Chinese enterprise has spread concerns among European shareholders and attracted a lot of attention because of the large scale of the deal, this time made by a state-owned company. After the acquisition proposal, the deal has been subjected to many regulatory and antitrust barriers, not only in Europe, but also in United States, where Syngenta detains a big share of the market (D, 2017).

Concerns from the bondholders are mainly linked to financial risks. ChemChina was indeed a debt-burdened company, and while such a state-owned company was able to handle its equity and debt, the effect of debts could on the contrary have a negative influence on European lenders. In fact, it has been argued that there are no restrictions in the deal's documentation regarding the company's ability to pay dividends to ChemChina (RWR Advisory Group, 2017). This aspect was discussed in another article published on the *Financial Times*:

“Heavily indebted ChemChina secured bridge financing for its Syngenta purchase early on and garnered equity and loan commitments from other state groups but has not been specific about how it would pay for its portion of the deal.” (Hornby, 2017)

Not only from a financial perspective, concerns also rose among politicians and even environmentalists, because of the risks linked to the concentration of power in the global food system, which would have been even consolidated after the acquisition of Syngenta by ChemChina: the market of seeds would in fact be controlled for the 75 percent by only three companies, thus minimizing the number of industries from which farmers would buy, and at the same time – argued by United States' National Farmers Union and Food and Water Watch – raising the risks for national security and potentially negative impacts on farmers and consumers, linked to food safety along with the use of high-tech agrichemicals. United States in fact accounts for more than one quarter of Syngenta's sales, so this acquisition not only affects China and Europe, but also US in equal measure. American companies have argued:

“The deal “accelerates the international consolidation of the food and agribusiness industries to the detriment of American farmers, rural communities, and consumers,” and suggested it would transfer critical patented technologies (not only in seeds, but also high-tech agrichemicals) into Chinese ownership, as well as “the weaker safety and security culture of Chinese chemical companies.” (Ely, 2016)

In an article published on the Chinese website *农药快讯 Nongyao kuaixun (Agroinfo)* (Dan, 2016), it is reported that in the week from April 26 to May 5 2016 an analysis, published on *世界农化网 Shijie nonhuawang*, investigated the opinions spread among the readers of the most relevant companies (Fumei Shi, Monsanto, BASF, Syngenta, Bayer, Isagro, Shicom, India Rallis, ADAMA, and Kleffmann Consulting and more). The questionnaire was entitled “How do you consider ChemChina’s “Suicide acquisition” of Syngenta?” and aimed at understanding people’s points of view with regard to ChemChina’s acquisition. The results of this survey were interesting.

From the perspective of the Chinese government, this deal was considered a wise and strategic choice. China and Asia's densely populated regions were in desperate need of biotechnologies that could make crop yields rise rapidly. The acquisition would have indeed promoted the development of biotechnologies in the region and enhanced agricultural productivity, where in the past agricultural development could only be achieved by seeds innovation. A reader familiar with China's agricultural situation and Syngenta's business operations commented:

“The Chinese government wants to promote domestic consumption. At present, there are 600 million small-scale farmers in China, and the government needs to increase their income. Syngenta knows how to support the production of small farmers, they have very active market experience in Africa. Therefore, the acquisition of Syngenta is a smart move for the Chinese government.” (Dan, 2016)

From the perspective of ChemChina, many readers believed that the group, which already owned a majority stake in the company ADAMA, where it gained a market share in the non-patented pesticides, was this time acquiring GM (genetically modified) technologies and seeds. This would have enabled the two companies to achieve synergy and further enhance the Group's global market share.

As for Syngenta, a reader wrote:

“The company has strong R&D capabilities, and it has a wide, low-risk sales force and regional companies around the world. Through the acquisition, Syngenta will receive long-term investment in sustainable agriculture. Development and maintain its values that support the work of farmers around the world.” (Dan, 2016)

On the other side, it is reported that the 30.3 percent of the participants considered the transaction as a bad move, defined as “a mature fruit but with few nutrients”. Concerns were linked to the activities, the protection of intellectual property rights and the Chinese-style corporate management inside the ChemChina’s agricultural industry.

“Product quality is the most respected value of Syngenta's brand. However, Chinese pesticide companies have not established a good quality image in the international market. Therefore, readers leave a message saying that “quality will accompany the acquisition. The completion of the disappearance, Syngenta will become a non-patented pesticide production company”.” (Dan, 2016)

There are also views that Chinese business managers lack international management experience. Many observers thought that under China's management system, the attraction of the top talents in the industry would be weakened, which would represent a challenge for corporate management and development. Even the situation of China's intellectual property protection has been worrying, so it is extremely unfavorable for Syngenta, a company with a large number of intellectual property products. And if China puts political factors at corporate governance, such a giant company will hurt global business.

Many readers participating to the survey are reported to consider the purchase price of \$43 billion as too high, since ChemChina had to borrow funds in order to complete the acquisition. This make people ask whether this financial affair was really worth to undertake.

Chinese observers are, on their side, quite positive towards the deal, and they mostly outline the importance of this acquisition for China. They generally show similar opinions, stressing the factor of a potential synergy, with ChemChina improving its competitiveness and food security, while Syngenta will keep on focusing on its own technological development:

“The person in charge of the Chinese division of Syngenta said that ChemChina’s acquisition of Syngenta has achieved a win-win situation: it guarantees that Syngenta can focus on its own expertise, invest heavily in research and development, develop new technologies, and help improve planting crops’ efficiency and yield. The acquisition of Syngenta by ChemChina will fill the blank of patent pesticides

and seeds and will play a positive role in improving China's agricultural competitiveness and ensuring food security.” (Liu J. , 2017)

Chinese observers believe that the point of contact between the two companies will be the possibility for ChemChina to exploit Syngenta’s pesticides and seeds technology in order to improve its productivity, while to Syngenta is given the possibility to keep on investing in its own research and development, and at the same time to expand its market in China.

Anyway, some Chinese sources look at the deal from a different point of view. It is argued that the process of acquisition met many obstacles, and since 2015 that the deal was announced, it took about one year to be completed. According to media reports, the acquisition dated back to May 8, 2015, the day Syngenta publicly stated that it would reject Monsanto’s offer. Since then, Ren Jianxin, the chairman of ChemChina, has been rejected, re-rejected, and he repeatedly revised the quotation proposal to acquire Syngenta, made many twists and turns to finally impress the Swiss company. Only on February 3, 2016, ChemChina and Syngenta finally announced a merger agreement. The former will acquire 100% of the latter with a total cash offer of \$43 billion. During this period, ChemChina made various compromises: the quotation plan changed from “cash + stock” to “full cash acquisition”, the total amount of quotations was raised several times, they promised to maintain the core value and identity of Syngenta and agreed to increase the reverse the break fee to \$3 billion. Furthermore, in addition to making compromises with Syngenta, ChemChina had previously made a certain degree of compromise with EU regulators. For example, in order to dispel the doubts of EU regulators, ChemChina proposed to divest the pesticide chemical company Adama Agricultural Solutions assets (Qi, 2016).

This third case study is, as we saw with the Midea-Kuka case, a quite recent story, so it is not possible to make a detailed analysis of the change in points of view throughout the time. The ChemChina-Syngenta acquisition takes place in the same period of the Midea-Kuka case, and most of all, it has occurred in 2016, the year when most Chinese investments were registered in Europe. This one was the biggest, and the importance of this deal is consequently fundamental.

4.5 Cross-case analysis

The three case studies analyzed in this chapter are very different in industry sector, amount of investment and target country. The first one takes place in a different period, in comparison with the other two, that on the contrary occur in the same period. Geely-Volvo is a long and debated case study, in which many diverse opinions are observed. These opinions change radically throughout the time, many differences are observed between different countries, but also inside the same country. Volvo was close to death, the company had suffered huge loss, and the Chinese acquisition was somehow Volvo's salvation. We observed the approach that the Chinese counterpart had in relation with the deal, the "light-touch approach", in which the integration was gradual, without fierce contrasts between the two companies. The acquisition has been very well studied in all its aspects, and this brought to the success of the acquisition.

Midea-Kuka is a more recent, strongly criticized acquisition and still an "open wound" for Germany. Kuka is a pearl to German industry, its worldwide success is a pride for the German robotics and the Chinese acquisition is seen as a huge loss for Germany. The Chinese counterpart, which acts in a period in which Chinese investments abroad are changed and are no longer belonging to the 2010 era, approached the acquisition with a different attitude, and despite the initial promises for a hands-off approach (like we saw in Geely-Volvo), a more aggressive tone was actually observed. Many contrasts made this case become a political matter, with Germany implementing many restrictions on foreign investments.

The third case, ChemChina-Syngenta, belongs to a different industrial sector with respect to the other two, but its importance is still remarkable, because of the scale of the acquisition (the highest transaction amount from a Chinese investor, \$43 billion) and because of its key role in the process of development of Chinese economy. As it was for Volvo, Syngenta was facing a period of loss and this made the acquisition more acceptable for the Swiss company. Furthermore, the Chinese approach was again rather delicate, and the acquisition was completed after many compromises by ChemChina.

The three cases are all part of a process of development and internationalization of the Chinese economy, which are monitored by the Chinese government and encouraged through an attentive policy, like the "Go global" policy, and development plans like the "Made in China 2025" program and the "Belt and Road" initiative.

Conclusions

After the analysis of the three most famous cases of Chinese M&A of the last ten years, in the context of the overall trend observed with the Chinese international expansion, many different aspects have been taken into account. It has been argued that when engaging in M&A, particularly in a multi-cultural context, many features and variables must be considered, and a more attentive observation must be made when talking about China. It has been demonstrated how different observers look at and interpret the same M&A phenomenon from various perspectives, and how these observers' opinions have changed throughout the time, also in relation to M&A performance change. We have compared Western opinions and Chinese opinions, finding many common points of view, and many differences. We have examined these common and divergent views, finding their determinant factors: from the influential role of the Chinese government, to the problems linked to the Chinese press, the position of China in the eye of Western countries, the change of this position in the last years. Some commonplaces and misconceptions have shaped Western opinions about China, but they have been overturned, demonstrating how China is actually deeply changed, shifting from low-quality manufacturer and mostly oriented towards Asian markets, to major competitor in global affairs, with a strong orientation towards high-tech and high-growth potential industries, to the acquisition of top brands and core capabilities.

The choice of M&A as the best entry mode in the international markets has been discussed, analyzing the background of this phenomenon, the process of the M&A itself and its phases, and how the post-acquisition phase is the most important for the success of the deal. The integration process activated during this phase is the most delicate part of the deal and it determines its success in most cases.

As we saw, Chinese companies engaging in the M&As that we taken into account were able to manage this process, and this was crucial for the change of attitude of European media towards these acquisitions. In particular the first case study, Geely's acquisition of Volvo, showed a success that determined a sharp change of opinions throughout the time, from the pre-

acquisition phase to the post-acquisition phase. While at the beginning Western media were in flames and extremely critic towards the acquisition, mostly because of technology and know-how transfer concerns, from a certain period after the post-acquisition phase, when Volvo performance brought unexpected results, European observers changed their mind and started to show a very positive opinion of Geely. Chinese company's integration method, the hands-off approach, which is fundamentally a non-integration, non-interference approach, was a successful choice and it was determinant for Volvo's performance.

The same method was undertaken also in the other two case studies, and it is demonstrated how it was fundamental to the acquisitions, determining the change in European media opinion. The second case study, the Midea-Kuka acquisition, even if it is a really controversial acquisition, still has this hands-off approach as its trump card, which succeeded in persuading German Kuka that Midea was its best acquirer. In this case, it is not possible to see how things will change in the future, since the deal is a quite recent one. But Chinese strategies are clear, and governmental plans like "Made in China 2025" are source of concerns for Western countries. Midea's integration process has been accelerated, through the development of joint development programs aimed at boosting the cooperation between the two companies, thus questioning the promises concerning the technology transfer. This change of strategy can be linked to two reasons: one is the different context in which this acquisition is pursued, since China has already gained a role of supremacy in many industrial areas, and the one covered by Kuka is directly linked to Chinese interests; second, the protectionist policy launched by Germany and other European countries (not to mention United States strict closure to Chinese investments) has threatened Chinese expansion plans, making Midea feel compelled to gain more from Kuka acquisition. The third case, ChemChina's acquisition of Syngenta, has met many difficulties before being completely carried out. Once again, a hands-off strategy was promised, and this helped a lot in avoiding negative opinions by Western observers. Also, the complementarity between the two companies and their business scopes, the lack of competition between the two, allowed a non-integrative but strong cooperation that facilitated the development of both sides in their respective fields.

In all the three case studies, the integration approach was the key factor for the realization of M&A success, and at the same time it was essential for receiving a more welcoming attitude by the acquired company and its stakeholders.

References

- 21 Shiji Jingji Baodao. (2018, Aug. 21). *Li Donghui xiangjie jili binggou luoji: Wo'erwo shangshi bing bu jipo, jili zichan fuzhai lu heli ke kong*[Li Donghui explained Geely's M&A logic: Volvo's listing is not urgent, and Geely's asset-liability ratio is reasonably controllable]. Retrieved Jan. 19, 2019, from Dongfang Caifuwang: <http://finance.eastmoney.com/news/1354,20180821930668730.html>
- Ai, Q. (2014). *Key success factors in the management of post-acquisition integration in the outward mergers and acquisitions of Chinese firms*. London: Royal Holloway University of London.
- Ambler, P. (2018, Jan. 23). *Volvo & Geely: The Unlikely Marriage Of Swedish Tech And Chinese Manufacturing Might That Earned Record Profits*. Retrieved Nov. 19, 2018, from Forbes: <https://www.forbes.com/sites/pamelaambler/2018/01/23/volvo-geely-the-unlikely-marriage-of-swedish-tech-and-chinese-manufacturing-might-that-earned-record-profits/#1403e50f4ecc>
- Arnott, S. (2010, Mar. 30). *The Volvo Revolution*. Retrieved Jan. 18, 2019, from Independent: <https://www.independent.co.uk/news/business/analysis-and-features/the-volvo-revolution-1930819.html>
- Baijiahao. (2019, Jan. 15). *Jili na 18yi shougou Wo'erwo, 9 nian hou zhi duoshao qian? Da'an hui rang ni gandao jingya* [Geely took 1.8 billion to buy Volvo, how much is it worth 9 years later? The answer will surprise you]. Retrieved Jan. 23, 2019, from Baijiahao: <https://baijiahao.baidu.com/s?id=1622712648852063940&wfr=spider&for=pc>
- Balcet, G., Wang, H., & Richet, X. (2017). Catching up strategies and multinational growth: the case of Geely Volvo. In J. Drahokoupil, *Chinese investment in Europe: corporate strategies and labour relations* (p. 61-77). Brussels: ETUI. Tratto da <http://hdl.handle.net/2318/1651762>
- Barkema, H. G., & al. (1996). Foreign entry, cultural barriers and learning. *Strategic Management Journal*, 17, p. 151-166.

- Bauer, F., & al. (2016). M&A and innovation: The role of integration and cultural differences – A central European targets perspective. *International Business Review*, 25, p. 76-86.
- Bender, R. (2019, Jan. 11). *Robotics Company Fuels Concerns about China Slowdown*. Retrieved Jan. 28, 2019, from Wall Street Journal: <https://www.wsj.com/articles/robotics-company-fuels-concerns-about-china-slowdown-11547230603>
- Bershidsky, L. (2018, Aug. 2). *Germany Is Getting Tougher on Chinese Money*. Retrieved Jan. 19, 2019, from Bloomberg: <https://www.bloomberg.com/opinion/articles/2018-08-02/germany-is-getting-tougher-on-chinese-money>
- Birkinshaw, J., & al. (2000). Managing the post-acquisition integration process: How the human integration and task integration processes interact to foster value creation. *Journal of Management Studies*, 37(3), pp. 658-672.
- Bjorkman, I., & al. (2007). Cultural differences and capability transfer in cross-border acquisition: The mediating roles of capability complementarity, absorptive capacity and social integration. *Journal of International Business Studies*, 38(4), pp. 658-672.
- Bradsher, K. (2010, Mar. 28). *Ford Agrees to Sell Volvo to a Fast-Rising Chinese Company*. Retrieved Jan. 13, 2019, from New York Times: <https://www.nytimes.com/2010/03/29/business/global/29auto.html>
- Buckley, P. J., & al. (2007). The determinants of Chinese outward foreign direct investment. *Journal of International Business Studies*, 38(4), pp. 499-518.
- Cameron, K. S., & Quinn, R. E. (2006). *Diagnosis and Changing Organizational Culture*. San Francisco: Jossey-Bass.
- Cartwright, S., & al. (2012). Methods in M&A: A look at the past and the future to forge a path forward. *Scandinavian Journal of Management*, 28(2), pp. 95-106.
- Changjiang Shangbao. (2009, Nov. 10). *Jili shougou Wo'erwo 20yi meiyuan neng huanhui shenme? [What can Geely get in return from Volvo's \$2 billion?]*. Retrieved Jan. 21, 2019, from BitAuto: <http://news.bitauto.com/others/20091110/0705058578.html>

- Chazan, G. (2017, Feb. 14). *EU capitals seek stronger right of veto on Chinese takeovers*. Tratto il giorno Jan. 16, 2019 da Financial Times: <https://www.ft.com/content/8c4a2f70-f2d1-11e6-95ee-f14e55513608>
- Chen, S. (2017, June 13). *Zhongyu chenailuoding: Zhongguo Huagong 440yi meiyuan chenggong jiaoge Xianzhengda, shougouan jiang zairushice [Everything is finally settled: ChemChina successfully acquired Syngenta for \$44bn, the acquisition will go down in history]*. Retrieved Feb. 4, 2019, from Baijiahao: <https://baijiahao.baidu.com/s?id=1570069765231572&wfr=spider&for=pc>
- China Sino-Pack. (2016, Aug. 16). *Story behind Midea's Acquisition of KUKA: Made in China 2025, China's Plan for Manufacturing Upgrade and Smart Production*. Retrieved Jan. 25, 2019, from China Sino-Pack: <https://www.chinasinopack.com/GPAC17/Press/lang-eng/news-5/ShowUpdateDetails.aspx>
- Christensen, C. M., & al. (2011). *The Big Idea: The new M&A playbook*. *Harvard Business Review*.
- Clauss, M. (. (2017, Apr. 6). *Hewei ZhongOu maoyi shiheng de zhenzheng yuanyin? [What are the real motivations of the trade imbalance between China and Europe?]*. Retrieved Dec. 15, 2017, from FT Zhongwenwang: <http://big5.ftchinese.com/story/001072076?full=y&archive>
- Cogman, D., & Tan, J. (2010, Jan.). *A lighter touch for post merger integration*. *McKinsey Quarterly*, 34, pp. 8-12.
- Collins, R. (2009, Aug. 16). *Volvo säljs till Kina [Volvo sold to China]*. Retrieved Jan. 17, 2019, from Aftonbladet: <https://www.aftonbladet.se/bil/a/m6MxWl/volvo-saljs-till-kina>
- Colvin, G. (2017, Apr. 21). *Inside China's \$43 Billion Bid for Food Security*. Retrieved Feb. 1, 2019, from Fortune: <http://fortune.com/2017/04/21/chemchina-syngenta-acquisition-deal/>
- Creemers, R. (2015). *Never the twain shall meet? Rethinking China's public diplomacy policy*. *Chinese Journal of Communication*, 8(3), pp. 306-322.
- D, A. (2017, June 12). *ChemChina finalizes massive \$43 billion acquisition of Syngenta*. Retrieved Feb. 2, 2019, from Produce Report:

<https://www.producereport.com/article/chemchina-finalizes-massive-43-billion-acquisition-syngenta>

Dagens Nyheter. (2014, Mar. 21). *Bättre resultat för Volvo PV [Better results for Volvo Cars]*. Retrieved Jan. 20, 2019, from Dagens Nyheter: <https://www.dn.se/ekonomi/battre-resultat-for-volvo-pv/>

Daguo Pinpai Yang Chengji. (2018, June 6). *Jili shougou woerwo, dangnian kanxiaohua de ren dou yao shiwang le [Geely Volvo acquisition: those that used to make jokes will be disappointed]*. Retrieved November 24, 2018, from Baijiahao: <https://baijiahao.baidu.com/s?id=1602520192656707005&wfr=spider&for=pc>

Dan, D. (2016, May 9). *Ni ruhe kandai zhongguo huagong jituan dui xianzhengda de "zishashishougou"? [How do you think about ChemChina "suicide acquisition" of Syngenta?]*. Retrieved Feb. 6, 2019, from Agroinfo: http://www.agroinfo.com.cn/other_detail_2802.html

Dash, A. (2010). *Mergers and Acquisitions*. New Delhi: I.K. International Publishing House.

Davies, K. (2013, January). China Investment Policy: an update. *OECD Working Papers on International Investment*.

Dealogic. (2018, June 30). *Global M&A Highlights for H1 2018*. Retrieved August 8, 2018, from Dealogic: <https://www.dealogic.com/insight/h1-2018-ma-highlights>

Deng, P., & al. (2017). Chinese Investment in advanced economies: Opportunities and Challenges. *Thunderbird International Business Review*, 59(4), pp. 461-471.

Deutsche Welle. (2016a, Aug. 17). *Berlin approves Kuka sale to Midea*. Retrieved Jan. 28, 2019, from Deutsche Welle: <https://www.dw.com/en/berlin-approves-kuka-sale-to-midea/a-19479483>

Deutsche Welle. (2016b, June 1). *Germany may head off Chinese takeover of robotics firm Kuka*. Retrieved Jan. 28, 2019, from Deutsche Welle: <https://www.dw.com/en/germany-may-head-off-chinese-takeover-of-robotics-firm-kuka/a-19298463>

- Deutsche Welle. (2018, May 22). *China takeovers in Germany follow one major pattern: study*. Retrieved Jan. 29, 2019, from Deutsche Welle: <https://www.dw.com/en/china-takeovers-in-germany-follow-one-major-pattern-study/a-43875754>
- Deutsche Welle. (2019, Feb. 5). *Germany reveals plan to stop foreign takeovers*. Retrieved Feb. 6, 2019, from Deutsche Welle: <https://www.dw.com/en/germany-reveals-plan-to-stop-foreign-takeovers/a-47371451>
- Dong, L. (2018, Sep. 25). *Jingdian anli: Meidi binggou Deguo Kuka shimo [Classic case: all the story of Midea's acquisition of Kuka]*. Retrieved Jan. 30, 2019, from Sohu: https://www.sohu.com/a/256093476_498925
- Ely, A. (2016, Aug. 26). *ChemChina-Syngenta deal: why it matters*. Retrieved Feb. 1, 2019, from Chinadialogue: <https://www.chinadialogue.net/article/show/single/en/9212-ChemChina-Syngenta-deal-why-it-matters>
- Fang, T. (2010, Oct. 19). *Debatt: Det är bra för mänskligheten att Volvo fått kinesisk ägare [Debate: It is good for humankind that Volvo has a Chinese owner]*. Retrieved Jan. 18, 2019, from Dagens Industri: <https://www.di.se/artiklar/2010/10/19/debatt-det-ar-bra-for-manskligheten-att-volvo-fatt-kinesisk-agare/>
- Fang, T. (2017, Mar. 29). *DN DEBATT: Erkänn underskattningen av Volvos kinesiska ägare [DN DEBATE: Admit the underestimation of Volvo's Chinese owner]*. Retrieved Jan. 17, 2019, from Dagens Nyheter: <https://www.dn.se/arkiv/debatt/erkann-underskattningen-av-volvos-kinesiska-agare/>
- Fang, T., & Chimenson, D. (2017). The internationalization of Chinese firms and negative media coverage: the case of Geely's acquisition of Volvo cars. *Thunderbird International Business Review*, 59(4), pp. 483-502.
- Fang, Y., & Pollard, N. (2011, May 12). *Volvo China marriage bearing fruit after troubled honeymoon*. Retrieved Jan. 21, 2019, from Reuters: <https://www.reuters.com/article/idINIndia-56969620110512>
- Faulkner, D., & al. (2012). *Handbook on Mergers and Acquisitions*. Oxford: Oxford University Press.

- Feng, A., & Saha, S. (2019, Jan. 29). *Emerging EU Policies Take a Harder Look at Chinese Investments*. Retrieved Jan. 31, 2019, from Modern Tokyo Times: <http://moderntokyotimes.com/emerging-eu-policies-take-a-harder-look-at-chinese-investments/>
- Fernández, E. (2018, Aug. 26). *Once welcoming, why Germany is wary of Chinese investment amid Trump's trade war*. Retrieved Jan. 25, 2019, from South China Morning Post: <https://www.scmp.com/week-asia/business/article/2160911/once-welcoming-why-germany-wary-chinese-investment-amid-trumps>
- Fook, C. (2018, January 7). *Luxottica: vertical integratino and managing multiple distribution channels*. Retrieved August 8, 2018, from EDHEC Consulting Group: <http://www.edheconsultingclub.com/marketing/luxottica-vertical-integration-and-managing-multiple-distribution-channels/>
- Freshfields Bruckhaus Deringer. (2018). *Case Study: Midea-Kuka - A blueprint for Chinese outbound investment*. Retrieved May 7, 2018, from Freshfields Bruckhaus Deringer: <https://www.freshfields.com/en-gb/what-we-do/case-studies/midea-kuka-case-study/>
- Gaughan, P. A. (2005). *Mergers: What can go wrong and how to prevent it*. Hoboken: John Wiley & Sons.
- Gomes, E., & al. (2013). Critical success factors through the mergers and acquisitions process: Revealing pre- and post-M&A connections for improved performance. *Thunderbird International Business Review*, 35(1), p. 13-35.
- Gongye Jiqiren Peixun. (2018, May 4). *Jiaoge 450tian, Meidi de Kuka bianmeile ma? [450 days after the transaction, Midea's Kuka got better?]*. Retrieved Jan. 25, 2019, from Sohu: https://www.sohu.com/a/230422414_202023
- Graupner, H. (2019, Feb. 5). *Chinese investments in Europe take a dive*. Retrieved Feb. 6, 2019, from Deutsche Welle: <https://www.dw.com/en/chinese-investments-in-europe-take-a-dive/a-47370706>
- Grimm, C., & Kowsmann, P. (2016, Dec. 16). *Germany Tightens Foreign Acquisition Rules Amid China's Push for Technology Deals*. Retrieved Jan. 31, 2019, from The Wall

- Street Journal: <https://www.wsj.com/articles/germany-tightens-foreign-acquisition-rules-amid-chinas-push-for-technology-deals-11544969293>
- Gripenberg, P. (2009, Oct. 5). *Volvospekulanten som på allvar utmanar Geely [The Volvo speculator who seriously challenges Geely]*. Retrieved Jan. 17, 2019, from Dagens Nyheter: <https://www.dn.se/ekonomi/volvospekulanten-som-pa-allvar-utmanar-geely/>
- Gruley, B., & Butters, J. (2018, May 24). *How China's 36th-Best Car Company Saved Volvo*. Retrieved November 24, 2018, from Bloomberg: <https://www.bloomberg.com/news/features/2018-05-24/volvo-is-better-than-ever-thanks-to-this-chinese-billionaire>
- Haspeslagh, P. C., & Jamison, D. B. (1991). *Managing Acquisitions: Creating value through corporate renewal*. New York: The Free Press.
- Hibbard, J. (2016, May 24). *Made in China 2025: Midea's Takeover Offer of Kuka Gives Insight Into China's Future Industrial Innovation Policies*. Retrieved Jan. 27, 2019, from Robotic Industries Association: https://www.robotics.org/content-detail.cfm/Industrial-Robotics-Editorials/Made-in-China-2025-Midea-s-Takeover-Offer-of-Kuka-Gives-Insight-Into-China-s-Future-Industrial-Innovation-Policies/content_id/6102
- Hofstede, G. (2001). *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations*. Thousand Oaks: Sage Publications.
- Hofstede, G., & al. (2010). *Cultures and Organizations: software of the mind*. McGraw Hill.
- Höpner, A., & Buchenau, M. W. (2016, June 29). *In Kuka Deal, Door Opens to China*. Retrieved Jan. 25, 2019, from Handelsblatt: <https://www.handelsblatt.com/today/companies/midea-offer-in-kuka-deal-door-opens-to-china/23538974.html?ticket=ST-93630-P1SzN7VAQJfoaa7TnFsr-ap1>
- Hornby, L. (2017, Sept. 28). *Beijing rules out direct aid on ChemChina's \$44bn Syngenta purchase*. Retrieved Feb. 2, 2019, from Financial Times: <https://www.ft.com/content/4a449fc4-a411-11e7-9e4f-7f5e6a7c98a2>
- Huang, B., & Xia, L. (2018, February). *China: ODI from the Middle Kingdom: What's next after the big turnaround? China Economic Watch*.

- Huang, X., & al. (2014). Chinese private firms' outward foreign direct investment: does firm ownership and size matter? *Thunderbird International Business Review*, 56(5).
- Huang, Y. (2017, Jul. 26). *Ouzhou dui Zhongguo touzi de xiyinli weihe changuo Meiguo?* [Why China invests more in Europe than in the US?]. Retrieved Dec. 15, 2017, from FT Chinese: <http://www.ftchinese.com/story/001073547?full=y&archive>
- Huang, Y. C. (2017, July 26). *Ouzhou dui zhongguo touzi de xiyinli weihe chaoguo meiguo?* [Why China invest more in Europe than US]. Retrieved November 27, 2018, from FT Chinese: <http://www.ftchinese.com/story/001073547?full=y&archive>
- Huanqiuwang. (2010, Mar. 31). *Duoshu Ruidianren dui Jili shougou Wo'erwo biaotai leguan* [A great number of Swedish people are optimistic about Geely's acquisition of Volvo]. Retrieved Jan. 18, 2019, from Huanqiuwang: <http://world.huanqiu.com/roll/2010-03/761767.html>
- Hunter, J. E. (2004). *Methods of meta-analysis: Correcting error and bias in research findings*, 2nd ed. Thousand Oaks: Sage Publications.
- IFR. (2017, Aug. 16). *Robots: China breaks historic records in automation*. Retrieved Jan. 25, 2019, from International Federation of Robotics: <https://ifr.org/ifr-press-releases/news/robots-china-breaks-historic-records-in-automation>
- J.P.MORGAN. (2016). *China's increasing outbound M&A: Key drivers behind the trend. Insights Report*. JPMorgan Chase & Co.
- Jackson, A. (2009, Oct. 31). *Geely faces Volvo challenge: analyst*. Retrieved Jan. 17, 2019, from The Sydney Morning Herald: <https://www.smh.com.au/business/geely-faces-volvo-challenge-analyst-20091031-hqe4.html>
- Jacobsen, O. (2009, Nov. 4). *Här är tekniken Kina vill stjäla från Volvo* [This is the technology China wants to steal from Volvo]. Retrieved Jan. 17, 2019, from Metro: <https://www.metro.se/artikel/h%C3%A4r-%C3%A4r-tekniken-kina-vill-stj%C3%A4la-fr%C3%A5n-volvo-xr>
- Jing, S. (2019, Jan. 16). *China's ODI up to almost \$130 billion in 2018*. Tratto il giorno Jan. 25, 2019 da Chinadaily: <http://www.chinadaily.com.cn/a/201901/16/WS5c3f1be7a3106c65c34e4ddf.html>

- Johnson, G., & al. (2005). *Exploring Corporate Strategy*. Harlow: Pearson Education.
- Junni, P., & Sarala, R. M. (2013). The role of absorptive capacity in acquisition knowledge transfer. *Thunderbird International Business Review*, 55(4), pp. 419-438.
- Karlsson, J. (2016, Dec. 3). *Kinesisk offensiv oroar Europa [Chinese offensive worries Europe]*. Retrieved Jan. 16, 2019, from Dagens Industri: <https://www.di.se/nyheter/kinesisk-offensiv-oroar-europa/>
- King, D. R., & al. (2003). Meta-analyses of post-acquisition performance: indications of unidentified moderators. *Strategic Management Journal*, 25, pp. 187-200.
- Knoerich, J. (2010, Apr. 22). Gaining from the global ambitions of emerging economy enterprises: An analysis of the decision to sell a German firm to a Chinese acquirer. *Journal of International Management*, 16, p. 177-191.
- Kohlmann, T. (2016, July 15). *China's road to high-tech supremacy*. Retrieved Jan. 29, 2019, from Deutsche Welle: <https://www.dw.com/en/chinas-road-to-high-tech-supremacy/a-19402549>
- Kosei, F. (2018, Jul. 30). *Germany expected to block Chinese purchase of machinery maker*. Retrieved Jan. 25, 2019, from Nikkei: <https://asia.nikkei.com/Business/Business-Deals/Germany-expected-to-block-Chinese-purchase-of-machinery-maker>
- KPMG. (2016). *China Outlook 2016*. KPMG Global China Practice.
- Larsson, G. (2010, Nov. 1). *Kina är ett farligt land [China is a dangerous country]*. Retrieved from Dagens Industri.
- Leung, A., & Yan, F. (2009, Sep. 9). *China's Geely eyes bid for Ford's Volvo car*. Retrieved Jan. 17, 2019, from Reuters: <https://www.reuters.com/article/us-auto-geely/chinas-geely-eyes-bid-for-fords-volvo-car-idUSTRE5882TD20090909>
- Licai Zhoubao. (2012, Dec. 24). *Li Shufu mou ju liang nian: Jili Wo'erwo shizhixing hezuo pobing [Li Shufu plans for two years: Geely and Volvo break the ice in substancial cooperation]*. Retrieved Jan. 18, 2019, from Sohu: <http://business.sohu.com/20121224/n361333033.shtml>

- Liu, B. (2016, June 16). *Deguo zhengfu weihe ruci zaiyu Meidi shougou Kuka? [Why German government cares so much about Midea's acquisition of Kuka?]*. Retrieved Jan. 30, 2019, from Sina: https://tech.sina.com.cn/zl/post/detail/e/2016-06-16/pid_8507700.htm
- Liu, J. (2017, June 9). *Zhongguo Huagong binggou Ruishi Xianzhengda chuan zhongzhiqiye zuida guimo haiwai binggou [ChemChina acquires Swiss Syngenta to create the largest overseas acquisition of Chinese-funded enterprises]*. Retrieved Feb. 3, 2019, from Guoji Guoshu: <https://www.guojiguoshu.com/article/3192>
- Liu, Y., & Woywode, M. (2013). Light-touch integration of Chinese cross-border M&A: The influences of culture and absorptive capacity. *Thunderbird International Business Review*, 55(4), p. 469-483.
- Luthans, F., & Doh, J. (2016). International Management: Culture, Strategy and Behavior. In A. Pontiggia, *International Organizational Design and Human Resources Management to China*. Venezia: McGraw-Hill Education.
- McGee, P. (2017, June 18). *Till Reuter, chief executive, Kuka, on big ambitions in China*. Retrieved Jan. 27, 2019, from Financial Times: <https://www.ft.com/content/1c4c41fa-4a05-11e7-a3f4-c742b9791d43>
- Morcillo, E. (2010, Apr. 15). *Geely's Volvo gamble*. Retrieved Jan. 9, 2019, from Harvard Business Review: <https://hbr.org/2010/04/geelys-volvo-gamble>
- Norderyd, A., & Nolgren, L. (2015). *From captivity to emancipation: a case study of the effects on the acquired firm's strategic core competence from different post-acquisition integration approaches*. University of Gothenburg.
- OECD. (2008). China's Outward Direct Investment. In *OECD Investment Policy Reviews: China 2008* (pp. 65-142). Paris: OECD.
- Örnberg, M. (2010, Apr. 7). *Kina gör att Volvo kan missa ny teknik[China makes Volvo miss new technologies]*. Retrieved Jan. 17, 2019, from Metro: <https://www.metro.se/artikel/kina-g%C3%B6r-att-volvo-kan-missa-ny-teknik-xr>
- Palmstierna, R., & Dreyer, L. (2009, Oct. 23). *Kina har dolda avsikter med Geelys köp av Volvo PV [China has hidden intentions with Geely's purchase of Volvo Cars]*. Retrieved Jan.

- 17, 2019, from Dagens Industri: <https://entreprenorskapsforum.se/wp-content/uploads/2009/10/091023-DI-Debatt.pdf>
- Peavler, R. (2018, January 18). *Conglomerate and congeneric mergers: definition and characteristics*. Retrieved August 4, 2018, from The balance small business: <https://www.thebalancesmb.com/conglomerate-and-cogeneric-mergers-392843>
- Qi, Y. (2016, Oct. 25). *Zuizhong, zhongguo huagong keneng haishi tuoxiele [In the end, Chemchina may still compromise]*. Retrieved Feb. 6, 2019, from Huaerjie jianwen (Wallstreet China): <https://wallstreetcn.com/articles/269576>
- Qiu, Q. (2018, Mar. 29). *Midea, Kuka launch new smart park*. Retrieved Jan. 27, 2019, from China Daily: <http://global.chinadaily.com.cn/a/201803/29/WS5abc6e6ea3105cdcf6515125.html>
- Ren, D. (2018, Mar. 7). *German robot maker Kuka eyes €1b sales in China by tapping parent's Midea Group's network*. Retrieved Jan. 24, 2019, from South China Morning Post: <https://www.scmp.com/business/companies/article/2136197/german-robot-maker-kuka-eyes-eu1b-sales-china-tapping-parents>
- Rogers, I. (2018, Dec. 27). *Chinese Investment in Germany Plunged in Second Half, EY Says*. Retrieved Jan. 25, 2019, from Bloomberg: <https://www.bloomberg.com/news/articles/2019-01-25/hammond-says-vote-to-stop-no-deal-brex-it-isn-t-high-noon>
- RWR Advisory Group. (2017, Oct. 4). *Measurable Nervousness of European Bondholders and Lenders Concerning Syngenta/ChemChina*. Retrieved Feb. 1, 2019, from RWR Advisory Group: <https://www.rwradvisory.com/measurable-nervousness-european-bondholders-lenders-concerning-syngentachemchina/>
- Sarala, R. M. (2010). SARALA, R.M., "The impact of cultural differences and acculturation factors on post-acquisition conflict. *Scandinavian Journal of Management*, 26, pp. 38-56.
- Schein, E. H. (1985). *Organizational culture and leadership*. San Francisco: Jossey-Bass Publishers.

- Schmidt, F. (2007, July 23). Meta-Analysis: A Constantly Evolving Research Integration Tool. *Sage Journals*, 11(1), pp. 96-113. doi:<https://doi.org/10.1177/1094428107303161>
- Schmidt, S. (2013). *Post-merger integration: achieving success in M&A*. Dublin Business School & Liverpool John Moores University.
- Schmitt, B. (2017, Apr. 24). *If Any Chinese Car Company Will Take On The World, It's This One*. Retrieved Nov. 28, 2018, from Forbes: <https://www.forbes.com/sites/bertelschmitt/2017/04/24/if-any-chinese-car-company-will-take-on-the-world-then-this-one/#262a78676c1a>
- Sharman, A. (2015, Dec. 28). *Volvo aims high with its second premium model. Chinese owned carmaker seeks to take on German rivals*. Retrieved Jan. 9, 2019, from Financial Times: <https://www.ft.com/content/2b45a7ca-a96e-11e5-955c-1e1d6de94879>
- Sherman, A. J. (2011). *Mergers & Acquisitions from A to Z*. New York: Amacom.
- Shidai Zhubao. (2016, June 21). *Meidi jituan zixun: Meidi shougou Kuka weihe zaoyu chongchong kunnan? [Midea Group information: Why Midea's acquisition of Kuka is meeting severe difficulties?]*. Retrieved Jan. 30, 2019, from Eastmoney (Dongfang caifuwang): <http://guba.eastmoney.com/news,000333,423092124.html>
- Sirover, M. L. (1997). *The Synergy Trap: How Companies lose the Acquisition Game*. New York: The Free Press.
- Song, G. (2013, Mar.). Metaphor Studies from the Perspective of Critical Discourse Analysis: A Case Study of Business Acquisition. *Theory and Practice in Language Studies*, 3(3), pp. . 475-48. doi:10.4304/tpis.3.3.475-481
- Song, L. (2017, June 8). *ChemChina completes acquisition of Syngenta*. Retrieved Feb. 2, 2019, from Xinhua: http://www.xinhuanet.com/english/2017-06/08/c_136350606.htm
- South China Morning Post. (2017, Apr. 5). *ChemChina, Syngenta clinch US antitrust approval for US\$43 bn deal*. Retrieved Feb. 2, 2019, from South China Morning Post: <https://www.scmp.com/business/companies/article/2084941/chemchina-syngenta-clinch-us-antitrust-approval-us43-bn-deal>

- Spring, J., & Shirouzu, N. (2017, March 22). *China's Geely doubles earnings as Volvo tech boosts sales*. Retrieved November 24, 2018, from Reuters: <https://www.reuters.com/article/us-geely-results-idUSKBN16T0DI>
- Stahl, G. K., & al. (2013). Socio-cultural integration in mergers and acquisitions: Unresolved paradoxes and directions for future research. *Thunderbird International Business Review*, 55(4), pp. 333-356.
- Sullivan, A. (2018, Nov. 26). *Changes at German robotics firm Kuka raise questions over Chinese intentions*. Retrieved Jan. 28, 2019, from Deutsche Welle: <https://www.dw.com/en/changes-at-german-robotics-firm-kuka-raise-questions-over-chinese-intentions/a-46456133>
- Syngenta. (2018, July 24). *2018 Half Year Results*. Retrieved Feb. 6, 2019, from Syngenta: <https://www.syngenta.com/media/media-releases/yr-2018/24-07-2018>
- Tan, H., & Ai, Q. (2010). China's outward mergers and acquisitions in the 21st century: Motivations, Progress, and the role of the Chinese government. In C. L. Cooper, & S. Finkelstein, *Advances in Mergers and Acquisitions - Volume 9* (Vol. 9, pp. 25-50). Emerald Group Publishing Limited.
- Tian, W. (2016, Aug.). Binggou zhong "she tun xiang" xianxiang suo dailai de qishi: yi Jili binggou Wo'erwo weli [The revelation of the phenomenon "snake swallowing elephant" in M&A: an example of Geely's acquisition of Volvo]. *Zhongguo Guanli Xinxihua [China Management Informatization]*, 19(15), pp. 97-98. doi:10. 3969/j. issn. 1673 - 0194. 2016. 15. 056
- TT, A. (2013, Aug. 5). *Kina bra för Volvo PV [China is good for Volvo]*. Retrieved Jan. 19, 2019, from Svenska Dagbladet: <https://www.svd.se/kina-bra-for-volvo-pv>
- UNCTAD. (2017). *World Investment Report 2017: Investment an the digital economy*. Geneva: United Nations.
- UNCTAD. (2018). *World Investment Report 2018: Investment and new industrial policies*. Geneva: United Nations.

- Waldmeir, P. (2013, Apr. 23). *Geely grapples with the Volvo gears*. Retrieved Nov. 19, 2018, from Financial Times: <https://www.ft.com/content/bdb705c6-abc6-11e2-8c63-00144feabdc0>
- Wang, J., & Ye, K. (2013, Dec.). Media Coverage and Firm Valuation: Evidence from China. *School of Accountancy Research Paper Series*, 2(2), pp. 1-34. Retrieved from <http://ssrn.com/abstract=2274048>
- Wang, L. (2011). *A case study of the acquisition of Swedish Volvo by Chinese Geely*. Karlskrona: Bleking Institute of Technology.
- Wang, S. (2017, June 8). *430yi Meiyuan Zhongguo zuida haiwai binggou shouguan: Zhongguohuagong qianshou Xianzhengda jiangfahui xietong xiaoying[\$43 billion China's largest overseas M&A closing: ChemChina's hand-on Syngenta will have a synergistic effect]*. Retrieved Feb. 4, 2019, from Wangyi Caijing: <http://money.163.com/17/0608/22/CMEMQAVO002580S6.html>
- Wang, X. J., & Young, M. N. (2015). Geely automotive's acquisition of Volvo. *Asian Case Research Journal*, 19(1), p. 183-202.
- Weber, Y., & al. (2011). Mergers and acquisitions performance paradox: the mediating role of integration approach. *European Journal of International Management*, 5(4).
- Xiaodingkan qiche. (2017, Jan. 25). *Guochan de jiao'ao zicong Jili shougou le Wo'erwo ye shangle gaoduan pinpai de daolu [The pride of domestic production has been on the road of high-end brands since Geely acquired Volvo]*. Retrieved Jan. 15, 2019, from Baijiahao: <https://baijiahao.baidu.com/s?id=1557482227155929&wfr=spider&for=pc>
- Yang, J. (2016, Nov. 15). *How Li Shufu will weave an empire around Volvo, Geely*. Retrieved Jan. 7, 2019, from Automotive News Europe: <https://europe.autonews.com/article/20161115/BLOG15/161119922/how-li-shufu-will-weave-an-empire-around-volvo-geely>
- Yuan, G. (2010, June 1). *Dui Jili binggou Wo'erwo an de fenxi yu sikao [Analysis and Thinking on the Case of Geely's Merger and Acquisition of Volvo]*. Retrieved Jan. 21, 2019, from Sohu: <http://news.sohu.com/20100601/n272496656.shtml>

- Zaheer, A., Castaner, X., & Souder, D. (2013). Synergy Sources, Target Autonomy, and Integration in Acquisitions. *Journal of Management*, 39(3), pp. 604-632. Retrieved from <https://doi.org/10.1177/0149206311403152>
- Zhang, W. (2017, June 9). *Zhongguo Huagong wancheng shougou Xianzhengda, quanqiu nonghuaye "sanzudingli" geju xingcheng [China Chemical completed the acquisition of Syngenta, and the global agrochemical industry has formed a "three-legged" pattern]*. Retrieved Feb. 5, 2019, from Sohu: https://www.sohu.com/a/147462414_658625
- Zhang, X., & Daly, K. (2011). The determinants of China's outward foreign direct investment. *Emerging Markets Review*, 12, pp. 389-398.
- Zhang, X., & Stening, B. W. (2014, Sep. 11). Post-Acquisition Integration: A Two-Level Framework Lessons from Integration Management of Cross-Border Acquisitions in the Global Automobile Industry. *Advances in Mergers and Acquisitions*, pp. 75-111. Retrieved from [https://doi.org/10.1108/S1479-361X\(2013\)0000012007](https://doi.org/10.1108/S1479-361X(2013)0000012007)
- Zhao, S. (2017, Feb. 16). *Zhongguo cheng Deguo zuida ludi touziguo, dan Deguo moayi baohuzhuyi que zai taitou [China becomes German's largest greenfield investor, but German trade protectionism is rising]*. Retrieved Jan. 30, 2019, from Guanchazhe: https://www.guancha.cn/economy/2017_02_16_394515_s.shtml
- Zhao, T. (2012, Dic. 11). *Wo'erwo yu Jili qian xieyi chongxu qi shiyong bufen jishu [Geely and Volvo sign the agreement that allows them to use some technology]*. Retrieved Jan. 18, 2019, from Taipingyang Qichewang: <https://www.pcauto.com.cn/news/hyxw/1212/2263049.html>
- Zhonghua Gongshang Shibao. (2011, Nov. 24). *Jili chenggong bingou Wo'erwo de liu da jingyan [Six experiences of Geely's successful acquisition of Volvo]*. Retrieved from Sohu: <http://business.sohu.com/20111124/n326675508.shtml>
- Zollo, M., & Singh, H. (2004). Deliberate learning in corporate acquisitions: post-acquisition strategies and integration capability in US bank mergers. *Strategic Management Journal*, 25(13), p. 1233-1256.