Making the unlikely marriage work : the integration process of Chinese strategic asset-seeking acquisitions

Reference:
Zheng Qiuxia, Noorderhaven Niels, Du Jian.- Making the unlikely marriage work : the integration process of Chinese strategic asset-seeking acquisitions
Journal of world business - ISSN 1878-5573 - 57:3(2022), 101305
Full text (Publisher's DOI): https://doi.org/10.1016/J.JWB.2021.101305
To cite this reference: https://hdl.handle.net/10067/1890510151162165141

Making the unlikely marriage work:

The integration process of Chinese strategic asset-seeking acquisitions

Qiuxia Zheng

School of Management, Zhejiang University

Niels Noorderhaven

School of Economics and Management, Tilburg University

University of Antwerp, Faculty of Business and Economics

Jian Du

School of Management, Zhejiang University

ABSTRACT

Chinese firms increasingly engage in risky strategic asset-seeking acquisitions in developed economies. Realizing the potential value of these acquisitions requires a careful integration process. On the basis of an analysis of Geely's acquisition of Volvo in 2010, we develop a spiraling model that helps us understand these post-acquisition integration processes. We identify that external and internal legitimacy issues and pressures for value creation are the main factors influencing the integration process. In combination and over time, these forces lead to different configurations of symbolic management (geared to address legitimacy concerns) and substantive management (aimed at the realization of synergies). In the Geely-Volvo case this led to four stages through which the integration process proceeded — *distancing, balancing, building,* and *diversifying*. Other comparable acquisitions may go through slightly different phases, depending on circumstances, but we expect the same set of forces to mold these integration processes in similar ways.

Keywords: Chinese cross-border acquisitions, Symbolic management, Substantive management, Spiraling post-acquisition integration.

1. Introduction

From being a marginal foreign investor, China is becoming one of the most important sources of outward foreign direct investments (Buckley et al., 2018; Torres de Oliveira, & Rottig, 2018) and this is drawing increasing attention from researchers (Tu, 2019). This outbound direct investment has been encouraged by the "Go Global" strategy of the Chinese government. An important new development is that direct foreign investments by Chinese firms are increasingly guided towards the acquisition of strategic foreign assets (Chen, Liu, & Ge, 2021; Deng, 2009) rather than natural resources. Strategic asset-seeking motives for Chinese acquisitions in developed economies involve compensating for competitive disadvantages and building up new competences by obtaining intangible assets like technologies, innovation capabilities, management competences, and brand names (Ai & Tan, 2020; Liu & Meyer, 2020).

This development has led to a number of high-profile Chinese acquisitions of developed-economy companies, such as Nanjing Automotive's acquisition of the British firm Rover, ChemChina's acquisition of Swiss-based Syngenta, and Haier's acquisition of US-based General Electric Appliances (Cooke, Wu, Zhou, Zhong, & Wang, 2018). These acquisitions give rise to some interesting questions, because they seem to defy conventional wisdom in two aspects. First, the Chinese firms making these acquisitions do not follow the incremental learning model proposed by the Uppsala school (Johanson & Vahlne, 2009; Luo & Tung, 2018; Meyer & Thaijongrak, 2013), but instead seem to follow a "leapfrog" strategy (Lyles, Li, & Yan, 2014). Second, these acquisitions, aimed at aggressive international expansion, are also remarkable from the perspective of the eclectic paradigm (Cantwell, 2015), as they are not based on a clear, firm-specific ownership advantage (Buckley et al., 2018; Ren, Liang, & Zheng, 2012).

Leapfrogging incremental learning processes to access advanced technological knowledge is a very risky strategy for firms that lack strong ownership advantages and have relatively little acquisition experience (Luo & Tung, 2007; Ramamurti, 2012). This is further aggravated by the negative public and political sentiments which Chinese acquirers of developed-economy firms often have to cope with (Fang & Chimenson, 2017). The resulting legitimacy deficit requires Chinese acquirers to cope with an unfavorable informal power balance (Zhang, Young, Tan, & Sun, 2018). If the audacity of the Chinese strategic asset-seeking acquisitions is noteworthy, this is even more true for the post-acquisition integration approach that is often chosen.

In common with acquirers from some other emerging economies like India, Chinese firms frequently allow the acquired firm to initially retain a high level of autonomy, keep the composition of the local top management team unaltered, and respect acquired employee benefits and rights (Liu & Woywode, 2012; Zhang, Liu, Tarba, & Giudice, 2020). This has been labeled a “partnering” approach to acquisition integration (Kale, Singh, & Raman, 2009; Marchand, 2017; Torres de Oliveira, & Rottig, 2018). Using such an integration approach could be due to the acquiring firm having a relatively unfavorable power-dependence relationship with the acquired firm (Gaffney, Kedia, & Clampit, 2013; Mtar, 2010). Acquiring firms from emerging economies like China often find themselves in such a position (Gubbi, 2015). Nevertheless, employing a partnering approach remains surprising in the case of strategic asset-seeking acquisitions, since a relatively high level of integration between acquirer and acquired firm is likely to be necessary for accessing, transferring and absorbing these assets (Zollo & Singh, 2004). Capturing the potential synergy and creating new value from cross-border acquisitions also requires intensive interactions between the members of the acquirer and target firms (Weber, Tarba, & Bachar, 2011).

All in all, Chinese strategic asset-seeking acquisitions raise important questions. In this study we focus on the post-acquisition integration phase, because this is when much of the potential value of an acquisition is realized (Kroon, Noorderhaven, Corley, & Vaara, 2021; Stahl & Voigt, 2008). The literature on post-acquisition integration processes reveals that these processes are characterized by some tensions, e.g., between autonomy and control, between slow and fast integration, and between an emphasis on social integration and on task integration. Such tensions are particularly prominent when an acquirer aims to access intangible assets. Haspeslagh and Jemison (1991) categorize such acquisitions as "symbiotic" (p. 146), and refer to the associated integration process as "an unnatural act" (p. 222). This study seeks to answer the question: why do Chinese firms apply a partnering approach in symbiotic, international strategic asset-seeking acquisitions, and how does this help them to realize their strategic aims?

We study this question through an in-depth study of the acquisition of Volvo Car by Geely. This was a high-profile acquisition that aroused a lot of (often negative) attention. It can be taken as a typical example of a risky Chinese acquisition, because: (1) this was a technology and brand reputation seeking acquisition that aroused much negative publicity; (2) the acquirer was substantially smaller than the target and had a much weaker reputation; and (3) the target, Volvo, was making heavy losses at the time of the acquisition. Geely employed a partnering approach that surprised many observers at the time, but which led to unexpectedly positive results. We look at how Geely dealt with tensions in the integration process, and how and why their approach developed over time.

Our study makes the following contributions. First, we contribute to the literature on Chinese strategic asset-seeking acquisitions by theorizing how and why these Chinese firms employ a partnering integration approach for realizing their aims. We posit that this approach is based on the pressure to find a balance between the need to mitigate legitimacy concerns surrounding these acquisitions, and the desire to access strategic assets like knowledge and brand reputation that, if the integration is not managed carefully, could easily dissipate. Second, we contribute to the literature on post-acquisition integration. We see Chinese strategic asset-seeking acquisitions as special cases of symbiotic acquisitions, and we develop a model of how the integration in such cases proceeds through a spiraling process of symbolic and substantive actions to deal with shifting legitimacy issues and synergy realization opportunities.

Below, we first discuss the relevant studies on post-acquisition integration and Chinese strategic asset-seeking acquisitions. After that, we describe our research methods, before turning to the presentation of our findings from the Geely-Volvo case. On the basis of these findings, we construct a model of spiraling post-acquisition integration that helps us understand, not only the Geely-Volvo case, but also other Chinese strategic asset-seeking acquisition integration processes, as well as symbiotic acquisition integration processes in general. Finally, this study comes to conclusions and offers some recommendations for further research.

2. Literature review and theoretical foundation

Strategic asset-seeking acquisitions by Chinese firms are a relatively recent phenomenon. However, there is a large body of merger and acquisition studies that can inform us about the factors influencing integration processes in these acquisitions. In this literature, a number of tensions have been identified that are characteristic of many post-acquisition integration processes. Below, we briefly discuss the relevance of these tensions for strategic asset-seeking acquisitions. We also explore the scant literature on power-dependency relations in post-acquisition integration, as this may be an important aspect in Chinese strategic asset-seeking acquisitions. After that, we examine the literature on strategic asset-seeking acquisitions by emerging economy firms. On the basis of these bodies of literature, we formulate key questions pertaining to the integration process after a strategic asset-seeking acquisition by an emerging-economy firm.

2.1. Tensions in post-acquisition integration

While there are many factors that can influence the success of an acquisition, we focus here on the post-acquisition integration phase. It is widely acknowledged that post-acquisition integration is a critical step for acquirers to create value from an acquisition (Zhu & Qian, 2015). The failure to achieve strategic objectives of the acquisition is commonly attributed to the management of post-acquisition integration (Tarba et al., 2020; Wei & Clegg, 2020). During this phase, interdependencies between the acquiring and the acquired firm need to be managed by making "changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations" (Pablo, 1994: 806).

The integration between the two firms can vary in depth and intensity, depending on the motivation for the acquisition. In some cases, the acquired firm can be maintained as an autonomous unit, while in other cases the acquired firm is completely absorbed and no longer exists (Haspeslagh & Jemison, 1991). Strategic asset-seeking acquisitions, e.g., technology acquisitions (Chen et al., 2021; Puranam, Singh, & Zollo, 2006), engender specific integration challenges. On the one hand, assuming some degree of control is necessary to allow the acquiring firm to access the strategic assets (Angwin & Meadows, 2015; Bresman, Birkinshaw, & Nobel, 1999; Haspeslagh & Jemison, 1991). At the very least, there is a need for intensive communication, cooperation, and joint actions between the two firms (Hitt, Harrison, & Ireland, 2001; Ranft & Lord, 2002). On the other hand, some autonomy needs to be granted to the acquired firm, to avoid disrupting the innovation process at the acquired firm (Liu & Woywode, 2013; Paruchuri, Nerkar, & Hambrick, 2006) and to avoid departure of key employees, which might destroy the target's capabilities (Graebner, 2004; Puranam, Singh, & Zollo, 2006). These problems are aggravated if the acquiring firm lacks sufficient capacity to absorb the knowledge of the acquirer without intensive help from employees at the acquired firm (Li & Gao, 2017). In such cases, it is mandatory to create a social community between the two firms, such as through forums and communication programs (Parachuri et al., 2006). This is even more important, as an acquisition often has a negative impact on the relative status of knowledge workers from the acquired firm (Bauer, Matzler, & Wolf, 2016), which may make them less inclined to cooperate with the acquiring firm.

Another type of strategic asset-seeking acquisition aims at acquiring a valuable brand name (Marchand, 2017; Yakob, Nakamura, & Ström, 2018). Such acquisitions involve specific demands on the integration process, in particular, when the acquiring firm or its home country does not have a positive reputation (Lee, Chen, & Guy, 2014), in which case stakeholders may question the legitimacy of the acquisition (Torres de Oliveira, Sahasranamam, Figueira, & Paul, 2020; Li, Xia, & Lin, 2017). The legitimacy questions may be more pronounced if the acquiring firm lacks specific strengths, as is often the case with Chinese acquisitions in developing economies (Yakob et al., 2018). A basic concern in such situations is the possible erosion of the acquired brand's value; in order to avert this danger, the acquirer may prefer to avoid full integration, or integrate very slowly and carefully (Zhang, Enang, & Sminia, 2019).

In cases such as those described above, there is a need to both preserve the autonomy of the acquired firm and to take control in order to achieve a level of integration that allows the acquiring firm to access the strategic assets (Angwin & Meadows, 2015; Haspeslagh & Jemison, 1991; Larsson, 1990). Haspeslagh and Jemison (1991: 146) speak of "symbiotic" acquisitions in such cases. In a symbiotic integration process, the question is not so much to choose either autonomy or control, but how to combine these two, accepting that both are necessary and have their advantages and disadvantages (Dao & Bauer, 2020; Zaheer, Castañer, & Souder, 2013). It is clear that the integration processes for symbiotic acquisition are characterized by tensions (Monin, Noorderhaven, Vaara, & Kroon, 2013), but there is a lack of research into how the antagonistic elements involved in this process can be combined. Studying the integration process of Chinese strategic asset-seeking acquisitions may help acquire a better understanding of this.

While the polarity of autonomy and control seems to be fundamental in symbiotic integration processes, various other tensions that are closely related are described in the literature. One of these is the issue of slow versus fast integration (Wei & Clegg, 2018). Although the acquirer obviously needs to decide how quickly it will integrate the acquired firm when planning the integration process, only limited research is available (e.g., Homburg & Bucerius, 2005, 2006; Ranft & Lord, 2002). A slow integration process has the advantage that the acquirer has more time to assess the target's technologies and capabilities before taking irreversible decisions (Ranft & Lord, 2002). Moreover, a slow integration process has the benefit of allowing the acquirer's and the target's employees to get to know each other, which could decrease resistance (Birkinshaw, Bresman, & Nobel, 2010). But slow integration also means that value creation through the acquisition is postponed (Homburg & Bucerius, 2006).

The tension between slow and fast integration pressures is closely related to that between social and task integration, which has been at the center of debate in the post-acquisition integration literature. According to Birkinshaw, Bresman and Håkanson (2000) social integration (i.e., the creation of a shared identity) is a precondition for achieving task integration goals (i.e., synergy creation). However, other authors (e.g., Teerikangas & Laamanen, 2014) state that integration processes should begin with task integration, which subsequently triggers social integration. Assuming that both task integration and social integration are necessary to realize the goals of an acquisition, an important question is how these elements can be combined, as they can complement and reinforce each other (Birkinshaw et al., 2000), but may also work at cross-purposes.

In the case of strategic asset-seeking acquisitions, social integration becomes more crucial. Studies focusing on the barriers and enablers of capability transfer (e.g., Björkman, Stahl, & Vaara, 2007) emphasize the importance of motivational factors. Employees at the sending and the receiving unit need to be willing to engage in knowledge transfer, and this is strongly promoted by the establishment of cooperative relationships (Szulanski, 1996; Gupta & Govindarajan, 2000). This means that a certain level of social integration needs to be established, leading to a shared identity, trust-based relationships, and the absence of divisive conflicts (Björkman, Stahl, & Vaara, 2007; Nahapiet & Ghoshal, 1998). Social integration is also an important condition for strengthening the absorptive capacity of the acquiring firm (Lane, Salk, & Lyles, 2001; Zollo & Singh, 2004), especially if the acquirer has weak capabilities relative to those of the acquired firm (Gubbi, 2015; Yakob et al., 2018). Based on an in-depth single case study of Joyson (a Chinese automobile supplier) acquiring Preh (a German automobile electronics supplier), Torres de Oliveira et al. (2020) found that social integration plays an important role for emerging market multinational enterprises to upgrade in the global value chain by acquiring an advanced firm from developed country.

Finally, the literature on post-acquisition integration also offers some clues regarding the roles played by formal and informal power. Apart from the formal power derived from ownership, power relations in an acquisition depend on expertise, control over resources, and links to external stakeholders (Bélanger & Edwards, 2006; Kristensen & Zeitlin, 2005). Generally, the acquiring firm is in a dominant position because ownership is a source of formal power. But the acquiring firm does not necessarily dominate decision-making, as managers from the acquired firm may also be given an important role. Mtar (2010) observes that the more the acquirer is dependent on managers of the acquired firm, the more likely they are to resist the acquiring firm's policies.

Unilateral exercise of power is not very productive in the context of knowledge sharing (Bathelt, Cantwell, & Mudambi, 2018), and the actual power of the acquiring firm in strategic asset-seeking acquisitions by Chinese firms may be restricted. Through the acquisition, the acquiring firm seeks to reduce its dependence on external resources such as brand names, advanced technologies and managerial know-how (Cui & Xu, 2019; Deng, 2009; Luo & Tung, 2007). However, after the acquisition, these resources continue to be controlled to a certain extent by the acquired firm (Deng & Yang, 2015). The closure of an acquisition deal may mean that external dependence is replaced by internal dependence. Use of power by the acquiring firm can lead to perceptions of domination and loss of autonomy and status by employees of the acquired firm (Hambrick & Cannella, 1993), which may hamper cooperation in post-acquisition integration efforts (Very, Lubatkin, Calori & Veiga, 1997).

The relative power positions of acquiring and acquired firm may also be influenced by internal and external legitimacy. To both internal and external stakeholders, legitimation is important for successful post-acquisition integration (Sinha, Daellenbach, & Bednarek, 2015), and legitimacy concerns pertaining to internal and external stakeholders are strongly related (Drori & Honig, 2013; Vaara & Monin, 2010). Firms from emerging economies are at a relative disadvantage in this respect (Zhang et al., 2019). In the context of strategic asset-seeking acquisitions by Chinese firms, internal legitimacy is likely to be particularly important for learning and technology acquisitions, as these processes require voluntary cooperation between the parties involved (Hitt et al., 2001).

External legitimacy is also important; for instance, it highlights the attractiveness of the organization to potential employees (Zhang, Zhou, van Gorp, & van Witteloostuijn, 2020). More generally, external audiences like local communities, governments, and other stakeholders can influence the success of an acquisition (Panibratov, 2017). For Chinese firms acquiring a brand name, external legitimacy may also be crucial. For the brand name to maintain its value, it is important that it is not contaminated by negative associations with the acquirer's country of origin (Lee, Chen, & Guy, 2014). Perceived dominance by the acquirer may lead to negative reactions among customers and erosion of the value of the brand (Thorbjørnsen & Dahlén, 2011).

We now turn to the more specific literature on post-acquisition management by Chinese firms.

2.2. Post-acquisition integration management by Chinese firms

Chinese firms' strategic asset-seeking acquisitions often defy traditional theory of internationalizations (Cook et al., 2018). For one thing, in terms of motives, many firms from China do not internationalize to exploit certain ownership advantages, but rather to overcome disadvantages and develop new capabilities (Hitt, Li, & Xu, 2016). For another thing, rather than internationalizing incrementally, Chinese firms skip several earlier modes of entry (Sun, Peng, Ren, & Yan, 2012). These acquisitions have been described as a "leapfrog" or "springboard" strategy (Matthews, 2002; Luo & Tung, 2007). This is defined as the "Chinese way":

> Chinese private firms lack direct experience of international expansion and yet, as latecomers, they must catch up quickly. Traditional slow-paced step-wise models are inappropriate. Instead, Chinese private firms jump into foreign direct investment by adopting high-commitment modes for initial international entry and learn as they go. (Lyles et al., 2014: 412-413).

Consequently, strategic asset-seeking acquisitions by Chinese firms are characterized by a high level of risk. This is furthermore aggravated by the negative media coverage of such acquisitions in the Western press, which influences stakeholders like employees, labor unions, government agencies, customers, and the general public (Fang & Chimenson, 2017). Bold and aggressive moves in an acquisition increase the probability of encountering post-acquisition challenges, and therefore influence the management of the post-acquisition integration process.

Generally speaking, the effect will be that the acquiring firm employs a very careful approach towards post-acquisition integration or may not integrate at all (Cogman & Tan, 2010). Kale, Singh and Raman (2009), looking mainly at the practices of the Indian Tata conglomerate, noticed that such a post-acquisition approach could be characterized as a "partnering" process. The partnering approach consists in keeping the acquired firm structurally separate and allowing it to keep its own identity. Senior executives, and particularly the CEO, are retained and remain almost completely independent. At the same time, there may be some cost-saving actions, but these are typically not imposed unilaterally, but decided in joint teams and coordinating bodies. Kale et al. (2009: 114) state that the acquiring firm does not completely abstain from exerting influence: "most emerging multinationals communicate values, ethics, and business philosophies immediately after a takeover. That's critical for this approach to work: structural separation and operational autonomy deliver results only when an acquisition understands the parent's values".

The approach to post-acquisition integration described by Kale and colleagues has also been identified in Chinese acquisitions in Germany (Liu & Woywode, 2013). The integration approaches employed by emerging-economy acquirers has been further explored by Marchand (2017). This author analyzed 25 acquisitions by emerging-economy firms in France. All Chinese firms in Marchand's sample followed a partnering strategy. The qualitative study by Zhang, Young, Tan, & Sun (2018) of five Chinese acquisitions in developed economies points at legitimacy as a vital concern of the acquiring firms. Because Chinese firms are latecomers as international players and are based in an emerging economy, these firms are often perceived to have lower status and legitimacy than the firms they are acquiring. Externally, Chinese acquirers try to compensate for their lack of a-priori legitimacy through image building and good performance. Internally, i.e., in the relationship with the acquired firm, the Chinese acquirers keep the top management teams intact, make no changes in employee benefits, and avoid lay-offs.

Finally, case studies of a Chinese acquisition in Germany (Torres de Oliveira & Rottig, 2018; Torres de Oliveira et al., 2020) found that the Chinese acquirer, while not formally integrating, still succeeded in learning from and with the German company through various socialization mechanisms. For instance, shared workplaces and company visits provided opportunities for face-to-face interactions, and the Chinese firms gave their German colleagues the lead in setting up a new development center in China. The findings from these various studies coalesce into a picture of the partnering approach to post-acquisition integration management.

2.3. A post-acquisition integration approach in search of a theory

From the discussion above, it becomes apparent that there is convergence in the literature regarding several specific, and to some extent surprising, characteristics of the post-acquisition integration of strategic asset-seeking acquisitions by Chinese firms. However, these observations also give rise to some important questions. One of these is how the partnering approach can deliver the results that Chinese firms are seeking. Kale et al. (2009) state that this approach can only deliver good results when the acquired firm understands and accepts the acquirer's values. But it seems to be far from self-evident that this will happen. If Chinese firms are regarded as lacking in legitimacy relative to the target firm, why would managers and employees from the acquired firm feel attracted to these values?

One can also wonder whether the partnering approach is just the first phase of an integration process that aims to lead to more complete integration in due time (Kale et al., 2009; Zhang et al., 2019). Post-acquisition integration is a dynamic process (Clark, Gioia, Ketchen, & Thomas, 2010; Kroon et al., 2021), moving through a number of intermediate phases (Meglio & Risberg, 2010). In this light, a relevant question is how the partnering approach will evolve over time, and how the acquirer can gradually assume a firmer grip on the acquired firm.

All things considered, the literature on post-acquisition integration of Chinese strategic asset-seeking acquisitions raises some important questions. First, it is critical to know how the partnering approach deals with the general tensions in post-acquisition integration, i.e., the tensions between autonomy and integration, slow and fast integration, and social and task integration. Second, given that post-acquisition is a dynamic change process (Steigenberger, 2017) consisting of different stages (Monin et al., 2013), we need to know whether the partnering approach evolves during the integration process. And third, both preceding questions need to be seen in the light of the power-dependence relations between the acquirer and acquired firm, as influenced by legitimacy deficits of the Chinese acquirer, and how these change over time in response to what happens in the acquisition.

In sum, we need more knowledge about how such post-acquisition integration approaches are implemented, and how they evolve over time as the results are realized and possible resistance met. Therefore, this study explores the post-acquisition integration process of the acquisition of Volvo Car from Sweden by the Chinese firm Geely. In the next section we describe how we conducted our case study.

3. Methods

A process-oriented view is considered the best way to explore change, emergence, adaptation, and transformation (Bansal, Smith, & Vaara, 2018). Thus, we adopted an inductive, single-case approach, which offers unique advantages for developing theory about complex processes (Gioia, Corley, & Hamilton, 2013). A qualitative design allows us to follow through the dynamic change processes during the post-acquisition integration.

3.1. Research setting

The global economic crisis in 2008 stimulated substantial cross-border acquisitions by Chinese firms. The crisis permitted Chinese firms to acquire ailing targets at relatively low prices (Knoerich, 2012), and many of these acquisitions were motivated by the desire to bring in strategic assets like "technologies, R&D capabilities, managerial competency, human capital, and brand names" (Yakob et al., 2018: 61). This presents an excellent chance to study a Chinese asset-seeking cross-border acquisition (Luo & Tung, 2018). We selected the acquisition of Volvo by Geely for our research. Zhejiang Geely Holding Group (hereafter referred to as "Geely") acquired Volvo Cars Corporation (hereafter referred to as "Volvo") from Ford in 2010 for $1.8 billion. Headquartered in Hangzhou, Geely started with producing refrigerator components in 1986 and broke into the automobile industry in 1997 (Balcet, Wang, & Richet, 2012; Chen, Wang, & Young, 2015).

We selected this case for several reasons. First, Geely faced great challenges after the acquisition of Volvo, but managed to carry out an effective integration process. By leveraging existing advantages from both companies, the combination was able to create new and jointly shared strategic assets (Yakob et al., 2018). Thus, this acquisition provides an illustration of how a risky acquisition can be successfully integrated against all odds. Besides, as Geely and Volvo operate in the car industry, a mature and highly competitive sector (Lin, Lee, Lau, & Yang, 2018), there was not much time to make the acquisition a success, nor much leeway to make mistakes. Moreover, strategic asset-seeking and reverse knowledge transfer were important motivations for the acquisition (Yakob et al., 2018). To realize these, some degree of post-acquisition integration was indispensable. Hence, the case is appropriate for our purposes. We were able to compile data of different types over an observation period that was long enough to witness whether the post-acquisition integration was successful (Colman & Lunnan, 2011), namely from 2010, the year in which the deal was completed, to 2021. This relatively long period of time during which the post-acquisition process could be followed means that its effects have been able to manifest themselves.

3.2. Data Collection

We collected data from multiple sources. Interviews served as an important source of information, complemented by different types of documents that could be used as independent sources of information as well as for triangulating the interview data (Miles & Huberman, 1994).

Semi-structured interviews. We conducted 12 semi-structured interviews with 9 different informants between 2017 and 2019. Some persons were interviewed more than once, as shown in Table 2. Most of the interviewees were top executives and middle managers, who were good informants because they made strategic decisions in units of either the acquiring or the acquired firm (Corley & Gioia, 2004). The interviews lasted between thirty minutes and three hours. We prepared interview questions in advance, but during the interview we also encouraged open-ended discussions. When permitted by the informants, these interviews were recorded and transcribed as soon as possible afterwards. In other cases, we made notes during the interview, which were written up in full within 24 hours. For the sake of confidentiality, the anonymity of the interviewees is protected in this study. To guarantee accuracy, we sent our interview transcripts (where applicable) to the original informants for a factual check (Koelsch, 2013).

Apart from the interviews mentioned above, Geely also provided us with transcripts of 17 interviews conducted by other academic researchers between 2015 and 2019 (see Table 2). In addition to the 9 different informants that we had interviewed ourselves, we recognized 13 other interviewees. These interviews focused on the same themes as our study: the Geely-Volvo deal, and especially, post-acquisition integration processes and outcomes. Consequently, these additional interviews were highly relevant to our study and complemented the information from the interviews we conducted ourselves.

Insert Table 2 about here

Corporate archives. We were also provided with some internal materials, which contributed further insights into issues of the post-acquisition integration. These materials included a list of top executives, which helped us to acquire a clear understanding of the interviewees' position and responsibilities during the period investigated. The documents also included transcripts of speeches and various policy documents. Together with other archival data, these were used to triangulate the information from the interviews.

Other secondary sources. We also gathered other archival and secondary data. We collected the annual reports of Geely from 2004 to 2020, which enabled us to gain an overview of the historical development process of Geely. The literature review suggested that public media attention to an acquisition can influence legitimacy perceptions of both external and internal stakeholders (Fang & Chimenson, 2017). Therefore, we also collected media coverage related to the acquisition. We refer to these various sources in the description of the Geely-Volvo integration process where appropriate.

3.3. Data Analysis

We began the analysis by identifying the main milestones during the post-acquisition integration process. Using all data sources available, we constructed a timeline and a composite narrative (Dunford & Jones, 2000) that summarized all the important events. We then carried out a detailed analysis of all the available materials, grouping these on the basis of our literature review, using: (1) the categories of external and internal legitimacy pressures that the acquiring firm was confronted with; (2) the integration practices employed; and (3) the organizational outcomes achieved. In order to improve accuracy, analysis of all the Chinese data was conducted in Chinese, and the findings were translated into English afterwards. As we went through multiple rounds of data ordering, we started to distinguish different phases in the post-acquisition integration process that seemed to be marked by shifts in the relationship between Geely and Volvo. Using a temporal bracketing strategy (Langley, Smallman, Tsoukas, & Van de Ven, 2013) we identified four main periods, each of which had distinctive characteristics. We labeled these four stages to capture the main integration strategy in that phase: distancing, balancing, building, and diversifying (see Figure 1). Subsequently we categorized the evidence into the three main themes mentioned above and across the four stages.

Insert Figure 1 about here

----

4. Findings

Below, we first describe the previous history of Geely before moving to the four stages that Geely and Volvo went through during the post-acquisition integration process. In each stage, we first identify the external and internal legitimacy pressures faced by Geely, then elaborate on the integration strategies, and finally analyze the organizational outcomes of these strategies, which in turn formed triggers a move to the next stage. Additional illustrative empirical materials are tabulated in Table 3.

Insert Table 3 about here

4.1. Before the acquisition (1997 – 2010)

Geely is a Chinese private automobile enterprise, which was founded by self-made business man Li Shufu in 1986 (this brief historical description is based on Alvstam & Ivarsson, 2020 and Balcet et al., 2012). Originally, Geely manufactured refrigerator components and motorcycles, but the company soon started to diversify into other business lines, like decoration materials, real estate, hotels, tourism, and higher education. Car production started in 1997. Initially, development was mainly based on reverse engineering and technology transferred by

Toyota. Later car models were based on a combination of product architectures from existing models of foreign manufacturers and, increasingly, parts and components developed by Geely itself. This resulted in the ability to produce at low costs, and the associated low price of the cars was an important reason for Geely's commercial success. In 2010, Geely ranked number 8 among the Chinese car makers. In spite of this initial commercial success, Li Shufu was keenly aware of the limitations of a strategy of reverse engineering and product modification. As the first private Chinese automotive company, Geely was a price leader in the Chinese market. However, in the 2000s, the low-price strategy was beginning to lose its usefulness in the domestic market, and doubts were raised concerning the safety and quality of Geely's cars (Chen, Wang, & Young, 2015). On the international market, Geely struggled to get access to dealers and customers because of its low brand recognition. Therefore, Geely initiated a strategic transition in 2007 from a focus on low prices to a strategy of technology development and reputation building. But as a late starter, Geely had only a weak foundation, both for developing superior technology and for upgrading its brand.

Around this time, cross-border acquisitions became a way that was used more and more for Chinese firms to rapidly upgrade their technological and innovative capabilities (Yakob et al., 2018). Geely also embarked on this strategy and took a 20% stake in Manganese Bronze Holdings in 2006, becoming the largest shareholder of this British company (Chen, Wang, & Young, 2015). This was the first overseas acquisition conducted by Geely. After the partial acquisition, Geely and Manganese established a joint venture to produce and sell the London-style taxicabs in China. Subsequently, in 2009, Geely purchased the Australian automatic transmission maker DSI, the second-largest manufacturer of automatic transmission systems in the world (Alvstam, Ivarsson, & Petersen, 2019).

The third step of Geely's strategic asset-seeking move was the acquisition of Volvo. Li Shufu, founder of Geely and chairman of the Zhejiang Geely Holding Group, had long cherised an admiration for Volvo and already in 2002 instructed his top management team to prepare a bid (Balcet, Wang, & Richet, 2012). The completion of the deal in 2010, after a two-year negotiation process with Ford, was historic, as it was the first time that a Chinese car maker had acquired full ownership of a foreign competitor. Geely, Ford, and Volvo also reached an agreement regarding intellectual property rights and R&D arrangements (Chen, Wang, & Young, 2015).

At the time the acquisition was completed, many observers pointed at the great risks that faced Geely and Volvo (Chen, Wang, & Young, 2015). On top of the purchase price of $1.8 billion, Geely also needed to acquire funding for about $900 million in follow-up costs (Zhou & Zhang, 2011). This was a huge amount for a company like Geely, bringing corporate debt to a very high level, and in less than two months, Geely's stock price fell by 27.5% (Gao, 2015). Zhou and Zhang (2011) list the multiple risks facing Geely, including financial risks, integration risks, principal-agent risks, asymmetric information risks, risks regarding Swedish government policies, legal risks, and risks associated with the international car market. Many things could go wrong, and Geely was walking a tightrope.

4.1. Stage I: Distancing to protect the target's characteristics (August 2010 – November 2011)

Legitimacy issues. The acquisition was deemed to be a case of a snake swallowing an elephant, and attracted tremendous media attention all over the world. As *China Automotive News* reported:

> Volvo's global sales revenue in 2009 was $12.4 billion, while that of Geely was $2.4 billion, only a fraction of Volvo's; in 2008, Volvo's turnover was $14.7 billion, but Geely's only $1.2 billion, just a fraction of that of Volvo. In addition, looking at the annual profit for 2008, Geely gained $150 million, while Volvo lost $1.46 billion, which shows clearly that Volvo's losses over 2008 are much larger than Geely's profits.[1]

A vice-president (Informant 18) recalled that "It seemed like a joke at that time. Everybody laughed at Li Shufu. There were numerous caricatures, saying that it was just like a local rural young man marrying a noble princess". The Chinese media were concerned about the post-acquisition integration and doubted whether Volvo could be successfully turned around. *China Central Television (CCTV) News* commented, "Although Li Shufu is full of confidence, Geely seems to have a poor foundation for the acquisition and lacks experience. It's hard to imagine how they could digest it successfully". The tone of the Swedish media was also negative, reflecting distrust of the Chinese company. "The risk is big for technology theft and a Chinese company takes over the customers" (see Larsson, 2010a, in Fang & Chimenson, 2017: 489).

Geely also faced legitimacy challenges in the internal relationship with Volvo. Geely had an informal power disadvantage at the time the acquisition was completed, for three reasons. First, there was a huge difference in history. Established in 1927, Volvo had a history of more than 80 years, while Geely had entered into car industry only in 1997. As informant 17 put it, "Volvo is a very old company and Geely is quite the opposite". Second, there was a big gap between the brand reputations of Geely and Volvo. Volvo was a European luxury brand,

[1] http://autonews.gasgoo.com/interview_commentary/1014596.html

competing with Audi and BMW. As informant 15 said, “Volvo is a household name and is known even to old ladies, like my mother. It demonstrates that Volvo has a certain brand influence, which is the most remarkable thing”. Geely was just a newcomer with low brand recognition. Third, regarding technology, Volvo was known all over the world for its focus on safety. A senior manager (Informant 1) told us “Volvo developed almost all the car-safety technology, like the three-point safety belt”. When we interviewed Geely’s chairman Li Shufu, he admitted, “Our understanding of cars is much worse. There is a huge gap between us and famous automobile companies in terms of technology”.

On top of all this, there were some differences of opinion that could easily have led to conflicts. The management styles of Li Shufu and Volvo’s CEO, Stefan Jacoby, were very different (Chen, Wang, & Young, 2015). But the differences went beyond personal styles. As a company, Geely was hierarchical, authoritarian and task-oriented, while the Volvo leadership style was characterized by participation, less direct supervision, and a people orientation (Chen & Liao (2011). Moreover, there were also substantive differences of opinion, for instance regarding the new product strategy of Volvo and its future positioning on the Chinese market (Chen, Wang, & Young, 2015). All this meant that Geely had to tread carefully in the integration process.

Integration strategy. Due to the external and internal legitimacy deficits, Geely decided to keep a distance from Volvo after the acquisition. This distancing strategy was expressed in four different ways, according to our data: establishing press spokesman rules, keeping the original identity, building an international management team, and granting a wide scope of autonomy to Volvo.

Establishing press spokesman rules. A senior vice president (Informant 1) told us, "Upon signing a stock purchase agreement relating to the ownership of Volvo, Li Shufu, founder and chairman of Geely, put down the pen, fell on the desk, and cried". There was an enormous pressure to execute the integration strategy successfully. Li Shufu called a meeting with all the Geely staff. They all congratulated him on the completion of the deal. The senior vice president (Informant ..) remembered that Li Shufu said, "We are no longer the original Geely any more after I signed the contracts. Our staff cannot make any casual comment on Volvo outside the company. We need to set up press spokesman rules and we should operate in compliance with rules". He was afraid that the relationship with Volvo would suffer if Geely's employees talked about Volvo to outsiders.

Keeping the original identity. After the completion, Geely emphasized the preservation of the original identity of Volvo and coined the phrase: "Geely is Geely; Volvo is Volvo". A high-ranked Volvo manager (Informant 6) explained to us:

> At that time, domestic Chinese opinion assumed that Volvo was no longer a premium car brand after Geely's acquisition. That's absolutely not our purpose and it would definitely be a failure if so. We want to keep the premium brand of Volvo.

Another informant, a former senior manager of Volvo (Informant 19) voiced the same concern: "I was afraid Volvo was no longer Volvo but a Chinese-run Volvo with a different identity. […] Geely's strategy of Volvo proved to be the opposite of the reputation of Asian company ownership. It was very much standing alone". Maintaining the identity of Volvo not only prevented damage to the established brand, but also allowed Geely to take full advantage of Volvo's identity. A global director of Volvo (Informant 9) remarked that "It can effectively avoid the problem of brand dilution and maintain the high-end brand image for Volvo".

Building an international management team. Geely set up a new governance structure for Volvo, including a board of shareholders, a board of directors, and a top management team. Informant 2 acknowledged that "The new governance structure is an important way to ensure that Volvo can operate effectively". As a matter of fact, Volvo did not need to adopt this structure as it was not a listed firm, and Geely was the sole shareholder. The main purpose to set up this governance structure was to avoid Geely managing Volvo directly. Informant 9 substantiated this:

> The role of the board of shareholders is to build up and hire a board of directors. Another important role of the board of shareholders is to express strategic requirements. The board of directors is responsible for the direction of the top management team in Volvo and to fulfill the strategic goals. In this way, it can effectively reduce the resistance from the top management team as it cuts off direct management by Geely.

Moreover, Geely may also have wanted to alleviate local concerns by voluntarily following the Swedish corporate governance model.

Meanwhile, Geely opted for an international composition of the board of directors, consisting of thirteen members (Informant 1). The members included two women, as well as members associated with labor unions and well-known companies and organizations. Only three members represented Geely: chairman Li Shufu, Hans-Olov Olsson, and Shen Hui. As for the top management team, here too, Geely selected an international team. Stefan Jacoby, president and chief executive of Volvo, was the former head of Volkswagen of America. Informant 20 commented, "He was smart enough to put Volvo in place with very experienced people. We recruited some very talented people from outside".

Granting a wide scope of autonomy. Geely gave Volvo ample autonomy and seldom interfered in daily decision making. Li Shufu summarized: "We just empowered them to operate independently, which was critical to the success of Volvo. When Ford acquired Volvo, it had preciously little operational autonomy". Autonomy motivated Volvo managers and enabled the company to pursue its strategic goals.

> Li Shufu persisted with his vision of letting Volvo Cars be run as an independent company within the Geely Group without interference. Li Shufu compared his strategy of developing Volvo to "*fang hu gui shan*" (set free the tiger [from the cage] back to the mountains), thus symbolizing an enormous uplift in Volvo Cars' productivity, innovation, and market position in global markets. (Fang & Chimenson, 2017: 493)

The leader of the Volvo acquisition project (Informant 6) emphasized that, "We keep the focus on strategy. But for management, we don't participate. The operations of Geely and Volvo are completely independent".

Overall, this integration strategy allowed the two firms to remain separate organizations. Although Geely did not make a specific plan for the integration, one thing was sure, "It was quite clear that after the acquisition, Geely would allow Volvo to manage itself and we would not intervene in Volvo" (Informant 1). As Volvo's autonomy was preserved, the integration process (in so far as present at all) was very slow, with some limited social integration, mainly in the form of not aggravating the existing legitimacy deficits.

Organizational outcomes. Although the acquisition was challenging, and almost no integration took place, the completion of the deal in tandem with the distancing strategy still brought some benefits to both Geely and Volvo.

Acquirer value creation: Reputation. Geely improved its reputation by acquiring Volvo. As a director of Volvo (Informant 9) put it, “Geely became famous all over the world after the completion of the acquisition. Previously, Geely was unknown but then people knew Geely was the shareholder of Volvo, which was helpful for us to develop the international market”. Besides, being listed in Fortune 500 was a powerful means of reputation enhancement. A senior vice-president of Geely (Informant 1) was delighted: “Geely entered the Fortune 500 list in 2012 for the first time, with a total revenue of $23 billion in 2011. We are the first Fortune 500 Company in Zhejiang and the fifth one in China”.

Target value creation: Revival. Before the acquisition, Volvo had showed losses for three consecutive years, but then in 2010, they made a profit of 23.40 billion Swedish kronor (Fang & Chimenson, 2017). This symbolized the revival of Volvo and the beginning of its regaining its original status. While the initial amelioration of sales and profits after the acquisition was followed by a downturn in 2011, “on the whole, Volvo had successfully entered the road to recovery” (Gao, 2015: 721). The very quick turnaround of Volvo after the acquisition can probably partly be explained by the fact that Geely had bought Volvo at the deepest point of the crisis of the world automotive industry (Rakita & Markovic, 2014).

In spite of the start of the recovery process for Volvo, from the perspective of Geely, this could not be enough. The acquisition was generally regarded to be risky, and the financial position of Geely was not strong. Moreover, the companies consolidated their balance sheets, and because of the relative size of Volvo, its liabilities weighed heavily. In order to improve the outlook, Geely needed Volvo to become more profitable and develop better prospects. But at the same time, Volvo needed funding for further development. Therefore, the urgent need to pursue financial synergy drove the integration process into the next stage.

4.2. Stage II: Balancing by showing the acquirer's advantages (November 2011 – September 2013)

In this phase, Geely started a process of balancing the relationship with Volvo by attempting to reveal that its merits that could also benefit Volvo. Our data suggest that although Geely had the authority of ownership, they were still lacking in informal power vis-à-vis Volvo. Therefore, they attempted to improve the power-dependency balance in the relationship.

Legitimacy issues. In July 2011, the news that Geely had liabilities amounting to 10.8 billion dollars due to the acquisition of Volvo made the headlines of Chinese newspapers. Geely responded immediately and released an announcement, stating that the ratio of liabilities to assets was reasonable and that Geely had a sound financial position. According to a Volvo manager (Informant 9), "The report was biased because they only focused on our liabilities, neglecting our assets. This event drew a lot of attention to Geely".

Later, in November 2011, *Capital Week* published an article under the title "The crisis of Li Shufu". On the cover was a picture of Li with a scowling expression on his face. Given the seriousness of the potential influence of the article, Geely decided to take legal action against the inaccurate coverage. In the end, *Capital Week* acknowledged that the content was not correct and apologized to Geely and Li Shufu. A director of Volvo said, "With all the negativity in the media, we realized that we must cooperate to find a way out. Otherwise, we may have a bad influence on each other" (Informant 9).

After the negative news reports, Geely intensified cooperation with Volvo by developing a common technology platform. A global director of Volvo told us, “at the board meeting, most of the independent directors were opposed to the proposal about the cooperation between Geely and Volvo” (Informant 9). This director and Li Shufu attempted to persuade the Volvo directors by providing an example: “Touareg and Cayenne share a platform in Volkswagen although they belong to different levels in the car industry. It is also possible to share platforms between Geely and Volvo”. Nevertheless, the independent directors insisted that the gap between the companies was too big to achieve synergy.

At that point, Li Shufu suggested that the CEOs from Geely and Volvo should have a conversation. Volvo’s CEO acknowledged that they needed to collaborate with other firms to develop a new technology platform, because they could not afford the enormous expenses alone. However, they would rather negotiate with Mazda than with Geely. He believed that the technology disparity between Geely and Volvo was too large for a cooperation to be fruitful (Informant 9). The CEO of Geely (Informant 16) remembered that, “In January 2012, I promoted the cooperation with Volvo myself. Then we needed to sign an agreement to collaborate. But Volvo thought it was unnecessary and they had a bad attitude. I felt so embarrassed and hurt”. Another vice-president of Geely also felt the negative attitude from Volvo: “The CEO of Volvo, Stefan Jacoby, was unwilling to cooperate with Geely. Because he thought Geely was incapable” (Informant 2). These negative attitudes and experiences threatened to severely impede the success of the acquisition.

Integration strategy. The negative media sentiments and the financial situation pushed Geely to seek more collaboration with Volvo. But the managers at Geely felt that they could not force the issue (Informant 9). Therefore, they moved to bring more balance in the relationship by offering valuable resources to Volvo, in order to demonstrate how the strengths of Geely could benefit Volvo. Geely helped Volvo in three main ways: by providing development funding, by helping to control purchasing costs, and by helping to explore market potential for Volvo in China.

Providing development funding. Geely resolved the funding issue for Volvo. Volvo had been working on a platform for a number of successful cars, but it was becoming outdated and the development of a new platform was necessary. But due to the long-term losses, Volvo could not afford the huge investment associated with the development of a new platform (Informant 4). It was also hard for Volvo to get loans from banks due to its lack of creditworthiness (Informant 9). Therefore, Geely decided to provide funding for Volvo. Geely raised funds from Chinese and other global financial institutions. Specifically, the China Development Bank was the main provider. With the support of Geely, Volvo received a $2 billion loan from the China Development Bank (Informant 9), expiring partly in 2020 and partly in 2021. Geely's ability to help Volvo with acquiring funds may seem surprising, given that the company had a weak financial position itself. The bank financing was the outcome of intensive interactions between Li Shufu and the Chairman of China Development Bank, Chen Yuan (this episode is described in Wang & Liang, 2017). Li Shufu succeeded in convincing the China Development Bank of the soundness of his plans, and in the meantime worked hard to improve Geely's financial structure.

"With the injection of the Chinese capital, Volvo Cars has made major continuous investment in research and development (R&D) to develop Compact Modular Architecture (CMA) and Scalable Product Architecture (SPA) platforms" (Fang & Chimenson, 2017: 491). A global director told us:

> We provided 3 billion euro for Volvo to develop the SPA platform, on which XC60,

> XC90 and other new cars are based. We solved the problem of their funding sources and it demonstrated that Geely was of great support to Volvo as shareholders. (Informant 9)

The financial support from Geely enabled Volvo to develop advanced technology for bringing new products to the market, thus becoming more profitable. A former vice president of Volvo said sincerely, “I think Geely has done everything they can to show just how they respect culture, respect history and invested heavily not only in Volvo, but also in Goteborg, in Sweden” (Informant 17).

Controlling purchasing costs. Another method for Geely to balance the dependencies was to help Volvo to control purchasing costs, the high level of which had been a barrier for Volvo to gain profits.

> Before the acquisition, Volvo’s manufacturing style was excelsior, where a lot of efforts are made for the best product quality. But what a product designer thinks is best may not be so for customers and the pursuit of too high quality might lead to high R&D cost. (Chen & Liao, 2011: 970)

Geely’s managers realized that Volvo was poor at cost control, while cost control competence was the core competitive advantage of Geely (Informants 2, 4, 9, 14, &16). Consequently, Geely could help Volvo to lower purchasing costs. As Informant 5 indicated:

> Volvo has no experience in bargaining with a wide variety of suppliers, which is the greatest problem. Geely found some suppliers from Korea and Japan for Volvo. As a matter of fact, these suppliers provide reliable products with low costs. Volvo benefits a lot from this.

Geely helped Volvo to lower the cost of purchasing without compromising the quality.

Exploring the Chinese market. The third resource that Geely provided for Volvo was better access to the huge Chinese car market. Under ownership of Ford, Volvo had focused predominantly on mature markets such as the European market, neglecting emerging markets. In the Chinese market, Volvo only had a small market share, and they lacked understanding of Chinese customers. Informant 6 stated that "In 2009, Volvo sold less than 20,000 cars in China, which can't be taken as a success". A vice president from Geely commented, "When I went to the factory of Volvo, I expressed my opinion on the impact of the Volvo brand and their advertisements in China. As far as I could see, the advertisements did not match with Chinese consumers" (Informant 11). A former senior manager of Volvo (Informant 17) echoed the concern: "In China, the customers want to show off and show their new cars, the nice details. It took a long time for Volvo to wake up to this. Volvo took a long time to realize they have to change in order to successfully sell to Chinese customers in the premium sector".

Geely vigorously helped Volvo to improve access to emerging markets, especially the Chinese market. In addition, Geely built a plant for Volvo in Chengdu. This plant was up and running in 2013. Informant 20 commented that:

> First of all, one of the things is Li Shufu's understanding of Volvo in China. He understood strong success in China would be the future for Volvo. So, of course, he was very determined. You need to go to China. China is the biggest market for Volvo cars. So, you know the growth is important for the success of Volvo.

The offering of Chinese market advantages also increased the informal power of Geely in the relationship with Volvo.

At this stage, the integration speed was accelerated. Volvo still had a high degree of autonomy, but Geely started to coordinate and proceeded with some degree of task integration.

Organizational outcomes. The balancing strategy led to a better understanding of Geely at Volvo, which provided benefits to both sides.

Acquirer value creation: Learning. At the initial stages of cooperation, Geely acquired some basic knowledge. As the president of the Geely Institute (Informant 5) said, The cooperation with Volvo has a great impact on Geely. First of all, Geely doesn't have confidence in technology development. By accumulation during the process with Volvo, Geely is able to prove itself. Second, by working with Volvo, the system of Geely has been strengthened. Geely only knew part of the research process and then they learned the whole process.

Target value creation: Profit. Geely helped Volvo to effectively control purchasing costs and to develop its presence on the Chinese market. The optimization of its cost structure and the sales growth in China contributed to the revenues of Volvo. "When Volvo was under the ownership of Ford, they had negative profit for several years. But after we acquired them, they turn losses into a gain" (Informant 1).

Stage II of the integration process led to the realization of some financial and cost synergies. But it also resulted in a better informal power balance, which in turn provided the conditions for the further social integration that would be necessary to realize stronger coordination.

4.3. Stage III: Building to pursue mutual benefit (September 2013 – August 2017)

In September 2013, the China-Euro Vehicle Technology Center (CEVT) was established in Gothenburg. This was a remarkable event in the post-acquisition period. CEVT is a research center, and was responsible for developing the CMA, a new vehicle platform (Yakob et al., 2018).

Legitimacy issues. In this period, the perception of external stakeholders that Geely had a legitimacy deficit disappeared. An important symbolic event that marked this development was the visit of the Chinese president Xi Jinping to the Volvo plant in Ghent, Belgium. The Ghent plant was the one of the two main plants of Volvo, and was enlarged after the acquisition (Alvstam et al., 2019). Production increased steadily, creating new employment opportunities. President Xi Jinping visited Volvo cars Ghent in the company of Belgian King Philippe in April 2014. In a subsequent speech at the College of Europe, Xi mentioned that

> Before coming here, I visited a Volvo plant in Ghent together with King Philippe and Queen Mathilde. Volvo Cars Ghent, the largest car manufacturer in Belgium, has become a model of economic and technological cooperation between China, Belgium and Sweden. It has actually set up a bridge linking Chinese investment with European technology. What it leads to is mutual benefit and win-win cooperation.[2]

These events were reported by major media in China and Europe. Xi's visit and comments on Volvo were regarded as the biggest compliments possible to Geely.

> Chinese media were generous in their praise. As the *People's Daily Online* reported, From the completion of the acquisition to stable development, Geely's acquisition of Volvo integrated Chinese investment and Europe technology, demonstrating the perfect match between Chinese ownership and Western governance structure. Geely's internationalization established a new paradigm for multinational enterprises.

At this stage, the public sentiment towards Geely changed from negative to positive (Fang & Chimenson, 2017).

Regarding internal legitimacy, whereas Volvo had doubted Geely's abilities in the previous stages of the integration process, Volvo now realized that Geely had its own strengths.

---

[2] http://www.china.org.cn/world/2014-04/04/content_32004856.htm

The president and CEO of Geely (Informant 16) said, “We set a goal to reduce cost for Volvo and we finally made it, which was inconceivable to Volvo”. Therefore, after the distancing and balancing stages, Volvo had gradually changed its attitude toward Geely and an informal power balance between the companies was reached. As a director of Volvo (Informant 9) put it,

> Håkan Samuelsson, having been a director for two years, knew well about Geely and Volvo. He was sincerely convinced that Geely and Volvo should carry out collaborative activities, as he witnessed that Volvo had achieved sound development and demonstrated a promising development prospect with the help of Geely. He acknowledged Geely from the bottom of his heart.

Integration strategy. The positive public sentiment and balanced relationship opened up a way for Geely and Volvo to increase their integration. From the data, deep communication and joint action emerge as the two subprocesses through which integration progressed.

Engaging in deep communication. Deep communication refers to the quality of interaction in information exchange, and is an important way to improve joint dependence and contribute to effective integration. Three different types of deep communication emerged from the analysis. First, Geely invited experts from Volvo to join the Geely company. A good illustration is Peter Horbury, who was the vice president of Volvo in charge of design. He had been working in the luxury car industry for more than 20 years, and had been a designer for Aston Matin, Jaguar and Rover. He was invited to Geely and led a team of 500 employees to develop new car models for Geely, like the large family car Borui. As a vice president (Informant 2) said, “Peter Horbury is the key to the success of Borui”. Second, Geely sent people to Volvo to learn. In the first years after the acquisition, Geely did not send many people to Volvo. But as Informant 6 said, “In terms of technology transfer, one way is through communication among people who are skilled”. Third, CEVT also increased communication through exchange of experts from both sides. In CEVT, some employees came from Volvo, some were expatriates from Geely, and others were hired locally, and this provided unique opportunities for deep communication and learning (Informant 5).

Taking joint action. Joint action refers to dyadic cooperation and coordination activities between the acquiring and the acquired firm. The strategic cooperation between Volvo and Geely was facilitated by projects and platforms. Generally, Geely and Volvo cooperated in the form of joint projects. As the Asia Pacific CEO of Volvo (Informant 20) said, “First we need to engineer together, we source together, and we are building the cars together, of course by doing projects together”.

Most importantly, CEVT provided a crucial platform for Geely and Volvo to take joint actions.

> CEVT is a research center engaged in almost all facets of the vehicle development value chain, including pre-conceptualization and design, product strategy and planning, technology development, detailed engineering, prototype development and physical testing, purchasing/sourcing, and program financing. Its main responsibility and mandate lie in developing and maintaining a new vehicle platform, the Compact Modular Architecture (CMA), to be used jointly by Volvo Car Corporation and Geely Auto. (Yakob et al., 2018: 62)

CEVT thus was a key infrastructure to foster cooperation between Geely and Volvo.

As a joint Geely–Volvo R&D center (Alvstam et al., 2019), CEVT benefited from the common resources invested by Geely and Volvo and provided a way of integration. As a senior vice-president (Informant 1) said, “In 2013, we established CEVT to integrate the competitive resources from Geely and Volvo. The aim of CEVT was to build a modular architecture, which can be used by both parties". Geely provided financial resources and Volvo technology. Geely and Volvo collaboratively purchased components and developed new products. Such joint action increases mutual dependence, which was not only beneficial to solve problems together, but also increased the emotional commitment and reduced the likelihood of unilateral use of power.

At this stage, coordination played an important role in the integration process, and social integration was extended to much larger groups of managers and employees at both companies.

Organizational outcomes. This stage of the integration process led to various forms of value creation.

Acquirer value creation: New products. During this stage, Geely launched new products, entering what was called the "3.0 era" (Geely press release, April 2016). As the senior vice president of Geely stated:

> In 2014, Geely settled on a slogan "Making Refined Cars for Everyone". We introduced our 3.0 era products, including Emgrand GT, Emgrand X7 Sport, Emgrand GS and Emgrand GL. These products have been successful in the market and earned a good reputation. (Informant 1)

Different from previous products, these new models had been developed with the assistance of Volvo.

Target value creation: New products. Before the acquisition, Volvo had not updated its product line for a long time. Thus, a main issue for Volvo was that their leading car models were becoming too old. Geely pushed Volvo to innovate and develop a trendier image. As a Volvo informant said:

> In Volvo, it is a bit the Swedish way. They were not creating cars people wanted. They were creating cars people needed, in their opinion. In other words, if you are going to be safe, you have to be ugly. You can't be safe and be good-looking. Yeah, it looks good,

then it can't be safe. And that was gotten over. (Informant 17)

The new product lines of Volvo, based on the SPA platform, the XC60 and S90, were very successful in the market.

Joint value creation: New technology. We found that by increasing their mutual dependence, Volvo and Geely were able to develop new technology together. The major achievement of CEVT was the CMA platform, which could be used by both Geely and Volvo (Yakob et al., 2018). Volvo developed the XC40 on the platform, and Geely generated a new product on the CMA platform to be marketed under a new brand, LYNK & CO.

This stage established the relationship between Geely and Volvo of equal partnership, and generated incentives for further collaboration. This formed the basis for diversification into other product markets or geographic markets to more fully achieve revenue synergies, as described below.

4.4. Stage Ⅳ: Diversifying to maximize overarching value (from August 2017 onwards)

In August 2017, Geely and Volvo set up a new joint venture, called LYNK & CO Joint Venture Company (Alvstam et al., 2019). The new brand was launched with the mission to focus on young car buyers.[3] This marked the new stage that the bilateral relationship between the two firms had entered, and formed the basis for a program of diversification to expand the gains of the combination.

Legitimacy issues. The relationship between Geely and Volvo had always received much attention from the media. After several years of development, the public sentiment

[3] https://www.forbes.com/sites/tychodefeijter/2016/10/20/volvo-and-chinas-geely-collaborate-on-connected-car-brand-lynk-co/?sh=5fb349f462f4

towards Geely gradually had become more positive. The headline of an article in *Forbes* read: "Volvo & Geely: The unlikely marriage of Swedish tech and Chinese manufacturing might that earned record profits".[4] Volvo had successfully been transformed under the ownership of Geely, and at the same time had retained its heritage. The combination had proven to be beneficial to both parties. Informant 9 remarked that:

> The first time President Xi went to Volvo cars in Ghent, Geely and Volvo were developing steadily but it was not yet by definition a success. In the recent three years from 2016 onwards, the external media all agreed that this is a successful acquisition. In the past, Geely had needed to persuade Volvo to cooperate with them. The outcomes were advantageous for both of them, and this improved the internal balance of power to the benefit of Geely. This was clearly visible in the setting up of LYNK & CO. It had been Volvo's proposal to start a new company with both firms as shareholders. Another landmark event was that Volvo offered to merge their engine operations with those of Geely in a stand-alone business unit. These events clearly signal that the informal relationship between the two companies had changed. As a former senior manager of Volvo (Informant 17) put it, "I think the attitude in Volvo has changed directly. Because they realize that without Geely, there would be no Volvo today, or a very different one".

Although Geely had a more powerful position at this stage, they did not use it to appropriate value from Volvo (as had initially been the fear when the acquisition was done). On the contrary, Geely endeavored to further deepen the cooperation with Volvo. They not only

[4] https://www.forbes.com/sites/pamelaambler/2018/01/23/volvo-geely-the-unlikely-marriage-of-swedish-tech-and-chinese-manufacturing-might-that-earned-record-profits/?sh=7ec10bdd4ecc

focused on developing vehicle platforms together, but also invested together in some future-oriented technologies such as driverless vehicles, intelligent vehicles, new energy sources, and network equipment. According to the CEO of CEVT (Informant 22), "We are working, of course, on a lot of things in terms of high-end services based on software, artificial intelligence and machine learning".

Integration strategy. Entering into this new stage, Geely and Volvo continued to strengthen their collaboration, while at the same time launching a strategy of both product diversification and geographical diversification.

Conducting product diversification. Geely acquired the American company Terrafugia in November 2017. This company focused on the development of flying cars and other future technologies. This deal was followed by Geely's acquisition of a strategic stake in AB Volvo, Sweden's leading commercial vehicles and industrial engineering group. With an 8.2% holding, Geely became the largest shareholder. The global director of Volvo said, "We can collaborate with AB Volvo in electric cars" (Informant 9). Next, in February 2018, Geely purchased a 9.7% stake in Daimler AG. Geely's involvement had thus expanded from ordinary cars into flying cars, trucks, and premium cars. This sequence of acquisitions reflects Geely's strategic layout for the future. Informant 9 told us, "We are the largest shareholder of AB Volvo and Daimler AG. But we are not on the board. Because our main purpose is to seek synergy rather than dominance".

Volvo started a new venture under the name of Polestar in October 2017. Polestar can be seen as a sister company of LYNK & CO, headquartered in Sweden but producing in China.

Polestar's products are positioned at the high-end of the new-energy car market.[5] The chairman of Polestar (Informant 20) informed us that:

> We have three cars coming out. They are Polestar1, which will be on the market this year in China, in Europe and in US. And in a week, we will also announce Polestar2, like Tesla3, very competitive. Then we will have Polestar3, which is at a higher position. So, we will offer a portfolio of products.

By establishing Polestar, Volvo developed a new premium brand and entered into the field of electric automobiles.

Proceeding geographical diversification. Geely also expanded their market geographically. In 2017, Geely acquired 49.9% of Malaysia's Proton. Car manufacturer Proton had been making losses for years, not being able to successfully compete against Japanese firms.[6] Southeast Asia was the fourth largest market all over the world, and although Proton's share in its home market Malaysia was modest, it could provide access to other countries in the region. In December 2018, the Proton X70, which was a right-hand-drive version of Geely's Boyue, was launched on the market in Malaysia. Two years after the acquisition, Proton was showing signs of revival.

Volvo inaugurated its first US manufacturing plant in Charleston, South Carolina in June 2018. This made Volvo a truly global car manufacturer, with plants in all three major sales regions, Europe, China and America. The opening of the American factory meant a lot to Volvo, as the president and chief executive of Volvo said: "The Charleston plant establishes the US as

[5] http://autoweek.com/article/green-cars/volvo-turning-its-polestar-brand-tesla-competitor

[6] https://www.reuters.com/article/proton-strategy-idUKL4N28N1G5

our third home market”.

Organizational outcomes. The diversification strategies developed on the basis of the ongoing collaboration generated additional value, above and beyond the value gained from the collaboration on the traditional activities of Geely and Volvo.

Acquirer value creation: Capabilities. Geely, after a process that had taken nearly four years, introduced its New Product Development System (NPDS) in 2018. The relationship with Volvo had been indispensable to the successful establishment of NPDS. When Volvo was still under the ownership of Ford, they had used a system called Volvo Product Development System. Geely learned from the Volvo system in forming NPDS. Under the guidance of NPDS, Geely was able to improve the stability, reliability, and accuracy of research and product development. As the president and CEO (Informant 16) put it, “Having a good research system is the fundamental reason why we are able to create high-quality cars”.

Target value creation: Growth. The growth of Volvo is reflected in sales and number of employees. Volvo’s sales grew rapidly in most of the post-acquisition period, after almost a decade of dwindling sales performance. Informant 19 commented, “Geely’s style of running Volvo makes it again a very successful, profitable company that makes money and has increasing volume”. At the same time the number of employees of Volvo also increased.

> When Geely acquired Volvo, Volvo had 18,000 employees worldwide. If you take Volvo today, it has more than 40,000 people, somewhere between 40,000 to 45,000 people. So, you could say, it has been very successful. I came here in 2010. We had 100 people in Pudong. Today Volvo has 8,000 in China. But Volvo has another 15,000 people in Europe and also in the US. (Informant 20)

Whereas Volvo's recovery can be partly attributed to the improvement of the global car market (as noted earlier), this is unlikely to be the whole story. While it is impossible to know what would have happened if Geely had not acquired Volvo, it seems plausible that this is in large part due to the cooperation with Geely. After some initial fears and misgivings, being "liberated" from Ford (which was in a deep crisis itself) and being given autonomy by Geely helped managers and employees at Volvo to gain new energy. Moreover, Geely provided Volvo with funds to speed up development of new models, helped Volvo control purchasing costs, and assisted Volvo on the Chinese market.

Joint value creation: New activities. The new emphasis on joint value creation was clearly reflected in the new companies jointly set up by Geely and Volvo. The LYNK & CO joint venture was 50 percent owned by Geely Auto, 20 percent by Geely Holding, and 30 percent by Volvo. Geely and Volvo also started a 50/50 owned Technology Alliance (China Daily, 21-02-2021). The new CMA, PMA and SPA vehicle platforms were brought into the alliance, as well as technologies to be developed in the future (Informant 5).

4.5. General characterization of the Geely-Volvo integration process

The Geely-Volvo case is a typical example of a Chinese strategic asset-seeking international acquisition. We observed that the integration process following this acquisition conformed to the partnering approach described in the literature, but we also saw that the process moved through a number of stages. Importantly, the management of post-acquisition integration tensions between autonomy and control, slow and fast integration, and social and task integration differed between the phases. We also witnessed that what happened at one stage formed the springboard for moving to the next stage.

Geely, especially initially, was giving clear signals that it should not seek to interfere in the management of Volvo. This was, for instance, reflected in Geely's communication strategy. Actions to realize synergies in the acquisition were almost completely absent. Geely did not try to establish control over Volvo, other than through a few seats on the supervisory board. There was no task integration, and hardly any social integration. Given the situation at the time, with Volvo making heavy losses, Geely's financial health being scrutinized, and the media questioning the rationality of the acquisition, this testifies to the extreme importance Geely attached to increasing its legitimacy. The only synergy that was realized at this stage was financial synergy, due to the consolidation of the balance sheets. This had the advantage of reducing default risk and increasing the debt capacity of the combined firms.

All in all, Geely's restraint during more than a year (August 2010 – November 2011) was remarkable, and can only be understood as aiming to send a strong signal to internal and external audiences. However, the pressure to realize synergies remained strong because of Volvo's accumulating losses, and after the initial period, Geely moved to improve this situation. This suggests that by that time, while the media were still predominantly negative (Fang & Chimenson, 2017), Geely's relationship with Volvo managers and employees had improved enough to allow them to move to the next stage. Moreover, they could not afford to wait much longer. At stage two, a number of measures were taken to improve Volvo's situation, and interestingly, these actions also sent strong symbolic messages. Instead of taking something from Volvo (as at least a part of the Swedish press had feared), Geely gave them something, namely funds for developing new car models. Moreover, Geely helped Volvo to acquire better access to the Chinese market. The only action that clearly expressed an increase in the level of control, the intervention to lower purchasing costs, did not interfere much with activities within

Volvo itself. We can say that in stage 2, when Geely's legitimacy was still precarious, the company successfully managed to combine the realization of cost synergies with actions exemplifying that Geely aimed to help Volvo rather than to appropriate its strategic assets.

In stage three, the management of legitimacy issues dominated again, but this time directed internally more than externally. In this stage public opinion, as reflected in the press, had become markedly more positive. But Geely apparently did not to want to overextend its reach at this point. The founding of CETV would in due time lead to the realization of both cost and revenue synergies, but the more immediate and most important outcome was the start of intensive communication between employees from both companies. It is at this stage that social integration really started to take place, and this helped to further increase Geely's internal legitimacy, which formed the springboard for moving to the next phase.

In stage four, finally, the emphasis shifted clearly to the realization of revenue synergies. The joint new activities in LYNK & CO, the technology alliance and Polestar, prepared the combined companies for new future revenue streams. But these initiatives also sent out a message, as Geely still did not interfere with the internal management of Volvo's more traditional activities. Interestingly, in later years, the question of a complete merger of Geely's automotive activities with Volvo has been on the table repeatedly, but each time the decision was taken not to do so (see, e.g., the *Financial Times* of February 24, 2021).[7]

A final observation when overseeing the entire period is that, in spite of the logic that we showed above, the management of the integration was largely an emergent process. Our interviewees revealed that Geely did indeed have some strategic goals when deciding to acquire

[7] https://www.ft.com/content/5cb824a8-438e-4ced-994a-c6751a0df39f

Volvo: “Before the acquisition, we had several strategic goals: first, we wanted to own a luxury brand; second, we wanted to improve our own brand; third, we wanted to develop a medium-to-high-end brand” (Informant 6). But that did not provide a roadmap for the integration, and there are multiple indications that Geely played it by ear: “Except for the establishment of CEVT, the cooperation between Geely and Volvo went on without a clearly set goal at first. The cooperation was often sparked by the collision of ideas from Geely and Volvo” (Informant 3). Only with hindsight, a clear strategy seemed visible:

> Geely didn’t make a three-step development strategy. But looking back, the practice emerged as consisting of three steps: the first step is financial synergy, the second step is technological synergy, and the third step is strategic synergy. And before the synergy, Geely and Volvo also experienced a stage without synergy. (Informant 9)

5. Discussion

In order to contribute to a theory of the integration strategy in Chinese strategic asset-seeking acquisitions, we need to move away from the particulars of the case and frame our observations in a more general perspective. From such a view, we see the policies of the acquiring firm as both oscillating between and combining elements of “substantive management” and “symbolic management” (we adapted these labels from Weiser, 2021). The distinction between these two types of management has been described in the literature on strategic management and organizational change. Substantive management actions “materially modify organizational structures, processes, or practices” (Weiser, 2021: 816). Symbolic management is geared to changing stakeholder perceptions of the strategic change (Fiss & Zajac, 2006; Weiser, 2021; Zott & Huy, 2007), and increase legitimacy (Ashforth & Gibbs, 1990). Both types of management are important and applying a mix of them can help to resolve strategic tensions

(Khanagha, Ansari, Paroutis & Oviedo, 2020). However, this is not easy, because symbolic and substantive actions can not only support each other, but also work at cross-purposes (Weiser 2021; Westphal & Zajac, 2001).

In the post-acquisition integration process, we found symbolic and substantive management were both present. More generally, in post-acquisition integration, managers need to implement actions to increase or maintain legitimacy (symbolic management) as well as to take measures to realize the synergies that formed the rationale for the acquisition (substantive management) (Drees, 2014; Drori et al., 2011; Hensmans, 2015; Meyer, 2001; Monin et al., 2013; Olie, 1994). The question then is how to understand the mix of substantive and symbolic management in each of the phases of the integration process, as well as the factors that allow firms to move from one phase to the next.

First of all, it seems reasonable to assume that in many strategic asset-seeking acquisitions, the acquirer will face legitimacy issues with both internal and external stakeholders, and that this will induce it to be careful in taking actions to speed up integration. Even if the acquiring firm has a strong reputation, managers of the acquired firm may fear domination, which could hamper the cooperation necessary for knowledge transfer (Hambrick & Cannella, 1993; Very et al., 1997). In the case of Chinese acquisitions in developed economies, the legitimacy deficit is a fact of life (Fang & Chimenson, 2017; Fetscherin & Beuttenmuller, 2012). Hence, addressing negative perceptions and attitudes of both internal and external stakeholders is important, and the integration process needs to be shaped by both substantive and symbolic management.

On the basis of these assumptions, we can now sketch the outlines of a model of post-acquisition integration management of Chinese strategic asset-seeking acquisitions, and of symbiotic acquisitions more in general. We surmise that where the integration process starts will depend on the relative weight of pressures for value creation and legitimacy pressures (see, e.g., Monin et al., 2013). In Chinese strategic asset-seeking acquisitions in developed economies, the legitimacy pressures loom large, causing the Chinese acquirers to put a strong emphasis initially on symbolic management. But in other symbiotic mergers, there may be weaker legitimacy issues, and the pressure to create value may be the overriding concern. In such cases, we expect the integration process to start with significant substantive actions in order to quickly realize synergies.

In either case, we expect substantive management and symbolic management to be interrelated in two ways. First, one is likely to follow up on the other. This is particularly the case if the integration process is initially dominated by legitimacy issues. The symbolic management to alleviate these concerns must sooner or later make place for substantive management to begin the realization of the value that motivated the acquisition in the first place. Vice versa, if the integration process starts with substantive management, we expect that at some time, there will be a need for more attention to legitimacy issues, hence for symbolic management. The reason for this is that value creation can take place at different levels, and it is likely that before moving over to a higher level of value creation, the minds and hearts of internal and external stakeholders need to be prepared (Monin et al., 2013).

This can be illustrated with the different types of synergy that are distinguished in the literature. Although many different typologies can be distinguished (see Feldman & Hernandez, 2021), there are very common distinctions between financial, cost and revenue synergy.

Financial synergies can be realized most quickly and without much integration, followed by cost synergies, which generally require more integration, while the realization of revenue synergies will take most time and depth of integration (Chatterjee, 1992; Zollo & Meier, 2008). Many integration processes will start with the low-hanging fruit, and this will often be financial synergy (which does not necessitate any integration), followed by cost synergy directed at purchasing. Cost synergies related to the acquired firm's internal operations will require a much higher level of control, and hence, to be successful, require a higher level of internal legitimacy. The case of revenue synergies is somewhat different. Here, the associated integration process will be less confrontational (as it is geared to the future, rather than to current operations). But realizing revenue synergies is possible only with a relatively deep level of knowledge about the acquired firm, which, in itself, requires a basis of internal legitimacy. Hence, as the integration process progresses and deepens, emphasis on symbolic management will return at multiple times.

Second, substantive management and symbolic management are not only temporally interrelated, but they can also both strengthen one another and work against one another (Westphal & Zajac, 2001). This touches upon a key discussion in the post-acquisition integration literature, which has not yet led to a clear conclusion. In symbiotic integration, both autonomy and control are necessary (Haspeslag & Jemison, 1991), but it remains unclear how these can be combined. If the acquiring firm uses the authority of ownership to transfer tasks between the two firms, this has consequences for employees' positions and career prospects, and such issues are likely to be highly contested (Vaara, 2003). This will erode the willingness of acquired-firm employees to cooperate in further integration.

A comparable argument can be developed regarding the tension between social integration and task integration. Task integration can be successful only if a certain level of social integration has been realized beforehand (Birkinshaw et al., 2000). But social integration that is meaningful to the overall integration process needs to take place in the context of work-related interactions, otherwise it will have little effect (Teerikangas & Laamanen, 2014), which presupposes that some task integration has in effect already taken place. In response to such considerations, some authors state that hybrid integration approaches are necessary, consisting of both substantive management and symbolic management (Angwin & Meadows, 2015; Schweizer, 2005; Zaheer et al., 2013). But what should such a hybrid approach look like?

Our conceptual model, based on a Chinese strategic asset-seeking acquisition, suggests that the answer lies in the oscillation between an emphasis on substantive management and symbolic management. What type of management action takes priority at a given moment depends on three factors. First, the situation at a particular moment dictates whether there is a stronger need to create value or to contain legitimacy issues. Second, the progress of the integration process influences the type of synergy that can be realized, linked to the level of legitimacy achieved. And third, the type of action taken depends on the possibility of implementing substantive management measures that also promote legitimacy, or vice versa. In our case example, we have seen all three of these factors at work. All in all, the movement between symbolic and substantive management, leading to progressively increasing levels of integration in terms of both tasks and activities and of social community, means that the partnering post-acquisition integration process develop in an upward moving spiral.

6. Conclusions

We conducted a qualitative study of the integration of Volvo after the acquisition by Geely. This acquisition, as well as the integration process, is a good example of the *modus operandi* of Chinese acquirers of strategic assets in developing economies. Our analysis enables us not only to better understand why Geely oscillated between substantive and symbolic management, but also how different stages in the integration process built upon one another, leading to a progressive deepening of the relationship between the two firms, to mutual benefit. Our analysis allows us to make contributions to both the literature on Chinese strategic asset-seeking acquisitions and the literature on integration of symbiotic acquisitions.

6.1. *Theoretical contributions*

Chinese strategic asset-seeking acquisitions are a relatively recent phenomenon (Lyles et al., 2014), and consequently the literature is not yet very conclusive. The findings of this study have several important theoretical implications.

A spiraling model of Chinese firms' post-acquisition integration

Earlier studies (Cogman & Tan, 2010; Kale, et al., 2009; Marchand, 2017; Zhang et al., 2018) describe the general outlines of the partnering approach, but do not provide a strong rationale for the selection of this method by the acquiring firm, nor a more processual understanding of how it develops over time and delivers the envisaged outcomes. Our case study enables us to make contributions here. We argue that external and internal legitimacy deficits, leading to an unfavorable, informal power balance, led the Chinese acquirers to adopt a partnering approach. But this is not the whole story, for we also argue that, in order to realize the advantages sought with a strategic-asset acquisition, the Chinese acquirer must also establish at least some degree of integration. This requirement pushes the acquiring firm to alternate between symbolic management and substantive management, spiraling up to increasingly higher levels of cooperation. In comparison with extant literature, our conceptual model contributes by bringing together insights regarding the dynamic nature of the integration process, the oscillation between substantive and symbolic management of pressures for synergy creation and pressures for legitimacy enhancement, and the spiraling movement through different phases towards increasing levels of integration.

While we believe that this explanation helps us understand the partnering approach, it also opens up new questions. We see a fascinating aspect of these Chinese acquisitions that merits more study: the contrast between the risk-taking that characterizes the acquisition itself and the caution that is practiced in the integration process. This contradiction is remarkable in its own right, but even more so against the background of what we know about the typical leadership style in Chinese private companies. This style has been characterized as personal and paternalistic (Lyles et al., 2014). Perhaps an explanation can be found in the Chinese ability to integrate paradoxes, as exemplified by the polarity between *yin* and *yang* (Li & Gao, 2017).

We also contribute to the post-acquisition integration literature, and specifically to that on the integration of symbiotic acquisitions. We see the integration process in these acquisitions as a progression through configurations of management approaches that alternate between an emphasis on symbolic management and on substantive management. This has similarity with what was proposed by Birkinshaw et al. (2000), but with three important additions. First, we emphasize the importance that external legitimacy can have in this process, something that was not so clearly distinguished in earlier publications. While we have studied a Chinese acquisition, it is likely that comparable legitimacy deficits can be found in acquisitions by firms from other emerging economies, or more generally firms that lack in status vis-à-vis the acquired firm. Second, the symbiotic integration process can start with addressing legitimacy issues or with realizing synergies, depending on the circumstances. Hence, what is the best way depends on the initial conditions of the acquisition, and it is not possible to declare a priori that the integration should start at either this pole or the other (e.g., Teerikangas & Laamanen, 2014). Finally, the categories of substantive management and symbolic management are much broader than those used in previous literature, like human integration and task integration (Birkinshaw et al., 2000; Kroon et al., 2021) or structural integration and cultural integration (Teerikangas & Laamanen, 2014). We believe that using these broader labels is better, because managing a symbiotic integration process is not only about social versus task integration, slow or fast integration, or autonomy versus control. It is about positions taken with regard to these tensions in varying combinations and over time. More research will be necessary to substantiate this view.

From inorganic growth to organic growth

Organic growth via innovation and inorganic growth via acquisitions are two major organizational strategies (Katila, Rosenberger, & Eisenhardt, 2008). The former can take a long time while the latter can be too costly. As a major way of inorganic growth, cross-border acquisitions are favored to develop innovation capabilities (Petti, Spigarelli, Lv, & Biggeri, 2019). This strategy can provide a quick way for latecomers to get access to strategic assets such as technology, managerial knowledge, and brand (Liu & Meyer, 2020; Luo & Tung, 2018; Sun et al., 2012). However, it is hard for a firm to survive in the long term if only depending on external acquisitions for growth (Luo & Tung, 2007). Moreover, post-acquisition innovations often require the combination of a firm's own knowledge with acquired knowledge, otherwise the acquired knowledge is merely hoarded within the firm without actualizing its value (Choi & McNamara, 2018). Chinese cross-border acquisitions present some insights into how organic growth is achieved from inorganic growth. Our empirical study shows that outbound acquisitions of Chinese firms can, under certain conditions, increase their innovation (Zhang & Yang, 2021). But this impact on innovation may not be immediate but become manifest only when a certain level of integration has been achieved.

From the perspective of the acquirer, cross-border acquisitions in advanced economies provide Chinese firms with two ways of learning. First, acquisitions can not only enable firms to achieve fast growth, they also offer important tools to get access to new knowledge and capabilities. Acquisitions in developed countries expose Chinese firms to advanced managerial skills and technological knowhow, which help them to exploit the existing technology, to take full advantage of a reputable brand, or to make good use of a distribution channel (Liou & Rao-Nicholson, 2019). Second, post-acquisition integration provides the foundation for Chinese acquirers to incrementally build internal capabilities. By stimulating interaction between the acquirer and the target (Haasis, Liefner, & Garg, 2018), they create the possibility to create cutting-edge technology together.

From the target's perspective, we found that acquired advanced-economy firms can also learn during the post-acquisition integration process. Chinese acquirers can play a dual role, boosting the acquired firm's learning as well as co-learning with the acquired firm (He, Khan, & Shenkar, 2018). In sum, both Chinese acquirers and their targets in developed countries can benefit in terms of learning and capability upgrading. The effective combination of the acquirer and the target turns inorganic growth into organic growth, fosters the achievement of synergy, and determines the final success (Buckley, Elia, & Kafouros, 2010).

6.2. Limitations

There are three main limitations to this study, which can be taken as opportunities for future research. First, the transferability of findings from an exploratory single case study may be a concern. The acquisition of Volvo by Geely in many ways is a representative case of a Chinese strategic asset-seeking acquisition, regarding the level of risk involved, the way in which the partnering approach was implemented, and the success of the outcomes. Without doubt, other acquisitions will differ from the Geely-Volvo case in many important aspects. However, we expect that tensions between pressures for value creation and legitimacy issues will always play a role. And these pressures, together with the progressive deepening of the relationships between the firms, will over time lead to changes in emphasis on substantive management and symbolic management. Hence, our claim based on the case study is one of theoretical generalization (Gioia, Corley, & Hamilton, 2013). Future studies may reveal different patterns or combinations, and it will be interesting to see how these can be compared to the Geely-Volvo case.

Second, while we had access to rich data, we also faced some restrictions. Most notably, our own interviews took place from 2017 through 2019. This means that the perceptions of these informants may have been influenced by hindsight bias. This was partly remedied by the fact that we were provided with interview transcripts covering the period 2015 to 2019, but of course ,we had no influence on the questions that had been asked in these interviews. Another way in which we tried to compensate for this limitation in our data is the use of as many internal and external documents, as well as relevant published articles, as we could find. Studies closely following post-acquisition integration processes in real time are rare (see Monin et al., 2013, for an exception), but would be very welcome to increase our understanding.

Third, although we did pay attention to external stakeholders in relation to legitimacy issues, our main focus was on the two companies. However, recent research suggests that external stakeholders can also play an important role in the realization of synergy (Feldman & Hernandez, 2021). Future research could develop a stronger focus on the roles of various types of external actors, also in Chinese strategic asset-seeking acquisitions.

References

Ai, Q., & Tan, H. (2020). Uncovering neglected success factors in post-acquisition reverse capability transfer: Evidence from Chinese multinational corporations in Europe. *Journal of World Business*, *55*(3), 101053.

Alvstam, C. G., & Ivarsson, I. (2020). Technology transfer and the internationalization process of the emerging market firm: a case study of the acquisition of Volvo Car Corporation by Zhejiang Geely Holding Group. In Alvstam, Dolles & Ström, eds., *Innovative Capabilities and the Globalization of Chinese Firms*. Edward Elgar Publishing, 129-143.

Alvstam, C., Ivarsson, I., & Petersen, B. (2019). Are multinationals and governments from emerging economies configuring global value chains in new ways?. *International Journal of Emerging Markets*.

Angwin, D. N., & Meadows, M. (2015). New integration strategies for post-acquisition management. *Long Range Planning*, *48*(4), 235-251.

Ashforth, B. E., & Gibbs, B. W. (1990). The double-edge of organizational legitimation. *Organization Science*, *1*(2), 177-194.

Balcet, G., Wang, H., & Richet, X. (2012). Geely: a trajectory of catching up and asset-seeking multinational growth. *International Journal of Automotive Technology and Management 19*, *12*(4), 360-375.

Bansal, P., Smith, W. K., & Vaara, E. (2018). new ways of seeing through qualitative research. *Academy of Management Journal, 61*(4), 1189-1195.

Bathelt, H., Cantwell, J. A., & Mudambi, R. (2018). Overcoming frictions in transnational knowledge flows: challenges of connecting, sense-making and integrating. *Journal of Economic Geography*, *18*(5), 1001-1022.

Bauer, F., Matzler, K., & Wolf, S. (2016). M&A and innovation: The role of integration and cultural differences—A central European targets perspective. *International Business Review*, *25*(1), 76-86.

Bélanger, J., & Edwards, P. (2006). Towards a political economy framework: TNCs as national and global players. In *Multinationals, institutions and the construction of transnational practices* (pp. 24-52). Palgrave Macmillan, London.

Birkinshaw, J., Bresman, H., & Håkanson, L. (2000). Managing the post - acquisition integration process: How the human iintegration and task integration processes interact to foster value creation. *Journal of management studies*, *37*(3), 395-425.

Birkinshaw, J., Bresman, H., & Nobel, R. (2010). Knowledge transfer in international acquisitions: A retrospective. *Journal of International Business Studies*, *41*(1), 21-26.

Björkman, I., Stahl, G. K., & Vaara, E. (2007). Cultural differences and capability transfer in cross-border acquisitions: The mediating roles of capability complementarity, absorptive capacity, and social integration. *Journal of international business studies*, *38*(4), 658-672.

Bresman, H., Birkinshaw, J., & Nobel, R. (1999). Knowledge transfer in international acquisitions. *Journal of international business studies*, *30*(3), 439-462.

Buckley, P. J., Clegg, L. J., Voss, H., Cross, A. R., Liu, X., & Zheng, P. (2018). A retrospective and agenda for future research on Chinese outward foreign direct investment. *Journal of International Business Studies*, *49*(1), 4–23.

Buckley, P. J., Elia, S., & Kafouros, M. 2014. Acquisitions by emerging market multinationals:

Implications for firm performance. *Journal of World Business*, *49*(4): 611–632.

Cantwell, J., ed. (2015). *The eclectic paradigm: A framework for synthesizing and comparing theories of international business from different disciplines or perspectives*. London: Palgrave Macmillan.

Chatterjee, S. (1992). Sources of value in takeovers: Synergy or restructuring–implications for target and bidder firms. *Strategic management journal*, *13*(4), 267-286.

Chen, X, & Liao, H. (2011). Study on Enterprise Cultural Integration after Geely's Acquisition of Volvo. *Proceedings of the 7th International Conference on Innovation & Management*, 968-971.

Chen, F., Liu, H., & Ge, Y. (2021). How does integration affect industrial innovation through networks in technology-sourcing overseas M&A? A comparison between china and the US. *Journal of Business Research*, *122*, 281-292.

Chen, Y. A., Wang, X. J., & Young, M. N. (2015). Geely automotive's acquisition of volvo. *Asian Case Research Journal*, *19*(01), 183-202.

Choi, S., & McNamara, G. (2018). Repeating a familiar pattern in a new way: The effect of exploitation and exploration on knowledge leverage behaviors in technology acquisitions. *Strategic Management Journal*, *39*(2), 356-378.

Clark, S. M., Gioia, D. A., Ketchen, D. J. and Thomas, J. B. (2010). 'Transitional identity as a facilitator of organizational identity change during a merger'. *Administrative Science Quarterly*, *55*, 397–438.

Cogman, D., & Tan, J. 2010. A Lighter Touch for Postmerger Integration. *McKinsey Quarterly*, 34: 8–12. https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-lighter-touch-for-postmerger-integration.

Colman, H. L., & Lunnan, R. (2011). Organizational identification and serendipitous value creation in post-acquisition integration. *Journal of management*, *37*(3), 839-860.

Cooke, F. L., Wu, G., Zhou, J., Zhong, C., & Wang, J. (2018). Acquiring global footprints: Internationalization strategy of Chinese multinational enterprises and human resource implications. *Journal of Business Research*, *93*, 184-201.

Corley, K. G., & Gioia, D. A. (2004). Identity ambiguity and change in the wake of a corporate spin-off. *Administrative science quarterly*, *49*(2), 173-208.

Cui, L., & Xu, Y. (2019). Outward FDI and profitability of emerging economy firms: Diversifying from home resource dependence in early stage internationalization. *Journal of World Business*, *54*(4), 372-386.

Dao, M. A., & Bauer, F. (2020). Human integration following M&A: Synthesizing different M&A research streams. *Human Resource Management Review*, 100746.

Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion?. *Journal of World Business*, *44*(1), 74-84.

Deng, P., & Yang, M. (2015). Cross-border mergers and acquisitions by emerging market firms: A comparative investigation. *International Business Review*, *24*(1), 157-172.

Drees, J. M. (2014). (Dis)Aggregating alliance, joint venture, and merger and acquisition performance: A meta-analysis. In *Advances in Mergers and Acquisitions*, *13*, 1-24.

Drori, I., & Honig, B. (2013). A process model of internal and external legitimacy. *Organization Studies*, *34*(3), 345-376.

Drori, I., Wrzesniewski, A., & Ellis, S. (2011). Cultural clashes in a "merger of equals": The case of high‐tech start‐ups. *Human resource management*, *50*(5), 625-649.

Dunford, R., & Jones, D. (2000). Narrative in stractegic change. *Human relations*, *53*(9), 1207-1226.

Fang, T., & Chimenson, D. (2017). The internationalization of Chinese firms and negative media coverage: The case of Geely's acquisition of Volvo cars. *Thunderbird International Business Review*, *59*(4), 483-502.

Feldman, E.R. & Hernandez, E (2021). Synergy in mergers and acquisitions: Typology, lifecycles, and value. *Academy of Management Review*, In press (https://doi.org/10.5465/amr.2018.0345).

Fetscherin, M., & Beuttenmuller, P. (2012). Geely’s internationalization and Volvo’s acquisition. In *Chinese international investments* (pp. 376-390). Palgrave Macmillan, London.

Fiss, P. C., & Zajac, E. J. (2006). The symbolic management of strategic change: Sensegiving via framing and decoupling. *Academy of Management Journal*, *49*(6), 1173-1193.

Gaffney, N., Kedia, B., & Clampit, J. (2013). A resource dependence perspective of EMNE FDI strategy. *International Business Review*, *22*(6), 1092-1100.

Gao, Z. (2015). The enterprise merger and acquisition effect on firm value—a discussion on Geely’s acquisition of Volvo for example. *Modern Economy*, *6*(06), 717-726.

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational research methods*, *16*(1), 15-31.

Graebner, M. E. (2004). Momentum and serendipity: How acquired leaders create value in the integration of technology firms. *Strategic management journal*, *25*(8‐9), 751-777.

Gubbi, S. R. (2015). Dominate or ally? Bargaining power and control in cross-border acquisitions by Indian firms. *Long Range Planning*, *48*(5), 301-316.

Gupta, A. K., & Govindarajan, V. (2000). Knowledge flows within multinational corporations. *Strategic management journal*, *21*(4), 473-496.

Haasis, T. I., Liefner, I., & Garg, R. (2018). The organization of knowledge transfer in the context of Chinese cross-border acquisitions in developed economies. *Asian Business & Management*, *17*(4), 286-311.

Hambrick, D. C., & Cannella Jr, A. A. (1993). Relative standing: A framework for understanding departures of acquired executives. *Academy of Management journal*, *36*(4), 733-762.

Haspeslagh, P. C., & Jemison, D. B. (1991). *Managing acquisitions: Creating value through corporate renewal*. New York: Free Press.

He, S., Khan, Z., & Shenkar, O. (2018). Subsidiary capability upgrading under emerging market acquirers. *Journal of World Business*, *53*(2), 248-262.

Hensmans, M. (2015). The Trojan horse mechanism and reciprocal sense-giving to urgent strategic change. *Journal of Organizational Change Management*, *28*(6), 1038-1075.

Hitt, M. A., Harrison, J. S., & Ireland, R. D. (2001). *Mergers & acquisitions: A guide to creating value for stakeholders*. Oxford University Press.

Hitt, M., Li, D., & Xu, K. (2016). International strategy: From local to global and beyond. *Journal of World Business*, *51*, 58–73.

Homburg, C., & Bucerius, M. (2005). A marketing perspective on mergers and acquisitions:

How marketing integration affects postmerger performance. *Journal of Marketing*, *69*(1), 95-113.

Homburg, C., & Bucerius, M. (2006). Is speed of integration really a success factor of mergers and acquisitions? An analysis of the role of internal and external relatedness. *Strategic management journal*, *27*(4), 347-367.

Johanson, J., & Vahlne, J. E. (2009). The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership. *Journal of International Business Studies*, *40*(9), 1411-1431.

Kale, P., Singh, H., & Raman, A. P. (2009). Don't integrate your acquisitions, partner with them. *Harvard Business Review*, *87*(12), 109-115.

Katila, R., Rosenberger, J. D., & Eisenhardt, K. M. (2008). Swimming with sharks: Technology ventures, defense mechanisms and corporate relationships. *Administrative Science Quarterly*, *53*(2), 295-332.

Khanagha, S., Ansari, S., Paroutis, S., & Oviedo, L. (2020). Mutualism and the dynamics of new platform creation: A study of cisco and fog computing. *Strategic Management Journal*.

Knoerich, J. (2012). The Rise of Chinese OFDI in Europe. In Alon, I., Fetscherin, M. & Gugler, P., eds, *Chinese international investments*. Houndsmills, UK: Palgrave Macmillan: 175-193.

Koelsch, L. E. (2013). Reconceptualizing the member check interview. *International journal of qualitative methods*, *12*(1), 168-179.

Kroon, D. P., Noorderhaven, N., Corley, K. G., & Vaara, E. (2021). Hard and soft integration: Towards a dynamic model of post-acquisition integration. *Journal of Management Studies*.

Lane, P. J., Salk, J. E., & Lyles, M. A. (2001). Absorptive capacity, learning, and performance in international joint ventures. *Strategic Management Journal, 22*(12), 1139-1161.

Langley, A. N. N., Smallman, C., Tsoukas, H., & Van de Ven, A. H. (2013). Process studies of change in organization and management: Unveiling temporality, activity, and flow. *Academy of management journal*, *56*(1), 1-13.

Larsson, R. (1990). *Coordination of action in mergers and acquisitions: interpretive and systems approaches towards synergy*. Lund, Sweden: Lund University Press.

Lee, H. M., Chen, T., & Guy, B. S. (2014). How the country-of-origin image and brand name redeployment strategies affect acquirers' brand equity after a merger and acquisition. *Journal of Global Marketing*, *27*(3), 191-206.

Li, Z., & Gao, Q. (2017). Ambidexterity strategic model - behavior logic and path choice. *Chinese Management Studies*, *11*(4), 751-777.

Li, J., Xia, J., & Lin, Z. (2017). Cross‐border acquisitions by state‐owned firms: How do legitimacy concerns affect the completion and duration of their acquisitions?. *Strategic Management Journal*, *38*(9), 1915-1934.

Lin, D., Lee, C. K., Lau, H., & Yang, Y. (2018). Strategic response to Industry 4.0: an empirical investigation on the Chinese automotive industry. *Industrial Management & Data Systems*, *118*(3), 589-605.

Liou, R., & Rao-Nicholson, R. (2019). Age matters: The contingency of economic distance and economic freedom in emerging market Firm's cross-border M&A performance. *Management International Review*, *59*(3), 355-386.

Liu, Y., & Meyer, K. E. (2020). Boundary spanners, HRM practices, and reverse knowledge transfer: The case of Chinese cross-border acquisitions. *Journal of World Business*, *55*(2), 100958

Liu, Y., & Woywode, M. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review*, *55*(4), 469-483.

Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481-498.

Luo, Y., & Tung, R. L. (2018). A general theory of springboard MNEs. *Journal of International Business Studies*, *49*(2), 129-152.

Lyles, M., Li, D., & Yan, H. (2014). Chinese outward foreign direct investment performance: The role of learning. *Management and Organization Review, 10*(3), 411-437.

Mathews, J.A. (2002). *Dragon multinationals. A new model for global growth*. Oxford: Oxford University Press.

Marchand, M. (2017). Do All Emerging ‐ Market Firms Partner with Their Acquisitions in Advanced Economies? A Comparative Study of 25 Emerging Multinationals ’ Acquisitions in France. *Thunderbird International Business Review*, *59*(3), 297-312.

Meglio, O., & Risberg, A. (2010). Mergers and acquisitions—Time for a methodological rejuvenation of the field?. *Scandinavian Journal of Management*, *26*(1), 87-95.

Meyer, K. E. (2001). Institutions, transaction costs, and entry mode choice in Eastern Europe. *Journal of international business studies*, *32*(2), 357-367.

Meyer, K. E., & Thaijongrak, O. (2013). The dynamics of emerging economy MNEs: How the internationalization process model can guide future research. *Asia Pacific Journal of Management*, *30*(4), 1125-1153.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. sage.

Monin, P., Noorderhaven, N., Vaara, E., & Kroon, D. (2013). Giving sense to and making sense of justice in postmerger integration. *Academy of Management Journal*, *56*(1), 256-284.

Mtar, M. (2010). Institutional, industry and power effects on integration in cross-border acquisitions. *Organization Studies*, *31*(8), 1099-1127.

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of management review*, *23*(2), 242-266.

Olie, R. (1994). Shades of culture and institutions-in international mergers. *Organization studies*, *15*(3), 381-405.

Pablo, A. L. (1994). Determinants of acquisition integration level: A decision-making perspective. *Academy of management Journal*, *37*(4), 803-836.

Paruchuri, S., Nerkar, A., & Hambrick, D. C. (2006). Acquisition integration and productivity losses in the technical core: Disruption of inventors in acquired companies. *Organization science*, *17*(5), 545-562.

Panibratov, A. (2017). Cultural and organizational integration in cross-border M&A deals. *Journal of Organizational Change Management, 30*(7), 1109-1135.

Petti, C., Spigarelli, F., Lv, P., & Biggeri, M. (2021). Globalization and innovation with chinese characteristics: The case of the automotive industry. *International Journal of Emerging Markets*, *16*(2), 303-322.

Puranam, P., Singh, H., & Zollo, M. (2006). Organizing for innovation: Managing the

coordination-autonomy dilemma in technology acquisitions. *Academy of Management journal*, *49*(2), 263-280.
Rakita, B., & Markovic, D. (2014). The prospects of international acquisitions in car industry during the global economic crisis-the case of Geely Volvo. *Journal of economic and social developmen*, *1*(1), 159-170.
Ramamurti, R. (2012). Competing with emerging market multinationals. *Business Horizons*, *55*(3), 241-249.
Ranft, A. L., & Lord, M. D. (2002). Acquiring new technologies and capabilities: A grounded model of acquisition implementation. *Organization science*, *13*(4), 420-441.
Ren, B., Liang, H., & Zheng, Y. (2012). An institutional perspective and the role of the state for Chinese OFDI. In *Chinese international investments* (pp. 11-37). Palgrave Macmillan, London.
Schweizer, L. (2005). 'Organizational integration of acquired biotechnology companies into pharmaceutical companies: The need for a hybrid approach'. *Academy of Management Journal*, *48*, 1051–1074.
Sinha, P., Daellenbach, U., & Bednarek, R. (2015). Legitimacy defense during post-merger integration: Between coupling and compartmentalization. *Strategic Organization*, *13*(3), 169-199.
Stahl, G. K., & Voigt, A. (2008). Do cultural differences matter in mergers and acquisitions? A tentative model and examination. *Organization science*, *19*(1), 160-176.
Steigenberger, N. (2017). The challenge of integration: A review of the M&A integration literature. *International Journal of Management Reviews*, *19*(4), 408-431.
Sun, S. L., Peng, M. W., Ren, B., & Yan, D. (2012). A comparative ownership advantage framework for cross-border M&As: The rise of Chinese and Indian MNEs. *Journal of World Business*, *47*(1), 4-16.
Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic management journal*, *17*(S2), 27-43.
Tarba, S. Y., Cooke, F. L., Weber, Y., Ahlstrom, D., Cooper, S. C. L., & Collings, D. G. (2020). Mergers and acquisitions in the global context: The role of human resource management. *Journal of World Business*, *55*(2), 101048.
Teerikangas, S. and Laamanen, T. (2014). 'Structure first! Temporal dynamics of structural and cultural integration in cross-border acquisitions'. In Cooper, C. L. and Finkelstein, S. (Eds.), *Advances in Mergers and Acquisitions*. Bingley, UK: Emerald Group Publishing Limited, 109–152.
Thorbjørnsen, H., & Dahlén, M. (2011). Customer reactions to acquirer-dominant mergers and acquisitions. *International journal of research in marketing*, *28*(4), 332-341.
Torres de Oliveira, R., & Rottig, D. (2018). Chinese acquisitions of developed market firms: home semi-formal institutions and a supportive partnering approach. Journal of Business Research, *93*, 230-241.
Torres de Oliveira, R., Sahasranamam, S., Figueira, S., & Paul, J. (2020). Upgrading without formal integration in M&A: the role of social integration. *Global Strategy Journal*, *10*(3), 619-652.
Tu, C. (2019). Chinese Outbound Investments. In: Wenniges T., Lohman W. (eds) *Chinese FDI in the EU and the US*. Palgrave Macmillan, Singapore. https://doi-

org.tilburguniversity.idm.oclc.org/10.1007/978-981-13-6071-8_1.
Vaara, E. (2003). Post-acquisition integration as sensemaking: Glimpses of ambiguity, confusion, hypocrisy, and politicization. *Journal of management studies*, *40*(4), 859-894.
Vaara, E., & Monin, P. (2010). A recursive perspective on discursive legitimation and organizational action in mergers and acquisitions. *Organization Science*, *21*(1), 3-22.
Very, P., Lubatkin, M., Calori, R., & Veiga, J. (1997). Relative standing and the performance of recently acquired European firms. *Strategic management journal*, *18*(8), 593-614.
Wang, Q., & Liang, D. (2017). *New manufacturing era: The super manufacturing of Li Shufu, Geely and Volvo*. Citic Press. (王千马 & 梁冬梅, 2017, 新制造时代：李书福与吉利、沃尔沃的超级制造，中信出版社）.
Weber, Y., Tarba, S. Y., & Bachar, Z. R. (2011). Mergers and acquisitions performance paradox: the mediating role of integration approach. *European Journal of International Management*, *5*(4), 373–393.
Wei, T., & Clegg, J. (2018). Strategic resources: A missing role in understanding integration speed in international acquisition. *Thunderbird International Business Review*, *60*(3), 411-426.
Wei, T., & Clegg, J. (2020). Untangling the integration-performance link: Levels of integration and functional integration strategies in post-Acquisition integration. *Journal of Management Studies*, *57*(8), 1643-1689.
Weiser, A. K. (2021). The role of substantive actions in sensemaking during strategic change. *Journal of Management Studies, 58*(3), 815-848.
Westphal, J. D., & Zajac, E. J. (2001). Decoupling policy from practice: The case of stock repurchase programs. *Administrative science quarterly*, *46*(2), 202-228.
Yakob, R., Nakamura, H. R., & Ström, P. (2018). Chinese foreign acquisitions aimed for strategic asset-creation and innovation upgrading: The case of Geely and Volvo Cars. *Technovation*, *70*, 59-72.
Zaheer, A., Castañer, X., & Souder, D. (2013). Synergy sources, target autonomy, and integration in acquisitions. *Journal of Management*, *39*(3), 604-632.
Zhang, Y., Enang, E., & Sminia, H. (2019). Post-acquisition integration of emerging market multinational corporations: A research agenda. *Multinational Business Review, 27*(1), 4-34.
Zhang, X., Liu, Y., Tarba, S. Y., & Giudice, M. D. (2020). The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, mid-view thinking and integration management. *International Business Review*, *29*(6), 101710.
Zhang, H., & Yang, H. (2021). Cross-border M&As and technological innovation: the moderating roles of formal and informal institutional distance. Journal of Knowledge Management. Online first: DOI 10.1108/JKM-12-2020-0905.
Zhang, H., Young, M. N., Tan, J., & Sun, W. (2018). How Chinese companies deal with a legitimacy imbalance when acquiring firms from developed economies. *Journal of World Business*, 53(5), 752-767.
Zhang, J., Zhou, C., van Gorp, D. M., & van Witteloostuijn, A. (2020). Willingness to work for multinational enterprises from emerging countries: The case of Chinese multinational enterprises in the Netherlands. *International Business Review*, *29*(5), 101713.
Zhou, X., & Zhang, X. (2011). Strategic analysis of synergistic effect on M&A of Volvo car

corporation by Geely Automobile. *IBusiness*, *3*(01), 5.

Zhu, H., & Qian, G. (2015). High-tech firms' international acquisition performance: The influence of host country property rights protection. *International Business Review*, *24*(4), 556-566.

Zollo, M., & Meier, D. (2008). What is M&A performance?. *Academy of management perspectives*, *22*(3), 55-77.

Zollo, M., & Singh, H. (2004). Deliberate learning in corporate acquisitions: post - acquisition strategies and integration capability in US bank mergers. *Strategic management journal*, *25*(13), 1233-1256.

Zott, C., & Huy, Q. N. (2007). How entrepreneurs use symbolic management to acquire resources. *Administrative science quarterly*, *52*(1), 70-105.

Table 1. A Development Chronology of Geely

Date	**Key Event**
1986	Founded
1997	Entered the automobile industry
1998	Rolled off the first Geely Auto car
2001	Became the first privately-owned auto manufacturer in China
2003	Began to export the first batch of Geely Auto cars to overseas markets
2005	Officially listed on the Hong Kong Stock Exchange
2006	Acquired 19.97% of Manganese Bronze Holdings
2009	Acquired DSI, the world's second largest maker of automatic transmissions
2010	**Acquired Volvo Cars**
2013	Established China Euro Vehicle Technology R&D Centre in Gothenburg
2014	Acquired Emerald Automotive
2016	Released a new brand - LYNK & CO
2017	Acquired 49.9% of Proton and 51% of Lotus
2017	Acquired 8.2% of AB Volvo
2018	Acquired 9.69% of Daimler and became the largest shareholder of Daimler

Table 2. Details of interviews

	Interviewee	Position	Year
Interviews conducted by the research team	Informant 1	Senior vice-president	2017 2018 2019
	Informant 2	Vice-president	2017 2019
	Informant 3	Vice-president & CTO	2017
	Informant 4	President of Institute of Geely	2017
	Informant 5	Vice-president of Institute of Geely	2017
	Informant 6	Vice President, Leader of Volvo acquisition project	2017
	Informant 7	Board Chairman	2019
	Informant 8	Vice-president	2019
	Informant 9	Executive vice president, Global director of Volvo	2019
Interviews provided by the company	Informant 2	Vice president	2018
	Informant 9	Executive vice president, Global director of Volvo	2018
	Informant 10	Former president, Vice chairman	2015
	Informant 11	Vice president	2015
	Informant 12	President of China society of automotive engineering	2015
	Informant 13	Vice president	2015
	Informant 14	General manager	2015
	Informant 15	Former vice President	2015
	Informant 16	President and CEO	2016 2016 2019
	Informant 17	Senior vice president for industrial design, Former vice president of Volvo	2018
	Informant 18	Vice president	2018
	Informant 19	Senior vice president of LYNK & CO	2019
	Informant 20	Chairman of Polestar, Former Senior vice president and Asia Pacific CEO of Volvo	2019
	Informant 21	Volvo Asia Pacific President	2019
	Informant 22	Senior Vice President Head of Research & Development at CEVT	2019

Table 3. Additional Empirical Evidence

Theme		Representative Quotations
Stage I: Distancing to keep the target's characteristics (August 2010 – November 2011)		
Legitimacy issues		"Nobody took it seriously when Geely said we were going to acquire Volvo. Foreign media regarded it as a case of a snake swallowing an elephant. It was unbelievable." (Informant 1)
		"Volvo has managed to make cars for 83 years, while we only have a history of 13 years." (Informant 1)
		"In the 1960s and '70s, Benz and Volvo were the two major brands in the premium car industry BMW and Audi were not included at that time." (Informant 2)
		"Different from Saab, Volvo has independent system for research, purchasing, manufacturing and brand. Despite it was part of Ford, it has its own technology." (Informant 15)
Integration strategy	Establishing the press spokesman rules	"To prevent reducing the brand value of the Volvo, Geely tried not and even restricted to talk about Volvo outside of the company." (Informant 6, 9, 16)
	Keeping the original identity	"Geely is Geely; Volvo is Volvo" (Informant 1, 6, 9, 12, 14, 16, 21)
		"One of the concerns is the brand dilution. People are afraid that the quality of Volvo is lowered. We have to keep Volvo distinct from Geely." (Informant 2)
	Building international management team	"The governance structure is clear, and I think it is the key to success." (Informant 21)
		"We recruit an international board." (Informant 6)
		"Geely decided to recruit the CEO and CFO globally. We didn't send expatriates to Volvo." (Informant 1)
		"In the Swedish headquarter, there was one person coordinating between the Chinese and the Swedes." (Informant 19)
	Granting a wide scope of autonomy	"Volvo had little operational autonomy when they were under the ownership of Ford. They didn't have power and were subject to Ford." (Informant 16)
		"Geely 'unleashed the tiger' and respected the development of Volvo." (Informant 2, 9)

Table 3. (*Continued*)

Theme		Representative Quotations
Organizational outcomes	Acquirer value creation: reputation	"Geely became the first multinational corporation in the automobile industry in China after the acquisition of Volvo." (Informant 1)
		"Through the acquisition of Volvo, Geely reduced the need for advertisements as the whole world was watching." (Informant 6)
	Target value creation: revival	"In the next year, both production and marketing thrived, and the growth rate was 20%." (Informant 1)
		Volvo was not losing money that year. (Informant 2, 16)
Stage II: Balancing to show the acquirer's advantages (November 2011 – September 2013)		
Legitimacy issues		"Volvo received intense media attention after the acquisition. They were curious about the sources of funding, which were used to development new research facilities and build new factories." (Informant 9)
		"The operation principles of Geely and Volvo are totally different. We have different understandings of technology and quality." (Informant 6)
		"Geely asked to cooperate with Volvo, especially in the field of technology and products. But we encountered great resistance." (Informant 9)
Integration strategy	Providing developing funding	The platform that Ford invested in Volvo was old and outdated. Volvo would like to establish a new platform, but they couldn't afford. Geely and Volvo came to an agreement to provide research funding for them to build the SPA platform. Besides, Geely invested money to build the Chengdu factory for Volvo. (Informant 2, 4, 6, 16, 20)
	Controlling purchasing costs	"Volvo admired the beauty of the low costs at Geely and they purchased together with us. The amount of joint purchase counted for 40 percent, which brought benefits to Volvo and strengthened Volvo's cost advantage." (Informant 1)
	Exploring Chinese market	Before the acquisition, Volvo was unsuccessful in China. They only sold 20 thousand a year. Geely had some insights about Chinese market and enabled Volvo to grasp the customers in China after the acquisition. China is part of the explanation for Volvo's success. (Informant 2, 6, 19, 21)
Organizational outcomes	Acquirer value creation: learning	"Geely has learned a lot from Volvo." (Informant 3)
		"The most important thing for Geely's acquisition of Volvo is the learning of advanced international standardized processes." (Informant 6)
	Target value creation: profit	"Volvo turned a profit in 2011". (Informant 1)
		"China is the biggest market for Volvo car. So you know the growth is important for the success of Volvo." (Informant 20)

Table 3. (*Continued*)

Theme		Representative Quotations
Stage III: Building to pursue mutual benefit (2013.09-2017.08)		
Legitimacy issues		In 2014, President Xi went to Volvo plant in Ghent, which was a confirmation for the acquisition. (Informant 1, 2)
		"We resolved the problem of capital funding of Volvo, which made Volvo realize that Geely played a supportive role as their shareholder." (Informant 9)
		"Regarding to the procurement cost, they learned that there was another way to do business." (Informant 16)
Integration strategy	Engaging in deep communication	"The number of foreign experts exceeds 100 nowadays. In the early time, many were from Japan and Korea, but now they are coming from Europe and America, especially from Sweden." (Informant 4)
		"In CEVT, some employees come from Volvo, some are expatriates from Geely and others are hired locally." (Informant 5)
	Taking joint actions	"Geely and Volvo jointly develop, jointly purchase and jointly use the platform." (Informant 2)
		"We can conduct collaborative product development, collaborative purchasing and collaborative manufacturing." (Informant 7)
Organizational outcomes	Acquirer value creation: new products	"For China the self-developed automobile, the large family car is a big challenge. But Borui developed by Geely in 2015 overcame this and succeeded, marking a prominent progress for the Geely brand." (Informant 1)
		"We produced new cars like Borui, Boyue, Emgrand GS and Emgrand GL with the help of Volvo." (Informant 16)
	Target value creation: new products	"In the US, Volvo is a symbol of safety. But young consumers don't like it and think it is not cool enough to attract them. But now lawyers, accountants and doctors come to buy Volvo. Because the new S90 and XC90 are quite fashionable." (Informant 1)
		"You could say in 2015, we launched our first car. The first car on the SPA." (Informant 20)
		"And it is also used by Volvo. The first entry of Volvo is the XC4. That's why CEVT was formed in first place." (Informant 22)
	Joint value creation: new technology	Geely and Vovo developed CMA together, which is to be used by both sides in future. (Informant 2, 4, 13, 16, 19)
		The engine of LYNK&CO is jointly developed by Geely and Volvo. (Informant 1, 5)
		"To make a long story short, the technology we have developed in CEVT is what called CMA, which is a compact model architecture." (Informant 22)

Table 3. (*Continued*)

Theme		**Representative Quotations**
Stage IV: Diversifying to explore potential advancement (August 2017 onwards)		
Legitimacy issues		"Eight years ago, no one believed that Geely could succeed in acquiring Volvo. Yet the reality is that we made it." (Informant 1)
		"Geely broke a new path for acquisitions, a snake swallowing an elephant. Through ten years of development, it is shown by the results that the deal has achieved the desired objective." (Informant 2)
		"Volvo would not be existing anymore without Geely. Volvo would have been bankrupt five years ago. Without Geely, Volvo would not exist anymore." (Informant 19)
		"What you can see the results of the first five years in that way, if I put it that way, it's good and exciting. What you are going to see in the coming next five years. It's more exciting. So you have just seen the start of our group." (Informant 22)
Integration strategy	Conducting product diversification	"We may collaborate with Daimler in terms of new energy technology and driverless technology." (Informant 9)
		"Because they started at Volvo and they are using a lot of Volvo's skills, Volvo's resources, and Volvo's technology. It continues to grow up with the help of Volvo." (Informant 20)
	Proceeding geographical diversification	"The strategic objective is the markets of Southeast Asia and India, which are near China." (Informant 7)
		"Volvo has established a factory in US, which will help us get access to the American market." (Informant 7)
Organizational outcomes	Acquirer value creation: capability	"Geely's new product development system was established with the support from Volvo. The system defines the logic of product development, which requires completeness and a high standard." (Informant 3)
		"We now have a complete research development process, known as NPDS." (Informant 16)
	Target value creation: growth	"Both production and marketing of Volvo were thriving after we acquired Volvo. The growth rate was about 20 percent." (Informant 1)
		"We have witnessed the development of Volvo in China. It started without even a sales company but then we built a whole company, having a design department, production department and other departments. The number of employees in China of Volvo is about 8,000." (Informant 21)
	Joint value creation: new organization	"LYNK&CO is 50% owned by Geely Auto, 20% by Geely Holding, and 30% by Volvo cars." (Informant 19)
		"In August 2017, we decided to create this company, which is set for Geely and Volvo alliance technology. It is 50% owned by Volvo cars and 50% owned by Geely." (Informant 20)

Figure 1. Four Phases in the Geely-Volvo Integration Process