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An investigation of the cultural differences

and reactions towards organizational change in the

post-acquisition process

A case study of Zhejiang Geely Holding Group and Volvo Car Corporation

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1

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Abstract

Title: An investigation of the cultural differences and reactions towards organizational change in the post-acquisition process - *A case study of Zhejiang Geely Holding Group and Volvo Car Corporation*

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Background and Problem: Mergers and acquisitions are a frequently discussed topics in newspapers globally. There is a trend where emerging economies from South-East Asia increasingly perform cross-border mergers and acquisitions in mature markets. The post-acquisition is considered to be the most important and critical process during the acquisition period, especially in a cross-border acquisition where companies emerge from different cultures. A poorly managed post-acquisition process might lead to anxiety and confusion amongst the organizational members.

Purpose: The purpose of this thesis is to enlarger the understanding of cultural challenges and reactions to organizational change in a post-acquisition process. In order to fulfill this purpose, the research question aims to investigate if the post-acquisition process of a cross-border acquisition is affected by cultural differences and reactions towards organizational change.

Method: The empirical material has been collected through qualitative interviews with four respondents currently employed at Volvo Car Corporation in Torslanda, Sweden. The collected material has been analyzed and compared with the theoretical framework in order to find consistencies as well as inconsistencies.

Results and Conclusion: This research found that the investigated post-acquisition process was affected by cultural differences and reactions towards organizational change. The most prominent cultural differences that have affected the post-acquisition process, in this case, are differences in; language, power related issues and decision-making process. The reactions towards the organizational change was initial shock and anxiety. This research further suggest an existing correlation between the level of integration and prominence of cultural differences.

Abbreviations

M&A - Mergers and Acquisitions

CSR – Corporate Social Responsibility

PAG – Premier Automotive Group

FDI – Foreign Direct Investment

JLR – Jaguar-Landrover

List of figures

Figure 1: The pre-acquisition and post-acquisition processes

Figure 2: Contingent integration modes

Figure 3: Comparison Sweden and China based on Hofstede's cultural dimensions

Figure 4: Process of deduction

Figure 5: List of interview respondents

Figure 6: The formal structure of Zhejiang Geely Holding Group

Table of contents

1. Introduction

1.1 Background

In this initial part, a general background regarding the current global situation of mergers and acquisition will be presented. The motive is to create a foundation to the complete thesis.

Today, mergers and acquisitions are frequently discussed topics in newspapers globally. These are displaying an expanding trend that corporations, worldwide, is further utilizing mergers or acquisitions as one of their most important business tools in order to boost business and internationalize (HP, 2014). Even though the term mergers and acquisitions is commonly used synonymous in the unified term M&A, there are several important differences that are crucial to recognize when examining the area more deeply. According to McClure (2015)**,** a merger is when a new firm is created out of two already existing organizations and an acquisition is when an acquirer purchases a controlling interest in another firm and expresses itself as the new owner of the firm. In this thesis the focus will be on acquisitions and not mergers.

Moving on, mergers and acquisitions can be made domestically or cross-border. The cross-border M&A represent a great part of global foreign direct investment (FDI) activities (UNCTAD, 2006). The attributes of cross-border and domestic M&A's are close to identical, even though one could say that cross-border acquisitions are of a more complex nature. The primary reason of the complexity, is that the post-acquisition process will be affected by an unfamiliar national culture when trying to coordinate two corporate cultures into one. As opposed to a domestic acquisition, where the two organizations operate within the same national culture. Due to the difficulties that might arise when foreign cultures are blended, firms engaging in cross-border acquisitions are more likely to face risks such as *liability of foreignness* and *double-layered acculturation* (EIASM, 2009). Liability of foreignness is originally an expression used in theories concerning multinational enterprises which are facing additional costs when doing business internationally. These costs are caused by factors such as the unfamiliarity of the environment, involving differences in politics, culture and economics. There is also a greater need of long distance organization. In the report Overcoming the Liability of Foreignness, Zaheer (1995) explains that the relevancy of these costs, caused by international business, is different depending on industry, firms, host country and home country. Nevertheless, these costs are consequences of international trade which

cannot be disregarded (Zaheer, 1995). Moreover, there is also a potential risk of experiencing double-layered acculturation, which points out the challenge of additional need to incorporate national culture to the organizational culture (Froese. and Goeritz, 2006). Both concepts are expressing how firms can be hindered to realize their strategic objectives due to differences such as institutional forces, business practices, customer preferences and national culture (Shimizu, 2004). Despite these challenges, cross-border mergers and acquisitions are acknowledged to be most effective in terms of implementing business strategies (Bolger, 2014).

Emerging economies from South-East Asia have increased their international market shares rapidly over the last years by using tools such as M&A's. Especially Chinese companies have further adapted to the international environment and in 2014, Chinese enterprises performed more M&A's than ever before. In a report published by Deloitte in 2014, it was noted that large scale companies will perform M&A transactions more frequently, wherefore a rise of 30 per cent was predicted within the next couple of years (Deloitte, 2014). Only in the first five months of 2014, Chinese enterprises had accomplished to operate 106 outbound M&A's, mainly going into the area of Western Europe. It is not only the total M&A activity that has experienced an upturn, but also the performance of cross-border M&A's (Forbes Asia, 2015). In 2010, the relatively unknown Chinese firm, Zhejiang Geely Holding Group, acquired Volvo Car Corporation from Ford and this event made the headlines all over the world. In the past, the Chinese corporation has simply been viewed as a commonplace competitor at the automobile market (Tian and Wang, 2011). However, their reputation changed when Zhejiang Geely Holding Group, referred to as Geely, started to cooperate with Volvo Car Corporation, referred to as Volvo. As a result, Geely became the first multinational automotive corporation in China (Geely Global, 2014).

1.2 Problem Discussion

As mentioned in the introduction, the total M&A activity is progressively increasing globally. However, even though M&A at first might seem as an easy measure in order to expand, about 50 per cent of all processes are failures. The most common reason for failure is that the acquirer does not pay enough attention to the post-acquisition process (Forbes [a], 2012).

The post-acquisition process is highly important due to the fact that it requires time and hard decision-making, which may create tensions affecting the fundamental operations of each firm involved in the acquisition. The post-acquisition is considered to be the most difficult and critical process to manage in an acquisition and it is crucial for the acquirer to handle this process gently when implementing rules and standards that match the overall strategy (Angwin, 2007). Additionally, if the mix of different cultures does not blend together smoothly, complications might arise. Moreover, reactions towards organizational change also have a significant influence on the result of the post-acquisition process. Most commonly, an acquisition forces the organization to change and regardless of the extent of the change, the reactions will differ amongst the organizational members. In order to reduce anxiety, connected to an organizational change, it is important to form an operational strategy for the organizational integration (Buono and Bowditch, 1989). According to Angwin (2007), a poorly managed post-acquisition process might lead to uncertain and insecure employees, which in the long run could damage the operations of the corporation.

The M&A process is a widely discussed subject and a great number of reports and articles have examined the importance of a well-planned post-acquisition process. Haspeslagh and Jemison (1991), Lasserre (2012) and Angwin (2007), are only a few of all researchers whom have investigated this matter. Despite the innumerable guides and articles of how to survive the post-acquisition process that demonstrate what most firms forget to take into consideration before acquiring, there is still as earlier mentioned, about 50 per cent risk to fail an acquisition (Forbes [a], 2012). When reviewing previously conducted studies, there is an insufficient discussion of how national and organizational cultural differences as well as employee reactions towards organizational change may affect the post-acquisition process. What also has been detected by the researchers of this study, is a lack of research regarding cultural aspects when emerging companies undertake acquisitions in mature markets. Subsequently, the researchers of this thesis would like to analyze the potential impact of national and organizational culture differences on a cross-border acquisition. This research will further examine whether employee reactions towards an organizational change have affected the post-acquisition process in this specific acquisition.

1.3 Purpose of the study

In order to reduce the risk of future acquisition-failure, the purpose of this research is to enlarger the understanding of challenges related to national and organizational culture as well as reactions towards organizational change in a post-acquisition process. This research will study the cross-border acquisition of Volvo Car Corporation made by Zhejiang Geely Holding Group.

1.4 Research question

Have cultural differences and employee reactions towards organizational change affected the post-acquisition process between Zhejiang Geely Holding Group and Volvo Car Corporation?

1.5 Delimitations

In order to secure the quality of this thesis, some delimitations has been added to narrow the research objective. The emphasis of this report is to study the post-acquisition-process and whether organizational and national culture as well as reactions towards organizational change, have affected Volvo's organization. This study will solely present the perspective of Volvo Car Corporation. Further on, this dissertation will investigate the post-acquisition process of a cross-border acquisition, in order to get a more complex understanding of how an acquisition is implemented.

2. Theoretical Framework

In this chapter the theoretical foundation will be presented, which will provide an important ground for understanding the empirical results. Firstly, a general theoretical presentation of the whole acquisition process will be discussed. In order to fulfill the research objective, most focus will be put on the post-acquisition process. Furthermore, Hofstede's cultural dimensions and Lewin's 3-step model, will provide the foundation to review national and organizational cultural differences.

2.1 The acquisition process

In this part, established and peer-viewed M&A theory material has been used. Great focus has been put on the theories presented by Angwin (2007) and Lasserre (2012), due to their research of the increased importance of the post-acquisition process. Additionally, the work of Haspeslagh and Jemison (1991) has laid the ground for many latter M&A theories. In this research, the chosen theory for the acquisition process is based upon the research made by Lassere (2012), Haspeslagh and Jemison (1991) and Angwin (2007).

There are several methods representing the acquisition process. However, a general view of how an acquisition could be divided is into three main stages: the pre-acquisition process, the transition process and the post-acquisition process. What is well-known, is that the post-acquisition process is one of the most important steps in the whole acquisition (Angwin, 2007). He implies that this is because, a poorly managed post-acquisition process might result in uncertainty and anxiousness amongst the employees. Hence mixing different cultures could have psychological effects that might harm the operations within the organization (Angwin, 2007).

2.1.1 The pre-acquisition process

Haspeslagh and Jemison (1991) presents the *conventional view*, consisting of seven stages: the strategic objectives, search and screening, strategic evaluation, financial evaluation, negotiation, agreement and finally the integration process. The decision-making is in the conventional view looked upon as a sequential, segmented process where the most important elements are financial valuation and pre-acquisition analysis of the strategic fit. This perspective of Haspeslagh and Jemison (1991), emphasizes on the function of the acquisition

decision-making and how it helps the management to understand how value will be created. Moving on, Haspeslagh and Jemison (1991), highlights the gains of an acquisition in terms of reduced competition and increased monopoly power, leading to cost reduction from increased economies of scale. Additionally, the potential drawbacks are pointed out, which for instance could be the losses from having excessive workers. It is also important to take the potential value reduction for the employees that stays, as well as the uncertainty and fear of being redundant, into account (Haspeslagh and Jemison, 1991).

Angwin (2007) presents a *systematic description* of the acquisition process, which is similar to the conventional view presented by Haspeslagh and Jemison (1991). Angwin's (2007) systematic description includes five stages: selection of target, valuation, the deal, assessing the outcome of the deal and managing the outcome of the deal. Angwin (2007) mean that, in order to ensure a successful acquisition, it is of high importance to have a well-prepared process from the very start to the very end.

Firstly, in Angwin´s (2007) systematic description, the key pillar is the definition of estimated financial gain. In order to create a clear view of a successful match, a fit analysis of strategic, organizational, capability and cultural factors, is necessary (Angwin, 2007). The next step is valuation and price offering where the key aim is to form a bid that is less than the value of the potential perceived future benefit. Value is created when the combination of the two, minus the acquisition cost, exceeds the value of both firms standing on their own (Angwin, 2007). In the third step, Angwin's (2007) systematic description theory, informs that there will be a *due-diligence* where professional advisors validate all collected information about the target company, in order to investigate if there is any difference in the bidder's perception and the reality of the deal. The fourth step of the acquisition process is to assess whether the value created was completely included in the price paid. This question is complex and the problematics lay in the fact that there are several of methods and perspectives of how to measure value. Once the assessment of the deal has been made, the acquirer can begin to manage the target firm, which occurs in the fifth step (Angwin, 2007).

Lasserre (2012) has also formed an acquisition process-theory, specifically focusing on cross-border acquisitions. Similar to Angwin (2007), he looks on the acquisition process as divided in a pre-acquisition, transition and a post-acquisition. Apart from what has been presented by Angwin (2007), Lasserre (2012) has attempted to compare horizontal international and horizontal domestic M&A's, in order to detect success and failure factors of international

acquisitions. Firstly, Lassere (2012) implies that management factors such as cultural differences could be seen as a challenge in cross-border acquisitions. Additionally, all the chosen theories of M&A, namely Lasserre (2012), Angwin (2007) as well as Haspeslagh and Jemison (1991), constitute that success or failure derives from two key points: the quality of the pre-acquisition process and the quality of the post-acquisition process.

According to Lasserre (2012), the acquirer should in the *pre-acquisition* process justify the economic reasons to go through with the acquisition. In this process the firm should form a value-creation plan, select a target, execute due diligence and finally value the target company, which is also constituted by the theory of Angwin (2007) as well as by Haspeslagh and Jemison (1991). Moving on to *the post-acquisition* process, Lasserre (2012) suggests that value is reached through the management of the acquired firm. Depending on the selected economic objectives behind the acquisition, the acquirer should frame a suitable post-acquisition framework. Lasserre (2012) points out three different, common directions: *preservation approach, absorption approach* or *symbiosis approach*. Furthermore, the transition management also plays an important role in the post-acquisition process, where the acquirer establishes its credibility and proves its ability to manage the new organization. Important aspects are for instance new sense of purpose, operational focus, mutual understanding and respect. The final phase of the post-acquisition process is the *consolidation phase*, where the aim is to introduce the acquired company to the overall global network (Lassere, 2012).
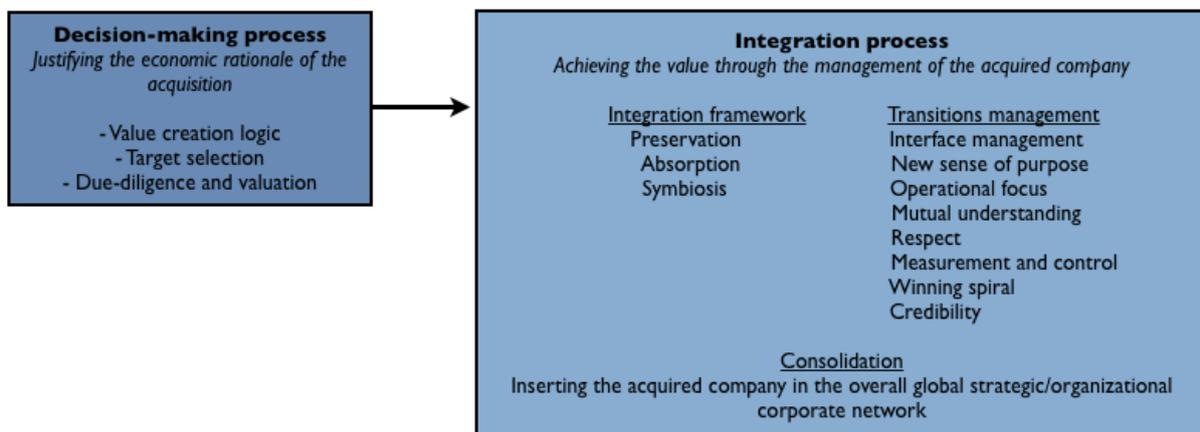
Figure 1: The pre-acquisition and post -acquisition processes in global M&A's. Source: Adapted from Lasserre (2012, p.155)

2.1.2 Transition phase

The transition phase is an important process to manage due to that most often, the stakeholders of the acquired firm end up in a state of shock or anxiety, and it is likely that this might affect the operations negatively in the period around the pre-acquisition (Lasserre, 2012). There are several problems that according to Lasserre (2012), needs to be solved during the transition period. Firstly, there must be an appointment of an executive team and according to Lasserre (2012), the best way to reach an efficient interface is to determine an executive team that has the capabilities to understand the different cultures of the two firms and work as a mediator between them. Moving on, the issue of expressing a new sense of purpose needs to be handled, in order to show the different stakeholders that the acquisition was well-planned. By clear and credible communication of goals, anxiety and confusion amongst employees can be reduced (Lasserre, 2012).

Continuing, Lasserre (2012) emphasizes on the importance of diminishing the cultural gap between the two entities. In order to do this, he argues that there has to be a development of mutual understanding, which is critical for the success of all operations. The mode of integration has a significant role, and depending on which mode, the understanding will be different. For example, if the acquirer applies a preservation mode the two different cultures will be kept separated, while on the other hand, an absorption mode seeks to create a common culture. Lasserre (2012, p.164) further states that; "mutual understanding is enhanced when the acquiring company staff and executives show respect for the employees of the acquired company and adopt an attitude sensitive to cultural differences as well as avoiding behaving like the 'conquerors' of a besieged city". A final step in the transition phase, is to solve issues including tools to measure and control processes without intruding the operations of the acquired firm. The acquirer should also strive for the creation of a 'winning spiral' that reinforces a sense of success and achievement. Finally, the last issue to handle is the demonstration of credibility that reassures stakeholders and reduces anxiety (Lasserre, 2012).

2.1.3 Post-acquisition process

According to Lasserre (2012), there are several of theories presented regarding the framework of the post-acquisition process These can be put in two different, general concept: *Linear frameworks*, which are checklist or step-by-step approaches to integration, applicable on all

M&A's and *Contingent frameworks*, which differentiate integration processes based on strategic and environmental factors.

In Haspeslagh and Jemison's (1991) contingent framework, the earlier mentioned modes of integration (preservation, absorption and symbiotic) discussed by Lasserre (2012), are identified. According to both Lasserre (2012) and Haspeslagh and Jemison (1991), the integration mode depends, firstly, on the degree of required operational interdependencies between the two firms, in order to achieve synergies. For example, the transfer of knowledge and technologies or the rationalization of manufacturing between two companies. Secondly, it depends on the degree of required organizational autonomy, which the acquired firm would need because of differences in market and environment conditions with the acquirer (Haspeslagh and Jemison, 1991; Lasserre, 2012).
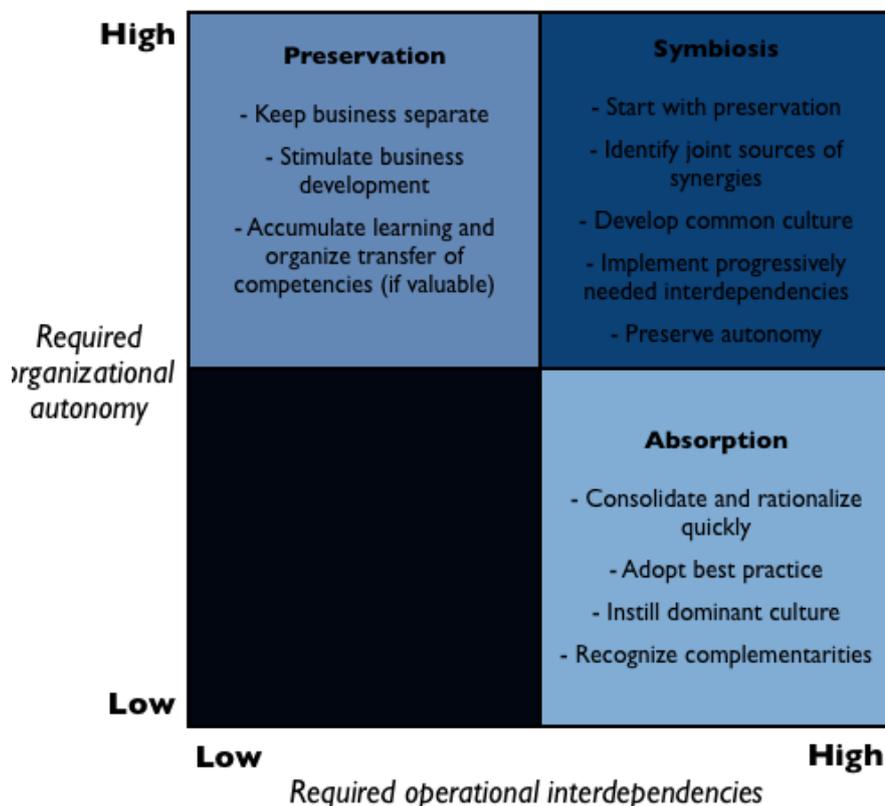
Figure 2: Contingent integration modes. Source: Adapted from Lasserre (2012, p.161).

According to Haspeslagh and Jemison (1991) as well as Lasserre (2012), the *preservation* integration mode is suitable in a situation where few operational synergies can be achieved and the business environment requires a large autonomy of decision-making, as in cases of diversification or option acquisitions. The theorists agree on that the key objective is to preserve the identity and autonomy of the acquired firm, since there are small expected

benefits for interdependencies and no expected value increase by forcing integration of processes, assets and decision-making. Continuously, the preservation is done by keeping the existing management in place as far as possible, and by progressively learning the business conditions. Through enlargement of markets and products, as well as transfer of resources and new competencies, firms can achieve value in a preservation integration. The theorists further inform that the transfer of resources comes primarily from capital injection or stimulation of business development by giving access to logistical, information technology and distribution facilities to the acquired firm. Lasserre (2012) especially emphasizes on the importance of moving people with the purpose of transfer knowledge instead of controlling purposes. He states that the potential risk when applying the preservation mode of integration is to have a weak management team in the acquired company, which manages the acquirer's resources opportunistically (Lasserre, 2012). When there is an expected high value from the implementation of operational synergies in companies operating in the same business environment, the *absorption* mode of integration is applicable (Haspeslagh and Jemison, 1991; Lasserre, 2012). The key question is to achieve consolidation and rationalization as fast as possible. The management of the acquiring firm is competent to rapidly find sources of savings and has a fundamental understanding of which practice is the best to use, due to the fact that the business is very similar. A challenge in this mode is to manage to create a common culture in order to make the rationalization fair (Lasserre, 2012). Ultimately, the *symbiotic* mode, strives to achieve balance between interdependencies and autonomy (Haspeslagh and Jemison 1991; Lasserre, 2012). According to Lassere (2012), this mode is commonly used in cross-border horizontal acquisitions, where the differences in contexts require high degree of autonomy but there is a high expected value in operational synergies. Usually, the acquiring firm starts off with a preservation mode, and after a while, the jointed real sources of synergy can be find (Lasserre, 2012).

2.1.3.1 Organizational integration and reactions towards organizational change- affecting the post-acquisition process

Theorists such as Hasepslagh and Jemison (1991), Angwin (2007) and Lasserre (2012), have all emphasized on objective aspects, as of how important the firm's performance and value creation is when measuring the success of an acquisition. It is true that these aspects are crucial for having a successful merger or acquisition, but studies based on these types of

M&A performance also pay little attention to important influences on M&A success such as organizational integration and the employee reactions to the merger or acquisition.

Organizational integration is pointed out to be an important moment in the M&A process, and is defined as the degree of interaction and coordination between the two companies involved in an acquisition (Buono and Bowditch, 1989). Even though some theorists, such as Lasserre (2012) and Angwin (2007), find the organizational integration less significant in their studies, Haspeslagh and Jemison (1991) to some extent, do argue that existing evidence suggests that considerable interaction and coordination are necessary to employ the synergies that may exist between two firms in an acquisition.

Buono and Bowditch (1989) have studied the human perspective of a merger or acquisition and agree on that economic and financial problems can contribute to failure, but emphasize on the importance of the individuals involved in the acquisition. Attention has been drawn to human resource issues, cultural divergences, management of the acquisition process and measures supporting the post-acquisition process. Buono and Bowditch (1989) implies that in reality, many M&A-related difficulties are self-inflicted and that most of the problems that affect the performance of two firms in an acquisition are internally generated by the acquirers and by dynamics in the new entity. Buono and Bowditch (1989) points out that, except for commonplace difficulties such as financial aspects, marketing and public relations, there are other underlying concerns such as tensions between members of the different firms. Thus, it is important, to go beyond and study the organizational dynamics and personal issues that emerge during the acquisition process (Buono and Bowditch, 1989).

As a result of issues and questions that might bother the employees after an acquisition, psychological shock and acquisition-related stress can easily affect the organization. People experience the so called *acquisition syndrome*, where they respond highly defensive to the uncertainty level (Marks and Mirvis, 1985). According to Buono and Bowditchch (1989), the experiences of the employees may differ, and some might not even notice a difference, while other organizational members notice changes in for example rewarded and inacceptable behavior, which can cause confusion and frustration amongst them. Subsequently, other employees might find that they do not have a valuable mission in the new corporation. All these abovementioned problems, might result in lowered organizational commitment and

employee dissatisfaction, which could lead to counteracting employees that hinder the organization from accomplishing its goals (Buono & Bowditch, 1989).

Summering up what has previously been discussed, major organizational change such as an acquisition, tends to create high levels of stress, anxiety, resentment on the part for many employees. A problem is, according to Buono and Bowditch (1989) that these sensitive human resource issues can be looked upon as controversial in many organizational levels and therefore the tendency is to avoid them as much as possible. Further, they argue that it is crucial with a widespread acceptance for the change amongst all levels of hierarchy, in order to gain a successful organizational transformation. Some of the frequently discussed dilemmas of an organizational change are: the pace and the rate of acquisition-related changes; the timing, type and amount of information shared to the employees; the manageability of organizational culture; the relationship between strategic motives and successful firm integration; and the illusion of managerial control that typically exist during a merger or an acquisition (Buono and Bowditch, 1989).

One of the cornerstone models to understand organizational change was developed by Kurt Lewin in 1947. This change theory is called the 3-step model, and refers to the three-staged change process including: *unfreeze, move* and *refreeze*. Even though a lot has changed since 1947, new research and theories are based upon the work of Lewin (Connelly, 2008). In the 3-step model, Lewin forms a strategy for the change process, in order to explain organizational member's reactions and resistance towards change (Lewin, 1951). The first step, *unfreeze*, is to prepare individuals before the actual change. It aims to form an understanding that the change and movement out of the comfort zone is necessary for development. Lewin (1947; 1951) believe that the stability of human behavior was based on a so called *quasi-stationary equilibrium,* supported by restraining forces. This equilibrium state is defined as: "*a state comparable to that of a river that flows with a given velocity in a given direction during a certain time interval. A social change is comparable to a change in the velocity y or direction of that river*" (Warner-Burke, Lake and Waymire-Paine, 2008, p.74). Lewin (1947) implies that any social system that is stable, is in a quasi-stationary equilibrium, and from a workplace-perspective, there are forces that keep the system stabile. These forces are not always easy to recognize, but Lewin (1947; 1951) mean that there are some driving and restraining forces and the combination of these two keep the system in stability (Rex, 2011). Moving on, this equilibrium state needs to be put out of order; unfreeze; to eliminate old behavior and adopt new behavior successfully. This is not an easy task, and in some cases an

emotional mess has to be created, in order to open up the minds of the individuals in the organization and to overcome the inner resistance to change (Lewin, 1947; 1951).

In the second step, *moving*, Lewin (1947) argues that there has to be a collective motivation, in order to reach change. Instead of attempting to identify a specific outcome from a planned change, which is difficult, one should instead seek to consider all forces at work and evaluate all available options (Lewin, 1947). In the third and final step, the aim is to *refreeze* a new, changed group behavior and stabilize it at the new equilibrium. In order to make a successful refreeze, the new behavior must somewhat be consistent with the rest of the organizational behavior, personalities and environment. If not, the risk is that this action of preserving a new behavior could lead to even more confusion in the organizational group. Changes on an individual level will not be sustained if group norms and routines do not change, hence a successful change requires group activity (Lewin, 1947). According to Cummings and Huse (1989), in organizational terms, this means that refreezing most often demands changes in organizational culture, norms, policies and practices.

2.2 Hofstede's cultural dimensions

Since the concept of culture is a multifaceted expression, one must clearly define it in order to analyze cultural aspects. In this thesis, culture will be examined on both organizational and national levels, thus differences between these terms must be determined. Even though both of these expressions are referring to culture as a social process of individuals, attempting to understand and interpret the surrounding world, as stated by Olie (1990). He compares culture to an onion, where the outer layers represent organizational culture, manifested in symbols, rituals and heroes. The inner layers serve as national culture values, which in many aspects are influential to organizational culture and behavior (Olie, 1990).

When reviewing how the post-acquisition of a cross-border acquisition is affected by national and somewhat organizational culture, the most common framework to use is Hofstede's cultural dimensions (Rajan, 2010). The aim of Geert Hostede, founder of the cultural dimensions theory, was to explore the influence of national culture regarding workplace values. The concept was based on an examination of IBM employees in 40 countries, conducted during the period between 1967 and 1973. This was concluded in his first publication Culture's Consequences: International Differences in Work-Related Values, released in 1980. Due to the immense size of the project, stability and consistency of the dimensions that was uncovered, this study has been authorized as highly reliable. Hofstede's

theory postulate four bipolar cultural dimensions used to examine cultural differences, namely *power distance, individualism* versus *collectivism, masculinity* versus *femininity* and *uncertainty avoidance.* In later years, Geert Hofstede added an additional dimension to the theory to provide a more accurate model, this was the dimension of *time orientation* (Hasegawa and Noronha, 2009).

2.2.1 Power distance

The dimension of power distance is describing the level of acceptance that less powerful members of an organization is showing in situations when power is unequally distributed. *"The power distance score inform us about dependence relationship in a country"* (Hofstede, Hofstede and Minkov, 2010 p.61). A high level is indicating on a greater distance between decision-makers and less influential members of an organization. The characteristics of the corporate climate in an organization with a high power distance level, are less engaged and participating employees. The management is autocratic or paternalistic (Hasegawa and Noronha, 2009) and a fundamental inequality is the base for the hierarchal system (Hofstede et. al, 2010). On the contrary, in environments where there is a low existence of power distance, there is a tendency of greater transparency between employer and employee, and delegation of responsibility is encouraged (Hasegawa and Noronha, 2009). The organizational structure is rather decentralized and the decision-process is involving lower ranked employees (Hofstede et. al, 2010)

2.2.2 Individualism versus collectivism

The key pillar within this dimension is to examine how individuals is defining themselves and integrate with fellow employees (Jandt, 2007). This dimension is rather focusing on the *power of the group* than how the state rule the individuals of a society (Hofstede et. al, 2010). A higher degree of individualism corresponds to an environment more strongly defined by independent and competitive behavior (Hasegawa and Noronha, 2009). This individual orientation reflects the willingness of individuals to fulfill personal, rather than organizational, goals. Whilst a lower individualistic degree, that is higher collective, is reflecting a greater focus on cooperation and consultation. As a result, individuals are more likely to orientate towards communities (Jandt, 2007).

2.2.3 Masculinity versus femininity

This dimension discuss the distribution of masculinity versus femininity in different cultures (Jandt, 2007). Hofstede et.al (2010) presents the four most distinct characteristics for masculinity as work matters associated to; earnings, recognition, advancement and challenge. Thus, individuals identified as masculine are generally more assertive, competitive and materialistic than those characterized as more feminine (Lundin, Olsson, and Petersson, 2004). Whilst high femininity is characterized by modesty and emphasizes on the needs of the employees, rather than the masculinity. One important notice is the fact that gender of individuals has no influence to which mode they are adherent to (Jandt, 2007).

2.2.4 Uncertainty avoidance

Uncertainty avoidance is defined by how tolerant a society is towards uncertainty and ambiguity (Hasegawa and Noronha, 2009). These feelings are primarily noticeable through stress and a controlling need for predictability (Hofstede et. al, 2010). A high level of uncertainty avoidance corresponds to organizations heavily reliant on rules, formalities and standards. Organizations with low uncertainty avoidance strive to take more risks and inspire employees to evolve unconventional ideas (Hasegawa and Noronha, 2009) and may act repulsive to formal rules (Hofstede et.al, 2010).

2.2.5 Time orientation

This dimension is primarily defined as how every society has to maintain some links with its own past while dealing with the challenges of the present and future (The Hofstede Centre [a], n.d.). A high score of time orientation is conformed to encouragement for efforts that prepare for the future, whilst countries with a low score often prefer preservation of traditions and norms, and have a suspicious view on societal changes (The Hofstede Centre, [a], n.d.).

2.3 The Swedish organizational culture

One of the most representative qualities of Swedish management is the pervasive orientation towards working in teams (Mårtenson, 1998), which does not interfere with employees being delegated individual responsibilities (Birkinshaw, 2002). This is enhanced by the standpoint of Jönsson (1995) and Tollegerdt-Andersson (1996), whom express that Swedish management

generally value vision and communication highly. Moreover, it is often apparent that Swedish organizations are profoundly influenced by the Swedish high societal degree of equality (Gustavsson, 1995). This pervasive value is reflected in the high level of existing CSR in Sweden, and the active work to constantly improve and make further progress in order to overcome remaining challenges (Official Sweden, 2015).

By, analyzing Swedish organizational culture from Hofstede's five dimensions model, one could easily spot the low power distance. This implies that power is decentralized (Hofstede et.al, 2010) hierarchy is less important and more transparent within Swedish organizations (Suder, 2011). Moreover, Sweden is seen to be notably individualistic, which according to Suder (2011), is a matter that will affect all the goals of the organizations staff, management and corporate culture (Suder, 2011). Where high individualism is ruling, the relationship of employees and employers is based on mutual advantages and are hired simply based on merits. Lastly, management is often focusing on leading individuals (Hofstede Centre [b], n.d.). As mentioned earlier, the core values of a feministic culture are equality and justice, which are also highly valued in Swedish organizations, hence the Swedish society is viewed as feminine (Hofstede Centre [b], n.d.). Further on, since Swedish organizations have a high acceptance for deviance from the norm and a relaxed attitude, it is defined as a culture of low uncertainty avoidance. The weak level of uncertainty avoidance is a result of Swedish innovativeness and entrepreneurial skills (Suder, 2011). Finally, the dimension of long-term orientation is an aspect of great importance when managers and organizations are about to develop strategies and negotiate contracts (Suder, 2011). The Swedish culture is characterized by an intermediate approach to this matter, which naturally makes it hard to fully determine the preference of choice (Hofstede Centre [b], n.d.).

2.4 The Chinese organizational culture

In contrast to Swedish organizational culture, Chinese corporations are generally both highly dependent and ruled by hierarchy. This is, somewhat, a result of Chinese business environment, which is attached to governmental rules and policies (Wenzhong and Cornelius, 1991). Another aspect, prominently different to general Swedish manners, is the attitude towards CSR measures. Even though CSR is a well discussed subject in China, the nation has to travel a long way before the environment is healthy enough to be able to nurture a pervasive CSR mentality (Hasegawa and Noronha, 2009).

Furthermore, when observing the Chinese corporate culture from Hofstede's perspective, it is clear how strongly it is influenced by the high degree of power distance. The social acceptance for inequalities enhances the presence of hierarchy, where authority has a great influence and social ranking affects aspirations and behaviors of individuals. Thus, respect for higher positioned humans is present at all times and this is a result of the concept *face*. Face is based upon values such as honor, dignity and a deep sense of pride. Thus, actions perceived as offensive in any matter may cause someone to lose face, basically meaning embarrassing someone publicly (China Business Review, 2008). In line with this, organizational behavior is strongly impinged by the old tradition of *guanxi*, which is the complex network of Chinese relationships (World Business Culture, 2013). It is important to gradually build up and maintain guanxi, in order to enable business development. To accomplish guanxi, the relationship must adapt the fundamental qualities of dependability, trustworthiness and respect (Forbes [b], 2012). The matter of guanxi, is closely associated with the high degree of collectivism that is characterizing the Chinese organizational culture, where interests of the organization often are valued higher than those of the individual. However, guanxi cannot and is not always achieved. Due to the past 30 years of constant and rapid growth, the Chinese business environment has changed (Wearden, 2010) and an unhealthy attitude towards replacing the old with new, with a tremendous speed, has emerged (Jinming, 2012).

Moreover, China is regarded as a masculine society, where honor and the ambition of becoming respected and successful is highly prioritized. As earlier considered, even though the corporate culture of China is strongly influenced by the government, organizations somewhat view laws and rules as flexible to the situation. The risk-taking is displaying the weak uncertainty avoidance of the culture. This has resulted in pragmatism being publicly accepted, which is further enhanced by the long-term orientation score that is implying on a pragmatic culture defined by the belief on that truth is a construction if situation, context and time (Hofstede Centre [c], n.d.).
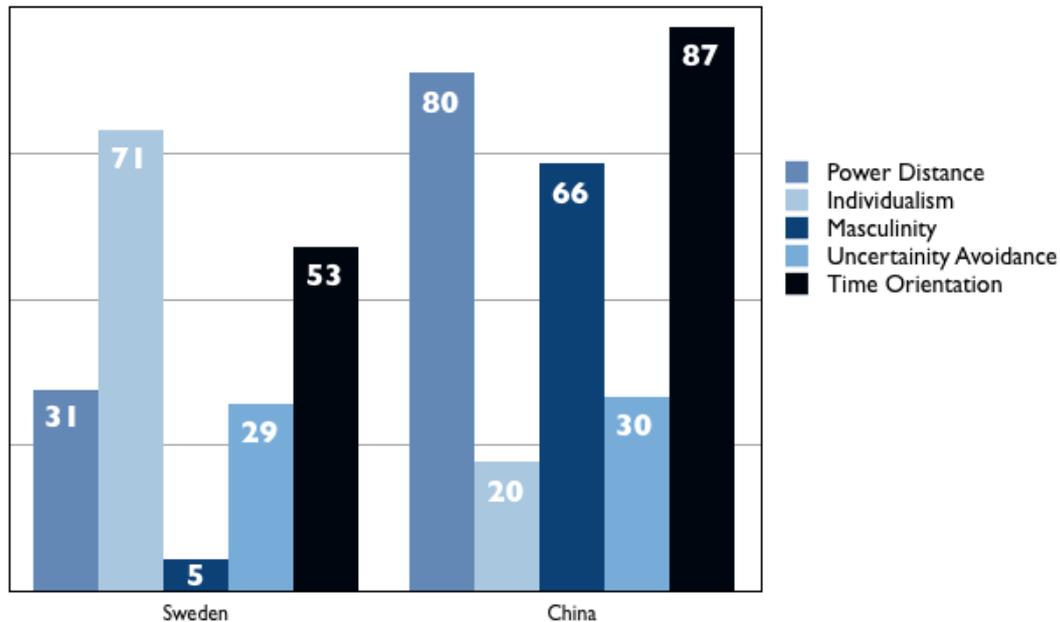
Figure 3: Comparison Sweden and China based on Hofstede's cultural dimensions. Source: Adapted from Hofstede et.al (2010 p.57-59, 95-97, 141-143, 194, 255-256)

2.5 Critique against Hofstede

Hofstede is without question not the only theory used to review cultural aspects. In fact, there are several existing theories concerning dimensions of culture, such as Trompenaars' and Hampden-Turner's relationship dimensions (1997); Hall's cultural factors (1996). Even though, these theories may be relevant in the process of trying to understand culture and how differences between multiple cultures can exist, Hofstede is acknowledged as one of the most influential theories, within this subject (Gong, Li and Stump, 2007) and is cited by researchers globally. Despite this, one must review some aspects of his concept critically.

2.5.1 Only five dimensions

First and foremost, Smith, Dugan and Trompenaars (1996), along with Jones (2007), have a shared concern for that a limited number of dimensions may distort the analysis. Since culture is a multifaceted expression there is a great risk that only reviewing the phenomenon from five dimensions is too narrow, even though these are posed as bipolar. As a result, important points, with relevancy to the overall result, could be left out. It might even be so, that the definition of the dimensions does not apply to all countries, for example China or Japan, since

the foundation is based on Western values. When analyzing culture and behavior, values are essential variables and thus the definition of these values will color the results (Yeh, 1988).

2.5.2 Conduction of the study and validity

Moreover, one must also critically review the execution and validity of the research made by Hofstede. The most apparent observation is that, even though, Hofstede's five dimensions is a concept used to examine the culture of a nation, these five dimensions were created on a one-company based research, thus all of the interview respondents shared a common corporate culture (Smith et. al, 1996). Not does this only question however one single variable can represent the behavior of a complete country (Jones, 2007), but also the validity of the research. According to McSweeny (2002), the validity of Hofstede's model is hurt by the basic construction of the stories. By this, he expresses that Hofstede's descriptive stories were adjusted to vindicate rather than to validate the results of the study (McSweeny, 2002).

2.5.3 Outdated theory

Lastly, there is a great possibility that Hofstede's method is an outdated way of analyzing cultural differences. During the past four decades the business environment has changed profoundly, especially considering the increased focus on matters such as human resource management and cultural aspects of internationalization. This most certainly affects the credibility and relevancy of applying a theory developed unaccommodated to these new circumstances. Another aspect of the theory being outdated is that individuals of the time when the study was conducted, were more bound to a set of walls, which established boundaries between variables such as managers and workers (Kanter, 1991). According to Kanter (1991), these walls are progressively decaying as further moving into the 21st century.

3. Methodology

In this chapter the choice of method will be described and justified in order to provide a reliable result. Furthermore, the chosen way of collecting data to the theoretical framework and empirical studies will be presented and motivated. Continuing, this chapter will contain a data analysis as well as a validity and reliability analysis. To finish off this chapter, a brief presentation of potential limitations of chosen method will be given.

3.1 Choice of research object

As presented in the introduction and problem discussion, this study will investigate whether cultural differences have affected the integration of the post-acquisition process of Geely and Volvo, a choice which was based on several criteria. A first criteria was that the case study should focus on an international, cross-border acquisition, to get a more complex view of the post-acquisition process. In order to get a fair view of the situation, the second criteria was depending on the time duration and level of the integration. A third criteria was the wish to examine a more complicated case, where the culture differences between the acquirer and the acquired firm are preconceived to be diverse. This research was delimited by examining the existing differences in national origin, culture, organizational structure, market share and hierarchy of power between the two firms. The limitations were set to facilitate the uncovering of potential challenges and problems affecting the post-acquisition process. Consequently, based on the current progress of emerging economies increasing their globalization power and further targeting FDI activities towards mature markets, the researchers believe that it is an appropriate choice to focus on a cross-border acquisition between a Chinese and a Western firm. Thus, this study is considered to fulfill the first criteria. Moreover, since the ambition of this thesis was to examine an acquisition that could be regarded as merely completed, the four years, which has passed since the acquisition, was deemed be an accurate time duration. Due to that Volvo and Geely emerge from different national cultures, where matters such as power distance and collectivism are diverse, the acquisition of Volvo Car Group made by Chinese firm Zhejiang Geely Holding Group, is constituting a suitable target for this study.

3.2 Research method

3.2.1 Qualitative method

A methodology, is according to Collins and Hussey (2009),"an approach to the process of the research, encompassing a body of methods". Furthermore, they state that the method should work as a measure of philosophical assumption to the research paradigm.

The terms of quantitative and qualitative data collection, are widely used in business and management research. Saunders, Lewis and Thornhill (2009) distinguish these two terms by focusing on numeric (numbers) or non-numeric (words) data. Quantitative is most often used as a synonym for any data collection method or data analysis method that generates or uses numerical data. In contrast, qualitative data collection is mostly referred to as any data collection method or data analysis that generates non-numerical data (Saunders et. al, 2009).

Furthermore, quantitative measures tend to ignore the fact that people are interpreting their surrounding environments (Bryman and Bell, 2011). On the contrary, qualitative studies conforms to a flexible and less controlled structure, which enables the approach to be more likely to make unexpected findings. However, this could outturn in important information being missed out due to the lack of controlled structure (Blumberg, Cooper and Schindler, 2011). This is not the case with quantitative, since this data strongly relies on a rigor structure to capture as much information possible concerning the research objective (Bryman and Bell, 2011). When deciding on which paradigm to apply, an important consideration is that neither paradigms could be seen as better than the other. As a result, the choice of whether qualitative or quantitative approach should be applied in this study, was founded on the consideration of research problem, practical approach, research objective as well as the information needed to be obtained and the information already accessed (Blumberg et. al, 2011). Based on previously presented facts, the qualitative method was chosen. The potential of qualitative data, to further explore unknown dimensions, is an appropriate method in order to review the rather abstract research objective.

3.3 Practical approach

3.3.1 Deductive approach

There are two different ways of conducting a business research, namely deductive and inductive approach. The deductive approach focus on theory and research relationship whilst

the inductive method is examining however it exists causality between theory and research (Bryman and Bell, 2011). As mentioned by Collis and Hussey (2009), all the different types of research approaches could be convenient when conducting a research. Further emphasized is, that one should not feel too constrained of how literature is describing these different approaches. In order to distinguish the relationship between theory and the subject of this thesis, the deductive theory was adopted. In this case the deductive approach aims to formulate a research objective, which is based on previous knowledge and theories of the subject. In order to examine the applicability of the theoretical structure, this study is formed by a single research question, which is applied to reality through an empirical examination. To sum up, the applied practical approach in this research, which is deductive, implies that the applicability of theory from previous research is tested through empirical observation. The primary reason for choosing deductive approach is the aspect of time, and the deductive method may be completed in less time than the inductive method. Furthermore, this choice also reduces the risk of default data collection (Saunders et. al, 2009). In this case, a potential drawback when applying a deductive approach could be that the research is established on theoretical generalizations. The risk is that these generalizations may be inaccurate or outdated and thus might show a result that does not conform to reality.

Figure 4: Process of deduction. Source: authors own creation based on information from Bryman and Bell (2011).

3.3.2 Exploratory study

Furthermore, three types of research designs were reviewed; *exploratory, descriptive and explanatory,* presented by Saunders et.al (2009). An exploratory study is searching to detect new aspects of a phenomenon, whilst a descriptive approach aspire to appropriately describe persons, events or situations. Finally, explanatory studies aim to determine a correlation between variables (Saunders et.al, 2009).

To answer the research question of this thesis, an exploratory study will be applied. The exploratory study approach strives to find out 'what is happening; to seek new insights; to ask questions and to assess phenomena's in new lights'. In general, the choice of research design derives from the complexity of the research question. Since the research question of this study

concerns culture aspects, the objective is quite abstract and the result is based upon how individuals experience a certain situation, rather than on statistical data. This type of study implies that a flexibility and quick adaption to changes, concerning new data that might appear, must be considered when choosing this approach (The Research Methods Knowledge Base, 2006). The exploratory study is particularly relevant since this research is examining an unknown subject. (Blumberg et.al, 2011).

3.4 Developing the theoretical framework

3.4.1 Secondary data

Secondary data is referred to as previously collected information (Arbnor and Bjerke, 2009). One must note the fact that this type of resources are requiring less time in terms of collecting data. As stated by Stewart and Kamins (1993), secondary data is preferable to primary because of the advantage to evaluate the information before usage. Additionally, the data is much easier to access, especially internet based sources. The theories collected from secondary sources has also provided a comparable foundation to the study when analyzing the empirical material and conclusions drawn. Lastly, secondary sources provide information which almost always is permanent and thus available to return to, contrarily to primary sources (Stewart and Kamins, 1993). On the other hand, the most apparent risk of using secondary data is that the information may be inappropriate for the research objectives, which may be due to the sources being outdated or that the primary data has been interpreted incorrectly. Furthermore, the data quality always has to be considered, regardless of whether it has been collected from official institutions or commonly known publishers.

3.4.2 Literature Review

The main part of previous conducted academic research of M&A's have objectively examined the acquisition process and correlated issues. Research provided by Angwin (2007) and Lasserre (2012) review the increased importance of the post-acquisition process. Whilst Haspeslagh and Jemison (1991) provide a thorough investigation of the whole acquisition process. Furthermore, the human perspective of an acquisition has been discussed by Buono and Bowditch (1989). Regarding the subject of organizational members' reactions towards organizational change, this has been examined by Lewin (1947; 1951). Moreover, research concerning cultural differences as well as the characteristics of national culture was conducted

by Hasegawa and Noronha (2009), Hofstede (2010) and Jandt (2007). However theorists such as Lewin, Hasegawa and Noronha, Hofstede and Jandt have not considered their research objects in combination with M&A. Even though there is a wide range of well-established and peer-viewed M&A theories, the researchers of this thesis find a deficiency of studies aiming to investigate human related issues in cross-border acquisitions. Thus, this study aims to examine just mentioned aspect, in order to extend the knowledge of such matters and add an extra dimension to previously conducted research.

3.5 Method for empirical data collection

3.5.1 Collection of empirical data

Several methods to collect empirical data was reviewed, such as surveys, archive research, experiments and case study. The decision of collection method was primarily based on the nature of the research objective, but also on issues such as the availability of existing knowledge, time and resources. Thus, the most appropriate strategy was deemed to be a case study. The choice was based on the fact that this method will enable identification, interpretation and analysis of one complex phenomena and processes in its natural context (Blumberg et. al, 2011). Additionally, this design is not only emphasizing on exploring phenomena, but also comprehending the discovery within a certain context (Collis and Hussey, 2009).

3.5.2 Primary data

Primary data is the collection of new information (Arbnor and Bjerke, 2009). The most beneficial matter when using primary data is that it allows the researchers to control the research focus and what information that is gathered. Thus, the research topic could in a greater extent be addressed with accurate data. Finally, primary data avoid the risk of being viewed as an outdated sources as well as the sources of origin could be guaranteed. However, still some disadvantages exist when collecting primary sources. The most apparent is probably the time aspect. Meaning that information is not accessible until it has been collected, which often demands preparation of interview questions as well as finding suitable respondents. Additionally a lot of time is spent on preparing, both interview questions and finding interview respondents, as well as performing the interviews (Bryman and Bell, 2011)

To gather the empirical data, an interview approach was chosen in this research, where the distribution method was face-to-face interviews. As Collis and Hussey (2009) argues, the face-to-face method, implies that response rates can be fairly high and that comprehensive data can be collected. Face-to-face interviews are also described as very useful if sensitive and complex questions needs to be asked (Collis and Hussey, 2009).When applying a case study in combination with face-to-face interviews, as in this case, it enables a more thorough examination of the actual core of the research object (Blumberg et. al, 2011). There are several typologies available to this type of approach, and one must critically review what interview design that is the most suitable for the research question. Therefore, the choice was to apply a commonly used typology, where separation has been made into three categories; *structured, semi-structured* and *un-structured* interviews. The structured method has already prepared answers to the asked questions, whilst the unstructured method most often is neglecting a preparation of specific questions and is rather focusing on the narrative of the respondent. The semi-structured method is defined by somewhat specific questions, which are adjusted after the interview respondent answers (Blumberg et. al, 2011).

3.5.3 Semi-structured interview approach

In this thesis, a semi-structured interview approach has been applied, meaning that a number of questions and themes have been covered during the interview with consideration taken to that some questions may vary, depending on the reactions and responses of the interview respondent (Saunders et. al, 2009). The reason for choosing the semi-structure is based on the wish to collect as accurate information as possible, since only a limited number of respondents was interviewed. Therefore, to adjust some questions after the current circumstances enabled further exploration of the research objective. Additionally, semi-structured interviews are typically used to gather data for qualitative case studies and provide information known as explorative to, not only *how* and *what*, but also, the important dimension of *why* (Saunders et. al, 2009). As Collis and Hussey (2009) argues, the forming of the interview questions is crucial in order to secure sufficient information for the empirical study. There are generally two types of interview questions: *open* and *closed* questions. Open questions provide more reflective and explorative information, whilst closed questions are useful for gathering more factual information (Collis and Hussey, 2009). When conducting the interviews of this research, the responsibilities was divided into one interviewer, who

asked the questions, and the author, who transliterated and recorded the interview sessions. The questions were designed with a more complex and open-ended nature to extract the best answers, rather than focusing on a large number of short questions. Thus, generally ten questions was asked during an interview of approximately of one hour. The interview questions can be viewed in appendix 1.

3.5.4 Choice of respondents

As mentioned earlier, a case study was selected, with semi-structured interviews to review the question of whether cultural aspects and reactions towards organizational change have affected the post-acquisition process of Volvo and Geely. Since this research objective is rather abstract, special observation must be put into the selection of interview respondents. When conducting semi-structure interviews, one must consider two main aspects. In one way, the interviewer is interested in recording the personal and unaffected point of view, but on the contrary, before the interview is realized, one must try to ensure that the respondent holds information and experiences relevant to the study (Blumberg et. al, 2011). The researchers of this thesis deemed that employees whom were most plausible to be compatible and provide insightful information to this research objective, were the men and women characterized as *those who fit well* and *those who do not*, described by Blumberg et. al (2011). The definition of this group is respondents such as employees with well-established positions within the organization, as well as those who are not of such nature. Additionally, this group also involve executives whom absolutely can cast reflections regarding management and those who cannot (Blumberg et. al, 2011).

Initially, contact was established with Susanne Nilsson, responsible for all bachelor theses at Volvo Car Corporation. She provided suitable respondents to the gathering of empirical data. At first, the plan was to perform five interview sessions with five different individuals. This decision was mostly based on the time limitation and the number of respondents was deemed to be the most implementable. Due to the ambition of connecting and interviewing higher positioned employees, this number of respondents was believed as the most plausible to connect with. It was concluded that gender of the respondents was irrelevant to the study, due to the fact that this research is believed to be neutral to the matter of gender. Finally, the aspiration was that the interviewees should have different responsibilities and experiences within Volvo, thus having a greater chance to encapsulate more disseminated apprehensions

of the research subject. As a result, the researchers of this thesis wish to justify the small number of interview respondents.

Organisation	Participant	Position	Date
Volvo Car Corporation	Sten Persson	Claim Director	2015-04-16, Face-to-face
Volvo Car Corporation	Christina Hemberg-Munk	Director of Pension and Insurances	2015-05-06, Face-to-face
Volvo Car Corporation	Ulf Sarge	Director, P&M	2015-05-08, Face-to-face
Volvo Car Corporation	Anders Segerlund	Purchasing department of Infotainment and Connectivity	2015-05-08, Face-to-face

Figure 5: List of interview respondents. Authors' own creation.

3.6 Motives behind the choice of method

As mentioned above, there are several other methods, designs and approaches which could have been used to conduct this thesis. However, the main reason to perform a qualitative study was based on that case studies was believed as the most suitable approach to conduct this thesis. Moreover, since the research objectives are focusing on abstract matters requiring reflective answers, the semi-structured interview method was chosen. Furthermore, due to an observable limitation of archival data examining this precise, an exploratory study was the most convenient adoption to further explore the subject. Finally, a case study is regarded as one of several ways to manage an exploratory study, and is additionally a good tool for performing in-depth contextual analysis concerning some events or conditions area (Blumberg et. al, 2011).

3.7 Data analysis

Several established theories have been reviewed and compared, to conclude the most appropriate method, in order to analyze the results of this qualitative study. The ambition was to find the approach that could best serve the purpose of this study, in order to extract a distinct result. In the analysis, the empirical result will be reviewed and constitute the foundation to answer the research question. Thus, the aim for the analysis is to make an

evaluation of empirical data and extract the essence of it, in order to answer the research question. Firstly, the applied integration mode and the underlying reasons to the choice of this approach, has been examined and a discussion of the potential motives for Geely to approach Volvo in a distinct way was conducted. This discussion was presented in order to better comprehend the effects of the integration mode during the post-acquisition period. Secondly, differences in national and organizational culture was identified and interpreted, in order to find the main issues. Finally, the reactions towards organizational change were considered and analyzed through Lewin's (1947) 3-stepped, change model.

3.8 Quality in research

Furthermore, one must also critically examine the reliability and validity of this research, considering that inaccuracy may affect our conclusion and general result of this research.

3.8.1 Reliability

Kirk and Miller (1986, p.20) define reliability as *" the degree to which the finding is independent of accidental circumstances of the research"*. Moreover, stated by Blumberg et.al (2011, p.500) is that reliability can be looked upon as *"a characteristic of measurement concerned with accuracy, precision and consistency; a necessary but not sufficient condition for validity"*. This study has taken several steps to ensure reliability. Since interviews constituted all used primary sources, the quality of the interview guide was highly valued. In order to keep a consistency throughout the four interviews, general themes was set up to ensure that the result would be interesting to the research question and simultaneously follow the interview semi-structure. To comply with the criterion argued by Seale (1999), that a dimension of trustworthiness is crucial to guarantee reliability in a qualitative thesis, considerations has consistently navigated the process of designing, conducting and analyzing this research.

3.8.2 Validity

"Validity is the degree to which the finding is interpreted in a correct way", as expressed by Kirk and Miller (1986, p.20). One might define validity as a measure to the degree of which researchers succeeded to measure their research objective (Blumberg et. al, 2011). Since the aim of this study was to extract personal views and experiences regarding cultural and organizational changes, one must consider the possibility that ideas and experiences may be interpreted or expressed incorrectly. This problem was managed by performing face-to-face interviews, from which the results was analyzed from both notes and voice recordings. Additionally, cautiousness to misinterpretation was taken by asking respondents of a clarification or elaboration of the matters which appeared diffuse.

3.8.3 Limitations

The conducted research was critically interpreted in order to review factors that may have constituted limitations to this study. Firstly, the time consumption was as a critical factor that has affected and possibly limited the research. However, practical boundaries must be set up in order to narrow the extent of the case. Secondly, since this study is based on a few interview respondents, the result may be distorted, thus potential generalizations must be made carefully. The possibility is that another criterion regarding the number of participants or the respondents function or position at Volvo, may have caused a different result. Moreover, the result may be strongly influenced by the fact that only Swedish employees were interviewed and may have created a biased result, even though the study was limited to solely examine the perspective of Volvo. The ambition was to include the perspective of the head of talent management, at Volvo Cars China, but due to cancellation beyond the researchers influence, the interview was not conducted. Thus, this aspect was defaulted and as mentioned, it has been taken into account how this might affect the result. Additional aspects that contributed to the choice of target was accessibility and convenience. Thus, the geographical aspect played an important role and since the ambition was to perform face-to-face interviews, the location of Volvo Cars in Torslanda was convenient.

Additionally, even though the research question, in some aspects may appear as objective, the nature of a qualitative study is rather subjective. As a result, the study has a subjective orientation, investigating personal ideas and experiences that might lead to bias. Lastly, as a consequence of conducting interviews of a semi-structured character, the analysis is more complex and the risk of misinterpretations is greater. Despite the possible limitations of

chosen methods the researchers still, after taking these aspects into consideration, find these to be the most appropriate in order to fulfill the research objective.

3.8.4 Ethical approach

Regarding ethical issues, Collis and Hussey (2009), emphasizes on the importance of voluntary participation. Further suggested is that any type of reward when inducing people to take part should be avoided, as this could lead to biased results. What is also discussed by Collis and Hussey (2009) as well as Blumberg et. al (2011) is the importance of transparency, which implies that respondents should be given sufficient information about what is required if they take part as well as how much time it will take. Other important ethical principles discussed by Collis and Hussey (2009) and Blumberg et. al (2011) are confidentiality and rights to privacy, as well as anonymity. Anonymity provides the participants with protection by ensuring that no names are identified with the given information. Confidentiality "*gives the participant protection by ensuring that sensitive information is not disclosed and the research data cannot be traced to the individual or the organization providing it*" (Collis and Hussey 209, p. 46). What has also been discussed by Collis and Hussey (2009), is the aspect of plagiarism, which is highly unethical, hence one must be very careful when referring. When managing the interview-participants of this study, the previous mentioned ethical aspects have been considered. Firstly, when contacting the potential interviewees, they were all provided with the requirements and background of this study. Additionally, they were informed about the estimated time of the interview, which was one hour. The participants were offered anonymity and what has been agreed with each participant is that, before publishing the research, they shall approve the final version. Finally, in order to avoid unethical practices such as plagiarism, literature has been reviewed and referred to carefully.

4. Empirical Study

This chapter will present the specific case study of the Chinese firm Zhejiang Geely Holding Group's acquisition of Swedish Volvo Car Corporation, where primary focus will be put on the post-acquisition process. This chapter will describe the acquisition process from the beginning to the end from the interview respondents' perspective. Finally, a future outlook will be presented in order to discuss potential future challenges and opportunities.

4.1 Background Volvo Car Corporation

During the early and mid-nineties, AB Volvo managed the car production adherent to what we today refer to as Volvo Car Corporation. At this point, AB Volvo struggled, and in order to stay alive they entered into a complex agreement with the French automotive company Renault as well as with the Japanese enterprise Mitsubishi. One could say that the different alliances that Volvo became part of by that time, indicated that the Volvo management believed that they could not survive on their own. However, the deal with Renault was dissolved in February 1994. After this downfall, AB Volvo attempted to create a new image and market niche, and focused on the North American market (Reference for Business, 2015).

Up until 1999 Volvo Cars was a part of AB Volvo (Volvo Cars, 2014), but in that year AB Volvo sold its automobile business to Ford Motor Company (Reference for Business, 2015). During the same year, Volvo Cars became a part of the newly created Premier Automotive Group (PAG) along with Jaguar Cars, Aston Martin and Lincoln (Autonews, 2003). Volvo Cars was integrated and incorporated with Ford for more than ten years. The high integration between Volvo and Ford involved a joint organization, shared work processes (Siemens, 2014) and a common corporate structure, which was stated on 6 May 2015 by interview respondent Hemberg-Munk. As further stated by Hemberg-Munk as well as by interview respondent Sarge on 8 May 2015, the CEO of Ford announced that they should concentrate on the *One Ford* strategy. Thus, Ford begun to sell the brands within the PAG and during 2007, Ford started to prepare Volvo for a transformation into a stand-alone company. Subsequently, as Hemberg-Munk explains, a new board of directors was appointed in the organization of Volvo, which is still operative today. In 2008 however, Sarge informed that Ford declared that they considered to sell the no longer profitable Volvo division. On the 2nd of August, 2010, the deal was closed and Volvo Car Corporation was sold to Zhejiang Geely Holding Group for $1,5 billion (Automotorsport, 2010).

4.2 Background Zhejiang Geely Holding Group

In 1986, Zhejiang Geely Holding Group was established, at that time as a producer of refrigerators. It was not until 1998 that Geely Holding initiated the automotive manufacturing industry and through an acquisition of a minivan maker's license the affiliate Geely Automobile Holding Limited was created. As a result, Geely became the first Chinese independent automobile manufacturer. Thereafter, Geely accelerated its development (Spencer-Hull, 2007) and as Geely expanded, the group continuously acquired businesses to provide knowledge and experiences. In 2006, the creation of a joint venture between Geely Automotive and British MB Holdings was completed. This operation meant that MB Holdings became a part of Geely International (Geely Global, 2014). Anterior to the acquisition of Volvo Cars in 2010, Geely was considered as a great market force in China, acting as one of the major and well-known domestic brands for the production of cost-efficient cars (China Daily, 2010). However, outside the borders of China, the Geely Corporation was hardly known. According to an article published in Forbes (2010), this was a result of Geely being a manufacturer of small and inexpensive cars which did not meet the quality demand of the mature markets (Forbes, 2010) and therefore the corporation struggled to take the leap into the European market (China Daily, 2010). Thus, the acquisition of Volvo was a benchmark, not only for the Geely group, but also for future Chinese investment due to the fact that this was the first time ever that a Chinese firm had acquired 100 per cent of a Western car company (Nicholson, 2010).

4.3 Formal structure of the Volvo and Geely cooperation

The general idea when a firm is acquiring another firm is that the ambition is to integrate and combine the two organizations in to one, with shared organizational culture, key values and operational management. However, there are several different ways for the acquirer to structure the corporation after obtaining full control over the target-firm and the result is not always an integrated new entity.

A preconceived idea of the relationship between the entities in this case study is that Volvo is a subsidiary to Geely, where all operational decisions are governed by the Chinese enterprise. However, this is a commonly made misinterpretation which does not very well reflect the true character of the cooperation between Volvo and Geely. In this case the formal structure is constituted as shown in figure 4.

Figure 4: The formal structure of Zhejiang Geely Holding Group. Source: Adapted from information provided by Hemberg-Munk.

As explained in the interview on 6 May 2015 with Hemberg-Munk, Zhejiang Geely Holding Group is a venture capital company, owned by Chairman Li Shufu, who holds 90 per cent of the total shares and the remaining shares are held by his son. This venture capital company is operating at the top of the three independent affiliations, namely Geely Sweden, Geely Automotive and Geely International. Further explained by Hemberg-Munk and by interview respondent Persson on 16 April 2015, is that these three affiliations are rigorously restricted by clauses, which exist in order to protect confidential information such as patents and intellectual property rights still owned by Ford. As a result of these restrictions, the three organizations are kept independent and this is a contributing factor to the low level of organizational integration (Hemberg-Munk, 6 May 2015; Persson, 16 April 2015). A statement made by chairman Li affirm what has just been said: *"Geely and Volvo are like brothers, not father and son."*(Wang, 2014).

4.4 Transition phase

4.4.1 Volvo's separation from Ford

Already in 2007, one could sense that the relationship and cooperation between Volvo and Ford was about to face a major change. Up until this year, Ford and Volvo operated in symbiosis and was defined by Sarge as *"one happy family",* but the circumstances were changed when the One Ford project was unofficially initiated and Jaguar-Land Rover (JLR) was unexpectedly acquired by the Tata group. Consequently, Sarge implied that this separation affected the tight cooperation and connection within the affiliate of Ford, which included Volvo. At that point, Volvo started to realize that they did not really fit into the Ford organization and that they somehow would have to create their own future (Sarge, 8 May 2015).

As declared by Hemberg-Munk, Ford initiated the project of making Volvo into a stand-alone company soon after JLR was cut loose. This was progressively accomplished through a reconstruction of all the international Volvo Car Corporation plants, which was a part of Ford, into independent corporations. These measures was conducted during the period of 2007 until 2009, and resultantly the affiliate of Volvo became entirely independent (Hemberg-Munk, 6 May 2015). Persson informed that in 2009, Ford officially announced their new strategy One Ford, which implied a remarkable change of structure. At that time, the involved Volvo-employees realized that the stand alone procedure, offset in 2007, was to prepare Volvo for auction. Persson revealed that the prospective buyer was unknown until only a few months before it was completed, but this was not officially verified until the 2nd of August 2010 when the deal was completed.

"The corporation collectively shared the feeling of leaving home and suddenly compelled to operate on their own", as quoted by Persson on 16 April reflect the anxiety and shock that stroke the employees when realizing the new responsibilities and challenges they were about to face. In the interview, Persson emphasized on that the anxiety is originated from the management history of Volvo and since Volvo Cars was founded by AB Volvo, the corporation had never before ruled themselves independently. Hemberg-Munk, Persson and Sarge all agree on that when the acquisition was completed, it was substantially apparent that going from the strictly monitoring Ford management, into a stand-alone structure within the Geely group, would have an impact on Volvo. Consequently, the employees begun to wonder how the decision-making process would change when being put in an independent position. Persson further informed that before the separation, decisions was always settled and approved by Ford, but now Volvo experienced a significant transformation, where they had to go from being the one who always asked the questions, into being the one who was supposed to provide the answers. Despite these initial traumatic experiences, caused by leaving the nest, many employees in the Volvo organization could shortly after the deal visualize the potential future benefits of the cooperation (Persson, 16 April 2015). Further on, Hemberg-Munk, Persson and Sarge all noted that people begun to realize that Volvo had great power to make important decisions on their own, given that these decision was profitable for the Geely Group In order to become a profitable operating entity, the organization was obligated to primarily establish a head office and subsequently add more new structures such as a CSR-department (Hemberg-Munk, 6 May 2015; Persson, 16 April 2015; Sarge, 8 May 2015).

Already at an early stage, there were indications that things would look completely different from when Ford owned Volvo. Persson informed that the first impression, after meeting the Geely people, was that their principal mission was solely to observe the local organization of Volvo. Persson was one of a few representatives from each division of Volvo whom were specifically selected to attend meetings with the top management of Geely (Persson, 16 April 2015). Further on, according to Hemberg-Munk , Geely's primary interest was to slowly learn the business itself and what competencies they could benefit from, rather than to implement their own operational strategies and techniques. Therefore, Geely had more of an observant attitude when approaching Volvo, instead of interfering with already existing operations (Hemberg-Munk, 8 May 2015).

4.5 Post-acquisition process

There is no clear distinction between where the transition phase ends and the post-acquisition takes over, nonetheless one thing that is assured is the fact that this phase is one of the most important in the complete acquisition process. At this point, it is crucial for the future of the corporation, that the management creates a suitable strategy in order to reduce the anxiety and uncertainty among employees (Lasserre, 2012; Angwin, 2007).

4.5.1 The regulated relationship of Volvo and Geely

As previously mentioned by Hemberg-Munk, the cooperation between Volvo and Geely started off quite slow, simultaneously as Ford was moving out. Persson and Sarge informed that despite that Volvo in the end of 2010, belonged to Geely, the cooperation between Volvo and Ford had to continue due to specific technological inventions owned by Ford, which was installed in Volvo's production systems. As a result of Ford's desire to protect the knowledge that was transferred to Volvo during the period as a subsidiary to Ford, agreements were settled between the two parties to protect these highly valued intellectual property rights (Persson, 16 April 2015). Hemberg-Munk argued that the formal structure of the Geely Group, as presented earlier, has been shaped by these patent restrictions in combination with the restrictive rules of the Chinese investor. According to Hemberg-Munk, information and resources of any type are not allowed to be shared between Volvo and the other two affiliates, Geely Automotive and Geely International. These prohibitions have led to difficulties of integrating Volvo with the other entities. (Hemberg-Munk, 6 May 2015).

Due to the motives of Geely to acquire Volvo, there has only been a few changes made within the organization of Volvo and at the moment, Geely primarily uses Volvo as a benchmark to reach European and American markets, as well as to acquire new knowledge (Persson, 16 April 2015). So far, as stated in the interview on 8 May 2015 with Segerlund, Geely has fundamentally worked as a finical supporter to Volvo, in order to upgrade the Swedish brand and position at the premium market. The strategy of Geely is to preserve Geely automotive as a low price brand and develop Volvo into a premium brand with higher potential to compete with premium automobile brands, such as Porsche and Mercedes, at American and European markets (Segerlund, 8 May 2015). Additionally, the new Chinese ownership offered the possibility for Volvo to access the lavishing Chinese market and in 2013, the first Volvo factory was established in China (Gara, 2012). At that time it was, and still is according to Hemberg-Munk, extremely important to keep the Volvo and Geely car-factories strictly separated, due to legal aspects. The factories in China are producing Swedish cars with Swedish standards, and Hemberg-Munk suggests that the factories could be seen as subsidiaries to Volvo Cars Sweden rather than being operated under the same ownership as Geely Automotive. This implies greater Chinese market accessibility for Volvo, even though Volvo still has to answer to Geely through a profitable production and work opportunities (Hemberg-Munk, 6 May 2015).

4.5.2 Decision-making process

Even though the changes, within Volvo's organization itself, have not been too obvious when transforming from a stand-alone company to being an affiliate within the Geely ownership, the whole transition from being owned by Ford has resulted in some notable changes. By taking into account what Persson explained on the interview on 16 April 2015, the organizational transformation, into becoming a stand-alone company had a huge impact on the decision-making process. According to both Hemberg-Munk and Persson, a challenge has been to break free from the legacy derived from the 11 years of Ford-ownership. The business system in America is strongly affected by bureaucracy and when changing into a stand-alone structure, Volvo needed to rationalize in order to retain organizational balance (Hemberg-Munk, 6 May 2015; Persson, 16 April 2015). On the top of that, they had to adapt to the Chinese way of approaching time based issues, where the decision-making process is less time demanding than in Western nations, since West have an orientation of making decisions based on consensus and democracy (Persson, 16 April 2015). In order to overcome this

challenge, Volvo was required to achieve balance between their new corporate structure and the Chinese way of operating (Hemberg-Munk, 6 May 2015).

4.5.3 Reactions towards organizational changes

As a result of keeping Volvo as Volvo, employee reactions towards organizational changes, have so far had moderate effects on the post-acquisition process. Worth mentioning is also that the impact of the change has not been apparent in all parts of the organization. According to Segerlund, who worked in the production of Volvo when Geely entered, a change was barely noticeable and he argued that it exists a correlation between the perceived level of change and position within the organization. This correlation implies that individuals employed at higher positions experience greater impact of change than those who are positioned at lower levels (Segerlund, 8 May 2015). However Segerlund further emphasized that an organizational change, even if it is small, will always appear disturbing to some individuals. In this case, it concerns the anxiety and resistance that is created when employees suddenly are expected to modify their imprinted way of performing their daily procedures. According Sarge, there are three different stereotypes within the organization of Volvo and these are presented below. The most skeptical group is referred to as *the middle management*, consisting of employees with an average work experience of approximately 30 years. Sarge consider this group to be fully aware of how to deliver their own goals and how the organization should be operated. Thus, when an outsider is questioning and changing some established routines, these employees tend show resistance towards these new conditions. The second stereotype is according to Sarge, *the newcomers*, who has been a part of the organization in less than 10 years. This group is, according to Sarge, viewed as open-minded and adaptable to changes, hence these individuals have approached the specific change of daily operations more positively than the middle management. The final stereotype presented by Sarge consists of the top management, who are responsible for all major strategic decisions of the organization. As a cause of being positioned in the superior division, Sarge argues that the top management tends to feel more confident, than others, and are consequently less threatened by the prospect of future change. In order to keep the wheel spinning and be competitive, they are encouraging reform and new challenges rather than avoiding them (Sarge, 8 May 2015).

4.6 Current cultural challenges

Due to the nature of a cross-border acquisition, a common idea is that cultural differences are likely to significantly impact the post-acquisition process. Even though the interview respondents have been able to identify several cultural differences that exists between Volvo and Geely, neither of the interviewees' have expressively felt that it has had a substantial impact on them personally.

4.6.1 Individualism versus collectivism

One of the experienced difficulties has according to Hemberg-Munk, Persson and Sarge, been to separate and disentangle from the American culture, which is characterized by a strong business culture and incorporated organizational structure. According to Hemberg-Munk, an elitistic and individualistic jargon was somewhat imprinted into the corporate culture of Volvo, during the Ford-period. Sarge, on the other hand, argued that it will always exist individualists within a big organization, even though he conformed to the opinion of Hemberg-Munk, that this mentality could have been enhanced by Ford's reward system and result orientation. Persson further contributed with a third perspective concerning the origin of this individualism. According to him it is rather a matter of generation than culture, implying that the older generation have a collectivistic mind-set, derived from the Swedish Jante law, which encourage team-work ethics. In contrast, the younger generation realize the benefits of acting individualistic in order to achieve personal goals and visions more quickly (Persson, 16 May 2015). Persson suggested that when younger people are given the opportunity to directly advance into high income positions, the internal balance might be disturbed and could create a generation clash. Persson and Sarge both argued that the individualistic contra the collectivistic mind-sets are sprung from the corporate culture of Volvo, rather than a contribution from the new Chinese ownership. Even though Hemberg-Munk stated that the individualistic jargon has constantly decreased, as a consequence of Volvo's further transformation into a stand-alone company and replacement of the former top management, Sarge argued that it still exist visible effects. He suggested that the individuals, who during the Ford period further advanced their careers, were nurtured in an environment where a *power of one*-spirit was encouraged. Further on, this way of thinking has remained within the organization as a result of the reward system (Sarge, 8 May 2015).

4.6.2 Power distance and decision-making process

Another aspect that was examined during the interviews, is how power is exerted within the organization. According to Sarge, the aim is to have a flat organization structure where every employee has the chance to freely express opinions and be a part of the decentralized decision-making process. However, due to the complexity derived from the great size of the organization, it is hard to always take the personal opinions of thousands employees into account, and still accomplish to make decisions within a set time frame (Sarge, 8 May 2015). As earlier mentioned, there is a significant difference between Western and Chinese standards concerning the duration of the decision-making processes. Due to the change in organizational structure that came with the new ownership and the influences from the Chinese decision-making approach, the time duration for decisions has been shorted in Volvo (Persson, 16 April 2015; Sarge, 8 May 2015). Even though there has been a positive change in the decision-making process, Sarge informed that the implementation of new decisions has been interrupted by the strict Chinese governmental control. In China, the government still surveillances and regulates the domestic market and consequently Geely, and Volvo, is acquired to comply with these complex administrative matters (Sarge, 8 May 2015).

The governmental control is reflecting hierarchal power as a pervasive character in China, and subsequently affects the business environment. In the micro perspective of Volvo and Geely, the hierarchy has shined through in matters related to financial decisions (Sarge, 8 May 2015) as well as in the interactions between Chinese and Swedish employees (Hemberg-Munk, 6 May 2015). Sarge states that the there is an additional layer of control in the Chinese department of finance, this is consequently creating collaborative issues. Additionally, there is a constant presence of politics, which has the power to strongly influence decisions of sensitive character of their concern. In situations like this, the hierarchal heritage is prominent (Sarge, 8 May 2015). Furthermore, an overall distinct effect of hierarchy is the importance of title in the Chinese society. Hemberg-Munk acknowledged this attitude, by demonstrating how unforeseen events have occurred as a result of this matter. She implied that, sometimes Chinese managers have a hard time accepting Westerners addressed with an official title of lower grade, but who in reality has similar, or even higher competence and experiences. In order to moderate this behavior, the solution has been to set together *matched pairs*, consisting of one Chinese and one Swedish employee. The ambition was to improve mutual understanding and enhance group dynamic (Hemberg-Munk, 6 May 2015).

4.6.3 Language: barrier or asset?

Another factor, strongly affecting whether the cooperation will be successful, is dependent on a well-functioning communication. One could imagine that language-differences tend to obstruct and mislead the communication in a multicultural organization. However, Persson argued that in the case of Volvo and Geely, even though this initially constituted a notable barrier, the significantly different languages have principally affected the collaboration positively. Since the intermediary language of the two entities almost exclusively is English, which is neither the native language of Sweden nor China, Persson believed that a sense of humility and mutual understanding has been created amongst the Chinese and Swedish employees.

4.6.4 The negotiation process

Moreover, a challenge that appeared during the experiment of implementing matched pairs, was for the team to decide who would make the final decision (Hemberg-Munk, 6 May 2015). The difficulties in reaching agreements, have according to Persson, a lot to do with elementary values of priority. Further on, Segerlund brought up the negotiation process as an example, and discussed how price versus quality are prioritized in the organizations, as well as how this matter may cause disagreements. The general opinion is according to Segerlund, that even though Swedish producers value low price, they emphasize on the importance of not allowing the price to interfere with the product quality. In order to gain a long-term credibility, it is of major importance to establish trustworthy relationships by having loyalty as a pervasive value in all operations (Segerlund, 8 May 2015). On the other hand, Segerlund argued that Chinese producers have a short-term orientation both concerning quality versus price and relationships. Segerlund suggested that the top priority when negotiating is to pay the lowest possible price and the only requirement is to manufacture a functional product, hence quality is often lower prioritized by Chinese producers. Instead of acting from a perspective of how both parties could benefit from a situation, the Chinese mentality is that a negotiation always eventuate in one party defeating the other (Segerlund, 8 May 2015).

4.6.5 Corporate social responsibility

Finally, the well-known issue of emerging countries' lack of corporate social responsibility must be considered in this case. When comparing Sweden and China, there is an apparent difference in how well the companies comply with CSR standards. These national differences

are strongly reflected into the corporate structure of both Volvo and Geely and was noticed when Volvo started to build factories in China (Hemberg-Munk, 6 May 2015). Even though Volvo has come a long way in the attempt to incorporate the Western CSR philosophy into their new factories in China, Hemberg-Munk mentioned that challenges regarding safety issues arose during the construction period. As a result, the construction process has been supervised by Volvo-ambassadors, in order to prevent accidents caused by deficient safety measures (Hemberg-Munk, 6 May 2015). The biggest challenge regarding this matter has according to Hemberg-Munk and Sarge, been to make people realize how this could, not only cause severe human injuries, but also affect the reputation of the organization negatively.

4.7 Future prospect

As proved in previous discussion, the post-acquisition process of Volvo and Geely is still in progress. It will be hard to determine when this process will be fully completed and currently, the most interesting question is whether Volvo and Geely will further integrate or continue their father-son relationship. In order for Volvo to progressively strengthen their confidence, Hemberg-Munk believes that Volvo is urged to continue the separation from the Ford culture and as a stand-alone company, achieve balance between Chinese business legacy and Swedish key values.

4.7.1 Integration or separation?

 Hemberg-Munk, Persson and Sarge agree on that the cooperation of Volvo and Geely will deepen, but that a complete integration will most likely not be accomplished. According to Hemberg-Munk, the integration will be hindered by legal restrictions such as the patents and financial directives. She continued by informing that they will have to keep an arm's length between the Volvo Car Corporation and Geely Automotive affiliates, since it exists business agreements that regulate the collaboration of Volvo Car Corporation and Geely Automotive (Hemberg-Munk, 6 May 2015). Concerning products and brands, Sarge believes that Volvo will be kept strictly separated from the Geely Group. However, he foretold that the collaboration in mutual production systems and technological platforms will advance in the future, especially due to a new technological cooperation between Geely and Volvo. The future mutual ambition is further to focus more specific on the design and technology. In order to achieve economies of scale Volvo will try to maximize the commonality of products,

which requires less technical competence, without affecting product quality or brand image (Sarge, 8 May 2015).

4.7.2 CSR future

As earlier discussed, one of the most challenging aspect when operating in Chinese business environment is the current low priority concerning CSR issues. However, Sarge identified the potential benefits derived from the establishment of manufacturing plants in China. Since the new industries are built from scratch, Volvo has the opportunity to fully incorporate Volvo´s values and European quality standards. As a result, Volvo has potential to further reach and enter mature markets, such as the American market, with vehicles produced in China (Sarge, 8 May 2015). Moreover, Hemberg-Munk pointed out how the production of Volvo-cars in China might lead to a potential raise of profit, due to the fact that expensive tariffs to trade could be avoided. In a long term perspective, there is an ambition that these new plants, with a strong implementation of CSR, will make a lasting mark in the Chinese market and contribute to an increased consciousness among Chinese industries (Hemberg-Munk, 6 May 2015).

4.7.3 Summary

Evidently, the employees of Volvo have been confronted by several challenges and unfamiliar situations due to the organizational change. Even though Volvo currently is making a steady progress at the global market, the scale of their production is still small (Global Times, 2015). In order to become a stronger future competitor, Volvo must get rid of the *fat-cat syndrome* (Hemberg-Munk, 6 May 2015). To become a large-scale manufacturer, Volvo has together with the Geely Group set up the goal of raising the production to 800,000 units by 2020 and Chairman Li express that it is only by these measures which "the strategic goal of setting free the tiger back to the mountains can be materialized" (Global Times, 2015).

5. Analysis

This chapter gives an analysis of the empirical results in relation to the theoretical framework. The main points will be pointed out in order to comprehend and provide a basis to the conclusion drawn in the following section.

5.1 Integration approach

5.1.1 Preservation

What was noticed throughout this study is that the mode of integration has constituted the foundation for how an organization is affected during a post-acquisition process. This foundation has constantly reappeared when analyzing whether the post-acquisition has been influenced by cultural and organizational issues. As a result, the choice of integration mode has been of major importance when examining the post-acquisition of the specific case of Volvo and Geely. Previous acknowledged M&A- theories, presents three different modes of integration: the preservation mode, the absorption mode and the symbiotic mode (Lassere, 2012). In this specific case the applied approach by Geely, has been a preservation mode and this empirical finding was based on M&A research, presented in chapter three.

As presented in the empirical study, Geely approached Volvo slow and observantly, indicating on an adaption to preservation. Geely was, according to one of the respondents, more interested in learning the business of Volvo itself and how to achieve value through transfer of new competencies, rather than to take absolute control and directly implement their own strategies. This complies well with how a preservation is made according to theory (Lasserre, 2012). Moreover, the theoretical framework informs that preservation is achieved through keeping the already existing management (Lasserre, 2012). This conforms to the empirical result, which informs that the management board that was established during the period when Volvo transformed into a stand-alone company, was kept by Geely. A final theoretical aspect that justifies that a preservation mode has been applied in this specific case, is that resources are primarily transferred through capital injections between the acquirer and the acquired company (Lasserre, 2012). According to the empirical results, the only legal transfer of resources from the venture capital company Zhejiang Geely Holding Group to Volvo Car Corporation is through financial support.

5.1.2 Why preservation mode?

In order to better comprehend effects of the chosen integration mode in the post-acquisition process, it is necessary to discuss the potential motives behind. One of the empirical findings showed that the restrictive regulations, derived from Ford, greatly influenced the construction of the formal structure. However, it is not only the patents and intellectual property rights belonging to Ford that constitutes barriers between Volvo and the other entities within the Geely Holding Group. Also the financial directives set by a Chinese investor, control and hinder the resource transfer between all entities. To which extent these regulations have impacted on the integration approach, have not been fully confirmed in the empirics. Nevertheless, fact is that it would evidently be illegal to disregard these regulations. Another underlying motive to undertake a preservation approach is based on strategic matters. As mentioned by the interview respondent Segerlund, the strategy of Geely is to preserve Geely Automotive as a low price brand, and develop Volvo into a premium brand. In order to achieve this strategy, it is important to emphasize that even though Volvo is acquired by Geely, entities within the organization represents different brands and product quality. Segerlund further argued that there is a great risk that if brand confusion is not avoided, the organization will fail to fulfill its strategic objectives. As a result, preservation might appear to be the most suitable approach, since it constitutes on the main idea of keeping entities separated.

5.1.3 Effects of the integration mode and formal structure on the post-acquisition process

As previously mentioned, the post-acquisition process of Volvo and Geely has been greatly impacted by the mode of integration and formal structure. First and foremost the empirical result shows that the regulating formal structure to some extent, have formed Volvo and Geely and the relationship could be defined as cooperative rather than marital. In the empirics Hemberg-Munk mentioned the contractual restrictions, which could inhibit the flow of resources, such as people, technologies and capital. Consequently, this makes it difficult for Volvo and Geely to blend their corporate cultures as well as to share work process, technologies and capital. Furthermore, due to the separation between Volvo and Geely, the effects of organizational and national culture differences had a restricted impact to the post-acquisition process, which caused employees and operational processes to be kept apart from each other. Due to the limited and conscious exchange of knowledge and people between Chinese Geely and Swedish Volvo, inherited cultural values and behavior have not merged.

This is consistent to theory, which emphasizes on the importance of handling the transfer of people carefully in a preservation integration (Lasserre, 2012). When comparing the situation of Volvo and Geely, to the probable impact that a complete integration of people with different cultural backgrounds would generate, there is a notable difference in to which extent the post-acquisition is affected by cultural aspects.

5.2 Impacts on post-acquisition process – Cultural differences

5.2.1 Individualism

Three of the interview respondents agreed on that Volvo Cars in Sweden, for long has been characterized by an individualistic jargon, which now is fading out gradually. This empirical finding is somewhat consistent to theory regarding Swedish Culture (Suder, 2011). According to the theoretical framework, Swedish culture has been acknowledged as prominently individualistic, when interpreted from the dimensions of Hofstede. However, one important notice is that individualism refers to that employees are assigned with individual responsibilities, thus this does not interfere with the pervasive Swedish orientation of working in teams (Mårtenson, 1998). Even though the interview respondents was unanimous regarding the existence of an individualism at Volvo, they disagreed on the origin of this individualism and why it has started to fade out. When studying the post-acquisition process of this specific case, it is relevant to examine whether Geely, that is sprung from a national culture characterized by collectivistic values and habits, have affected the individualistic attitude of Volvo. With respect to theoretical generalizations of Chinese culture, which emphasize on the strong collectivism (Hasegawa and Noronha, 2009), one could believe that the change of the individualistic jargon in the organization of Volvo, has to do with the new Chinese ownership. However, neither of the respondents believe that Geely has impacted on this matter.

5.2.2 Power distance

What has been confirmed by both theory and empirical data is the prominent hierarchy that is pervasive in the Chinese culture. According to the empirics, there are two main dimensions where hierarchy is most apparent. The first dimension is the importance of social ranking, referred to in chapter two as a characteristic for a high degree of power distance and a strong influence to employee behavior (China Business Review, 2008). As stated by Hemberg-Munk, matched pairs was created to avoid conflicts related to level-of-position issues. Even

though arrangements were made in order to avoid cultural clashes, the respondents have expressed that, employees have experienced the substantial differences in Swedish and Chinese manners regarding the matter of social ranking. These differences are conformed in the generalization of Swedish and Chinese organizational culture, where Swedish culture is characterized by equality (Gustavsson, 1995) and hierarchal matters such as high level of authority is less important, compared to the inevitable Chinese legacy of importance in social ranking (China Business Review, 2008). The second dimension, where the respondents found that hierarchy was noticeable, is the decision-making process which is strongly influenced by the power of authorities (Wenzhong and Cornelius, 1991). Sarge noticed that the constant politic presence, prolonged the decision-making process remarkably, when agreements of sensitive matters were about to be concealed. This observation is justified by the theoretical framework where a culture of high power distance, such as the Chinese, is identified as paternalistic or even autocratic (Hasegawa and Noronha, 2009). The nature of these two dimensions are sprung from the profoundly different inherited attitude, of Swedish and Chinese national culture, towards the concept of hierarchy. Since this mindset is incorporated into the behavior of the residents of each nation, employees will experience these differences in daily communication.

5.2.3 Language: barrier or asset?

Apart from the national cultural differences brought up in the empirical data and analyzed from Hofstede's cultural framework, the aspect of national language must be considered. Regardless of which integration mode that was adopted in the acquisition process, it is crucial to achieve a well-functioning communication in order for the acquirer to ensure that the acquired entity perceives the motives and ambition of the acquisition correctly. The result will consequently affect the degree of experienced anxiety and confusion amongst the employees (Lasserre, 2012). As further suggested by Lasserre (2012), the quality of communication is derived from the level of mutual understanding. Even if the immense difference between Swedish and Chinese national languages are presumed to constitute an insurmountable barrier, Volvo and Geely share an alienation towards their communication intermedium. As stated by one of the respondents, the communication between Volvo and Geely almost exclusively is in English, which neither is the native language of China nor Sweden. As a result, mutual understanding towards the discomfort, which may arise when individuals

experience lacking ability to fluently express ideas and values, is created between the Chinese and Swedish employees.

5.2.4 The negotiation process

The ambition of this thesis is not only to investigate national cultural differences, but also to examine the potential effects of organizational culture. Even if the negotiation process may appear as a matter equivalent to the decision-making process, the values of the negotiation process are derived from organizational behavior, and in some aspects influenced by inherited national ideals. A comparison between the generalization of Swedish and Chinese corporate behavior prove that, even though Swedish organizations are affected by national culture, the business system in China is far more shaped by national culture. Findings from the interviews indicate that there is a distinct difference in organizational priorities, mostly concerning business relationships. Theory indicate that the matter of Chinese guanxi, derived from the high degree of collectivism, shapes the Chinese organizational behavior and creates a relationship attitude characterized by selectiveness (World Business Culture, 2013; Forbes, 2012). What is denoted by selectiveness is that the experienced level of future business opportunities will govern if the relationship will be nurtured, or not. As a consequence of the emerged mentality of rapidly replacing the old with new (Jinming, 2012), survival is a substantial uncertainty for Chinese companies in general. The fear of being outrivaled is reflected in an egoistic mentality, where creation of higher profit is superseding the potential of a long-term relationship. This is confirmed by the interview respondents, whom expressed their experiences of the *"if I win, you lose"* mentality when comparing Volvo's approach during the negotiating process with suppliers, to Geely's manners.

As previously stated, Swedish business culture value mutual respect and thoughtfulness. The theoretical framework additionally mention that a generalization cannot be made about the long-or short-term orientation concerning negotiations (Suder, 2011). However, as suggested by Segerlund, Swedish corporations value loyal and trustworthy relationships highly. In short, there is a fundamental difference in organizational behavior concerning the character of the business relationships created. Since the exchange of resources between Volvo and Geely is limited, neither of the entities is directly, or at least notably, affected by the relationships of the other.

5.2.5 Corporate social responsibility

A final dimension, in which national cultural differences was discovered, is corporate social responsibility. The results from the interviews indicate that concrete evidence of dissimilar attitudes towards CSR was not encountered until Volvo initiated the construction of manufacturing plants in China. This might seem as a natural part of operations for companies nurtured in industrialized countries, mainly competing in mature markets. However, as pointed out by theory, the general opinion is that China has, so far, not been able to nurture a healthy environment for CSR to become an organic part of corporations (Hasegawa and Noronha, 2009). This is consistent to the empirical findings regarding CSR in China, where the construction plant safety still constitutes a major problem, even though it has improved since the very start. The CSR issues will constitute a challenge for Volvo even in the future, which they have to manage in order to protect brand image.

5.3 Impacts on post-acquisition process – Reactions towards organizational change

Even though the organizational change, that Volvo experienced when they were acquired, was of a smaller size, the effects of the employee reactions are of high importance to discuss. As discussed by Buono and Bowditch (1989) and Lasserre (2012), it is important to handle these questions carefully due to the risk of anxiety and tensions between members from the two different firms. Consistent with what has been discussed by Buono and Bowditch (1989) and Lasserre (2008), our empirical results show that there initially were a high degree of anxiety and shock when the employees of Volvo was notified that acquisition was about to take place. Nevertheless, as revealed by the results, Volvo overcame the acquisition-related stress and confusion relatively rapidly after the transition period. This is most likely a result of Geely's and Volvo's way to face and prevent typical dilemmas that, according to the theoretical framework, often arise when the organizational members are facing a change (Buono and Bowditch, 1989). These dilemmas was avoided, firstly, due to the fact that when Geely acquired Volvo, a slow and progressive speed of change was imposed on the Volvo-employees. According to Buono and Bowditch (1989), the pace and rate of acquisition-related changes has impact on the magnitude of anxiety and stress. Secondly, the amount of information shared with the employee's plays, according to Buono and Bowditch (1989) and Lasserre (2012), an important role in order to moderate the confusion and stress among the employees. In this case, our result shows that, due to the fact that Geely already from the beginning emphasizes on that Volvo will be kept as it was before the acquisition, many of the

employees allowed themselves to feel secure about their position within the organization. Additionally, by establishing its strategy of turning Volvo into a luxury brand and keeping Geely as a low-price brand, Geely has somewhat managed to deliver clear goals and missions within the new organization. Thus by setting defined goals and missions, many of the stress-related questions, which are mentioned in theory by Buono and Bowditch (1989), are answered, hence resulting in reduced anxiety and confusion regarding new mission and value in the new organization.

The reactions to the organizational change, have differed widely amongst the employees and in some parts of the organization, the change has not even be noticed, according to empirics. Subsequently, there has been another empirical finding, implying that the reactions towards the organizational change, partly depends on stereotypical matters based on position and experience within the organization. This empirical result brings something new to our research regarding reactions towards organizational change, since nobody in our theoretical framework has argued upon that the employee reactions towards change could be affected by the factor of position and experience within the organization. Even though the empirical results emphasize on the importance of position and experience when investigating the reactions towards the acquisition, Lewin's (1947; 1951), 3-stepped change model is applicable in this specific case. This is because, as mentioned by Sarge, it exists a resistance towards change of imprinted daily routines, and Lewin's change model specifically aims to explain organizational member's reactions and resistance towards change (Lewin, 1951). Starting with the period of unfreezing, which according to theory, aims to prepare the employees for an organizational change (Lewin, 1947). One could say that this unfreeze of organizational behavior was already imposed on the Volvo-employees when Ford, in 2007, made them transform into a stand-alone company. The empirical results have explained the state of shock and uncertainty that hit the organizational members when routines was put out of order, and they had to form their own corporate culture, decision-making system and operational activities. The transformation from, in one moment being controlled by Fords strictly profit-oriented management, to in the next moment operate independently, created a shock. The action of putting things out of order made by Ford, is consistent to what is, according to the 3-step model, necessary to do, in order to open up the minds of the employees and prepare them for a change. One could say that, Volvo was in practice, put out of its equilibrium state when they had transform into a stand-alone firm, which is also one of the steps in Lewin's change model (Lewin, 1947).

Moving on to the second step of Lewin's change model, which aims to move the behavior of the organizational members by creating motivating forces. Also here our empirical result are applicable on the theory of Lewin. As mentioned in the empirics, the initial worries and speculations from the shock of standing alone, was tranquilized when Volvo realized that the motives of Geely was to preserve the organizational structure and operations. By letting Volvo keep and develop its own culture and processes, instead of immediately interfering, the employees within Volvo, soon understood that they were perfectly able to be successful on their own. This realization, in combination with the financial support that was given to Volvo by Geely in order to expand and develop their operational processes, have increased the confidence of Volvo. Thus this supportive, rather than controlling, approach imposed by Geely, has been motivating the organizational members of Volvo to embrace the organizational change, in which they will be independent. This is also consistent to the 3-step model, where Lewin in the second state emphasize on the importance of motivating the whole organizational group (Lewin, 1947).

Finally, in the last step of Lewin's change model, the challenge is to refreeze the new organizational behavior and attitude at the new equilibrium stage. The theory, in practice implies, that in order to sustain the achieved attitude towards the change and to avoid further confusion, the organizational members need to be unified in the existing organizational culture, norms, policies and practices (Lewin, 1947). If taking into account what has been discovered in our empirical study, one could constitute that by letting Volvo continue to operate independently and use its own techniques and operational processes, the employees of the Volvo-organization have become accustomed to the new situation, which is equivalent to the new equilibrium state. However, due to the fact that the post-acquisition between Volvo and Geely still is in progress, many more and maybe even more sizeable organizational changes could potentially face the organizations in the future.

6. Conclusion

This part of the thesis provides a conclusion that is related to the analysis and answers the research question presented in chapter one. Furthermore, suggestions for future research are presented in this section.

6.1 Empirical and theoretical contributions

The contributions of this study provide an examination of whether the post-acquisition process of Volvo Car Corporation and Zhejiang Geely Holding Group has been affected by cultural differences and reactions towards organizational change. The result of this research is several findings, proven to be connected with the post-acquisition process of Volvo and Geely. Firstly, the researches of this thesis have discovered that the reactions from Volvo-employees, towards this organizational change, was anxiety and shock, which is consistent to what the theorists Buono and Bowditch (1989) and Lasserre (2012) explained regarding behavior in organizational changes. However, due to the intention of Geely to solely preserve Volvo, these initial reactions were eased shortly after transition phase. As a result of Geely managing to communicate a clear mission and objective, the employees of Volvo realized that their position within the organization was not threatened. The results of these actions made by Geely in order to provide a clear mission, conforms to what is discussed by theorists such as Buono and Bowditch (1989), that clear information and communication is vital in order to reduce the stress amongst employees. Secondly, the most prominent cultural differences that were discovered in the empirical results, which have affected the post-acquisition process in this case are differences in: language, power related issues and decision-making process.

As discussed in the analysis, the mode of integration has been a decisive factor for how the post-acquisition process has been affected by cultural differences and reactions towards organizational change. The low level of integration between Volvo and Geely is a result of the applied mode of integration. Consequently, the two different organizational and national cultures have not been able to blend and the effects on the post-acquisition process have been limited. Based on our empirical results, we would like to suggest that it exists a correlation between the level of integration and prominence of cultural differences. According to the empirical result of this research, a low level of integration between two companies in an acquisition will result in less visible cultural differences, due to the restricted mix of corporate culture and employees.

This research complies well with the theoretical framework regarding how national and organizational culture differences and reactions towards organizational change, are manifested in a post-acquisition process. However when comparing our research to previous research such as Angwin (2007), Haspeslagh and Jemison (1991) and Lasserre (2012), our empirical results show that the acquisition process of Volvo and Geely does not fully comply to the theoretical generalization of a complete acquisition process, in terms of strategic motives and how to structure an post-acquisition process. Since the conditions of a specific acquisition are unique, real cases often differ from the rationalized cases described in M&A-theory, conducted by Angwin (2007), Haspelagh and Jemison (1991) and Lasserre (2012).

To sum up, the purpose of this study was to enlarger the understanding of cultural challenges and reactions to organizational change in a post-acquisition process. In order to fulfill this purpose, we constructed a research question which investigated a specific case of this matter. The answer of the research question is that both cultural differences and employee reactions towards organizational change have had an impact on the post-acquisition process of Volvo Car Corporation and Zhejiang Geely Holding Group. However, as discussed throughout the complete study, these two dimensions have had moderate effects on the post-acquisition process. It exists a preconceived idea that the success of a post-acquisition process depends on the diversity of culture between the involved firms. A common apprehension is that it is more difficult to handle an acquisition process where the cultural differences are immense, than when the cultural differences are marginal. However, a generalization of our empirical discoveries show that prominent culture differences may exist between companies in an acquisition, but do not automatically imply that the post-acquisition process will be notably affected by these, due to the level of integration.

6.2 Suggestion for future research

In general, this study address several aspects which have affected the post-acquisition process of Volvo and Geely. As mentioned in the theoretical chapter, previous research has primarily focused on objective aspects of the acquisition process and seldom review the process subjectively. As proven, 50 per cent of total performed acquisitions fail or seriously struggle to complete, despite the fact that the complexity of an acquisitions is a well-reviewed subject. This may suggest that the objectiveness make previous studies outdated and that a subjective perspective on the acquisition process would better reflect issues of today. Even though this

study examine the post-acquisition process from a subjective perspective, it is insufficient to make generalizations which are applicable to all cross-border acquisitions. Thus, future research that subjectively discuss human resource management might be sufficient in order to reduce the number of failing acquisitions.

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7.3 Interview respondents

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Appendix 1

Interview Questions

General Background of the Interview Respondent

1. Name

2. What is your position at Volvo Cars Group and basic tasks?

3. How long have you been employed in the corporation?

Questions regarding the time just before and after the acquisition 2010

4. To which degree were you involved in the acquisition?

5. How did you experience an actual presence of a togetherness with Geely?

• Did it exist any challenges or difficulties during the transition phase of the acquisition ? If existing, how did Volvo Cars managed these?

• Was there any easygoing matters?

6. What was your personal opinion regarding the cooperation at the time? What do you think about the conduction of the process?

• Did you experience any direct and noticeable changes regarding the daily operations during and just after the acquisition?

7. In what way did Geely approach Volvo in terms of integration of businesses?

• Have they tried to preserve the firms or integrated them to full extent?

Questions regarding the present situation

8. What is your personal opinion of the current cooperation with Geely?

• Have you experienced that the degree of togetherness between Geely and Volvo has changed since the beginning?

9. What do you believe to be the greatest challenges for the Volvo today?

• How does Volvo and Geely handle these challenges?

Questions regarding cultural aspects

10. Do you experience any cultural differences or similarities in daily operations?

• If yes, then how does these differences or similarities appear? And how are you affected by this?

11. According to your personal references, do you experience differences, or similarities, between the Swedish and Chinese corporation culture concerning decision-making, management culture and degree of power distance?

12. Concerning the decision-making, do all parts of the organization have influence or are the decisions primarily set on a centralized level?

13. Can all employees freely express their opinions and ideas in the majority of all situations?

   • If yes, how does Geely/Volvo-management take these opinions into consideration?

14. How is the general experience regarding the collaboration within the organization- do employees generally strive for personal goals and achievements, or do the employees strive for organizational goals- e.g. individualistic or collectivistic approach?

Questions regarding the future

14. Do you think that the companies are moving towards a more unified entity, or do you believe that Volvo Cars and Geely will continue to operate independently? Possible advantages / opportunities and disadvantages / threats with this?

15. What is your personal opinion regarding however Volvo, in a long-term orientation, will be benefit or be disfavored by the acquisition?

16. What do you believe will be the greatest challenges for Volvo in a future prospect?

• How do you think that Volvo, or Geely, will manage to overcome these challenges?