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Cross-cultural management integration in M&A

M&As from China and India to mature markets in two key sectors: automotive and pharmaceutical. Intercultural issues and integration strategies

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Abstract

The aim of this research paper is to analyse the acquisition integration strategies applied by Chinese and Indian companies when acquiring companies in Western countries in automotive and pharmaceutical industries. The first section (chapter 1, chapter 2 and chapter 3) will analyse the literature review on emerging and mature markets, multinationals from emerging markets, internationalization strategies and cultural issues. The second section (chapter 4 and chapter 5) will go deeply in the research methods and data collected, while the last section (chapter 6) will draw the conclusions from the data analysis. The research objective is to examine if integration strategies are driven more by factors linked with the culture of belonging or by other kind of factors. The tools used to reach the final goal are three and all complementary: cases study analysis, online questionnaire and experts' interviews.

KEY WORDS: intercultural integration, acquisition, cross-cultural management, emerging market, mature market

Résumé

Le but de ce memoire de recherche est celui d'analyser les stratégies d'intégration des acquisitions appliquées par les entreprises chinoises et indiennes lors de l'acquisition des entreprises dans les pays occidentaux dans les industries automobile et pharmaceutique.

La première partie (chapitre 1, chapitre 2 et chapitre 3) analysera la revue de la littérature sur les marchés émergents et matures, les multinationales des pays émergents, les stratégies d'internationalisation et les questions culturelles. La deuxième partie (chapitres 4 et 5) va profondément dans les méthodes de recherche et les données recueillies, tandis que la dernière partie (chapitre 6) tirera les conclusions de l'analyse des données. L'objectif de la recherche est d'examiner si les stratégies d'intégration sont entraînées plus par des facteurs liés à la culture d'appartenance ou par d'autres types de facteurs.

Les outils utilisés pour atteindre l'objectif final sont trois et tous complémentaires: une analyse des études de cas, un questionnaire en ligne et des entretien avec des experts.

MOTS-CLÉS: intégration interculturelle, acquisition, gestion interculturelle, marché émergent, marché mature

To my parents, Maurizio and Fabiola, and to my brother, Luca. I will never thank them enough for the love and the support they gave me during these years

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Introduction

This research paper focuses on three topics which are nowadays frequently discussed because they influence the dynamics of world economy and they are linked with forecasts about the future.

Emerging countries: their economies, their populations and their incomes are increasing very rapidly. This research will focus in particular on China and India as they are considered to be the most influential economies by 2050 together with the US (Dadush & Stancil, 2010). China has been predicted to be the first world economy while India, beside its economical power, will be the most populous country in the world.

M&As made by companies from emerging markets towards companies in mature ones: they occur always more often as companies in emerging countries are growing and their performance is less touched by the economic and financial crisis that hit from time to time Western countries.

Integration of cultural values in a trend that goes from value management to management by values, in a perspective that enhances the role of values, culture and people in building the economic performance of the company. The business leverages on values and on their right management in order to obtain greater economic results.

These three subjects will be explored together in a narrowed research: M&As from China and India to mature markets in two key sectors, automotive and pharmaceutical.

The research will investigate whether there are differences in the integration styles during the post-M&A phase considering the two given sectors. In the described situation, do Chinese and Indian companies behave in the same way? Are they influenced by their most likely leadership and management style? Which are their most likely leadership styles? Do the integration strategies differ according to the industry under consideration?

In the first chapter we will introduce the concepts of emerging and mature markets, in the second chapter we will focus on the multinationals coming from emerging markets and their internationalization strategies, in the third chapter we will talk about culture and all its facets. The fourth chapter will introduce the reader to the research, the fifth chapter will contain the analysis of the data collected and the sixth chapter the final conclusion on the findings of the research.

We will answer to the research problematic using three tools: analysis of cases study (Geely-Volvo, Tata-Jaguar Land Rover, WuXi-AppTec, Jubilant-Draxis), online questionnaire to assess the leadership styles among Indian and Chinese management students and interviews with experts in the field.

This research project is addressed to those who want to deepen their knowledge in the topic or to those who are involved for job reasons in cross-cultural management and M&A integration management. Moreover, this research can be useful for consultants and managers involved in integration processes that concern the acquisition of Western companies by Indian and Chinese ones.

One last consideration is important about the use of the terms in this paper. When we will use the following words or phrases, Indian market, Chinese market, Indian culture, Chinese culture, developing country, emerging country, underdeveloped country as opposed to Western country, Western culture or mature market, etc., never and in any case we want to discriminate or to put in a position of inferiority the mentioned countries or populations. These terms are used only to distinguish the various subjects under analysis as this research intends to explore the differences in the behaviors of managers and the particular influence that culture can exercise on them: objectivity and impartiality are at the basis of this research paper.

1. Emerging markets and Mature markets: what is the difference, which are the players

In nowadays world everything is fast: communications, information, trade, travels, changes. The trend of the worldwide economy has a double-side effect as it influences other spheres of the society like politics, social life, culture, religion, and, on the other hand, economy is influenced back by all these aspects of the society. This is why today it is very complex to study the dynamics of the world and the roles of the different players, but if we try to think about it deeply we realize that it is all about people.

People are the basis of everything: the world is moved by people's feelings and emotions that, accordingly, have an impact on the economy too. This seems to be quite odd if we think about economics as a rational and scientific subject made of theorems and rules. When you have to deal with irrationality nothing is as it has to enter in precise and specific formulas because reactions for most of the time do not correspond to the expectations of people and it is very difficult to act in order to change the way it works.

This is what happened, for example, in the crisis of the Euro zone of late 2011. The lack of trust of the economic players, being them from the finance or the business world, is something that can destabilize an entire system and make difficult for it to recover (Eichengreen, 2012).

The economic power in the world is now evolving. There is no more the powerful West (US and western Europe), next to the weak South (Africa, South America, Middle East, Asia) of the world. The balance of power is changing. There are economic zones declining and others which are rising. An analysis of this new landscape can be useful to understand the directions of investments, capitals and economic giants, meaning with it the big companies coming from emerging markets.

1.1 Emerging Markets and Mature Markets

The term *emerging market* appears everyday and several times in newspapers, conferences, publications, tv news as opposed to the term *mature market*. Everyone is talking about emerging markets and everyone is aware that emerging markets will be fundamental in our future but, really, what does this term mean? In what emerging economies are different from mature ones?

There are several criteria that make a country progress in the different stages of development. These aspects are the *economic progress* that can be assessed by the individuals income, the *politics* namely the existence of a power that allows or not personal freedom, the *social structure* that is the relationship between people inside one country and the more or less stronger ethnic divisions among the regions of the country, the network of *infrastructures* that a country is able offer to its citizens like transport, telecommunications, welfare and other public services.

To be more precise we can rely on a famous economic model, the *Rostovian take-off model* that explored the stages of development of a country (Rostow, 1960). Rostow identified five stages for a country from the bottom to the top of its development: traditional society, preconditions for take-off, take-off, drive to maturity, age of high mass consumption. The traditional society stage is characterized by a highly agricultural-driven economy with limited use of technology and rigid structure of society. The preconditions to take-off stage is characterized by a demand of raw material coming from the outside, an advancement in the technics and technologies used in agriculture with an increase of the investments, the starting of individual social mobility and the creation of a common feeling of unity among the different populations in the country. The take-off phase is characterized by the birth of the first industry productions with rationalization and scale economies as major drives and this sector overcomes what have been the major sector since that moment, agriculture. Drive to maturity is the phase in which there is an expansion of various industries, the production becomes more consumer-oriented and there are huge investments in social and transportation infrastructures. Age of mass consumption is the last phase, it embodies a development of the consumer base of the country with the population willing to spend money besides their basic needs, buying high-value goods and the economy has seen a strong reduction of the portion of agriculture in the economy. (Rostow, 1960) Obviously, as this is a model, the reality is much more complex and implies many other variables that a model cannot consider. This is the reason why, to look with precision inside this topic we have to rely also on other theories and data.

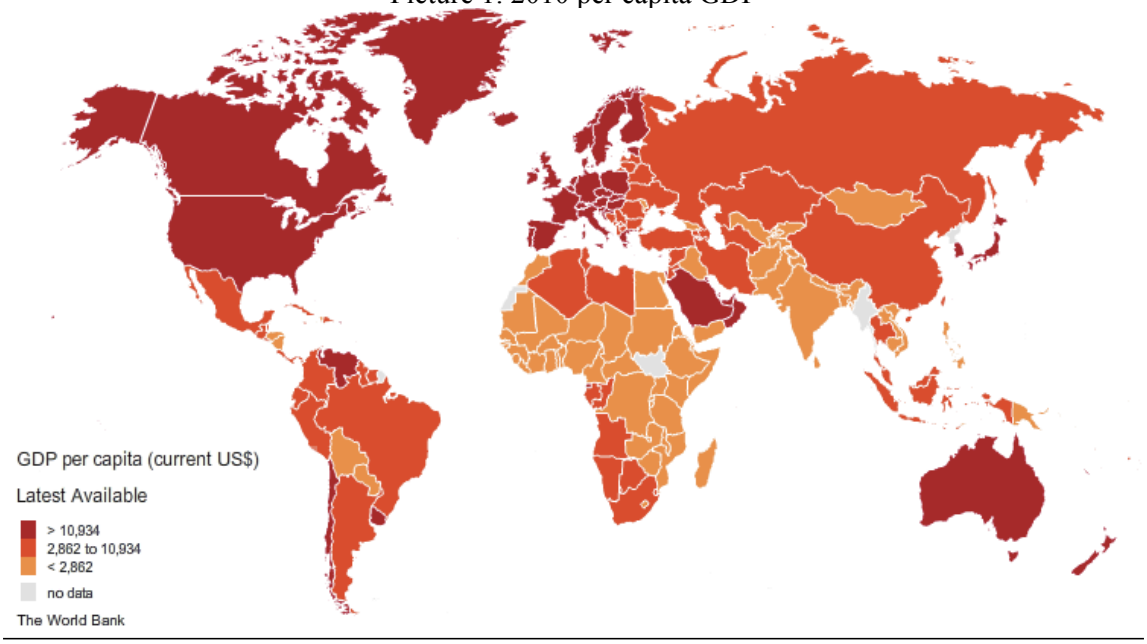
There are other two main theories on the development of a country: the endogenous growth theory and the exogenous growth theory that look at the same issue from two different point of view. The Endogenous Growth theory (Romer, 1994) states that the development of a country derives from efforts coming from its inside like knowledge, people and innovation

together with measures taken by the governments in favor of some sectors like education and research and development. The Exogenous Growth theory (Solow, 1956) ascribes the merit of the development to external forces, in particular exports and imports, flows of money that thank to international trade come inside the country and make the economy work. We can see these two opposite theories not as mutually exclusive but as complementary to explain the same phenomenon: the factors that explain the economic development can be either external and internal.

To classify the countries in the world according to their development there are many terms that have been used such as less developed countries, least economically developed countries, third world nations, non-industrialized nations, most economically mature countries, first world nations, industrialized nations and so on. In this research paper we will consider four main stages: under-developing, developing, emerging and mature.

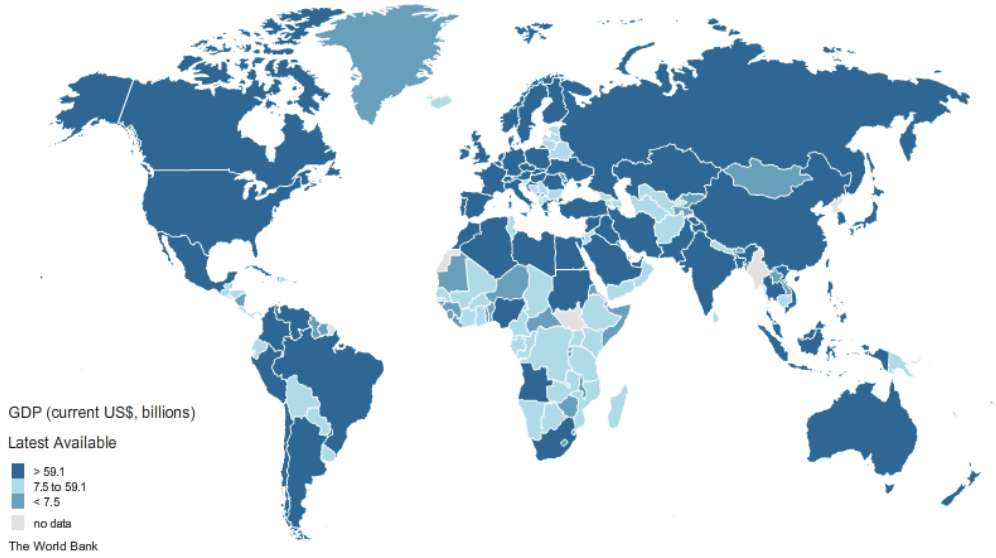
As said before there are some aspects on which can be based the classification of a country in one category, some of them are: income per capita, life expectancy, export diversification, degree of integration into the global financial system, human development index, infrastructure availability. Besides that, pictures of the world economy can be useful for our analysis.

Picture 1: 2010 per capita GDP



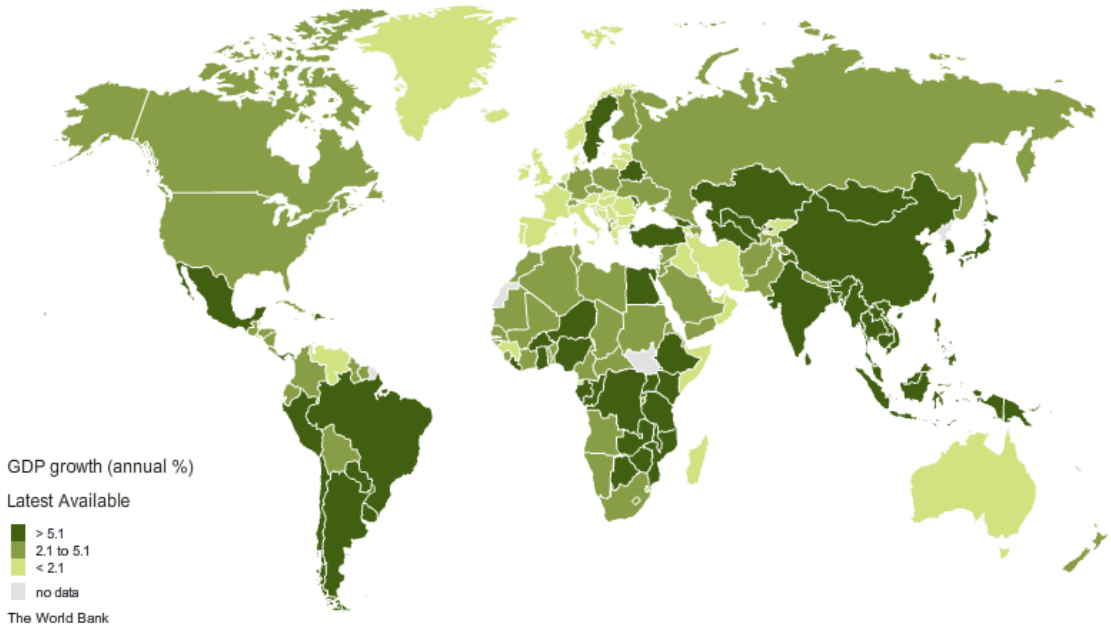
Source: World Bank eAtlas of Global Development

Picture 2: 2010 worldwide GDP



Source: World Bank eAtlas of Global Development

Picture 3: 2010 GDP % growth



Source: World Bank eAtlas of Global Development

At the lower stage there are the *under-developing* countries, those with problems of politics, economy and social stability that do not show any hint of change or growth. In these countries life is really hard as in most of the cases the politic regime present is dictatorial and no effort is made to improve the surrounding environment. We can find examples of these countries combining picture 1, picture 2 and picture 3, where they are shown by annual GDP value, per capita GDP value and percentage of growth of GDP value: the countries that in every picture appear with the lightest shade are those struggling most and for this reason we will address to them as under-developing countries: Nepal, Kyrgyzstan and Madagascar.
The two stages in the middle, *developing* and *emerging* countries, include many more entities but, due to the fact that there is not a very clear repartition, often the two categories overlap. To simplify the issue we can say that emerging countries are at an upper step towards the final development as they are currently passing through a period of fast economic and industrial growth while developing countries are have just entered the growth mechanism.

1.1.1 Which are the emerging countries in 2012?

According to the definition by Dr. Vladimir Kvint, the president of the International Academy of Emerging Markets, an *emerging country* is "...a society transitioning from a dictatorship to a free market-oriented economy, with increasing economic freedom, gradual integration within the global marketplace, an expanding middle class, improving standards of living and social stability and tolerance, as well as an increase in cooperation with multilateral institutions." (Kvint, 2008). As Kvint states in the same article, those defined as *developing markets* have not yet an adequate stability in their politic, economic or social environment. These countries have to evolve in many ways before getting at the same level of politic, social and economic development of the so-called mature ones. In order to achieve this result, even if they can do a lot by themselves, they still need aid from the outside to create the right background from which they can draw the strength and the resources to grow.
The current situation and the changes in the world balances that are occurring since the last decades are more easily identifiable by looking at some economic data and pictures.

Table 1: GDP annual growth in 2010, 2001 and 1991 rankings

2010 GDP % growth			2001 GDP % growth			1991 GDP % growth		
Rank	**Country**	**Value**	**Rank**	**Country**	**Value**	**Rank**	**Country**	**Value**
1	Paraguay	15,27	1	Equatorial Guinea	61,90	1	Lebanon	38,20
2	Singapore	14,47	2	Kosovo	26,97	2	Argentina	12,67
3	China	10,30	3	Turkmenistan	20,43	3	Iran, Islamic Rep.	12,59
4	Ethiopia	10,14	4	Sierra Leone	18,17	4	Bahrain	11,23
5	India	9,72	5	Kazakhstan	13,50	5	Belize	10,50
6	Burkina Faso	9,24	6	Tuvalu	13,17	6	Venezuela, RB	9,73
7	Argentina	9,16	7	Mali	12,10	7	Papua New Guinea	9,55
8	Zimbabwe	9,00	8	Mozambique	11,90	8	Malaysia	9,55
9	Turkey	8,95	9	Andorra	11,77	9	Panama	9,42
10	Niger	8,81	10	Chad	11,66	10	Korea, Rep.	9,39
11	Peru	8,79	11	Myanmar	11,34	11	China	9,20
12	Congo, Rep.	8,75	12	Tajikistan	10,20	12	Saudi Arabia	9,10
13	Uzbekistan	8,50	13	Azerbaijan	9,90	13	Burkina Faso	9,07
14	Uruguay	8,47	14	Armenia	9,60	14	Indonesia	8,93
15	Lao PDR	8,42	15	Ukraine	9,20	15	Malawi	8,73
16	Turkmenistan	8,10	16	Eritrea	8,88	16	Luxembourg	8,64
17	Sri Lanka	8,01	17	Estonia	8,51	17	Thailand	8,56
18	Papua New Guinea	8,00	18	Rwanda	8,50	18	Chad	8,54
19	Nigeria	7,85	19	Ethiopia	8,30	19	Namibia	8,17
20	Thailand	7,80	20	China	8,30	20	Chile	7,97

Source: World Bank eAtlas of Global Development

Table 2: annual GDP and annual GDP per capita in 2010 rankings

2010					
Rank	**Country**	**GDP**	**Rank**	**Country**	**per capita GDP**
1	United States	1,45824E+13	1	Luxembourg	108921
2	China	5,87863E+12	2	Norway	84840
3	Japan	5,49781E+12	3	Switzerland	66934
4	Germany	3,30967E+12	4	Denmark	55988
5	France	2,56E+12	5	Sweden	48832
6	United Kingdom	2,24608E+12	6	United States	47185
7	Brazil	2,08789E+12	7	Netherlands	47159
8	Italy	2,05141E+12	8	Canada	46148
9	India	1,72901E+12	9	Ireland	45497
10	Canada	1,57405E+12	10	Austria	44863
11	Russian Federation	1,47982E+12	11	Finland	44522
12	Spain	1,40741E+12	12	Singapore	43867
13	Mexico	1,03966E+12	13	Japan	43137
14	Korea, Rep.	1,01448E+12	14	Belgium	42970
15	Netherlands	7,83413E+11	15	Germany	40509
16	Turkey	7,35264E+11	16	Iceland	39679
17	Indonesia	7,06558E+11	17	France	39460
18	Switzerland	5,23772E+11	18	United Kingdom	36100
19	Poland	4,68585E+11	19	Italy	33917
20	Belgium	4,67472E+11	20	Hong Kong SAR	31758
21	Sweden	4,58004E+11	21	Spain	30542
22	Saudi Arabia	4,34666E+11	22	Israel	28504
23	Norway	4,14462E+11	23	Greece	26934
24	Venezuela, RB	3,87852E+11	24	Slovenia	23267
25	Austria	3,76162E+11	25	Bahamas, The	21985

26	Argentina	3,68712E+11	26	Portugal	21473
27	South Africa	3,63704E+11	27	Korea, Rep.	20757
28	Thailand	3,18847E+11	28	Equatorial Guinea	19998
29	Denmark	3,10405E+11	29	Czech Republic	18257
30	Greece	3,04865E+11	30	Slovak Republic	16386

Source: World Bank eAtlas of Global Development

The pictures and the figures are interesting to see the world through different point of view and realize which are the trends today and how much it has changed since some decades ago.

First, looking at picture 2 we can see that the countries are colored according to three different level of 2010 GDP: greater than USD 59,1 billion, between USD 7,5 and USD 59,1 billion dollars, lower than USD 7,5 billion. Some countries of South America (Brazil, Argentina, Chile, Peru, Colombia and Venezuela), some countries in Africa (Morocco, Algeria, Libya, Egypt, Sudan, Nigeria, Angola, South Africa) and many countries in Asia (Saudi Arabia, Iraq, Syria, Iran, Pakistan, India, Bangladesh, China, Thailand, Vietnam, Malaysia, Singapore, South Korea, Philippines, Indonesia, Kazakhstan and Russia) have the darkest shade, meaning that their GDP is over USD 59,1 billion.

Taking a look at picture 3 we see that something changes. This picture is about the percentage of growth of GDP in 2010 and is organized as the previous one, there are three levels of growth that correspond to as many shades, greater than 5,1%, between 2,1% and 5,1%, lower than 2,1%. The majority of the countries with the darkest shade are concentrated in Asia, Africa and Latin America and, specifically, they are: Mexico, Peru, Brazil, Chile, Argentina, Paraguay, Uruguay, Liberia, Ghana, Burkina Faso, Niger, Nigeria, Gabon, Congo, Botswana, Zimbabwe, Zambia, Mozambique, Tanzania, Uganda, Kenya, Ethiopia, Egypt, Sweden, Belarus, Turkey, Georgia, Kazakhstan, Uzbekistan, Turkmenistan, Mongolia, China, India, South Korea, Japan, Bhutan, Bangladesh, Myanmar, Thailand, Laos, Vietnam, Cambodia, Malaysia, Singapore, Indonesia, Philippines and Papua New Guinea.

The easiest way to identify the majority of the emerging countries is to look which of the countries appears in both pictures 2 and 3 with the darkest shade. After a careful observation we can list them, they are Brazil, Argentina, Chile, Peru, Egypt, Nigeria, India, Bangladesh, China, Thailand, Vietnam, Malaysia, Singapore, South Korea, Philippines, Indonesia.

To deepen the research is useful to look at the values of GDP growth in 2010, 2001 and 1991 in table 1: in these three years the rankings of the first best twenty countries is different. All

the listed countries are from developing continents as Africa, Asia and Latin America but what is more interesting we can see that in 2001 values of growth were far more high than in 2010 and this can probably be explained by globalization forces boosting world economy in 2001 (even if 2001 was the year of the dot-com bubble) while in 2010 world economy was being weakened by various financial and economic crisis.

It is interesting also to look at the differences between the GDP the GDP per capita rankings: the countries at the top thirty places are different because the two indicators take into account different situations. The GDP value consider all the final products and services produced by a country while the GDP per capita splits GDP value for the population number of that country. In this second case it can happen that a country with a very high annual GDP but a very huge population appears to be very low in the rankings and, in the same way, that a country with a not so high GDP value but a very limited population appears among the first places of the ranking. Among the new economic actors, the Republic of South Korea is the only country present in both rankings while China, Brazil, India, Russia, Mexico and other emerging countries have a too huge population and are below place thirty.

An other indicator that can be considered when talking about the development of a country is the Human Development Index (HDI). The first time that the HDI was mentioned is in the Human Development Report of United Nations Development Program of 1990 and it was pushed by many economists as an alternative way to observe development as people should be the center of attention when speaking about the standard of living in a country. This statistic is used to measure the standards of living of a country taking into account non-economic aspects (or at least indirect economic aspects) such as education, child welfare, health care system and other services that should be offered by governments and public institutions to protect and help their citizens. The HDI takes into account three variables: life expectancy at birth, expected years of schooling and GNI (gross national income) per capita and through some mathematical manipulations we obtain the final index. As for 2011 the ranking of the Human Development Index included 187 countries that are split among four sections: very high human development, high human development, medium human development and low human development. In the first category we can find countries of Europe, North America, Oceania and Japan, the exceptions are Hong Kong, South Korea, Israel, Singapore, United Arab Emirates, Brunei, Qatar, Bahrain, Chile, Argentina and

Barbados. The second category includes among the others Mexico, Russia and Brazil while the third category comprehends China, Thailand, Philippines, Egypt, South Africa, Indonesia, Vietnam and India. In the fourth and last category there are all African and central-Asian countries (UN website, HDI rankings).

The quick changes in the wealth of various countries in the world was pointed out also by the entrance of new countries in organizations like WTO, OECD and in the G group.

At this point there are some questions that need to be addressed and find an answer. Which are the emerging markets? What are the BRIC, CIVETS, N-11? How many ways are there to address to emerging countries?

The G group was created in 1975 as the G7 with seven members: France, Germany, Japan, United Kingdom, Italy, United States and Canada but it changed into G8 in 2008 with the entrance of Russia. After the financial and economic crisis that started in 2007 other twelve nations were included in the G group to form the G20. The newly introduced members were South Africa, Mexico, Argentina, Brazil, China, South Korea, India, Indonesia, Saudi Arabia, Turkey and Australia (www.g8.fr).

BRIC is an acronym first coined in 2001 by Jim O'Neill at Goldman Sachs (O'Neill, 2001) and stands for Brazil, Russia, India, China. Later it has been modified in several ways, it became BRICS including South Africa, BRICET adding Eastern Europe and Turkey, BRICM including Mexico, BRIK adding South Korea.

Next Eleven or N-11 is a term coined by Goldman Sachs (Wilson and Stupnytska, 2007) and identifies eleven countries that together with BRICS will have the potential to become the new largest economies in the world in the next decades. These eleven countries are South Korea, Iran, Mexico, Turkey, Philippines, Indonesia, Egypt, Nigeria, Pakistan, Vietnam and Bangladesh.

CIVETS is an acronym appointed for the first time in 2010 by HSBC CEO (Slater, 2010) and includes six countries: Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. They are considered to have much potential for economic growth and many of them are also part of the N-11 group.

EAGLEs is an acronym that stands for 'Emerging and growth-leading economies' and was created in 2010 by Banco Bilbao Vizcaya Argentaria (García-Herrero, Navia and Nigrinis, 2010). The countries that belong to this concept are China, India, Brazil, Indonesia, South Korea, Russia, Mexico, Egypt, Taiwan and Turkey.

7 Percent Club is another group of countries identified for their future power in the world economy and it includes a non-fixed group of countries as all the countries with 7 percent or more of GDP growth can enter the club (Jopson, 2010). For year 2010, as we can see in table 1 all the countries in the first twenty places are in the club and, referring to the complete chart, countries up to the thirty-seventh place have a GDP growth equal or greater than seven.

There are many other acronyms as every institution choose a different way to classify countries. The truth is that the environment is changing so fast and the variables to take into account are so many: it is difficult to keep up with everything but looking at the classifications listed above we can understand which are the countries that more than others are intended to be protagonists in the next future.

1.1.2 Which are the mature countries in 2012?

To go deeply into the topic, it is useful to clarify also which are the mature countries and which are their characteristics.

Usually, after passing the threshold of the "emerging" qualification, a country becomes mature and, according with the definition given by Kofi Annan at the Tenth United Nations Conference on Trade in Bangkok on 12 February 2000, a *mature country* is "...one that allows all its citizens to enjoy a free and healthy life in a safe environment." (Annan, 2000)

Mature countries are those in Europe (mostly Western Europe), North America, Oceania and Japan.

The lifestyle, the average income and the standards of life in all these places are high as social institutions, governments and public services are advanced and offer to all citizens secure environments where to spend their lives.

The majority of today's mature markets have gone through a process of development in the last centuries: they were the places where the Greek and the Roman cultures were born and were the basis for the civilizations that came after.

Mature countries also have a fault: having ruled and exploited many of the emerging, developing and underdeveloped markets for their own interests. They used the resources and the people that they found in these places: slaves, gold, diamonds, textiles, crops are only few of the examples of the imperialistic attitude that Western countries used towards poorest countries. At the end of the exploitation they left their *colonies* (how were called the exploited

countries) the way they found them and with less resources. This can be seen as one of the reasons why all these countries struggle to progress.

Pictures 1, 2 and 3 and table 1 and 2 can be useful to analyze mature countries too.

According to picture 2 (worldwide GDP in 2010) all the countries of the "Western world" have the darkest shade: these countries are considered rich because their economy is really advanced and they can produce very high economic results at the end of each year because the conditions inside their boundaries, for what concerns politics, economics and civil society, allow them not to worry about many of the issues that are affecting the less developed countries. The level of the HDI indicator is very high: Europe, North America, Oceania and Japan have very high human development (UN website, HDI rankings).

According to picture 3 (GDP % growth in 2010) the United States of America, Canada and Germany belong to the intermediate level of GDP growth while all the countries of Western Europe belong to the lower growth percentage.

From a comparison between the two pictures we can deduce that even if they still have a high GDP value many of these mature countries are struggling with their economy as they do not grow so much anymore. We can suppose that maybe many of these markets were influenced by the crisis of 2008 and are influenced now by the current Euro Zone crisis but the fact is evident: world's economy is driven and will be always more driven by some actors that are not the old ones anymore.

1.2 Characteristics of China and India

At this step in the analysis could be interesting to deepen our knowledge about some of the main actors of today's economic landscape: two of them in particular will be challenging each others, China and India. They are neighboring countries and they are so different in terms of characteristics and culture. The projections for their future is that, even if both of them will see their economy to progress, China will become the most important economy in the world and India will become the most populous country in the world (Nelson, 2010).

1.2.1 India (CIA website, India)

India is a country in Asia, it is about 3,3 million square kilometers wide with a population of about 1,2 billion people. The capital is New Delhi, a city in the north of the country and other important cities are Mumbai, Bangalore, Chennai and Kolkata. India was a former colony of United Kingdom, indeed English is one of the official languages. The country gained the independency in 1947, in 1950 was proclaimed republic and since that moment the country progressed facing some major problems connected with cast system, religious violence and regional separatist units. The economic growth of India began during the 90s when the government decided to undertake an open-market approach launching liberalizations, deregulations, privatizations and incentives for foreign investments. India is the most advanced market for IT industry, one of the most important nowadays innovation hubs. The fact that the country has a really good education network with some worldwide known institutes makes it possible that part of the population is really well educated and is able to push the development boost of India. Besides this, the vastness of the territory, the richness of natural resources, the huge workforce present helps the growth of the economy year after year. The financial and economic crisis of 2007-2008 didn't influence so much Indian economy because it was not relying only on export but also on internal demand. The GDP of India in 2010 was of around 1,7 trillion dollars (9th in the world), the GDP growth was about 9,7% (5th in the world) and the per capita GDP was about 1477 dollars (121st in the world). The value of its annual production and the growth of its GDP are very high but the per capita value of GDP is very low due to the fact that the population is really huge and there exists many areas or entire regions where people live below poverty level. What separates India from being a mature country are a high level of corruption, the system of casts, the overpopulation, the huge portion of the population living under the poverty level, the environmental issues like pollution of water and air due to improper activities, the lack of a proper legislation and the lack of severe controls. Other problems are represented by the not so advanced network of health care offered to citizens. India is part of the major international groups and organizations like G20, Asean, United Nations and World Trade Organization, ILO.

1.2.2 China (CIA website, China)

China is a country in Asia, it is about 9,6 million square kilometers wide with a population of about 1,3 billion people. The capital is Beijing, a city in the north-east of the country and the other major city is Shanghai. China has a really unique history as for centuries it remained closed to any intrusion from the outside. The Communist dictatorship after World War II established a really strong regime that acted against individual freedom since 1978 when Deng Xiaoping and his successors focused on the economic development of the country. The economic growth of China began between '80s and '90s when the government decided to act in order to facilitate investments, private initiatives and foreign presences improving the legislation and pushing the population to become the demand for the products manufactured in the country. The economic growth was helped also by the vastness of the territory, the richness of natural resources and the huge workforce present. The sectors that are driving Chinese economy are textiles, manufacturing, chemicals and other industrial productions. The country, beside the internal demand, is an exports champion. The financial and economic crisis of 2007-2008 influenced partially Chinese economy because it distributes its exports also in Asia-Pacific region but still to avoid being hit by any downturn from Europe and US, China has to push further the purchasing power of its population and therefore to focus more on the internal market. The GDP of China in 2010 was of around 5,9 trillion dollars (2nd in the world), the GDP growth was about 10,3% (3rd in the world) and the per capita GDP was about 4393 dollars (84th in the world). The value of its annual production and the growth of its GDP are very much high but the per capita value of GDP is low due to the fact that the population is really huge and there exists many areas or entire regions where people live below poverty level. What separates China from being a mature country are its infrastructure system to be improved above all in the poorest regions, a huge portion of the population living under the poverty level, the environmental issues like pollution of water and air due to improper business activities, the lack of a proper legislation and the lack of severe controls. Other problems are represented by the political and legislative apparatus that need to be more transparent towards its citizens. China is part of the major international groups and organizations like G20, Asean, Apec, United Nations, World Trade Organization and ILO.

2. Emerging giants and internationalization

Today's economic landscape is dominated by medium and small players as well as by huge companies. These huge corporations can be defined as multinationals, transnationals or conglomerates, depending on their main characteristics (De Wit and Meyer, 2010).

A corporation that has subsidiaries in different countries but has centralized and powerful headquarters to manage and control the majority of the operations and the decisions is a *multinational* while a corporation that has businesses in different countries without specific differences about the importance among them (there is not a specific headquarter with subsidiaries, all the business units have quite the same relevance) and each business unit have freedom and flexibility in the decision-making process is a *transnational* corporation. The other main difference between them, that derives from their own characteristics is that in a multinational the culture of the headquarters is stronger and more present in every subsidiary and in the products or services that it offers while in a transnational corporation the spirit and the culture is more globalized, less influenced by the country of origin and therefore it can easily adapt to every other environment. The third kind of company, the *conglomerate*, is a bit more complex apparatus because it involves two or more corporations that are active in business that most of the times are completely unrelated among them but which are grouped under the control of the same corporate group. Frequently conglomerates have an extension that goes beyond national borders and thus they involve multinational and transnational corporations.

In the following sections we will explore the role of these big corporations that come from emerging markets and which are their behaviors when investing abroad.

2.1 Emerging Giants

Since about a decade we are witnessing an interesting phenomenon. Corporations "born" in emerging countries are becoming increasingly more important in the global economic scene and moreover they are acquiring an increasingly more important role inside mature markets. Their names and brands are everyday in the news: Tata, Mahindra&Mahindra, Lenovo, Mittal, Infosys, Geely etc. are now worldwide known. These corporations coming from the emerging countries have been called *giants* (the Economist, 2011), *challengers* (the

Economist, 2008), *new kids* (Sauvant, Mendoza and Irmak, 2008) and these names give us two different hints. First, most of the times all these companies are very big corporations and second, they have a really strategic and powerful role as they challenge the economy and moreover mature economies.

It is interesting to point out a few things in order to better understand the topic of this thesis that focuses on corporations from emerging countries going to mature markets. What can help to make it clearer is to talk a bit about the opposite phenomenon.

There was a time when companies coming from mature countries were involved in FDI in developing or emerging countries[1]: it basically represented an offshoring of part or whole the manufacturing process because of the much lower average labor costs that could be found in these countries.

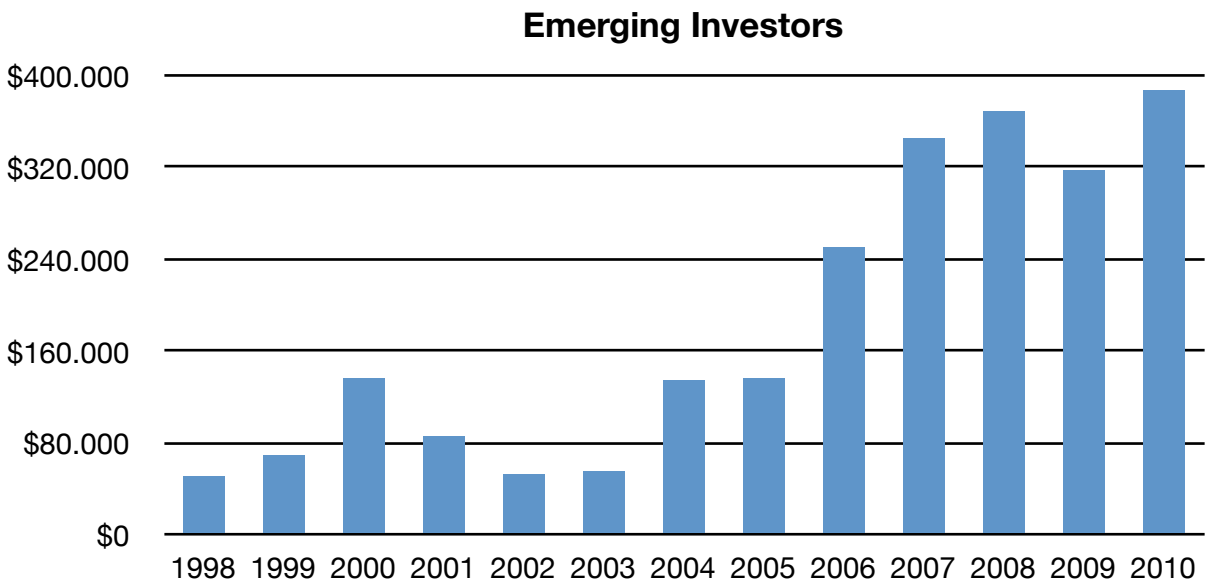
In the last years emerging and developing countries have also been the subject of attention of multinationals and transnationals from mature countries as the middle-income segment of the population is increasing at a very quick path. New needs and new requests are coming from that part of the population that most of the time is attracted by the Western society and therefore asks for the same products that companies sell in Western countries.

In developing and emerging countries there is also an other segment that is increasingly analyzed by Western companies, it is the bottom of the pyramid segment where you can find very poor people that earn little money every day and that often are working within the black economy. These people cannot afford to buy many things so companies are studying new packagings or variations of products to sell them in small quantities for a really small amount of money. In this way Western companies can target this new segment that, even if is not rich, it is very very large and it includes billion of people around the world. This interest of companies from mature countries towards emerging and developing countries is due to the fact that markets in mature economies are saturated and competition is really fierce.

Coming back to the topic of companies that from emerging economies invest in mature ones it could be useful to look first at some data.

[1] they are still involved but less as many of them went back to their countries.

Chart 1: 1998-2010 outward FDI expenditures from emerging countries in million USD



Source: UNCTAD

These data show the importance of this topic nowadays. As we can observe from chart 1 in almost a decade the value of the investments that the emerging countries made towards foreign countries is heavily increased. In 1998 this value was under 80 billion euros then slowly, year by year, it has started to increase, though only from year 2005 we can see how important this trend has become. From almost 130 billion dollars in 2005 it arrived at almost 400 billion in 2010 undergoing a small deflection in 2009 probably due to the influence of the financial and economic crisis of 2007-2008. This trend is surely going to continue in the next years as emerging countries are improving their political, economic and financial systems.

A question that can arise spontaneously is in what these companies coming from the emerging markets are strong or weak and what can differentiate them from the companies in other countries in the world. There are many answers to this question. (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

The first strength is the access to low-cost resources as labour, capital, facilities, property and raw materials. The lower cost of living in emerging countries allows these companies to pay wages that are lower than the wages paid in mature countries and this allows them to save many money. The access to capital for them is relatively easy, at least talking about big companies, because they can benefit from the combination of different possibilities: in their market of origin the conditions for loans can be very favorable, their governments may

subsidize them in order to help their internationalization process and they have access to equity markets. The construction of a production facility allows them to save more than if they were in a mature country as raw materials, properties, engineering and other expertise services and machineries are available at lower costs. Emerging countries can benefit, in the majority of the cases, of a very wide range of natural resources that they can use in their businesses and moreover energy, that can be generated exploiting water, gas, oil of which the most part of them is rich in and this allows them to pay much less for these services.

The second aspect that characterize emerging markets can be seen both as a strength and a weakness, it is the environment they have to face in their country of origin. On one side it is good for them to be such fast growing markets with a rising middle-income segment that offers the perspective of big profits in next decades. Another good aspect for emerging countries are the characteristics of their consumers: they are very exigent as they have a high tendency to save and they are price-sensitive, giving to companies that are "born" there the hint to export, and being an area of practice that these companies can use to increase their marketing expertise. However, on the other side many times in these countries the political, social and economic environment lacks in stability and companies have problems regarding transportations, energy, communications and in obtaining permits as to go through many public institutions and offices they need to bribe officials.

The third aspect from which emerging countries can derive some strength are their operating assets. The machinery they use is younger and costless than the one used by companies from mature economies. Moreover their operations are much more flexible as the ratio in the usage of workers instead of robotic equipments is higher in emerging countries and therefore when there is a change in the production line they find it easier to adapt their processes as they involve for the most people. Furthermore the employes are payed less and work more than those in mature markets as in emerging economies the legislation is not advanced enough.

The fourth aspect is the level of innovation applied by companies in fast growing economies and it bring too two opposite point of view. The negative side of this is that many companies cannot count on high quality innovations as the legislation that protects intellectual property not always is effective and strong. On the other side what is positive is that fast growing economies are promoting education among their young populations offering high quality structures and, as a matter of fact, an enormous amount of people are studying in these institutes. This allow the creation of R&D centers inside and outside companies to foster

innovation of products and services that are powered also by the people that go to study in the most prestigious universities in mature countries and come back to use them to help the development of their countries.

The fifth aspect has only a negative side: it is hard in emerging markets to have and to maintain an efficient supply chain. Companies face every day problems of this sort because the transportation infrastructure in many areas is not so advanced and the shipment of products takes many days or even months.

The sixth aspect is the complexity of the environment in mature countries. Companies from emerging countries have to enter in markets that are much more organized and strict in term of legislation than the ones they are used to work in, but yet, the list of things that represent a entry barrier for these companies is much longer. Mature markets are highly competitive and highly segmented, the consumers have different characteristics, perceptions, needs than the consumers in emerging countries, relationships with suppliers and distributers are difficult to built and last but not least the culture is different and this vision of culture includes every aspect of it from language to symbols, from behaviors to needs.

The seventh aspect concerns the lacking of talents as many of the companies from emerging markets cannot find easily the right people with international experiences that can manage the business in order to make it successful. The solution since now has been to hire people coming from mature countries but with the increasing number of educated people from emerging markets this probably will be no longer an issue. An other problem faced, but most in the Asia Pacific area, is the talent retention because the opportunities are so many and the demand of talents overcomes the offer so managers are driven towards the best occasions that come out everyday as we are speaking about very dynamic environments.

The eight and last aspect concerns mostly young companies. It is about the strategy of these firms and the clear direction that they want to give to their development in the future. Specifically, when deciding for a strategy that involves various countries, maybe with opposite characteristics than the one of origin, it is very important to be focused on which are the competences, skills and resources needed to have an excellent performance. It would be very dangerous to venture into a different environment without a clear idea of what is the goal to be achieved and without having done a through analysis of what it takes to get there. (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

2.1.1 Emerging Giants in India and their development[2]

India is a very complex country that embodies two different souls: one more ancient and linked to tradition, religion, caste system and the other more modern, linked to its economic development, its expertise in the IT industry, the role of its democracy that is the biggest existing. Business in India has a very ancient tradition as there are always been whole castes historically dedicated to trade and business.

"When examining India there are several aspects that we have to take into account as all of them influenced the development of business and of the big Indian corporations.

Hierarchy is important to Indians as they cohabit with the caste system and the respect for elder people is something from what anyone cannot escape.

Time is conceived in a different way than Western one, the orientation is more towards long term relationships and deadlines are not always considered striking to respect.

Religion is a very important part in the lives of people, it determines behaviors and diets. The decision process, whatever is the subject of the decision, can be complex as many times people need to wait for auspicious dates or consult astrologists and gurus.

Corruption is a very spread habit: to bribe to obtain something is normal, particularly for what concerns regulatory compliance.

Something that is typical of Indian business is that often they are owned by families that pass it through the different generations: in this way they grow and they become giant. Another aspect of being family business is that the behavior of the owner and the management is paternalistic towards the employees and the care for local communities has been very strong from a long time ago. Before CSR policies became in vogue, there were Indian foundations helping poor populations in the country.

Indian companies developed in a poor environment therefore they had to adapt the way of doing business to the conditions they were living in. Despite the fact that many Indian business men studied in Indian school and universities, they were influenced by the Western way of doing business as the management was taught also through Western management books. Moreover, around '80s there was an Indian diaspora towards the United States. In the US Indians studied in very important colleges and universities and

[2] Many of the concepts in this section have been elaborated from the interview with Christophe Hémery, E&Y (see Methodology specifications at page 57 and the interview in the Appendix)

occupied very important positions in banks, consulting companies and many other industries and businesses. What has developed in India is a sort of *frugal management* whose concepts were basically the same of Western one but had to adapt to the particularly poor environment: Indian leaders and managers were obliged to adapt what they learned to the situations they were dealing with.

Last but not least, the economy was closed since the '90s and there has been no free market for a long time period.

All these things together influenced economic development and the way of doing business in India." (drawn from the interview to Christophe Hémery, E&Y)

The most important Indian companies belong to natural resources industry (oil, gas, steel), services industry (banks, telecommunications, softwares) and consumer durable industry (cars). Among the most important ones we can find Tata, Mahindra & Mahindra, Reliance Industries, Hidalco Industries, Wipro, Infosys Technologies. (Fortune Global 500, India 2011)

2.1.2 Emerging Giants in China and their development[3]

Chinese companies develop in an environment that on one side is strongly embedded in communist ideology and on the other experiences the influences of a really rich and ancient culture from the imperial period. These two different forces cohabit in modern China: every aspect of life of people and corporations is directed and ruled by precise and strict rules.

"The government plays a central role as every activity or initiative have to pass through its approval to work in the right way, therefore even if private companies exist, the government give them support and authorization for their strategies, also in case they decide to go international.

Thus, one of the main characteristics of Chinese culture is the centralization of the power that is reflected not only within the institutions but also in the structure of private organizations.

Hierarchy is a really important value, it influences the relationships and the communication networks among people.

[3] Many of the concepts in this section have been elaborated from the interview with Professor Léon Laulusa (see Methodology specifications at page 57 and the interview in the Appendix)

One of the values that belong to the communist ideology is the idea of collectivity: the well-being of the group is an important value to preserve and moreover, the idea of equality reinforces the cultural focus on all the issues related with the idea of the group.

Nowadays private property has been allowed but still, there are issues connected with it: Chinese companies develop in an environment where since not a long period ago it was not allowed to own something." (drawn from the interview to Professor Léon Laulusa, ESCP Europe)

Even if today it is undoubtedly a country that plays a fundamental role in world's economy and in politic balances, China has to face the difficulties of the enormous diversity between the communist credo and the capitalistic one. Its economic expansion has been built on capitalistic basis flavored with communist ones: finding a balance between these two different points of view involve many efforts.

The most important Chinese companies belong to natural resources industry (oil, steel), services industry (banks, telecommunications), consumer durable industry (cars), infrastucture and utilities industry. Among the most important ones we can find Sinopec, Bank of China, China Telecom, Air China, Lenovo, First Automotive Works, Dongfeng Motor, Geely. (Fortune Global 500, China 2011)

2.2 Internationalization and entry strategies

This section of the paper focuses on the three most important points when talking about the expansion of emerging giants: why are these companies investing abroad, which are their most used entry strategies, in which countries are they going and which are the most addressed industries.

2.2.1 Why: the drivers

This section's aim is to understand why companies from emerging economies are investing outside their boundaries and moreover, why in mature markets. Why if mature markets are saturated, as we already pointed out, emerging giants are spending money to acquire companies in that part of the world?

"When investing abroad companies from emerging markets look for efficiency, thus they look for a reduction of production costs and therefore they target less developed countries as well

as they look for new technologies and access to new markets and therefore they target more developed countries" (drawn from the interview to Professor Vanessa Strauss-Kahn, ESCP Europe)

Boston Consulting Group studied this phenomenon and identified six different strategies that could lead companies from fast developing economies towards the richest countries.

The first strategy is to make their brand known throughout the world offering in mature markets the same products they offers in their markets of origin. Most of the times these products have a standard quality and are offered at middle-low prices and that is why they come to success also in mature countries.

The second strategy is to spread globally thanks to technological expertise developed in the country of origin. This is often the case for IT and software companies coming from India, worldwide famous for its unique technological hub in the area of Bangalore. Leveraging on their competences and knowledge in the field, they acquire success due to their capabilities to innovate. The sectors mostly involved are pharmaceuticals, automotive equipment, telecommunication equipment, aerospace and technology.

The third strategy is to become world leaders in what they do, especially in a niche product. They also search to buy companies in mature economies that have specialized in what not many companies are doing and this strategy can easily bring them to success as it gave them an enormous competitive advantage.

The fourth strategy is to leverage on the natural resources of their countries of origin and often this means that food is the strategic product. These companies can leverage on the low costs of production they have in their countries and benefit from the skills and knowledge they acquire when investing in a company in a mature market. The typical sectors that this strategy involves are agriculture, energy and minerals.

The fifth strategy is to use different business models for different markets and this means that in mature countries these companies change their approach towards consumers but the economic model they use has been previously tested in other occasions.

The sixth and last strategy is to acquire natural resources that are important for the business in the country of origin. This can be the case of industries like steel, oil, gas and which performance depends on the availability of natural resources. Often these companies are subsidized by their home governments in order to get those resources abroad. (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

Obviously there are other reasons that sums at the ones stated above. A company generally choose to expand in an other market also because its domestic one is saturated, because there is not enough internal demand or because the company needs the knowledge in a particular field and only going in the environment where this expertise is present the company can easily get into it. An other important drive for emerging-economies companies is the financial and economic crisis that is going through Western regions that from 2007 has weakened the economic base leading many resident companies to bankruptcy and to a devaluation of their assets. In this way companies from emerging countries can buy conveniently businesses that are dying to bring them to a rebirth by using their available financial capital and relying on two consequent benefits: the fact that these companies are already introduced in the market and already have customers and the fact that these companies have already a developed business model with specific marketing and R&D systems.

2.2.2 How: the most used entry strategies

The way in which companies from emerging markets decide to enter in a mature one can vary very much, as does the reason of the investment. The strategy, the products or services involved, the goals that companies wants to reach in the future, the business models, the political, legislative or economic constraints, the characteristics of the business market, the characteristics of the country in which they want to invest: these are all things that can influence the decision on how to invest.

There are different ways that a company can choose to expand its business, to enter a new market, to acquire knowledge or to take control on strategic resources.

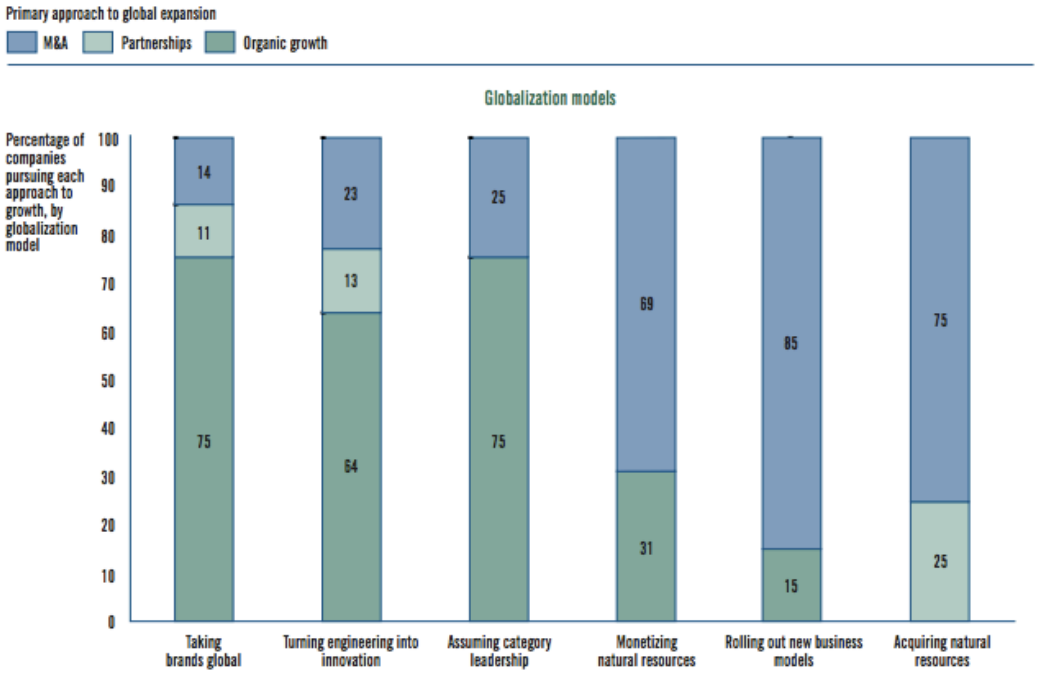
For instance, a company that deals only with its domestic market and wants to go international can choose to export indirectly (leaving the transport and distribution to other firms) or directly (arranging everything by itself), to set an "international" branch inside its organization to manage by itself the business in other countries. An other choice can be to set up an alliance with an already-existing organization and in this way maintaining its independence. The alliance can concern asset as products, knowledge, expertise, intellectual property, manufacturing capabilities, project funding, capital equipment, distribution channels. The riskiest strategy would be to invest in the foreign market through the so-called foreign direct investment (FDI) to arrange permanently the business there. The FDI can be of two types: brownfield or greenfield investment or merger/acquisition investment. An

investment can be defined brownfield when a company in establishing in a new country buys an already existing production facility while a greenfield investment refers to the establishment of the company in a virgin production area. Even if they are always mentioned together a merger and an acquisition are two different situations. The merger is a deal in which two or more companies take virtually equal stakes in each others businesses whereas the acquisition is a straightforward purchase of a target company. (Dunning and Lundan, 2008)

From a financial point of view the business development of a company can be classified in two different ways: organic or inorganic. The organic growth derives from a company's endogenous factors like the increase in the customer base, the decrease of costs, the improvement of production activities that lead to an increased output per customer. The inorganic growth derives from the merger or acquisition of other companies and in this case the business expansion is due to exogenous factors. (Schwenker and Bötzel, 2007)

For each of the six strategies followed when entering a mature market (section 2.2.1) in the BCG study there is a specification of the most used entry strategies. (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

Chart 2: most used entry market strategies



Source: BCG RDE challengers database; BCG analysis

As we can observe for each reason that drives a company out from an emerging market towards a mature one, companies are using very different entry strategies, depending on the particular needs and issues that each reason involves.

The three considered entry strategies are M&A, partnership and organic growth.

When the company wants to make its brand known globally what it follows in 75% of the cases is a strategy of organic growth, in 14% of the cases a strategy of M&A and in 11% of the cases a strategy of partnership.

If the company wants to leverage on its engineering and innovation expertise it follows in 64% of the cases an organic strategy, in 23% of the cases a M&A strategy and in 13% of the cases a partnership strategy.

When a company wants to make sure to be leader in a product or service category it choose in 75% of the cases an organic growth strategy and in 25% of the cases a M&A strategy.

If the aim of the company is to monetize the natural resources of its country of origin the strategy chosen is M&A in 69% of the cases and organic growth in 31% of the cases.

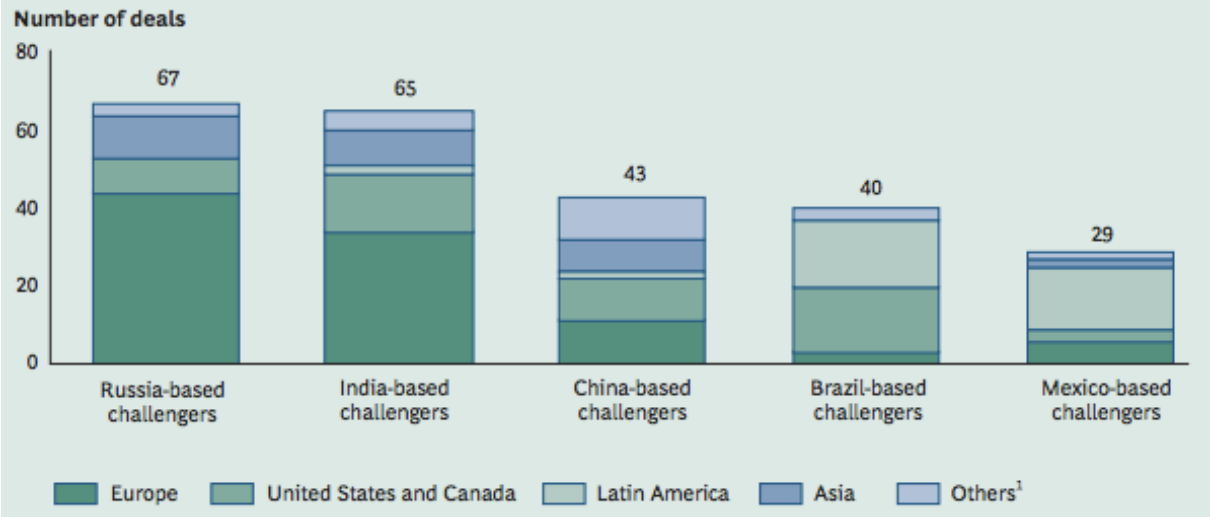
When the company wants to apply new business models it uses in 85% of the cases a M&A strategy and in 15% of the cases an organic growth.

When the company wants to acquire new natural resources it uses in 75% of the cases a M&A strategy and in 25% of the cases a partnership strategy.

2.2.3 Where and in which sectors

The countries in which companies from emerging economies are investing are obviously both the mature economies but also other emerging and developing ones. The BCG research pointed out the direction of the investment flows for the companies they analyzed.

Chart 3: outbound M&A targets for the 2009 BCG 100 Global Challengers



Source: Thomson Financial Datastream; BCG analysis

As we can observe, the countries where the 100 companies considered are based are Russia, India, China, Brazil and Mexico and the target continents or regions are Europe, United States and Canada, Latin America, Asia and Others (Africa, Australia, Oceania and Middle East). Each company decides where to invest depending on the geographical and/or cultural proximity, depending on which is its business, its strategy, its goals and its country of origin. There can be economic or legislative facilitations because of trade agreements between countries or government supports, there can be the right environment to develop a particular business activity because of the existence of a R&D hub, etc.

Russia-based companies are investing mostly in Europe (more than 50% of the deals have as destination this continent), Asia ranks second, United States and Canada rank third and Others ranks fourth. Latin America is the fifth in the order and its presence is really little. This order can be justified the most with geographical proximity (Europe, Asia) and with political relationships that have been established during the past decades (bilateral trades and investments).

India-based companies are investing mostly in Europe (about 50% of the deals), in United States and Canada as second destination, in Asia as third, in Others as fourth and in Latin America as fifth. This order can be justified with cultural proximity and historical influences (Europe, United States and Canada) because India has been for a long time an English colony and North America has always been an emigration target for Indians.

China-based companies opt for a more differentiated approach as they are addressing almost all the regions with almost the same percentage. Europe and United States and Canada have the same number of deals, Others is at the third place, Asia is at the fourth place and Latin America is at the fifth place but is present with a little quantity of deals. For the case of China it is difficult to find a justification for the order as the deals are well distributed among Europe, North America, Asia and Others. One observation that can be done is that in Latin America the presence of these Chinese firms is limited and maybe it is due to the huge cultural differences between the two actors.

Brazil-based companies are dealing most with United States and Canada and Latin America, a little with Latin America and Europe and in an imperceptible way with Asia. This order can be explained with geographical proximity (North America and Latin America) and with political relationships (trade agreements and investment facilitations). Probably the cultural distance with Asia and the specificities of the business activities are the reasons why in this region Brazilian investments are not present or very limited.

Mexico-based companies are dealing most with Latin America, secondly with Europe, thirdly with United States and Canada. Others and Asia are approached in few cases. This oder can be explained with geographical (Latin America) and cultural proximity (Europe and North America) or distance (Asia and Others). (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

When talking about the most targeted industries a premise is needed: not every time a company targets the same industry where it is doing business before the internationalization. It can happen that the final goal of the internationalization is to build a complementary business and to specialize in something new for them.

The sectors of origin, as explained in the BCG paper according to their sample of companies, are mainly five: industrial goods which includes the automotive sector and other ones involving engineers, consumer durables which includes electronics and home appliances, resources extraction which involved directly the natural resources present in an environment like oil and metals, food and beverage plus cosmetic companies, technological equipments, pharmaceuticals, telecommunications and IT services.

The countries of investment are highly influenced by the sector of origin. Telecommunication companies and some consumer-electronics manufacturers prefer to expand to closer markets in order to be in a more controlled environment where the characteristics and the issues that

come up are similar to those that are familiar. Food and beverage companies as well as household appliances companies prefer closer and similar countries if they have to promote their own brand while they prefer Western countries if they offer non-branded products. (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

These are the behaviors observed by BCG consultants and it is clear that they are not true for every company from an emerging country that is experiencing the internationalization phase.

There are industries that are more strategic as they are more important to a country for example for defense or for development reasons, like technology and engineering sectors and pharmaceutical sectors.

The present research will focus on two sectors, the pharmaceutical sector and the automotive one, as they are nowadays critical and strategic: they are booth experiencing an expansion of the demand in emerging countries and they will be crucial as they will determine the health of billion of people and how people will move from one place to another in a period where resources are always more scarce, pollution is a really big issue and transports cost always more.

2.3 M&As

In this research paper, we will focus on entry strategies that involve M&A as it is one of the most used entry strategies and one of the most difficult to accomplish with success.

Many times it happens that when a professor have to explain the process of a merger or an acquisition often he or she compares it to a marriage and it happens also in articles and papers and many other resources. It seems that marriages and M&As have many things in common and that, consequently, we already have almost all the knowledge and tools to deal with a merger or an acquisition in order to make it successful. But then, why do many M&A fail? There is no a unique answer but maybe it is because the M&A process seems so easy to manage that who is involved ends up underestimating many important factors and issues. The right step to start is to give some preliminary and basic information about mergers, acquisitions and all the other kind of alliances between companies that fit into the wider topic of situations of interface.

From a business point of view the M&A can be horizontal or vertical. An horizontal M&A refers to companies that are in the same level of the value chain while a vertical M&A refers to companies that are in different levels of the value chain. (Brown & Renwick, 1996)

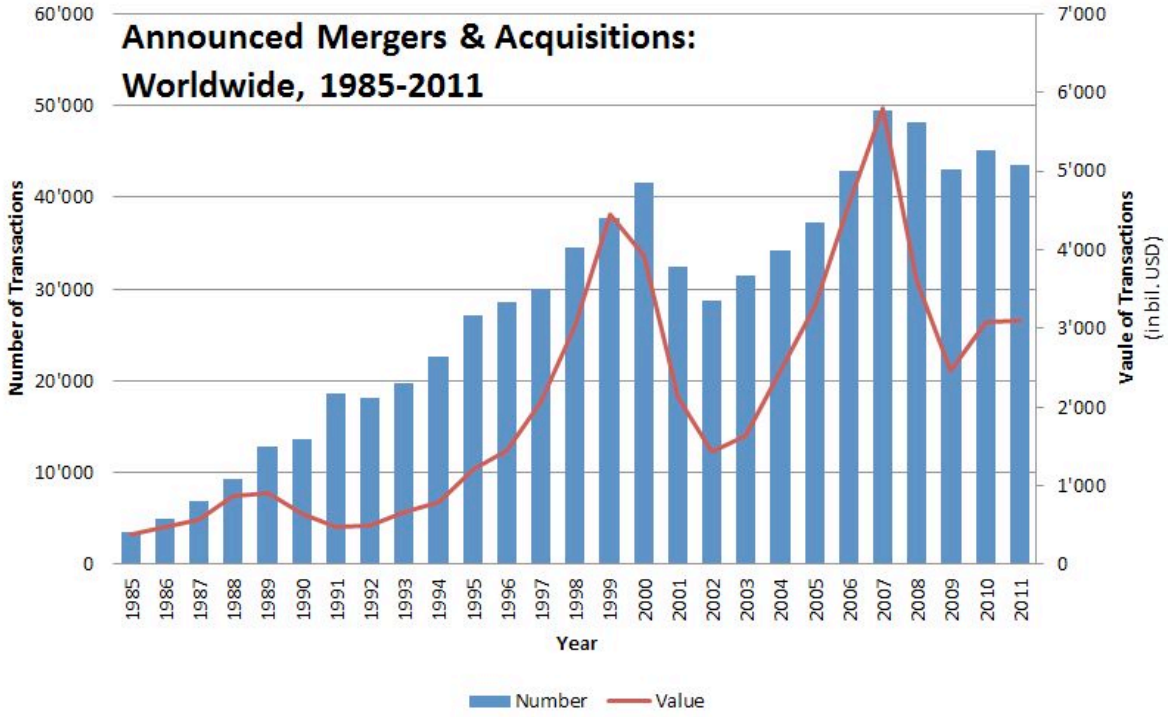
Generally speaking, the merger-or-acquisition strategy is chosen by a company that wants to expand its business. It can be in the same market or in another one and it can be in the same business sector or in another one.

Economists have seen that historically, in the US, there have been periods in which mergers happened more and these periods have been named "waves". Scholars have found out that these waves of mergers have occurred cyclically and by now there have been six of them (Lipton, 2006). The first wave lasted from 1893 to 1904 and involved most the formation of monopolies in industries like steel, mining, telephone and oil and they were most horizontally oriented. The second wave went from 1919 to 1929, was mostly concentrated in the automobile industry and the mergers were mostly vertical. The third wave period lasted from 1955 to 1970 and was involving for the first time conglomerate companies. The fourth wave period went from 1974 to 1989. This period was characterized by the occurring of hostile deals and saw the beginning of a new kind of deal: investment banks started to handle the transactions on behalf of their clients. The fifth period lasted from 1993 to 2000 and it is remembered as the period in which the most huge deals took place, among which we can mention Chrysler and Daimler Benz, Exxon and Mobil and AOL and Time Warner. The sixth period started in 2003 and it lasted until 2008 and it was characterized by a global dimension and the rise of private equity funds.

Every period of those mentioned above started and ended because of economic and historical facts or crisis affecting global or local environments: the first wave ended in a year of recession (1904), the second wave started after the First World War and ended with the 1929 economic crisis, the third wave started in 1955 during the flourishing period after the Second World War and ended in the year of the oil crisis (1973). The fourth period ended in 1989, the year of the Berlin's wall collapse, the fifth period ended in 2000 with the Dot-com bubble, the sixth period ended with the boom of 2008 financial crisis. It is under discussion the beginning of a new wave in 2011 but at present we cannot be sure, only time will tell us. Predictions say also that this potential seventh wave will be concentrated in the BRICS countries (Brazil, Russia, India, China, South Africa). (Chandra and Barnes, 2010)

Looking at the following data collected by the Institute of Mergers, Acquisitions and Alliances during the past decades we can have an idea about the trend of M&A deals and we can observe wave five and six.

Chart 4: number and value of worldwide announced mergers and acquisitions



Source: Institute of Mergers, Acquisitions and Alliances

The trend of the investments has the shape of several waves which peaks are in 1999 and in 2007, the years before the end of wave five and six. These peaks were also before two of the most severe global market crisis and we can notice that after each peak the value of global M&A falls much.

Table 3: Largest M&A Transactions

Rank	Year	Buyer	Target	Transaction Value	
				bil. USD	bil. EUR
1	1999	Vodafone AirTouch PLC	Mannesmann AG	202,8	204,8
2	2000	America Online Inc	Time Warner	164,7	160,7
3	2007	Shareholders	Philip Morris Intl Inc	107,6	68,1
4	2007	RFS Holdings BV	ABN-AMRO Holding NV	98,2	71,3
5	1999	Pfizer Inc	Warner-Lambert Co	89,2	84,9

Rank	Year	Buyer	Target	Transaction Value	
6	1998	Exxon Corp	Mobil Corp	78,9	68,9
7	2000	Glaxo Wellcome PLC	SmithKline Beecham PLC	76	74,9
8	2004	Royal Dutch Petroleum Co	Shell Transport & Trading Co	74,6	58,5
9	2006	AT&T Inc	BellSouth Corp	72,7	60,2
10	1998	Travelers Group Inc	Citicorp	72,6	67,2

Source: Institute of Mergers, Acquisitions and Alliances

It is interesting also to look at the most important M&A deals in history. From the table above we can observe that they happened during a period of nine years from 1998 to 2007. The most important deal has been the one between Vodafone AirTouch PLC and Mannesmann AG in 1999 and involved a total of almost 203 billion US dollars. The second one has been the deal between America Online Inc and Time Warner in 2000 that had a value of almost 165 billion US dollars. The third one has been Shareholders taking on Philip MOrris Intl Inc with almost 108 billion US dollars. The others following were the M&A between RFS Holdings BV and ABN-AMRO Holding NV, Pfizer Inc and Warner-Lambert Co, Exxon Corp and Mobil Corp, Glaxo Wellcome PLC and SmithKline Beecham PLC, Royal Dutch Petroleum Co and Shell Transport & Tranding Co, AT&T Inc and BellSouth Corp, Travelers Group Inc and Citicorp.

2.3.1 The different phases of M&A

The M&A process is quite simple to describe: there is the pre-phase in which the parties agree on the deal, the signing of the contract determines the moment in which companies from two become one and the post-phase, the most difficult to face and the one that is more challenging. With the signing of the deal nothing is finished but everything is starting: the reorganizing of this “new life” in two will involve complex adjustments that need to be managed carefully.

Notoriously there is a period after the M&A deal that is known to be the most critical one: the first 100 days are these in which top and line managers, the employees and all the stakeholders of the companies involved are starting to get to know to each others more deeply: they start to discover in what they really suit and in what they do not suit at all. In these days it is likely that the acquired organization sees the other as a “bad giant” and an “invader” so it is up to the buyer to implement a strategy that helps the acquired to feel

comfortable with the new partner/owner and to make the business activities work in the right way.

In order to succeed in this post-M&A phase the buyer has to deploy a long-term strategy as only in this way it won't be distracted from the main goals of any M&A: bringing more value to the business, improving the economic performance and becoming more powerful than competitors. After a takeover process there are five main areas that have to be adjusted between the two organizations (Kumar, 2009).

First, the structure of the acquired organization, instead of being transformed and converted to work as the buyer one, is left as it is with its procedures, reporting relationships and goals. This is to avoid the problems caused by many traditional M&As that fail because the costs of re-organizing the two companies into one are more than the benefits gained and most of the time the attempt of assimilation is a flop. This strategy is also used in order to maximize the contribution of each organization to the common objective, to make money.

Second, even if the organizations remain independent and the lowering of costs is not the primary goal, the buyer tries to find if there are areas of business where the combination of the two different business approaches can create savings. To identify where can be located these potential synergies the corporation creates inter-functional and inter-organizational groups to share knowledge, to discuss about the operations and the procedures and to find which ones are the best to use.

Third, the top management team is left in the power line of the acquired company as it is useful for two different reasons. First, these top managers have a know how and a talent on the business as they have been involved in it for a long period and they know better how to act and what to do: for the buyer it is an opportunity to learn and to gain new knowledge. Second, it is involved with psychology and culture: if the top managers are still in the company and at their place they and all other employees will be more involved in the business of the company as they will feel empowered by the trust placed on them by new owners.

Fourth, in line with the other points, the operations in the acquired company are left as they are. Freedom of action and decision in daily issues is the key word for many emerging-country buyers, it follows the reasoning that is under the partnering strategy: the reliance placed on the decision makers of the acquired company will empower them to give the maximum they can in order to obtain the results the new company has set. This behavior

shows also humbleness in recognizing that the acquired company has more know-how and experience in its business.

Fifth, the values and the culture of the buyer are spread into the acquired one as a first move to create the right environment for an alignment of the strategies especially because the two corporations' operations remain independent. Traditionally in a M&A, culture is the last thing that is being integrated as it is a common belief that firstly it is important to create the synergies that lead to a lowering of costs and then, over time, caring about culture and values.

The problems that can arise in the post-M&A phase are linked with the clash between the two different organizations. The integration phase is always critical as two entities that were used to be separated now have to behave accordingly to the same guidelines, missions and mentalities.

Two economists Hapeslagh and Jemison, at the beginning of the '90s formulated a theory for the approaches chosen by companies in the integration phase. (Haspeslagh and Jemison, 1991)

Starting from the point that each acquisition has as first and main objective to capture economic value, the acquisition strategy works in the long run only if the buyer is committed to create value out of the matching of the two companies.

The two scholars identified two aspects that affect the way in which a company puts into practice its integration strategy: the willingness to maintain the strategies of the two companies separated or unified and the need of organizational autonomy of the acquired company. The buyer that follows this vision is willing to preserve the capabilities that have been acquired along with the company rather than only transferring them, as the value of something can disappear once we uproot it from its original place and we change the conditions within which it can develop. The matrix that derives from the combination of these concepts is the following.

Table 4: Hapeslagh&Jemison Acquisition Integration Matrix

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

Source: Managing Acquisitions: Creating Value Through Corporate/Renewal, by Philippe C. Haspeslagh. pag X

There are four main approaches that the buyer company can apply to the integration of the acquired one: preservation, symbiosis, holding and absorption.

When the need for strategic interdependence is low and the need for organizational autonomy is high the best strategy is preservation that means that the buyer respects the resources and the capabilities of the acquired and it develop the future strategy maintaining a boundary between the two of them.

When the need for strategic interdependence is high and the need for organizational autonomy is low the best strategy is absorption that means that the buyer absorbs the acquired company trying to create synergies and a solid integrated environment.

When the need for strategic interdependence is high and the need for organizational autonomy is high the best strategy is symbiosis, a combination between preservation and absorption as both the interdependence and the autonomy of the acquired company need to be high.

When the need for strategic interdependence is low and the need for organizational autonomy is low is the case of a holding, where the degree of integration is really low and therefore no integration strategy is put into place.

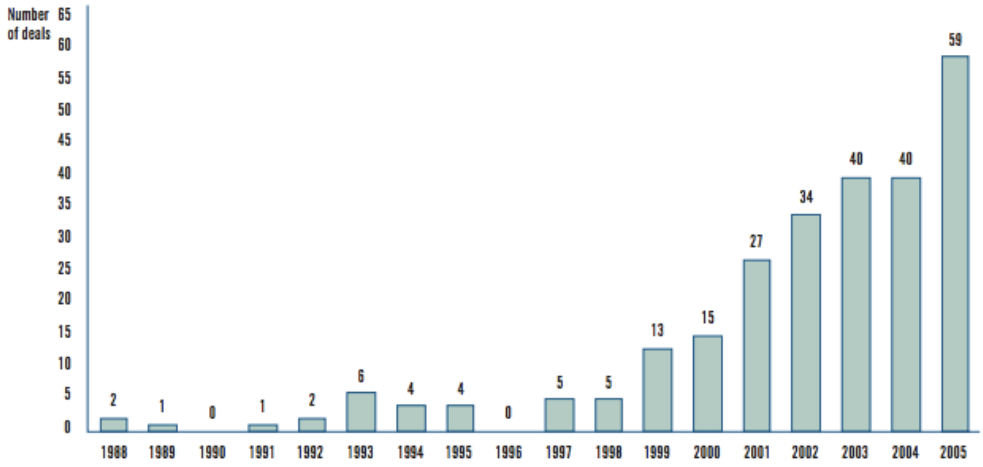
2.3.2 M&A from Emerging Markets

Companies from emerging markets are investing abroad, "It has to be. They have huge surplus in their accounts therefore they need to spend these money, the opposite is for countries like the United States, they have deficits thus they attract investors"[4]

According to BCG research the trend of M&A coming from companies of emerging markets from 1988 to 2005 has been the following. (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006)

[4] from the interview to Professor Vanessa Strauss-Kahn

Chart 5: outbound M&A activities



Source: BCG RDE challengers database; BCG analysis

As we can observe the M&A activities of the one hundred companies monitored are growing very fast. In the years between 1988 and 1998 the situation has been quite stable but from 1998 to 2005 we can observe a drastic increase. From being 5 in 1998 they became 59 in 2005 and surely this trend is growing more as these companies acquire more resources to increase their catchment area.

An interesting thing is to look at the different perspective adopted when companies decide to be involved in a cross-border M&A project as the origin of the company influences the type of approach. When a company comes from a mature market it looks for new markets to increase its economies of scale and therefore searches more for production synergies while if a company comes from an emerging market most of the times it is looking for technological and knowledge transfers involving the use of brands or it is interested in learning new business models and activity approaches more than in lowering its costs. This new attitude towards M&A can be called *reverse* strategy since it is opposite from the traditional one. (Kumar, 2009)

The new approach for M&As that characterize the behavior of companies coming from emerging markets is linked with a partnering approach rather than with an hostile one that is typical of traditional M&As. Many companies from emerging markets are acquiring companies in mature ones leaving them much autonomy and independence, letting the top management structure to remain the same and just driving each organization to focus on what it does better. (Kumar, 2009)

3. The soft side of business: culture and the post-merger phase

Each company is a set of tangible and intangible resources that merged together, if well implemented, give a result which value is higher than the value of the sum of the simple single assets. By now it is a fact that besides the tangible assets what it is important for a company is to have the right intangible resources. Next question would be, which are these intangibles and what is their origin?

Intangible refers to something that cannot be seen as it is not concrete and it is generated by human mind, therefore the origin of these resources are people. A company is made up by operations, procedures and capital flows but its foundation are the people that work inside and outside it. Their thoughts, behaviors and attitudes influence the decisions and the approach of entire corporations, because in the end if we look under the curtains who decides what to do and which direction have to take the strategy are only people. People creates communities and aggregation and where they share the same values, behaviors and common views they have also the same culture.

In this chapter we will be talking about the soft side of business referring to the cultural side of every economic activity. The generalization we will be considering, when talking about the characteristics of national and personal culture or the leadership and management styles, are made for a purpose of research: we are aware that, in real life, each person is different from the others.

3.1 What is culture?

Culture is something intangible that affects everyone's life. It is a set of values, norms and common behaviors that a community establishes as a reference. Culture brings together groups of people and make each one feel member of a community. Culture affects many spheres of life like the sense of self and of space, communication and language, clothes and appearance, food and feeding habits, time and time consciousness, relationships, value and norms, beliefs and attitudes, mental process and learning, work habits and practices.

Culture is something created by human beings and therefore can be various and changes with time. Every society or community is characterized by one particular culture and in some

circumstances it can happen that different cultures combine together to create a unique but also very complex environment. It is the case of companies and corporations.

Edward T. Hall thought that culture was like an iceberg as some of its aspects are visible and easily detected but the majority of them is under the surface and only after a careful observation they can be identified (Hall, 1976). In the explicit part of culture we can find behaviors and some of the beliefs while in the implicit part of culture we can find some other beliefs and all the values, more deeply embedded in ourselves and difficult to change.

The are three main different kind of cultures that in a corporate environment can combine: national culture, industry culture and the own corporate culture.

National culture refers to the culture of the country where the company is born. It strongly influences the behavior of the company because the community, the interlocutors around the company and the legislation of the country, that the company has to respect, are strongly linked with the culture that we can find within the country. National culture influences also the so-called *leadership* and *management styles*, the way in which leaders and managers react, approach their staff, address the problematics as well as the way in which they exercise leadership and direct operations and communication inside the company. Management style refers to the way in which leadership and management of people, processes and resources are tackled. Every culture influences the way in which authority, time, decision making, approach to changes and negotiation are perceived and addressed.

Industry culture refers to the influences coming from the industry to which the company belongs. There can be aspects, attitudes, values and identities of the business industry that have been affecting the behavior of the companies inside it. These factors of influence can be laws, operating procedures, processes, etc..

Corporate culture brings together all values, communication systems and leadership styles that are implemented by a company because people within it believe they are the right means to achieve the company's goals. Corporate culture is influenced by national culture and industry culture and, when the founder or the CEO is a really charismatic person the company is influenced also by the personality and therefore by his or her own culture.

When a company deals with an other, for whatever reason, it is like when a person deals with another one: they have to find the right way to approach to each other, being aware that it does not exist the right culture but every culture has its own rights to exist. Companies, like

people, have to adjust their behavior depending on their interlocutor without disrespecting or overwhelming him, her or it. This is why in M&A deals many problems can occur.

When a company installs a subsidiary in a country where the national culture is very different from the one of origin it can face many problems concerning mostly the people as it has to hire local staff, address a product or service to new consumers and merge together two different ways of being. All these processes require time, patience, open-minded attitude and willingness to adapt to new perceptions and needs. When two companies combine in M&A deals all the cultural issues are amplified as many times the buyer wants to prevail on the other actor forcing it to change its culture: this is the origin of all the problems.

3.2 National cultures and management styles

Management styles are linked with local culture: values, behaviors, approaches, reactions are influenced by the ones that are being taught in that particular environment and that are in use in the place where the company is established.

In the next sections we will analyze some management styles, taking into account some variables of national culture as the structure of society, the power distance, the approach to time, the willingness to risk and the role of women in the society (Hostfede, 2001). Structure of society refers to the relationships that link people and that could be more or less strong: in the first case we talk about collectivism in the other case we talk about individualism. Power distance refers to the structure of authority, more hierarchical and centered or more flat and dispersed. Time refers to the importance that people give to short term vs long term perspectives and refers also to their relationship with past, present and future. Uncertainty avoidance means how much people are willing to take risk in their actions. The role of women inside the society refers to the more importance of masculine values (win, power, appearance, quantity, etc) against feminine values (caring for others, quality, etc).

3.2.1 British culture and management style

• Structure of society. British culture is characterized by a high degree of individualism, people are used to think and care about themselves and a small circle of people around them. Family is generally mononuclear and formed by a few people. In individualistic countries

social and public services are more developed and tailored as individuals cannot count on anyone but themselves if they have a problem to solve. Privacy and personal spheres are values highly protected also through legislation and formalism is a common approach when considering professional and business ambiences.

• Power Distance. British society is characterized by a low level of acceptance of power distance that means that people try to minimize hierarchies and vertical structures. Despite that, traditionally British culture is linked with monarchy and social classes and therefore, even if the modern attitude is towards a flat and less privileged power structure, in depth it is possible to see and to feel that people are not always willing to give up control and opt for a "everyone has the power" structure. Communication is open and encouraged between people in different levels of society or professional positions and generally it is of a low contest type as it is more explicit.

• Time. United Kingdom has a short-term orientation which means that people are focused more on goals closer in time. This is translated in a strict control of time and a strict attitude towards the respect of deadlines: if a result has to be achieved within a timeframe, this has to be respected because a delay can mean loss of opportunity, disappointment of the boss or colleagues. British society for the reason stated above can be considered a 'fast society', characteristic of most of the capitalistic cultures, in which the priorities are efficiency and respect of deadline.

• Uncertainty Avoidance. British culture is risk oriented and so generally people are not scared about changes and variations with which a plan can come up against. The only important thing is to set a precise objective that cannot change: the way in which the goal is achieved can be modified throughout the process. Changes are appreciated and therefore innovation.

• Masculinity. United Kingdom is a country where masculine features rule over: power, success, ambition are values that drive population's behavior. The influence of individualism lead people to set as one of the most important goals in life to reach a work position which enables to earn a lot of money and to show the obtained social status through items purchased and lifestyle.

3.2.2 United States and Canada culture and management style

• Structure of society. North America tends to be an individualistic region. Whit this statement we mean that individuals tend to maintain a high degree of independence with respect of other individuals. In highly individualistic societies small communities, like family for example, are not so crucially important as people tend to count only on a few people and on government's aid. This can be seen also by a professional point of view: people are rewarded for personal contributions and merit is one of the most important key figures of career advancements.

• Power Distance. The power distance is quite low. This means that the system tend to have for the most a decentralized power structure. Flat structures, where everyone is empowered to take responsibilities often involve communication approaches the are generally direct and informal. Communication is generally a low-contest one, meaning that messages are explicit and verbal communication is more important than non-verbal one.

• Time. Efficiency is the key word. North Americans are work oriented and tend to be strict in what concern the accomplishment of their goals within deadlines. For this reason they can be seen as more short-term oriented.

• Uncertainty Avoidance. Risk is highly tolerated. The general belief is that higher is the risk you take, higher is the value of what you can obtain. The connection with changes is really close as change means risk most of the time and so change is seen in a positive way. This is linked with innovation and with the willingness to find new ideas and different ways of doing things.

• Masculinity. In North America masculine values prevail. This means that the society is more oriented towards rushing, appearance, ambition, success, and money.

3.2.3 Swedish culture and management style

• Structure of society. Swedish culture is oriented towards individualism: people are grouped in small groups, families are mononuclear, relationship with people outside the group are characterized by detachment and do not involve deep feelings.

• Power Distance. Swedish people are not keen on accept power distance. Relationships are generally based on equality, communication is free and direct, everyone can become everything, independence is an important value, structures are decentralized.

• Time. Culture in Sweden is more oriented towards short-term perspective. This is why Swedish are not so willing to save, they are impatient to reach their objective and efficiency for them is important. Time schedules are to be respected and the missing of a deadline is sign of a not well done work and no commitment.
• Uncertainty Avoidance. Swedish society is risk tolerant therefore flexibility from rules is tolerated. Innovations are highly encouraged and thinking-out-of-the-box attitudes too.
• Femininity. Sweden is characterized by feminine features: life/work balance is attentively safeguarded, equality, support, solidarity are key traits of the society. A traditional concept influences the life of people in the country, "Lagom", that means moderation and discretion in every sphere of life.

3.2.4 Chinese culture and management style

• Structure of society. China is a collectivistic country, this means that people for their needs rely very much on communities. People tend to behave like their interest is not personal but it involves all the group. This is an influence of the Communist culture where everyone have to share what they have in order to make the whole community benefit from them. Something that is crucial when dealing with China is to know that the country is highly exposed to corruption. This is linked with the fact that the society is a collectivistic one as the groups and the strict relationships between the members of a group make it difficult for an outsider to "enter" without adapting to this practice or to try to uproot it.
• Power Distance. This dimension has a high value for Chinese society. This means that inequalities and strong hierarchies are commonly spread among the population and its communities. In most cases this structure brings to the existence of people at two different poles, the ones at the power and the ones that have to obey. This highly vertical structure affects also the communication paths: intra-hierarchical communication is quite relaxed, meaning that the relationships are quite informal while if we talk about inter-hierarchical communication it is strongly influenced by the power-subjection connection and therefore is quite formal and inflexible. China is also a high-context country: this means that communication is generally non-explicit and non-verbal.
• Time. China is a long-term oriented society: this creates a sort of commitment in people that are aware of their potential, or better their potential as part of the group, to create something

that will be useful for everyone in the long run. One characteristic of Chinese people is the perseverance and persistence in bringing their projects forward.

• Uncertainty Avoidance. The risk tolerance for Chinese is quite high and this can be linked with a characteristic feature of Chinese society: China is the land of contrasts and ambiguities. Many times the laws are written but are known only by a few people (notably the ones at the power) and often they can be changed or interpreted in a different way depending on the current interest. The same thing happens with Chinese language.

• Masculinity. Chinese society is characterized by a preponderance of masculine aspects so it is success-driven, quantity worths more than quality and the care for the appearance is really important. Work is the most important aspect in life and competition is part of daily life.

3.2.5 Indian culture and management style

• Structure of society. Indian society is basically founded around the idea of the importance of the group and the harmony within it so it follows that the culture is a collectivistic one. Groups are an integral part of Indian culture as castes are always been a way in which the population was sub-divided in groups and lived closely with people within the same caste. In this kind of system social acceptance is crucially important and behaviors are adjusted accordingly, in order not to be judged or rejected by the own group. At the same time, being within a collectivistic culture means that you do not have to count only on yourself but on the whole community that offers you support and aid whenever you can need it.

• Power Distance. India is characterized by an ancient culture that gives a lot of importance to the social class where the individual is born and where he will remain for all his life. This complex system takes the name of castes system and leads Indian culture to be very attentive to hierarchy and vertical structures. There are some positions and works in which only certain castes are accepted even if nowadays the castes system has become illegal. An other important feature of Indian culture is the importance given to age and the degree of respect that a younger person has to manifest towards older people: this contributes to increase the importance of vertical relationships and the acceptance of a centralized power attitude.

• Time. From its tradition and religions, India derives a long-term time attitude. The orientation towards the final objective in the long run makes it possible not to focus on short-term goals and so the perception of time is more relaxed and outstretched. Therefore time is

perceived with some flexibility that means that there are not particular rigid constraints for punctuality and that the plans made to reach objectives are easily changeable work in progress.

• Uncertainty Avoidance. Indian culture influences its members as, like when talking about time perception, flexibility is the center of their attitude. Risk is taken by Indians as generally they are prepared to changes in direction and to shifts in the plans made, even laws are often circumvented. There is a word commonly used to describe the particular way of doing that characterize Indians, "Jugaad", and it refers to the way in which they can find solutions or innovations starting from what they have available. This mindset permits them to be open to take risk and not to be afraid of something unknown that can affect the course of events.

• Masculinity. Indian society has a masculine side as the more important values are related to success, ambition and power. At the same time India has another side, more feminine, because its culture is rooted in religion and spiritualism that influence the caring-for-the-others attitude of the population. Therefore there are two opposite sides that influences people's behavior but talking about business spheres the masculine one is more predominant.

3.3 Personal culture and leadership styles

People's behavior is influenced by many factors: the culture of origin, the culture of the places where they live, the behavior and the culture of the people around them, what they feel, what they think is right or wrong.

When talking about culture and companies we distinguish between national culture, industry culture and corporate culture. The last one is influenced by the previous ones but also by the culture and the behaviors of the CEO and/or founder as well as by the culture and behaviors of all the people that work inside the company or that, for several reasons, deal with it. To this specific remark we can also add that one's personal culture and leadership style can be used in order to achieve a result: leadership can be viewed as a strategic tool to drive the performance of the whole company.

When we talk about personal culture we mean the culture of an individual and it is influenced by national culture, industry culture and corporate culture: as we can see culture is a circle and it is embedded in every single thing we do, we say or we see.

This is the reason why, to complete the analysis of the different kind of cultures, it is important to explore the study by Daniel Goleman.

In his research study Goleman (Goleman, 2000) affirmed that what is important for being a good leader is to have a good empathy with other people, with the surrounding environment and with the situation in order to understand always which is the right approach that can maximize the output of a certain situation. It goes without saying that the empathy, this particular adaptation and the approach used to achieve the final goal depend from personal culture. The leadership styles identified by Goleman are six and the following sections will explore each of them. Often in the real world managers use a combination of them.

3.2.1 The coercive style

When a managers uses a coercive style he or she leaves no space to the opinion of the others. He imposes its ideas and willing contributing to the alienation of employees from their jobs. This way of doing can be ineffective as it is not flexible and demotivates people all around the organization leaving them only with money rewards.

3.2.2 The authoritative style

The authoritative style consists in the imposition of the final goal by the manager, being this goal not negotiable and leaving to employees the freedom to achieve the results as they prefer, always in coherence with the means they have and the strategy they have to follow. The authoritative leader provides the employees with a vision for the future but does not work very well when the people to which the leader is addressing have more expertise than him or her in the field.

3.2.3 The affiliative style

When a manager uses an affiliative style he or she is highly interested in people's well-being. Attention for emotions and relationships building are the most important characteristics of this leadership approach that is committed to create a strong team atmosphere among the people in the organization. With this typology of approach communication and commitment of people grow very much as they are pushed to share ideas, opinions and visions.

3.2.4 The democratic style

A democratic leader is willing to give a voice to the people depending on him. He or she leaves to people the freedom to express their point of view and makes them understand the importance of listening to each others. In this way trust and commitment are easily spread inside the organization.

3.2.5 The pacesetting style

A pacesetter manager is willing to behave in order to give the example to the people around him or her. He or she requires high standard performances and sets very high goals in order to push the behaviors of its employees towards the best result possible. The mood of employees can drop if they see that is too difficult to reach the prefixed goals.

3.2.6 The coaching style

A coaching leader is one that is committed with the personal development of its subordinates. The aim of the coaching leader, whenever he or she founds a weakness in the behavior of one of more employees, is to help them to improve their performance proposing trainings or challenging them with new roles or assignments.

3.4 Industry culture

The two industries of this research have been chosen for a particular reason: both of them are facing a period of changing and challenges, even if for different reasons. A brief analysis of the two will help us to understand better which are these challenges and the causes of the current situation of the two industries.

3.4.1 Automotive industry characteristics and culture

The automotive industry refers to all the companies that are involved in the design, production, supply or distribution of motor vehicles. This sector is essential in nowadays society as transports have become an obvious component of our daily life. (Elie and McCarthy, 2011)

In the last years we have seen something changing in the sector: the demand in mature countries has started to reduce due both to a saturation of the market and to the financial

crisis, the increasing price of fuel is diverting the demand towards new type of vehicles powered by renewable energy. In emerging countries an increasing number of customers are seeing their incomes increasing and therefore are becoming a huge potential market for automotive companies.

The following tables can help us understanding more the sector specificities.

Table 5 and 6. Produced vehicles per country (first 20) and produced vehicles per company (first 20)

Country	Produced Vehicles
China	18418876
United States	8653654
Japan	8398654
Germany	6311318
South Korea	4657094
India	3936448
Brazil	3406150
Mexico	2680037
Spain	2353682
France	2294889
Canada	2134893
Russia	1988036
Iran	1648505
Thailand	1478460
UK	1463999
Czech Republic	1199834
Turkey	1189131
Indonesia	837948
Poland	837132
Italy	790348

Company	Country	Produced Vehicles
Toyota	Japan	8557351
General Motors	USA	8476192
Volkswagen	Germany	7341065
Hyundai	South Korea	5764918
Ford	USA	4988031
Nissan	Japan	3982162
Honda	Japan	3643057
PSA	France	3605524
Suzuki	Japan	2892945
Renault	France	2716286
Fiat	Italy	2410021
Daimler AG	Germany	1940465
Chrysler	USA	1578488
BMW	Germany	1481253
Mazda	Japan	1307540
Mitsubishi	Japan	1174383
Chana Automobile	China	1102683
Tata	India	1011343
Faw	China	896060
Geely	China	80219

Source: Organisation Internationale des Constructeurs d'Automobiles (OICA)

From the tables above we can see that the leading country in production is China, after we find three mature economies, US, Japan and Germany. The following countries are emerging

ones or have just crossed the developing-developed threshold, like South Korea, and mature countries that have lost some of the power they had in the past (Spain, France and Italy).
The companies involved in the sector have usually to dispose of high amount of money to invest in R&D activities to fight the incredibly tough competition and therefore they benefit from economies of scale as in this way they can dilute their spendings over higher amounts of products. Often in this industry companies establish cooperations among them to share the costs of the investments for innovations.
For the future the companies in the sector will have to find out a new way of producing, new ideas for innovative offers and on how to strive into the markets where the market is saturated.

3.4.2 Pharmaceutical industry characteristics and culture

The pharmaceutical sector refers to all the companies that are involved in the research, production, supply or distribution of drugs and medicines. This sector is really important to maintain the health of the populations all around the world, who, as patients, should have access to safe and innovative medicines at affordable prices. The pharmaceutical sector is characterized mostly by two factors: an intense R&D activity and high levels of regulation.
In the field there are two types of companies: *originator* companies and *generic* producers. Originator are active in research, development, production, marketing and supply of innovative drugs that are usually protected by patents. These patents are essential to ensure the right reward to the efforts that the originators put in innovation and they are crucial to stimulate the research in the future. As the patent protection has a deadline, when it expires, originator companies lose their exclusive rights to produce and trade these drugs and generic manufacturers can enter the market with drugs that have the same characteristic and composition of the original ones but are usually sold at lower prices. This mechanism helps to contain and control the budgets of public health and it increases the welfare of consumers.
At the current moment the patent protection has already expired for a group of blockbuster drugs, while a number of other medicines in the same category will expire in the near future. Generic pharmaceutical companies have often a smaller size than the originator ones. The larger ones usually produce a wide range of products and the most part of their revenues

derives from blockbuster drugs. As these companies deal with drugs that have already been created and which patents have come to an end, their activities in R&D are limited.

The demand side for pharmaceutical products has unique characteristics because the ultimate user of drugs, who is the patient, most of the times is not the one that decide which drug to buy as generally the decision maker is the doctor who prescribes the drug. Moreover, as it can happen that it is not the final consumer to bear the (entire) costs as drugs can be paid by the national health systems, doctors and patients are generally not very sensitive to prices.

The life cycle of a new drug is composed by three different phases.

During the first phase, from R&D up to market launch, companies identify the potential new drugs and subject them to preclinical and clinical tests.

During the second phase, the period between the launch and the loss of exclusive rights (eg. patent expiry), the originator companies market the drugs developed with the aim of recovering the initial investment and to make a profit. An effective patent protection is essential to preserve this business model, which also provides the necessary incentives for the development of further innovation.

During the third phase, after the loss of exclusivity, generic companies can enter the market. In this last period the prices of the drugs decrease.

In every country and continent the regulation and the legislation about the pharmaceutical sector are different as well as the public health services. This implies that a part from the general characteristics there are many differences within the sector depending the part of the world in which it is located.

The challenges for the future are related to the characteristics of the world population: it is growing in number (from 6.5 billion of 2005 to 7.6 billion in 2020), it is ageing (from 7.3% of the world's inhabitants over 65 in 2005 to 9.4% in 2020), new diseases are appearing in the existing landscape and emerging and developing countries are more and more protagonist as they are theatre of the most part of the growth of the population. The pharmaceutical sector will have to meet the needs of the different patients in the different areas of the world as the markets are heterogeneous. (Ransome, 2007)

4. The methodology

This chapter goes in depth into the research as it explains the empirical part of this paper. The following paragraphs will explore the research objective and hypotheses, the methods and the tools employed.

4.1 Research objective and hypotheses

The research will consider two countries, China and India, as they are among the most important emerging markets. The industries on which the research will focus are two key sectors for the future as they have been in the past: the automotive sector is going through a period of sharp drop in mature countries due to the saturation of markets and the pharmaceutical sector benefices from R&D investments and is playing a crucial role in emerging countries.

Considering the theoretical background and the literature review that have been analyzed in the previous chapters, there is space for a research that focus on *the behavior and the strategies applied by Indian and Chinese companies in the integration phase when acquiring companies in mature markets that belong to the automotive industry and to the pharmaceutical industry.*

Below the research question that follows the problematic:
A. How does the integration strategies and behaviors differ between Indian buyers and Chinese buyers?

To answer the research question we will formulate three main hypotheses:
H1. Leadership and management styles of Indian and Chinese managers are different as they are influenced by the different cultures of the two countries.
H2. The behaviors and the strategies applied when integrating an acquisition, are similar for all Chinese companies, despite the industries in which they operate are different.
H3. The behaviors and the strategies applied when integrating an acquisition are similar for all Indian companies, despite the industries in which they operate are different.

The aim of this research is to find out if, considering each sector, there are differences in the behaviors of the buyer companies depending on the culture or on the industry.

4.2 Research method

Investigating the behavior of companies, above all in really delicate situations like mergers and acquisitions, is always difficult.

There are many factors that can impede the collection of data and testimonials: physical distance (face to face interaction is always the best way to get information), time distance (the best way to collect data in M&As is to do it at the moment when they happen and for a more precise analysis it would be useful to examine it after ten years so that long term strategies have been implemented), top secrecy reasons (companies for several reasons are not always willing to talk about their strategies) are some of these factors. For the reasons stated above, for the research were used both primary data and secondary data.

As the research topic is complex, the best approach to it is with more than one research method: in this way the problematic can be explored from different perspective and reach a much more complete data set to analyze.

Therefore in the case of this research paper the combination of more than one method was necessary to reach more precision in the conclusions: the triangulation method was chosen as it combines quantitative and qualitative approaches and it gives the possibility to escape the limitations that were to exist if only one method was chosen. (Duffy, 1987)

The chosen methods are three: cases study (secondary data), interview to experts (primary data) to cover the qualitative side of the research and an online questionnaire (primary data) to cover the quantitative one.

4.3 Research tools

The research tools used to investigate the problematic are three: cases study, online questionnaire and experts' interviews.

Cases Study

The cases study has been analyzed to address the second and third hypotheses. The four insights that will help in drawing the conclusions of the research are the following.

Table 7. Structure of the cases study

	Automotive Industry	Pharmaceutical Industry
Chinese Company	**Geely** acquiring Volvo (2010)	**Wuxi Pharmatech** acquiring AppTec (2008)
Indian Company	**Tata** acquiring Jaguar Land Rover (2008)	**Jubilant Organosys Ltd.** acquiring Draxis Health (2008)

Geely-Volvo case and Tata-JLR have been chosen as they are emblematic cases for the automotive sector and for China and India themselves: they were among the biggest investments of companies from emerging markets addressing companies in mature ones.

Wuxi Pharmatech-AppTec and Jubilant Organosys Ltd.-Draxis Health have been chosen as in their sector they are powerful examples of the trend of companies from emerging countries buying companies in mature ones.

The cases were analyzed collecting information through companies websites (press releases, news, corporate web pages, annual reports), articles from media news (Bloomberg, Financial Times, The Economist, Daily Telegraph, ABC, Spiegel, CNN, BusinessWeek, Economic Times, NY Times, BBC), research papers.

For each case study the analysis of the information collected followed the following table.

Table 8. Structure of the analysis of the cases study

	Automotive Industry	Pharmaceutical Industry
Chinese Companies	•structure of the organization •business activities •top management •operational independence •mission and values	•structure of the organization •business activities •top management •operational independence •mission and values

	Automotive Industry	Pharmaceutical Industry
Indian Companies	•structure of the organization •business activities •top management •operational independence •mission and values	•structure of the organization •business activities •top management •operational independence •mission and values

For each one of the cases study, depending on the information that was possible to collect, the analysis, sometimes more deeply than in some others, touched the five main corporate areas that have to be adjusted in the post-M&A phase.

Online questionnaire

The questionnaire has been studied to address the first hypothesis.

Below are listed the main characteristics of the questionnaire:

- Population: Indian and Chinese managers and entrepreneurs;
- Sample: Indian and Chinese management students;
- Sampling technique: snowball sampling (the first three recipients were chosen among the people known directly by the researcher then each recipient was asked to send the survey to 3 people);
- Sample size: 25 Indian management students and 25 Chinese management students;
- Creation modality: use of the specific survey software creator, Qualtrics;
- Submission modality: online private messages (emails and Facebook private messages). The first three people received a message directly from the researcher, the others filled in the questionnaire because other respondents sent them the questionnaire through a snowballing approach.

The first part of the survey assesses demographic information like gender, age, nationality and occupation while the second assessed the most likely behaviors of the respondents to six given scenarios, through multiple-choice questions.

The basis for the second part of the questionnaire are the previously discussed Goleman's six leadership styles: the respondents are asked to indicate their most likely reaction to six different proposed scenarios. Each possible answer is the most likely reaction of the six

leaders/managers described by Goleman. As the building of the different scenarios and the relative possible reactions required competences in psychology that the researcher do not possess, the questionnaire submitted was taken from www.training-course.org. KnowledgeTrain Limited is an online project management training website. (www.training-course.org/management-style-6-point-quiz)

The aim of this survey was to assess if there is a common trend inside the target populations. Do the majority of the Indian respondents apply the same leadership style? Do the majority of Chinese respondents apply the same leadership style?

As stated above, the questionnaire is composed by two different parts. Here a better description of it.

A. Demographic Information

- Gender as closed ended question “Male” or “Female”;
- Age as free text section to insert the number;
- Nationality as closed ended question “Chinese”, “Indian” or “Other” with the text space to write the nationality if not Chinese or Indian;
- Occupation as closed ended question “Student”, “Manager” or “Other” with the text space to write the occupation if not Student or Manager

B. Scenarios

This second part is composed by six different scenarios and each scenario refers to a situation that can occur in a working environment. The respondents, when answering, have to think about themselves as managers responsible of a team.

For each one of the six scenarios there are six different possible reactions, the answers are therefore multiple choice questions: reactions are numbered from one to six and the respondents have to choose their most likely behavior in each situation. Each possible reaction has a number that correspond, for all the six scenarios, to a behavior that correspond to the same typology of leader/manager.

All answers A refer to a coercive leader, all answers B refer to a authoritative leader, all answers C refer to a affiliative leader, all answers D refer to a democratic leader, all answers E refer to a pacesetter leader, all answers F refer to a coaching leader.

At the end of the questionnaire, if there is a dominance of a particular answer, e.g. dominance of answer D, it means that the management style of the individual is more

oriented towards the style that correspond to that number, e.g. democratic management style.

Experts' Interviews

The experts' interviews complete the research and enrich the information collected with the other methods: they have the objective to respond to the three hypotheses and to bring added value to the research paper.

The opinions and the testimony of individuals who bring precious information, different point of view on the topic and life experiences are an incomparable source of knowledge.

The interviews were personal, depth and unstructured, they were submitted face to face.

The aim of the interviews was to get knowledge and opinions of the interviewees on the problematic of the research.

The three interviewees were Christophe Hémery, consultant at Ernst&Young, Vanessa Strauss-Kahn, professor at ESCP Europe and Léon Laulusa, professor at ESCP Europe. Their comments and contributions are inserted in the chapters of this research paper as completion of the topics covered.

5. Data analysis

This chapter will contain all the data and information collected through the cases study and the online questionnaire.

5.1 Cases Study analysis

Here below the analysis of the four cases study, Geely-Volvo, Tata-Jaguar Land Rover, WuXi-AppTec and Jubilant-Draxis, each one divided into different sections.
First an introduction about the companies, then a brief description of the deal and then the analysis of the post acquisition integration according to the five points of the BCG report (Aguiar, Bhattacharya, Bradtke, Cotte, Dertnig, Meyer, Michael and Sirkin, 2006) plus an analysis of the current situation.

5.1.1 Geely acquiring Volvo Cars

As we will learn from the content below, the history of Volvo Cars and the one of Geely Automobile are different. The period, the cultural contest, the political contest, the social contest, the economic contest in which these two companies had the chance to start their activities could not be more different.

Volvo

Volvo has always been historically the Swedish automotive manufacturer known for the safety, durability and the resistance to cold temperatures of its vehicles.
The market in which Volvo had the opportunity to born and to grow is very different from the market we know today. Owning a car was not affordable for the majority of the population and therefore automotive companies were selling more commercial vehicles. At the same time, the market was growing as it was born not so much time before: there was space for developing new kind of vehicles with different styles and different features, the competition was coming for the most from America and markets were not saturated.
The company was founded in Gothenburg in 1927 by SKF, a company involved in the ball bearing market. In 1935 Volvo went public and in 1937 in the other part of the world happened something that raised the sales of the company: the Golden gate Bridge in San Francisco was opened increasing the annual request and production of the company.

After the end of WW II the demand of motor vehicles increased at an incredible rate and Volvo saw its sales and employees growing at the same pace and for the first time in 1948 the demand for passengers vehicles surpassed that of commercial ones.

In 1955 Volvo Cars offer was presented to the United States that in 1962 became the first export market for the cars of the company.

In 1982 Volvo Group split its production creating a number of subsidiaries each one dedicated to a segment of production: Volvo Cars, Volvo Trucks, Volvo Buses, Volvo components, Volvobil, Volvo Penta and Volvo Data.

In 1994 the new appointed board announced that Volvo Group would be divesting from the activities that were not associated to the core business of the corporation, vehicles and transport. In 1999 Volvo Group decided to sell its subsidiary Volvo Cars to Ford Motor Company. Eleven years later, in 2010, Volvo Cars has been sold by Ford Motor Company to Geely Holding Group, a Chinese car manufacturer. (www.volvogroup.com)

Geely

Geely Holding Group is a Chinese corporation that came to limelight during last decade. This Chinese company succeeded first addressing its production to the middle-income class that was and that is still growing in China. Later, when it began to export and to participate to globally known events, Geely started diversifiying its range of offered cars. Since 2010 the four brands under which Geely has been present in the automotive market are Emgrand, medium to high quality vehicles, Geely, medium quality vehicles, Gleagle, inexpensive vehicles and Englon with classic style.

The corporation started up in 1986 in the business of refrigerators, during the period of the economic reforms by Deng Xiaoping. In August of 1998 Geely started the automobile production and after three years Geely was the first Chinese private car manufacturer with the approval of the State Economic and Trade Commission of the People's Republic of China.

In 2003 Geely Holding Group created the Geely Automobile Holdings and two years later the company was listed for the first time at the Hong Kong stock exchange.

In 2005 for the first time in the Chinese automobile history, Geely brought its models to the world exposition of Frankfurt and a year later the Chinese company was invited at the Detroit Auto show: these occasions have been very important opportunities for Geely as it started to be known globally and it had the chance to show its production among the one of the most

important automobile companies of the world. In 2010 Geely Holding Group bought Volvo cars from Ford Motors Company.

The deal

In one of the many press conferences Li Shufu, Geely's Chairman, explained that for him Volvo Cars was like a tiger force to live in a zoo. The zoo he was referring to was Ford, a giant of the automotive industry with a broad portfolio of brands and vehicles and therefore strict rules in order to be efficient and to avoid the collision of the strategies of its different brands. According to Li Shufu Geely was going to free the tiger and help it to develop its natural forces around the world but starting from its heart, Sweden (Muller, 2010).

The final agreement between Geely and Ford to buy Volvo was reached in 2010 on March the 28th and the acquisition was completed on the 2nd of August of the same year. In that occasion Ford CEO and President, Alan Mulally, said that he was sure that under Geely's ownership the success of Volvo would continue and Li Shufu replied that Volvo was going to maintain its image of premium car but in addition it was going to have the chance to take advantage of the Chinese market, where Geely is the leader. (Geely, Press Relase 28/03/2010)

The deal between Geely and Volvo Cars represent the hugest acquisition made by a Chinese automobile company towards a Western one (Krolicki, Pollard & Yan, 2010): Geely paid USD 1,8 billion. The agreement to buy Volvo has been a strategic move for Geely as this was a way to acquire know-how and best practices and to benefit from the expertise of the people involved in Volvo's business. The fast-growing Chinese automotive industry has tried many times to successfully enter in the Western market without any success due mainly to two factors: the preferences of the consumers, they want to save money but they also want to have quality in what they buy and the cars to be injected in the market they need to pass the safety tests and Chinese cars had some problems regarding these tests (Morley, 2010). Volvo Cars represented the best solution to address these fundamental problems as it is famous for the quality and the safety of its cars. We can therefore say that there are three main reasons under this acquisition by Geely: the market, the resources and the brand recognition. The first two of these reasons will be very useful as Geely will be able to transfer them to its Chinese production branded Geely and it will combine them with the advantages that Chinese production has in terms of cost of labour.

This agreement is a sort of bridge that brings together two separate sides of the automotive sector: the oldest European tradition melt with the freshness coming from China. We can say that the circumstances of the deal were helped by the financial and economic crisis that is crossing Western world. The automotive market in Western part of the world is almost saturated and companies struggle to get a good performance out of it at the end of the year. That is the reason why Ford decided to sell Volvo Cars: the moment was good as the American company needed to inject liquidity in its business (Krolicki, Pollard & Yan 2010).

The post-acquisition situation

Geely acquisition of Volvo is recent, it is almost two years that the two companies became one, therefore the conclusion and the analysis on how the integration is going is based only on what happened in this short amount of time.

The management cultures of the two companies involved in this acquisition deal could not be different, we can say that they are so opposite that together they are complementary. One has the example of high quality, tradition and guarantee of safety while the other one is youger, targeting consumers with low-budget cars and did not succeed to pass the European security tests.

• Structure of the organization

Geely and Volvo have different kind of corporate structures. Geely is more centralized, all the operations depend from a unique center of decision and therefore are slower. The relationships inside the company are more vertical, meaning that all the people are supposed to have respect of the authority and to have formal relationships with the managers in higher hierarchical positions. Volvo is more decentralized, the structure is more flat, the decision making process is more spread and the relationships between the people inside the company are more free. (Xiaohui and Haiyan, 2011)

The headquarters of the Swedish company are still in Gothenburg, Sweden where Volvo takes care about the product development, the marketing and the administrative functions. The production plants too, they will remain in Sweden and in Belgium: Geely agreed to maintain Volvo's production facilities in Europe because it recognizes that this is one of the competitive advantages of the Swedish carmaker.

Another competitive advantage of Volvo is its long lasting relationship with trade unions. The integration of the unions in the company is very strong as they are present also in the Board.

Geely has no agreement or relationship with trade unions in China as in the country there is not the tradition of keeping relationships with the associations that defend the employees derived from an historical and ideological past. This can be a point where the two organizations can diverge and where a rift between old Volvo and new Volvo can originate.

• Business activities

In organizing the new structure and network of operations, Geely will try to combine the synergies in order to maximize the economic performance of the new family, Geely and Volvo together. The two companies have strengths in different parts of the value chain: Volvo can count on high quality engineers, lot of expertise in building safe cars and a reliable brand image while Geely can benefit from low labor costs, low-cost engineers and the ability to cut costs increasing revenues. The cost cutting is good but it is necessary not to cut important things like quality, good relationship and good attention for details because on the other side the costs cutting could also translate into clients cutting. Geely planned to build a production plant for Volvo cars in China to produce cars for the local market to exploit the fact that in China labor costs less than in Europe. Many people in the sector and supposedly also inside Volvo are thinking about the fact that if Volvo costs do not decrease, Geely can decide to move increasingly more production to China and therefore risk to undermine those that have always been Volvo's core values. Volvo Cars will continue its partnerships and cooperative relationships with other organizations and Geely will benefit from them too. Volvo Cars and Volvo Group work together on investments related to the brand and also on investments on research and development (Morcillo, 2010). Ford Motors will continue to give support on the sales side as well as will continue their cooperation for components and other supplies. On the other side, Geely will benefit from the innovation and technologies patented by Volvo Cars as they will be implemented on Geely vehicles.

• Top Management

The governance at Volvo has been revised by the new owner, but we can say that there has not been a "Chinese conversion" of it. Geely respected the structure separating the roles of the Chairman and the Chief Executive Officer. This structure is seen as being more positive as the independence of the leadership of the Board gives some guaranties for what concerns the agency-theory issues (Tonello, 2011).

The Chairman is no longer John Fleming as he was replaced by Li Shufu, Geely's Chairman and CEO. In December 2010 the CEO was Stefan Jacoby, ex-Chief Executive of Volkswagen Group of America.

• Operational independence

Geely leaves Volvo the freedom in day-to-day management and after the deal Volvo headquarters are still in Sweden (Morcillo, 2010). Li Shufu during a press conference wanted to precise that: "Geely is Geely, Volvo is Volvo. Volvo is premium, tasteful and low-profile, whereas Geely is a volume brand. We don't want to put the two together. We will give Volvo independence and autonomy. By setting it free, we will help Volvo return to its glories in the 1960s and 1970s" (the Economist, 2010).

The operational independence that Geely allowed to Volvo can be seen from two different points of view. One is that this can be a strategic decision by Geely because, given that almost 70% of Volvo Cars' sales are in Europe and North America (Volvo Cars report 2010), the Chinese company knows that associating the Chinese ownership to the Swedish brand can affect clients perception of the cars. They can loose their trust in Volvo if they already are clients or they can choose not to buy it if they are only potential clients. The freedom left to Volvo is a good sign and only in next years we will see the results of this strategy.

• Mission and values

Volvo Cars' main values have always been safety and care for the environment and the new ownership is giving the Swedish company the freedom to develop its business through these values. As Li Shufu said during a press conference: "This famous Swedish premium brand will remain true to its core values of safety, quality, environmental care and modern Scandinavian design as it strengthens the existing European and North American markets and expands its presence in China and other emerging markets." (www.volvocars.com). Volvo has a new vision for its future: "To be the world's most progressive and desired luxury car brand" (Volvo Cars 2010/2011 Report) and Li Shufu assured that Volvo won't change its image towards its clients. The new owner wants probably to leverage on the traditional image of Volvo and try to stick Geely's image to it. The core values for Geely are others than safety and environment, its mission has always been to build "affordable cars for the masses" (www.geely.com).

Another important point is the relationship that Volvo has always has with its employees, the trade unions, the suppliers and the customers: Geely will have to chose whether to maintain

this situation in the long term or not but surely, when considering all the aspects in making this decision it should not forget that all these Volvo's values together have made the success of its brand. The good thing is that Volvo can "contaminate" Geely and the Chinese company can go a step further acquiring also the core values of the Swedish company and shape its operations and decisions around these values.

• How is the situation today

The problem is that Volvo needs to become profitable again. When Ford bought it in 1999 the Swedish company was sold for almost UDS 6,4 billion while Geely bought it for 30% less than that amount. Geely's idea goes in this direction: pushing strongly Volvo cars in China, where a always larger portion of the population is seeing its income increasing, can help Volvo to exit the trouble moment. For the moment we can have a look at the data for 2010 and partially at those for 2011 (www.volvocars.com).

- The revenues increased from SEK 113 million in 2010 to SEK 477 million for the first nine months of 2011;
- The sold vehicles increased from 373525 in 2010 to 449255 in 2011;
- A new Volvo organization has been created in Shanghai. This new center includes all the functions that until this moment have been only in Sweden: R&D, design, purchasing, manufacturing, finance, marketing and sales;
- The goal for the Chinese market is to reach 200000 sold cars by 2015;
- A new plant will be built in Chengdu (in the center of China) starting to operate in 2013 and an other one probably in the area of Daqing (north-east of China);
- The new operations in China will not have an impact on the operations in Sweden and Belgium and above all on European employees;
- Strengthening of the R&D in Sweden with the hiring of about 1200 new engineers.

5.1.2 Tata acquiring Jaguar Land Rover

For what concerns the deal Tata - Jaguar Land Rover (JLR) case we can say the same thing we said before for Geely - Volvo. Tata Motors and JLR are deeply different: different are the periods in which they had the chance to grow, different are their cultural backgrounds and the political, economic and social influences that they experienced.

Jaguar

Jaguar is a luxury car manufacturer based in England famous for the exclusivity of its cars, the care for the design and the quality of its engines. The brand image has always been associated to the precision and the style derived from its British origin.

The company was born in 1922 as Swallow Sidecar Company as its first business was the motorcycle sidecars production. After World War II Swallow Sidecar Company changed its name into Jaguar because of the bad image associated to the acronym "SS".

The years from the end of WW II to the mid eighties were full of successes in different aspects of the cars sector: Jaguars were leading for their incredible design, the power and the engineering precision of its engines, the successes in the sport competitions.

In 1990 Jaguar was bought by Ford Motors and under its new owner the tireless success of the company did not turn off. Still the customers were appreciating all the features that made the Jaguars successful over time. In 2008 Jaguar was bought from Tata Motors, an Indian car manufacturer. (www.jaguar.com)

Land Rover

Land Rover is a luxurious and sport British car brand. The first Land Rover saw the light in 1948, after the findings and the technologies pushed by WWII. Land Rover vehicles have always been famous for their resistance, their innovative conception and the quality of the components. The particular characteristic of Land Rover vehicle is that they suit the most inhospitable geographical conditions and can adapt to different environments. (www.landrover.com)

Tata

Tata is an Indian conglomerate that groups together different business activities. The history of this big corporation is strictly linked with that of Tata family and that of the Indian environment where the Tata corporation was operating.

Tata corporation was born in 1868 in Bombay as a business company in various sectors: steel, energy, textiles and hospitality. In 1877 Tata started the first business of the group, a textile industrial project. In 1903 Tata opened the Taj Mahal Hotel in Bombay and it was the beginning of what later would have become the Taj Group of Hotels. In 1907, under the ownership of the son of the founder, the Tata Iron and Steel Company was established that

soon began one of the most important one in India. In 1915 the group entered the power-generation business through an hydroelectric power plant. In 1932, under the third generation of the family, Tata Group entered new business sectors: insurance and the production of soaps, detergents and cooking oil and aviation.

In 1939 Tata Group entered the chemical business with Tata Chemicals, in 1945 it entered the automotive business with Tata Motors and tit created Tata Industries as Group managing agency, in 1954 it entered the air-conditioning, refrigeration and engineering services sector with Voltas, in 1962 it entered the tea sector with Tata Tea, in 1968 it entered the consultancy sector with Tata Consultancy Services and in 1984 it entered the personal accessories industry with Titan Industries. In 2004 the Tata Consultancy Services went public in the Indian stock market. The new strategy of the Group includes the expansion abroad and a way of doing this was through the acquisition of existing business. Two of these acquisitions were Jaguar and Land Rover in 2008 from Ford Motors.

The fact that Tata has always been a family business has influenced the way in which it operates and the way it addresses to the different stakeholders: the attention towards its employees and the communities that lived around the activities of the Group has always been enormous as the care for ethical business practices.

Besides the economic activities Tata group has always been involved in philanthropic initiatives for the social and educational development of the population living in the area where the group had operations.

The deal

Jaguar and Land Rover have been with Ford Motors for many years, but in the end for the American company it has been difficult to drag with itself the luxury brands as the efforts requested in order to maintain an high-end offer have not been repaid at all from the market. Ford decided that is was time to divest and, given the fact that the operations of the two British brands were much interrelated, it sold Jaguar together with Land Rover. (the Economist, 2007)

On June 2, 2008 Jaguar and Land Rover were transferred to Tata Motors: the ownership of the brands, the plants, the intellectual property rights, the design centers and the network of National Sales Companies worldwide developed passed to the Indian company.

Tata paid USD 2,3 billion for both brands.

From the words of the new Indian owner, Ratan Tata, we can have an idea of which is the spirit of Tata Motors regarding its acquisition and which are its main intention for the future: "First of all I want to provide inspirational leadership that encourages, nurtures and supports creativity. We must create a platform where management can make fundamental decisions, but not in a hierarchical way. This management also needs to be nimble footed and able to make decisions swiftly and confidentially. It's a great mistake to try and remotely run a company like Jaguar. It needs passion to create great cars. I'm determined to create an environment in which we all share ideas and interact. If we don't, then I'll feel that we will have failed to provide Jaguar's staff with the right conditions for success." (www.jaguar.com, interview to Ratan Tata)

The reasons behind the acquisition of the British brand is explained by Tata Motors in its Annual Report of 2007-2008: the ultimate goal for the Indian company was to acquire engineering expertise, manufacturing facilities and JLR's clients. Tata Motors wants to use its current resources and those that it will acquire together with JLR to implement a more efficient strategy for the British brand that suffered from the fact that Ford Motors had many brands to combine and therefore failed to enhance JLR's competitive advantage.

An other important reason is that JLR brands associate with Tata's one will help the latter to be known worldwide and therefore will help the Indian carmaker to gain an important position in the global automotive sector: Tata will acquire an entire international distribution network that will be useful for its future plans.

The post-acquisition situation

"We have enormous respect for the two brands and will endeavour to preserve and build on their heritage and competitiveness, keeping their identities intact. We aim to support their growth, while holding true to our principles of allowing the management and employees to bring their experience and expertise to bear on the growth of the business." (www.jaguar.com)

• Structure of the organization

The corporate structure of Tata Motors and JLR are different as the companies developed inside different contests. Tata Motors belongs to a giant Indian conglomerate and is influenced by the Indian management style, tending to be paternalistic and oriented more towards a vertical structure. In this kind of structure the divisions inside the corporation is primarily for function rather than for product or geographical area. The relationships between the managers

or employees and their superiors are more detached and each one depends on the decisions made by its superiors. JLR on the other end, coming from a British management tradition and being owned for many years by an American company is more likely to have a horizontal structure, with decentralized decision making system, responsibilities more spread among the employees and a network of relationship that is more flat.

JLR, subsidiary of Tata Motors, is under the ownership of Tata Motors UK and its headquarters are still in Coventry, UK as well as the production facilities and the component sourcing ones. At the moment of the agreement Ratan Tata recognized that to preserve JLR's value and competitive advantage it was important not to move the production to India or other low-cost countries to try to cut the costs.

• Business activities

Being JLR and Tata Motors different companies with different strengths they have characteristics, processes and operations that if combined together can potentially bring more value to both of them. Ratan Tata explained which are the intention of the Indian company towards the new acquisition: "Our intentions over Jaguar Land Rover are not to take the technology, not to outsource [production] but we are interested in the brands and the cultures behind them" (English, 2008). It seems that the Indian company will allow the British ones to develop their activities with a discrete amount of freedom as its interest is to acquire the culture that is behind the concept of British luxury.

The relationship with Ford Motors has not ended as the American company will supply the British ones with engines, stampings and other kind of components. Ford will continue to support JLRin IT and accounting as well as in test facilities and the cooperation between the two companies will involve also the R&D and the design areas (www.tatamotors.com, Press Release 2/6/2008).

JLR has a long tradition of high quality engineering and innovation hubs as well as a long tradition of unique design while Tata Motors can assure the possibility to have easy access to low cost production due to the fact that in India labour and other production factors are cheaper. Tata Motors is going to leverage on its own knowledge of emerging markets and on all the marketing tools to target to the new middle-high income part of the populations of these countries as its expertise is far more developed than that of JLR (Kiley, 2008). It is also likely that Tata will use the acquired sales network and expertise in technology and innovation to reinforce its cars and start to sell them also in Western countries.

As for this moment Tata Motors is the official importer of JLR in India and have opened four outlets, two in New Delhi, one in Mumbai and one in Hyderabad.

• Top Management

Ratan Tata posed a lot of trust in the managing teams and top management of Jaguar Land Rover as he was keen on giving them all the freedom they needed in order to achieve a great performance. (www.jaguarlandrover.com, 2/6/2008)

The decision made by the date of the completion of the acquisition was that David Smith, the CEO at Jaguar Land Rover when Ford was the owner, would remain to be the CEO also under the Tata Motors era. In the Board of directors the only member coming from Tata Motors was and is still today Ratan Tata as Chairman. The structure of the leadership respects the division of the roles between the Chairman and the CEO in order to avoid as much as possible the agency problems. In this way indeed the two most important roles on the company are not retained by the same person and the board can experience a sort of independence from the management and therefore operate with a better perspective. (Tonello, 2011)

• Operational independence

Tata Motors and its representatives specified many times that they were there not to say what to do to JLR's managers as they were expert enough to know by themselves how to run successfully a company. As on one side it is obvious that being the ownership Indian the "last word" is of the Chairman Ratan Tata, on the other side he declared its willingness to respect the brands and with the brands the management style that has been put in place at Jaguar Land Rover. After the purchase, Tata hired consultants from KPMG International and from Roland Berger to have solid basis to start its new adventure with Jaguar Land Rover and try to gain more efficiency in the operations and processes. (www.jaguarlandrover.com)

• Mission and values

Jaguar is a brand famous for its luxury, for the quality of the engines and for the high-end experience that it offers to its clients. Land Rover is a brand that conveys its clients the idea of having bought a vehicle of quality, versatile and trusty in many different environments.

Tata is famous in Western countries mostly for Tata Nano, the low-price car launched by the Indian company that targeted the low income population of India so we can overall say that in Western countries Tata Motors is known for its medium to low quality offer.

Two different poles, two different perspective within the same industry that may seem difficult to combine.

Ratan Tata, during a press release in the period of the acquisition, declared that: "These brands belong to Britain and they will continue to belong to Britain. Who owns them is not as material as the brands belonging to Britain and the West Midlands...We plan to retain the image, touch and feel of these brands and not tinker with them in any way" (English, 2008).

• How is the situation today

In April 2012 the value of the two British brands together was around USD 14 billion (Siddarth, 2012), almost 12 billion more than the price that paid Tata in 2008 to Ford to buy them. Hereafter the main things that changed from the Ford era.

- In February 2010 Carl-Peter Forster entered the Board of Tata Motors as responsible for Tata Motors UK;
- In February 2010 Ralf Speth was appointed CEO of Jaguar Land Rover and in November 2010 he was appointed as non-executive director in Tata Motors board;
- On 2009 a production plant in Uk closed and almost employees were fired;
- Increased the spendings in R&D over a period of five years;
- Hiring of about 1000 employees in the UK plants due to a high product demand;
- Entered Chinese and Russian markets and the demand of these two new markets is helping the slower growth in mature markets. Tata is willing to see China in the next future as its second market for Land Rover and its third one for Jaguar (Siddarth, 2012);
- Entered a joint venture process with Wuhu (Chery Auto based in China) to build Jaguars and Land Rovers in China as the demand in this market is increasing and to export cars from UK in the long run becomes too expensive;
- India is another growing market for Jaguar Land Rover, indeed Tata Motors opened showrooms and new selling facilities.

5.1.3 Wuxi PharmaTech acquiring AppTec

Hereafter the process through which Wuxi went to acquire the American AppTec.

AppTec

AppTec Laboratory Services Inc. was a US based pharmaceutical company specialized in biotechnology research and in development of medical devices and products.

AppTec was established in 2001 by Bonnie Baskin after the nationalization of a part of her former company, Viromed Labs. Viromed Labs was founded in 1982 and in few years it

became a leader in industrial biosafety testing and in clinical infectious diseases. Therefore AppTec emerged as a spin-off from Viromed, it included all the branches of Viromed that were not nationalized. Apptec offered a broad range of laboratory and manufacturing services, the main activities of the companies are grouped in two main operations: laboratory and manufacturing. In the laboratory the company developed testing services and toxicology services while in the manufacturing facilities it produces active pharmaceutical ingredients, it stored cells, it produced and tested cellular therapeutics and tissue-based products.

The sites where AppTec was present were three: the headquarters were in Minnesota, one branch was in Pennsylvania and the other one was in Georgia.

Thanks to the expertise of its founder and of the all the people employed in the company, it has grown over the time, almost 55% each year from 2004, and it finally became a national leader in providing bioscience contract services. (Kelly, 2007)

In 2008 AppTec Laboratory Services Inc. was acquired by the Chinese company Wuxi PharmaTech Inc..

Wuxi PharmaTech Inc.

Wuxi PharmaTech Inc. is the most important Chines pharmaceutical company, it was a leader for biotechnology and pharmaceutical research and development outsourcing with two main drivers: research and customers satisfaction. This Chinese pharmaceutical company was very strong as it was able to deal with nine out of the ten most important drug makers in the world. (Chan and Pettypiece, 2008)

Wuxi PharmaTech Inc. was founded in 2000 in Shanghai by a Chinese entrepreneur that studied organic chemistry in the United States, founded a company in New Jersey and then came back to China to start his new business. In 2004 Wuxi PharmaTech Inc. was able to offer also GMP (good manufacturing practices are procedure of production that are regulated by the legislation of each country and that ensure the good quality of the production process and of the test to which undergoes the product) manufacturing (Chan and Pettypiece, 2008).

In 2007 Wuxi PharmaTech Inc. went public and was listed in the New York stock exchange.

In early 2008 Wuxi PharmaTech Inc. acquired the US-based AppTec Laboratory Services Inc..

The deal

Both Wuxi and AppTec businesses before the deal took place were focused on testing activities. The deal between the two pharmaceutical companies was completed on January, 31 2008 and the price paid for the transaction was about USD 151 million.

With this acquisition Wuxi was willing to acquire from AppTec expertise for the testing and the manufacturing of medical devices and biotechnology medicines, for this reason the two companies can be seen as complementary to each others. Wuxi was also willing to have access to US market and to expand its potential new clients base. What it is interesting to notice is that before the acquisition Wuxi revenues were concentrated as 50% of them were coming from its most important 20 clients and 25% of its clients were also AppTec clients. This fact demonstrate that potentially this deal can boost Wuxi revenues and success in the business. The final aim of this acquisition is for Wuxi to become a leader in the R&D outsourcing services in the pharmaceutical sector. (www.wuxipharmatech.com, Investors Conference 4/1/2008)

The Post-Acquisition Phase

• Structure of the organization

WuXi PharmaTech Co. in China has become WuXi AppTec Co. and the acquired AppTec Laboratories Services became WuXi AppTec Inc..

• Business activities

As Li Ge, Wuxi CEO, decided AppTec Labs. facilities and its staff remained in the United States. This because the Chinese company wants to expand in the US market and because in the US AppTec developed technologies that if transferred in China risk not to remain the same.

• Mission and Values

Both companies before the acquisition had operations that even if different caught almost the same target of clients, therefore the values of the new companies have merged to become the values of both WuXi AppTec Co. and WuXi AppTec Inc..

The new company is keen on establishing long and lasting relationships with clients, spreading an entrepreneurial commitment among its management and employees, building respectful relationships during working hours and offering always the highest quality solutions. The attention for the employees is high as training sessions are often organized.

• Top management

WuXi AppTec Co. and WuXi AppTec Inc. share the same Board, Executive team and Management Team. The governance structure of the new company is organized the Board is composed by all Chinese members, the Chairman, Ge Li, is also the CEO, the Executive Team is composed by nine members of which only one is non-Chinese while the Management Team is composed by thirty one people of which nine are non-Chinese.

• Operational Independence

Ex-AppTec laboratories after the acquisition are entirely controlled by WuXi.

• How is the situation today

WuXi AppTec business goes on to prosper.

- AppTec revenues in 2007 were about USD 70 million and WuXi revenues in 2007 were about USD 135 million, in 2011, WuXi AppTec revenues were about USD 407 million.
- WuXi AppTec is continuously investing in R&D and in the development of new technologies to become the leader in the market.

(www.wuxipharmatech.com)

5.1.4 Jubilant Organosys Ltd acquiring Draxis Health

Hereafter the process through which Wuxi went to acquire the American AppTec.

Draxis Health

Draxis Health Inc. is a Canada-based pharmaceutical company founded in 1987 by Morton Shulman. At the time the founder was suffering of Parkinson and with a company named Deprenyl Research Ltd. he was trying to find a solution for the disease that was hurting him.

In 1994 the company changed name in Draxis Health Inc. In 1997 Draxis Health Inc. purchases Merck Frosst Radiopharmaceuticals that will become its division specialized in radiopharmaceuticals, DRAXIMAGE Inc.

The company had operations in four main segments of the pharmaceutical industry. The veterinary one for the R&D and the offering of pharmaceuticals for animals, the dermatology one that takes care of the R&D and the offering of dermatologicals, the Canadian one that is specialized in neurological diseases, the radiopharmaceutical one that take care of the R&D, the production and the sale of radiopharmaceuticals.

In 2008 Draxis Health Inc. has been acquied by the Indian pharmaceutical company Jubilant Organosys Ltd.

Jubilant Organosys Ltd

Jubilant Organosys Ltd. is an Indian company which has operations in the pharmaceutical sector. The company was established in 1978 as Vam Organic Chemicals Ltd.

In 1981 the company went public and was listen in the most important stock markets in India.

In 1985 the research and development center of the company is recognized by the Indian Central Government. In 1995 the company gets ISO 9001 certification for its operations.

In 1998 Jubilant established a marketing branch in the United States.

In 2004 the company created Jubilant Clinsys, a center of research and study on bioavailability, bioequivalence, pharmacokinetic and phase 1[5].

In 2005, though a series of acquisitions, the Indian company tried to enter more deeply in the US market. During the same year it established Jubilant Clinsys Ltd.

In 2008 Jubilant went for partnerships with US-based companies in order to get results form the synergies created. In the same year Jubilant bought Draxis Specialist Pharmaceutical Inc..

In 2010 the Indian company changed its name in Jubilant Life Science Ltd..

Jubilant Life Science Ltd. is a leader worldwide for custom research and manufacturing services and for drug discovery and development solutions. The company is present in four strategic areas: India, China, North America and Europe. (www.jubl.com)

The deal

The 28th May 2008 Jubilant acquired Draxis Health for USD 253 million.

This acquisition was strategic as Jubilant could enter the radiopharmaceutical market and acquire expertise in the field, gain a boost to expand in new markets, specifically in India, China or other Asian countries and in the North American market as well as strengthen its current business. (www.jubl.com)

The Post-Acquisition Phase

• Structure of the organization

Jubilant has absorbed all Draxis Health business and, except from the radiopharmaceutical division that has retained inside its new name a reference to the previous ownership (Jubilant Draximage Inc.), all the others have been incorporated inside the brand Jubilant Life Sciences Co..

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[5] Phase 1 is the phase, in the testing of a new drug, when the experimental medicine can be administered to humans. In this phase what is assessed is more the tolerability than the effectiveness. www.pfitzer.com

• Business activities

Draxis business will be injected and took over by Jubilant that will benefit from the expertise of the ex-Canadian company. The operations in Canada will remain in place and will be leveraged by Jubilant.

• Mission and Values

The values driving the company are inspiration for the employees, efficiency and effectiveness, innovation and care for the environment. Therefore, Jubilant in next years will put in place strategies to be one of the ten most good working environments and will go for investments to boost innovation of products and technologies to be one of the leaders of the market in its business.

• Top Management

The Board of Directors, the Executive Management Team and the other management is completely shared by Jubilant with its new acquisition: the Board is composed by nine Indian Directors.

• Operational Independence

Jubilant from the moment of the acquisition took over Draxis operations in order to align them with its objectives.

• How is the situation today

- In 2007 Draxis Health revenues were about USD 79 million while Jubilant revenues were almost USD 371 million. In 2011 Jubilant Life Sciences revenues were about USD 658 million.
- In 2009 Draxis entered European market with one of its products.

(www.jubl.com)

5.1.5 Cases Study Results

The cases study had for objective to offer a vision on hypotheses two and three.

There are several points that can be touched when thinking about the specificities that raised from the cases analyzed in the cases study.

The combination between economic/financial crisis and the saturation of the automotive industry in Western countries has made it possible for Indian and Chinese companies to buy brands that have always been icons of Western world for a relative low amount of money. Beside the saturation of the automotive industry in Western countries, the demand in Emerging countries is increasing at a really quick path. This is a symptom of a shift of

economic dynamics in the world: Western countries are experiencing very tough moments that in the past they did not experience and emerging countries represent an enormous pool of opportunities for the future.

Both Volvo and JLR were brands owned by Ford Motors, the company that has always been the symbol of Western automotive industry and of North American economic power. During its difficult financial moments the American company left a glorious heritage almost to "sink". There could not have been a better opportunity for companies from emerging markets: the decision by Ford to sell these brands can be seen as a 'passing down the title' action in favor of new actors.

As Volvo and JLR are luxury brands with a very strong brand image and brand recognition towards consumers in all the world, both Geely and Tata adopted a strategy to enhance the value of the ex-Western brands. For this reason both Geely and Tata maintained the existing executive management or at least they chose Western managers to run the companies they acquired with only a partial control. This can be seen as a sign of the fact that they want to stay on the sidelines to learn and acquire an expertise that they can leverage in their business activities in China and India. They just realized that the recovering of Volvo and Jaguar Land Rover was possible only without upsetting the brands, and thus without changing the image of the brand in the consumers' minds. The acquisition approach chosen by both of them is the *preservation* acquisition integration approach by Hapeslagh&Jemison (1991) that is applied when the need for strategic interdependence is low and the need for organizational autonomy is high. In this way, the two buyers respect the resources and the capabilities of the acquired companies and they develop the future strategies maintaining a boundary between the parent company and the acquired one.

For what concerns the pharmaceutical sector, what happened is different.

The brands of the companies acquired were not as famous as the brands of the automotive companies, at least to the big public. Therefore, the buyers had more chance to "enter" inside the acquired companies. In fact, the executive management and the name of the companies changed: many Chinese and Indian managers entered respectively in their new acquisitions. The same happened for the operational independence as the interdependence of the operations and the businesses is very strong. This stronger "intrusion" can may be explained with the less, or better, different brand recognition of companies in pharmaceutical sector. The acquisition approach chosen both by WuXi and Jubilant is the *absorption* acquisition integration approach by Hapeslagh&Jemison (1991) that is applied when the need for

strategic interdependence is high and the need for organizational autonomy is low. Both the Chinese and the Indian buyers absorbed the acquired companies trying to create synergies and a solid integrated environment.

From the cases analyzed we have seen that Chinese and Indian companies, within the same industries, opted for the same approaches: preserving the acquisition in the automotive sector and absorbing it in the pharmaceutical sector. Consequently, hypothesis 2 and 3 are rejected:

H2. The behaviors and the strategies applied when integrating an acquisition, are similar for all Chinese companies, despite the industries in which they operate are different.

H3. The behaviors and the strategies applied when integrating an acquisition are similar for all Indian companies, despite the industries in which they operate are different).

The analysis of the cases study demonstrated that the two hypothesis above are not correct: the Chinese and Indian companies analyzed had similar approaches within the industry they belonged to, not because they shared the same country of origin.

The results and the rejection of H2 and H3 have a value that is limited to the examined cases study.

5.2 Questionnaire analysis

Here below the analysis of the data collected with the questionnaire divided into two parts: the demographics and the leadership styles data.

All the tables, charts and the relative analysis of the data collected has been done with the Office spreadsheet software, Excel.

5.2.1 Demographics

In the following tables a sum up of the demographic data collected.

Table 9: Demographics of questionnaire respondents

Questionnaire Respondents			
Respondents	**M**	**F**	**Total**
#	28	22	50
%	56%	44%	100%
Average age	23,11	23,23	23,16
Occupation	Student	Student	50

The respondents of the questionnaire were 50 in total, 28 males (56%) and 22 females (44%).

The average age of the respondents was 23,11 years for males and 23,23 years for female, therefore the total average age was 23,16 years.
The occupation for the whole sample corresponded to “Student”.

For what concerns Chinese respondents:

Table 10: Demographics of Chinese respondents

Chinese Respondents			
Respondents	**M**	**F**	**Total**
#	11	14	25
%	44%	56%	100%
Mean age	23,27	23,00	23,12
Occupation	Student	Student	25

Chinese respondents were 25 in total, 11 males (44%) and 14 females (56%). The average age of Chinese respondents was 23,27 years for males and 23 for females, therefore the total average age was 23,12.
The occupation for all Chinese respondents corresponded to “Student”.

For what concerns Indian respondents:

Table 11: Demographics of Indian respondents

Indian Respondents			
Respondents	**M**	**F**	**Total**
#	17	8	25
%	68%	32%	100%
Mean age	23,00	23,63	23,20
Occupation	Student	Student	25

Indian respondents were 25 in total, 17 males (68%) and 8 females (32%). The average age of Indian respondents was 23 years for males and 23,63 for females, therefore the total average age was 23,20.
The occupation for all Indian respondents corresponded to “Student”.

5.2.2 Leadership Styles

For the analysis of the data on leadership style answers a premise is needed. The six-scenarios survey to assess which is the most likely leadership style of each respondent does not propose

an absolute answer: from the moment that we are talking about human behaviors it goes without saying that they are variable and relative. Anyway, the answers can give the idea of the most likely orientation of the person when involved in critical situations. As explained in the methodology chapter, the most likely leadership style for each respondent is decreed by the dominance of the answers he or she gives. For dominance we intend that one typology of answer overrides the others. Sometimes it can happen that there is not a dominance of one answer but of two of them. In this case it means that a person's leadership style is characterized by a mix of two of them.

The following table is a guide for the interpretation of the results.

Table 12: Correspondence between answers and leadership styles

Answer	Leadership Style
A	Coercive
B	Authoritative
C	Affiliative
D	Democratic
E	Pacesetter
F	Coaching

A dominance of answer A correspond to a *coercive* leader, a dominance of answer B correspond to an *authoritative* leader, a dominance of answer C correspond to a *affiliative* leader, a dominance of answer D correspond to a *democratic* leader, a dominance of answer E correspond to a *pacesetter* leader, a dominance of answer F correspond to a *coaching* leader.

If we take into account the data that result from the analysis of the dominance of the answers for each respondent, the tables we obtain are the following.

Table 13. Dominance in the answers of Chinese Students

Dominance in the answers of Chinese Students						
Answer	**M**		**F**		**Total**	
C	3	12%	7	28%	**10**	**40%**
C - E	0	0%	1	4%	**1**	**4%**
C - B	4	16%	3	12%	**7**	**28%**
C - F	3	12%	1	4%	**4**	**16%**
D - F	1	4%	2	8%	**3**	**12%**
Total	**11**	**44%**	**14**	**56%**	**25**	**100%**

As we can see from the table above, 10 (40%) Chinese students had a dominance of answer C, 7 (28%) a dominance of answer C and B, 4 (16%) a dominance of answer C and F, 3 (12%) a dominance of answer D and F, 1 (4%) a dominance of answer C and E.

Translating the letters into leadership styles we can affirm that 40% of Chinese respondents are affiliative leaders, 28% combine affiliative and authoritative leadership, 16% combine affiliative and coaching leadership, 12% combine democratic and coaching leadership and 4% combine affiliative and pacesetting leadership.

Table 14. Dominance in the answers of Indian Students

Dominance in the answers of Indian Students						
Answer	**M**		**F**		**Total**	
F	10	40%	4	16%	**14**	**56%**
A	4	16%	1	4%	**5**	**20%**
D - F	2	8%	1	4%	**3**	**12%**
B - F	1	4%	2	8%	**3**	**12%**
Total	**17**	**68%**	**8**	**32%**	**25**	**100%**

As we can see from the table above, 14 (56%) Indian students had a dominance of answer F, 5 (20%) a dominance of answer A, 3 (12%) a dominance of answer D and F, 3 (12%) a dominance of answer B and F.

Translating the letters into leadership styles we can affirm that 56% of Indian respondents are coaching leaders, 20% are coercive leaders, 12% combine democratic and coaching leadership and 12% combine authoritative and coaching leadership.

If we take into account that the questionnaire tests the most likely behavior of the individuals, there is space for an other type of analysis. Considering all together the answers of each individual, we can assess which is the frequency of the answers that refers to a specific leadership style for the two cultures taken into account. This means that we consider all the 150 answers for Chinese respondents, being them 6 (answers of each individual) multiplied by 25 (the number of Chinese respondents) and the same for Indian respondents, 150 answers being them 6 (answers of each individual) multiplied by 25 (the number of Indian respondents). In this way we can assess if there is a trend in the answers for each of the two groups, Chinese and Indian students, in the leadership style they apply to each situation and if

the trends confirms the individual results analyzed previously. For the analysis described in the lines above the tables obtained are the following.

Table 15. Frequency of leadership styles for Chinese students

Frequency of leadership styles for Chinese Students						
Answer	**M**		**F**		**Total**	
A	5	3%	3	2%	**8**	**5%**
B	12	8%	9	6%	**21**	**14%**
C	27	18%	44	29%	**71**	**47%**
D	9	6%	12	8%	**21**	**14%**
E	5	3%	9	6%	**14**	**9%**
F	8	5%	7	5%	**15**	**10%**
Total	**66**	**44%**	**84**	**56%**	**150**	**100%**

As we can see from the table above, for 8 (5%) times Chinese students chose a behavior that referred to a coercive (A) leadership style, 21 (14%) times they chose a behavior that referred to an authoritative (B) leadership style, 71 (47%) times they chose a behavior that referred to an affiliative (C) leadership style, 21 (14%) times they chose a behavior that referred to a democratic (D) leadership style, 14 (9%) they chose a behavior that referred to a pacesetting (E) leadership style, 15 (10%) they chose a behavior that referred to a coaching (F) leadership style.

Table 16. Frequency of leadership styles for Indian students

Frequency of leadership styles for Indian students						
Answer	**M**		**F**		**Total**	
A	11	7%	5	3%	**16**	**11%**
B	16	11%	8	5%	**24**	**16%**
C	10	7%	6	4%	**16**	**11%**
D	11	7%	4	3%	**15**	**10%**
E	3	2%	1	1%	**4**	**3%**
F	51	34%	24	16%	**75**	**50%**
Total	**102**	**68%**	**48**	**32%**	**150**	**100%**

As we can see from the table above, for 16 (11%) times Indian students chose a behavior that referred to a coercive (A) leadership style, 24 (16%) times they chose a behavior that referred

to an authoritative (B) leadership style, 16 (11%) times they chose a behavior that referred to an affiliative (C) leadership style, 15 (10%) times they chose a behavior that referred to a democratic (D) leadership style, 4 (3%) they chose a behavior that referred to a pacesetting (E) leadership style, 75 (50%) they chose a behavior that referred to a coaching (F) leadership style.

5.2.3 Questionnaire Results

The aim of the online survey was to assess if there is a common trend inside the target populations in order to prove or not hypothesis 1. We chose to address students of management schools as it was easier to get in contact with them and because they are the managers of tomorrow so we can state that the results of the data collected with the questionnaire are a good proxy to draw a conclusion on the hypothesis made.

According to our hypothesis the trend of Chinese managers should be different from the trend of Indian managers, mostly due to cultural influences. Through the data analysis we could collect the following tables and charts to help us with the conclusions.

For the part that concerns the dominance of the answers for each respondent we have these table and charts.

Table 17. Comparison of the dominance in the answers

Comparison of the dominance in the answers							
Chinese Students				**Indian Students**			
Answer	**Management Style**	**#**	**%**	**Answer**	**Management Style**	**#**	**%**
C	Affiliative	10	**40%**	**F**	Coaching	14	**56%**
C - B	Affiliative/Authoritative	1	**4%**	**A**	Coercive	5	**20%**
C - E	Affiliative/Pacesetter	7	**28%**	**D - F**	Democratic/Coaching	3	**12%**
C - F	Affiliative/Coaching	4	**16%**	**B - F**	Authoritative/Coaching	3	**12%**
D - F	Democratic/Coaching	3	**12%**	**-**	-	-	-
Total		25	**100%**	**Total**		25	100%

Chart 6. Chinese students leadership styles percentages

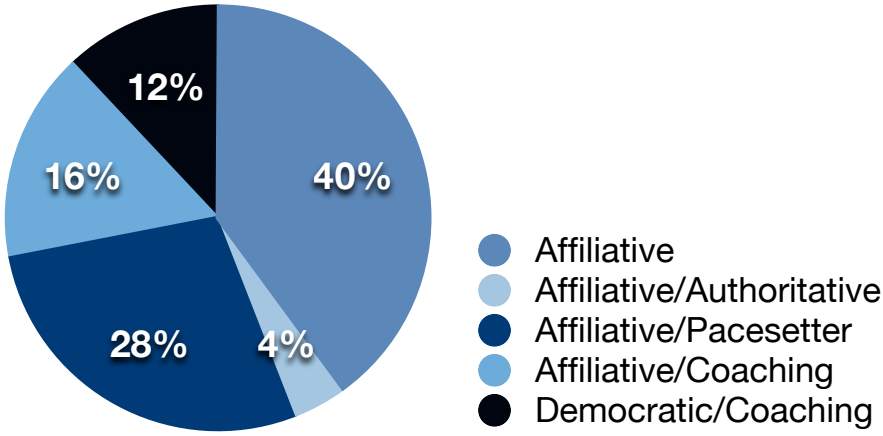
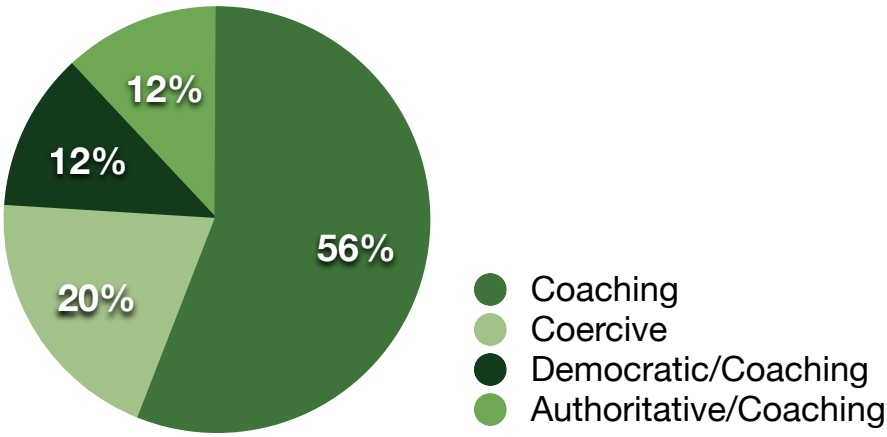


Chart 7. Indian students leadership styles percentages



From the table and the charts above we can see that the leadership styles of Chinese students are different from those of Indian students.

Chinese students are more oriented towards the affiliative management style while Indian students are more oriented towards the coaching management style.

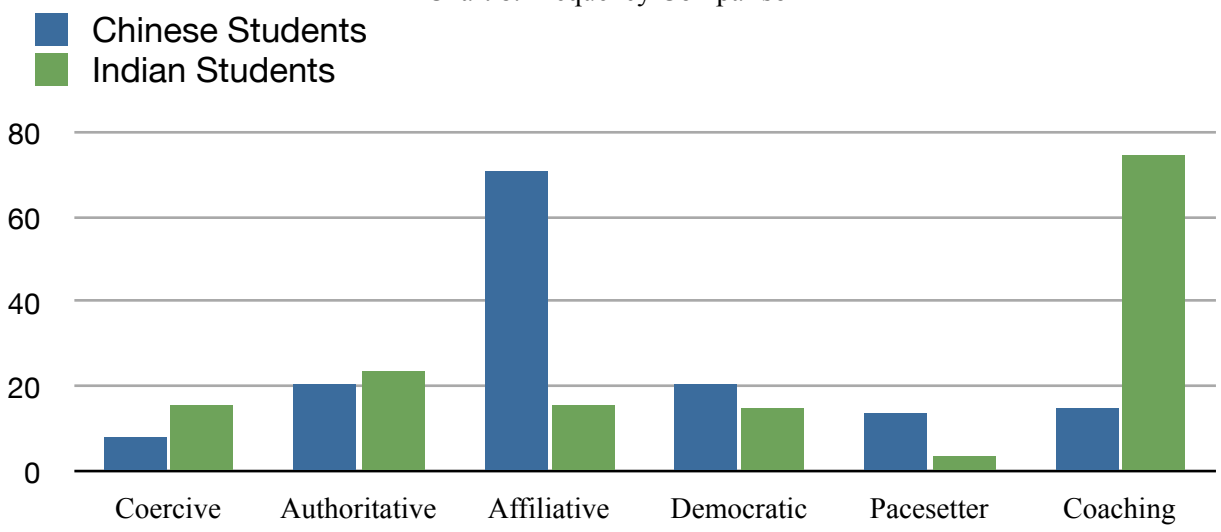
Whereas the two main leadership styles are different, they share a common path, with the same percentage (12%) both Chinese and Indian students chose behaviors that belonged to a combination of democratic and coaching leadership style.

For the part that concerns the frequency of the answers that refers to a specific leadership style for the two cultures taken into account we have these table and chart.

Table 18. Comparison in the frequency of leadership styles chosen

Comparison in the frequency of leadership styles chosen					
Answer	**Management Style**	**Chinese Students**		**Indian Students**	
A	Coercive	8	5%	16	11%
B	Authoritative	21	14%	24	16%
C	Affiliative	71	47%	16	11%
D	Democratic	21	14%	15	10%
E	Pacesetter	14	9%	4	3%
F	Coaching	15	10%	75	50%
	Total	**150**	**100%**	**150**	**100%**

Chart 8. Frequency Comparison



From the table and the chart above we can see that the result is the same as the previous analysis. There is difference between the leadership style of Chinese students and Indian students: Chinese students have a strong tendency towards the affiliative leadership style while Indian students have a strong tendency towards the coaching leadership style.

This can be considered a symptom of the fact that their different cultures affect the way they react and behave in different situations. Also this part of the research shows that the leadership style of future Chinese managers and future Indian managers differ.

Consequently hypothesis 1, is proven:

H1. Leadership and management styles of Indian and Chinese managers are different as they are influenced by the different cultures of their two countries.

The results and the confirmation of H1 have a value that is limited to the sample under examination.

5.3 Research Limitations

The limitations of this research paper regard mostly the width and the depth of the research methods applied.

First of all, results would have been more reliable and generalizable if the acquisitions involved in the considered cases study would have been less recent: it would have been interesting to see the strategies implemented in the long term but, as this research concerns a recent topic, it was not possible.

To obtain a more complete set of conclusions on the problematic the cases study approached should have been more in both the considered sectors, the analysis should have been more detailed and resulting from data provided by the companies themselves. This approach would have brought more value to the whole research but unfortunately for reason of time, space, physical distance and difficulty to access to data directly from the companies this has not been possible.

In order to obtain stronger conclusions on the problematic the questionnaire should have been addressed to a bigger sample: a sample with greater size would have helped to drawn more reliable conclusions.

The typology of questionnaire represented a limitation due to its formulation as the scenarios were only six but for each one it was necessary to think few minutes about the most likely reaction.

The language of the questionnaire, English, represented a limitation due to the fact that some individuals may had difficulties in understanding it very well. A great idea would have been to submit the questionnaire to the sample in the native language of the respondents.

6. Conclusions, Managerial Implications and Further Researches

In this chapter we will draw the conclusions and then we will talk about managerial implications and further researches involved with the conclusions found.

6.1 Conclusions

A premise is needed: the conclusions have a value that is specific to the cases and the sample analyzed, therefore they are not general.

The starting point of the research is the research question connected to the problematic:

How does the integration strategies and behaviors differ between Indian buyers and Chinese buyers?

As the questionnaire proved, Chinese managers and Indian managers tend to apply different leadership styles. In fact we considered the hypothesis 1, *leadership and management styles of Indian and Chinese managers are different as they are influenced by the different cultures of the two countries*, to be proved by our data collection and analysis.

The affiliative leadership style trend for Chinese management students can be explained with the strong influence of the Communist culture which have always pushed the population to think to the common well-being and the network building as basis of their system of principles.

The coaching leadership style trend for Indian management students can be explained with the strong influence of the religion communities which have always pushed the people of one group to care for all the others who belongs to the same group and to provide them with help and tools to improve their conditions[6].

At the same time the cases study analysis showed that the acquisition integration strategies did not differ between Chinese and Indian companies within the same industry: what made the greater difference in the acquisition integration phase was not the origin of the buyer company, and therefore the culture of origin, but the industry of the acquired company. In fact, hypotheses 2 and 3, *the behaviors and the strategies applied when integrating an acquisition are similar for all Chinese companies, despite the industries in which they operate are different* & *the behaviors and the strategies applied when integrating an acquisition are*

[6] We can refer to the tradition of Indian companies and business groups to invest in projects for local communities and to create Foundations that take care of community issues.

similar for all Indian companies, despite the industries in which they operate are different, were not proven.

This shows that it is not always true that the culture of the country influences the behaviors and the strategies of companies, despite the industry to which they belong or in which they buy a company.

Sometimes the acquisition approach is more influenced by other factors that can be the same for both the Chinese companies and the Indian ones.

Tata and Geely applied the same acquisition integration approach as their purpose, the environment and the characteristics of the companies they acquired were similar. Geely and Tata wanted the access to the market but mostly the technology and the engineering quality as their production and that of the new acquisitions is at two different levels. Thus, they had to learn as first step: to teach them, the acquired companies had to be free to operate and take decisions as they were before the acquisition. One other reason for the choice of the preservation acquisition integration approach can find an answer also in the fact that as the Volvo and JLR brands are really well known and have a strong brand image, a gradual entry for the new buyers was probably the best choice to do.

Wuxi and Jubilant applied too the same acquisition integration approach as their purpose was similar. Jubilant and Wuxi wanted technologies and engineering quality but mostly the access to the markets as for them the acquisition was most a matter of strategy. Thus, they decided to enter in the acquired companies with an absorption acquisition integration approach: control was considered the most important strategic step. The fact that the brands involved in the acquisitions were known only at level of industry may be an other reason for the choice of this integration approach opposite to the one implemented by the companies in the automotive sector.

The fact that in the end, hypothesis 1 has been accepted and hypothesis 2 and 3 have been rejected can be considered an ambiguous result at a first sight. Indian and Chinese managers choose generally different leadership styles but when it comes to acquire companies in mature markets they use the same strategies if the purpose and the characteristics of the acquired companies are similar. This results in the fact that within the automotive sector Indian and Chinese companies behave in the same way as well as within the pharmaceutical sector.

The issue is explained by the fact that when acquiring companies in mature markets there are factors influencing behaviors and strategies of companies that overcome cultural differences influences on leadership and management styles.

We are talking about something intangible (culture, behaviors) and difficult to close inside one particular word or sentence. Chinese and Indian managers, tend to choose different leadership styles but in situations where there are predominant factors, like for example the importance of the brand acquired, companies have the same behaviors, being them from a culture or to another.

"Cross-cultural issues and cultural similarities are relevant but sometimes behaviors and strategies are much more a matter of adaptation rather than a matter of culture." (drawn from the interview with Christophe Hémery)

What is necessary to remember is that generalization is not the correct way to approach this subject: the differences of the environments are what push behaviors to adapt and thus to differentiate as each environment has its own peculiar characteristics and needs (i.e. culture).

6.2 Managerial Implications and Further Researches

The results of this research paper are to be considered relevant in cross-cultural management field, being it referred to leadership style studies and in post-M&A integration studies.

The fact that the behavior of companies in the post-M&A phase can change not much for the differences between the culture of origin of the buyer companies but for the differences in the characteristics of the acquired companies and the industries in which they operate, can be of help to understand better future M&A and to predict their trends, always keeping in mind that generalizations are dangerous.

Further researches could imply the study of a broader sample of Indian and Chinese managers, as to make the questionnaire findings more accurate and a more number of cases study analyzed in both automotive and pharmaceutical industries. Another thing that could enrich the research would be to get information and interviews directly from the companies analyzed.

A further research could concern, for the same two Emerging markets, India and China, a broader study of industries that are involved in companies' expansion. Not only pharmaceutical and automotive but also others.

Another further research could concern also the integration strategies of acquirer from other Emerging countries, for example Brazil, Russia and South Africa.

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Appendix

1. Managerial Styles Questionnaire

What is your gender?
• Male
• Female

What is your age?

_____

What is your nationality?
• Chinese
• Indian
• Other _____

To which of the following categories do you belong?
• Student
• Professional
• Other _____

CHOOSE YOUR MOST LIKELY REACTION TO EACH OF THE FOLLOWING SIX SCENARIOS

The ground floor of your office block is not available due to a flood and you have deadlines to meet and meetings to attend. You put all your staff together on the first floor and you:

A. tell them that a little desk is better than no desk at all
B. tell one of the staff members to organize a desk-sharing system and find a way to have the ground floor back in use
C. take this opportunity to organize team-building activities
D. ask the members of your staff for suggestions on what to do, outline all the available options and then hold a vote
E. find some space on a desk and start doing your work in order to give your staff the good example
F. organize an improvised training session and development day for your staff

One of the members of your staff spends office hours in internet looking for motorbike an car websites and forums. You decide to speak with him personally in your office and he explains you that he was in internet because he had finished his work and he did not know what to do. You:

A. force him to work inside your office so you can control him and you make him apologize with all his colleagues
B. tell him that his behavior was not in line with company's policies and that for next mistakes will be applied disciplinary actions
C. tell him that leisure habits have to remain outside the office hours and you suggest him to become part of a car and/or motorbike club
D. ask him what he thinks he can do to change his behavior
E. ask him to follow you during your work day so that he can see how much effort you put in your work
F. tell him that his behavior is a problem because it's misdirecting the other staff and you offer him a position in a more challenging division of the company

One of the members of your staff delivers you his work earlier than the deadline. Moreover, his work has a higher quality if you compare it with that of his colleagues. You ask him to help you with a report you have to prepare but he delivers you a report full of mistakes and out of the deadline. You:

A. throw it away in front of him and tell him to do it again
B. tell him that to have a promotion he always has to maintain a high standard work, then you give him the chance to rewrite the report
C. do no say anything about the last report but you ask him if he feels too stressed by the extra workload you gave him
D. look at the report with him and ask him his suggestions for any possible improvement of it
E. send him a copy of the corrected report
F. look with him at the suggestions you made to correct it and offer her to attend a business-writing course

Today you arrived at the office at 6am and now it's 8pm: you have been there so long to finish a project that is due the following day. Today is also your wife/husband/girlfriend/boyfriend's birthday and you still don't have a gift for her/him. One of the colleagues that have been working all day long is going to leave. You:

A. ask him to stay as everyone until the work is finished
B. ask him to finish the work by the deadline of the day after
C. offer him a lift home
D. ask all the colleagues who are with you if they think is time to stop working
E. ask him to go to a shop and to buy a gift for your wife/husband/girlfriend/boyfriend while you finish his work
F. go home and book a time-management course for everyone

You find out that the electricity used by the kettles to boil and re-boil impacts more on costs than heating and lighting considered together. You:

A. get rid of the kettles
B. establish time frames when kettles can be used so that their use is less frequent and more efficient
C. establish tea breaks so that staff tend less to boil water in other moments of the day
D. ask everyone to note down of the times they use the kettles to boil water to make them aware of the potential inefficiency of their behavior
E. put a bottle of cold water on your desk
F. organize a moment during the work days in which you explain them the benefit, both financial and environmental, that result from electricity savings

A member of your staff comes to work with too casual clothes. As she is in a back-office position where she does not meet clients or the public, this does not have an impact on her work but other members of the staff started to complain. You:

A. order her to dress more properly or to quit her job
B. install posters indicating the proper dress code in the office
C. organize a casual-wear day so that she can realize that jeans are only for special occasions
D. send to your staff a dress code survey, asking around to suggest improvements
E. pay more attention on the smartness of your clothes
F. explain her what is the importance of a smart appearance on colleagues, employers and clients

2. Experts' Interviews

Christophe Hémery - Ernst & Young

When talking about Indian companies we have to be careful to distinguish between pure Indian companies and NRI companies for example Mittal is a NRI company.

The experience in France with Indian buyers is not positive as for example in the last years there has been the case of Ruia acquiring Groupe Preciturn, a French key manufacturer in the automotive industry. Ruja was supposed to bring to the French company what it was lacking, the financial support, but in the end the acquisition failed because the Indian group was not able to maintain the taken financial commitments. The same happened with Ruia group in Germany and Turkey. They bought and then left the company on sale again in the market to be bought by some other companies, hoping that the new owner will bring the right financial aid. This fact left a bad image of Indian groups in France as they promised to save jobs and in the end the story was different.
In the Mittal-Arcelor agreement France showed its racism towards the Indian buyer, for many French personalities it was like an insult to be acquired by an Indian company. Mittal is a family business that made money turning around companies in third world countries(e.g. Kazakistan). Arcelor was a company mix between France, Switzerland and Luxembourg. Arcelor did not want to be bought by Mittal as they "were not in the same league", they made lobbies and politicians intervened in the issue. These guys (Indian companies) go for business, go for market and profits.

Intercultural issues are not so much important as they are treated, ultimately every company is interested in making money and profits.

Indian companies developed in a poor environment: infrastructures, public services, politic and economic conditions, available means. That was a fertile soil for frugal innovations and therefore frugal management trained in India (Indian institutions are very good). Management taught in India is not really different from the one taught in the US (also many Indian studied and are studying in the best US universities).
During the '80s there was an Indian diaspora to the US most in IT and medical sectors: Indians were in high positions in banks, consulting companies, etc and they were firstly trained in India.
The environment forces you to be different, you are obliged to adapt what you learned at the situation you are dealing with.
India was a poor and close country with a socialistic economy, so without free market.

Management is not only a matter of training, the environment may force you to be and to act differently.

A Ernst & Young research paper examines which are the KSF that French companies may have in order to succeed in India.

- for finance a Frech person, for HR an Indian person;
- in JV or M&A everybody have to agree on the final goals. French JV failed because the goals between the two companies were different, they did not realize which were the real goals;
- trust and time: Indians have a different perception of time, Indians take time to give trust;
- careful in delegating financial reporting to Indian managers because their way of doing is different from French one.

Tata took over Delty, Corus and JLR in the same period. They were three British icon brands and UK was India former colonizer: British people established their imperial regime in India and now Tata took over three British symbols. Indian companies now have money and are taking their "revenge". As well as Brazil and China.

Indian culture has several main characteristics:

- importance of hierarchy: caste system, respect to elder people;
- relationship with money: way in which they deal with money, or they show off very much that they can spend money or they do not show them at all. There are business communities, castes: the "treaty of money" is and ancient guide on how to do business and belonged to the merchant caste. China had business communities too;
- time: "the French have a watch and we (Indians) have time". Probably in big companies deadlines are respected, long term relationships are very very important;
- religion: very embedded in the lives of people, it means no alcohol, no meat, not cigarettes. There exist the Chief Believe Officer to spread Hindu values throughout companies. Indian decision making process is complex: they have to wait for auspicious dates and ask to astrologists (not Tata group, because it is not of Hindu credo). Many big groups have their own guru (priest);
- corruption: to bribe is common, Indian do not like regulation. corruption is spread above all for what concerns regulatory compliance. Tata Consultancy Service experienced lawsuits because they did not pay social security taxes, Infosys also had problems of lawsuits. The same is for Chinese companies. When you takeover a company in a Western country you cannot bribe to meet regulations standards, you simply have to act in order to meet the law because also if you pressure local management to do bribe it will be difficult to operate as they will be against these decisions;

- socialistic environment: allowed private companies. Different from China where the communist regime did not allow private property.

Chinese and Indian companies are different because they had different backgrounds and different histories. In France, Chinese managers go to their embassy if they have issues(attachment and dependance from the government) while Indian managers do not always pass through their embassy (less dependance from the government, in India there is a democracy).
In China the government is really important as it runs companies and has a strong influence on the private ones (often they are ruled by former government employees), China is heavily regulated. In India there is a socialistic background, a democracy and the free market. India is less controlled by the government.

Indians love: figures (they are good accountants), regulations (they are good lawyers), rules (they are really religious), abstract rules, keeping the good face (without showing their real feelings if according to them it is not good to show to other people). This they have in common with Chinese: family and elder people deserve respect and women are always more in high positions.

Rajasthan is the region of the business families: castes here were dedicated to business since a long time ago, business and money are embedded in their culture and traditions. They are really focused in doing business.
Big companies help communities, they have always been involved in CSR policies even before the CSR boom in the US. In reality they do not care for the environment, they are much more involved with local communities issues. Foundations are really spread and they help these companies to give a good image and reputation about themselves towards the communities.
Another typical trait of Indian big companies, that is linked with their being often family businesses, is that they treat employees like family and therefore they use a paternalistic way of ruling the companies. The unions are taken out of consideration.
This kind of commitment is enough to the eyes of employees or the governments.

Léon Laulusa - ESCP Europe Professor

Chinese multinationals are used to receive state and governmental support and authorization for their operations, moreover if they have to invest abroad. Geely for its acquisition abroad received governmental aid.

Chinese multinationals do not know how to deal with the acquisition they made abroad: they are used to a centralized and hierarchical corporate structure and they are not willing to pay for consultant to help them in developing strategies in their international acquisitions.

When they acquire abroad the first step for them is to learn as most of the times they need to improve the quality of their production, the learning process involve also the market as they have to learn about the new acquired markets and they have to start to make their brands known also in the country of their acquisition. In the automotive sector often after the acquisition they move the production in China to cut costs and hire non-Chinese experts to help them with the understanding of processes and operations. When time will pass they will be able to offer products with the same quality of before but at lower prices.

Vanessa Strauss-Kahn - ESCP Europe Professor

Companies from emerging markets have to invest abroad as they have enormous surplus and they need to spend these money investing abroad. Countries like United States and other mature countries have enormous deficits so they are willing to welcome investors.

Chinese and Indian multinationals invest abroad for two different reasons:

- if they invest to seek efficiency they do it in less developed country where they can experience less production costs;
- if they invest to seek technologies and access to markets most of the time they do it in more mature countries.

Affidavit

I the undersigned, Laura Brogiato, certify on the honor that I have not plagiarized the paper enclosed, which means that I am the only author of all the sentences this text is composed of. Any sentence from a different author than me was written in quotation marks, with explicit indication of its source. I am aware that by contravening to the present rule, I break the recognised academic principles and I expose myself to the sanctions the disciplinary committee will decide on.
I also confirm this work has never been submitted during studies prior to ESCP Europe.
If this work has been written during studies conducted in parallel, I must precise it.

The remarks written in those pages only commit me.

Paris, 9/5/2012

Déclaration sur l'honneur

Je, soussignée, Laura Brogiato, certifie sur l'honneur que je n'ai rien plagié dans le travail ci-joint, ce qui signifie que je suis le seul auteur de toutes les phrases dont le texte est composé. Toute phrase ayant un autre auteur que moi a été mise entre guillemets, avec indication explicite de sa source. Je suis consciente qu'en contrevenant à la présente règle je transgresse les principes académiques reconnus et m'expose aux sanctions qui seront prononcées par le conseil de discipline.
J'atteste également que ce travail n'a jamais été présenté dans le cadre d'études antérieures à ESCP Europe.
S'il s'agit d'un travail réalisé dans le cadre d'études effectuées en parallèle, je dois le préciser.

Les propos tenus dans ce mémoire n'engagent que moi-même.

Fait à Paris le 9 mai 2012