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POST-TRANSACTION BRAND AND MODEL LINE-UP INTEGRATION IN THE AUTOMOTIVE INDUSTRY

Case studies of European companies as target of acquisitions by Chinese and Indian multinational corporations

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1 INTRODUCTION

1.1 The phenomenon and relevance

In most cases, the purpose of a company is to create value for its shareholders[1]. In order to maximize the shareholders' value, the scope and scale of the business must be optimized in a required manner of the business environment. This does not only mean optimization of the juridical structure of the corporation, but also the evaluation of the extent to which the function of the company is practiced. However, in this study the objective is not to consider the juridical structure or the optimization of tax efficiency. The optimization of business scope in practice means occurring purchases and divestments of business activities through various types of mergers and acquisitions. The ultimate purpose of a company in the General Company Laws of most countries is to create value and profit for the shareholders, which is why this optimization is substantial.

Mergers and acquisitions (later referred to as "M&A"s) refer to an arrangement or a restructure, where certain companies or entities are combined, bought or sold to accomplish particular business and strategic goals. These transactions not only affect the companies participating, but also have a huge importance to many involved other organizations or even individuals. (Sudarsanam 2010.) Merger is considered to be a joining or fusion between two separate and rather equal companies. In an acquisition, a company purchases ownership of another company by acquiring a sufficient number of its shares in order to attain some control. (Cartwright & Cooper 1999, 33.) In this study, the focus is on acquisitions rather than mergers, and more specifically on acquisitions of an entire corporation.

Cross-border mergers and acquisitions are only one of the various types of foreign direct investment (FDI) flows (International Investment Perspectives… 2007, according to Raukko 2009, 15). However, they accounted over 50% of the total FDI flows in many OECD[2] countries during the last M&A wave peak, and according to latest statis-

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[1] The purpose of corporations have been discussed in academic papers. E.g. according to Friedman (Friedman 1970), shareholders' value is company's sole responsibility. In some jurisdictions, the purpose of a company is defined in general company laws. Delaware is the legal home of more than 50% of all publicly-traded companies in the United States. Under the Delaware General Corporation Law, the purpose of a company can be derived from the fiduciary duties of the management. According to these duties, the management board of a company must make economically congruous decisions based on a best available knowledge which, thereafter, result in an increase in shareholders' value. (Delaware General Corporation Law § 102 (b) 7). A similar duty is defined also in the Finnish Company Act. According to section 1:5 of the Finnish company act, the management of the company shall act with due care and promote the interests of the company. The purpose of a company may also be explicitly defined by company laws. E.g. the section 1:5 of the Finnish Company Act (624/2006) states that the purpose of a company is to generate profits for the shareholders, unless otherwise provided in the Articles of Association.

[2] Organization for Economic Cooperation and Development.

tics for almost 30% in first half of 2014 (UNCTAD 2014). M&As offer opportunities for the acquiring company to gain assets, which could be challenging to evolve by itself, such as new capabilities, grow rapidly, or access to new markets (Haspeslagh & Jemison 1991, 3). Earlier, these activities mostly occurred within developed market companies, which were mature enough to perform these projects. Later during the 1990s, when the markets turned international and globalization spread, companies started to focus FDI to developing countries in search for cheaper production and new markets through outsourcing and acquisitions (Clark 1991; Sudarsanam 2010, 21). At this point, also the automotive manufacturing companies began investing in developing countries in order to cut down production costs. The markets for western products itself remained yet rather closed, and the time for market opportunities for these products grew later (Sturgeon & Florida 2000). However, during the recent years the newest trend in M&As appeared (Hege, Jaslowitzer & Rapp 2014; Kumar 2009).

The acquisitions from developed markets to emerging market has begun to turn also into opposite direction, where emerging market corporations have increased their investments in developed markets. Emerging market companies are responsible for over a third of the acquisitions worldwide (KPMG 2014a), and considerable amount of these are targeted to developed markets (Chandra & Barnes 2010). These emerging multinational corporations have gained power among western companies with determination and financial capabilities, not to mention the opening of doors to huge potential markets behind the representing companies. “Foreign acquisitions may enable firms to acquire critical resources and capabilities abroad and integrate them into their set of existing firm-specific assets. This transformation in resource endowments may increase global competitiveness and home-market success and thereby induce positive shareholder wealth creation.“ (Hege et al. 2014, 9.) In automotive industry, China for example has become the largest market in the world after exceeding the dominant market of USA, and the Indian market is growing at remarkable speed following China from the emerging markets (KPMG 2013, 7).

The automotive industry (later referred to as “automotive industry” or “automobile industry”) started in the 1890s. It was dominated a long time by developed countries and particularly American and European, and later Japanese, car manufacturing companies. (Sturgeon & Florida 2000, 36.) Slowly new players entered the market and especially lately the developing countries have started growing and their potential markets were opened to western multinational corporations. In addition, the customers became more sophisticated, discerning, and demanding. (Clark 1991, 8.) In recent years, they started developing their own industry and innovation aiming to achieve the developed “west” by shortening their advantage. Some Chinese and Indian car manufacturers have even attempted and succeeded on acquiring brand, know-how, technology and property rights in the global market. (Altenburg, Schmitz & Stamm 2008.)

It is stated that every acquisition is an individual case, and that they are all different in terms of characteristics (Angwin 2007; Laneve & Stüllein 2010). The differences can be identified in the original motives that drive to pursue M&A process. In addition, the strategy or the acquisition steps itself varies in most cases, which reflects to the actual post-M&A process and integration phase. Although the cases in M&A vary from each other, there are different possibilities to categorize them, for example through motives, industry, market or country of origin. Hege et al. (2014, 2) roughly categorize mergers and acquisitions according to the bidder company, whether it is from developed or emerging market. According to a study of Rothenbuecher and von Hoyningen- Huene (2008), there are dissimilarities in the M&A motives of the emerging market companies compared to developed markets. When comparing developing market and developed market companies, the motives can generally categorized into three: asset-exploitation, asset-augmentation and asset-seeking motives These motives, then reflect to the actual post-M&A integration process. (Hege et al. 2014, 2.)

The motives behind the acquisition decision drive the strategy of integration in post-M&A phase. Although the motives can sometimes be emotional, there are more or less standardized and rational integration strategies that companies mainly follow. Haspeslagh and Jemison (1991, 145) and Jemison and Sitkin (1986) defined valuable integration approaches, which are commonly exploited or used as a support to a strategy that affects the outcome and assists to deliver the desired goals. The post-M&A phase is considered as a significantly challenging stage in mergers and acquisitions, but at the same time is vital for success and value creation (Vu, Shi & Gregory 2010). Haspeslagh and Jemison (1991, 105) agreed that there is a high risk that integration process can also destroy value and harm the potential capabilities that were reason for the acquisition in the first place. The managers and decision-makers must take both organizational integration and task integration into account, or how Birkinshaw (2000) defines as high or low road. The weight on these two approaches highly depends on the original motives and which assets in the M&A are mostly valued, and is often a source of conflicts, when defining the strategy (Birkinshaw 2000, 39).

Organizational integration mainly focuses on effective management of personnel through the integration process, keeping the employees as satisfied as possible and focusing to retain the possible assets in knowledge of the target company. When company is focusing on knowledge-intensive acquisitions, the best choice would be to follow the high road of cautious and slower integration. (Birkinshaw 2000, 38–39.) In task integration the focus has mostly been in the management of information systems, brands and products, production, and logistics and purchasing (Vu et al. 2010, 81). In task integration the companies aim to realize the synergies as quickly as possible and focus later in the human integration, in other words taking the low road (Birkinshaw 2000, 39). Often the mistake is to focus typically on human resources or the proper integration strategy for the nationalities of the company (Vu et al. 2010, 81). The earnings of company mainly come from tangible assets and intangible assets. The value of intangible assets has increased significantly during the last 40 years, possessing major percentage of company's value. Depending on the market, brand can be thought as the most important intangible asset. (Lindemann 2003.) However, companies participating in post-acquisition integration process do not give enough weight on brand and product integration, which is often a cause of failure in acquisition and their goals (Vu et al. 2010, 81). Especially in automotive industry, the brand, and naturally products also, are the crucial assets of a company, because those for example relate to consumers' safety and are a part of daily life. The brand also provide a certain status about users and owners, informing the others person's values and characteristics.

There are various studies that focus on M&A motives and organizational and task integrations in automotive industry. Additionally, there are studies about the latest phenomenon of developing country companies being acquirers in developed countries, as well as studies about consumer behavior of automobile market in particular developing countries. However, according to Vu et al. (2010, 82) these are very narrow in terms of implementing brand and product integration in M&As. They lack of providing the strategies and specific guidelines for this kind of integration effectively. Vu, Shi and Gregory (2010, 82) provided in their study various strategies for brand and product integration. But there is a research gap in deeper research of M&A motives and their effect on post-acquisition brand and product integration of acquisitions, focusing entirely on automotive industry acquisitions done by developing market companies.

1.2 Research purpose formulation

The purpose of this study is to provide the reader knowledge about the possible motivations for acquisition activity, post-transaction brand and product integration, and the impact of the motives in the integration strategy itself. The focus is on acquisition motives and post-acquisition brand and product integration in the context of acquisitions of Western companies by Chinese and Indian multinational corporations. As case examples, the study analyzes two acquisitions in automotive industry executed by Chinese and Indian companies in developed countries. The cases are researched through research problem, which is divided into four sub-questions. The research problem is phrased as follow: *How do the acquisition motives of Indian and Chinese automotive companies influence brand and model line-up integration in the acquired European companies?* The sub-questions are listed in the following way:

1. *What are the motives for executing an acquisition in the case studies?*

2. *What is the process of the post-transaction brand and model line-up integration?*

3. *What changes the M&A bring to brand and product management?*

4. *How does the M&A motives impact the brand and product integration?*

Instead of researching the characteristics of acquisitions from emerging markets to developed markets, the study utilizes the existing findings in the literature to further understand the motivations and strategies chosen to execute these significant acquisitions in the automotive industry. In order to further understand the integration processes of the acquisitions, the study also analyzes the changes in product management after the transaction, so that the reader would be able to gain deeper understanding of the integrations that would sooner or later affect the sections of brand and model line-up management. In addition, the research briefly goes through the distinct similarities and differences of these two cases. While the cases are important to the industry itself, those are also close to public interest, as they are part of people's daily lives, and hence wider data and information may be available.

1.3 Scope and limitation of the study

Ample studies have been conducted in the area of M&As, many of them focusing on motives and post-M&A integration processes of acquisitions. However, the data from the newest phenomenon in M&A, the increasing influence of emerging market companies as an acquirer, has not been studied that widely. This study narrows down the scope to the automotive industry, and particularly to post-acquisitions brand and model line-up integration. The automotive industry has lately been facing significant modification within industry. The automotive companies in emerging countries, especially in China and India, are tightening the competition against "Western" companies, and start to export their products to developed markets. Within the same conversion in the industry, which has faced major acquisitions, the developed country corporations have been transferred to the ownership of developing country companies. As part of acquisitions in automotive industry, the brand and model line-up integration is fascinating area of study, because first of all, it is the most visible part of company for public. In addition, the brands are considered with high value in companies and are built along the long-term strategies. Especially in automotive industry, the brand is vital to the companies. The model line-up on the other hand is more less part of the mid-term strategy, but is very interesting topic, because the effect of the new owner can be witnessed rather visibly in the model line-up developed and modified during post-transaction period.

The scope of this study was further narrowed down to China and India, because those are the fastest growing and largest emerging markets both generally and in automotive industry. In automotive industry, China is by far the largest market and India is also substantial gaining on European and US markets. Today, the Chinese market is responsible for one-fourth of new vehicle sales worldwide, and by 2020 they will hold about 30% of the market. (KPMG 2013, 7.) The growth rate of Chinese and Indian markets is the highest in the world. In addition, because of the high growth rate of these two economies, the growth of automotive market is unlikely to lower in the near future. This means that also their relevance and significance to automotive industry will grow even further. From this aspect, there were two publicly known large acquisitions made by emerging country companies in developed markets, which were chosen to research on.

Based on the findings, there are characteristics and similarities or differences in these case acquisitions, which may be identified among them. However, it is challenging to generalize issues and findings in this study outside these two acquisitions that would apply either for the entire automotive industry or in any other industry, or present characteristics that could be mutually possessed within emerging country companies. The amount of investigated cases is too low for drawing any conclusions on a wider scale. To make some kind of generalizations in wider perspective in any of the aspects taken into account in this study, there should have been significantly more cases to examine. In fact that was not the purpose of this study, to generalize any issues or findings, but to study these two fascinating cases that are the first ones occurring within certain circumstances, that may rewrite M&As in the future. These cases are examples of the first steps in globalizing emerging companies and may encourage other emerging market companies to follow them into acquiring Western companies, which would further renew the conservative habits within the automotive industry as well as other industries.

2 MERGERS AND ACQUISITIONS IN THE AUTOMOTIVE INDUSTRY

2.1 Merger and acquisition types and causes for the phenomena of merger waves

Mergers and acquisitions began in the USA in 1890s and were imitated by the rest of the world later in the 20th century. It has been observed that M&A activity occurs in peaks and five major waves can be identified that have taken place since 1890s (Laneve & Stüllein 2010, 12; Lees 2003; Sudarsanam 2010, 15). However, researches are indicating that there has been another, sixth, wave after the stock market crash of the millennium (Laneve & Stüllein 2010, 12; Sudarsanam 2010, 21). There have been various perspectives about what causes the mergers and acquisitions to emerge as a cluster. Stearns and Allan (1996) states that capital market drives mainly the merger waves, but also the location of that capital within the capital market institutional structure as well as social and political determinants have their influence. According to Rhodes-Kropf and Viswanathan (2004), many researchers found that high market valuations are factors that reflect periods of stock merger activity. Harford (2005) on the other hand state that some researchers have developed models in which the firm's managerial timing of market overvaluations can lead to merger waves. One that can be detected is that M&A waves prior or follow mainly the level of stock market, its crashes and rises (Sudarsanam 2010, 31). Multiple articles imply that shocks to the industry's technological, economic, or regulatory environment cause the merger waves. However, Harford (2005, 530) present through his research that by themselves these shocks are not enough to create merger waves, and it requires capital liquidity. The merger waves can occur even if the liquidity component is the only factor without any other shocks to the industry.

Mergers and acquisitions can be divided into various typologies, which are linked to the M&A phenomena waves through history. These types are vertical, horizontal, conglomerate, and concentric M&A (Sue Cartwright & Cooper 1999, 3; Faulkner, Teerikangas & Joseph 2012; Raukko 2009, 30; Sudarsanam 2010). These are usually considered in terms of the scope in which the business activities of the acquired and acquiring organizations are related to each other (Cartwright & Cooper 1999, 3).

The first three M&A waves took place in USA. The first wave occurred in 1894-1907 mainly with horizontal mergers (Laneve & Stüllein 2010, 12; Lees 2003, 47). Horizontal mergers and acquisitions occur within the same business market and combine companies with similar activities within the same industry, performed as an expansion to new geographical area or in a product line, which raises market share and reduces rivalry within industry (Laneve & Stüllein 2010, 11; Raukko 2009, 30; Straub 2007).

Companies acquire competitors within the same industry which may cause them to gain almost monopoly position in the markets that are often labeled as a mature or declining due to low growth rate (Sudarsanam 2010, 123–124). This wave influenced many manufacturing industries and swift technological innovation caused overcapacity, to which as a response, firms pursued to build market power (Bruner 2004). During this phase, the today’s massive American multi-industrial corporations were created. Today, market and governmental regulation rigorously control mergers to prevent formation of monopolies (Sudarsanam 2010, 127). Through horizontal acquisitions, businesses are able to reorganize the company’s resources in various divisions, as they may face limitations within their own organization on new business and product development (Jones & Miskell 2007).

Vertical M&As were prevailing in the second great wave during 1920-1929. In vertical type of acquisition, the companies are working in consecutive levels within the same industry (Faulkner et al. 2012, 47; Raukko 2009, 30), or as Sudarsanam (2010, 157) identifies it, "in a vertical chain under common coordination and control of a single firm”. In forward vertical acquisition the acquiring company desires to increase added value by ensuring a continuous buyer for their products, as in vertical backwards M&A to guarantee a constant raw materials or component supply (Laneve & Stüllein 2010, 11; Straub 2007, 17). Other inducements for vertical M&As can be cheaper insourcing than outsourcing, the direct costs of contracts and informal agreements, or the future availability of a spot market for the transactions (Sudarsanam 2010, 158). The major US corporations established during the first wave began on buying suppliers, distributors, and product outlets incorporating them into one organization also as a result of the antitrust law in the 1920s for horizontal M&As (Lees 2003, 47; Sudarsanam 2010, 17–18).

Unlike earlier, mergers were funded aggressively by the investment bankers, and the majority of the capital was controlled by few investment bankers (Moeller & Brady 2011, 11). Companies saw the efficiencies of greater size and increased market power as a basis for higher profitability, sustained competitive edge and risk management (Lees 2003, 48). The second vertical wave concluded with economic growth and vast raise in stock market and changed the direction in various industries towards oligopolistic structure (Sudarsanam 2010, 18). Many deals made the firms economically stronger due to a creation of massive economies of scale (Moeller & Brady 2011, 11).

In the 1960s the M&A behavior had a first radical transition, when the third type, conglomerate acquisitions, took place (Lees 2003, 48). It is a combination of companies that are in a completely unrelated field of business activities, in other words diversification in industries and businesses (Sudarsanam 2010, 180). In this type of merger there is neither product-market relationship nor buyer-seller relationship (Faulkner et al. 2012, 47; Laneve & Stüllein 2010, 11; Raukko 2009, 30). This was time for tentative experiment, because there were no existing guidelines or models for conglomeration (Lees

2003, 48). “Whether this bias towards diversification was the result of the more stringent antitrust regime that precluded market power-increasing horizontal or vertical mergers remains a matter of inconclusive debate” (Sudarsanam 2010, 18).

The conglomeration period was divided into two, evolutionary and revolutionary, aspects. In evolutionary aspect, the large companies stayed within the defensive strategy acquiring in unrelated fields. The revolutionary aspect had a really radical feature of smaller and unknown businesses buying other firms in various industries and serving the basis for hostile takeovers (Lees 2003, 50). Sudarsanam (2010, 18) states that because of the third wave, US companies radically altered their strategies in the business composition towards greater diversification. “During the conglomerate merger wave, bidder shareholders earned significantly positive announcement-period returns from diversifying acquisitions and negative returns from related acquisitions” (Matsusaka 1993). Consequently, it creates more value for both parties, especially for the acquiring company by increasing market power.

The fourth major wave was in the 1980s, when the nature of M&As shifted once again. The conglomerate era was proved to be a failure (Lees 2003, 55). This was a wave that was undergoing an active market in corporate assets, and instead of diversifying, companies started to centralize on consolidation, specialization, globalization and restructuring, focusing on the core businesses with main competence and competitive advantage (Sudarsanam 2010, 19). They began to focus on values and customer orientation, turning the power and control to customers (Lees 2003, 56–57). In addition, there was a greater amount of capital available in the market than before and corporations themselves became a source of capital (Stearns & Allan 1996, 704–705). There began two streams of strategy marketing: one emphasizing on markets, and the other one emphasizing on the customer (Lees 2003, 56). Mainly the focus on M&As was in transaction costs and hostile bids (Lees 2003, 58; Moeller & Brady 2011, 13; Sudarsanam 2010, 19). In the late 1980s, mergers became increasingly speculative and financially risky and the mergers were likely to become overpriced or poorly structured (Stearns & Allan 1996, 712).

In the 1990s began the fifth wave in M&A, which was the biggest wave so far in the M&A history (Sudarsanam 2010, 21). Globalization and consolidation of industries were major criterions in this wave (Moeller & Brady 2011, 13). In addition, one of the main factors was the megamergers, which had a significant role in this particular wave (Evenett 2004). The transformation was from product-based to capability-based competition. Companies began to value the knowledge and capabilities within the organization and that was the key to success in competitive markets. Firms were urged by concepts of strategic fit and generic strategies to replicate each other instead of developing non-imitable and innovative solutions to competition. Despite the fact of replication, during this wave also many new technologies occurred due to globalization and new way of thinking, which generated new businesses and through those, new technological capabilities and resources. (Sudarsanam 2010, 21.) Capabilities such as human knowledge and competences, organizational structures, technological processes etc. were commended. “The bottom line was that strategists required deep, industry-wide and firm-specific understanding of products and the organizational processes that delivered them; not just financial and market and customer understanding.” (Lees 2003, 61.)

The newest wave happened after the crash of the dotcom-bubble. The success rate of the M&A started finally to improve during this wave (Moeller & Brady 2011, 14). The main characteristics included hedge funds that developed to be important actors in the acquisitions, participating the decision-making of the corporations as shareholders (Moeller & Brady 2011, 14; Sudarsanam 2010, 21.). “The sixth merger has been truly global and has seen more focus on strategic fit and attention to post-deal integration issues” (Moeller & Brady 2011, 14). Adding to the globalization, a new phenomenon occurred during this M&A wave. After 2002 the acquisitions volume between developed and emerging markets grew annually more compared to acquisitions within developed or emerging markets alone, and later accounted for 37% of M&As (Hege et al. 2014, 2; Rothenbuecher & von Hoyningen- Huene 2008, 2). This meant that the firms in developed countries were increasing their M&As in emerging markets, but above all that the acquisitions of emerging market companies was catching up the developed “west” in M&A business (Laneve & Stüllein 2010, 14–15; Rothenbuecher & von Hoyningen- Huene 2008, 1). Emerging country OEMs have become determined on expanding and receiving attention in the developed markets.

The fourth type, concentric M&As, has not been kept as such a phenomenon. The deal focuses on market or product extension. Cartwright, Cartwright and Cooper (1992, 3) define concentric acquisition as referring to a situation where the business field of the acquired company is similar, but still its business activities are unfamiliar to the acquirer. Concentric mergers or acquisitions influence the knowhow potential of the participating firms, such as their production technology, distribution system and process, or R&D capacities (Straub 2007, 17). This can be combined effectively and should result in new core competencies, or a complementing of the existing ones. Recently, in the latest phenomenon, it has been noticed that companies from emerging countries have shown interest in the knowhow of corporations in the developed countries. (Rothenbuecher & von Hoyningen- Huene 2008, 7.)

2.2 Motives for mergers and acquisitions

The basic purpose for companies is to create value for shareholders. The motives behind the acquisition decision also reflect from fundamental obligation for value creation. According to Raukko (2009, 38), the value creation as a phenomenon, results from synergies, the outcome of managerial action and collaboration between the involving companies. Synergies arise when assets and capabilities transferred between companies increase a competitive position of a firm as well as its performance. Haspeslagh and Jemison (1991, 23) suggest the dynamics in a process of value creation in Figure 1.

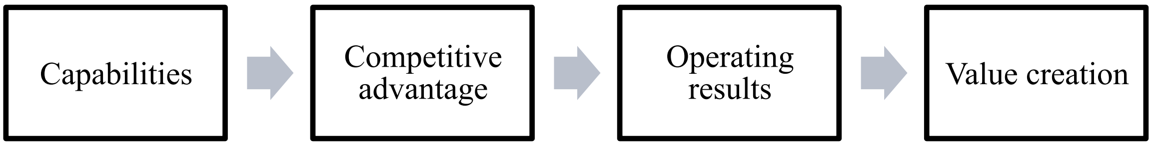

Figure 1. Dynamics in a process of value creation (Haspeslagh & Jemison 1991, 23, modified)

The value of a company is created through the capabilities, which the company possesses. It is important to see the firm as a set of capabilities, which create competitive advantage, while these generate operating results, and finally the results produce in creation of shareholders' value. (Haspeslagh & Jemison 1991, 23.) The various motives of a company are generated as the management realizes and defines the company's goals in order to create value through acquisition.

2.2.1 Overview of the common M&A motives

Motivations or motives are reasons and impulses for acquirers to engage in mergers and acquisitions in a general or broad sense (Angwin 2007, 101). These various motives drive companies to gain new competencies or power through the M&A process. Acquisition research has commonly assumed that acquisition activity would be an outcome of rational choice (Häkkinen 2005). In addition, there are also theories that explain acquisitions as a process outcome or as a macroeconomic phenomenon, not so much as a result of rational choice (Ojanen, Salmi & Torkkeli 2008). The motives have altered throughout the development of markets during the history of mergers and acquisitions. The various types of M&As during distinctive waves have modified the objectives of the companies to fit the strategy prevailing at that time. Despite the long history and numerous realized M&A deals, there is still today a difficulty with many of the deals not reaching the goals. The researchers question, why these acquisitions occur, when so many M&As are deemed to fail. (Angwin 2007, 78; Porter 1987.) For a wide variety of measures, over half of the mergers and acquisitions in the last 40 years have failed to achieve the motives and objectives set during the pre-acquisition phase (Angwin 2007, 78; Kumar 2009, 115; Porter 1987, 1; Trautwein 1990). However, this might not be the reality. According to Angwin (2007, 78), part of the reason that so many M&As seem to fail is a result of performance studies, where general, expected and simplified motives have resulted in rough categorizations and baffled data. Generally, the mergers are valued positively by the stock market; often news about an M&A raises the stock price. Sometimes the success of an M&A directs more to the target firm, and the targets' shareholders obtain almost all of the gains, while the bidders' shareholders make no profit on average. (Trautwein 1990, 285.)

The analyses in literature, the news and articles about publicly announced motives often do not explain the real motives in the background (Angwin 2007, 101). Furthermore, it has been proved by researches, that is highly probable that companies have at least two motives or even more in their mind, when deciding to participate in M&A business (Angwin 2007, 93–94; Häkkinen 2005, 38; Trautwein 1990, 283). The important knowledge is that even if the general motives are based on improving the firms' performance and creating value for shareholders, there are also many different perspectives concerning the motives that may not be taken into account (Tall 2014, 25). In addition, these motives may change depending on the industry, the firm's objectives and the geographical location (Angwin 2007, 83; Gort 1969; Ojanen et al. 2008, 158).

There are various theories on M&A motives. Motives highly reflect the common motivations approaches in the literature on M&A performance. These also reflect to the financial, economical and strategical fields (Angwin 2007, 81). Amit, Livnat and Zarowin (1989) categorize M&A motives into three groups rendering different market response: Those that choose M&A as an alternative to bankruptcy, highly liquid target firms, and then the remainder of M&As. Naturally, stockholders of highly liquid targets have the highest returns, while stockholders of bankrupt-predicted target firms have the lowest abnormal return (Amit et al. 1989, 143). According to Dunning (1993), the best established motive theories are based in three main drivers: resource-seeking, market-seeking and strategic asset-seeking motives. Perhaps one widely used theory is Trautwein's (1990, 284), where he identifies seven groups into which the theories of merger motives can be divided: Efficiency, monopoly, raider, valuation, empire-building, process and disturbance theory. These are presented in Figure 2.

In *Efficiency theory* the goal is to generate synergies, of which there are three: financial, operational and managerial synergies. The purposes of financial synergies are the financial benefits, such as lowering the costs of capital, or investment risks by diversifying into unrelated businesses. (Trautwein 1990, 284.) Operational synergies focus on combining separate operations to lower costs or to support radical innovation (Porter 1990, 92; Trautwein 1990, 284). In managerial synergies, the acquiring company concentrates on capabilities and expertise of management to increase performance of the target company.

<table>
<tr><td rowspan="5">Merger as rational choice</td><td rowspan="4">Merger benefits bidder's share-holders</td><td>Net gains through syner-gies</td><td>Efficiency theory</td></tr>
<tr><td>Wealth transfers from customers</td><td>Monopoly theory</td></tr>
<tr><td>Wealth transfers from target's shareholders</td><td>Raider theory</td></tr>
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<tr><td colspan="3">Merger as process outcome</td><td>Process theory</td></tr>
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Figure 2. Theories of merger motives (Trautwein 1990, 284, modified)

Monopoly theory is executed to achieve market power. Monopolies are common outcomes in horizontal acquisitions, but also occur in conglomerations as they may cross-subsidize products between markets involved. (Trautwein 1990, 285–286.) In *valuation theory*, the managers of acquiring firm have superior and perhaps private information or higher expectations about the target company’s value compared to the stock market that would create benefits for both parties through incorporation (Häkkinen 2005, 36; Trautwein 1990, 286–287). The *Empire-building theory* is concerned with mergers that are planned and implemented by managers, who are trying to maximize their own benefit rather than the shareholders’ value through maximizing revenue or personal power (Trautwein 1990, 287–288). *Process theory* is based on the strategic decision process, not rational choices (Trautwein 1990, 288), and are influenced by bounded rationality, organizational routines, and political power for example (Häkkinen 2005, 35).

The explanation for *raider theory* is that value and wealth from shareholders of target firm is transferred to the shareholders of the acquiring firm, which is highly uncommon as the bidder often offers a premium for the shareholders of target (Häkkinen 2005, 36; Trautwein 1990, 289). The last one is *disturbance theory*, which refers to acquisitions at a macroeconomic level (Häkkinen 2005, 35). Disturbance cause changes in individual expectations and increase the general level of uncertainty (Trautwein 1990, 290). According to Gort (1969, 624), economic disturbances may trigger merger waves, and those produce discrepancies in asset valuation.

According to Trautwein (1990, 292), the valuation, empire-building, and process theories are considered as the highest degree of plausibility, and there is available evidence and research supporting those. Whereas, the efficiency and monopoly theories have a lot of evidence on them, but mostly it is unfavorable. The raider and disturbance theories, which are opposite of the first ones, either lacking proper evidence, or the evidence is unsupportive. (Trautwein 1990, 292–293.) “Value-maximizing theories can further be divided according to the source of benefits. Acquisition motives related to monopoly and raider theory imply wealth transfer from other stakeholders in favor of the acquirer’s shareholders” (Häkkinen 2005, 36). In the field of corporate strategies and the research on merger motives, efficiency theory is relied the most. Generally M&A strategies trust on efficiency arguments, even though these are indicated to have only little validity. (Trautwein 1990, 293.)

According to Häkkinen (2005, 37), the motive theory of Trautwein (1990) is not inclusive, as it does not particularly take the perspective of the company management into account. It does not include typical motives related to vertical acquisitions, such as reducing the uncertainties and external dependence regarding the external resources the company is reliant on. In addition, horizontal acquisitions may have motives, where they wish to reduce competition by buying out the competitors. Some of this can also be identified in conglomerate acquisitions, when reducing external interdependence by diversifying risk. (Pfeffer 1972.) In addition, the classification of Trautwein (1990) does not take part in selling motives of the target company or some less strategic incentives.

2.2.2 Common and less recognized motives

Some motives are commonly recognized, when entering the M&A business, such as the ones defined by Trautwein (1990). Based on this, Häkkinen (2005, 38) has summarized the common motives in M&A in a more unambiguous format from the company’s management perspective (see Figure 3). These motives presented are objectives that companies generally cite to, when entering the M&A business (Angwin 2007, 81).

All of the strategy motivations for M&A in Table 3 are based upon the assumption that the M&A deal will strengthen the firm or increase the profitability in a noticeable through conventional performance indicators, i.e. reported earnings, share price, market share. In addition to commonly utilized and announced motivations, Angwin (2007, 84) has identified multiple motives that are less recognized in the literature, not been recognized at all, or negotiated and political decisions. The common motives presented previously assume rational managerial motivation are based on enhancing firm performance rather than observe motives.

Expansion and development

- Geographic expansion
- Product expansion
- Follow client
- Redeploy resources to target
- Redeploy resources from target
- Converge new, emerging industry

Increase internal efficiency

- Obtain economies of scale
- Obtain economies of scope

Improve competitive environment

- Increase market share
- Pursue market power
- Achieve size required for global competition
- Defence mechanism
- Acquire competitor
- Pre-empt competitors
- Create barriers to market entry
- Reduce industry over-capacity
- Benefit from cost differentials (e.g. labour)

Financial motives

- Diversify risk
- Invest in faster-growing economy
- Turnaround failing target

Personal motives

- Increase sales and asset growth
- Gain personal power and prestige
- Cash in on short-term stock market reactions through incentive systems

Other

- Circumvent protective tariffs, quotas, etc.
- Benefit from exchange rate differentials

Figure 3. Common motives in mergers and acquisitions (Häkkinen 2005, 38, modified)

However, behind these largely assumed motives, irregularities constitute in motivation and performance outcomes (Angwin 2007, 79, 84). Generally, Angwin (2007, 93) groups all the motives overall to four categories. These categories, their descriptions and benefits are presented in Table 1.

Table 1. M&A motive categories, their descriptions and benefits (Angwin 2007, 93)

Motivation Categories	*Category description*	*Motivations*	*Payoffs*
Exploitation	Exploitation of target through synergies to increase acquirer value with a high degree of certainty	Classical motivations	Maximize shareholder return
		Building critical mass	Aggregate deals to achieve critical size for credibility and final payoff (i.e. IPO, listing)
Exploration	Acquiring in new areas for potential value and future opportunities with low certainty of improving returns to the acquirer	Sequential	Assembling a long-term industry/market position for long-term payoff
		Learning	Small deal(s) to build understanding for later potential large investment (and payoff)
		Reinvigoration	Find new potential markets/products/technologies/ideas for future growth
		Influence	Indirect control of other assets for potential benefits
		Political favor	Future indeterminate benefits
Stasis	Attempting to preserve the acquirer's competitive situation through fossilizing or closing down the acquired firm (few if any direct benefits are extracted from the acquisition itself)	Innovation stifling	Prevent deterioration of competitive situation
		Damage competitors	Prevent competitors from presenting a threat in the future
		Customer/Supplier driven	Engage in M&A to preserve /maintain relationships
Survival	Attempting to prevent the acquirer's demise through acquisition - the acquisition may result in the acquirer losing value, but this maybe better than not acquiring at all	Self-protection	Size as a defense against predations
		Regeneration	M&A as passage to more promising industry/area
		Political/Institutional	Cope with imposed M&A as least worst outcome
		CSR	M&A in anticipation of potentially fundamental changes in the way business must be conducted

Based on the framework of motive categories showed in previous table, Tall (2014, 144) has concluded through case studies that even though there are conflicting motives behind the strategy and it is difficult to generalize these motives. However, he identified one common characteristic, which is strategic renewal. Some motives are known, but receive less attention compared to the common motives. One of these is so-called agency problem, which has been identified in finance literature as an explanation for M&A failure. It refers to managers, who act rationally for maximizing their own benefits, which harms the firm welfare and shareholder returns. Additionally, there is a positive perspective in this theory, in which the manager is concentrating on own benefits, however the benefits are connected to the success of the acquisition and value given to shareholders, and is rewarded through incentives, stocks and bonds. (Jensen & Meckling 1976, 6–8.) This resembles the empire-building theory in Trautwein's (1990, 287–288) study. This can result in faulty decisions, such as overpayment. Some researches point out that this aligns with shareholders interest, but there might be some other drivers behind it. Furthermore, the actions of CEO may not result in positive returns for shareholders in the short period of time, but it can create long-term success for the firm. (Angwin 2007, 84.)

The following motives are less recognized in the literature, but are still intentional and rational reasons (Angwin 2007, 84–88):

- Exploration: Company explores new markets or knowledge aim to be the first mover or also as late entrant, which is substantial, uncertain and risky and requires greater investment, but also possibly provides higher Return on Investment (ROI).

- Ownership: It is not always about creating value for shareholders, managers may feel that pressure for shareholder returns harm the business by preventing creative activities.

- Affecting competitive dynamics: M&A can be used to impact the actions of other competitor firms by damaging them or preventing significant modifications in an industry.

- Innovation stifling: Company can affect future competition by buying a startup firm and closing them down to control possible innovations to enter and change the industry, even with risk of creating losses.

- M&A to internalize risk: Companies acquire targets occasionally in terms of internal portfolio balance, mechanism for internalizing external risk, or to control external factors.

- M&A for critical mass: Smaller companies may try to affect the stock market, to grow to critical size through acquisition or merge in order to create sufficient mass for an industry to takeoff.

- Multi-business M&A: Instead of decentralizing to other businesses, sometimes there are other reasons behind an acquisition that makes sense, but that may not necessarily make sense for the firm and detract from overall strategy.

- M&A as self-protection: Company may acquire another firm to become larger and in that way less attractive and vulnerable target for acquisition.

- M&A as influence: The company makes and acquisition to increase influence elsewhere than around the actual acquisition.
- M&A to win political favor: Company proceeds with an acquisition in order to win political favor to get access to promising opportunities in the future.
- Sequential M&A: Firm may make small acquisition to learn and understand the sector or the M&A process itself.

The motives listed above are not often presented and stated publically as they may not directly aim to create shareholder's value. In addition, some of the motives may be morally quite questionable, such as the innovation stifling. Nevertheless, these motives can be regarded as a potential objective.

There are also motives that may have influence from external pressure. These motives can be customer or supplier pressure, competitor action, financial community, political persuasions, and social, ethical and environmental pressure. Common in these motives is that stakeholders with more power use pressure on the company towards acquisition to gain advantage themselves. Social, ethical and environmental pressures have increased significantly lately, and pressure the company to act responsibly in society, which in some point may refer to merger. Some of these motivations may overlap partially with the classical motives presented earlier. The motivations here indicate broader and more complex factors than just increasing the value and performance. (Angwin 2007, 90.) According to the results of Tall (2014, 144), the motives there are other motives behind the objective to increase value of the company, and these motives are not necessarily congruent. In addition, these less recognized motives require different methods of evaluation (Angwin 2007, 92).

The motives presented in Table 1 have diverse end results. In value creation, exploration motives have higher risk than exploitation motives whether the returns will be realized and what is the time scale in this. However, exploration motives have higher potential for rewards and much superior returns in total, although exploration motives should also have rational certainty of created value. In stasis motives there might not be direct value or benefits, but it might reduce the uncertainties and negative threats of arduous changes in the future. Deals with survival motives, the company tries to prevent bankruptcy or potential takeover threat, not so much of creating value and improving performance. (Zappa 2008.) De Alwis (2013, 61) has employed this framework to measure the success of merger through the defined motivations and expectations.

The conclusion from numerous studies is that most M&A fail, and that identifying robust differences in performance between different strategic classifications of M&A is difficult to achieve (O'Bryne 2008, 45). With this 'certainty' of poor performance, the dominant conclusion is that managers must therefore be misguided in their motivation (Angwin 2007, 79). In most failed acquisition cases, the management is accused of the outcome, because they are responsible of the actions. However, they are often judged by imposing assumptions and being attacked without properly further examining the motives and what were their intentions in the beginning. There might be different motives in the background that are not announced, and as mentioned earlier, usually researches focus only performance outcomes in the acquisitions. Moreover, the motives and strategies behind the M&A process consist of more innovation and creativity from which managers are not receiving credit for, because those often are kept undisclosed. (Angwin 2007, 96.) In many cases, firms need to be careful about disclosing the actual motives of the acquisition in reports, offer documents, public statements, and even surveys. Angwin (2007, 96) presents the combination of actual and possible motivations behind the acquisition, which is illustrated in Figure 4.

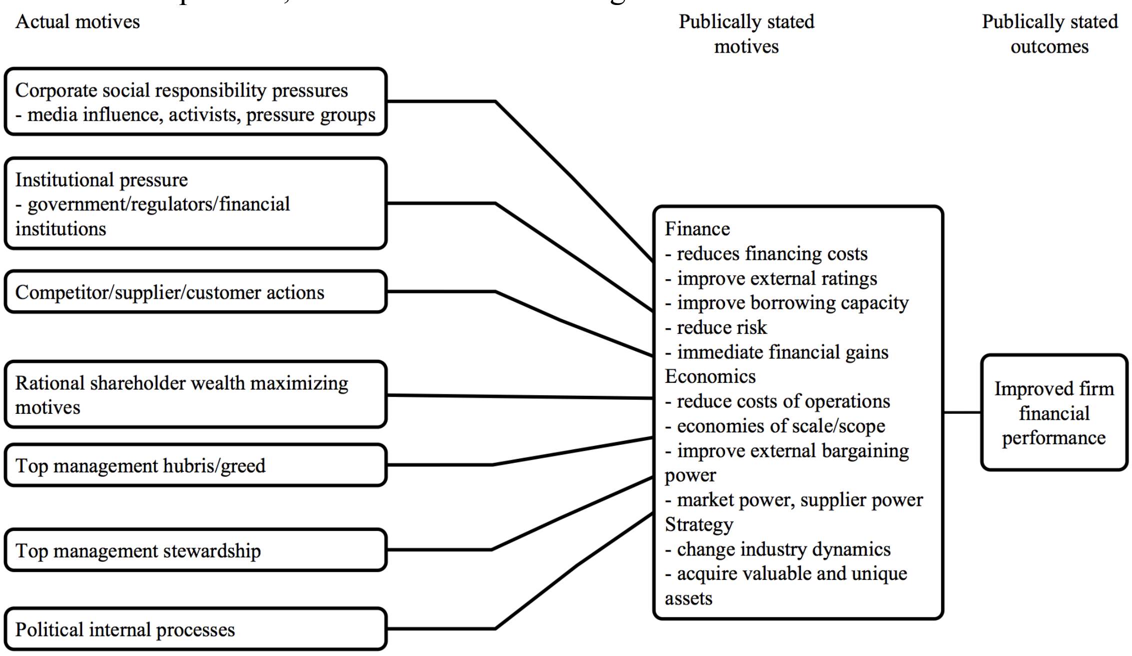

Figure 4. Combinations of possible and actual motives (Angwin 2007, 96)

Sometimes it is more rational not to represent full or real reasons behind the M&A process, so that it complies with the legal and institutional requirements. (Angwin 2007, 96.) Instead, the reports are often presented with classical motivations in the legitimate language of economics and finance in purpose of enhancing performance and financial returns (Trautwein 1990, 291). For that reason, it is challenging to examine the actual motives in acquisitions, and it requires in-depth data (Angwin 2007, 97).

2.2.3 Characteristics of M&As in emerging markets

There are many researches and studies about mergers and acquisitions in developed "West". The effects and motives of acquisitions in developed markets have been investigated for several decades and various theories and concepts have been generated from them. However, much less have been focused on emerging markets, as it is rather new phenomenon in there. "For instance, a truly global study of the motives of cross-border M&A by emerging market acquirers, of the similarities and differences with their developed market counterparts, and of the value effects does not exist." (Hege et al. 2014, 2.) Furthermore, the studies about developed market cannot be used to research emerging market, since their practices and motivations vary considerably. Even with studies about emerging markets, it is rather challenging to draw general conclusions, as there are multiple factors that make them a heterogeneous group. (Ramamurti 2009.) However, various connections and similarities can be identified within certain countries and industries.

Today's world economy has witnessed that multinational enterprises from emerging markets (EMNE) have become a significant and noticeable part of it, and are increasing strength and interest in the global M&A market by investing in building capabilities and management teams (Buckley, Elia & Kafouros 2014; Chandra & Barnes 2010, 1; Hege et al. 2014, 2). Companies share the curiosity towards western markets with their government, who have their eyes on established market and a share of economic power (Rothenbuecher & von Hoyningen- Huene 2008, 3). However, they need to be well prepared, since acquisitions in the West demand cautious planning as well as flexible and customized strategy (Chandra & Barnes 2010, 5). According to Chandra and Barnes (2010, 1) and KPMG's (2010b) EMIAT[3] study, the acquisitions of emerging market companies in developed economies increased 25 percent in 2010 representing nearly the amount of 33 percent of the acquisition made by developed market companies in emerging markets. However, the volume of these acquisitions has later settled back to level of 2006, whereas the amount of these acquisitions have even decreased (KPMG 2014a).

As Vu et al. (2010, 81) notified among many others, majority of mergers do not achieve their business objectives and actually decrease the value of the new merged integrated company. Reason for this is that developed market companies acquire primarily to increase size and create economies of scale (Ramamurti 2009, 4). Furthermore, failures and loss of value result from poorly planned integration strategy. According to Hege et al. (2014, 5), another detected issue exists in the measurement of success,

[3] Emerging Market International Acquisition Tracker, similar research as HGM Tracker, but from earlier years by KPMG.

meaning that the shareholders' value and firm's performance are being used as the dominant measurement on M&A success.

It has been argued that motives of emerging market companies differ from the motives of developed market companies (Hege et al. 2014, 3; Rothenbuecher & von Hoyningen- Huene 2008, 5). When comparing differences between emerging and developed market companies in M&A motives, Hege et al. (2014, 3) divide in their study the main motives, according to R&D intensity and the value of intangible assets, to asset exploitation, asset-augmentation, and asset-seeking. In asset-exploitation the firm's motive is to expand the exploit of firm-specific assets or capabilities abroad (Buckley 1998, 542). The second motive is asset-augmentation, where the acquirer is planning on purchasing strategic assets and combining them with their own firm-specific assets to further improve the performance (Eun 1996, 1562–1563). The third is asset-seeking, where the company does not possess proper up-to-date assets for the host country industry, and aims to gain them by acquiring a target with these assets.

According to Kumar (2009, 116), the emerging giants can generate more value from takeovers than corporations from developed countries. However, since many emerging giants have increased rapidly their available liquidity and are determined in the buyout process, they end up overpaying compared to their developed market equivalents (Kumar 2009, 116; Rothenbuecher & von Hoyningen- Huene 2008, 5). Overpaying is also a result of non-economic reasons, where firms that do not possess unique assets, which to bring to the negotiation table, may have less power in bargaining, for example the case for asset-seekers negotiating with firms that have a strong knowledge base or brand value. (Hege et al. 2014, 9.) To compensate the lack of unique assets, they offer significant capital investments in order to grow the business (Rothenbuecher & von Hoyningen-Huene 2008, 6). The difference is that emerging market companies buy Western corporations to gain complementary competencies, such as technology, knowledge or brand and reputation, especially after the recent stock market crashes in United States and Europe as the valuations of companies have become more attractive. (Buckley et al. 2014, 611; Chandra & Barnes 2010, 3; Kumar 2009, 116.)

Hege's et al. (2014, 14) result in their research that emerging market acquirers seldom hold superior firm-specific assets in cross-border M&A compared to developed market equivalents. Most commonly these companies contribute in cross-border transactions with motive of asset-seeking, while it is less common that they are driven by market- or efficiency-seeking purposes (Ramamurti 2009, 6–7). In overall, there is a huge difference between the two groups, as the most important type for developed market bidders is asset-exploitation, such as cutting down costs, low cost production and create growth opportunities (Rothenbuecher & von Hoyningen- Huene 2008, 5). On the other hand, emerging market acquirers mainly execute asset-seeking, commonly access to new technology and production, and asset-augmentation cross-border M&A (Hege et al. 2014, 21; Rothenbuecher & von Hoyningen- Huene 2008, 5). In cross-border M&A emerging market acquirers generate more value, when they possess strong firm-specific assets, and also acquisitions with motives of asset-exploitation or asset-augmentation create more value compared to purely asset-seeking acquisition.

According to Kumar (2009, 116–117), to realize their objectives, companies from developing countries are using new techniques to identify targets and integrate them. Emerging market firms patiently execute small takeovers before making the larger step in international markets, to learn to integrate acquisitions and at the same time absorb new capabilities. Although there are different ways to succeed in acquisition, they tend to fail because of the timing. This happened to Indian Hindalgo among others, when they acquired Novelis. " When booms become busts, acquirers often run into problems as interest costs rise and debt repayments come due." (Kumar 2009, 121.) The issues with timing often blur the stated outcomes of the acquisitions, whether they are successful or not. Consequently, the global M&A market is facing modifications in traditional understanding of strategies, success factors and motives in international acquisitions due to increasing presence of emerging markets multinational corporations. (Hege et al. 2014, 21.)

2.2.4 Dominating motives behind acquisitions in automotive industry

As it was previously presented, Dunning (1993, 67–77) divides the FDI motives into resource-seeking, market-seeking and asset-seeking motives. This is in higher perspectives than other motive theories presented, but consist the same relevant factors. In automotive industry, especially between automobile manufacturers, the common motives for acquisitions are mainly market-seeking and asset-seeking motives. In addition, the resource-seeking motives are used, when developed country manufacturers are searching for low-cost production in developing markets or cost savings through synergies, like Daimler-Chrysler merger. (Zhang & Stening 2013, 88.) When compared to theories presented earlier, these motives fall into category of expansion and development motives, and sometimes improvement of competitive environment from the theory of Häkkinen (2005, 38) in her study. Motives in these two categories that often are announced, are brand, product, technology, and market expansion. Brand is very important asset in automobile markets as it creates the image of the manufacturing company and their products. There are many different definitions of brand that has been presented through literature. The definitions frame product as an artifact, which possess features and functional attributes that fulfill the rational requirements of customer. (Vu et al. 2010, 82.) Kapferer (2012) states that there are two aspects on defining brand and its strength, customer-based and measures and value created for the organization. Mainly it consists of the actual physical product along with emotional component and social and psychological characteristics (Kapferer 2012, 7–8; Vu et al. 2010, 82). Brand should be protected and valued as it is crucial asset for companies, and corporations with stronger brands generally outperform their competitors (Abrahams 2008, 18). The market position, which the brand occupies, is considered highly important and valuable, as it maximizes the favored market position (Riezebos, Riezebos, Kist & Kootstra 2003, 203).

This is mainly what the manufacturers in developing countries are trying to acquire, as their products or brands does not have the value they need for creating competitive advantage in their domestic markets or to perform in the developed markets. Product on the other hand may be some model line-up that the acquirer desires to gain, as they do not have any models and brands for that particular product segment. An example could be a low-cost car manufacturer acquiring a luxury brand manufacturer. In addition, to compete with other manufacturers, companies need technology to keep up with the competition or to create advantage compared to others. Through acquisitions, the company may gain various technological capabilities, patents or know-how, and such a technological progress may enhance to product or process innovation and create competitive advantage. (Röller, Stennek & Verboven 2000, 16; Wang & Boateng 2007, 24.)

As stated earlier, the automobile production firms in emerging markets are targeting their acquisitions through asset-seeking manners, as they are keen on entering the global market and competing in developed markets (Fetscherin & Beuttenmuller 2011, 376). According to Wang and Boateng (2007, 25), the automobile companies are motivated by the desire to gain strategic assets and increased market share. Therefore, their strategy is not focused on exploiting, but to augment or create specific ownership advantages for them (Balcet, Wang & Richet 2012, 363). Additionally, they lack of capabilities to create a new or improve an existing brand compared to developed market companies, which is why they are interested in the brands of their Western counterparts (Kapferer 2012, 124). The same interest applies with products and technology, as those require significant amount of investment and time to develop on their own. For the target company, the motives are often related to financial issues or market expansion. As an example of emerging market acquisitions in automotive industry, Tata acquired Daewoo to build and develop capabilities and to access Korean and nearby markets. They also created joint R&D center to combine their products. SAIC acquired Ssang Yong, which was about product complementary and transfer of technology. SAIC also wanted an access to international market through Ssang Yong. (Zhang & Stening 2013, 88.)

Chandra and Barnes (2010, 4) have identified through their study, that the reasons for Indian companies to acquire companies in the developed countries usually are to gain skills and develop new competencies and capabilities and the Chinese companies on the other hand, mostly they desire to move manufacturing to China to cut down costs and raise scale. According to Ramamurti (2009, 15), in addition to these motives, owning a company in developed countries enhances reputation and creates credibility.

2.3 Post-acquisition brand and model line-up integration

2.3.1 Overview of the integration process

Mergers and acquisitions are often considered together, when discussing FDI. However they are extensively differing activities, when viewing integration processes. In this study this chapter mainly focuses on the acquisition side. "Integration is seen as an adaptive process of interaction that takes place when firms come together in an atmosphere conductive to capability transfer." (Haspeslagh & Jemison 1991, 103.) The integration occurs after the acquisition deal is closed. However, all the characteristics of integration are essential considerations made prior to the deal and require cautious preparation and synchronizing before and during the negotiations. (Lees 2003, 83.) If these are not thought and planned through, companies may face multiple problems that affect both the firm's capability to understand the potential value creation of an acquisition, and the ability to succeed in the actual post-acquisition integration. (Haspeslagh & Jemison 1991, 105.) Therefore, the entire acquisition process needs to be planned properly from the beginning. Inadequacy in pre-acquisition phase, poorly executed due diligence, or lack of atmosphere or failures in interface management in post-acquisition integration phase among others, will most likely result in failure of the entire acquisition and value creation. (Sudarsanam 2010, 696.) Experience from previous acquisitions may provide help in the integration process, if the characteristics between these two acquisitions are very similar. In addition, it creates certainty and confidence for future acquisitions (Schweiger & Very 2003).

The involved companies begin to integrate certain processes or departments and create synergies between each other to increase the cooperation and to realize the strategy and objectives for value creation, which have been set during the preparation phase before the deal (Lees 2003, 85; Sudarsanam 2010, 695–698). The scope and extent of the integration depends on which parts of the acquired company are willing to be left separate and which ones should be integrated with the acquiring firm: according to Haspeslagh and Jemison (1991, 106), the integration managers should have the ability to perform this in order for the entire acquisition to be successful. Therefore, it is important that there is a clear objective, whether it is the structures, processes or people that are meant to be integrated. The knowledge and goals for this comes from the acquisition motives and strategy that were identified in the very beginning of the entire acquisition decision and process. (Sudarsanam 2010, 696.) The integration process is difficult and uncertain, which is why the detailed discussions are often bypassed during the negotiations (Haspeslagh & Jemison 1991, 106). In addition, the managers must understand that integration is often a compromise, and the most important factors are the capabilities that create value. Often there is an impression that “they should be more like us” or “we have things better”, which can be fatal for the sake of creating value. “Familiarity brings comfort, not performance.” (Lees 2003, 114.) This means that the management behind the decisions may see their own processes as the only ones correct, because they are familiar and has been working previously. So they refuse to see the possibilities that the other company may provide.

Post-acquisition integration can be very complex process, which includes integration of strategy, procedures, processes, systems, IT systems etc. These segments are mostly considered as parts of task integration (Birkinshaw 2000, 34). However, there is also the challenging integration of people and organizations. Whether human or organizational integration the management must consider and take human actions and personal feelings into account. Acquisitions affect a large number of people and create many feelings in employees, such as fear, anxiety, hostility, and anger towards the acquisition. Often there are two varying cultures that are being merged, of course depending on the extent of integration, and it may also require changes in the people and their actions. (Sudarsanam 2010, 695.) Acculturation, as cultural integration, needs to proceed carefully, because the integration of the organizations may cause conflicts and loyalty within the organization, which may harm and probably delay the integration process (Cartwright & Cooper 1993, 65). In addition, the national culture of the companies naturally affects the organizational culture (Sudarsanam 2010, 703). The integration process is performed under the direction of an integration team, which is a cluster of managers from both sides of the deal. The integration plan itself may change during the acquisition according to new information about the counterparty.

The integration phase after the acquisition deal is a vital element for successful acquisition and value creation, and depends on how well the capabilities are transferred between the involving companies (Schweiger & Very 2003, 1). Whether the capabilities are identified as tangible or intangible is reflected in the actual integration process. Realization of the tangible assets, such as manufacturing or operating processes, is usually completed considerably faster than the transfer of management skills or knowledge of key persons. (Sudarsanam 2010, 698.) Birkinshaw (2000, 34) defines the approaches of task integration and human integration as “low road” and “high road”. Sudarsanam (2010, 698) has identified four broad sources and specific transferable capabilities that enhance value for the companies, which are cost savings, revenue enhancement and real options (see Table 2).

Table 2. Broad sources and specific transferable capabilities to enhance company values (Sudarsanam 2010, 698, modified)

Category of capability / benefit	*Specific capabilities / benefits transferable*
Operating resource sharing	Sales force, manufacturing facilities, trademarks, brand names, distribution channels, office space, etc.
Functional skills	Design, product development, production techniques, material handling, quality control, packaging, marketing, promotion, training and organizational routines
General management	Strategic direction, leadership, vision, resource allocation, financial planning and control, human resource management, relations with suppliers, management style to motivate staff
Size benefits	Market power, purchasing power, access to financial resources, risk diversification, cost of capital reduction

The benefits listed in Table 2 are commonly known and received or interchanged between the companies. However, there are also multiple capabilities transferred that create value and these less recognized benefits are rarely spoken of or researched. An example could be the acquisition motives that are not commonly announced, but are concealed behind the obvious and publicly presented ones. (Sudarsanam 2010, 698–699.)

The managers of the acquiring company choose an appropriate integration approach that fits the motives and objectives of the acquisition. This will then lead to exploitation of the firms' capabilities in order to protect sustainable competitive advantage or value creation, which in turn generate financial results (Haspeslagh & Jemison 1991, 106; Sudarsanam 2010, 699). They must have the ability to see to what extent the processes should be integrated and which approach to exercise in order to generate a successful acquisition (Haspeslagh & Jemison 1991). There are many integration approaches presented in the literature of M&As. One commonly viewed and used is developed by Haspeslagh and Jemison (1991, 145), where they trade-off and balance between the need for autonomy and the need for strategic interdependence, from which they have created four approaches to post-acquisition integration: Preservation, symbiosis, absorption, and holding (Figure 5).

Need for organizational autonomy		Need for strategic interdependence: Low	Need for strategic interdependence: High
	High	Preservation	Symbiosis
	Low	Holding	Absorption

Figure 5. Acquisition integration approaches (Haspeslagh & Jemison 1991, 145, modified)

In the preservation approach, there is a low need for strategic interdependence to create the value expected. On the other hand, it has a high need for organizational autonomy to attain that interdependence. In this approach, in order to avoid risk of harming the value and success of the integration, the main task is to retain the source of the capability undisturbed and separate to develop its capabilities to complete, and perform limited integration, such as financial and reporting control. (Sudarsanam 2010, 698–699.) This kind of protection is challenging to provide, even if the need for interdependence is low. Typically, this approach is used to realize funding to the acquired company as main benefit. However, when offering a deal, the acquirer should understand the value of the capabilities to prevent of paying an excessive premium. A common case is that value can be increased with bringing positive changes to the characteristics of the management in the target company. Additionally, the acquiring company can learn from previous integrations, about their own businesses and new areas of businesses. (Haspeslagh & Jemison 1991, 148–149.)

A symbiotic approach means, that there is a greater need for interdependence as well as organizational autonomy. This has the most complex managerial challenges. In this approach, the companies start by coexisting, because there is a risk of harming the benefits with integration: therefore they only slowly become increasingly reliant on each other, and gradually achieve the desired form of interdependence. (Sudarsanam 2010, 699.) There needs to be boundaries that indicate of the protection that is offered to the acquired company and their characteristics, but also the boundaries need to be increasingly permeable for the interactions and changes focused on functional and managerial skill transfers (Haspeslagh & Jemison 1991, 149).

In absorption acquisition, there is a need for greater strategic interdependence and low organizational autonomy. In this approach, the integration implies a full consolidation of the operations and culture of the companies. (Haspeslagh & Jemison 1991, 148–149; Sudarsanam 2010, 699.) This approach may take a long time to be fulfilled, of course depending on the size of the companies. The main objective is to remove the boundaries between the companies, so the issue is more of timing than integration since everything will be integrated. There is also a risk with the cultural integration that it may limit the ability to gain the value expected from the deal. (Haspeslagh & Jemison 1991, 148–149.)

The fourth approach is holding integration, where a passive investor has acquired the company and there is no intention of integration. It is more of a financial portfolio with an aim of reducing risks and capital costs. However, as the need for organizational autonomy is low, it might be that the companies are very similar in business and structure. (Haspeslagh & Jemison 1991, 146.) Both Sudarsanam (Sudarsanam 2010, 699) and Haspeslagh and Jemison (Haspeslagh & Jemison 1991, 146) agree that Holding integration is not relevant and much used approach, and the line between Holding and Preservation approaches is in many cases quite indefinable. Haspeslagh and Jemison (1991, 146) define the two needs presented earlier, strategic interdependence and organizational autonomy, as the most important factors, but also introduce two other important factors to provide useful lessons, quality of the acquired company and size of the acquisition, which do not have as much of a role and relevance as the previous ones though. Nevertheless, the transferrable capabilities are not the only factors that need to be considered. A proper atmosphere needs to be created in order to succeed in the capability transfer. Furthermore, interactions create the atmosphere for capability transfer between the two firms and are therefore very crucial and at the center of the integration process. (Haspeslagh & Jemison 1991, 146.) By considering and taking these matters seriously, there is a greater possibility of creating successful and valuable acquisition integration.

As stated earlier in the study, and many researches conclude with, the emerging market companies often manage to outperform the Western companies in integration process as well as in acquisitions generally (Hege et al. 2014, 4; Kumar 2009, 116). The cause for this may lay in a reality that companies in emerging countries behave quite differently compared to Western companies, which also reflects from the fact that also their motives in acquisitions differ from their counterparts in Western countries (Hege et al. 2014, 21; Rothenbuecher & von Hoyningen- Huene 2008, 5). One factor, which can be identified, is that emerging market acquirers are more flexible and use customized approach to integrations. This extends the duration of integration, but on the other hand provide benefits in the challenging global markets of acquisitions. In addition, instead of interrupting and taking control of the target firm, they rather want to focus on enhancing the management of the acquired company with their assistance to improve and develop the capabilities in a way that create enhanced opportunity for both parties. (Chandra & Barnes 2010, 11.)

Indian acquirers especially interfere rarely with the management of the target company; they leave the local management and operation alone, without any integration. However, there are two areas, where they often influence: financial controls and reporting, and corporate ethics and values. According to Chandra and Barnes (2010, 3), the reason for this is that Indian companies acquire Western assets to learn and gain skills and capabilities, and they offer help for the target firm to understand the Indian parent and their culture in order to facilitate and improve the cooperation. Chinese on the other hand take more responsibility and active role in the operations, because they understand their advantage of low-cost production and integrate the target company's manufacturing in order to cut down manufacturing and material costs. (Chandra & Barnes 2010, 3.)

Automotive industry behaves in similar ways than many other industries. There are horizontal and vertical acquisitions, as companies want to ensure functionality and reliability of their industrial chain, mainly in supplier side and increase the market share and improve the performance of the company. In Chinese and Indian automotive industry there are particular motives behind the acquisition decisions. The emerging market companies are willing to acquire intangible assets, such as brand, know-how and knowledge. (Hege et al. 2014, 21.) In addition, they are interested in technology and products of the acquired firm. In this study the focus is on brand and product, in automotive case model line-up, integration, as those are the most visible part for the public, and the acquiring companies desire to gain capabilities that improve their competitiveness, when they expand to global markets.

2.3.2 Brand and product management

Brand and product are often mentioned together, and in fact influence each other noticeably. However, those are varying term, and possess different characteristics. Product is an object that may contain or be reflected to characteristics of a certain brand. Brand definition is more complex, and it may contain various products in multiple markets. (Vu et al. 2010, 82.) Aaker and Joachimsthaler (2009, 51) define that product possess various characteristics, including scope, attributes, quality and value, use or purpose, and functional benefit. According to Kotler (2000, 183) a product is "anything that can be offered to a market to satisfy a want or need". For consumers, often the visible part of brand is mainly the logo, name and the related product itself, but there are many aspects that are not obvious to people that are relevant for brand management and value, in other words the intangible assets (Davidson, Keegan & Brill 2004).

Brand on the other hand refers to issues related to physical product, the identity of the brand, brand personality and brand image. Vu et al. (2010, 104) clearly presents brand itself and factors that influence the identity and image of brand and is presented in Figure 6.

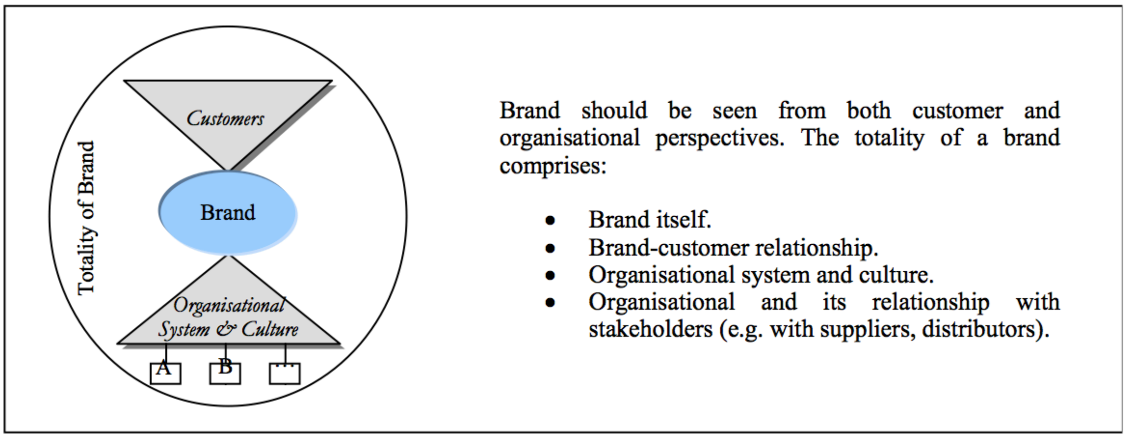

Figure 6. Factors influencing the identity and image of brand (Vu et al. 2010, 104)

As can be viewed from the figure, various aspects influence brand and its characteristics. The brand-customer relationship is about the image of the brand and how it satisfies the customer. (Vu et al. 2010, 104.) Customer equity creates financial equity and financial values as brand builds assets in the minds and hearts of stakeholders, assets such as brand awareness and emotional bonding (Kapferer 2012, 7). Organizational system and culture indicate to the company's processes and tangible and intangible factors that give brand competitive advantage. Organization and its relationship with stakeholders mean the suppliers and distributors that are also related to the brand. As can be seen, there are many factors that have an effect on brand and its value, (Vu et al. 2010, 104,)

Vu et al. (2010, 83) have identified main characteristics of brand definition through several earlier researches. Brand is a complex entity and is a mixture of elements from both brand owner and user. In Table 3 is presented the classified literature of brand and product management into four main views.

Table 3. Classified literature of brand and product management in four main views (Vu et al. 2010, 83)

Customer view	*Supply view*	*Product development (PD) view*	*Value creation view*
• Product and brand • Business-to-business and business-to-consumers markets • Segmenting, targeting and positioning (STP) • 4Ps policies • Product in 4Ps: - Product life cycle - Product portfolio management • Brand management: - Brand evolution - Brand value and brand strength - Brand portfolio management • Distribution and distributors' own brands (DOB)	• Some popular operational concepts • From a single factory to a network of international manufacturing • Supply network – make or buy decision decides the scope of product or brand • Others: knowledge, human capital, and corporate culture	• Technology and patent • Research and development • New product brand development: process, return map model, quality function deployment, integrated product development, modularity and product platform • Product and process reengineering	• Generic positioning strategies • Brand vision and objectives • Resource-based strategies • Game theory • Value chain and supply chain

Table 3 helps to see the brand and product definition in a systematic way. Brand and product are central to an organization in four main functions: operations management, marketing management, technology management and strategic management. (Vu et al. 2010, 86.)

Brand may seal in multiple products, which means that then the brand's product and market scope is the main focus for the management. The product scope signifies, how many varying products the brand is directed to and market scope construe to how many markets the brand is distributed. The challenge in managing these two scopes is to attain the cross-market and cross-product synergies and at the same time to be sufficiently flexible to succeed in varied product markets. (Aaker & Joachimsthaler 2009, 9–10.) When brand is tied closely to a product class, its potential to extend is limited (Aaker & Joachimsthaler 2009. 154).

Brand is one of the few assets that can provide a long-lasting competitive advantage to a company (Kapferer 2012, 1). According to Ehrenberg (1972, 47), larger brands have high purchase frequency per buyer as well as high penetration rate, and these are two factors in addition to customer loyalty that creates growth and value. This is what happens to Apple, customers are loyal to the brand and buy new models yearly, even if the old one is still usable. Brand management begins with product or service creation or definition of places that comprehend the brand. (Kapferer 2012, 8.) Brand management starts with product as a tangible asset to which is then added intangible assets through communication, so it can be thought as a communication task. The key factor in brand management is the brand identity. "Brand management is about gaining power, by making the brand more known, bought and engaging." (Kapferer 2012, 10, 40.)

Brand managers are responsible for this challenging task and maintaining the value of the brand. They are facing difficulties with adapting to constant changes in the market, while trying to create competitive advantage for the company through brand. "Brand management must address the exigencies of the evolving needs of buyers within a market increasingly populated by global competitors and the opening of territorial markets." (Shocker, Srivastava & Ruekert 1994, 149.) The technology is developing fast and it can be seen as both a challenge and opportunity. It provides opportunities and new skills, but they need to keep up with rapidly changing markets. "Successful management of brands requires paying close attention to both the external customer franchise and the internal organizational system and culture." (Vu et al. 2010, 104.) One important factor in managing brands is the legal perspective. Trademarks and other property rights are the most useful way of protecting the brand (Kapferer 2012, 8). When a company creates a strong brand as an intangible asset, brand management becomes an important component in business operations of a company and generates long term sustainable value and profitability (Chen & Liu 2011).

The brand and its value are highly reflected to the purpose and quality of the product. In low-cost and primitive products, the brand does not necessarily have much value for the consumer. In cars on the other hand, the brand may have significant value for money (Schmidt 2012, 10–11). Some consumers see cars only as a transportation as other may see it as an image of social status, sense of enjoyment and wellbeing or emotion of quality and safety. Therefore, distinguishing brands have certain image, which is valued in money. As a result, the consumer is willing to pay the given price for a car and a brand expecting to gain value for the investment. This is especially in luxury car market, where the requirements are radically higher and supply is state-of-the-art. "Everything is made to facilitate the users and also highlight the owner's sense of prestige and status wherever it travels." (Senthilnathan 2013, 117.) So the more frequent use will invigorate the sense of luxury and satisfaction through the product. Numerous luxury cars manufacturers increase the brand's power by creating further brand value and moving up the brand into next segments. (Senthilnathan 2013, 117.) In addition, the localization of brand and products is relevant. The local differences should be recognized and the brand and models need to be adapted into the tastes of local consumers. (Schmidt 2012, 20.)

Product management on the other hand is about controlling the product or product family. The definition of product management is rather challenging as many companies have their own job description for it. Mainly, product management controls the definition, development and maintaining of the product, product variety, the structure and the architecture. Product manager needs to be involved with product development and marketing, partly with the entire product lifecycle management (PLM). In order to perform these functions, product manager needs to be aware of the market, customers, competitors, and product lifecycle and development. Product structure is the hierarchical composition of a product and its content. It is part of product creation, process management and production control. (Pulkkinen 2007.) Product architecture is a model, where the function and physical components encounter and has a central part in the performance of a manufacturing firm (Ulrich 1995). The decisions of architectural matters are usually done during the innovation or product development phase. Product is based on a platform, where the components are attached to each other through interfaces. (Sanchez 1999.) Ericsson and Erixon (1999, 17) state that through product architecture, it is possible to handle complexity of product structure by dividing it into smaller controllable elements.

Through product management it is possible to increase the efficiency and effectiveness of the company and its processes, especially in production and logistics. Additionally, it assists to link various products within the product portfolio of a company together, and identify if certain components or processes could be used between products. Generally there are two higher-level extremes in architecture, integral and modular architecture. (Ulrich 1995, 426.) Integral architecture is complex and compact structure, as some products are meant to be as small and compact as possible, which makes the structure extremely complex and replacement of components fairly challenging. Additionally, the purpose might be to make the variable costs as low as possible by using standardized components and structures without customization, and practice mass production. (Ulrich 1995, 431–432.) Modular architecture in contrast is based on replaceable modules within the product architecture, from which it is efficient to develop and generate product variants. This is extremely effective with products that are required to be customized. It also facilitates swapping and sharing of components in and between configurations. (Pulkkinen 2007, 55.) According to Upton (1994), unlike in integral, in modular architecture a change of a component in a product is rather easy and does not require changes in surrounding modules. Modular architecture is rather extensively used in automotive industry, especially in higher and larger car segments. The low-cost vehicles often use integral architecture and approach of mass production in manufacturing and product development.

In mass customization, customized products and services are offered through flexible processes with characteristics of mass production, as in high volumes and with practically low costs (Duray, Ward, Milligan & Berry 2000). The customizable modules are separated from the rest of the structure and assembled during the final stages of assembly line, so that the internal complexity of the company will not increase due to many product variants (Ericsson & Erixon 1999). A mixture of the customer, product and the order-delivery process is considered in mass customization.

The modularization process requires higher investments during the product development phase, when it should be conducted (Ulrich 1995, 424). According to Ernst (2008, 37), there are considerable barriers in successful utilization of modular innovations and architecture, although it creates opportunities and increases long-term profitability. In automotive industry, many premium cars are manufactured in a way that most modules of the car are standard, and then the remaining modules are assembled to fit the requirements of the customer, such as interior style and entertainment system. This can also create advantages in localization of the models, as the general requirements in China's market may differ from the requirements in Western Europe. (KPMG 2014b, 27.) In addition, some modules can be used in multiple car models within a brand or between various brands.

2.3.3 Approaches to brand and product integration

It has been stated in numerous studies that majority of M&As fail to achieve the planned goals and profits and actually may decrease the value of the companies by combining them, which can be an outcome of over-valuation of the acquisition as well as underperformance of the integration process, particularly brand and product integration. (Vu et al. 2010, 81.) The value of intangible assets has increased considerably during the last decades accounting nowadays about 80% of company's value. Brand is considered to be one of the most valuable intangible assets in the company, in many business-to-business as well as business-to-consumer markets. (Lindemann 2003, 27.) According to Sudarsanam (2010, 144), the brand reduces risk for creation of the shareholder value (Madden, Fehle & Fournier 2006, 224). However, there is also evidence, that brand redeployment does not always manage to increase profit and in fact even exterminate profitability (Capron & Hulland 1999, 41). It is stated that only one out of five acquisitions of brand is successful (Knudsen, Finskud, Tornblom & Hogna 1997). For this reason, brand acquisitions require cautious management throughout the entire acquisition process, and understanding the effect of the post-acquisition brand portfolio in creating sustainable competitive advantage. It requires a consideration of the short-term and long-term options of brand management. (Sudarsanam 2010, 145.)

Certain strategic assets, such as valuable brand and patents are extremely challenging to develop internally, which is why many companies use acquisition to obtain brands value. However, the brand acquisition is a challenging process, and sometimes it may confuse the consumer, when two separate brands are merged. (Chandera & Widjojo 2012, 139.) Nevertheless, handling the acquired assets affect the value of the acquired brands that are improved by various characteristics of the acquirer and target firm, such as marketing and diversity of the brand portfolios. This may also mean that there will be overlapping brands that eat from each other's market share, and end up in elimination of one of them, which happens often in horizontal acquisitions. (Sudarsanam 2010, 145.) In the end, the challenge is how to choose the right brand integration strategy and suitable brand identity. After that it is possible to continue to the design of the merged brand portfolio's architecture (Basu 2006).

Vu et al. (2010, 97) have regenerated four modes of brand and product integration strategies in horizontal M&As based on their previous study (Vu et al. 2009), which again was based on multiple case studies. These are explained in Table 4.

Table 4. Four modes of brand and product integration strategies (Vu et al. 2010, 97)

Strategies	*Mechanism*	*Objectives*
Choice	The partial or total divestment of a brand/product (as a result of external forces or reduction of the firm's internal competition).	When the firm aims to eliminate its internal competition its main objective is to optimise the use of resources (efficiency).
Growth Maximisation	The adding and management of merging brands/products.	Generating and achieving growth. Revenue synergy.
Harmonisation	The alignment of merging brands/products or the capitalisation on their scale and marketing or commercial knowledge.	Cost synergy and operating improvement.
Foundation	The development or creation of new brands or new capabilities based upon the combination of merging brands or their elements.	New capabilities. Generating and achieving growth.

The four redefined approaches in Table 4 are based on research of numerous case studies, including automotive acquisitions. These offer companies both B2B and B2C types of businesses to consider an optimum alternative for their implementation of brand and product integration. (Vu et al. 2010, 97.) Based on the knowledge of case studies, these four approaches were further sub-categorized by Vu et al. (Vu et al. 2010, 98) and are presented in Table 5.

The strategies and sub-strategies presented in Table 5 provide approach to value creation and realization in integration process. The outcomes can be evaluated from the perspective of acquisition motives and the value chain (Vu et al. 2010, 99–100). These strategies have various goals: growth, efficient use of resources, revenue and cost synergy, operating improvement and generation of new capabilities development. The four identified main strategies are linked through two distinct objectives, cost savings and growth. The linkages are shown in Figure 7.

Table 5. The four integration approaches sub-categorized (Vu et al. 2010, 98)

Integration strategies	*Sub-strategies*	*Description*
Choice	Withdrawing	The intentional discontinuation of an existing or an in-development brand/product by the merging firms in post-horizontal M&As.
	Third party disposal	The total or partial divestment of an existing or in-development brand/product by the merging firms to a third party in post-horizontal M&As.
	Repositioning	The sub-strategy in which the current positioning of the brand in the minds of customers is changed to an alternative positioning.
	Premiumizing	The improvement of the physical appearance, quality and values that a brand promises to deliver to its customers and the development of differentiating characteristics of the brand in order to justify a premium price for it.
	Re-using a brand name	The creation of a new mark (e.g. name, design or symbol or combination of these) for an existing brand in order to enhance its differentiation from other brands.
Growth maximization	Prioritizing, holding and harvesting	The resource allocation decision made by the post-M&A organization for the merging brands/products.
	Expanding geographic market coverage	The expansion of the existing geographic markets of the merging brands/products by the post-M&A organization to new geographic markets by its own efforts or by licensing and third party marketing and distribution techniques.
	Distribution channel optimization	The utilization and improvement of the merging firms' distribution channels (DC) to carry the merging brands/products to the markets and to improve their sales performance.
	In-licensing	The sub-strategy in which the post-M&A organization takes advantage of its market presence and strengths to market and sell a third-party's (normally a competitor's) brands/products under license.
	Brand line/segment/category extension	The categorization and innovation of the merging brands/products.
	Brand quality improvement	The improvement of selected aspects of the brand/product such as quality or functional performance by the post-M&A organization.
	Portfolio scaling	The capitalization on scale of the merging brands/products to achieve cost synergy and operating improvement in post-horizontal M&As.
Harmonization	Commonalizing	The sub-integration strategy in which the post-M&A organization actively bring more shared features and attributes to the merging brands/products while maintaining their uniqueness through its R&D efforts in order to leverage scale, efficiency, and operating improvement in purchasing and production and to reduce production complexity.

	Migrating	The move or transfer of attributes or features of one brand/product to another in order to enhance both cost synergy and operating improvement. This transfer normally leads to a reduction in the number of brands/products as tributes or features of those into integrated solutions.
	Capitalizing on branding knowledge	Capitalizing on the marketing and commercial knowledge of the merging firms to enhance operating improvement and achieve cost savings for the merging brands.
Foundation	Combination of engineering characteristics	Combining the distinctive physical features claimed by merging brands/products to create new brands/products.
	Combination of engineering characteristics and customer attributes	Combining the distinctive physical features of a brand/product with the functional and emotional attributes of another brand/product in the combined portfolio to create new brands/products.
	Combination of customer attributes	Combining the functional and emotional attributes of merging brands/products to create new brands/products.

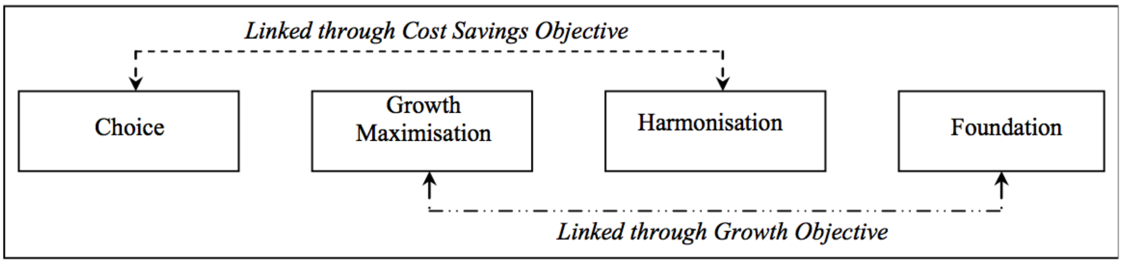

Figure 7. The linkages of the four main approaches through cost saving and growth objectives (Vu et al. 2010, 99)

Presented brand integration strategies deliberate both the environment adaptation of organization and the full utilization and development of the capabilities and resources, which is important for the company's value creation. An example of environment adaptation could be an extraction of a product or brand due to end of a life cycle or overlapping with another brand or product. (Vu et al. 2010, 102–103.)

In automotive industry, mostly the acquisitions among automobile manufacturers meet the requirements of horizontal acquisitions, as they are buying a competitor or a manufacturer of cars in different class. This induces challenges in the integration phase and value creation. There are multiple cases of acquisitions followed by deterioration of brand, for example when low-cost car manufacturing firms acquire luxury brands or the other way around. (Strach & Everett 2006.) There is a high potential of fatal brand corrosion, when compounding mass-market and luxury cars within one corporation portfolio. The producers of mass-market cars manufacture luxury cars using the cheaper components in order to achieve scale economies, which can again drive consumers out of the market of premium cars. This in turn harms the high quality of luxury car brands in customer perception. The brands in many ways determine the image and desires of both its customers and companies. Because of this, "the idea of sharing any product, technology, or even resources used in the development or distribution of the product" can be seen as a risk of endangering the brands' value proposition. (Russo, Ke & Tse 2009, 7.)

2.4 Synthesis for acquisition motives and post-transaction integration

Companies entering in acquisition business have certain individual motives that must be met as a result of the acquisition in order to receive the desired outcomes and create value for shareholders. However, mainly the acquisition success is determined during post-acquisition integration, as the effectiveness of the strategy influences in exploiting the acquired assets and capabilities as well as retaining their value. In automotive industry, one of the most important areas of integration is the brand and model line-up integration as those have crucial value for automotive companies in brand awareness and value among consumers. The motives for the acquisition affect the strategies that are executed in the post-acquisition integration phase in order to create the maximum value of the acquisition practice and to gain the desired assets between the companies involved. This means that the post-transaction strategy is based on the motives, whether those are cost saving, asset-seeking or market-seeking. The motives and desired goals determine the depth of the post-acquisition integration process, which parts are integrated or whether there is integration at all.

In order to answer the research questions, it is important to understand the motives and integration strategies in acquisitions. Through this information, it is possible to understand the effect of the motives in post-acquisition brand and product integration strategy. In order to receive a deeper understanding of this impact, the research focuses on two rather similar case acquisitions. In the next section, the study focuses on characteristics of automotive industry, particularly in China and India. Through the theoretical framework, the focus in later chapters is to use the gathered data of the cases and analyze them based on the theoretical framework.

3 RESEARCH DESIGN

3.1 Research approach and method

The theoretical framework, in which the case study shall be conducted, was presented in Chapter 2. The framework is based on the literature of acquisition motives of emerging market companies and post-transaction integration, more specifically brand and model line-up integration. Mainly the theories and concepts used in analyzing the motives are Angwin's (2007. 93), Häkkinen's (2005. 38), Dunning's (1993), and Hege's et al. (2014. 21), in order to see which one covers the case companies' motives most accurately. In the brand and product integration research, the main concept utilized was created by Vu et al. (2010. 98–100).

This study researches acquisitions in the automotive industry. The study is conducted through two acquisition cases in automotive industry between 2008-2010. The acquiring companies were from China or India, which brings the emerging market perspective to the study, although no generalizations can be made to other emerging countries. In this chapter, the methodology of this study is presented and various research approaches are introduced. "Methodology is the study of methods and it raises all sorts of philosophical questions about what it is possible for researchers to know and how valid their claims to knowledge might be." (Fisher 2007, 50.) When thinking about the methodological approach to dissertation, first it is important to choose, whether to utilize qualitative or quantitative research method. The research method should always meet the requirements of the research problem (Eskola & Suoranta 1998, 14). The choice of the research method depends on, whether the empirical part is based on words or numbers. In qualitative study, the focus is in descriptions and the data can be observed, but not measured. In quantitative on the other hand, the data can be measured and is often based on statistics etc. (Mertens 2014, 3–15.)

In qualitative research, the researcher seeks to study on motives, intentions and experiences of people (Collis & Hussey 2003, 13). Qualitative data is measured through interviews, documents, and observations. According to Yin (2013), a case study research may exercise various data sources, both quantitative and qualitative data, and it can contain longitudinal and in-depth data. "Case study research is a qualitative approach in which the investigator explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual material, and documents and reports), and reports a case description and case-based themes." (Creswell 1998, 73.) This study utilizes qualitative research approach in order to receive deeper conception and understanding to the research problem and answers to the research questions through qualitative data. Through quantitative data, it is difficult to receive detailed information of processes and reasons for certain actions, which is why quantitative approach was not considered proper option in this study. Depending on the depth of the research, various research approaches are preferred. According to Fisher (2007, 69), for a broader and more representative overview, a survey approach is seen appropriate. Then again, for an in-depth understanding of certain situations and processes, a case study approach is more suitable. Surveys and case studies may complement each other as well as generate more synergistic influence overall. (Weber 2012, 173.)

Instead of testing formed hypotheses, qualitative research attempts to find new information. This is why qualitative method commonly utilizes inductive approach. (Hirsjärvi, Remes, Sajavaara & Sinivuori 2007, 165.) In total, there are three research strategies: inductive, abductive and deductive. In an inductive approach, the research is based on and influenced by real-life observations that are generated into a testable theory (Lorentz 2009, 28). It generalizes assumptions by making conclusions based on empirical findings. Through assumptions, the trustworthiness of the findings is uncertain. (Ghauri & Grønhaug 2005, 13.) Abductive approach on the other hand uses observations from real-life and those are then reflected to the theory and compared to result the outcome between theory and observations. Lastly, in a purely deductive research process, the researcher contrives hypotheses or propositions on the matter, which are based on a theoretical framework of the literature. Then those would be tested through case study based research, and the results are finally discussed and analyzed in view of the literature. (Yin 2013, 15.) Deductive research is based on logical reasoning (Ghauri & Grønhaug 2005, 14). This study follows the inductive approach, as it tries to discover new information through secondary data and make conclusive assumptions based on the findings.

According to Fisher (2007, 174), there are various ways to carry out the primary research in a study, and most of them can be performed either in open and unstructured way, or in pre-coded and structured manners. In an openly approached documentary research, the researcher may try to understand how certain points of view are brought around the reader or having an open perspective on the findings in documents and texts. This study is using open approach through method of documentary analysis in order to observe whether the publicly shared secondary data consist of relevant information for the issues studied in here. This study focuses entirely on case study approach in the empirical research. In a qualitative case study research, when compared to quantitative, the progress is often uncertain as the data collection is not complex process, but the analysis stage after collection is far more complicated. (Fisher 2007, 205.) Case studies provide the researcher to focus on the connections between the factors, like people, groups, technologies and policies through holistic approach in the subject providing deeper understanding in the smaller details (Fisher 2007, 69).

According to Welch, Piekkari, Plakoyiannaki and Paavilainen-Mäntymäki (2011, 740), case studies have been the most utilized qualitative research strategy in international business researches during the last decade, as researching case studies provides potential to create new radical theoretical approaches. In newer qualitative case study research of Welch, Piekkari, Plakoyiannaki and Paavilainen-Mäntymäki (2011, 745), they have identified four various typologies in case study researches: inductive theory building, interpretive sense making, natural experiment and contextualized explanation. These typologies are presented in Table 6. Yin (2013, 13) states that the case study approach offers a real life context, consisting of single site, but the same time many variables.

Table 6. Four various typologies in case study researches (Welch et al. 2011, 745)

Dimension	*Inductive theory building*	*Natural experiment*	*Interpretive sensemaking*	*Contextualised explanation*
Philosophical orientation	Positivist (empiricist)	Positivist (falsificationist)	Interpretive/ constructionist	Critical realist
Nature of research process	Objective search for generalities	Objective search for causes	Subjective search for meaning	Subjective search for causes
Case study outcome	Explanation in the form of testable propositions	Explanation in the form of cause–effect linkages	Understanding of actors' subjective experiences	Explanation in the form of causal mechanisms
Strength of case study	Induction	Internal validity	Thick description	Causes-of-effects explanations
Attitude to generalisation	Generalisation to population	Generalisation to theory (analytic generalisation)	"Particularisation" not generalisation	Contingent and limited generalisations
Nature of causality	Regularity model: proposing associations between events (weak form of causality)	Specifying cause–effect relationships (strong form of causality)	Too simplistic and deterministic a concept	Specifying causal mechanisms and the contextual conditions under which they work (strong form of causality)
Role of context	Contextual description a first step only	Causal relationships are isolated from the context of the case	Contextual description necessary for understanding	Context integrated into explanation
Main advocate	Eisenhardt	Yin	Stake	Ragin/Bhaskar

Welch et al. (2011, 745) argue that the typologies, except contextualized explanation, are highly recognized and utilized, as the fourth is a more recent typology through methodological literature. In this study, the main typology is interpretive sense making, which means that the philosophical orientation is in sense making and constructionist approach, and there is a search of meaning, which in this case are the motives towards the acquisition and post-acquisition integration strategy. The purpose is not to generalize, but to "particularize" according to Welch et al. (2011, 745). In this typology, in order to understand the phenomenon and causes, the context description is necessary.

There are many various research methods, both quantitative and qualitative data to study on theoretical propositions and to guide the data collection. However, as mentioned earlier, there is a challenge of representativeness with case studies, especially in generalization. (Fisher 2007, 70.) Commonly there are only few cases that are investigated, which makes it extremely challenging to generalize the findings to other cases as well, which are not being studied. Some researches conclude that the case study method provides most useful results and findings through connection between rich qualitative data and standard deductive research, such as Weber (2012, 174). According to Glaser and Strauss (1967), multi-case studies that are analyzed with comparative study, result with generalizable and testable hypothesizes and theories across the cases. They also offer an opportunity to comparison between the cases. With more cases, it is easier to generalize certain findings and theories (Weber 2012, 174).

While studying contemporary phenomenon such as acquisitions, Weber (2012, 175) has concluded that case studies are the one of the most useful strategies to answer how and why questions. Some case studies are particularly interesting and unique and offer exclusive opportunities to study actions and reactions in rare conditions, and can be utilized to test hypotheses or robustness of theories. (Weber 2012, 175–176.)

3.2 Selection of the cases

For this topic, the cases chosen to be researched required certain characteristics. Basically it must be from automotive industry, between automobile manufacturers and the acquiring company should be from emerging country and the target company from developed country. This way the research can study the changing environment of the automotive industry. The reason for focusing on international acquisitions instead of domestic ones is the relevance for the industry, as the international acquisitions have larger impact and receive more attention by the public and media. In addition, focusing on acquisitions performed by emerging markets in developed countries demonstrates the newest phenomenon in M&As, which was explained earlier. They present the effect of developing country corporations to take over companies, acquiring products that improve their competitiveness in entering global markets. As the main automobile OEMs in emerging markets are in China and India, it was clear to choose a case with Chinese and Indian companies. The cases that were chosen for this research were optimal choices, as they possess the required characteristics and also would provide a great opportunity for comparison. The empirical part of the research is based on the following two cases:

1. Acquisition of Volvo by Geely Holding Group in 2010.

2. Acquisition of Jaguar Land Rover Automotive by Tata Motors in 2008.

The cause to select the particular cases shown above was that these are largest car manufacturing company acquisitions that been made by emerging market companies in developed markets. They are quite similar cases in big picture; both target firms have globally known brand and technological know-how within the organization, and also the acquiring firms have same characteristics, such as good position within domestic market and desire to expand globally with stronger brand. There have been many news articles and researches about these case studies as the companies have had high value for their home country (Nathan 2014; Ramamurti 2009; Wuzhou 2014; Yannan 2014). This is also one of the criteria of choice, as there are many academic and news articles about the subject acquisitions. Further characteristics and information of the case acquisitions and companies are not presented in this section. The automotive industry, the cases and the companies involved in the case acquisitions are presented more detailed in the following sections of the study.

3.3 Data collection and analysis

The data collection was started by going through various databases and trying to find academic articles. The data was gathered from various databases. The reason for starting with academic data was that those have wider but also more in-depth research of information about the cases as news articles. Additionally, the research questions were divided into more detailed sub-questions, which would then provide bigger picture about the main research questions. Most of the academic researches were read through few times and information answering the sub-questions was picked up and written down in Excel –table. This would reduce the amount of times to read the articles and studies. The academic articles also consisted bachelor's, master's and doctoral theses. After this, the search focused on the news articles through various databases and the same information gathering was repeated to the Excel –table as with the academic researches. The information gathering from the articles was performed critically so that minimum amount of irrelevant information would be included in the study. A list of academic and news articles used in this study is presented in Appendix 1. Additionally, some information about the articles is presented in the appendix, such as the author, methodology, key findings, source, and whether it is academic or news article.

In data analysis, the purpose is to structure and bring order to the vast quantity of gathered information from data collection (Daymon & Holloway 2002, 231). According to Yin (2013, 109), the analysis of data is not an easy task as there are no proper strategies or techniques in doing so. This especially applies in analyzing and collecting secondary data. Through the secondary data and with the help of more detailed subquestions, the data was transformed into text and focus was to answer research questions one by one to understand the motives and integration processes of brand and model line-up within the new combined corporations. Each question was investigated and answered thoroughly to create proper meaning and rational findings. The data can be then contrasted to the theoretical framework to see, whether they support each other (Gray 2013, 264).

The data was analyzed based on the main theories and strategies presented in the literature review in Chapter 2. Finally the focus was in the impact of motives to the particular integration strategy and additionally a comparison the information about the two cases identifying the mutual characteristics and how were the cases different from each other. In the findings and discussion part, firstly the cases were analyzed individually and after that the question of motivation impact on integration strategy was reviewed commonly between the cases and compared based on the findings from the secondary data received. Finally, based on the findings, the outcomes and recommendations were identified and generated to offer information for future similar cases, and for the future researches to base their studies on.

3.4 Trustworthiness

The reality and trustworthiness in this study is rather challenging to identify, as there are only two cases that are being analyzed during the research. Clearly, it is easy to explain how these two cases behaved and what were the characteristics, commonalities and differences within the case comparison. However, it is fairly difficult to draw general conclusions about acquisitions in automotive industry or between emerging and developed country companies.

In qualitative research, the trustworthiness of the findings and conclusion is always unclear, and many researchers question whether it can be proved in any way (Shenton 2004). However, few concepts have been identified in order to pursuit a trustworthy study, such as four criteria proposed by Guba and Lincoln (1989). These four criteria are credibility, transferability, dependability and confirmability (Daymon & Holloway 2002, 93). Credibility equals internal validity, where researchers want to make certain that the tests or measures of the study are intended (Guba & Lincoln 1989, 236; Shenton 2004, 64). It shows whether the findings are credible to the stakeholders and how identical those are with the real world (Miles & Huberman 1994; Shenton 2004, 64). In the study, the theoretical framework and concepts were presented and used exactly according to the way the creators introduced those. In addition, the findings and information gathered from the sources of data were presented without modifying the message and content. The limitations of the research method were realized and taken into account. As the findings were based on articles about real life case, it can be relied that those were also supported by the experiences in the real life. The conclusions were reflected to the answers of the research questions, even if some findings were not so clear to identify.

Transferability equals to the external validity and means that the findings of the study can be applied in other circumstances or situations and to a wider population (Collis & Hussey 2003, 278; Shenton 2004, 69). In other words, are the findings generalizable to other similar cases and studies (Guba & Lincoln 1989, 241). It is clear that in qualitative research, it is really difficult to prove that the findings could be generalized, especially in case study research, as often those are based on one or two cases (Shenton 2004, 69). However, using few cases is not any better than using only one case in terms of transferability (Myers 2009). If the case is presented very detailed, the transferability increases as readers can better see the similarities between their case and the ones in the study they read about. Although the findings in case study are not so generalizable, they can still be transferable between cases with similar characteristics. In addition, it is the responsibility of the reader to recognize the similarities and decide whether the conclusion and findings can be transferred and how extensively they are willing to transfer (Shenton 2004, 70). The findings of this study are rather difficult to be especially generalized, but also transferable. The reason for this is that there were only two cases that were researched, and as mentioned earlier in this study, every acquisition is different. But the fact that the details and findings of cases in this study were clearly presented will increase the transferability as similarities between cases and researches can be identified more easily.

Dependability means that if another research would be conducted with exactly same methods, sources and participants, the result would be similar (Shenton 2004, 71). This is equal to reliability, as the stability of the data is concerned over longer time. In order to increase dependability, the process of the research should be documented completely and in very detailed manner to enable the repeat of the study by other researchers (Collis & Hussey 2003, 278; Shenton 2004, 71). The quality of documentation defines the dependability (Guba & Lincoln 1989, 242). In this study, the documentation was done in very detailed way. However, the data collection and analysis were not supporting too dependable way, as the research focuses on secondary data through literature. The data collection and analysis parts were quite simple processes as the articles were read one by one and all the relevant findings were gathered. In the analysis part, the findings were categorized under the four research sub-questions. Through this process, it was rather useful and easy to answer the questions.

Confirmability depends on the reflection of findings to the data collected. This means that the findings of the study are not only imagination or vision of the researcher, but are really found in the interpretations, data and outcomes of inquiries (Collis & Hussey 2003, 278; Guba & Lincoln 1989, 243). This can be a challenge in a study based on interviews, especially if it is not recorded. In addition, the information received during the study ought to be based on facts and logical assumptions. However, when the study is based on secondary data, the findings reflect completely on the issues that have been read from the articles. Of course some assumptions need to be taken, as everything is not said on the paper. Nevertheless, the confirmability was high, as the findings were in line with the data and theoretical framework.

The information received from the data would have been more trusting if there would have been interviews involved in addition to secondary data. On the other hand, often the interviews will not provide new information and even may not provide facts and information to be trusted on, as often interviews are based on the personal feelings and experiences of the interviewee. In addition, some of the researches used in this study were based on interviews, which would provide that side for this study as well. Generally, news articles provide quite critical view from certain side in the issues, which would require a critical view also towards the information from the article, while analyzing it. On the other hand, in academic articles the data is quite reliable, but as there are no similar studies about exactly same issues and cases, only some information can be picked form each source. This makes it challenging to create concrete findings, as many assumptions and findings are gathered from multiple sources.

All the findings in this study are entirely based on the secondary data collected from academic and news articles, and if the findings and data in those researches are reliable, which in this case is highly probable, then so are the outcomes in this study. Naturally, it is challenging to provide the whole truth about the issues, as there are various points of view that have different interpretations. The fact that the end results of the acquisition processes of the cases are not entirely witnessed, makes the trustworthiness of this study also challenging. However, the conclusions in this study are made based on the situation of the case acquisitions at the time of making of the research.

4 AUTOMOTIVE INDUSTRY AND MARKETS IN DEVELOPING COUNTRIES

4.1 Overview & future outlook

The automotive industry started as early as the end of 19th century. It has been dominated mainly by the US automobile manufacturers, such as GM, Ford and Chrysler. In 1950 three out of four cars were manufactured in USA. Later on, European and Japanese automotive industries grew and took their share in domination of the global production. (Vorobyov 2013, 21.) By 1990, the global automobile market had developed into sophisticated and international environment. There were over 20 manufacturing firms that were competent enough to share the competitive global market. (Clark 1991, 36.) According to Clark (1991, 36) there has been three driving forces that modified or affected the industry: intense and competitive international market, the growing disintegration of markets, and high innovation in technology. Due to the massive scale of influence, the automotive industry has substantial importance in today's world. The amount of vehicles in operation in the world broke the boundary of 1 billion in 2010 (Vorobyov 2013, 19). The automobile industry is a significant driver of growth, income, employment, and innovation and because of that, it has drawn a lot of attention among various sectors of the economy (Zhou & Zhang 2011, 6).

This is capital-intensive industry, and its R&D and the construction of production lines require high financial investments, which is seen as a financial barrier (Zhou & Zhang 2011, 6). Hence, the industry and manufacturers are a powerful mix of finance, engineering and marketing. However, as to any other industry, the key to success and recovery in this industry is management. (Hutton 2013.) As Ratan Tata, the Chairman of Tata Group stated: " Automobiles are very emotive products and the technology is very engaging" (Hutton 2013). From the corporate perspective, major groups control global automotive market. Therefore, in terms of manufacturers as well as countries of production, the global automotive industry stays highly concentrated. (Vorobyov 2013, 21.) The leading OEM groups are and will also be in the near future Volkswagen, Toyota, Renault-Nissan, GM, and Hyundai Group. In premium car market, the leaders will most likely remain BMW, Volkswagen and Daimler Group, and also Geely and Tata Group due to acquisitions of Volvo and Jaguar Land Rover. (KPMG 2015, 36–37.) Mergers and acquisitions, especially horizontal and sometimes vertical, are common in automotive industry. Large manufacturing companies merge with each other to cut down costs and increase profitability. But in the last few years, the volume of the deals has decreased. In the first half of 2014 there were 24 deals and volume of the deals decreased approximately 20% compared to 2013, and was the lowest since 2009. Then again, the disclosed deal value grew enormously from $1.1 to $13.4 billion, due to few realized megamergers, such as the acquisition of Scania by Volkswagen Group.

Two decades ago, a new trend occurred, which transformed once again the industry, when the eyes of Western companies turned to low-cost companies in the East. Due to internalization and FDI, the production of automobiles began to transfer from developed countries to emerging countries, mostly China and India. Western automobile companies established joint ventures with emerging market companies, which started to produce Western brands and models targeted in emerging markets (Vorobyov 2013, 21). As the FDI increased in developing countries, it was followed by the increased economic growth. In 2009, China became the largest automobile manufacturing country in the world (OICA 2014). However, the majority of vehicles, about 80 percent, are still originated from established original equipment manufacturers (OEMs) (KPMG 2013, 10). The reason for this was that the emerging country manufacturers have lacked the credibility and technology to enter global market. But, the production percentage of established OEMs has decreased slowly since 2000 and is estimated to continue on this track and balancing or shifting the economic power within the industry (KPMG 2013, 10; PwC 2014b). The difference is that car manufacturers in emerging markets are mainly producing low-cost vehicles, as their technology has not been developed enough to produce their own premium cars. They have had issues with meeting vehicle safety and emissions standards in the West and are being questioned about their quality. (Stoll 2014.)

During the recent M&A wave in 2000s, Chinese and Indian companies have become to acquire Western corporations and brands, which has shocked the global market. China has developed into the largest manufacturer in numerous industries. Outward FDI, in addition to exporting, has become a significant factor in expansion of emerging corporation and as well as in development. Mainly expansion has occurred within neighboring emerging countries, but there have been multiple cases, where the investments have reached the developed market companies. (Fetscherin & Beuttenmuller 2011, 376.) This phenomenon has been especially witnessed in automotive industry, as it is such a visible and massive industry.

Nevertheless, emerging market manufacturers are enhancing their quality through technology and developed production that has been gained form these joint ventures with Western companies. Along China, other BRIC countries have strengthen their position within the industry, and it is estimated that in the next few years, they will control the global car market. (KPMG 2013, 8.) Even after 2020, these markets are not yet, despite the growth of the market today, in the maturity stage, in which the Western markets are today. However, the saturated markets of the Triad[4] will still have a major part in the future, even if they cannot challenge the growth of the emerging markets. (KPMG 2013, 3.)

The manufacturing and company strategies in BRIC[5] countries differ from the mature developed countries, but they also vary among each other. Chinese and Indian carmakers alter from the Brazilian and Russian automobile industry, as they are proving the capability of catching up by producing indigenous cars in the first stage, and then going international later. Indigenous automakers of China and India have started out to focus on outwards FDI and seek for potential developed company targets for M&As. (Balcet & Ruet 2011, 4.) While many manufacturers have access to Western technology due to joint ventures that major global automakers have set up in order to enter the emerging, particularly Chinese, market, few have the direct link of ownership that acquisitions succeed to offer (Stoll 2014). This serves the developing country manufacturers a chance to enter the global market.

An opening for this outwards FDI strategy came in 2008-2010, when automotive industry along the global economy, went to crisis. It affected the US car manufacturers the most, although European carmakers were also influenced by it. The big three, GM, Ford and Chrysler was hit the most. GM and Chrysler were forced to bankruptcy and Ford was compelled to cut down costs in order to survive. This was due to features of their products, poor fuel economy and high prices, that were not suited for the new environment with fuel-efficiency standards. On the other hand, in Asia the automotive industry crisis did not affect in such a dramatic way, because the manufacturing countries had various actions to protect the industry. (Ciceri 2013, 37–41.)

What comes to current and forthcoming trends in automotive industry, according to survey of KPMG (2015, 4) the main focus and emphasis will remain in enhanced vehicle lifespan, how to improve it. In addition, automobile firm executives from developed markets predict that the sales potential of the basic and small car segment will increase, while the potential for segment of large cars will decrease. In technology and especially in fuel-based technology the trend will still remain in the optimization of traditional fossil fuel-based propulsion technologies, and emissions and fuel economy regulations (KPMG 2015, 4; PwC 2014a, 4). This reflects to the increasing interest of consumers towards total cost of ownership. However, some assure that the electrified propulsion technology will continue to share interest, and plug-in hybrids are predicted to gain the highest demand. In 2025, about 10 percent of sold vehicles will use electricity as fuel. In addition, there has been discrepancy among executives about the trends of mobility services and autonomous driving, whether those will be relevant issues in the near fu-

[4] Triad denotes the three dominating regions of automotive manufacturers; USA, Europe and Japan.
[5] Brazil, Russia, India and China.

ture or in long-term. These kinds of innovations for product features may attract future customers and offer new players competitive advantage against the leading players in the market. (KPMG 2015, 4, 8, 10, 21.)

In the development of global automotive industry, the last decade has been historical period, as the global financial crisis has dramatically weakened the Triad markets, and has emphasized the strength and potential of the emerging markets, led by China and India. The disturbance in balance of the global economy creates opportunities for structural rearrangement in the industry as assets and capabilities are shifting to developing markets, mainly through acquisitions and market expansions. (Russo et al. 2009.) The emerging OEMs still play a minor part in developed markets, achieving less than 2 percent market share by 2020, despite the acquisitions of Jaguar Land Rover and Volvo. However, along the internationalizing the sales of emerging market car manufacturers, they have also begun to seek for internationalization possibilities for their production and focusing on reorganizing their supply chain, entering new value chain or scouting and catching global opportunities. (Balcet & Ruet 2011, 1.) Nevertheless, establishing OEMs will have a great challenge to gain market share in emerging markets from established competitors between 2013 and 2020. However, these manufacturers will still remain strong in global market. (KPMG 2013, 11.)

4.2 China

From the emerging markets, one country has particularly shown to be capable of challenging the leading countries in developed markets. China has been one of the fastest-growing economies in the world and proved to be the economic and trade power of the 2000s (Morrison 2014, 2). The average annual GDP (gross domestic product) growth has been nearly 10% during the last decades (The World Bank 2015). This remarkable growth has also been witnessed in automotive industry of China. The automotive industry, among other industries, was positively affected, when China joined the World Trade Organization (WTO) in 2001 (Balcet et al. 2012, 360; Chandera & Widjojo 2012, 1).

According to Balcet et al. (2012, 366), there are mainly five significant phenomena that drove Chinese automotive industry to current position and power: swift market growth, internationalization of Chinese carmakers, aggressive investment plans and new models of foreign car manufacturers to adapt to local consumer requirements, the increased influence of Chinese government on the reforming of the automobile industry like the policies of FDI and new energy, and WTO's impact on cars' and components' trade and investment between china and other countries.

4.2.1 Industry

Passenger car production started in the 1980-90s, when companies wanted to scope the quickly rising middle class of China (Balcet & Ruet 2011, 5; Fetscherin & Beuttenmuller 2011, 378). China grew to be the largest manufacturing country in the world in 2009. In 2013, automotive manufacturers produced over 22 million vehicles in China, from which 18 million passenger cars, meaning one of every four cars in the world. This was double to USA, the second in line. The production volume increased by almost 15% from previous year. (OICA 2014.) During the first decade of 2000, the average annual growth rate was about 36% (Balcet et al. 2012, 360). However, majority of these vehicles were manufactured under Western brand, as the largest Chinese manufacturer was SAIC (Shanghai Automotive Industry Corporation) producing almost two million vehicles, from which about 90% is through joint ventures (Statista 2015).

The industry is largely based on joint ventures and the figures shows that still majority of the vehicles are manufactured by Chinese producers through these arrangements (Balcet & Ruet 2011, 33). During the time of this rapid development of Chinese automotive market, these local companies have shown global market multiple examples of cooperation with US and European car manufacturers (Vorobyov 2013, 5). The growth in Chinese automotive industry has a lot based on these foreign original equipment manufacturers (OEMs). As foreign OEMs established joint ventures with domestic companies, they have brought management know-how, technology and marketing capabilities among these mainly central or local state-owned manufacturers. (Balcet et al. 2012, 360; Fetscherin & Beuttenmuller 2011, 378.) This cooperation strategy offered benefits for both, the Chinese manufacturers focusing on low-cost vehicles within internal market, and the Western giants who gained access to China's potential market (Vorobyov 2013, 5). The Chinese Government has also performed a vital role to structure the development of automobile industry, adjusting regulations and supporting the industry during the times of economic crisis (Balcet et al. 2012, 367).

In 2006 there were over 120 automobile manufacturers and only 12 of them were domestic. The five largest manufacturers, with joint ventures, answer for nearly 70% of the domestic production. (Fetscherin & Beuttenmuller 2011, 378.) But many Chinese domestic brands are gaining on global brands in China's market as well as in many others developing markets, such as Geely, Chery, SAIC, BAIC and FAW (Accenture 2013). Geely and Chery are the two leading private car-manufacturing companies in China, since the majority of carmakers are state-owned (Balcet et al. 2012, 361). Otherwise, the dominant brands in China are Volkswagen, GM, Ford, Toyota, Renault/Nissan and Hyundai (Accenture 2013, 6).

Table 7. Different types of companies in China automobile industry (Balcet et al. 2012, 367)

Category	*Description*	*Examples*
Large state-controlled enterprise	Usually monopolies or oligopolies Minority shareholdings sold in public offerings	First Auto Works (FAW) Dong Feng Motors (DFM)
JVs	Frequently involving foreign partner, providing technology in return for market access	Shanghai Volkswagen Dong Feng PSA Chang'an Ford
Private companies with some state influence	Encouraged by friendly government policy. Some measures to protect from foreign competition	BYD, Geely, Chery
Companies backed by publicly owned investment funds	Investors include foreign private-equity and venture-capital funds as well as city and provincial governments	BitAuto China Auto Rental Ltd.

The automotive companies in China are often highly influenced by state. The companies can be divided into various types based on control of the state, which are shown in Table 7. The Chinese domestic manufacturers mostly focus on low-cost vehicles. This is mainly because of the challenges they face with technology and product development. Therefore, manufacturing of premium car segment is almost completely dominated by the German premium car brands, such as BMW, Audi and Mercedes-Benz. In recent years, the local manufacturers have started expanding outside China, as the Chinese defendants have become more competent and developed and the internal competition has increased. This started among other developing countries, such as Algeria and Russia, where there was an increase in demand for low-cost vehicles. In 2000s, Chinese manufacturers set their eyes on Europe and Northern America. However, in order to successfully step on the new demanding markets, there are many obstacles in entering developed markets that need to be solved, such as outdated technologies, ineffective R&D and lack of recognizable brands. (Fetscherin & Beuttenmuller 2011. 379; Vorobyov 2013, 5.) Solving these issues with existing assets would take years, so the Chinese manufacturers have began to consider acquisitions of Western brands as a right approach, as they would gain the required capabilities from the Western automobile manufacturers. However, these companies have to put a lot of effort and invest in the strategy in order to succeed in an overseas acquisition. (Jianyong & Zhimei 2012, 927.) There have been few attempts before 2010, but those have failed to fulfill the objectives (Vorobyov 2013, 5).

4.2.2 Markets

China became the largest automotive market in the world in 2010 (KPMG 2013, 7; A. Wang, Liao & Hein 2012, 1). In 2013, the demand for passenger vehicles was almost 18 million, which was about 22 percent of the vehicle sales globally (Statista 2014). According to KPMG's (2013, 7) retail market study, the demand in China will be almost 35 million cars in 2020 accounting for nearly one third of the global sales. However, Wang, Liao and Hein (2012) predict that the automotive market growth will mature and slow down to 8 percent a year, and reach 22 million sold cars in 2020. Fetscherin and Bettemueller (2011, 379) have identified four key factor that have caused the significant growth in China's automobile market:

- The rapid economic growth has increased the wealth of consumers
- Substantial FDI in China through joint ventures between Chinese manufacturing companies and foreign OEMs
- Huge infrastructure investments in roads, gas stations, bridges and ports
- The liberalization of investment and trade policies and joining the WTO.

China is a vast and complex automotive market, as geographically various regions respect different values (Accenture 2013, 4). The consumers in China do not possess the same purchasing power, as do those in Europe or North America for example. Their expectations and preferences are not as high and alter compared to Western counterparts, which would make them lean commonly towards domestic low-end economy class and low-cost cars (Tay 2012, 6). However, according to the research of Fetscherin and Beuttemueller (2011, 379), the domestic brands even in China are less preferred among consumers due to image of reliability and inferior quality, which causes challenges for the companies to generate more positive brand image and awareness. Additionally, Schmidt (2012, 49) concludes that Chinese consumers are not ethnocentric and prefer foreign brands. Xiao and He (2011, 48) present in their findings that Chinese consumers are drawn by car characteristics like safety, fuel economy and quality. As a result, consumers often choose Western brands in economy C models, such as Ford Focus or Volkswagen Golf (Accenture 2013, 6; Vorobyov 2013, 16). These are not too expensive and luxurious, but have more trustworthiness and feeling of improved quality (Vorobyov 2013, 16).

The foreign brands holds major part of the market, as in September 2013 about 38% of vehicles sold in China were Chinese and the rest foreign (Guang 2013). One of the reasons why foreign firms succeeded in their strategies and now mainly dominate the Chinese market is that they are more experienced and have more competent and practical implementations and procedures (Tay 2012, 6). But when considering higher and premium car segments, the demands of customers shift considerably. While consumers in Western countries value safety and modern technologies in premium cars, majority of Chinese consumers within this segment require luxury. To many premium market customers, the car provides "reflection of social status", credibility and source of fun. (Sha, Huang & Gabardi 2013, 6.) In addition, premium owners replace their cars more frequently, two to three years faster, than most Chinese households, which do it every six to eight years. The role of women is also increasing and they value exterior styling, safety and comfort. Generally, factors that matter, are brand, powertrain technology, exterior and interior, fuel consumption, driving qualities and safety as the most important one (Sha et al. 2013, 6; Syed & Saint 2013, 54–55; Vorobyov 2013, 17). Many consumers would like to buy a car that would be more customized to their requirements (Accenture 2013, 12). As the Chinese consumer market is so complex, it is very important to understand the customer needs and requirements in various markets. (Vorobyov 2013, 16.)

The next trend according to Wang's et al. (2012, 1) study will be increase in demand of SUVs and the amount of second-time buyers will rise, although the sedan market will still be dominant with over 70% share, and C model will be the most common. However, in an article of Forbes (Rapoza 2013), it is stated that Chinese consumers are not interested in luxury SUVs, but mainly C class sedans. Additionally, Xiao and He (2011, 48) have detected in their survey that Chinese consumers mainly do not fancy larger cars, but instead large back seats and space inside car, as they often need to spend much time on the road. Especially business men, who spend a lot of time in the car and are driven around by chauffeurs, value extra space in the back seat (Zhang 2014). In addition, the behavior of consumer in various regions will differ significantly (Sha, Huang & Gabardi 2013, 10). The economy of China is assumed to grow approximately 7-8 percent yearly and urbanization will increase rapidly supporting the demand for mobility, and the smaller cities will have the highest growth in automobile market as more people move there from countryside (Rapoza 2013; Wang et al. 2012, 1). The growth in economy will increase the earnings of consumers and also higher investments on infrastructure, such as roads. The earnings of consumers will cause them to invest more higher amounts on vehicles and because of that the segment of low-cost cars will pass market share for higher price segments (Accenture 2013, 1; Wang et al. 2012, 7). However, there are also potential uncertainties, which may affect the negatively to the automotive market, especially sales of new vehicles. If the challenges in global economy will not be solved and the growth of global economy will not increase, it will eventually slow the growth of China even further. The pollution is a great risk and problem in larger cities like Shanghai. It is possible the governments may practice policies to restrict the car use or amount of newly registered vehicles within cities to improve the awful traffic conditions and air quality. In addition, the improved public transportation may lower the demand of passenger cars and as more new vehicles are bought the market for used-cars will grow, which has its own negative effect on the market. The increased competition and higher demands of consumer will affect the sales of domestic brands. (Wang et al. 2012, 3.)

The premium car market has grown significantly in the last few years. In the last decade, it grew 36 percent, which was more than the overall growth of vehicle sales and it represented 9% of total sales of passenger cars. (Sha, Huang & Gabardi 2013, 4.) The estimation is that China will become the largest premium car market in 2016, with sales close to 2.5 million premium vehicles. The market is dominated by global players, mainly German manufacturers with 80% share of the sales (Rapoza 2013). But, the consumer market and behaviors are still continually developing and shifting. After all, the automotive market in China is rather new and immature. (Accenture 2013, 1.) In order to compete in China's market, the car manufacturers should conduct a diverse mix of values, behaviors and preferences that will influence the buying decision of consumers (Accenture 2013, 4).

4.3 India

Along China, India is similarly considered as one of the fastest growing and most potential emerging markets. However, it is not yet as developed as China is, and there are still more uncertainties compared to its fellow emerging giant. "India is tracking the path of China, albeit with a 10-year lag" (Sehgal, Ericksen & Panneer 2009). But these two definitely are the brightest stars among developing markets. Indian economic growth started booming after millennium and has gained many years of close to 10% growth in GDP. But the economy is considerably more vulnerable compared to China's and the economic growth has moved up-and-down in 2000s. A good example is the financial crisis in 2008, when India's growth decreased from 9.8% in 2007 to 3.9% in the following year, as China's growth decreased "only" from 14.2% to 9.6%. (The World Bank 2015.) Although, after the worst moments of the crisis, India regained its higher economic growth in 2010, there have been also other effects, like impact of political uncertainty and stability that have hold down the growth around 5% until 2014. The OECD predicts that the economic growth in India will rise in the near future, but rather slowly. Nevertheless, as China's GDP growth will lower according to OECD, India will gain China in few years. (OECD 2014.) This refers to the fact that India has and will have even higher potential in the future to automotive industry as a manufacturing country and also as a market.

4.3.1 Industry

The automotive industry is growing rapidly in India, and is largely driven by economic growth. The main market is still focused on two wheelers (KPMG 2011, 3). The market share of motorcycles was 77 percent in 2013, while it was 15% for passenger cars. The industry forms 22% of the manufacturing GDP of the country, and is one of the most important industries in India. (IBEF 2014.) By 2016, the automotive industry in India is expected to rise to become the third largest in the world. The wildest forecast expects that vehicles sales in India will pass US market by 2035 and the global automotive industry will be in hands of China and India (Thambu 2011, 1). In 2013 there were nearly 4 million vehicles manufactured in India, from which 3.2 million passenger cars (OICA 2014). However, the production has declined several percentages in recent years as the demand for motor vehicles has lowered due to macro-economic challenges in the market (PwC 2015). Despite the challenges and periodical negative growth, according to statistical forecast of Sarangi, Bano and Pant (2014), the automobile production is estimated to experience positive growth in the next few years.

There are similarities in automotive industry of India and China. However, the contract manufacturing or joint ventures with foreign OEMs are still growing in India, as there are only few global players in the market, but hold 70% of the market through joint ventures (KPMG 2010a, 13, 2011, 4). While the high growth market is fascinated by the foreign OEMs, the country is also favored for outsourcing, because of the low-cost production and opportunities in innovation of higher value (KPMG 2012, 1). The competition in India's automobile industry is increasing, as new global OEMs are attempting to enter the market in addition to domestic brands and OEMs that have been present in India for over a decade. This is extremely difficult as the market is dominated by these few market leader joint ventures (KPMG 2010a, 13). KPMG (2011, 5) sees opportunities in the future for flexible assembly line operations that could meet the less common requirements for high-end and low volume product models and also in automotive engineering services. The small car market is large and predicted to increase further in the future, and 80% of vehicles manufactured in India are small cars and 10% of world's production of compact cars comes from India. This may attract the small car production of global enterprises for Asian markets to be outsourced in India. In addition, they are intending to adjust their Indian operations to enhance products specifically for emerging markets. (KPMG 2011, 5.) The largest manufacturer in 2014 was Maruti Suzuki India with 38.8% market share, Hyundai Motor India on the second place with 23.3% share (IBEF 2014). However, domestic manufacturers like Bajaj and Tata, the manufacturer of world cheapest car, are tightening the competition (Sehgal et al. 2009, 4).

The green technology is an increasing trend mainly in developed countries, as emerging markets this premium feature is growing in a slower pace. This is also the case in India for electric vehicles, because the infrastructure in this form is not capable of supporting the needs, such as recharge stations, unless the government begins to provoke and support it. Therefore, the manufacturers rely on dual-fuel technologies. In addition, the electrical revolution in India will and should start from two-wheeler segment, as it holds the largest share. (KPMG 2010a, 1.) Along with passenger cars and two-wheelers, India is the 6th largest manufacturer of commercial vehicles. It is expected for the light commercial vehicles (LCV) to grow especially and to become a major player in global market. (KPMG 2011, 6.)

The automotive industry of India is estimated to earn its place among the top three during the following decade. In order for the global OEMs to benefit from the huge potential of India's market, it requires for them to put effort to adapt their existing product portfolios and model line-ups for the Indian customers, which means customized business approach instead of traditional procedures. (KPMG 2011, 12.) According to KPMG (2010a, 12), the Indian automotive are already setting their eyes on outside India, to global market as an opportunity. Like Chinese companies, Indian manufacturers are using joint ventures and acquisitions as a potential expansion strategy. However, India still has various barriers to deal with in order to increase the mobilization and market of automobiles, which might require at least a strategy of ten year.

4.3.2 Markets

The study of KPMG (2013, 8) predicted India to achieve the place of third largest automotive market in the world with demand of close to 5 million vehicles, which is estimated to even double by the year 2020. However, the demand of cars have decreased in the last few years due to internal factors, such as rising fuel prices, weak currency and high interest rates, which have caused vehicle financing costs to increase. (PwC 2015.) Some parties, such as PwC (2015), have reviewed their long-term outlook on Indian market due to these challenges and now expects the market to increase to closely 6 million by 2019. In 2012, the main market segment are Mini and Compact cars with almost 60% market share, and Mid-sized vehicles as the second largest with 18% share (KPMG 2012). In China on the other hand, the main market is with Mid-sized C segment cars. In 2013 the demand for micro and small SUVs increased significantly (PwC 2015). In addition, foreign manufacturers of premium cars, such as BMW and Mercedes-Benz, have increased attention in India and established production facilities in there and sell these cars in domestically as well as export to other Asian countries (Senthilnathan 2013, 1). The premium cars market has been growing in late 2000s, while the volumes have been only around 1 percent of the total passenger car volumes due to fairly low incomes (KPMG 2012).

The government of India has supported the industry with favoring restructure of tax environment and USD 500 billion investments in transporting and logistics infrastructure during 2007-2012. The challenges of bureaucracy and transparency have been taken into consideration through policy reform measures (KPMG 2012). The purchase power of consumers is increasing, as the earnings are rising. The global recession does not affect so dramatically in consumer behavior in India, as the wealthier citizens have proper savings. In their mindset, they are becoming more “Western” as they want to enjoy and invest on luxury cars to gain social status (McKinsey & Company 2015).

5 CASE STUDIES AND ANALYSIS

The research focuses on analyzing the two cases that are presented later through acquisition motives and post-acquisition brand and product integration. The two cases are acquisitions of Volvo by Geely and Jaguar Land Rover by Tata Motors. First, the involving companies are introduced briefly and the characteristics of the acquisitions are presented. After that the research is focusing on the 4 research questions that were presented earlier in this study. The first three questions are answered individually one by one, using the literature and theories presented in previous chapters. Finally, these two individual acquisition cases are briefly compared through the fourth research question and the final thoughts and analyses are presented. All the data analyzed in this thesis are secondary data and documents from various databases and sources, including academic articles, news articles, company publications, annual reports and dissertations.

The secondary data for this research are presented in order for the reader to understand, where the analyzed information has been received. In Appendix 1 are shown the references for both cases according to the two main aspects, motives and brand and product integration (see Appendix 1). The tables explain the type of the article, the source of it and the key findings. For the academic articles, also the type of data is explained briefly. As can be witnessed from the tables, there has been rather many news and academic articles, consisting of very interesting and vital information for this study.

5.1 Acquisition of Volvo by Zhejiang Geely Holding Group in 2010

5.1.1 Zhejiang Geely Holding Group

Zhejiang Geely Holding Group (later referred as Geely) is a Chinese manufacturer of passenger cars founded by Li Shufu. The company started producing cars in 1997 after manufacturing various products from refrigerator to motorcycles. (Geely Holding Group 2015.) Geely, one of the few private automobile enterprise, is ranked in the top 10 automobile manufacturing companies in China, which are mostly state-controlled companies (Balcet et al. 2012, 361; Fetscherin & Beuttenmuller 2011, 380; Geely Holding Group 2015). After switching to automotive industry, Geely started by imitating foreign manufacturers and their technology by reverse engineering and product architecture innovations. Later, it started to develop the product architecture innovation by developing components and especially the engine by itself and combining technologies from various foreign manufacturers. (Balcet et al. 2012, 368.)

Geely has several complete automobile and powertrain manufacturing facilities around China and also R&D center and manufacturing factory in Australia. Majority of their sales and marketing networks and dealers are based in China, but they also have comprehensive network within international market, mainly in developing markets (Geely Holding Group 2015). In Sweden, Geely has established an R&D center jointly with Volvo Car Corporation, which it acquired in 2010 from Ford Motor Company. Geely has developed a strong brand within Chinese market and consumers and had, in addition to Geely brand, three major automobile brands, which were Emgrand, Gleagle and Englon (Fetscherin & Beuttenmuller 2011, 384). But later, Li Shufu decided to reduce the amount of brands to Geely and Emgrand in order to cut down costs and further strengthen the Geely brand. In 2006, Geely made its first acquisition, buying the majority stake of Manganese Bronze Holding, London's leading taxi cab manufacturing company, to gain enhanced technology and access to foreign markets, and after that they acquired Australian transmission manufacturer DSI in 2009 (Fetscherin & Beuttenmuller 2011, 383). Finally in 2010, Geely acquired 100% equity of Volvo Cars as a major part of international asset seeking strategy.

For researchers, Geely is an interesting company to study, as it presents various ways of catching up. Good examples are technology imitation using reverse engineering, asset seeking acquisitions abroad, and innovations in product architecture. In addition, they have shown unique capabilities in international growth, assembly and export in abroad and market seeking operations. "In short, Geely is one highly significant case of catching up and international growth among Chinese automobile companies." (Balcet, 2012, 362.)

5.1.2 Volvo Car Corporation

Volvo Car Corporation (later referred as Volvo or Volvo Cars) is a Swedish automobile manufacturing company, which was founded in 1927 (Volvo Car Corporation 2013a). Volvo has earned its place among the 20 largest automobile companies in the world and is known for the high quality as well as safety and environmental oriented image (Zhou & Zhang 2011, 5). In addition, the company is extremely appreciated of their high innovativeness, such as the invention of the three-point safety belt in 1959 (Volvo Car Corporation 2015). Volvo has many known marques, which can mainly be divided into three groups: SUVs like XC60 and XC90, sedan or station wagon cars like V40, S60, V70 and S80, and ragtop or roadster, like C30 and C70.

Ford Motor Company acquired Volvo in 1999, as Ford desired to expand its luxury car segment to which Volvo would fit perfectly. Other brands in this segment were Jaguar, Land Rover and Lincoln. During the time under Ford's direction, Volvo was forced to leave the famous and rugged “Skandinavian design” and focus on bringing the design up to date. Volvo had an image of highly secured and safe cars, and this image was built for decades. Naturally the transition to design perspective affected the safety part in product development and slowly they dropped behind the competitors in safety category as the focus on R&D of safety decreased. Around mid-2000s Volvo’s sales dropped and became unprofitable, which was due to changes in consumer penchant as well as economical situation and increasing competition with German luxury brands like BMW, Audi and Mercedes-Benz. As a result of crisis in automotive industry after 2008, Ford was forced to concentrate on their main segments and sell the additional luxury brands, like Volvo. (Volvo Car Corporation 2015.)

5.1.3 The characteristics of the acquisition of Volvo Cars by Geely

On March 28, 2010, Geely acquired from Ford 100% equity and related assets of Volvo for $1.8 billion, since the crisis hit the US and European markets strongly and Ford was forced to sell its additional premium car brands to cut down investments and costs, and the acquisition was finalized in October 2010 (Geely Holding Group 2013; Volvo Car Corporation 2015; Xiaohui & Haiyan 2011, 968). This was the largest overseas acquisition ever made by a Chinese automobile manufacturing company (Fetscherin & Beuttenmuller 2011, 384). This acquisition was truly shocking news for the global market, as a Chinese company bought a premium brand from developed markets showing the economic power of emerging markets companies (Tay 2012, 17). Geely was facing a challenging competition in domestic market by local and foreign manufacturers, so they decided to expand to global market and to premium car market in China (Zakladna & Ehrl 2011, 4). According to Tay (2012, 6), Li Shufu, CEO and owner of Geely, stated that “Geely aims to continue increasing its international presence over the next five years, with a goal to build 15 production bases worldwide and sell two thirds of its cars outside China and to do so the company is growing organically, through its existing car brands, and by considering complementary acquisitions and partnerships”. In addition, along domestic competitors, Geely faced significant challenges of meeting the safety and emissions regulations of the developed markets due to poor technology capabilities as well as having difficulties with reputation of copying and lack of know-how in designing quality cars. (Tay 2012, 7.) Through this acquisition, Geely had desires to expand its market share and to exploit the asset of Volvo’s brand in favor of also Geely’s brand (Fetscherin & Beuttenmuller 2011, 115). The acquisition could have been characterized as product expansion horizontal acquisitions, as Geely was focusing on low-cost car markets and Volvo was considered to place in premium car segment (Xiaohui & Haiyan 2011, 969). According to the study of Chen and Liu (2011, 55), in China Volvo is regarded as a premium brand, whereas BMW and Mercedes-Benz is thought as luxury brands. To move up into luxury car segment and compete with German brands, Geely and especially Mr. Li Shufu, the chairman of both companies, hoped and suggested that Volvo would develop a luxury model equivalent to BMW 7-series and Audi A8. (Shirouzu 2013.)

During the time under Ford's management, Volvo became more focused on design instead of technology and safety, which resulted in loss of devoted customers, especially in US market (Zakladna & Ehrl 2011, 5). One reason for the acquisition of Volvo's behalf was to break the bonds to Ford's influence and focus again on the roots of Volvo's values, the Scandinavian design and advantageous safety features (Zakladna & Ehrl 2011, 7). The deal included terms, such as an agreement that Geely would retain the relationships within the order-delivery chain, including unions and employees. In addition the headquarters and assembly plants of Volvo Cars would remain in Europe, more specifically Sweden and Belgium (Ogewell 2014). The deal also included high investments on expansion to Asian markets, like 3 new factories, including engine plant, and R&D center in China to raise the China market as the second home market for Volvo (Chen & Liu 2011, 34; Fetscherin & Beuttenmuller 2011, 385; Stock 2014).

There have also been changes in the management board. After the acquisition, Stefan Jacoby was appointed as President and CEO of Volvo Cars, replacing Stephen Odell from Ford (Annual report 2010). Later in 2012, Jacoby was replaced with Håkan Samuelsson, the new President and CEO with long expertise in automotive industry (Volvo Car Corporation 2012). Additionally, there were changes between Volvo and Geely, as in 2011 Peter Horbury was named Geely's head of design. Previously he had worked at Volvo and then hired by Ford after acquisition of Volvo (Johnson 2014). In addition, in 2013 Lars Danielson was appointed as senior vice president of Volvo China to control and oversee the operations in China and supervising the quality (Volvo Car Corporation 2013b). These are just to mention few important in order for Volvo to find the correct direction for the future. During the last few years, there have been few appointments, where an executive from Geely has been granted a place as a member of the board of directors of Volvo. This has and may refer to increase of synergies between companies, such as product management and financial and reporting systems, or strengthen the link otherwise between the companies. (Geely Holding Group 2013.) Nevertheless, despite the doubt and uncertainty towards the deal, the results of the acquisition has shown references of mutual benefits rather than signs of failure and negative affect on valuable assets so far (Tay 2012, 17).

5.1.4 Motivations behind the acquisition

According to various academic and news articles, the main motive of the acquisition for Volvo was the financial investments provided by Geely (Stock 2014; Tay 2012, 9–10). With the support from Geely, Volvo could detach itself from the control of Ford and create their cars utilizing completely their own capabilities. Volvo has announced that by 2016, they will be completely free of Ford components in all car models. (Young 2013a.) In addition, Volvo would gain access to the largest premium car market in the world, China. With backup from Geely, they could more easily access the market and exploit the cheaper production costs of China (Stock 2014). Volvo was facing financial problems during the time under Ford, and Geely offered solution to the difficulties faced at that moment, such as the decreasing interest of consumers towards Volvo cars and lost of long-term objective (Balcet et al. 2012, 371). Geely also provided investment in setting up the three plants in China (Stock 2014). From all of the available bidders, Geely was the most promising as they were determined on keeping Volvo as a separate unit and considering them as equal companies. This way Volvo could make their own decisions and be responsible of their own actions. There was a risk that the other bidders would just merge Volvo to the existing organization, which would eventually result in almost 100 year of Scandinavian heritage. (Chen & Liu 2011, 35–36.)

Geely on the other hand had a desire to expand to developed market by acquiring a known and quality brand. Volvo was perfect for this part with its safety and environmental friendly image, as Ford was planning to sell it. Volvo had everything that Geely lacked. (Chandera & Widjojo 2012, 130.) The values of Volvo included brand, technology, human resources, and engineering, which were very valuable for Geely (Chen & Liu 2011, 49). Through Volvo's acquisition, Geely would receive access to US and European markets, the technology and engineering know-how and premium car brand to compete with the dominating German brands in China's market (Stock 2014). Geely was aiming to compete against brands, such as BMW, Audi and Mercedes-Benz, but also to enhance the brand awareness and image among consumers in the global market (Fetscherin & Beuttenmuller 2011, 384). Geely would receive a shortcut to state-of-the-art technology and premium image (Chandera & Widjojo 2012, 140).

According to Jianyong, there were four main motives for Geely in addition to powerful brand of Volvo: The advanced technology, enhancing the Geely brand, acquiring selling channels in global market and improving the R&D and management through capabilities of Volvo. Through the advanced technology, Geely would gain on foreign competitors, since Mr. Li Shufu was well aware of the ineffectiveness of reverse engineering and product architecture modification, which was the common practice among Chinese manufacturers for a long time, and would cause of being stuck as low-cost car manufacturer. (Balcet et al. 2012, 368; Chandera & Widjojo 2012, 140; Jianyong &

Zhimei 2012, 927–928.) The brand value of Volvo would also enhance the value and fame of Geely's brands, and the transformation of the whole company (Chandera & Widjojo 2012, 140; Jianyong & Zhimei 2012, 927–928). Through the global network of Volvo, Geely would be able to proceed with the strategic expansion to global market. As Volvo has a superior technology on safety and environmental focus, this would help also Geely to gain competitive advantage in their markets, and meet the regulations set in the developed markets. (Chandera & Widjojo 2012, 140; Jianyong & Zhimei 2012, 927–928; Tay 2012, 17.) As China and the global market are heading towards more strict fuel consumption rules, there will be a high demand for energy efficient cars. Volvo has been developing gas-electric hybrids, which are thought to be the new trend in the automotive market, and this was very interesting aspect for Geely also. (Jianyong & Zhimei 2012, 927–928.) In their research, Chen and Liu (2011, 56) stated that according to the Vice President of Geely, the main values received in the acquisition were the key technology and intellectual properties, particularly the environment care and safety technology.

From the above statement, it is rather evident that there are several motives involved in acquisition decision. Some of these motives are critical and others not as important. One that clearly comes out is that Geely, especially Mr. Li Shufu, realized that their goal to enter global market would require a boost, and acquisition like this would provide it to them. Through Volvo's technology and brand image and value, this would be possible. Otherwise it would take them years to develop enough in order to expand to developed markets and gain market share, and they would not possess any competitive advantage compared to competitors, particularly Chinese equivalents. Without proper brand image, it is very challenging to gain market share in developed markets. Nevertheless, when analyzing this particular case through the theories and concepts introduced in the literature, it might provide better content on the motives. The model of Trautwein (1990) is rather old and does not consider asset-seeking motives, as assets and capabilities were not as much considered during that time as those are now. But there were some characteristics of Efficiency theory, as Geely and Volvo were creating synergies through technology and development in order for both to benefit from it. However, when considering the motives of Häkkinen (2005, 38), it is obvious that Geely had their motives based on expansion and development as well as to improve their competitive environment in Chinese market. Volvo on the other hand was seeking financial aid to get back on their feet and to continue their own development of cars. There are implications of exploration motives, more detailed sequential and reinvigoration motives, which were introduced by Angwin (2007, 93, 96). However, considering the factors demonstrated, it is important to take into account the features of emerging market and the unique characteristics of developing country companies' motivations. The investigations show that the emphasis should be in the definition of Dunning

(1993). He has defined the motives accurately and conveniently to market- and asset-seeking motives, which can be clearly identified in this case. Both companies were seeking new markets to expand to, and especially Geely had desires on gaining new valuable assets to create competitive advantage. But, this raises question, whether the motivations provided in the literature are the genuine motives for the acquisition, and there are not some other factors in the background. In this case it is believable that the announced motives are correct.

5.1.5 The strategy of brand and model line-up integration

As expressed earlier, the post-acquisition integration phase is crucial in order to result in successful acquisition. This applies especially in brand and product integration. Brands are highly important in automotive industry as various brands create different images and values. The brand integration looks over the merging of the brands between the involving companies or how the brands are used or possibly modified after the acquisition phase. In product integration, which can also be model line-up in automotive industry, the focus is on the car models, which ones are still utilized and how the models are modified based on new organization and business environment. This depends a lot on how widely the two organizations and brands are combined, are they kept as separate companies or are they merged as one. Nevertheless, in this particular case, the merging and integration was left with rather small changes. When thinking about the actual integration phase, there was no integration in order-delivery process or sales channels. In addition, the factories are not combined, as Volvo and Geely had their own factories. Mostly technology and know-how were transferred between the companies and guidance assistance may be shared. With this they could prevent the risk of damaging Volvo's brand image and value. (Young 2013a.) After the acquisition in 2010, Geely and Volvo established a DCC (Volvo-Geely Dialogue and Cooperation Committee) to control and lead the future communication and joint efforts of both companies. In the committee, the parties exchange ideas and information about various aspects in company's processes, such as production and product development, and use the strengths and capabilities of both companies. (Geely Holding Group 2010.)

In their research, Chen and Liu (2011, 35) noted that in the end, Geely was the one that received more benefits from the deal than Volvo did. Most likely one major effect was the benefit of Volvo's strong brand. The CEO of Geely explained that the ownership of Volvo has improved the image of Geely brand in global market (Dowling 2013). In addition, an article of China Today (Wuzhou 2014) stated that the Geely's brand recognition and value has been fostered by presence of Volvo. Geely has noticed that the acquisition of Volvo has had a positive effect on cooperation and confidence with overseas partners, and now many partners are even competing to cooperate with Geely (Wuzhou 2014). Prior to the acquisition, Geely was not rather known outside borders of China, and therefore Geely could benefit on Volvo's brand image and value if they succeed to transfer this positive consumer view to their own vehicles enhancing their own image long-term (Tay 2012, 9).

Volvo again renewed their logo that was presenting the revival plan of the company (Wuzhou 2014), hoping to gain back the image of the safest cars in the market (Young 2014b). The brand was kept separate from the Geely brand, and these were living alongside in different car segments, especially in China. Volvo is making its own decision about the new direction of the brand and Geely has been pleased with this situation (Chandera & Widjojo 2012, 140). There has been some tension between the management of Volvo and Geely about the strategic direction of renewed Volvo brand, as Mr. Li Shufu insist on moving Volvo brand higher in car segments and to introduce a new luxury model, for the Chinese market to compete with German flagship models. Volvo again was not satisfied with this, because they don't see Volvo brand in luxury car segment. According to Shirouzu's (2013) interview of Hakan Samuelsson, the CEO of Volvo, he clearly stated that Volvo brand is not about showing off and it would be too risky and expensive to expand to luxury sedan segment. A Volvo dealer said that high-level luxury model would boost up the image and awareness of Volvo brand in China. (Shirouzu 2013.) So there have been conflicts about the course that Volvo should take with the brand, but in the end Geely is respecting the decisions that Volvo makes and Volvo will try to please the requirements of the parent company.

The product integration between the model line-ups was rather linear as those were categorized in varying car segments, so there was no overlapping between the line-ups of the companies. Geely was producing low-cost segment vehicles and Volvo was focusing on premium cars. In fact, there was quite a large gap between the brands and model line-ups, so the companies decided to create a new brand between them. The new vehicle family would be vital to the brand strategy; filling the gap between various model line-ups and using shared components and technology with the other product families. (Foy 2014.) According to Mr. Li Shufu, the new brand positioned in China market would use parts of technologies of Geely and Volvo without risking the value of Volvo's upmarket brand. These technologies would include engines, safety and vehicle underpinning technologies (Wills 2012).

When analyzing this integration process between Geely and Volvo through brand and product integration strategy theory by Vu et al. (2010, 97), it is witnessed that growth maximization has been the most obvious integration strategy category in this case (see Table 4). Geely wanted to gain market share in China and expand to global market. Volvo also desired to grow in Chinese market. However, there have been clearly other objectives in the integration process from the categories of harmonization and foundation. Choice was obviously not one of the mechanisms used, as there was no choosing between the brands or products related to acquisition integration. In Table 5 there were presented the sub-categories of these strategies, and it is relevant to dig deeper in the strategies to understand what particular strategies were implemented in the post-acquisition integration. The aim has been to expand geographic market coverage, as mentioned earlier. In addition, Geely and Volvo desired to improve the quality of their brands and products in order to improve the brand value. Nevertheless, through product management, commonalizing is evident as Geely could begin to use the quality components and technology of Volvo and based on the modular architecture they could share common modules between the brands to create cost savings and improved quality of the end product. Along the two brands, Volvo and Geely, they have been planning to create a third brand between the two existing ones to be present in various car segments. In addition, they have used the customer or consumer attributes to build up the third brand, which would point to the direction of foundation strategy through combination of engineering characteristics and customer attributes. To understand the role and intentions of Geely in brand management of Volvo, a possibility of choice strategy has been witnessed as Geely wanted to premiumize the Volvo brand to luxury cars, whereas Volvo was not satisfied with these strategies. However, this is only a conjecture and it does not have much weight on the post-acquisition integration itself, as the desire to this strategy might have developed later, and may have not been an original part of strategy.

5.1.6 The changes brought by the acquisition in brand and product management

Despite the facts that process integration was left rather small, brands and car models faced modifications and new models, as well as synergies in product and brand management were created based on the results of the acquisition. First, to go through the brand side, Volvo was only focusing on Volvo brand. Geely on the other hand had 3 brands, which were introduced in 2009, Emgrand, Gleagle and Englon. However, in 2014 Geely decided to consolidate the brands into a single “Geely” brand in order to cut down costs. (Ying 2014.) In addition, according to article from Wall Street Journal (White 2014), the aim for Geely was to use the brand and technology of Volvo to boost up the new Geely brand and renew the brand strategy. As Mr. Li Shufu had stated in the article (White 2014), “Geely had involved Volvo’s management in the brand restructuring, which is aimed at breathing new life into the Geely brand in China”. Overall, there was a high risk of negative influence associated on Volvo brand because of the incorporation into Geely (Jianyong & Zhimei 2012, 929). Based on the research of Tay (2012, 12), to lower the risk, Geely and Volvo had plans to create new low-cost brand, which was positioned between Geely and Volvo brands using older Volvo technology. Since the gap between the Geely and Volvo brands was quite huge, it could cause challenges to keep the high-end image of Volvo and to develop the brand of Geely at the same time (Jianyong & Zhimei 2012, 929). The intention was to prevent harming the Volvo brand with the new brand and having too much technology and design of Volvo in it, which could otherwise decrease the sales of the other brands. In the end, Geely decided to keep the Emgrand as the third brand and the models under Geely brand (Geely Holding Group 2015).

There has been many integration action related to product management and product development between Geely and Volvo. In 2013 Geely and Volvo established joint research and development center in Sweden called China Euro Vehicle Technology (CEVT) center, with 200 engineers (Flannery 2014; Ogewell 2014). In addition, Volvo had a team of 150 persons in China researching the market and Chinese consumer behavior cooperated with Geely (Yannan 2014). Volvo has been developing under Geely's ownership new PLM system to disengage from Ford's PLM system. This new system would also consist of configurator and is based on modular architecture, called Compact Modular Architecture (CMA) (Ogewell 2014; The Economist 2014). Through this system, Volvo and Geely are building a common platform used across various brands, and the plan is to develop CMA for smaller car models in C-segment and larger cars could use the platform that will be utilized in the new XC90 SUV model (Ogewell 2014; The Economist 2014; White 2014). This platform would be used in larger luxury models, and is called Scalable Platform Architecture (SPA), which is "one-size-fits-all architecture". The principle of SPA is presented in Figure 8. It is supposed to be used in the future models and body types supporting more lean conduct in design and manufacturing (Ogewell 2014; Volvo Car Corporation 2013a; Young 2014b).

SPA is a cost-efficient way to attach different drivetrains and body types onto the same platform, and this is what Chinese consumers want, as buyers of luxury cars require longer wheelbases for more spacious back seats, which was mentioned earlier. The principle is presented in Figure 8. Volvo would be able to offer these special requirements efficiently with SPA (Young 2014a). According to Hakan Samuelsson, this will share many major components between several new models coming by 2019, which results in considerable saving in material and components costs and fasten the production process (The Economist 2014). *"An international team has been given the task of taking cross-brand modular strategy to a new level. It should deliver on all the premium aspects a brand like Volvo requires in order to grow in the global premium segment. Geely shall meet the demands of the high volume segment in China and selected international markets, which requires a new level of technology," concludes Li Shufu. Carl-Peter Forster, chief advisor to Geely Holding, will ensure that the development of the modular architecture and set of components will meet the individual brands' specific requirements for different cost and attribute levels."* (Hilton 2013.) The technology and platform of Volvo improves the product line-up of Geely enhancing their image in China market (Tay 2012, 9). In 2012, Geely and Volvo agreed to develop cooperation in modular architectures of small and mid-sized vehicles along with interior air quality control, and safety technology (Wuzhou 2014). This will allow technologies to be used between various brands and create cost-savings realizing significant economies of scale (Geely Holding Group 2013).

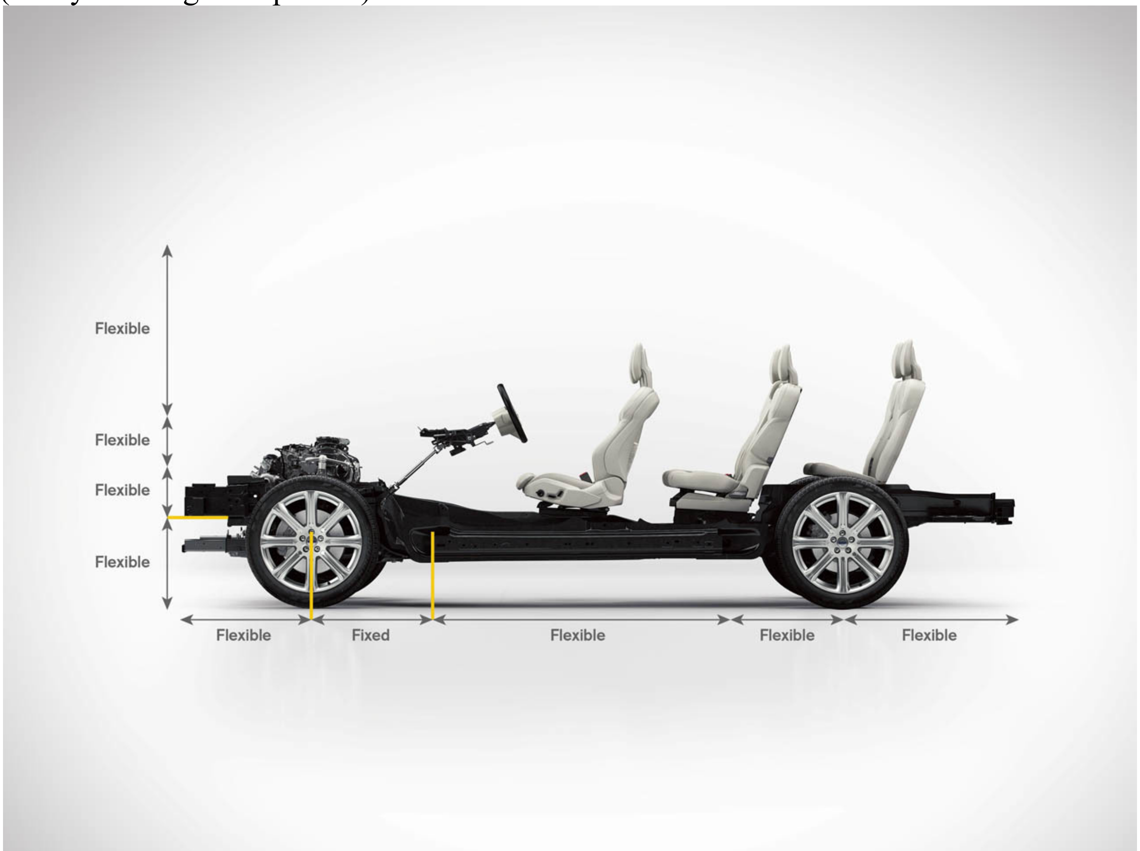

Figure 8. Scalable Platform Architecture of Volvo (Joseph 2014)

Geely is planning to develop the new subcompact model in Sweden, which assists on closer access to European and U.S. markets and consumer needs. The engineering is conducted in Geely's own development facilities in Gothenburg, but there will be cooperation with the designers of Volvo to consider interchangeable elements (Johnson 2014; White 2014). There has been some other cooperation between the companies in product development. For example, former design director of Volvo Cars, Peter Horbury, was hired by Geely to design new Geely model GC9 (Johnson 2014).

In the changes of model line-up, the focus is mostly in Volvo. The major post-acquisition alterations in model line-up started in 2014, when the new Volvo XC90 SUV was introduced focusing on Chinese market. Based on the desires of Mr. Li Shufu about the luxury model, Volvo announced to introduce a longer and more luxurious version of S80 model in China (Stock 2014). As it has been witnessed, Chinese consumers, especially businessmen, want more spacious rear seats. Volvo introduced a long version of model S60, which has dominated the sales compared to normal S60 in China (Yannan 2014; Zhang 2014). In U.S. line-up, Volvo dropped the C70 and C30 models, and left or added S60 compact, S80, XC60 and XC70 (Young 2013a). In 2015, they are planning to sell Chinese produced S60L and XC90 models in U.S. market, and add multiple new models in the line-up upcoming years (Shirouzu 2015). In engines, Volvo started to develop Drive-E engines during the time under Ford, and have replaced V6 and V8 with these new turbo four-cylinder engines with electrically assisted rear-wheel drive technology (Young 2013b, 2014a). Instead of focusing on electric engines entirely, Volvo believes that the future is with these plug-in hybrids, which was also estimated in KPMG study of automotive industry (KPMG 2015, 4). According to Fetscherin and Beuttenmuller (2011, 386), Geely has had presumably plans to introduce five hybrid cars along with other possible fuel vehicles by the end of 2015 in joint venture with Kandi Technologies. Geely will also take part and use the hybrid electric engines developed by Volvo (Geely Holding Group 2013).

According to the survey of Volvo brand conducted by Zakladna and Ehrl (2011, 55), the image of Volvo brand after being acquired by Geely has been modified among consumers. Customers sense that the transfer under the ownership of Geely, mostly due to large investments, has affected the safety, quality and design of the brand positively. In addition, the curiosity and excitement towards Volvo brand has increased, since now they are combining Chinese management with Swedish design and production. However, the technology attribute of the brand has gone worse, as the image of poor technology of Chinese car manufacturers has harmed it. Xiao and He (2011, 40) generally clarified in their study on Chinese consumers, that Volvo is well-known, and has an image of high quality and safe, but also are considered being expensive. Nevertheless, in the end the result was that the image of Volvo's brand suffered losses due to the acquisition (Zakladna & Ehrl 2011, 55). One of the largest effects was the issue of Volvo's production transferred partly to China. Since this survey occurred soon after the acquisition, there is a possibility that the result may not apply anymore today. Nevertheless, Geely has changed from price competition to competing with service, quality, brands and customer satisfaction (Geely Holding Group 2010).

5.2 Acquisition of Jaguar Land Rover Automotive by Tata Motors in 2008

5.2.1 Tata Motors Limited

Tata Motors Limited (later referred as Tata Motors or TML) is an Indian manufacturer of passenger cars and commercial vehicles. Tata Motors is a subsidiary of Tata Group, which was founded in 1868 and is the largest private global enterprise in India, mainly controlled by the Tata family. Tata Group is a conglomerate and embodies over 100 operating companies roughly divided in seven business segments, which are communications and information technology, engineering, services, materials, consumer products, energy and chemicals (Ciceri 2013, 43; Tata Group 2015). Every company in Tata Group has its own directors and shareholders, and the companies mostly function independently. In total, the revenue of the Tata companies is over $100 billion, and majority of the Group's revenue is coming from businesses outside India, which makes it a truly global enterprise (Tata Group 2015). The ownership structure of Tata Group is rather unique as Tata Sons, the promoter holding company, holds substantial part of Tata companies and 66% of the equity of Tata Sons is held by philanthropic trusts founded by members of Tata family to serve the community (Goldstein 2008; Hutton 2013; Tata Group 2015). The chairman of Tata Sons is also the chairman of Tata Group, but Tata Sons is not controlling the companies as they may only influence and provide guidance but not impose orders and policies (Hutton 2013). Tata Sons owns also the Tata name and trademark, and centrally manages the Tata brand (Goldstein 2008, 93). Tata Group have gained international visibility through its large acquisitions in Europe, especially UK, and manufacturing of world's cheapest automobile, Tata Nano, among others (Ramamurti 2009, 15). Tata brand is ranked 34th most valuable global brand, which is an important asset for the company (Bruche 2010; Tata Group 2015). The Tata name has profit for the subsidiaries, such as Tata Motors, as its superior image in India and reflection of trust assists in creation of networks and contracts with partners (Bruche 2010, 14).

Tata Motors is the largest automobile company in India, and by 2008 had become the third-largest bus and fourth-largest truck manufacturer in the world (Hutton 2013). Mainly the superiority of TML is in the commercial vehicles. The first vehicle was manufactured in 1954. The company Tata Motors was established in the 1990s from Tata Engineering and Locomotive Company (Telco) along Ratan Tata's, the chairman of the board, restructure of the Tata companies (Hutton 2013.). TML possess multiple brands and marques under its name, such as Nano, Safari and the first fully indigenous passenger car, Indica (Tata Group 2015). The most well known brands are Jaguar and

Land Rover, which Tata Motors acquired in 2008 from Ford Motor Company. TML automobiles, excluding Jaguar and Land Rover, are mainly marketed and sold in India as well as other emerging markets. Tata Motors has had several joint ventures and contracts with foreign automobile manufacturers, such as Fiat and Daimler-Benz, and has facilities and R&D centers around the world. (Hutton 2013.) According to study of KPMG (2015, 5) Tata Motors is one of the emerging markets automotive OEMs that are seen to have very positive image and expectations in growing their market share.

5.2.2 Jaguar Land Rover

Jaguar Land Rover (later also referred as JLR) is a company of two globally well-known British automobile brands Jaguar and Land Rover. Tata Motors merged these two companies and brands after the acquisition. Both brands have a long history of manufacturing quality automobiles in UK, Jaguar focusing more on sports cars and luxury marques, such as the legendary XK120, and models like XJ and XF. Land Rover on the other hand has centralized on luxury and quality SUVs with 4x4 capabilities, like Land Rover Discovery, Range Rover and Range Rover Evoque few to mention. (Jaguar Land Rover 2015.)

Both companies and brands have had variable history with owners. Jaguar has had four owners in during its existence and Land Rover has changed owner six times since the beginning in 1948, and each of the previous owners had left some marks in the brands and heritage throughout the history of these companies. They were brought together in the 1960s the first time within the same owner, but without any direct connections. In 2000, they were reunited under ownership of Ford and part of Premier Automotive Group. (Hutton 2013.) The time under the management of Ford was not successful for the brands, partly because Ford was trying to cut down costs and share parts between the brands, which might have hurt the quality and image of these two brands. Even consumers did not appreciate the design and the design was not keeping up with competitors and trends. These acquisitions caused huge losses for Ford and at the beginning of automotive crisis in 2008, Ford was forced to sell many of its premium brands. (Ciceri 2013, 33.) In addition, it affected highly on the image of these two used to be examples of high quality and luxurious design of British automobile manufacturing, as it did also to Volvo, which was mentioned earlier.

5.2.3 The characteristics of the acquisition of JLR by Tata Motors

Tata Motors acquired Jaguar Land Rover in June 2008 from Ford also with $2.3 billion, as Ford was forced to sell brands from its PAG (Goldstein 2008, 97). Jaguar and Land Rover were separate under Ford's management, but were merged as the result of the Tata Motors acquisition. It was extremely surprising to the world that an Indian company would buy a developed country companies with such an important and known brands. (Ciceri 2013, 32, 42.) Through this acquisition, Tata Motors became an international automobile manufacturer (Bruche 2010, 4). According to Ciceri (2013, 44), there were speculations that Tata was favored acquirer compared to the other bidders. Tata was criticized from many directions about proceeding with the acquisition and perhaps over-paying it, but later it turned out to be very successful deal (Allen 2014, 31). One reason for over-paying was the timing as the deal was made just before the economic crisis of 2008, when the value of most of the companies crashed.
Bruche (2010, 11) identified few characteristics related to the deal. Firstly, the acquisition doubled total revenues of Tata Motors, and in passenger cars it was quadrupled. Secondly, Tata Motors was previously specializing on small and low-cost vehicles, so the premium cars of JLR were offering Tata Motors a new market, possibility to expand to Western markets (Bruche 2010, 11; Rothenbuecher & von Hoyningen- Huene 2008, 5). However, companies had related products in SUV segment, which would provide Tata huge benefits, although they were in radically differing price category. The third issue was the rapid expansion to global market, as only a small portion of the business for Tata was in foreign markets before the acquisition. After the deal, majority of the assets were abroad. Through this acquisition JLR was much closer to the largest passenger vehicle market in the world, China, as most of the vehicles manufactured in India were transported to Chinese market. In 2012, Tata, JLR and Chinese car manufacturer Chery created a joint venture, where Chery would become the manufacturer of the Jaguar and Land Rover marques in China. (Allen 2014, 32; Jaguar Land Rover 2011.)
Tata had very autonomous management culture as they had so many companies to control. This was also the case in JLR, they had control on their own company and Tata was only offering assistance in the business. Some could say that the role of Tata was only being an investor rather than parent company. According to Barber and Reed (2008), Mr. Tata stated, "We expect the integration to be easy, and we would not get involved with indianizing the company". Hutton (2013) believed that Tata Motors had no other option that to leave JLR autonomous management as they had no experience on premium car market and no one to run the business. There have been discussions about whether it was an advantage or liability that Tata lacked experience in premium cars before the acquisition of JLR (Hutton 2013). Allen wrote about an interview with JLR executive director Mike Wright, who said, "'It's a different way of working, but I

wouldn't call it hands-off. The engagement is more strategic and with fewer people involved. Remember that the Tata Group operates across a raft of segments. If it has got 98 companies, it's hard to micromanage them all. So we are accountable for the decisions we make and we have to step up to the responsibility that's been given to us.” (Allen 2014, 32.)

Interestingly, instead of the target company facing financial challenges, in this case Tata Motors has lately been facing difficulties and JLR has needed to support Tata Motors financially. The car sales of Tata Motors decreased dramatically in Indian market, as the economy was stumbling and consumers turned to foreign brands. (Allen 2014, 34.) Nevertheless, it has been clear that both parties obtained benefits from this acquisition. Tata gained access to foreign markets, especially developed ones. In addition, through this acquisition, Tata Motors gained access to superior production technology and distribution channels, which will help the expansion to more demanding, developed markets (Rothenbuecher & von Hoyningen- Huene 2008, 5). Jaguar received vital investments on research and development as well as in other areas. Tata would not have to be so dependent on domestic market as it used to be, and they gained new technology from JLR for new products combined with low cost manufacturing. (Ciceri 2013, 45.) In addition, the acquisition provided diversification in business portfolio geographically and in products. As part of the deal, Tata also received three plants in UK, and also the distribution channel and sales companies. Even though this brand buying resulted in a positive spillover for the Tata brand, many saw the risk that the deal could have also harmed the founded brands as the spillover outcome can affect both ways. (Rothenbuecher & von Hoyningen- Huene 2008, 5.)

There were many challenges as Tata acquired Jaguar Land Rover during the crisis and needed to provide huge investments, while their own sales were suffering (Ciceri 2013, 46). So they had huge trust and belief towards turning JLR success. Tata secured additional funding for JLR to reorganize finance and provided support in working capital needs for several years after acquisition (Bruche 2010, 16).

One key to successful acquisition was that Tata invested in the right places as they hired multiple new engineers to improve the R&D. In addition, they kept JLR as independent, which was not common in acquisitions (Ciceri 2013, 58). In fact, all these were successful investments and decision as JLR has dramatically increased sales and become very profitable. In 2013 they had a record sales of 450,000 vehicles (Hargreaves 2014). However, JLR is still small player in luxury car market, as BMW sells about 1.8 million and Audi and Mercedes about 1.5 million. “In the car world, volume is the name of the game”. (Allen, 2104.) China is now the largest market of JLR and has increased approximately 30% a year compared to the global sales increase of 19% (Allen 2014, 31; Jaguar Land Rover 2013). According to Senthilnathan (2013, 119), if Tata Motors would expand the dealer networks throughout India like the competitors, they could even further increase their sales significantly. There were also changes in the management board of JLR after the acquisition, as the company brought multiple German experts to fill in the seats, and to bring insight on the battle against dominating German premium car brands (Ciceri 2013, 58).

5.2.4 Motivations behind the acquisition

While analyzing through the academic and news articles about the case acquisition, it became clear that Tata Motors and Jaguar Land Rover had similar motives for the acquisition than Geely and Volvo. Jaguar and Land Rover were being sold and they needed a parent company that would provide them financial support and autonomy to manage their own operations and be responsible of their own decision-making. Tata Motors on the other hand wanted to expand their product portfolio and gain new markets through it, especially in developed countries. According to Cariaga (2014), a line of premium or luxury cars suit well with cheaper domestic passenger vehicle and commercial vehicle segments. Bruche (2010, 11–12) listed some characters that affected the decision of Tata Motors to acquire Jaguar and Land Rover: Internationalization, brands, product flow, fit, scale, demand, manufacturing, R&D and technologies. These two iconic British brands are significantly valuable assets for a company that is willing to become international player, especially in North America, Europe and Asia. (Bruche 2010, 12; Ciceri 2013, 44.) In addition, there are huge investments on the background from the days under Ford and BMW for the model range of JLR, which were close to be launched by the time of acquisition. Land Rover had a close fit with the existing utility vehicles of Tata Motors, so there were possibilities for synergies in the field of sourcing, design, engineering and distribution. (Bruche 2010, 12; Ciceri 2013, 45.) In addition, there could be some synergies in parts procurement that could reduce the costs for the JLR brands. Tata had also access to three modern production plants of JLR, which had much value technologically. The know-how and human resources in R&D of JLR would be essential to Tata Motors to enhance their products, not to mention the technology and designs, opportunities and synergies between the R&D capabilities. Western markets have strict technological standards that Tata Motor's vehicles must meet, and the solution would be through JLR's technology. (Ciceri 2013, 45.) The demand of luxury cars is increasing in India, China and other parts of Asia, so Tata Motors saw a potential in that market, but realized that introducing a luxury brand on their own would be too expensive and risky. Ciceri (2013, 44) added to this that the acquisition of JLR would enable the improvement of the financial position of Tata Motors in the market.

JLR had similar motives than Volvo did, as they were in urge of financial support as Ford was selling them. Through crucial investments they wanted to regain their ancient glory. Tata Motors had substantial investments on research and development, innovation and on renewing the brand image. (Ciceri, 2013.) Additionally, JLR wanted to focus more on growing markets of developing countries. They had been present in the markets earlier already, but only fraction of their sales came from there. Lately the Chinese market has become the largest market of JLR and though the cooperation with Tata Motors, they have been able to invest more in these important markets. (FinanceAsia 2013.)

One interesting, but also quite self-evident issue is that Tata Motors are representing JLR quite prominently in their web page, as in JLR web page; there is only a statement that JLR is part of Tata Group. The reason for it to be evident is that Tata Motors desires to add value to their own brand through brands of Jaguar and Land Rover. On the other hand, JLR does not want to conflate the Tata brand to their as it may harm the value and image of Jaguar and Land Rover. (Jaguar Land Rover 2015; Tata Motors Limited 2015.)

It is clear that the two cases presented had very similar characteristics and factors that influenced the decisions towards acquisitions. In this case, there were also multiple motives in the background and main motives were based asset- and market-seeking desires, which are the main characteristics of the M&As from emerging to developed markets (Dunning 1993, 67–77). The difference was probably the depth of influence and cooperation between the companies. Geely had more desires to influence the decision-making of the target company than Tata Motors did. However, when analyzing the motives of Tata Motors case, based on the research of Häkkinen (2005, 38), their motives were focusing on expansion and development and improving competitive environment. When compared to Angwin's (2007, 93, 96) theory, the intensions followed mostly exploration category, more detailed sequential, learning and reinvigoration motivations. However, there may be other motives that were not presented publicly. Despite this fact, most likely the main motives were the ones that were explained earlier.

5.2.5 The strategy of brand and model line-up integration?

The integration of brand and model line-up in this particular case was left to rather low and the processes and strategies relatively untouched. As mentioned earlier, Tata was aware that they would not have the skills and knowledge to manage a luxury car company, so they kept the management and strategies of JLR rather static. In addition, the markets both companies are representing in are not overlapping as Tata focuses on low cost compact and SUV cars, and JLR consists of luxury car brands. In brand integration, mostly the two different brands live their own lives and do not interfere each other. (Barber & Reed 2008.) Nathan (2014) presents in his news article an interview of

Mukund Rajan, Tata Group chief ethics officer, where he emphasizes the autonomy of JLR. “One of the main attractions of JLR was the strength of its product pipeline. We have no desire to change the relationship of the company to its customers, so we have absolutely to plans to change the branding or to add the Tata name to the brand.” (Nathan 2014.) According to Hargreaves (2014), Tata has been very interested on fostering the valuable and strong British brands that also incorporate other valuable assets, such as design, technology and know-how.

In product or model line-up management, the post-acquisition integration generated more actions, even though the products were very different from each other and did not have much overlapping. Mainly the integration was preformed in production and R&D. Tata Motors had decent manufacturing facilities in India, where they could start producing Land Rover Freelander and possibly later Evoque. They started developing engines in-house to cut manufacturing costs, so they set up joint facilities to produce the engines. (Chowdhury 2011.) In addition, according to Nathan (2014), the two companies have common ground in product development despite the differences in their products. This means that they share knowledge and information in areas that benefit from it. Innovations and technology are also transferred, like pumps, compressors and other ancillary systems and components. In addition, TML began to use the engineering standards and design rules of JLR. After the acquisition, JLR began to use aluminum in the vehicle bodies to lower the weight and cut down on costs, as one of the Tata Group subsidiaries, Tata Steel, was among the ten top steel-makers in the world. In addition, they could use the services of Tata Communications and Tata consulting to lower the costs of engineering and development. (Barber & Reed 2008; Goldstein 2008, 104; Tata Group 2015.) The chief executive of JLR, David Smith, noted the following in an interview made by Griffiths (2008): “There are two or three areas where it would be good to bring in their expertise". With this he referred to the earlier services for cutting costs and using Tata's extensive information technology resources and also support from Tata Consultancy Services division. The most obvious integration was between the Land Rover brand SUVs and Tata Safari SUVs, where it is clear that some designing and technology has been transferred. The influence of JLR is noticeable in hydro formed chassis, interior, front design and haptics of the controls and switchgear. (Nathan 2014.)

When comparing the case to the theories generated by Vu et al. (2010, 98–100), it is obvious that the companies were focusing on growth maximization and harmonization, so they were willing to expand and increase the market share and also to cut down costs to increase profitability. The most evident characteristics that were found through the articles reconcile with the integration strategies of expanding geographic market coverage, distribution channel optimization, and communalizing. Tata Motors wanted to expand to developed markets, which they could do now through JLR. JLR on the other hand desired to expand and strengthen the market share of Asia’s fast growing markets in luxury car segment, and Tata Motors was a very strong support for that goal. This included the distribution channel optimization, as the companies optimized their channels and JLR employed Tata Motors in manufacturing, engineering and consulting and as an exclusive importer. (Barber & Reed 2008; Goldstein 2008, 104; Senthilnathan 2013, 115.) In addition to this, they want to cut down costs to lower the JLR vehicle prices in the growing Asian markets and to increase profitability by communalizing components and technology between the brands.

5.2.6 The changes brought by the acquisition in brand and product management

There were various changes caused by the decision related to acquisition and post-acquisition integration process. However, most of the modifications were rather minor compared to some other acquisitions with full integration. Mainly the changes were in product management and in the manufacturing and distribution channels. Mutual architecture was also used across the various brands under Tata Motors. Mainly, the goal was to create synergies that are achievable in product and engine research and development, supply sourcing, manufacturing and assembly among other operations and processes. (Jaguar Land Rover 2010, 8) Soon after the acquisition Tata Motors started assembling the Jaguar XF and Land Rover Freelander from flatpacks in Pune, India, which was one of the manufacturing facilities of Tata Motors cars (Jaguar Land Rover 2011, 25). This was due to reduced taxes and lower manufacturing costs, since flatpacks attract far less taxes than complete cars. According to Tata Motors executives, the new Evoque could also be manufactured in Pune (Nathan 2014). In addition, JLR is using the IT resources of Tata, as part of the long-term development strategy, to provide them the state-of-the-art framework and systems for controlling and managing the business (Jaguar Land Rover 2011, 27).

The first new model under Tata Motor's ownership was the successful Land Rover Evoque, which has become the bestselling model of JLR. One of the success factors was the personalization, as the cars are customizable in various combinations to meet the customer's requirements. This means that these manufacturing processes practice mass customization, which decreases the cost of manufacturing. The body shell is shared between all the combinations and then the doors, engines, interior and drivetrains are added according to the order specifications. (Allen 2014, 32.) Land Rover especially aims to create new market segments and to create incremental products, like Land Rover Evoque and Range Rover Sport.

JLR is planning to strengthen their luxury car image and to renew their models and introduce new vehicles. "Both Jaguar and Land Rover portfolios will expand through a series of new segment entries that build on their design, performance and technology capabilities. A new generation of lightweight sedans, sports cars and premium SUVs, with hybrids and electrification technology, will also significantly reduce the fuel consumption and carbon emissions." (Business Standard 2012.) According to Tata Motors (Jaguar Land Rover 2011, 10), JLR will be offering new higher-powered engines with more fuel-efficient technology to meet customer requirements. In addition, it will provide more options for customers.

In 2014, the model line-up for Jaguar consists of F-type, XJ, XF and XK. The model line-up of Land Rover includes Discovery 4, Defender, Freelander 2, Range Rover, Range Rover Sport and Evoque (Jaguar Land Rover 2013, 26–27). The new models that have been introduced post-acquisition period by Land Rover are Evoque, redesigned Range Rover, and new Range Rover Sport (Hargreaves 2014). Jaguar has had intentions to introduce a new smaller sized car, a "baby Jag saloon", to compete with BMW 3-series, Audi A4 and Mercedes C-class, which was introduced in 2015. In addition, they are planning to introduce 4x4 crossover Jaguar, C-X17 concept, and these both will be using new aluminum platform. This platform is using modular scalable architecture, which enables growth in product portfolio to meet various targets in premium car segment. (Jaguar Land Rover 2013, 20.) In addition, Jaguar re-entered sports cars segment by introducing the new F-Type in 2013 (Accord Fintech 2012). The new mid-sized sedan XE that was introduced 2015 will be the first car with the "Ingenium" engines (The Economic Times 2014). As mentioned earlier, the SUVs of Tata will be using some of the technologies and design of Land Rover SUVs to create competitive advantage in their markets. Tata Motors is also introducing a new concept car, Nano Pixel, which was created and designed in Warwick. (Nathan 2014.) Overall in passenger cars, Tata Motors is present in several segments with various brands: Micro, compact, midsize, utility vehicles, vans and premium and luxury segments (Tata Motors Limited 2012, 17).

Tata Motors have established an R&D center in the UK, where also the R&D centers of Jaguar and Land Rover are. However, these centers will be separate from each other, and according to Tata Motors representative, there is no intention to combine various brand development centers (Nathan 2014). It is important to uphold the separation between the Tata and luxury brands. There have been significant investments on research and development campus in Warwick for Jaguar Land Rover (Hargreaves 2014). There is a plan for huge investments for future also, as the intention is to introduce 40 new models within the next five years, including opening of several factories in UK, Brazil and China through joint venture with Chery (Allen 2014, 32). However, in overall the affect of the acquisition in product management is not as considerable and significant as it was with Geely and Volvo. Additionally, the strategy has had some differences, especially in the integration, as Geely and Volvo had mostly separate processes, whereas Tata and JLR have shared production processes and facilities.

5.3 The impact of the acquisition motives to brand and product integration

This research question was rather challenging to answer, as there is no proper theory or concept to research it in existing literature. In addition, the literature does not consider the connection between motives and integration process as precisely. However, while researching and analyzing the literature, some issues were discovered. When rationalizing these two cases, they had quite similar starting points. Both target companies were under Ford's ownership, which was forced to sell those during the economic crisis. They were in need of financial investment to survive in the future. The acquiring companies were also having similar motives as they wanted to expand their product portfolio and markets to developed countries. In addition, they wanted to gain and increase brand image through well-established and known Western brand. However, in the post-integration strategy, there were some differences between them. But in this case the purpose is to look at the similar processes and draw conclusions, how the acquisition motives impact the integration of brands and products. In general, the motives were quite congruent in these cases, and were focusing on brand value and market expansion. The conclusion that can be drawn from this is that when the focus is on brand value and acquiring a valuable brand, the post-acquisition integration is a very cautious process and the actual integration part may be left rather low so that it would not harm the acquired brand image and value. In both these cases, the acquiring company possessed a rather unknown brand especially outside domestic market, and acquired a well-known brand throughout the world to assist them on expanding foreign markets. This causes the acquiring company to retain the functions and management untouched, as they may realize that they do not have the knowhow to manage luxury or premium car brand, as in these two cases. If they start to integrate processes and brands, the vital asset of the acquired brand will be lost, which will mean that the acquisition failed to meet the objectives. On the other hand, they must also take the other motives into account.

In both cases the acquiring companies wanted to expand to foreign markets and especially to Western markets, like US and European markets. In order to do so, they need to enhance their brand image, product design and quality. They need to improve the technology to meet the high standards and regulations of Western markets. Because of this, they also need in addition to brand value, technology and knowhow from the target company. So according to this, there is some integration in product management between the companies, but it is precisely limited to prevent the gap between the low-cost and luxury car brands to narrow too much, which would also result in weakening of the brand value. As it was presented earlier, in both cases some components or modules in the product architecture were shared between the brands and also they used the knowhow of target company to improve the design for new models of the low-cost brand. But the shared technology and components need to be carefully considered so that there will be no risk with decreasing valuable assets. And this was exactly what they did in both researched cases. The boundaries were properly proposed so that this kind of mistake could be prevented. The Figure 9 presents linkages between main acquisition motives of the acquiring company in these two case acquisitions and the possible impact that it has had on the integration of brand and model line-up.

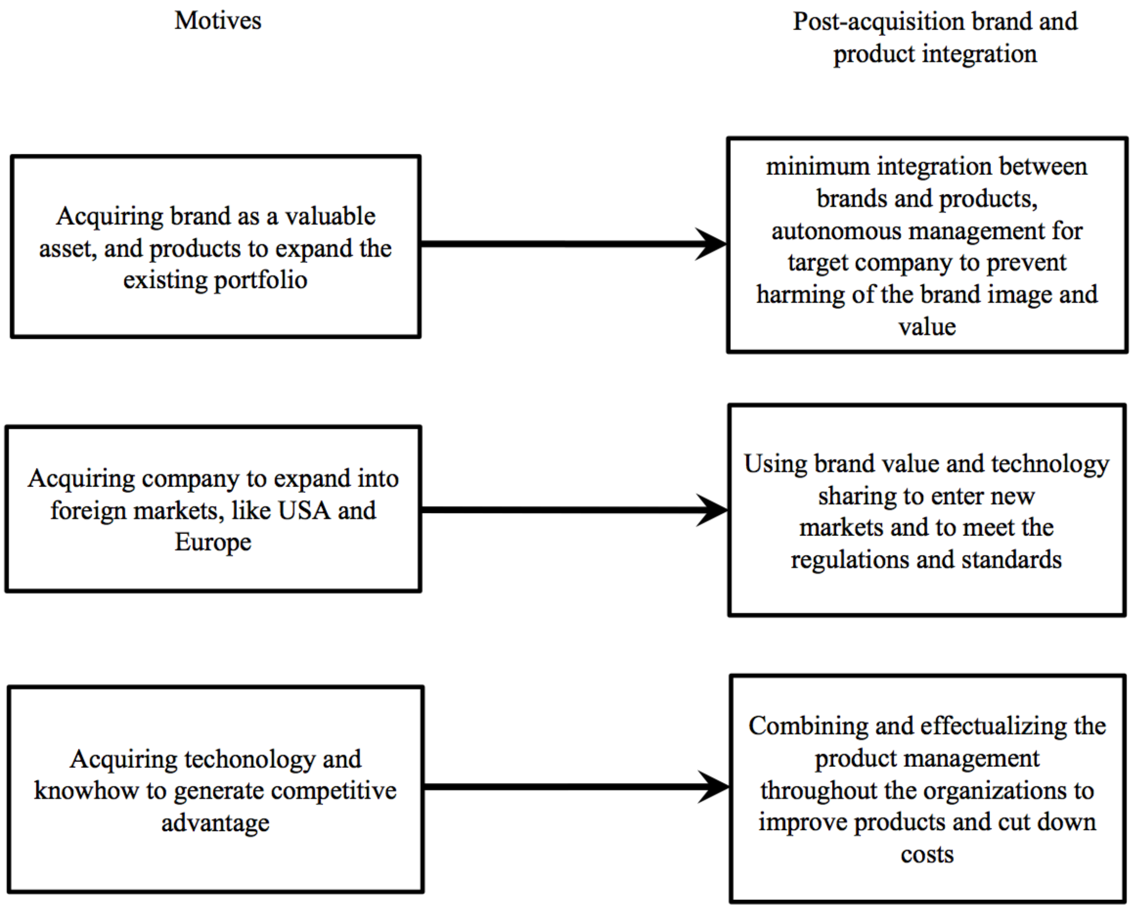

Figure 9. The impact of the main motives to post-acquisition integration strategy

What is presented in the figure, are of course simplified illustrations about the actual integration strategy, which in reality has taken and will still take time to unite the companies. As can be seen, all of the acquisition motives led to rather small or even minimum changes in the organizational actions, strategies and integration processes within the companies, which demonstrates that these companies understood the value and fragility of the luxury brand they acquired, and were not willing to risk that asset in order to improve considerably their self-built low-cost brand. The focus was only to use technology and knowhow to create some competitive advantage compared to other low-cost vehicle brands to increase market share in existing markets and to create opportunity to expand to Western markets. The acquired brand would then take place in higher car segments in the product portfolio.

5.4 Comparison of the case acquisitions

As presented a few times earlier, the two cases researched in this study resemble each other quite considerably. In both cases there were multiple motives behind the acquisition and these motives were rather similar. The acquiring companies required valuable assets in order to have the capabilities to expand Western markets. The capabilities that were required to execute this market expansion were a valuable and well-known brand to boost the awareness of the low-cost brand and high technology to meet the regulations and requirements of the developed markets. In addition, the post-acquisition brand and model line-up integrations were in most parts alike, as both target companies were left independent to prevent of harming the assets of brand value. Some technologies were supposed to be shared between the companies and also there has been cooperation in product development and sharing of facilities. Nevertheless, some differences were also characterized from the research data.

One of the main differences of these two acquisition cases was that in Tata Motors-JLR case, JLR used much more assistance and capabilities of Tata, like facilities, other subsidiaries, distribution channels etc. The reason for this was the low-cost production know-how of Tata Motors as well as the services that could be found inside Tata Group. This way they could even further increase the savings by using designing, consulting, telecommunications and metal productions of Tata Group. Apparently the management felt that the risks of harming the brand image and value was lower than the potential savings they would gain using the facilities and services of Tata Group's companies. In the other case, Volvo mostly had their own processes and they had their own plants set up in order to prevent the harming of Volvo's brand value. Too much relation to Geely brand could lower the image that consumers have about the Volvo's quality. They saw it as a bigger risk than the saving through sharing production facilities and processes. In Geely-Volvo case on the other hand, the cooperation and product management integration was rather comprehensive. Their strategy was and is to develop a common platform for modular architecture for component sharing between the models and even brands, which would then bring cost savings to the company. The duration of the acquisition has been quite similar also between the cases, as Tata Motors-JLR case was executed about two years before, and today they are some steps ahead compared to Geely-Volvo acquisition. Acquisition between two large companies like the ones involved in these cases takes quite a long time to be executed, even though the integration itself was left to minimum.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Theoretical implications

There have been many larger mergers and acquisitions in automotive industry during the last few decades, largely performed by car manufacturing companies from developed markets such as USA, Europe and Japan. However, during the last decade, car manufacturers from emerging markets, mainly China and India, have enhanced awareness among developed markets by acquiring OEMs in western markets (Rothenbuecher & von Hoyningen- Huene 2008). Two particularly shocking and interesting cases are, when Chinese Geely acquired Swedish Volvo in 2010 and Indian Tata Motors acquired British Jaguar and Land Rover. This study researches these two cases. Some studies have focused on motives behind the acquisition decision and also in the post-acquisition integration process, but not within the same dissertation. This research focused on the motives, the post-acquisition brand and product integration, as these are one of the most visible parts in the automotive industry, especially for the consumer. In addition, it investigated the relation between the motives and the integration process, including changes in the companies' product management after the merging process.

When considering about the starting point, both companies had some smaller acquisitions in the background before they decided to go after more important acquisition. This is exactly what Kumar (2009, 116–117) identified in his study. Chandra and Barnes (2010, 4) stated some differences between Chinese and Indian acquirers, that Indian companies acquire to gain skills and develop new competencies and capabilities. Chinese on the other hand acquire to cut down costs and raise scale. The findings in the two case acquisitions conflict with this statement, as Geely was more after the know-how and technology of Volvo, whereas Tata Motors wanted to combine the production facilities in Asia, but kept the R&D separate between the companies in UK. Of course it wasn’t so radically different as both companies had some common motives and strategies. Talking about motivations, as Trautwein (1990) and Ojanen et al. (2008, 154) among others stated that the acquisition is not based on only one motive, but to higher amount. This statement also was witnessed in these two cases, where there were multiple motivations. Perhaps only one particular reason is not enough to enter acquisition business, as it requires high amount of resources and capital as well as contains high risks in meeting these requirements. In the literature part, many theories and concepts were introduced for collecting the motives (Angwin 2007; Häkkinen 2005; Hege et al. 2014). However, as the acquiring companies were from emerging countries, perhaps the most accurate theory for comparing these cases were the one from Dunning (1993), where he categorized the motives mainly to asset-seeking, market-seeking and resource-seeking motives. Hege et al. (2014, 21) also identified the difference between the motives of developed country companies and emerging country corporations, and divide them into asset-exploitation, asset-augmentation, and asset-seeking motives. From these the most common for emerging market companies, including the case companies is the asset-seeking motivations.

In the post-acquisition brand and product integration, the cases presented rather low integration and merging between the companies and their processes. As the brands and product portfolios did not overlap each other's, the integration was rather easy, especially while the acquired companies were kept independent to prevent to harming of the acquired valuable assets and capabilities. In Haspeslagh's and Jemison's (1991, 145) concept, these cases fell into the category of preservation, as the need for organizational autonomy was high, but still some strategic interdependence was witnessed. As Haspeslagh and Jemison also (1991, 105) stated, the companies in the case acquisitions were aware that the integration requires cautious preparations along the complete acquisition project. However, their theory is far too general to make more detailed findings about the strategies of the cases. Vu et al. (2010, 98–99) have far more detailed concepts about the post-integration strategies and they categorized well the various ways to integrate brands and products in horizontal acquisition, and also characteristics of these two cases were identified in the defined categories. In addition to these identifications, there were rather many changes in the product development, mostly to create competitive advantage in the low-cost brand through the capabilities and technologies of the premium brand and to cut down the production costs by sharing technologies and components especially between product line-ups, but also within various brands. A very common approach is modular architecture, especially in automotive industry as many components and modules can be used among various models (Pulkkinen 2007; Ulrich 1995). The products can be practically divided into modules that can be shared and modules that are unique for certain models or are customized specially for particular customer requirements (Ericsson & Erixon 1999, 17). The challenging research question was the connection and impact of motives to the integration strategy as there has not been determined any proper theory or concept to analyze this. But through the layout of Figure 9, the conclusion of the integration strategy was defined, and is presented in Figure 10. Obvious feature is that emerging market companies, especially these two, are very cautious with the integration process, so that the acquired value will not be damaged. The brand value is harmed easily when the image of the acquiring company impacts it. Consumers in Western countries easily start to shun brands that are owned by Chinese or Indian companies, as it may give and image of poor quality.

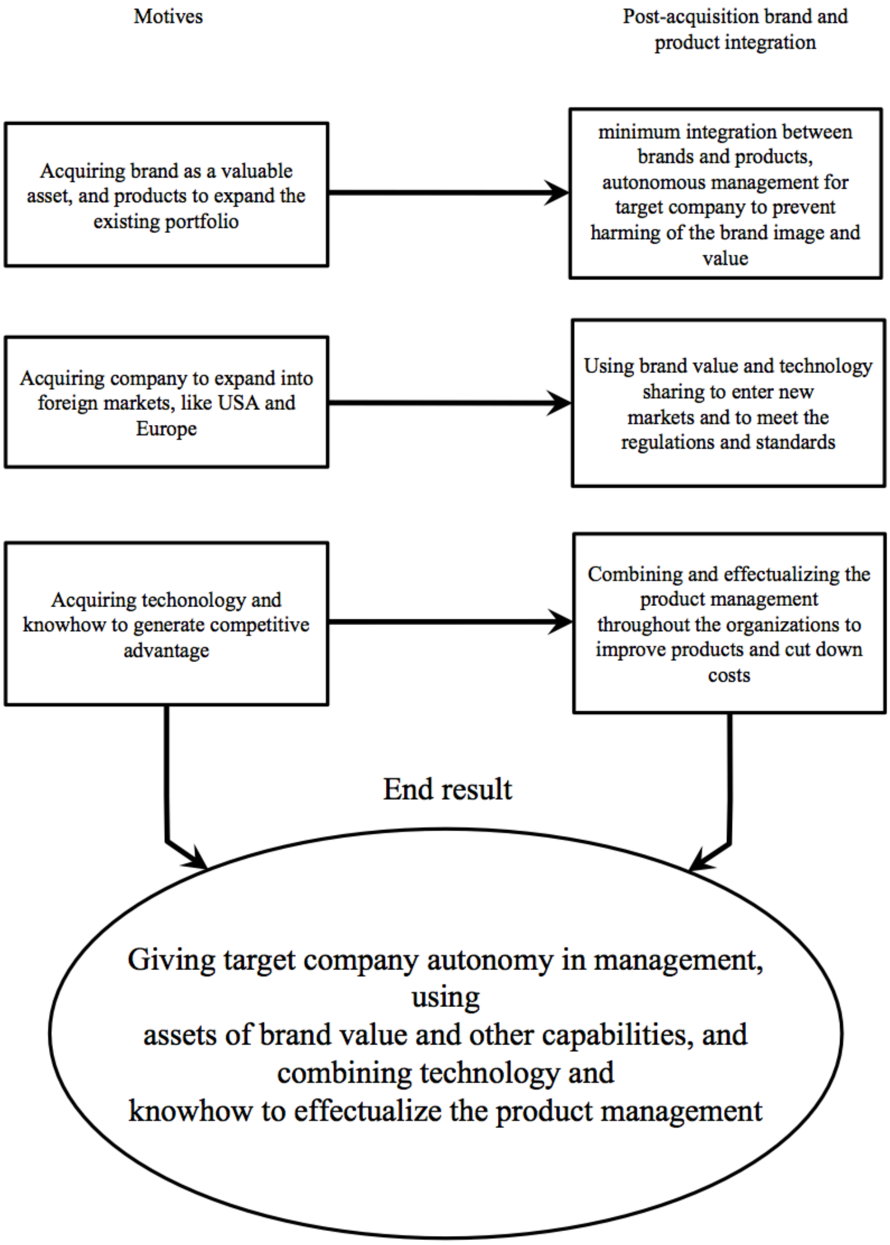

Figure 10. Conclusion of the integration strategy

Despite the fact that it is rather early to conclude the success of these two acquisition cases as the overall results are not being identified yet due to unfinished integration processes, it can be determined that both cases, especially Tata Motors-JLR case, has been successful so far as they have been able to increase the sales and market share in many markets, and most importantly in Chinese market. This shows that the direction of the management decisions and strategies is the right and most likely more references to success will be witnessed later when the integration, and whole acquisition process, has been concluded.

6.2 Managerial implications

Although it is said that every acquisition is an individual and unique, and that there are no two identical acquisition process, many cases possess similar characteristics or share few equal features (Angwin 2007, 101–102). The main motive for mergers and acquisitions is to create value for shareholders, which is also the main purpose of a company's existence (Haspeslagh & Jemison 1991, 32). However, there are various detailed motives for such an activity. In addition, there are motives that are not so clearly connected to the shareholders' value, but those are highly uncommon. Post-acquisition integration process is one of the most important parts of acquisition, and often defines the success of the entire acquisition process. The strategy for the integration varies according to many factors, which is why it is rather challenging to define a shared universal strategy for successful integration process. However, the results from this study will give some valuable information and suggestions for companies that are in similar situations with the case companies of the research. The information contains some ground to the decision and strategies that the companies made before and during the acquisition process. Generally, companies can choose to use the information provided in this study if their situation possess similar characteristics and they find the information useful in their particular case.

6.2.1 Case company implications

In order for the companies to succeed and create value through the acquisition project, they need to be very cautious with various factors. First of all, they need to have clear objectives for the acquisition and walked through the entire process of the acquisition. Secondly, they must have clear strategy with the post-acquisition integration process, as it is the key issue for them to successfully execute the acquisition. In these two cases, the motives were quite clear, as they mainly wanted to expand their business and receive the required assets, technology and know-how, to do so through acquisition. It is important to realize the motivations, as those will impact the overall integration process and its goals. If the motive is mainly to cut down costs and to enter new markets, they may proceed with full integration or integrate most of the processes. However, with asset-seeking motives, the companies need to take the vulnerability of the assets and especially brand into account, and also the integration process needs to be practiced carefully (Dunning 1993, 67–77; Vu et al. 2010, 102). Nevertheless, the most important asset in these cases was the brand image and value that the target company possessed. According to Vu et al. (2010, 81), the most important aspects in acquisition process, is the post-acquisition integration process, and from integration process the brand and product integration. They must put effort in the integration and these assets need to cherish to achieve the goals. As it is said, there is not only one right and proper practice for this, as it depends on the situation, management, and the case itself, which is why it is fairly difficult to generate a common strategy for brand and product integration. However, some guidelines can be provided through these two researched cases.

As was learned from the cases, the acquiring companies kept the autonomy of the new subsidiary after the acquisition to prevent any harm to the brand image and value. When the acquiring company possesses a low-cost brand with rather low brand image and it is acquiring a highly valuable luxury brand as an asset, acquiring company should not try to combine or merge the brands, as it will most likely have a negative effect on the acquired brand asset. Mainly the integration focused on the product development and production, as the target company had the technology and know-how, and the acquiring company had the low-cost production and required facilities in the emerging markets. There can be many various sections where technology can be shared, but the low-cost brand should not adopt too much of the high quality technology that the premium car brand possess, as it will narrow the gap between them too much and harm the market share of both brands. In overall, it is rather important that the acquiring company does not interfere too much with the management of the luxury car brand, especially if they do not have experience in managing in luxury car segment, as was the case in these two companies (Allen 2014, 32). Focus should be in smaller processes, which would not risk the value of the assets, and the profitability and efficiency would be improved through the smaller integrations, such as product management and architecture, production and technologies.

As a conclusion, it is still difficult to assess if these two acquisition cases were successful as the integration phase is not completely finished yet and the results are not shown yet properly. However, after witnessing the progress of the integration and the companies after the acquisition, they are on the right track as the market share has risen and also the brand image has been improving. The next new models that the companies reveal in the near future will show the true result of the acquisition, especially in the case of Volvo. They must succeed with the sales of the upcoming models, as otherwise budget will go too high without improvement in revenues. For Volvo it is rather gambling as they are putting their bets on the new XC90 SUV and the luxury model of S80 in China's market. In Jaguar Land Rover case, they have many new models, especially Range Rover Evoque, that are selling well and are rewarded by many parties. As the situation with world economy and decreasing growth in emerging markets are influencing the automotive industry, more efficiency improvements should be done.

6.2.2 *Industry and market implications*

In the point of view of the industry, these research cases represent the latest and also highly remarkable changeover in the automotive industry M&A history (Chandra & Barnes 2010). Earlier, the companies in developed markets like USA, Europe and Japan have dominated the industry. Today, the companies from emerging markets, particularly from China and India, have challenged this perspective and shown the ability to respond to the superiority of these Western giants in automobile industry. These two cases have shown their power by acquiring some of the most well-known and superior brands with latest cutting-edge technology and engineering know-how in the industry. So rapidly they have placed their selves among the top manufacturing companies in the world.

Through these kinds of acquisitions, emerging giants are able to acquire capabilities within shorter period of time, which would otherwise take multiple years, even decades. This way, the companies can narrow the technology gap between them and developed market companies. As mentioned earlier, the emerging markets are becoming, or are already, the biggest markets for automobiles. These acquisitions will tighten the competition within these markets and also create pressure for developed country companies in their own markets. In addition, it boosts the technology development, as more players are able to modify older technologies and create new ones. This creates more possibilities and also mixes up the customs of the business. Most likely, this overall phenomenon creates new winds in the industry and most likely will have positive impact on the competition and consumer market.

For consumer, this creates more options, but also bewilderment, as there are so many manufacturers in the market. In addition, it might generate pressure on the vehicle prices, and more competition often offers more advantages on consumer side. New technologies are developed due to the competition and manufacturers will create safer and more advanced cars, while newer production and design concepts offer more customer-oriented products, allowing companies to improve the meeting of customer requirements. This naturally improves the situation and bargaining power of the consumer.

6.2.3 *Implications to other stakeholders*

Other stakeholders in this situation are mainly the suppliers and distributors. Most likely the changes that acquisition entails does not critically affect the suppliers and distributors, at least not in these two cases. The reason for this is that the acquiring company intended to retain the autonomy of the target company and the decision-making completely under its management. Thus, such dramatic modifications in the business networks are rather unlikely. Some changes of course are destined to occur and most likely new partnerships are created along market expansions as well as in creation and development of new models and facilities.

One possibility is that suppliers, distributors and retailers of the target company see the acquisition as a negative issue, as the connection between emerging country low-cost vehicle manufacturer and developed market luxury car manufacturer might harm the brand image. This naturally would harm the business of the other stakeholders, which could affect the contracts between the parties. In general, the acquisitions made by emerging market companies will create more competition among other stakeholders, and acquiring companies may prefer particular distributors or so, which also changes the situation between the stakeholders and terminate the contract.

One stakeholder is of course the government and states, how will these acquisitions affect them. In these kind of acquisitions, the states involved will benefit, as the target company is in financial difficulties and through acquisition, it has chance to continue business with positive expectations. In addition, the country of the acquiring company will most likely benefit through taxes and jobs, as well as the publicity through the acquisition.

6.3 Limitations and suggestions for further research

As this research only focuses on cases of Chinese and Indian acquirers, it is rather challenging to generalize the findings for emerging market companies. In addition, the focus is on automotive industry, so companies from other industries may not find the information and findings so useful. However, if the company finds their situation similar to the situation of the case companies, some findings may be quite valuable. Another limitation is that the study analyses only secondary data, so there is no direct source for reliable data, for example an interview. Thus, the research needs to base on interviews of other researches. However, many of the researches were based on reliable data, which improves the trustworthiness of this study. The source data was introduced in tables 8 and 9. The study was also only focusing on brand and product integration, so the concepts and findings in this study may be challenging to be customized to other parts of the integration process.

For further research, there are quite few suggestions to consider. Acquisition process is a wide topic, even when focusing on one or few acquisition case. But in this particular research area, the research could be widened to see more generalizations within the acquisition cases. In addition, these two cases could be researched further in the future, when the results of the integration processes are witnessed, that what was the end result of these cases, were they really successful or not. There could be other approaches as well than M&A motives and post-transaction brand and model line-up integration. One interesting angle would be to further investigate the relations between the M&A motives and post-acquisition integration strategy, and to attempt to create a theory to support the findings. For generalization, a combination of qualitative and quantitative data would provide probably deeper understanding and profound results. This would be very useful for businesses as well as academic researches. When further studying these two cases, it would be useful to receive some detailed information about the integration, for example having an interview with one of the key persons, such as integration manager.

7 SUMMARY

The purpose of this study was to identify the acquisition motives and strategies for post-transaction brand and product integration as well as analyze the impact of the motives to the integration strategy. The cases chosen for the research were Chinese Geely, when they acquired Swedish Volvo in 2010 and Indian Tata Motors buying British Jaguar Land Rover in 2008. The study shows that automobile manufacturers from China and India have become eager to expand their markets to the developed countries, as the competition in their domestic markets for low-cost vehicles has increased radically. In order to expand to these new markets, they need to focus on developing their brand image and product quality. On their own, this kind of development would take a relatively long period to execute, so they have decided to utilize corporation acquisitions to fasten the process.

The two cases are convenient examples of corporate acquisitions as part of third world automobile manufacturers' expansion strategies, where emerging market companies have made the decision to acquire valuable assets, like brand value, high technology and know-how. In order to better clarify the reason for the acquisition and the success factors for the entire acquisition, this study has researched the motives behind the acquisition decision, the post-acquisition brand and model line-up integration, as these two are vital assets in automotive industry, and the impact of the motives to the post-integration strategy.

The study is based on qualitative case study methods, analyzing secondary data from academic papers and news articles as well as companies' own announcements e.g. stock exchange and press releases. The research problem was analyzed by answering four research questions, firstly by analyzing, *what were the motives behind the acquisition*. Secondly, the study focused on the *characteristics of the post-acquisition brand and model line-up integration*. In the third question, the study investigated the *changes in the product management after the acquisition*. Lastly, the study intended to clarify the *impact of the acquisition motives to the post-acquisition integration strategy*.

The study concludes that asset-seeking and market-seeking motives were the dominating reasons for executing an acquisition. The acquiring companies in both cases understood that they required valuable assets and capabilities in order to expand to developed markets. What they needed was a boost in the brand image as well as technology and know-how to meet the regulations and requirements of western markets. By acquiring a western luxury car brand, they could gain these capabilities and assets to compete and create competitive advantage against the dominating brands in low-cost and premium car segments.

According to the findings, in the post-acquisition integration phase it is important to have a clear vision of the goals, strategies and critical factors in order to conduct it successfully. There were notably similarities for both acquisitions, while some differences were also identified. In brand and product integration, the integration should be minimized and changes should be taken cautiously to prevent the loss of asset values. In both cases the target company was held independent and given autonomy in managerial decisions. This meant that the operative and strategical decisions were entirely up to target company's management and the parent company could only provide suggestions and have some influence. In the actual integration, the brands and products were in radically different segments so only few smaller issues were merged, such as reorganization and redevelopment of brands. In model line-up, the models of the moment were kept rather unchanged, except for changes in the brands. The main integrations were performed in product management, where common scalable and modular architectures of the products were developed to enable component and module standardization and sharing between brands and product families to enhance the competitiveness of the low-cost brands and decreasing production costs. Additionally, joint product development and production facilities were established to improve product designs and to enhance company profitability by cutting down costs. Some differences were identified between the cases in the cooperation of the companies, as in Geely - Volvo case there were more sharing and integration in product development and product management, while in Tata Motors – Jaguar Land Rover case there were more integrations and sharing in production processes and networks.

This study has concluded, that the actions and strategies of the case companies can create successful outcomes in an asset-seeking acquisition. At this point it seems that the strategies these companies executed in the acquisition process have been chosen and executed correctly, as especially the target companies' profitability and market shares have improved during the post-acquisition period. However, the ultimate long-term results of these relatively recent case integrations have not yet been witnessed. Only time will show us whether the strategies chosen by the two case acquirers were the right ones. This study showed that acquisitions may be a useful practice in order to absorb assets and capabilities for emerging market OEMs in order to create or increase the competitive advantage and to expand to developed markets. However, the integration of these valuable assets must be taken with high discretion and caution in order to successfully create value through acquisition activity.

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APPENDIX 1: SOURCE DESCRIPTIONS

<u>Geely - Volvo</u>	Source	Authors	Aca-demic	News paper	Data	Key findings
Mo-tives		Chen & Liu	X		Qualitative, inter-views with Volvo representatives and Chinese market specialist	• Geely was the best bidder for Volvo, as they preferred to keep Volvo independent unlike larger corporations
		Vorobyov	X		Qualitative, sec-ondary data, articles	Geely and Volvo needed to mod-ify the brand strategy in some ways, as Volvo's main advantage was the safety and environment image, which was not so im-portant characteristic for Chinese consumer
		Tay	X		Qualitative, sec-ondary data, articles	• One of the reasons for acquiring Volvo was the engine technology with lower fuel consumption, especially gas-electric hybrids • The safety technology and design of Volvo were very im-portant for Geely to expand to foreign markets • Volvo instead was rescued from financial problems
		Jianyong	X		Qualitative, sec-ondary data, articles	• Acquiring advanced technology of Volvo and enhancing the image of Geely brand through Volvo's brand value and image • Overseas selling channels of Volvo will be very useful for Geely's long term development strategy along with the support and sharing of research and development and management skills
		Chandera & Widjojo	X		Quantitative data, economical and financial data	Geely will get access to state-of-the-art technology and highly respected and valued brand.
		Fetscherin & Beut-tenmuller	X		Qualitative data	• Geely aimed to compete with the luxury German brands with Volvo in Chinese market • Expects the Volvo brand to improve the awareness and image of Geely brand in the internation-al markets
		Balcet	X		Qualitative data, interviews, ar-chival data	• Without acquiring a company like Volvo, Geely would be only a follower in the mature markets with reverse engineering • As the competition is fierce in China, Geely desired to expand to foreign markets using the technology and image of Volvo
	IB Times	White, Lewis		X		Volvo starts selling Chinese manufactured models S60L and XC90 in US.
	Business Week	Kyle Stock		X		The future vision of Volvo under new ownership.

Brand/ product integration	China Daily	Tuo Yan-nan		X		Volvo has announced first new model since Geely's acquisition, XC90, introduction of the new joint R&D center with Geely in Sweden.
	Reuters	Norihiko Shirouzu		X		The future direction of Volvo's brand image, disagreements among Volvo and Geely executives.
	IB Times	Angelo Young		X		Volvo's first new model XC90 under Geely's ownership.
	IB Times	Angelo Young		X		The autonomy of Volvo and relationship with Geely and according to Volvo executives.
	Wall Street Journal	Murphy & White		X		Geely will use Volvo's technology in its Geely brand and will renew the brand strategy to enhance the value of its brands.
	Bloomberg	Tian Ying		X		Geely changes its brand strategy by combining its three brands into one, Geely, which will cut down costs.
	Financial Times	Henry Foy		X		Geely and Volvo are developing new brand between Volvo and Geely brand. Also they are enhancing the strategy of cooperation and creating mutual direction for future.
		Chandera & Widjojo	X		Quantitative data, economical and financial data	• Volvo was decided to be kept separate and independent • Geely understands the expectations of Chinese consumers, so they can pro-vide vision for the renewed brand image of Volvo
		Tay	X		Qualitative, secondary data, articles	• In order to prevent any harms towards the Volvo brand through Geely brand, companies are planning to introduce a third brand positioned in segments between these two, which would contain older Volvo technology • This plan will have risks as it might position too close to luxury brand Volvo or low-cost Geely, thereby decreasing their sales or brand values • The technology and brand of Volvo would improve Geely's platform and model line-up and thus strengthen the position of Geely in China market and to assist Geely's expansion to foreign and especially developed markets
		Chen & Liu	X		Qualitative, interviews with Volvo representatives and Chinese market specialist	Although both benefited from the acquisition, Geely was the one that received more from it, as they saved many years by acquiring Volvo brand compared to internationalize by themselves
	Forbes	Russell Flannery		X		Geely has plans to keep Volvo separate and a vision how the strategy would be generated for Volvo to increase their sales.

	Engineering	Verdi Ogewell		X		Volvo is developing new PLM system and product architecture under Geely's ownership. Also they have new CEVT facilities in Sweden for joint development with Geely.
	Economist			X		Geely will invest $11 billion to Volvo's product development. This will result in new models using either SPA or CMA, which are new architectures for the future models.
	Auto News			X		Geely will design and develop new Geely models in new R&D center, Sweden. Peter Horbury will be responsible of the renewal of Geely's design and product development.
		Diana Kurylko		X		Geely wants to renew Volvo's image and move it higher into luxury segment.
		James Hilton		X		The new modular architecture will provide Volvo higher status and cost savings. Also it will provide Geely to meet better customer requirements.
	China To-day	Li Wuzhou		X		Volvo's brand image has in-creased the value of Geely's brand in foreign markets and through the agreement of modu-lar architecture and sharing of technology, the value will further increase in the future.
	AutoWeek	Jay Ramey		X		The Volvo's model for Chinese market, S60L, will be offered in US market in 2015, as it is what the consumers there require.
	Cars Guide	Neil Dowling		X		The brand of Volvo is improving the Geely brand. Volvo has started to manufacture cars in two facilities in China for Chi-nese market. Also possibility to export Chinese made cars in future to foreign markets.
	IB Times	Wills, Driskill		X		New Geely brand between Geely and Volvo consisting of Volvo's technology
	IB Times	Angelo Young		X		Volvo and Geely are developing new small hybrid engines

Tata Motors - Jaguar Land Rover	**Source**	**Authors**	**Academic**	**News paper**	**Data**	**Key findings**
Motives	Investors Business Daily	Vance Cariaga		X		Tata Motors have gained publicity through acquisition of JLR, and also their brand value has increased. As an investment, a luxury car brand would fit well in Tata's company portfolio.
	Finance Asia			X		JLR is increasing effort in Chinese market, as they see the potential in luxury car market.
		Bruche	X		Longitudinal qualitative study, based on articles and interviews	Number of reasons behind the acquisition of JLR, such as internationalization, brand image and values, product flow and production technology, JLR fit in the product portfolio of Tata Motors, possible synergies to improve profitability, growing demand of luxury cars in developing Asia, valuable technology and know-how.
		Ciceri	X		Qualitative data, interview with sales manager of JLR in Italy	• JLR would help Tata Motors to expand in international markets by providing technology and widening the product range • Its was a cost-effective way to gain competitive advantage compared to other low-cost car manufacturers • The acquisition also helped in enhancing the financial position of Tata Motors • Tata could use the development and distribution channels of JLR without merging with it
Brand/ product integration	Professional Engineering	Ben Hargreaver		X		Tata Motors values the assets of JLR and is preventing of risking these with too wide integration process and allowing JLR to work on their own and providing the required financial aid.
	Engineer	Stuart Nathan		X		Tata Motors has no plans to mix the brands, adding Tata brand to JLR brands or modify the working processes of JLR. Tata Motors will start producing JLR vehicles in their Indian facility for the East Asian markets and R&D will focus in UK for both companies.
	Fortune	Alex Taylor III		X		The first new model under Tata Motors ownership, Land Rover Evoque, has become the best selling car for Land Rover brand. Evoque is customizable for various customer requirements.

	Wall Street Journal	Chow-dhury Anirban		X		Tata Motors and JLR are planning to increase cooperation and joint development, such as new engines or vehicle manufacturing. This would likely cut down costs of manufacturing in price critical markets like China and India.
		Allen	X		Qualitative research, based on variety of data	• Along Evoque, JLR started to modularize the models and share components and modules between them • JLR was left as independent as Tata Motors did not see itself running a luxury car brand because of lack of experience in luxury car market • There will be many new models for both companies since the acquisition, which will share components between each other • There are huge investments behind the reorganization to once again bring Jaguar and Land Rover brands among top luxury car brands
	Financial Times	Barber & Reed		X		After the deal, Tata Motors will not have plans for radical integration between the companies, which would prevent the risk of harming the acquired assets. However, they could provide assistance in supply chain and building the brand in Chinese and Indian markets.
		Goldstein	X		Qualitative data, interviews and secondary data	JLR was planning to use the IT resources of the Tata Group to gain advantage compared to others.
	Financial Times	Joe Leahy		X		Tata Motors and JLR are planning to set up dealership network, as it would be profitable to start exploring from the domestic market.
	Financial Times	John Griffits		X		The plan for Tata Motors is to allow JLR to operate independently. However, JLR says that they could use the expertise of Tata in low-cost manufacturing and information technology resources.
		Senthilna-than	X		Qualitative, secondary data	Tata Motors should be increasing the number of dealerships for Jaguar and Land Rover in India, like other car brands to increase their market share.