

Study on Enterprise Cultural Integration after Geely's Acquisition of Volvo

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Abstract With the acceleration of economic globalization, and the growing market competition, implementation of transnational merger and acquisition (M & A) has become an important way for China's enterprise to expand its competition strength and seek overseas expansion. Throughout the history of Chinese automotive enterprises' overseas acquisitions, whether the enterprise cultural integration succeeded or not has become a key factor for the integration performance. Its study of cultural integration is necessary since Geely's acquisition of Volvo is significant especially as Geely's domestic private enterprise status. In this paper, we first make a comparison of the two enterprises' institutional culture, material culture and spiritual culture and then propose corresponding enterprise cultural integration methods of the three aspects.

Key words Acquisition; Geely; Volvo; Enterprise cultural integration

1 Introduction

On March 28, 2010, the group Geely limited company in Zhejiang, China, signed the final agreement of share acquisition with Ford Motor Company, in Sweden's second-largest city-Gothenburg. Geely has won 100% equity and related assets of Volvo at the expense of 18 billion dollars. But Geely Ltd. will face strategy, finance, marketing, human resource as well as a series of integration problems after this acquisition. Among these, the success of the enterprise cultural integration comes first. But moreover, the process is including a long-term systematic project. Because for these two companies, there exist great differences in the two companies' enterprise culture, while one of the characteristics of culture is its relative stability, so it is difficult to achieve enterprise cultural integration in the short term.

International researches of enterprise cultural integration focus on four aspects: 1) The relationship of the enterprise culture and the performance of M & A (Chatterje, Lubatkin 1992, Cartwright, Cooper 1993) Enterprise cultural differences and Integration (Haspeslaph, Jemison 1991) The enterprise cultural integration model and mechanism (Berry 1993) The relationship between cultural integration and other integration types.

Domestic study of enterprise cultural integration is still in the initial stage, three aspects are embodied. 1) The role and significance of cultural integration in the M & A (Su Yong 1992) A summary of successful domestic M & A cases (Wang Wei, Kang Rongping 2003) An introduction of some research results about western enterprise cultural integration and some translation or publications of related works or papers abroad (Wang Guokai 1998).

The International study of enterprise cultural integration is mature, comprehensive, profound, empirical and has certain maneuverability. The domestic researches have put forward the importance of enterprise cultural integration, which is our research starting point, but is still at the primary stage. Relatively, the domestic study is sporadic, less comprehensive and systematic.

Moreover, both international and domestic researches have not involved specific enterprise cultural integration methods of the spiritual culture, institutional culture and material culture. So in this paper we make a research of Geely's enterprise cultural integration of those three aspects.

2 Theoretical Basis

2.1 Enterprise culture

Enterprise culture is a summation of the values, behavior patterns, feeling atmosphere and the enterprise image first advocated by the enterprise managers and gradually formed in most of the common employees in the process of enterprise management practices. Enterprise culture has three structural elements: the spiritual culture in the center, the institutional culture intermediate and the material culture at the surface. The spiritual culture contains the enterprise spirit, business philosophy, management concept, group consciousness and value concept. The institutional culture is made up of enterprise regulations, leading system and organizational management mode, operation system and management system. The material culture is including enterprise production environment, products and services, advertising, employee appearance and architectural layout, etc.

2.2 Enterprise cultural integration

Enterprise cultural integration refers to a process of resolving and fusing cultural conflicts generated when two or more different enterprise cultures meet.

Here are three basic principles of enterprise cultural integration:

- 1) Remain culture tolerance. Mutual respect and equality in the personality is very necessary. What's more a free and democratic attitude also should not be neglected.
- 2) To be sublation with different cultures which means absorbing essence and removing disadvantages from both cultures.
- 3) Combine generality and individuality. Based on different status of different enterprises, every enterprise culture should have its own characteristics.
- 4) Learn from other enterprises' advanced experiences but always bear innovation in mind.

To the contrary of the hierarchy of enterprise culture, it is from surface to core that we usually carry out enterprise cultural integration, that is to start with the material culture then establish institutional systems, and finally form a common spiritual culture identified by all members after a long period.

3 Enterprise Culture Differences Analyses

3.1 Enterprise material culture

Geely has a long saloon car product line including its 8 series (Free Warship, Jin gang, Yuan Jing, Shanghai Huapu, Beauty Leopard and so on) and more than 30 finished automobile products. Volvo features following four series of products: go-anywhere vehicle/SUV (XC60 and XC90), saloon car (S40, S60, and S80L), ragtop /roadster with double doors (C30 and C70). Obviously, Geely focuses on saloon cars while Volvo extends that to other classifications.

As for products themselves, the design of Volvo's products is simple but decent and high grade, with lowest price nearly 300,000 as high-end automobiles. While Geely emphasizes on magnificence and practical value with the highest product price not more than 110,000 as a low-end car manufacturer.

Volvo uses the same first name "Volvo" and different English letters and numbers to identify different products while Geely gives completely different names for each product. Therefore, Volvo has a better brand recognition.

3.2 Enterprise institutional culture

The labor union system and social welfare system are the most prominent institutions in Volvo. These rights are given to the Volvo union: association, negotiating and extended negotiating, industrial action, right to be the litigation delegate, right to be informed and prior right to interpret. Also, the union plays an important role in designing, supervising and managing the legal social security system as well as building multi-level social security system. Volvo's employees enjoy the high level welfare system, which may lead to higher taxes to undertake for the enterprise, a low working enthusiasm and inhibit shareholders' investment enthusiasm because of the taxes imposed on them.

The organizational structure in Volvo tends to be decentralization, flat pyramid style, where the rules and regulations or standardized processes are not emphasized and decision making is usually quick. Comparatively, Geely has a more centralization, lofty pyramid structure featuring obvious hierarchy and slow decision making.

The Volvo leadership style is characterized by its high management participation, less direct supervision, rewards and punishment based on performance of individual, people orientation and high flexibility. While Geely's leadership style is embodied in responsibility and commitment, the more X theory features, authoritarianism and task oriented.

3.3 Enterprise spiritual culture

The following table shows us clearly the enterprise spiritual culture differences of Geely and Volvo.

Table 1 Comparison of Enterprise Spiritual Culture between Geely and Volvo

Enterprise Spiritual culture	Culture history	Enterprise's Core Values	Operational philosophy	Enterprise Objective	Social Responsibility
Geely	13 years	Safety, environmental protection, design, quality	Cost control, profit orientation	Let the world is full of Geely's cars	The charitable cause: education, poverty relief, environmental protection
Volvo	83 years	The most safe, environmental, energy saving	People-oriented, development orientation	To be the world's most successful luxury car brand.	Sports with high life quality: Golf open tournament, "Masters Cup" amateur game, "round-the-world" sailing competition

4 Enterprise Cultural Integration

Enterprise culture integration is in the opposite direction of the enterprise culture content hierarchy, from breaking-in period of material culture and institutional culture to longer period of enterprise spirit integration.

4.1 Enterprise material culture integration

Currently, there is a big gap between the product grade of Volvo and Geely. Therefore, at the initial integration, the two brands should remain independent. Geely's brands now seem slightly mixed and disordered. British, luxuriant, cartoon types are included, but they do not form a core product. However, if Geely wants to compete with such strong competitors as BMW, Audi, etc, the products must have a rival core competitive advantage, whether it is cheap, safe or environmental. Geely should make the market positioning be more accurate by subdividing the market for target according to customers' age, profession or other standards.

The safety performance of Volvo's products is already excellent. But for the high-end market, the appearance design is its weakness. Especially in the Chinese market, it is best to design proper products according to more market surveys of the Chinese aesthetic standards and Chinese consumption characteristics.

Volvo can share Geely's sale channels and other sale resource in China, but Volvo must be under management control of Geely. That is in order to let consumers don't confuse the two brands, we set separate 4S shops for Volvo by using more Chinese managers than Volvo's.

4.2 Enterprise institutional culture integration

Above all, Geely should keep Volvo's Labor Union system and let the members gradually identify with Geely's enterprise culture. Any rigid system to suppress the union is impracticable but can only cause conflicts because of the union's long history. To win the heart of employees, it is important to form a formal and especially informal psychological contract between top managers and employees. Therefore, it is necessary to build a team with international cultural literacy, in which the members are professionally trained, know how to infuse Geely's motto "Geely accompanies your happy life" to the union and have proficient skills to blend in.

Secondly, be careful when making pay cuts or laying off employees. The too high employee payments mainly account for the high operational cost, thus cause imbalance between revenue and expenditure. So Geely has to lower wages to a proper level. But firstly Geely should promise that it is a policy during this special deficit period, after that the wage will return to normal. And it is very necessary to take care of the laid off workers.

Thirdly, it is urgent to set more proper criterions of conduct. In order to implement cost management, more rigid systems and standard process regulations must be given to the Volvo employees. But first the systems should tell more what to do as well as the special indexes and then discuss with employees about how to do. Also, the systems should identify what is principled and what is not, that is to maintain flexibility and tolerate some particular ways of working in Volvo.

4.3 Enterprise spiritual culture integration

The first step is to build safety centered, environmental protection and energy saving taken into account enterprise values. As the Toyota's "call back" and HP's "quality" events has aroused wide concern around the world, consumers pay more attention to "safety" than ever. Thus, both Geely and Volvo should attach great importance to the product quality. When Volvo has made up the deficits and get surpluses, environmental protection and energy saving should be given more attention for more share of the market. As for Geely, better after-sale service will be as important as the products.

More market orientation and cost control must be added into Volvo's operational idea system while Geely should be more people-oriented. Before the acquisition, Volvo's manufacturing style is excelsior, where a lot of efforts are made for the best product quality. But what a product designers think is best may not be so for customers and the pursuit of too high quality might lead high R&D cost. So Volvo should strengthen the function of marketing especially in China and always bear cost control in mind. Geely's people orientation is not only for product design but also for internal employees which means respecting, concerning people more and more management participation.

Geely must infuse target management idea into Volvo and let Volvo form a hard work atmosphere. Now the main enterprise objective for Volvo is to become a competitive luxury car brand in China. Its first step is expanding the market share. While only high efficiency can help obtain that target. But as Volvo's employees enjoy high welfare and have a low working pressure, their work zeal is not high enough. Thus concrete targets should be given to each section and each employee so that they can have

more sense of urgency. New incentive system affiliated with the target performance can be used to form a hard working atmosphere.

Volvo must perform more social responsibilities to form a better enterprise image. The programs for public should not be confined to competitions, but also for more programs related with Chinese people's lives.

5 Conclusion

Our analysis demonstrates that during the enterprise culture integration period, the two brands should remain independent, but still some adjustments must be made. Geely should make more accurate market positioning to form a core product while Volvo must improve the product design. Besides, it is better to remain the labor union system but lower the remuneration properly, be careful when laying off employees and set new rigid systems as well as standard process regulations for cost control. When it comes to the spiritual culture, the common safety centered, environmental protection and energy saving taken into account enterprise values should be built, more market orientation and cost control must be added into Volvo's operational idea system while Geely should be more people-oriented. What's more, Geely must infuse target management idea into Volvo and let Volvo form a hard work atmosphere and Volvo must perform more social responsibilities to form a better enterprise image.

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