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Determinants of Success of Cross Border M&As from Emerging Markets

- A Case Study of TCL and Videocon

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Abstract

Title: Determinants of Success of Cross Border M&As from Emerging Markets-A Case Study of TCL and Videocon

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Purpose: This thesis aims to develop conceptual implications from interpretation of theories and case study on cross border M&As conducted by firms from emerging market with focus on the perspectives of motivation, integration and performance.

Methodology: This thesis is developed through a descriptive case study on two related cases from emerging markets. Detailed implications are derived from case study survey model.

Theoretical perspectives: This thesis concentrates on theories related to cross border M&As from strategic, managerial and organizational perspectives.

Empirical Foundation: Case data is generated from 2000 to 2009. We have not found any existing academic case study on both TCL and Videocon.

Conclusion: This thesis concludes from both theoretical and practical perspectives. Based on implications derived from two cases, TCL and Videocon, this thesis proposes that cross border M&As conducted by firms from emerging market have their own uniqueness. In addition, integration, previous experience on cross border M&As, speed of integration process and analysis of target markets are essential to improve the post-acquisition performance and to enhance synergy realization.

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Contents

1 Introduction

This introductory chapter contains an overview of cross border mergers and acquisitions, research problem identification, research purpose, demarcation and research methodology.

1.1 Background

The development of cross-border Mergers and Acquisitions (henceforth: M&As) has been quite active in the past decade. It has become a dominate mode for firms seeking foreign expansion and acquiring competitive advantages in the complex global context. With the fact of increasing industry consolidation, liberalization of economics and globalization, cross-border M&As have become a popular strategy for firms to achieve their business objectives.

Cross border M&As from emerging markets is not new. It had emerged in the 1970s, and had reached a high level in deal volumes in the 1980s, and since the 1990s, firms from developing countries have experienced rapid expansion through cross border mergers and acquisitions (Dunning et al, 2008). In 1980, the global outward Foreign Direct Investment (FDI) accounted approximately US$52 billion in which 6% came from emerging markets. By the time 2007, the world outward FDI achieved US$ 2 trillion in which emerging markets contributed over 15%, nearly US$300 billion (Sauvant et al, 2009). In addition, according to the World Investment Report 2009 (UNCTAD), the share of emerging economies in global cross-border acquisitions rose from 4% in 1987 to 13% in 2005 and to 20% in 2008. As these figures showed, the emerging markets have gradually increased their importance in the world economy. In short, although majority of cross border M&As are still done by firms from developed countries (**D Firms** hereafter), large firms from emerging economies(**E Firms** hereafter) have started their ambitions through international expansion.

Reasons behind foreign acquisitions by E firms are vary, but most are attributed to gaining competitive advantages. Three factors are considered as the most important and relevant drivers in acquiring competitive advantages through cross border M&As from emerging markets which are ownership, location, and internationalization (Dunning, 2000). Benefits of ownership for firms derive from the better technologies, advanced managerial practices, and established brand names; location advantages stem from the cheaper inputs, cost saving in production, and more market opportunities; lastly, internationalization brings firm the opportunity to achieve the advantages that arose from ownership and location (Nayyar, 2008).

China and India as two major players in emerging markets have shown strong potential to enlarge their influence in the world economy. In China, the FDI outflows have been increased since the early 1990s, with experiencing a dramatic bounce between 2000 and 2005. From 2002 to 2005, China's outward FDI had increased to US$ 57.2 billion, and had approached to US$ 73.3 billion by 2006 (MOC, 2006/7). With shared features, Chinese acquirers are mainly large enterprises with certain competitive advantages at international level to acquire firms in developed economies who are engaged in financial or strategic distress with focuses in seven major industries: 'resource and energy, telecommunication, electronics, machinery, home appliances, and automobiles'(Chen and Li, 2006; Morgan Stanley, 2005 referenced by Rui and Yip, 2008). According to Rui and Yip (2008), there are five types of Chinese acquiring firms in terms of different strategic intents. The first type may categorize as transactional oriented firms. These firms usually have a great portion of revenue generated from foreign markets as well as established foreign headquarters and R&D facilities around the world. Their aim is to strengthen their competitive position in the global market. The second type is referred to firms with no specific orientations but aiming to offset their weakness through acquiring strategic assets or capabilities from foreign enterprises. The third type is firms which focus on domestic market but aim to compete with foreign multinationals in Chinese market by their acquired strategic assets. The fourth type is so called trade-oriented firms. These firms intend to expand their trading business in a short period through foreign acquisition with transforming to production firms as their long-run business objectives. The last type is regarded as the niche market players which acquiring foreign strategic assets to strengthen its niche further development. In brief, along with the fast development pace of the world economy, China has increased its role played worldwide.

In addition, since the early 2000s, there has been rapid expansion in overseas acquisitions by Indian firms. The outward investment by Indian firms was around US$ 1.5 billion in 2000. Since 2005, Indian firms have largely increased their foreign investments which accounted US$ 5 billion in 2005/6, and reached US$ 12.8 billion in 2006/7 (Kumar, 2008). Major sectors involved in outbound FDI from India are manufacturing, IT, communication & software, chemicals, resource and energy, and drugs & pharmaceuticals (Prasad, 2007). These industries are the main distributions of Indian FDI outflows. Further, the development of cross border M&As in India is primarily determined by two enabling factors, changes in of government policies and liberalization of financial markets. Since the government restructured the policy regimes regarding Indian FDI in 1992, the Indian market has witnessed the dramatic change in terms of increasing amount of FDI. It is also because of the liberalization of government policy, Indian firms have obtained greater access to financial markets which has positively influenced the development of Indian cross border M&As market. In comparison of characteristics of firms conducting foreign M&As, based on the analysis done by BCG (2008), Indian firms are smaller in scales but have higher sales internationally than Chinese globalizing companies. Besides, there are less state owned companies to be involved in foreign M&A activities in India. Similarly, both Chinese and Indian multinationals favor to expand their business in developed countries, and with the intention of strengthening competitive advantages. They are all mainly driven by internationalization, seeking to acquire strategic assets, and hoping to achieve a global leading market position.

Although many cross border M&A activities have happened in the recent years from the emerging markets, not much research is done from E companies' point of view. Especially, how E firms have conducted overseas M&As and what determines the success of these M&As. The research on cross border M&As from E firms is little compared to the research on the M&As conducted by D firms (Gubbi, et al, 2010). The survey conducted by Shimizu et al, (2004), shows that the available data samples in the existing research are mostly collected from M&As conducted by D firms. Besides, the results are fragmented when reviewing from vast streams of studies done on cross border M&As. The existing literatures examines cross border M&As from various perspectives, such as strategic management, human resource management, organizational behavior, and international business. Therefore, our research, based on a systematically constructed study framework is to contribute to the question of what could determine the success of the cross border M&As conducted by E firms.

1.2 Purpose

In this thesis, we aim to develop conceptual implications from interpretation of the theories and case study on cross border M&As conducted by E firms with focus on the following three perspectives of M&As:

1. Motivation/strategic choice, a perspective on why E firms conduct M&As
2. Integration/coordination, a perspective on how E firms conduct M&As
3. Performance/synergy realization, a perspective on what E firms obtain from M&As.

The above three perspectives cover the main stages of an M&A deal, i.e. before, during and after the deal and hence could present a relatively complete implication. Besides, the study on the three perspectives can also generate concentrated implication from the strategic, managerial and organizational viewpoints which are the major viewpoint of the thesis. Moreover, there has been extensive research on M&As conducted by D firms from these three perspectives separately and jointly, which provides theoretical foundation and comparable sources.

1.3 Demarcations

First, as mentioned above, our research conducts analysis mainly from the strategic, managerial, and organizational perspectives which is deemed as most relevant to our purpose and studied topic. Although vast streams of research such as accounting, sociology and psychology have tapped on the study of cross border M&As with focuses on the above three perspectives will generate more intensive implications. In addition, our research includes a comparative analysis on two cases which can practically narrowing down the research scale and to make the comparison concentrated and effective.

Second, this thesis does not attempt to identify the differences or uniqueness of cross border M&As between two emerging markets although the case study involves comparative analysis. The comparative analysis serves the function of deriving factors which may answer the research problem of this project. In this thesis, different emerging market will be treated as in a same group of the whole emerging markets.

Thirdly, in this thesis, the key success determinants that we are trying to identify will be limited to the inner/micro side of the firm. In other words, the thesis will concentrate on factors that firms generally have control over rather than the outside factors that beyond the control of the firms such as the political or governmental factors or factors from target companies. This demarcation is in consistence with our first point.

1.4 Methodology

The major methodology of this thesis is case study. Before the case study, the thesis will conduct literature reviews from the mentioned three perspectives, motivation, integration, and performance. The thesis aims to present a focused but relatively integrated picture of M&A deals by concentrating on the above three lenses. Although there has been research about different internationalization strategies (Kogut and Singh: 1988, Hennart and Park: 1993, Meyer et al: 2009, etc), we will not conduct analysis on whether cross border M&As is the best choice for E firms when it comes to internationalization in this thesis. Moreover, the thesis may not compare M&As with other expansion strategy, such as establishing strategic alliance with foreign companies, and risks and challenges which are involved in cross border M&As.

1.4.1 Choice of Case Study

- **Theoretical Reasons**

According to Edmonson and Mcmanus (2007), if the prior theory and research were in the "intermediate" stage (a stage between 'new' and 'mature'), which we believe that the research on cross border M&As from E firms is in this stage, then, the suggested research problem is about relationships between new and established constructs, and the suggested data analysis methods should include content analysis, exploratory statistics, and preliminary tests. In addition, according to the same authors, theory-building research using cases typically well answers questions which address "how" and "why" in unexplored areas. However, this research strategy is ill-equipped to address questions such as "how often" and "how many," and questions about the relative empirical importance of constructs (Eisenhardt and Graebner, 2007)

In addition, studies done by Ridder et al (2009) suggest that, case study can contribute to theories by contradicting, challenging, confirming, generalizing, refining, revising, modifying, sharpening, adding details, specifying, expanding, and extending existing theories.

- **Practical Reasons**

Although there has been rapid expansion on cross border M&As by E firms in terms of deal volumes, it is difficult to construct a complete sample even for studies from major emerging markets such as China and India. As suggested by Nayyar (2008), research on internationalization of Indian firms, “it is difficult to find complete, let alone systematic, information on cross-border mergers and acquisitions. The problem is far more acute in India, in part because it is such a recent phenomenon. The sources of data are disparate. The information is incomplete.” Further, non-listed companies in emerging markets play actively in internationalization compared to non-listed ones in developed countries. However, the disclosed information on internationalization by these non-listed E firms is scarce and the access to this information is difficult (UNCTAD 2009).

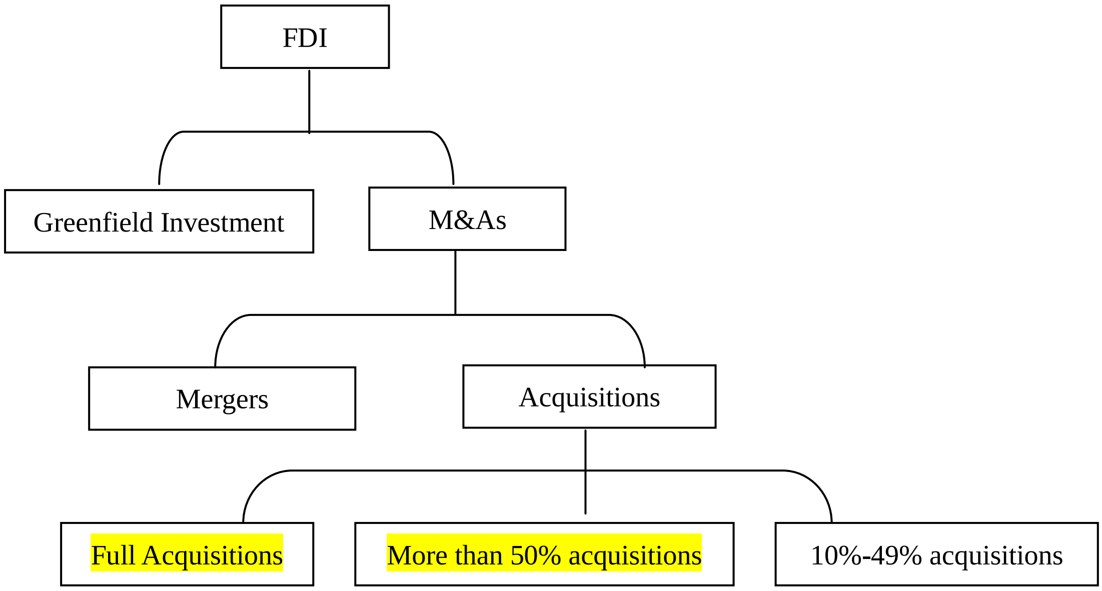
Based on the reasons above, the thesis proposes to use an in-depth case study to contribute to the targeted research.

1.4.2 Case Selection

Proposed by Eisenhardt and Graebner (2007), the choice of cases should be based less on the uniqueness of a given case and more on the contribution to theory development within the set of cases. To focus on our research purpose, we will pay more attention to the M&A deals conducted by acquiring firms instead of these acquiring firms themselves.

Major case selection standards include:

- As the case will be studied from the viewpoint of the acquiring firms, the acquisition deals from which the E firms have control over foreign assets are preferred. In other words, we will focus on the FDI transactions which E firms have over 50% control in acquisitions, i.e. the first two types of acquisitions as illustrated in the following graph.



Source: Brakman et al 2006, referenced by Brakman et al (2006)

- Acquiring firms are from two largest emerging markets, China and India; where there are greater selections of case deals and the case result implication could be more representative.
- Target firms are from developed countries where have been major destinations of outward FDI from developing countries. For instance, 90% of the FDI in Africa outflows to developed countries, and South, East and South-East Asia have 65% of outbound FDI to developed markets in 2008, as well as 77% of FDI outflows from Latin America and Caribbean countries are to developed centuries (UNCTAD 2009)
- Listed acquired firms are chosen for accessibility of information.
- Cross border M&A deals are occurred during 2000-2006. Additionally, the selected deals should be major deals in the internationalization by the acquiring firm so that the post acquisition integration and performance are observable.
- State-owned companies are excluded from the selection since they purse overseas M&As not only for commercial reasons but also political intentions, which may result the implication less comparable with commercialized deals.
- Deals from the same industry and occurred in the same period are preferred. Due to considerations of some meaningful comparison can contribute to the findings.

Based on our case selection principle, after extensive review of the major cross border M&A deals which includes the review of the top 25 deals by Indian firms during 2000-2007(Nayyar, 2008) and the deals conduced by the top 18 international firms in China and India (Pradhan

2009), the following two cases are selected.

1. TCL Corporation’s acquisition of TV business with Thomson S.A:

TCL, one of Chinese leading home electronic appliance producers, which has been active in both domestic and overseas acquisition businesses, acquired the TV business from Thomson S.A in 2004 by taking controlling interest (owing 67% of shares) in a joint venture named TCL-Thomson Electronics Corporation (TTE) between Thomson and TCL. In 2005, TCL obtained the remaining shares in TTE and has had full control of the acquired assets since then (see section 3.2.3 for more details). In our case study, we consider the deal as a cross border acquisition (Brakman et al, 2006). This acquisition was a key move for TCL to expand its presence in the global market.

2. Videocon Industries Ltd’s acquisition of Color Picture Tubes (CPT) Business with Thomson S.A

Videocon, an India’s sizeable consumer-electronics company, acquired CPT business from Thomson S.A in 2005. This acquisition enables Videocon to enter the international market by constructing a global supply chain and to become one of the major CPT manufacturers in the world.

3. Target company, Thomson S.A.(Thomson)

Thomson S.A, renamed to Technicolor in January 2010 is one of world’s largest players in electronic and multimedia area. In this thesis, we cite the name ‘Thomson’ throughout since it is the name used in our studied period. Thomson restructured its business orientation by focusing on consumer entertainment since 2004 due to huge losses in its display activity business which mainly composed of color TV and CPT businesses. Before the restructure, the TV and CPT business acquired by TCL and Videocon account for around 37.8% and 14.6% of Thomson’s total sales in 2003 respectively, meaning that Thomson disposed half of its business in total to TCL and Videocon. Thomson shifted its focus on media and entertainment industry after the disposal.

There are several similarities and differences between these two acquisitions. TCL and Videocon separately acquired disposed businesses from the same French electronic giant, Thomson. Prior to their acquisitions, both TCL and Videocon had established themselves well in their respective domestic markets. So far, Videocon has performed relatively positive than TCL after its acquisition with Thomson. On the other hand, TCL's acquisition with Thomson has been widely regarded as a failure.

Studies regarding these two acquisition deals have been done by others with more emphasis on TCL's acquisition with Thomson. However, none of them gives a comprehensive analysis between these two deals. Therefore, the thesis believes that valuable insights could be derived through its later comparative analysis profoundly.

1.4.3 Data Collection

Data that used in this thesis is collected from various sources including both first hand and second hand information. Most data is collected from news press from reliable media, academic journals, books, stock exchanges, surveys, and information providing agencies such as UNCTAD (United Nations Conference on Trade and Development) and Thomson Reuter data base, etc. Since both the target and acquiring companies are listed companies, their announcements and annual reports are also major source of the analysis.

We have tried to contact both the acquiring and target companies to request more detailed information especially about the integration process to study cross border M&As, but we did not get our requested information from these companies. For TCL, since its acquisition with Thomson has been widely viewed by public as a failure and it had liquidated most of its acquired assets in Europe in 2007, the company refused to disclose more information about related transactions. However, there are some important TV interviews about TCL's chairman Mr. Li, Dongsheng, the key founder and decision maker of the company, who has deeply involved in the acquisition with Thomson. Associating theses TV interviews with other well-established printed media enables the thesis to provide much detailed information about this cross border M&A deal. Further, since TCL disposed of its assets in Europe, it is difficult for us to find contacts from the disposed company. In addition, for Videocon, we did not get reply on our sent questionnaires. The thesis prepares to access required information from other sources, such as newspaper interviews done on Videocon's top management, and other government publications.

1.4.4 Data Analysis

The case presentation is mainly descriptive with some explanatory analysis such as analysis on the background and motivation of the deal. A full analysis of the cases is in part four (analysis and discussion), which includes both stand-alone case analysis and comparative analysis which will be the major focus.

The thesis will present cases from three perspectives as explained previously in research purpose; therefore, the process of negotiations might not be fully covered. The thesis will firstly describe the background of the targeted company, Thomson, and a market background in the presenting period, after that a detailed presentation of two acquiring companies with the cross border M&A deals separately.

A comparative analysis will be conducted after the description of the cases. The case survey model developed by Larsson (1989) is used to provide a systematic and thorough comparison. The model contains 101 questions (mostly qualitative questions) on four aspects, as showed in the following table, which has covered many key issues of the researched area. (See the appendix for detailed questions and answers.) Generally, there are 7 scales of coding for each question. The first 5 scales described difference position of the questions; the last 2 sales with coding of “7” and “9”stand for “others which are not covered by the first 5 scales” and “lack of sufficient information on the subject question”.

The coding is completed individually with one for both cases, and reassessed individually at a different time with coding on both cases. The final coding, ‘re-coding’, was settled on the consensus of two research coders. The following table is a summary of our initial average pairwise percent agreement (“APPA”). This APPA measurement suggested by Larsson (1989) is a good indicator of interrater reliability, and largely mitigates discrimination. It is crucial for the later case analysis which not only provides good coding quality but also discrepancy.

Aspects of questions	Number of questions	% APPA	
		Number of Agreements	%
1. Research aspects of the case study	25(Q1-Q25)	23	92%
2. Synergy realization	25(Q26-Q50)	22	88%
3. Human and culture side	28(Q51-Q78)	24	86%
4.Planning and performance	23(Q79-Q101)	20	87%
Total (all the above 4 aspects)	101	89	88%

This table illustrates that the two research coders shared a greater percentage of agreement in most of the questions in the initial coding. The coding result which is used in chapter 4 case analysis is adjusted after further communication and gathering of information which reduced the disagreement.

1.4.5 Reliability

Reliability is essential in ensuring both quantitative and qualitative research in terms of consistence and accuracy. Identified by Kirk and Miller (1986), reliability of quantitative research takes in three aspects. Firstly, it requires the research to yield 'unvarying measurement' continuously. Secondly, it requires a stable observation throughout the research period. Thirdly, it requires the research conducting similar measurement during the studying period. To ensure the reliability of the quantitative observation in this thesis, we have embedded these three aspects of reliability into our thesis construction. For example, to ensure the consistency of our observation, in the case study survey part (referenced from Larsson, 1989), the questionnaire (test) is scored individually and the re-test is taken at a different time individually after the first-time test. The first-time test and the retest yield similar results which attribute to stability of the measurement. Based on the theory suggested by (Charles, 1995 referenced by Golafshani 2003), 'a high degree of stability indicates a high degree of reliability, which means the results are repeatable', this thesis is able to provide a high reliability in quantitative observation.

In addition, it is crucial to obtain qualitative reliability in conceptual development. All the data gathered and research instruments used in this thesis are carefully examined for trustworthiness. In other words, the thesis adopts carefully screened information from sources such as academic database and government publications.

1.4.6 Validity

Validity in quantitative and qualitative research also maintains the same importance as reliability. Achieving the internal validity both quantitatively and qualitatively which essentially measures the correlation of data and information used is related to the research problem, and the research findings are derived from the observation (Winter, 2000). This thesis has carefully examined sources of data and data gathered throughout the whole research process to ensure the collected data or information is highly correlated with the investigation. Additionally, research findings in this thesis are concluded from the case study survey in which the thesis adopts for case study analysis. Although the validity may be threatened by factors such as the length of study period and incomplete data, the thesis aims to mitigate this problem by using recent and highly related data.

Furthermore, to achieve the external validity in our quantitative and qualitative research, the thesis aims to develop research findings which may apply in general. However, this thesis has limitations in terms of researched areas and research period. Therefore, the research findings may best br applied in related research fields and similar circumstances.

2 Literature Review

There is extensive literature on the M&As. Although most of the research focuses either on general M&As or M&As taken by D firms, such research shed lights on issues involved in M&As conducted by E firms in terms of similar strategic motivation, inorganic growth, cultural integration, etc. The following part will go through studies on three aspects: motivation; integration (coordination); and performance (synergy realization).

2.1 Motivation

Companies are triggered by various motives when they come to cross border M&A activities. Some studies have showed that firms aim to achieve economies of scale and scope through cross border M&As (Buckley and Ghauri, 2002). Some scholars view the cross border M&As as a mode for corporations to enter a foreign or new market (Shimizu et al, 2004; Muller, 2007). In addition, other researchers ascertain that motivations of cross-border M&As also include to obtain strategic assets, such as 'superior marketing skills, product differentiation, patent-protected technology, and superior managerial know-how' (Wang and Boateng, 2007), which are valuable resources and capacities to strengthen firms' competitive advantages (Amit and Schoemaker, 1993). Evidence also supports that new environment will challenge the existence of organizations, thereby encouraging them to learn to adapt and to absorb new knowledge (Crossan et al., 1999). Furthermore, research suggests that diversification and synergy creation are also important motivations (Eun, Kolodny & Scheraga, 1996; Markides and Ittner, 1994..; Ramı`rez-Aleso`n and Espitia-Escuer, 2001).

The followings contain the review mainly focused on three general and most relevant arguments to the research area of this thesis: 1) cross border M&A as an access to foreign markets, 2) cross border M&A as an access to strategic assets, and 3) cross border M&A as an access to improve learning and learning ability.

2.1.1 Cross Border M&As as An Access to New Markets

An important motivation for cross-border M&As is to enter foreign markets. There has been a number of research on cross border M&As regarding the potentials of companies conducting cross border M&As as a mode of entry in foreign markets (Kogut and Singh, 1988, Andersen, 1997; Harzing, 2002;; Luo and Tung 2007, etc). Although there are some other ways to explore new markets such as Greenfield investment, establishing joint venture or strategic alliance with existing players in the target market, acquisition if implanted successfully is defined as a faster way to enter new market by Wang and Boateng (2007). Comparing to joint ventures and strategic alliance, the acquiring firm have more effective control of the operation with an acquisition (Raff et al, 2009). Additionally, it is less time and money consuming to exploit a mature operation compared with green field investment (Gilroy and Lukas, 2006). Cross border M&A is considered a "springboard" or a "leapfrog" to overcome the latecomer disadvantage (Luo and Tung 2007). One of other meaningful interpretations by entering a new market is that it could be a soft weapon to fight anti-dumping sanction and helps acquiring firms steer clear of the trade barrel.

2.1.2 Cross Border M&As as An Access to Strategic Assets

Accessing strategic assets/resources is another important motivation of cross border M&As. Resource Based View (RBV) suggests that some resources can hardly be traded in the open market, and this contributes to a major reason or motivation of the companies which conduct M&As in order to get control of these assets in a faster and effective way (Wernerfelt, 1984; Amit and Schoemaker, 1993). Additionally, based on Barney's (1991) resource based model, acquired firms have the possibility to generate resources that are valuable and non-substitutable in acquisitions (Harrison et al, 2001). Similarly, Meyer et al (2009) propose that foreign buyers can obtain resources that are intangible and organizationally embedded efficiently by acquiring local firms.

2.1.3 Cross Border M&As as an Access to Learning and Learning Ability

Learning has been considered as one of the strategic capabilities of an organization which seeks to continue the improvement in a dynamic competition environment (Collins, et al., 2009). Cross-border M&A provide acquiring firms the opportunity of learning. Firms would face issues that are different as their regular strategic and organizational context (Haspeslagh and Jemison, 1991). The learning process starts from the pre-M&A evaluation and negotiation and goes through out the whole M&A process, and the firms' learning ability will be enhanced during the learning process.

For companies from emerging market, learning could also be an important motivation especially when the target lied in developed economies, as the routines of target firms operating in well established institutional contexts, characterized by competitive markets and customer-centric focus are likely to present a richer reservoir of learning for E firms. (Gubbi, et al, 2009). Besides, a common practice for acquiring firm in M&A is to hiring some established external consultancy to help go through the deal, which provide opportunity for acquiring firm to learn from those consultancies. .

2.2 Integration

The Integration of M&As is a process which requires the acquiring and acquired entities to cooperate with each other in order to promote the integrating process and improve the post-acquisition performance. Drawing from an overall picture, Shrivastava (1986) suggests that in order to effectively manage the post-merger integration, firms need to integrate through procedure level which contains the achievement of combining the accounting systems of both parties, physical level which includes the integration of productions and technologies, and the most critical level, the cultural integration, which requires the coordination in management level for merging different cultures. In addition, in order to create value from mergers and acquisitions, it is important for management to reconcile the interaction between two firms through two phases of which firstly, creating the atmosphere for transferring strategic capabilities in order to improve the market position for the combined firm, and in the second stage bringing the actual capability transfer which may enhance the competitive advantages for the merged firm and thereby achieving value creation (Haspeslagh and Jemison, 1991). Moreover, another aspect to describe value creation is through realized synergy which also is determined during the process of interaction between merging firms. Larsson and Finkelstein (1999) state that the greater the degree of interaction and coordination between combining firms, the more synergies that can be realized.

Additionally, analyzing from strategic perspective, the fit in strategy plays a key role in determining mutual synergies to emerge (Duncan and Mtar, 2006). Strategic fit is achieved through various levels and aspects. The fit is made at corporate level in terms of objectives, visions and missions between the acquiring firm and the target. Besides, the fit is also contributed by the alignment from various aspects, such as Aguilera and Dencker (2004) argue that the success of integration of combined firms has a lot to do with the alignment between HRM strategy and the firms' M&A strategy.

Furthermore, culture issues regarding the post-acquisition integration of cross-border M&As have been addressed extensively through various of studies. Difficulties are emerging from managing different cultures, both national and organizational, after the two companies merged. How to create culture fit in both national and organizational determines the success of the post-merger integration (Duncan and Mtar, 2006). Culture issues in post-acquisition have been discussed extensively in literatures (Weber et al, 1996; Olie, 1990; Larsson and Lubatkin, 2001). They have provided understandings on why and how culture issues should be addressed in cross border M&A process through different lenses. Quah and Young (2005) argue that in the stage of post-acquisition integration, culture differences in terms of values, believes and assumptions are faced by employees in both acquiring and acquired firms in overseas M&As which could be disruptive. One most utilized concept in cross border M&A integration, 'acculturation', defined by Berry et al (1987) describes the mode in which two groups adapt from each other and resolve problems emerged. Additionally, Nahavandi and Malekzadeh (1988) use the term 'acculturative stress' referred to the behaviors and experiences that are disruptive in post-merger integration. Culture differences which is considered to be a crucial predictor for the final outcome proposed by Morosini and Singh (1994) is a primary factor that determinmes the scussess of intertional acuqisition if managed to fit in (Duncan and Mtar, 2006). Massive discussions that have done in culture issue, both national and organizational, in post-merger integration process have showed the importance of achieving acculturation in cross border M&As (Larsson and Lubatkin, 2001). In other words, it is how the positive post-acquisition performance could be expected through effective management of differences in cultures.

The integration could be a tough job for E firms when they acquire D firms, as where the institutional distance (difference) between two countries is high, conflict between managers and employees of the two firms is likely to increase(Shimizu et al, 2004).

2.3 Post-acquisition Performance

Although the number of cross border M&As has been massively increased, more than 65% of cross border M&As in the past two decades did not obtain the anticipated cooperative effects and financial expectation (Ran, 2008). Horizontal M&As seem to achieve greater success in the empirical research than vertical and conglomerate M&As (Guaghan, 2007). Factors which are related to the success or failure of cross border mergers and acquisitions have been widely studied. Research in strategic management and organizational behavior points out the importance of the interaction among 'level of integration', 'post-acquisition changes', 'culture influence', 'timing of changes', and 'employee behavior', to the post-merger performance (Haspeslagh and Jemison, 1991). Being specific on culture issues, as they are considered as main determinants in cross border M&As, Buono et al. (1985) and Seo and Hill (2005) all propose that culture clash may influence firm performance after the integration. In addition, the study done by Morosini and Singh (1994) identify an existence of interaction between the culture conflict (Weber and Schweiger, 1992) and the post-acquisition performance.

Moreover, there are arguments around which measurement should be used and the time span used to investigate performance (Lubatkin, 1983). Since the success of an acquisition is commonly described by value creation or synergism; however, the possibility and ability of realizing of these potentials are being questioned (Quah and Young, 2005). Regarding the measurement of the post-acquisition performance, main stream research has being done massively on the accounting-based studies, for instance, measuring growth in sales after the acquisition (Morosini et al. 1998) in economic field and with the event study on wealth creation to shareholders through stock returns, for example, examining abnormal returns for acquirer (Carpon and Pistre, 2002; Amihud et al, 2002) in finance. However, these two types of studies have rarely pay attention to other factors such as culture, the integration process, business practices, and employee reactions, as mentioned before, and their influences on the post-acquisition performance. Thus, another stream of study using other approaches such as synergy realization (Larsson and Finkelstein, 1999), and longer term measures other than stock price responses of the firm performance have also provided conceptual understanding of cross-border M&As.

As far as it concerned to our case study, we will use multiple factors to measure the performance of the merged companies due to the following reasons.

1. As there are usually several motivation/purpose for the E firms to acquire an established D firms, a better understanding on the performance of M&A can be obtained by evaluating the realization of those objectives of the M&A rather then simply evaluating one single success factor such as stock price. (Brouthers et al,1998). Therefore, we may both examine the performance by several factors such as the change of their stock price and probabilities, market position, etc.
2. We will simply review the abnormal return in 11-day window period (5 days before and 5 days after the event) to indicate a short-term market reaction of the M&A. However, we will not use the short-term abnormal return as the only indicator of the financial performance. For one thing, it seems more appropriate to evaluate the gain of the shareholder of the target company using abnormal return. For the other, the capital market of emerging economy may not efficient enough to obtain a reliable abnormal return. According to McWilliams and Siegel (1997) event study makes three fundamental

assumptions:1) market is efficient, 2) the events are unanticipated, and 3) there are no other confounding events. However, the capital market of emerging countries are either inefficient or in a weak-form efficient (Groenewold et al 2003, Mishra 2009). Besides, we aimed to track the long term performance of the merged company during the whole merger process in which the multiple factor evaluation may produce more meaningful implications.

3 Case Study

3.1 Background of the Target Company and the Market

3.1.1 Background of Thomson

Thomson S.A, renamed to Technicolor in January 2010 is one of world's largest servers in the areas of content creation, broadcasting, and network operation. With around 42,000 patents and applications created from more than 6,000 inventions in the past 100 years, Thomson is one of the companies with most patents in the world, especially, the most patents in TV business. In this thesis, we cite the name 'Thomson' throughout since it is the name used in our studied period.

Thomson has been listed on NYSE Euronext Paris and the New York Stock Exchange since November 1999. It was originally owned by French State, which has gradually reduced its stake from 70% in 1998 to 2% until 2004.

During the past two decades, Thomson has been quite active in consumer electronics industry. Between the 1980s and 1990s, Thomson had combined consumer electronics businesses with specialized professional electronics activities. However, these two divisions were split in 1997, leaving only the consumer electronics and components businesses within the "Thomson Multimedia", which was renamed to Thomson in 2002 and Technicolor in January 2010. In the last ten years, Thomson has refocused on the media and entertainment industries, specializing in activities related to creation, management and delivery of content. This refocus has included a series of strategic acquisitions and disposals. Thomson acquired Technicolor® in 2001, Philips' professional video equipment business in 2001, Grass Valley® in 2002 and the Moving Picture Company (MPC) in 2004. Moreover, Thomson disposed its TV business to TCL in 2004, the tubes business to Videocon and the Videoglass business to Rioglass in 2005, most of the Audio-Video and Accessories business to Audiovox in 2006 and 2007, and the Skymaster business to Arques Industries in 2007.

In spite of all the restructuring activities happened in the past decade, Thomson's performance has not been improved. Its net income dropped from EUR373million in 2002 to EUR26million in 2003 and has suffered huge loss since 2004(except for 2006 when Thomson made a marginal net profit of EUR55million). In November 2009, Thomson requested and obtained the opening of a "sauvegarde" (debt restructure) proceeding from the Truibunal de Commerce De Nanterre, indicating the risk of bankrupt, and in February2010, its debt restructure plan got approval from related interest parties and has started since then.

3.1.2 Background of Restructuring since 2003

In 2003, Thomson has 4 business divisions, two of which suffered losses due to the pressure from the innovation of new technologies (particularly LCD and Plasma TV) and the poor cost and sale management. The following table contains details of the composition and performance of the four business divisions.

	Composition	Revenue (EUR' million)	% of total sales	Operating income /loss
Content and networks	1. The film and video content preparation and distribution activities under the Technicolor® trademark and Screen-Advertising businesses; 2. The professional broadcast equipment and services and Broadband Access Products businesses.	3,714	43.9%	436
Components	TV tubes, optical components and other components used in the manufacture of various consumer electronics products. Thomson ranked the second worldwide in large and very large size TV picture	1,072	12.7%	-101(loss)

	tubes in terms of volume in 2003.			
Consumer Products	home audio/video products(TV and DVD), home communications product	3,198	37.8%	-124(loss)
Licensing		462	5.5%	411
Others		13	0.1%	N.A.
Total		8,459	100%	N.A.

Source: Compiled from Thomson’s 2003 Form 20-F

The business TCL and Videocon acquired from Thomson are components and consumer products, which took up around 50% of Thomson’s whole business. Actually, Thomson’s TV business (which mainly based on cathode ray tube (“CRTs”) had suffered loss since 2002. In 2003, Thomson’s TV market share in the United States was 10.9%, a decrease of 2% from 2002; and it had 8% shares in major Europe markets (i.e. France, Germany, the United Kingdom, Italy and Spain). Moreover, its loss in the color picture tube (“CPT”) business reached around €109 million and €123 million in 2004 and 2005 respectively.

Thomson was under great financial pressure with the continuous loss from its TV and CPT business. It disposed them to TCL and Videocon in 2004 and 2005 respectively, trying to focus on its media and entertainment activities related to the creation, management and delivery of content.

3.1.3 Background of Global TV Market:

The TV market is basically segmented into markets for ―new technology Liquid Crystal Display (LCD) and Plasma screen and ―old technology CRT screens. Compared to LDC TV, CRT TV, which the key component is CPT, has lower price on average and its production tends to be driven by lower income economies.(Eugster et al, 2008). So far, in developed country, LCD and Plasma TV have effectively replaced CRT TV, while in developing countries CRT TV is still the main-stream TV products.

3.2 TCL’s M&A with Thomson

TCL’s acquisition with Thomson is the first time a Chinese company has acquired majority control over a global business from a foreign company.

3.2.1 Background of TCL

TCL Group ("TCL") was established in 1981 in China. The company is now listed on Shenzhen Stock Exchange in China with 85% of its shares owned by the public. It has four major subsidiaries with each subsidiary operating in four different business segments, namely, multimedia (including color TV, TCL's core business), communications, home appliances and tech electronic. It has sales network in 40 countries with over 50,000 employees and a total turnover around RMB44.3bn (or US $6.5billion in equivalent) in 2009. According to a joint research by RREEF (a real estate investment management business unit of Deutsche Bank) and Beijing Famous-Brand Evaluation Co. Ltd (the only Chinese company specified in research on brand value in China), TCL maintained the No.1 TV brand position among the "Most Valuable Brand in the PRC" in 2009 with a brand value of RMB41.7 billion.

TCL is a pioneer in global expansion in consumer electronics industry in China. Its global expansion activities started in 2000. As illustrated in the following table, Greenfield investment and cross border M&As are two major means of its overseas expansion tools. Specifically, Greenfield investment is more frequently used in the early stage of their overseas expansion (2000-2001). Cross border M&As are more frequently used after 2002. Strategic alliance, a more prudent expansion way is preferred after TCL suffered huge loss from cross border M&A.

Year	Major Event in TCL's globalization adventure
2000	Acquisition of TV manufacturing facilities in Vietnam
2001	▪ Launch of TCL products in Malaysia and Indonesia to increase presence in Southeast Asia ▪ Appointment of sales and distribution representative in Middle-East ▪ Commencement of business in Russia
2002	▪ Joint venture named "Team Way Limited" was established with Great Wall Cybertech Limited, a Hong Kong listed electronic company, for the development of overseas OEM markets ▪ Setup of OEM unit to explore OEM markets in the US, Japan and Korea

	▪ Acquisition of brand names, stock, and production facilities of Schneider, a German-based company. ▪ Establishment of its first R&D, sales and production base in Europe.
2003	▪ TCL signed long-term partnership agreement with UK listed company, TTP Communication plc. for joint development of multi-functional handset products ▪ Acquisition of the rest 30% of Team Way Limited, which is renamed TCL Overseas Consumer Electronics Limited with main activities in overseas marketing and distribution of multi-media electronics
2004	▪ TCL & Alcatel Mobile Phones Limited ("T&A"), a joint venture between TCL and Alcatel which is a French giant in communication industry, was set up and started operation. ▪ TCL-Thomson Electronics Corporation (TTE) was officially established between TCL and Thomson and started operation.

Source: Compiled from annual reports and announcements.

Except for the above FDI activities, TCL also prompts its internationalization by cooperating with multinational companies. For example, it established a corporation with Walt Disney which appointed TCL as Walt Disney's agent in China in 2005, and it has cooperated with Intel and Samsung in developing next generation TV recently.

Mr. Li, Dongsheng, the Chairman, CEO and one of the key founders of TCL, who also owns 2.8% of TCL Group, is a very charismatic leader with an ambition of building TCL to a "world-class" company. He has received a number of rewards and prizes. He was awarded one of the Top 25 Global Business Leaders by Times Magazine and CNN in 2004; "Asia Businessman of the Year'' by Fortune Magazine in 2004. Mr. Li plays an important role in TCL's strategy construction. He is the key decision maker of all the major events of the company including the acquisition of Thomson.

TCL's 55% owned subsidiary "TCL Multimedia Technology Holdings Limited (TCL Multimedia)" formerly known as "TCL International Holdings Limited" is its major operating arm for its multimedia business. TCL's acquisition with Thomson was operated under the name of TCL Multimedia. TCL Multimedia, headquarters in China is a leading multimedia consumer electronics manufacturer with a global sales network. TV is its core product, contributing to over 80% of its total revenue. TCL Multimedia is the largest TV producer in China and 7th largest TV producer in the world in terms of sales volume. In the following part, for simplicity, we will use "TCL" to refer to TCL Group and its controlling subsidiaries including TCL Multimedia unless otherwise stated.

3.2.2 Background of the Acquisition (TCL-Thomson)

By 2003, TCL Group has remained high growth and was the 3rd largest companies in IT and consumer electronics industry in terms of a turnover of RMB28.2billion, according to statists of the Ministry of Industry and Information Technology of China. It was ranked at the 1st place in TV sales with a market share of 19%, the 1st place in the sales of phones and bolts, and the 2nd place in handsets with a market share of 11% in China.

TV Sales ('000 sets)		2000	2001	2002	2003
Domestic Sales	Amount	5,030	5,552	8,336	9,722
	Year on year growth (%)	N.A	10%	22%	17%
Overseas Sales	Amount	700	740	1,058	2,700
	Year on year growth (%)	N.A	6%	75%	155%

TCL's market share in domestic market has remained stable at around 20% since 2000. At that time, the competition in Chinese TV market (mainly CRT TV) was quite intensive with growing production capabilities and less innovation in products. Price war broke out frequently (Li and Pu, 2009). TCL mainly manufactured middle-end products with progressive extension to the high-end markets which had been dominated by foreign international giants such as SONY and Toshiba. Due to the intensive competition in domestic market, TCL has tried to explore to overseas markets since 2000.

However, due to the anti-dumping sanction, it is difficult for Chinese TV manufacturers to expand their business in EU and US which are huge market for color TV. EU charged 44.6% anti-dumping duties on all TV produced in China since 1998(People's Daily, 2000). The US also charged high anti-dumping duties on TVs from China with the highest applicable rate of 78.45%.(Chinadaily, 2004) Interestingly, the US stipulated a preliminary sanction on Chinese TV export after the second day when TCL singed MOU with Thomson(Chinadaily,2003).

From global trading point of view, one benefit of this acquisition is that Thomson's overseas plants could provide cover against trade sanctions directed to China.

The directly motivation of TCL’s acquisition seemed to be an acquisition of “unparalleled R&D capabilities of Thomson” as they disclosed in the announcement on the deal. Combined with both of TCL’s fast growing TV business and Thomson’s R&D power, TCL aimed to “enhance the product mix, increase our market share in the high-end market, raise the efficiency of resource allocation, and strengthen the Group’s competitiveness globally”. The chairman of TCL, Mr. Li, Dongsheng once believed the acquisition of Thomson’s TV business could help TCL to come close to its objection of becoming a leading player in multimedia electronics in the global market (He et al, 2006).

Given the internal and external market position, TCL had mixed motivation in acquiring of Thomson’s TV business with accessing to strategic assets and entering in new market especially the developed markets.

3.2.3 Process of the Acquisition (TCL-Thomson)

TCL’s negotiation with Thomson took 4 months. TCL hired several top consultants from BCG and Morgan Stanley as the management and financial consultants on the deal respectively. Morgan Stanley gave “neutral” opinion on this deal, meaning an ambivalence of risk and return on the deal. BCG gave “negative” opinion, meaning high risk of the deal. Despite BCG’s negative opinion, Mr. Li, Dongsheng decided to take the action from the view of all the attractions eventually.

TCL singed the memorandum of understanding with Thomson in 2003 and the official agreement in 2004. According to their agreement, a joint venture will be established between TCL and Thomson. The table below illustrates details of the agreement.

	Form of Capital Injection	value of assets invested	Ownership in the JV
TCL’s investment	All TCL’s TV assets globally (including China, Germany and Southeast Asia).	EUR230million	67%
Thomson’s investment	TV plants in Mexico, Thailand, Indian and Poland and TV research centers in	EUR111million	33%

	India, US and Germany.		
Total		EUR340million	100%

Source: TCL Multimedia's announcement of "Combination agreement for establish of TTE corporation" in 2004; Thomson's Form 20 for the year of 2003 and 2004.

According to the combination agreement, Thomson's sales and marketing network serves as the exclusive agent of TTE's distribution to North America and European Union countries, and TCL performing a similar role in China. Thomson also engages in providing value-added services such as product design, client coverage, logistics, quality certification and after-sales services and some other value-added build-to-order manufacturing services. In most cases, TCL enters in substantially similar agreements for TTE's distribution and manufacturing in Asia.

However, Thomson remains its ownership in

- Its brands such as TV brands of Thomson and RCA
- Intellectual property, such as existing patents
- Marketing and sales organization and certain value-added manufacturing assets.

TCL obtains a license from Thomson of Thomson's brands and intellectual property related to the TV manufacturing business. TCL owns patents developed by the acquired R&D centers after the acquisition, though.

After the acquisition, TTE had 10 manufacture bases and 5 research centers globally with employees around 29,000 within which, 6600 from Thomson. TTE was expected to be the largest TV producer in the world in terms of total sales volume and total assets. TCL and Thomson sold color TC sets of 1850 in total in 2003. Milestones of the acquisition are list below.

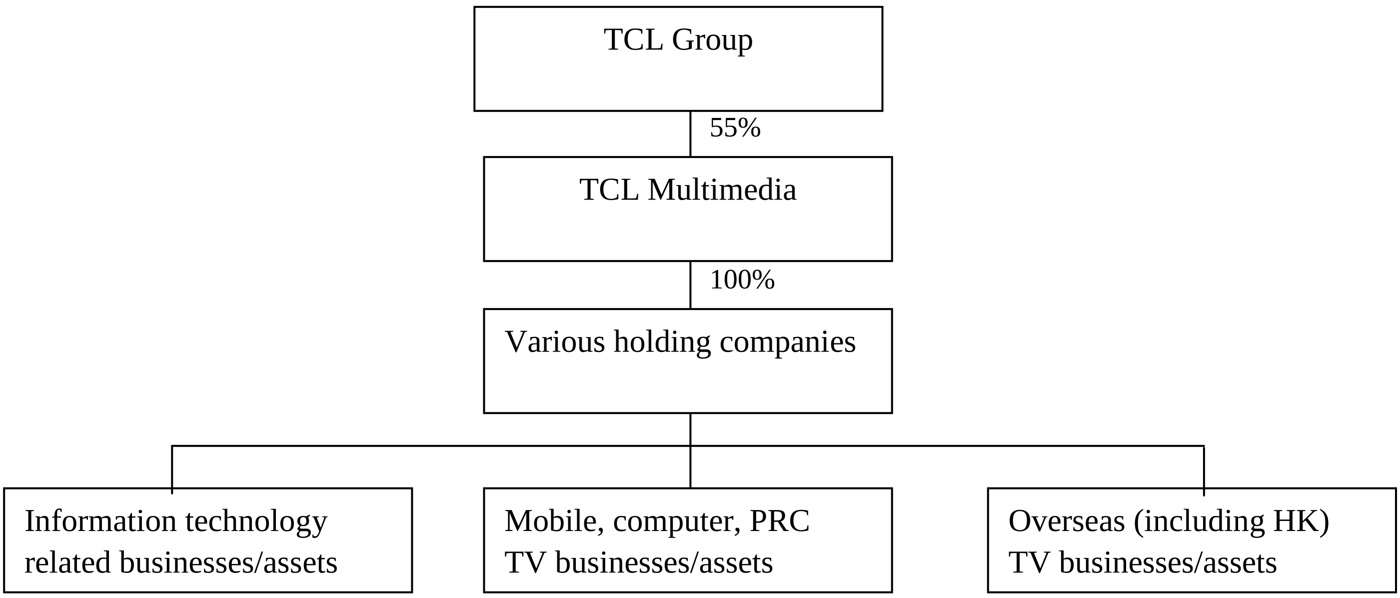
Date	Event
Nov2003	TCL entered into a memorandum of understanding ("MOU") with Thomson, to form a joint venture company named TCL-Thomson Electronics(TTE)
Jan2004	TCL signed a Combination Agreement with Thomson
Aug2004	TTE officially started operations.

Nov2004	TCL obtained syndication loan facilities of USD180 million from a group of 11 international and local banks, for the financing of the newly formed TTE and general corporate funding of TCL Multimedia.
July2005	Thomson transferred its sales and marketing activities in Europe and North America to TTE. TTE gained full control of its sales and marketing in its two major overseas markets.
Aug2005	Thomson exercised its exchange Option (Share Swap) and became the second largest shareholder of TCL Multinational, owing 29% of shares.
Oct2006	Announcement of the restructuring plan for the European operation and its subsequent new business model
May2007	Restructuring of TTE Europe concluded. Thomson sold most of its shares in TCL Multinational and become a general public shareholder with share of below 10%.

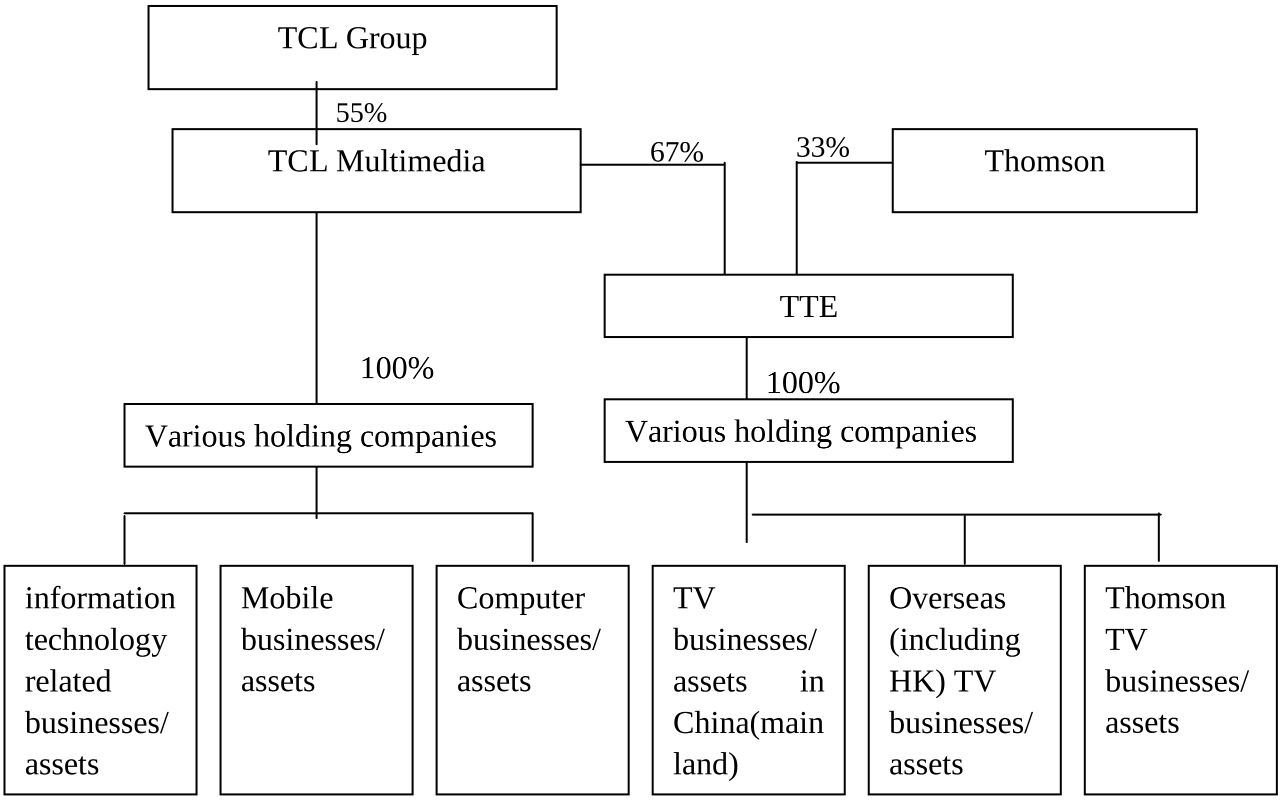
Source: Compiled from TCL's public announcements

The change of TCL's organizational structure:

Before the Acquisition



After the Acquisition



Source: TCL's announcement on the deal.

After Thomson exercised its right to swap its shares in TTE for shares of TCL Multimedia, Thomson own 29% of TCL Multinational while TTE was wholly owned by TCL Multinational. This empowered TCL to have full control over the entire operation of TTE, flexibly managing resources allocation and all functions of sales, marketing and supply chain management. After TCL's major restructure in 2006 and 2007 of their European business, Thomson's stake in TCL fell down below 10% and was considered as general public shareholder after May2007.

3.2.4 The Integration of the Acquisition (TCL-Thomson)

Mr. Li, Dongsheng had realized that the biggest risk involved in their acquisition of Thomson was whether the integration could be properly handled (He et al, 2006). After the acquisition, TCL put a lot of efforts on integration, especially focusing on the combination of Thomson's advantages on R&D and sales network in developed market along with TCL's cost advantages. Mr. Li even made a promise that the newly acquired Thomson's TV business would break even in 18 months.

1) Integration on Business and Strategy Side

Since the establishment of TTE, management had put a lot of effort in streamlining operations and realizing synergies. A series of business restructuring plans were implemented after the merger. Major restructure actions in 2004 include:

- Integrating global R&D resources.
- Implementing multi-brand strategy in global market, for example, promoting the TV brands of Thomson and Schneider in the European market and promoting RCA brand TVs in the North American market and TCL's own brands in other markets.
- Integrating global operation especially supply chain. All TCL's TV business (the existing one and the newly acquired ones from Thomson and Schneider) share the same supply chain. The manufacturing platform of TCL in China also supports its North America market. In order to reduce transportation cost, effort is placed on adjusting logistics system and increasing the proportion of direct shipment to reduce transshipment costs
- Structuring five profit centers in China, Europe, North America, Emerging Market and strategic OEM (Original Equipment Manufacturing) business.

The above action did not generate immediate return in 2004. In 2005, TCL appointed Mckinsey, the international management consultancy to provide a series of operational analysis and improvement solutions, hoping they could turn the business around as soon as possible. The major actions in 2005 include:

- Break down the existing individual divisions (such as R&D, purchase, manufacture, finance) and restructure them into two platforms, R&D and operation platforms
- Restructure the previously 5 profit centers into 2 strategic profit units. The restructuring is based on product segmentation, the flat panel TV division and the CRT TV division. representing TCL's focus has transferred from market to product. TCL aims to centralize the deployment of resources of its global business platform and to fully capture market opportunities by doing such restructuring.
- Acquisition of Thomson's marketing and sales network. After one year of the operation with unsatisfactory performance, TCL obtained the control over sales and marketing network, by realizing the importance of the two divisions in coordinating and integrating of the acquisition.

In spite of all the restructure measures in 2 years after the acquisition, TCL failed to see any improvement. Mr. Li also failed to keep his promise for the first time. TCL then has decided to shrink the business in both regions after the late 2005. In North America market, they originally had 3 plants (acquired from Thomson) with 4200 staff and 130 clients. After the restructuring, they only remained 1 plant with 2500 staff focusing on 25 big clients. With such restructuring, the business in North America rebounded and realized break-even. However, given the different and more complex situation in Europe, TCL could not take the same restructuring plan as it did in North America. They announced to dispose most of the business except the OEM business in 2006.

2) Integration on Human and Culture Side

Compared to Thomson, a multinational company with established culture built in the past 100 years, TCL did not have integrated and established cultural when the acquisition occurred given its short history as widely criticized by media and researchers and admitted by Mr. Li as well(Zhang, 2009; Feng, 2010). Based on the availability of information of TCL's integration with its acquired facilities, the company does not seem to put much effort on integrating the culture part.

TCL's measures to integrate the culture and management include:

- **Wait and see policy.** To ensure a smooth transit, TCL did not make major changes on Thomson's existing management and routines at the beginning of the acquisition. Although TTE appeared to be a joint venture, the plants and research center invested by Thomson acted more like an independent subsidiary at the beginning of the integration process. The problem of this loose control is the potential loss on conveying the value of the new company and integrates the culture both nationally and organizationally (CCTV, 2007).
- An **international management team** was established in TTE to ease the coordination and integration process. The board of director consisted of 9 directors within which 5 were from TCL and 4 from Thomson. The chairman of TCL (Mr. Li, Dongsheng) and Thomson (Mr. Charles Dehelly) are the chairman and vice chairman of the board respectively. The top management team consisted of 7 managers within which 4 were from TCL and 3 from Thomson. In terms of nationalities, more non-Chinese directors and manager were included than Chinese directors and mangers. Generally, the managers

appointed by TCL were responsible for financial management and emerging market business while the managers from Thomson were responsible for R&D and businesses in EU and the US market.

- **Adjustment of rewarding system**. As mentioned before, the two most significant characteristics of TCL are “vassal” and “inner entrepreneur”, both of which mostly focused on short term financial performance. Therefore the compensation packages of the staffs fluctuate significantly with their performance. Before the acquisition, fixed compensation only accounted for a small portion of the total compensation of the sales team, and the flexible payment which depended on the sales performance accounted for larger portion of the payment in TCL. On the other hand, Thomson had a relatively stable rewarding mechanism. TCL adjusted the compensation package of its newly acquired staff according to its own rewarding principles, aiming to promote the short term performance by providing more monetary incentives on one hand and cut fixed cost on the other hand. Since TTE had been suffering loss since it established, the reform of the compensation system actually lowered the salary and was subject to strong resistance from staff from Thomson.

3) Difficulties in Integration.

TTE faces many difficulties in integration

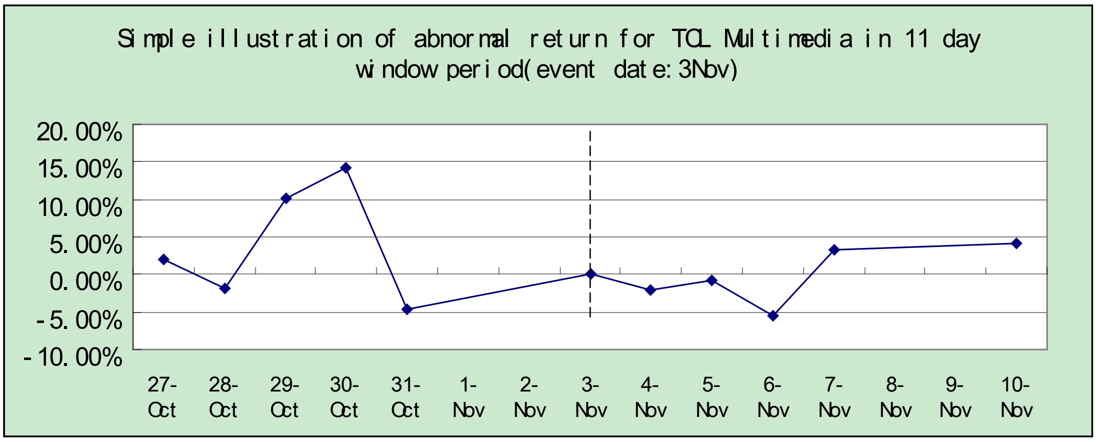
- There were many significant differences between the old French company and the new Chinese counterparty, such as languages, culture, management style, corporate governance, labor law, etc. As a traditional manufacture company, TCL used to compete in a labor-intensive industry and its competitive advantages lied in their cost control in the middle layer products. It adopted vertical management for the sake of effective control. And the two most significant characteristics of TCL were “vassal” and “inner entrepreneur”. Both encouraged short term financial performance. However, as a technology-oriented company, Thomson had a more open culture and flexible management style.(CCTV interview, 2007; Feng, 2010)
- Lack of talents. TCL did not fully prepare itself in a strong middle-management team who could work well in overseas integration. TCL preferred to build its own management team instead of hiring new talents. It used to have its middle level management trained for 3 or 5 years before they were sent to work aboard. However, after TCL’s frequent M&A actions since 2000, the need of more talents became urgent. Therefore, some

middle-management with only one year training experience had to be sent to work aboard. Many of the managers could not even speak good English or French and had trouble in communicating with foreign staff.

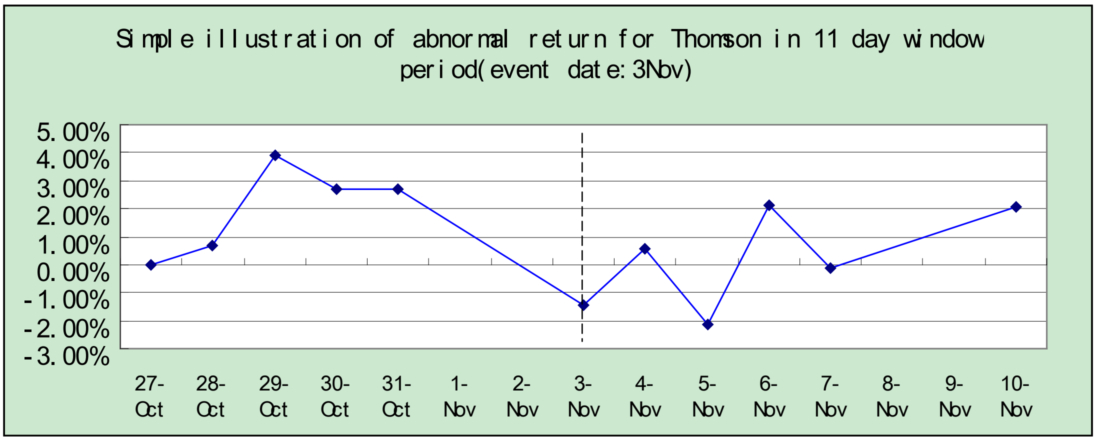
- The high cost of laying-off labors. Different from emerging market with lower labor cost and sufficient labor resource, TCL found it difficult in restructuring the unprofitable plants. In addition, dismissing employees in Europe made it to pay high settlement expenses and the lay-off had damaged TCL/Thomson's reputation in Europe. For example, TTE received a summons to appear in a court hearing on claims. The claim was made by a group of former employees, for a total compensation of approximately EUR17 million, for alleged breach of certain regulations of the French labor laws, alleged-nullity of the redundancy plan and alleged unfair dismissal during the wind down of TTE Europe in 2006.

3.2.5 Results Review (TCL-Thomson)

TCL's integration with Thomson had mixed results. As illustrated in the following two graphs, the deal seemed not well received by the market after TCL's first public disclosure on the 3rd of November 2003, while Thomson had received a more positive reaction than TCL. As explained in the literature review on performance, a simple analysis on abnormal return in conducted given the weak efficiency status of Chinese stock market.



Source: Hong Kong Stock Exchange (The abnormal return is simply illustrated by the difference between the return of stock and the return of the market)



Source: Euronext Paris Stock Exchange

In terms of the result of integration, the Europe business was not satisfactory financially. In October 2006, TCL announced a restructuring plan for its European business which had been below expectation since the merger. TCL planned to dispose most of its business except for OEM in EU. In May 2007, TCL's operating arm TTE Europe officially applied for liquidation to the court in France, indicating the failed integration with Thomson in Europe.

The business in North America had also suffered loss since 2004 but it managed to break even in the last quarter of 2005 and the overall performance basically met TCL's expectation so far.

1) The financial results of the merger

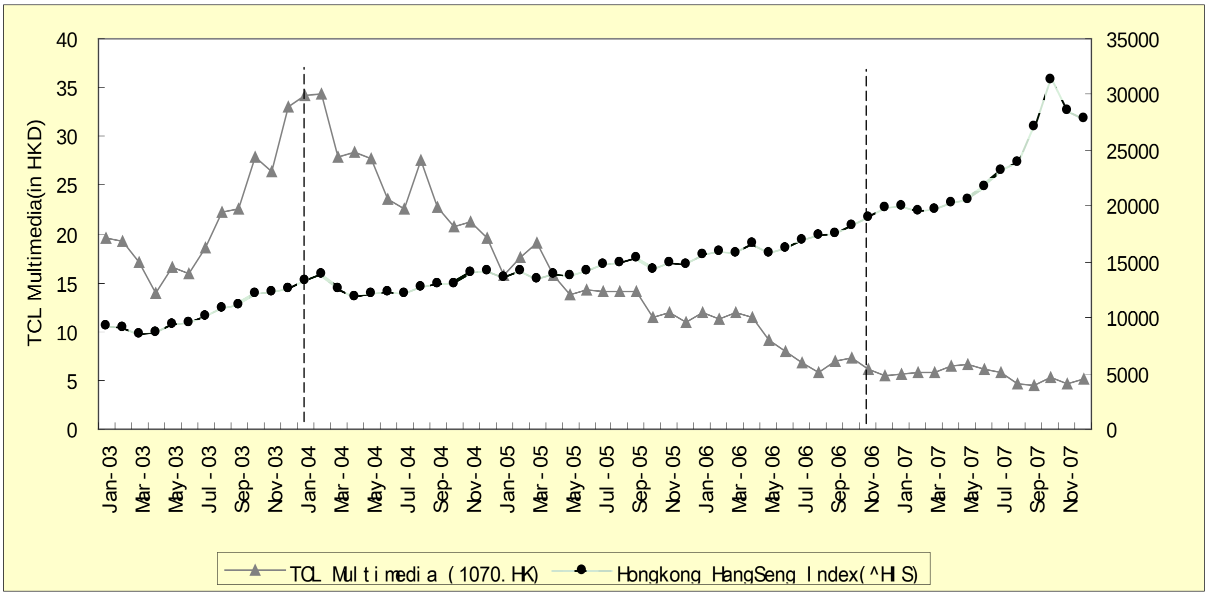
TTE had suffered loss since the merger. The accumulated loss reached to EUR203 million before TTE's restructuring in October 2006 and the loss in the first 9 months in 2006 alone amounted to EUR159 million mainly due to the poor performance of its business in Europe.

TCL's business in North America had suffered loss until late 2005 when TCL conducted the restructure plan as illustrated in last section. Since then, TCL only focuses on its 25 big clients in North America, which has yet contributed much profit to the overall performance of TCL. In 2009, sales from North America account for 10% of the total sales of TCL Multimedia.

As disclosed in the management discussion part in the annual report, the performance of Europe had been under expectation, which was the major reason of its restructuring in 2006. TCL Multimedia recorded restructuring cost of around EUR45million for its restructure. The gloomy Europe business also negatively affected TCL's performance in other markets, such as

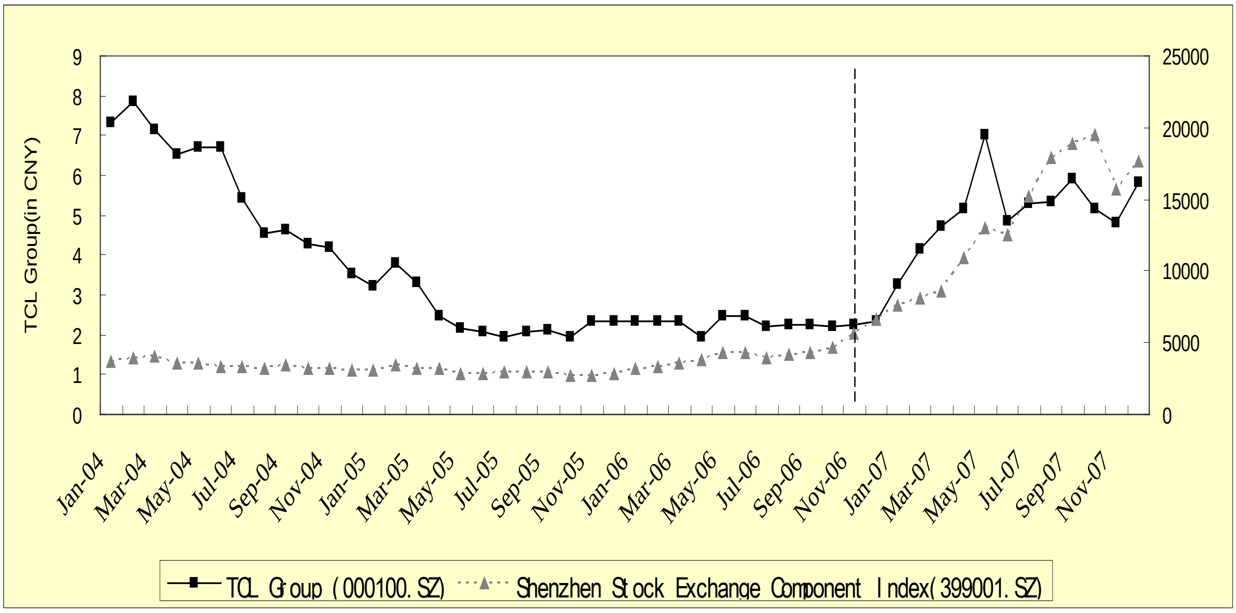
China where its markets share dropped from 20% in 2004 to 18% in 2006. TCL could not make sufficient investment in new products development and markets promotion, but instead the profit from profitable markets had to cover its gloomy Europe business. TCL Multinational’s gross operating margin dropped from 17.1% in 2004, to 16.3% in 2005, and to 15.4% in 2006.

With the successive loss of TTE, the stock price of its parent TCL Multimedia had kept dropping until the restructure of its EU business. The followings are comparisons of the stock price of TCL Multimedia and major index of Hong Kong Stock exchange, HangSeng



Source: Hong Kong Stock Exchange. The area between the two black dashed lines (i.e. from Jan04 to Nov06) illustrates the period starting from the officially establishment of TTE and ending when the restructure plan was announced.

The move of the stock price of ultimate holder TCL group followed the same trend as shown in the graph below. The price started to rise after it announced the restructure plan in October 2006. A star sign was added to the stock symbol of TCL (“*ST TCL”) by its listed stock exchange, Shenzhen Stock Exchange in May2006, indicating that TCL’s stock had made successive losses and at the risk of being delisted. The star sign was taken off in 2008 after TCL concluded its restructure and made profit again.



Source: Shenzhen Stock Exchange, China. (The data was started from 2004 when TCL group went public.)

Although we do not have access to detailed figure about the realization of synergy, we take the disclosure that "Cost savings and synergies realized in 2005 were hardly visible" in the management discussion in their annual report is fair given the huge lose they made.

There were also some other consequences regarding this acquisition. A significant result after the merger was the turbulence in top management. Nearly all of the senior management including several founders of TCL group has left in the past few years after the acquisition. More and more international professional executives were introduced to the top management, such as the CEO of TCL Multimedia, Mr. Leong, Yuewing was the retired executive Vice President of Philips Consumer Electronics. Although the introduction of the new management has made improvement on the recent performance and has re-shaped the cultural of the company, the loss of the formal top management had damaged the morale of the company. (Zhang, 2009)

3.3 Videocon's Cross Border Acquisition with Thomson

Videocon Industries Limited ("Videocon"), an Indian multinational conglomerate, has engaged in a series cross border merger and acquisition activities during the past decade. As a firm coming from developing countries, Videocon has experienced changes both internally and externally to enhancing its role in Indian electronic market and is trying to penetrate its influence into foreign markets.

Videocon's acquisition with Thomson S.A, is listed in one of the top acquisition activities made by Indian firms during the past ten years in terms of deal value (Prasad, 2007). This acquisition is not only significant to Videocon in terms of accelerating its future development in both domestic and global markets, but also, in a broader perspective, indicates the progress made by Indian firms in cross border M&As.

3.3.1 Background of Videocon

Videocon Industries Limited, formerly named Videocon Leasing & Industrial Finance Limited, is a global operating Indian conglomerate. The company was found in 1979 by Nandlal Madhavlal Dhoot. With a mission: "To delight and deliver beyond expectation through ingenious strategy, intrepid entrepreneurship, improved technology, innovative products, insightful marketing and inspired thinking about the future", after three decades of development, it is now a top consumer electronics and home appliances brand in India and the third largest CPT manufacturer in the world (The Economist, 2007). The company is under control of the Dhoot family whom possesses over 70% of the company's ownership. Mr. Nandlal Madhavlal Dhoot initiated his sons into the company. One of his sons, Mr. Venugoapl Dhoot, the Chairman and Managing Director of Videocon, and another son Mr. Pradipkumar Dhoot, the company's Whole-Time Director. The Dhoot family has involved actively in managing Videocon's business.

In the 1980s, along with the cooperation with Japanese corporation Toshiba, Nandlal launched 'India's first world-class color' TVs: Videocon. Today, the company is one of the most well known household brands in domestic market, and is listed at Bombay Stock Exchange Limited and National Stock Exchange Limited of India Limited.

Milestones of Videocon Industries Ltd

1985- Manufacture of color TVs

1987- Manufacture of washing machines

1989-1990 Manufacture of home entertainment systems, electronic motors, and air conditioners

1991- Manufacture of refrigerators

1995- Manufacture glass shells for CRT

1996- Manufacture kitchen appliances; crude oil exploration

2000- Philips color TV plants takeover

2005- Thomson acquisition; Electrolux India plants takeover

2008- Merger of groups of brands

2009- Telecom Venture

(Source: Videocon Industries Ltd)

Business Profile of Videocon

Videocon has four key operation sectors: customer electronics, home appliance and compressor; display industry and its components; CPTs glass; oil & gas.

Customer electronics, home appliance and compressor: Videocon manages sales in a multi-brand strategy with the main sales and services in Indian network. It offers customer products such as Color TVs, Washing Machines, Air Conditioners, Refrigerators, Microwave Ovens, and many other home appliances.

Display industry and its components: Videocon operates internationally in Poland, Italy and China with technologies such as slim CPT, extra slim CPT, and High Definition 16:9 CPT.

CPTs glass: Videocon as a major manufacturer of CPT Glass in the world operates through Poland and India.

Oil and gas: Videocon has an interest in oil & gas exploration. It partially owned Rawa oil field which is able to produce 50,000 barrels of oil per day and is considered as an important asset for the company.

Videocon operates in diversified activities with focuses in business segments, consumer electronics & home appliances which accounts for approximately 90% of the company's income, and oil exploration which represents nearly 10% of the revenue. In addition, the company operates under the lower costs of manufacturing strategy. A relatively cheaper domestic labor market has contributed to its cost saving strategy and has become on of its competitive advantages.

The year 2005 was a remarkable year in Videocon's history. In pursuit of the company's mission of becoming the world's major in consumer electronics and home appliances, the company completed two major acquisitions in 2005, one with Thomson S.A for its CPT businesses and another one with Electrolux India by taking over its three plants in India. The most important achievement made by Videocon was the Thomson acquisition, which was a cornerstone of its future development.

3.3.2 Background of the Acquisition (Videocon-Thomson)

Although Thomson's CPT business was facing difficulties in developed countries, Videocon saw an opportunity of it in emerging markets. Unlike the developed world, between 2003 and 2005, which the demand of CRT TVs had shifted to LCD/Plasma based technology. In India, the CRT-based technology was still the main stream technology of Color TVs manufacturing. The high costs associated with LCD/Plasma TVs was hard to bring down the selling prices which could not meet the low-price CTVs demand in India market. Additionally, based on the industry analysis conducted by Videocon, the demand for CTV in Indian market would increase by 17%-20% by the end of 2006. According to this industry analysis, there was a trend of increasing demand for flat color CRT TVs in the future Indian CTV market. Videocon had also concluded several driving factors in the future CRT TV business. For instance, Low penetration level, Electrification in rural India, Products innovation, Replacement of TVs due to aging, and Price erosion. The industry analysis as one reason enabled Videocon to commit to its decision on acquiring Thomson's CPT business since the demand of CRT TVs in India was quite bright.

Additionally, Videocon's multiple business objectives are also important drivers in participating in this overseas investment. Videocon intends to become a major player in Consumer Electronics and Home Appliances industry in the world through foreign direct investment. The company also plans to complete its value chain in CTV vertical through global operation. Other than these, the company wishes the company would benefit from cross border M&As in various aspects.

Furthermore, there are other motives for Videocon's to conduct the acquisition with Thomson. One motivation behind this acquisition is the pressure that comes from the domestic market (The Economist, 2007). By then, foreign companies such as Samsung, LG, Matsushita and Philips were controlling more than 40% of the market share in Indian market. In order to remain competitive, Videocon decided to shift its focus from selling brand-name electronics to manufacturing components. The pressure was one of the crucial factors that contributed to the latter decision on making acquisitions with foreign companies.

In addition, building up a global supply chain to achieve the goal of becoming one of the top consumer electronics and home appliances companies also motivates Videocon to go for overseas expansion. If Videocon was able to acquire foreign manufacturing facilities to make components, it would be beneficial for vertical integration in terms of lower cost in productions and parts sourcing. More importantly, it would give Videocon advantages on reducing time and expenditure required to develop in the electronics market.

Moreover, seeking strategic assets is another factor that poses Videocon's foreign acquisition. In addition to acquiring the manufacturing facilities, Videocon also intends to acquire the access to advanced technologies, the research and development facilities which is particularly important in electronics industry since the market has been in a fast pace of development. Furthermore, enhancing manufacturing capability through globalized operations, and operating under economies of scales and scopes are also important motivations for acquiring Thomson. Once Videocon finished the acquisition, it then would be able to operate at five different countries which would largely enhance its capacity by finding an efficient way to manufacture and also the large scale operations would improve the company's overall margins. Obtaining access to deliver services is also a part of acquiring consideration. Specifically, Videocon can benefit from this acquisition through Thomson's established vender relationship. Except Thomson as a ready buyer for Videocon's glass shell, Videocon would gain clients such as Vestel, Konka, and TCL through Thomson's vender relationship which may largely ensure the sales of its production (Businessworld, 2006). In brief, Videocon views its acquisition of Thomson as a crucial step to get into the global market.

3.3.3 The Process of the Acquisition (Videocon-Thomson)

On June 28th 2005, Videocon Industries Limited published an announcement at Bombay Stock Exchange Limited regarding its acquisition with Thomson S.A. In the announcement which stated Videocon Group had successfully concluded an agreement with Thomson S.A. to acquire Thomson's entire CPT business through Videocon's offshore entity.

The deal is concluded in EUR240 million by Videocon rising funds through domestic and international debt/equity markets and deliver to Thomson on a debt-cash free basis, with no transfer of any Thomson's existing debts to Videocon. Additionally, Thomson has agreed to subscribe shares in Videocon with a value of Rs 1,200 Crores in the form of GDR (Global Depositary Receipt) at price US$ 10/ GDR. Further, Thomson has also agreed to invest in Videocon Industries Limited and its subsidiary Videocon International Limited in a total € 240 million with a possession of approximately 13.1% of equity in each company. Along with the investment, Thomson also entered into a shareholders' agreement with Videocon Industries and its shareholders which restricted Thomson to transfer its 10% out of the 13.1% of interests in Videocon within 3 years, until September 30, 2008.

Key steps of major transfers:

- On February 28, 2005, Thomson finished the first step of its disengagement by transferring its cathode-ray tube plants in Italy to Videocon

- On September 30, 2005, Thomson completed other transfers of its displays activity to Videocon which included the tube assembly assets in China, Mexico and Poland; A research laboratory in Italy, and marketing and sales administrative functions in Boulogne, France.

In addition to the physical displays activity transfer, Videocon was also granted with a non-exclusive worldwide license to use Thomson's trademark in color tubes for TVs.

In order to achieve the acquisition, a special purpose vehicle called Eagle Corporation Limited, an offshore entity in which Videocon International Limited possessed 19% of equity, was used to complete the deal. During the year of 2005, Eagle Corporation Limited had finished the acquisition of global CPT businesses from Thomson with Thomson's manufacturing facilities in Poland, Italy, Mexico, and China. Excepting the plants in those countries, the agreement also included the research and development facilities of CPT business and the access to related patents and technologies. At the end of the year, Videocon Industries Limited acquired the rest 81% of stakes of Eagle Corporation Limited on 13th of December making it a Videocon's wholly owned subsidiary.

3.3.4 The Integration of the Acquisition (Videocon-Thomson)

To ensure the acquisition yields favorable gains, Videocon has adopted the following three-fold strategy along with the integration:

1) Cost cutting
2) Vertical Integration
3) Rationalization of Product Profile

Videocon had conducted a series integrating activities through physical level along with its three fold strategy in the acquisition. According to Videocon's disclosed 2006 annual report, it had been making great process on these three aspects. Videocon rearranged its manufacturing locations, relocating certain operations from high cost countries to low cost countries which aimed to achieve the cost cutting strategy and to create cost saving synergies. Additionally, Videocon reconstructed the material procurement to more efficient sources. Further, Videocon integrated the CPT facilities acquired from Thomson with its home glass panel facility which intended to leverage the capacity. Besides, Videocon reshuffled its product profile by producing medium and smaller size picture tubes instead of very large size picture tubes to meet the market needs. By doing this, Videocon had largely reduced its pressure on VLS (VideoLAN Streaming) competition. Adopting the three fold strategy, Videocon had converted the cash losing acquired business into cash surplus. To further pursue the rationalization of cost, capacity and production profile, the company decided to launch other versions of CPTs such as Slim and Extra Slim versions; besides, the company aimed to integrate all aspects of its value chain to gain more strength and to become a major player in the world's color TVs vertical.

Moreover, excepting the physical level integration, Videocon had also coordinated with Thomson on interpersonal integration. On 29th of October 2005, Mr. Didier Trutt was nominated by Thomson as a Non Executive-Non Independent director in Videocon's Board who was in charge of Tubes and Components activities in Thomson.

Furthermore, to promote the success of the integration, Videocon has emphasized on resolving difficulties incurred from culture issues. As the Chairman of Videocon Industries, Mr. Venugopal Dhoot says ‘the key to dealing with cross-cultural issues is good communication (Rodrigues, 2006). Mr. Venugopal Dhoot and the management of the company have managed to facilitate the cross culture integration by enhancing communication through all levels of the company.

Challenges in the Acquisition

Videocon has been facing difficulties in integrating its overseas operations. As Mr. Kuldeep Drabun, the non-executive & non-independent director, claimed that the company had involved in dealing the difficulties incurred in its acquired foreign factories (Subramanian, 2005). Major problems were working culture differences and languages. Since Videocon focused on reducing costs in production process; however, its newly acquired EU plants required higher labor costs compared with the low labor costs in India. Therefore, the company decided to relocate its production to lower labor cost countries India and China. Another problem regarding languages has incurred in China. Mr. Kuldeep Drabun said that the differences in languages had been an issue sometimes in its Chinese facilities.

Moreover, lack of global operational management experience is another obstacle of integration. After one year of acquisition, Videocon has still not been able to turn the plants in Italy around. Italian government has granted Videocon financial supports to avoid job cutting. In Poland, Videocon has negotiated with the local unions but has not reached a mutual understanding. In Mexico, Videocon has demanded an incentive from the local government to support its expansion in Mexico; however, the negotiation with the local government has not reached a consensus. As some analysts suggested, Videocon might need to bring in professionals who can provide international management skills and experiences to help the company to overcome the difficulties incurred in foreign investments and to improve the ability of international business management regarding its diversified global businesses.

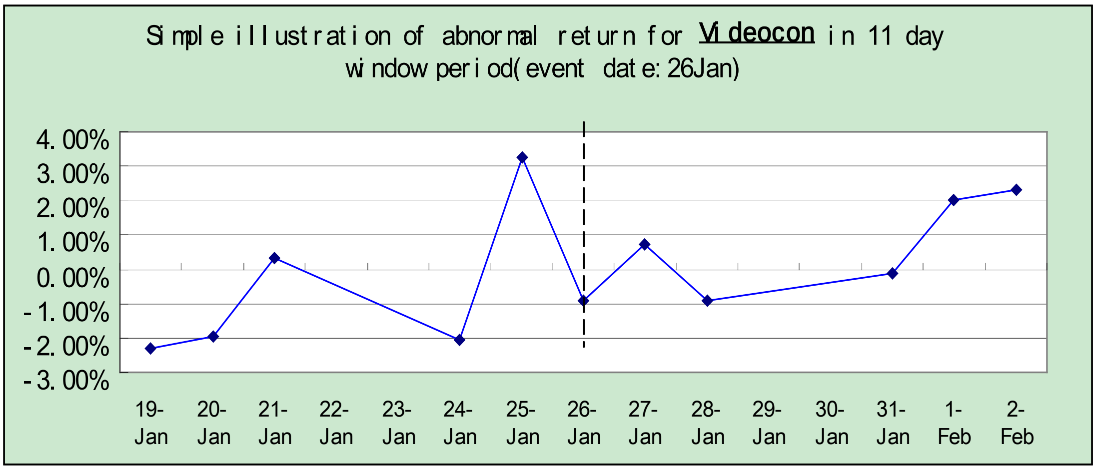
Other Voices in the Industry

Regarding the acquisition with Thomson, some industry watchers in India pointed out that the CPT market was on decline, especially, in North America and EU countries where Videocon acquired facilities. However, as Mr. Venugopal Dhoot defended, the display market in the world was still largely depended on CPT technologies, and the CPT market would still be in trend for the next 15 to 20 years. In addition, He also claimed that the acquired plants had already run Plasma lines and would begin to manufacture LCD displays soon.

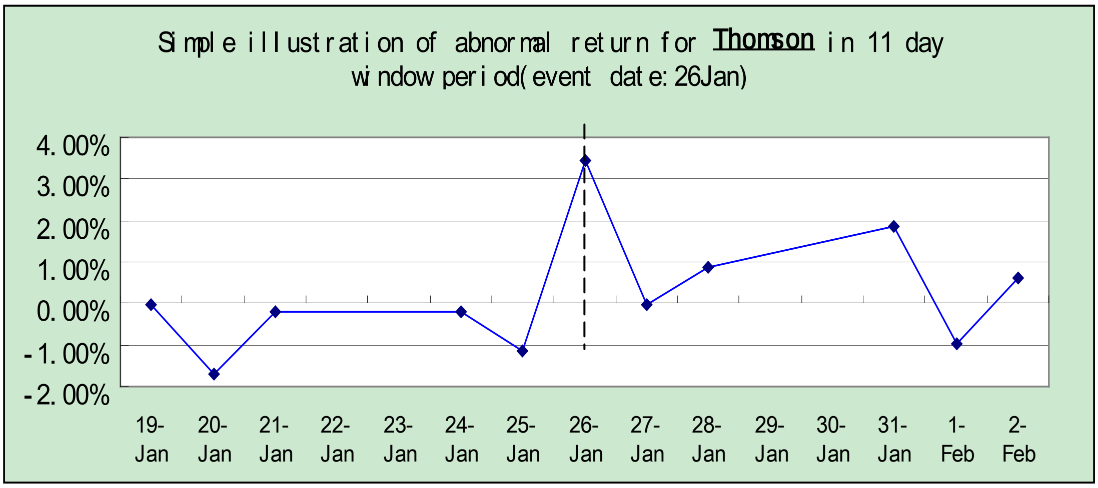
3.3.5 Result Review (Videocon-Thomson)

In this part, the analysis will conduct through different perspectives in evaluating the post-acquisition performance.

Firstly, from financial perspective, the acquisition with Thomson seemed to generate acceptable results. The immediate market reaction toward the acquisition seems to be a win-win deal although Thomson appears to win more as illustrated in the following two graphs. Again, as explained in the literature review on performance, a simple analysis on abnormal return was conducted given the weak efficiency status of Indian stock market.



Source: Bombay Stock Exchange



Source: Euronext Paris Stock Exchange

After the acquisition, Videocon's financial outcome turned out acceptable as summarized below:

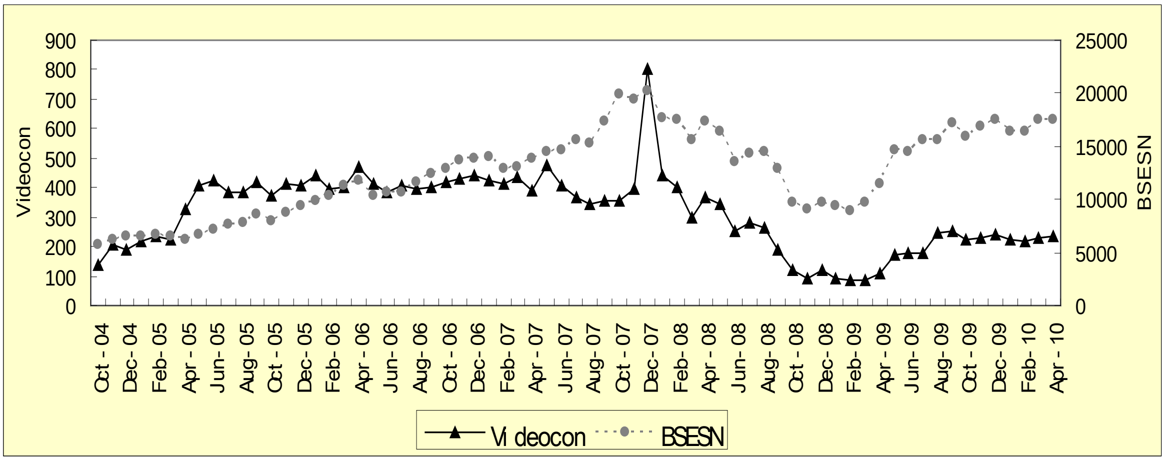
Fiscal Year (Ended on the 30th of September)	2006	2007	2008	2009
Gross Sales (Rupees in Million)	75,803	87,103	101,051	93,813
Sales in Consumer Electronics and Home Appliances' Segment (Rupees in Million)	61,409	73,001	81,975	83,187
Net Profit (Rupees in Million)	8,185	8,552	8,543	4,007
Year on year growth in Net Profit (%)	91.38%	4.49%	(0.11%)	(53.10%)

(Source: Videocon Industries Ltd Annual Report 2006-2009)

As the table illustrated, Videocon has been achieving growth in its gross sales. Since the CPT business has largely composited to the sales in Consumer Electronics and Home Appliances (CE&HA) segment, we assume the changes in CE&HA segment as an indicator of the CPT business performance. Although there was a decline of 7.16% in gross sales in 2009 compared to the previous years, the Consumer Electronics and Home Appliance's sector has grown steadily since 2006. Explanation for the decrease in sales in 2009 is the decline in Oil and Gas segment which is due to the substantially lower prices of oil in comparison with last year.

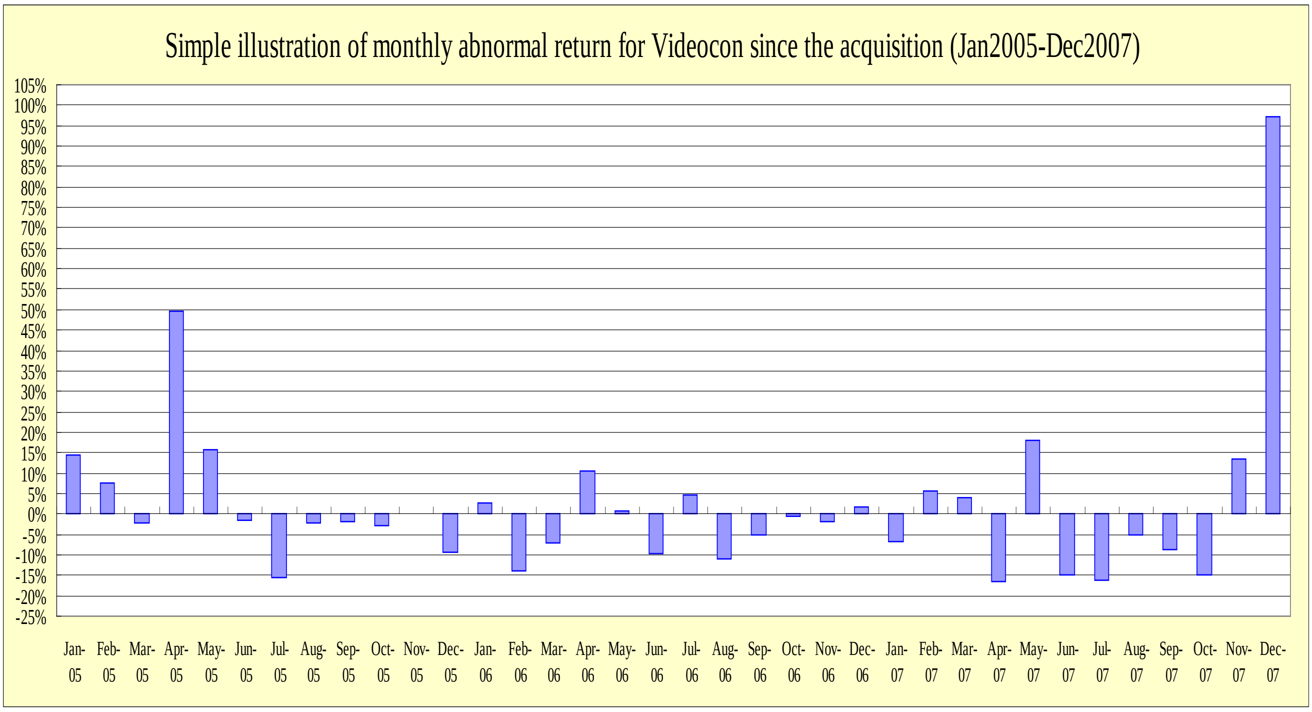
Therefore, after four years of the Thomson acquisition, Videocon does not seem to bear negative impacts from the acquisition.

Next, in addition to the accounting-based performance, we will illustrate the changes in stock prices of Videocon as another indicator of the post-acquisition performance. The comparison is done by Videocon Industries Limited versus Bombay Stock Exchange Limited ((BSESN)

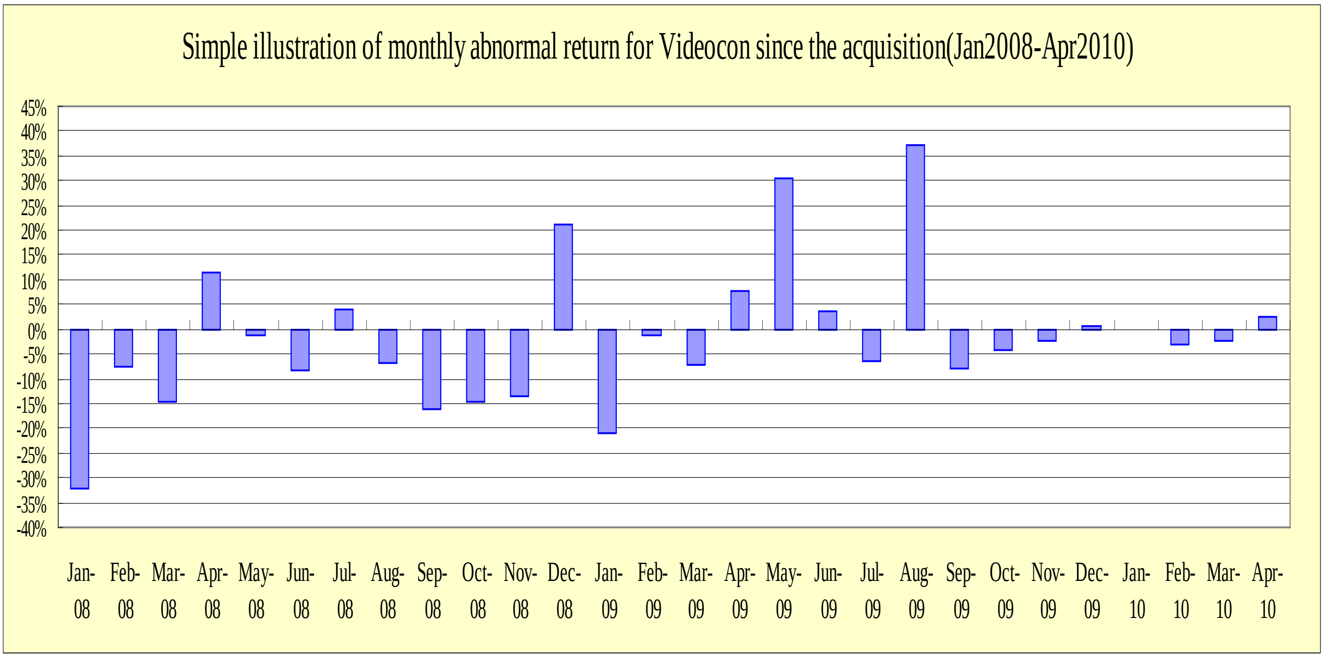


(Data Source: Bombay Stock Exchange Limited)

Videocon's stock price has remained stable after the acquisition and fell down with the drop of the Bombay Stock Exchange index in 2008 during the global economy downturn. To further illustrate the return of the stock, the monthly abnormal return before 2008 and after 2008 is illustrated in the following 2 charts respectively. (We did not do this for TCL as it seems apparent that the acquisition did not create value in capital market given the fact that TCL was at the risk of being delisted). As illustrated, the monthly abnormal return fluctuates but not significant, meaning that Videocon has managed a relatively stable business after the acquisition.



Source: Bombay stock exchange. Period: Jan2005-Dec2007



Source: Bombay Stock Exchange. Period: Jan2008-Apr2010

Furthermore, the thesis intends to review the post-acquisition performance from approaches other than financial results overview. Videocon claimed that the company had achieved operating synergies from the acquisition with Thomson. The two major forms of operating synergies are revenue enhancement and cost reductions (Gaughan, 2007). In terms of revenue enhancement, it may come from various aspects. In the case of acquisition with Thomson, Videocon has built up a global supply chain through the acquisition. The company has also obtained a strong distribution channel through its overseas manufactures. These two factors have contributed to Videocon's global penetration, and its position in the global market. Technologically, the acquired R&D has brought positive impact on the company existing R&D development. Financially, Videocon's net profit has been increased after the Thomson acquisition which is mainly contributed by the sales in Consumer Electronics and Home Appliances segment. In addition, the newly acquired factories in Poland, China and Mexico have largely enhanced Videocon's capacity in manufacturing CPT and Glass Shells which also enables the firm to achieve the reduction in cost due to rationalization of product profiles and the economies of scales and scopes. In brief, Videocon has been experiencing major positive post-acquisition influences from the Thomson deal.

Future Plans (Standing at 2009)

Videocon has realized opportunities and risks for its future development worldwide. Opportunities in the future are, for example, the booming market for entertainment sector, huge benefits in expanding in retailing, rural market, cost reduction in components manufacturing, and launching innovative products to enhance penetration. Risks associated with the major sector Consumer Electronics and Home Appliances are, for instance, the intensity of competitiveness in consumer electronics market, the seasonality of the business nature, and the adverse influence of product liability, warrants costs on operational and financial condition.

4 Case Analysis

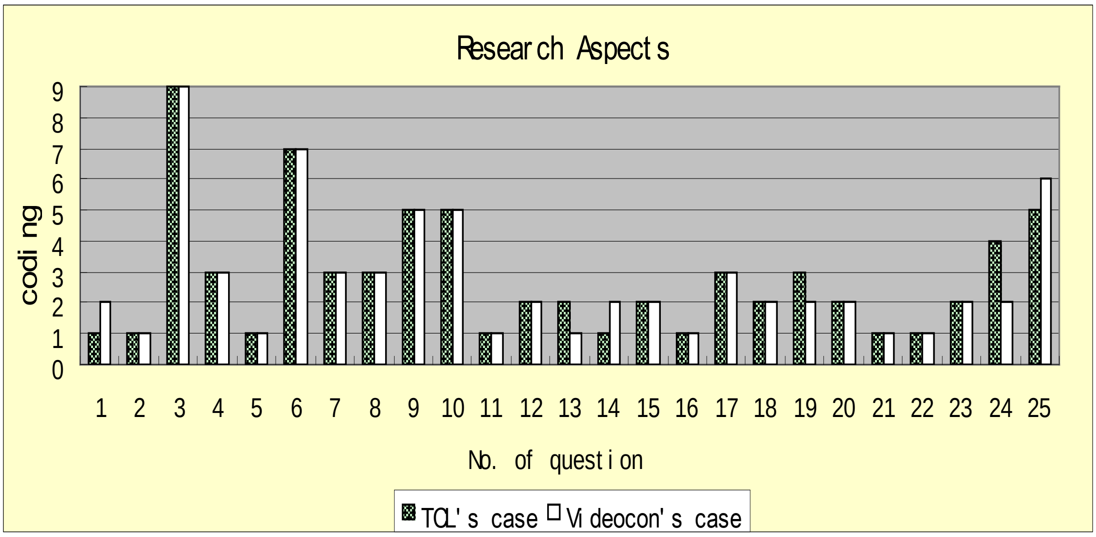
There are several similarities and differences between the case of TCL and Videocon. For example, their both acquired a loss-making business from the same company Thomson. Prior to their acquisition, both TCL and Videocon had established themselves well in their respective domestic markets. So far, Videocon's acquisition received a more positive result than TCL's acquisition which was widely considered a failure. Some insights can be derived from the following comparative analysis.

We use the case survey model developed by Larsson (1989), which provides a systematic and thorough instrument for the comparative analysis. The model contains 101 questions (mostly qualitative questions) on four aspects, as shown in the following table, which have covered many key issues of the cases. (See the appendix for detailed questions and answers and see section 1.4.4 for detailed methodology). The following table summarized the result of the comparison of the codes, which implied that the two cases had much in common in the research aspects, but differed in the integration and performance.

Aspects of questions	Number of questions	Different codes arrived from both cases	
		Numbers	%
1. Research aspects of the case study	25(Q1-Q25)	6	24%
2. Synergy realization	25(Q26-Q50)	19	72%
3. Human and culture side	28(Q51-Q78)	18	64%
4.Planning and performance	23(Q79-Q101)	15	65%
Total (all the above 4 aspects)	101	57	56%
Total (excluding the first aspect)	76	51	67%

4.1 Research Aspect

This aspect mainly examines the extensiveness of case study and the basic characteristics of the collected case. The two cases share most of the same characteristics in this aspect, as shown in the following graph where there are many questions that both cases code similarly.



Both cases are studied from the viewpoint of the acquiring companies (Q11); the acquisition occurs between related industry, and the sizes of the acquired units are relatively big compared to the size of the acquiring firms, meaning that the acquisition may have major effect on the acquiring companies, and may take more time and effort to integrate(Q16,Q25). Further, both of the acquiring firms have limited experience in cross-border M&A.

Other than the similarities, the comparative analysis also reveals the differences between the two cases. The first major difference in research aspect is the direction of acquisition. For example, TCL basically conducted a horizontal acquisition, and Videocon conducted a vertical integration.

The second major difference is the manner of the acquisition. For TCL, it obtained Thomson's TV assets by establishing a joint venture with Thomson in which TCL took a controlling interest. TCL did not pay extra cash to Thomson for setup of the joint venture. For Videocon, it obtained Thomson's CPT business by paying EUR240million to Thomson who reinvested this amount of consideration to Videocon and became a minority shareholder of Videocon.

The third difference worth mentioning is the acquired assets. TCL did not acquire the technology and patent from Thomson's TV business. Besides, it did not acquire the sales and marketing network until one year after the combination. Videocon, in contrast, acquired full aspect of Thomson's CPT business including the plant, technology and sales network.

4.2 Synergy Realization

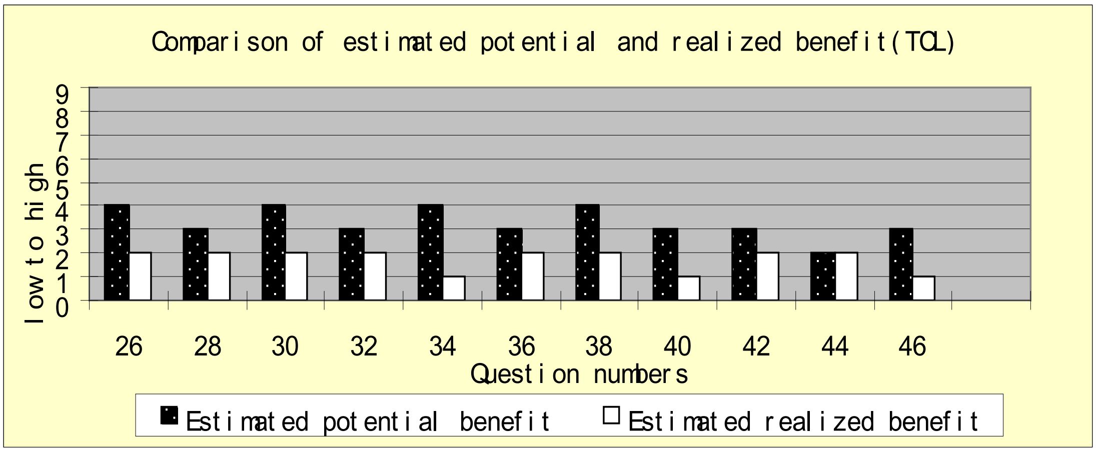
Realized synergy is the ultimate purpose of both acquiring companies. They expect an increase in sales and a decrease in cost through combination and integration. The case survey model evaluates the synergy realization from the perspective of synergy source and integration approaching for the synergy realization.

The source of synergy include

1) Cost saving from consolidating and restructuring purchasing, production marketing, administration, logistic activities.(Q26-Q31,Q34-Q37)
2) Revenue increases by reducing competition in existing market and entering new market as well as cross-selling (Q32,Q33, Q38-Q41).
3) Transfer and creation of know-how (Q42-Q47).

The following graphs are comparison of estimated and realized benefit of TCL's acquisition (the first graph below). TCL's realized benefits did not meet its expectation in most of the evaluated elements. Before the integration, TCL had high expectations on the potential benefit. Specially, TCL expected the purchasing cost of the combined company could be reduced by introducing TCL's expertise in cost management in emerging market. Besides, the transfer and creation of know-how with Thomson was TCL's key targeted gain from the acquisition. However, the realized benefit was unsatisfactory.

Videocon, on the other hand, also had high expectation on its acquisition with Thomson. Compared with TCL, Videocon had higher expectation on the level of cost savings in the production. The company expected to transfer its low cost strategy to the acquired assets effectively, and hence reduced the overall production cost through the vertical integration. In terms of synergy realization, in our study period, the synergy generated from the acquisition has not met the expectation of Videocon but close. The difference between the expected and realized synergy is generally smaller than TCL's. Specially, Videocon obtained more benefit from the transfer and creation of know-how than TCL, probably because Videocon acquired the related technology from Thomson while TCL did not.


Comparison of estimated potential and realized benefit(TCL)
low to high
9
8
7
6
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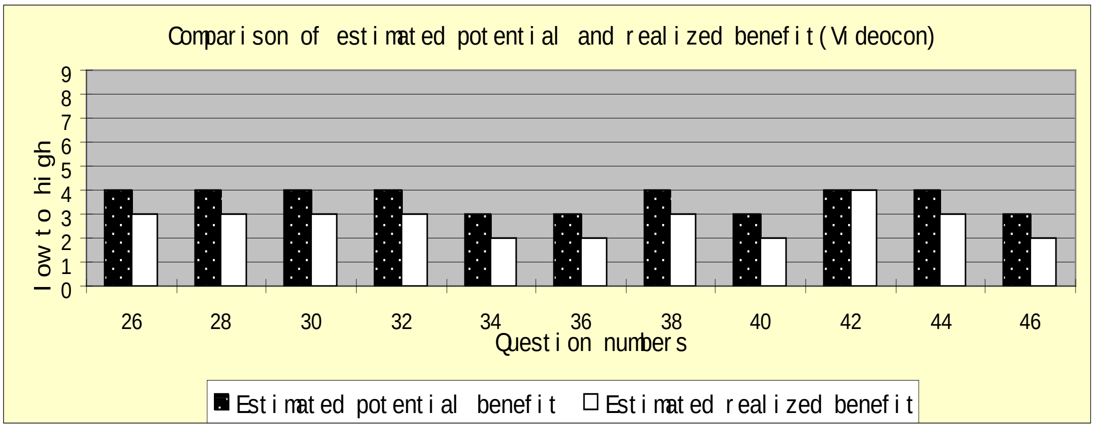
Question numbers
Estimated potential benefit
Estimated realized benefit


Comparison of estimated potential and realized benefit(Videocon)
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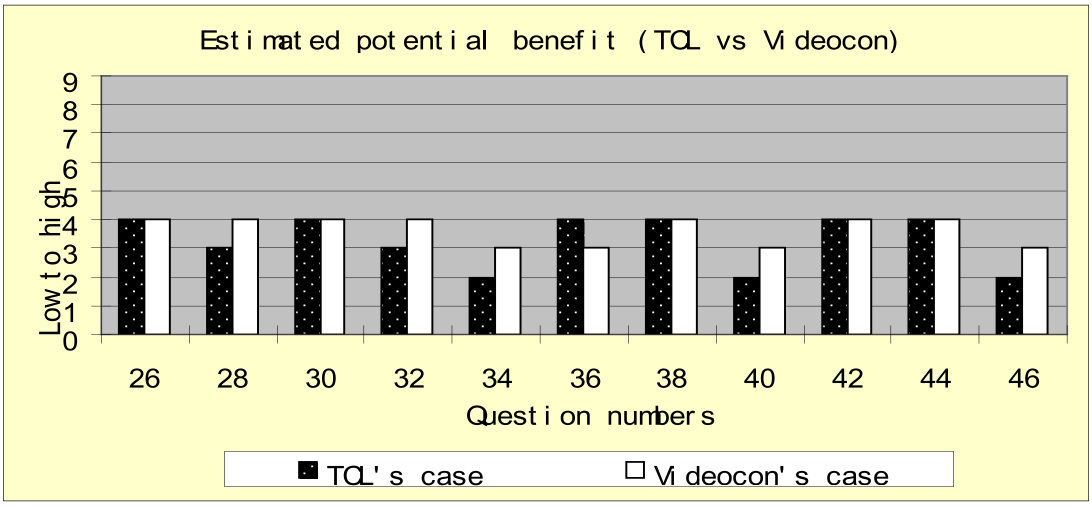
Question numbers
Estimated potential benefit
Estimated realized benefit


Estimated potential benefit (TCL vs Videocon)
Low to high
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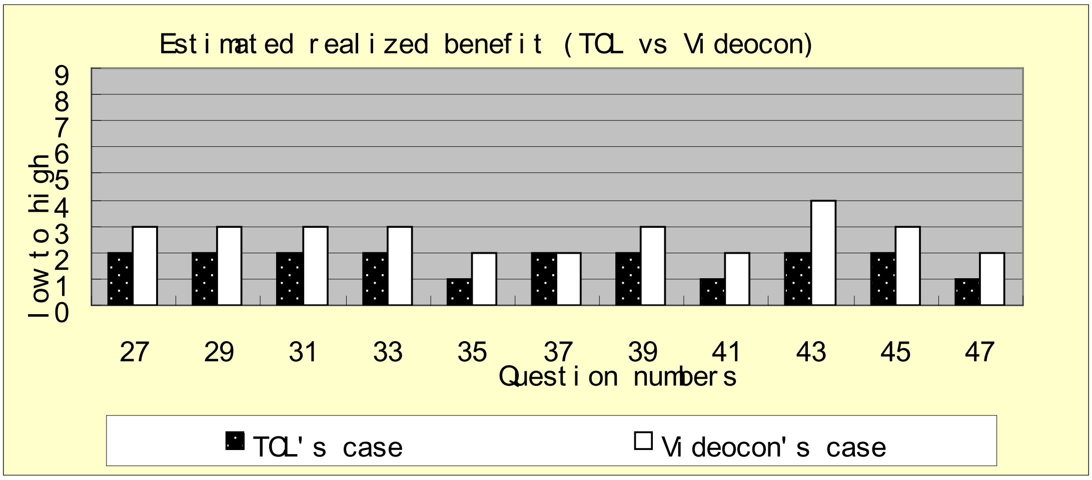
Question numbers
TCL's case
Videocon's case



The evaluation of integration approach mainly focuses on the operational interaction, coordination effort and integration speed (Q48-Q50). In this regard, Videocon acts more actively and faster than TCL with its focused vertical integration strategy. TCL moves slowly especially in integrating the acquired business in Europe.

4.3 Human and Culture Side

Integration of human resource and culture (national and organizational) are key issues for cross-border M&As as pointed out in the literature review, and to some extent determining the success of the integration. The case survey on human side of the acquisition includes:

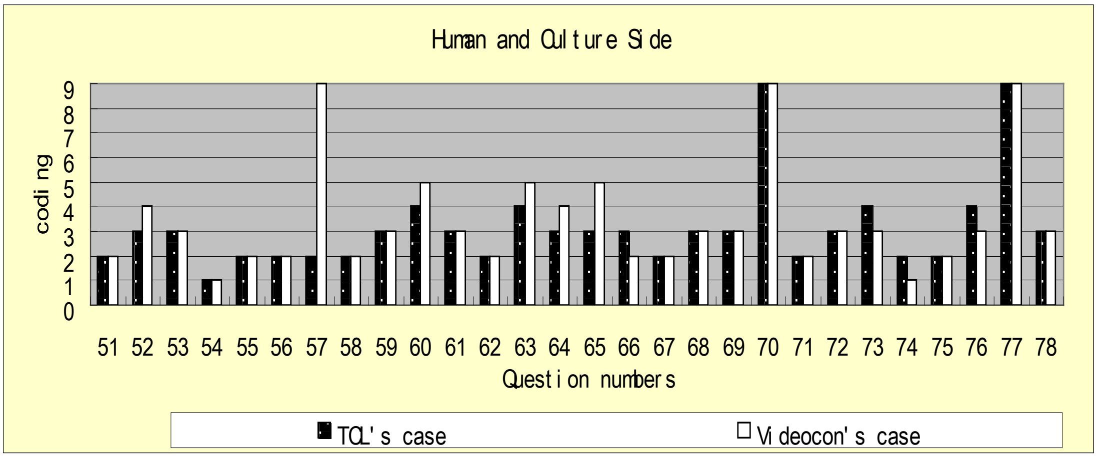
1) The level of resistance against the combination (Q51-Q53, Q67).
2) The level of achieved acculturation and similarity of the combined companies(Q54-Q57, Q71)
3) The interpretation of the employees(Q58-Q62)
4) The change on human side in the combination and integration.(Q63-Q66)
5) The actions on human side taken by acquiring firm(Q68-Q70,Q72-Q78)

TCL and Videocon did not encounter major resistance at the beginning of the integration, as they both acquired a loss-making business from Thomson. Additionally, Thomson's disposal of its TV and Display activity businesses was not a total shock for the acquired employees, and both TCL and Videocon had tried to smooth the integration by involving Thomson as a shareholder to the companies. However, there resistance had emerged when TCL and Videocon had tried to reduce the labor cost by lowing the compensation and laying off employees. Videocon was under greater pressure of the high labor cost in its acquired European facilities; therefore, it acted more aggressive in cutting labor cost to achieve its low cost strategy. In contrast, TCL's pressure on labor cost was but still a major issue on cost saving.

In addition, TCL and Videocon have both faced obstacles in integrating cultures, both national and organizational, to achieve acculturation during the integration process, given their limited experience in integration of cross-border M&A. However, Videocon has experienced greater benefits in languages, whose official language is English, during the integration process. The human resource in TCL, at an average level, has relatively lower capability in communicating in English or other foreign languages as compared to Videocon.

Moreover, analyzing from acquired employees' perspective, the combination of the two companies is considered as a mixed result which contains both opportunities and threats. On average, the acquired employees view the acquisition as an opportunity in which the acquiring company might be able to turn the loss-making business around. However, they are also threatened by the risk of losing jobs or decreases in wages, and also the conflicts between the two different national and organizational cultures. As our study indicated, at the end of the studying period, the average employees view the combination as a threat with the implementation of the labor cost cutting measures.

Regarding the allocation of the control, Videocon exerted stronger control on the acquired firm than TCL. The acquired CPT business is a key component of TV production. Therefore, the importance of implementing strict control over the acquired plants was necessary for Videocon to smooth the supply chain of TV manufacturing. On the contrary, TCL had tried to have the acquired TV business to operate relatively independent at the early stage of the integration, partially because of the nature of business and the fact that TCL had appointed Thomson as a sales agent. TCL enhanced its control significantly over the acquired business in the second year, 2005, after the combination when it had realized the communication and financial issues caused by loose control. It hired Mckinsey to help it to go through the integration.



4.4 Planning and Performance

Case survey on this aspect evaluates the following perspectives of the acquisition.

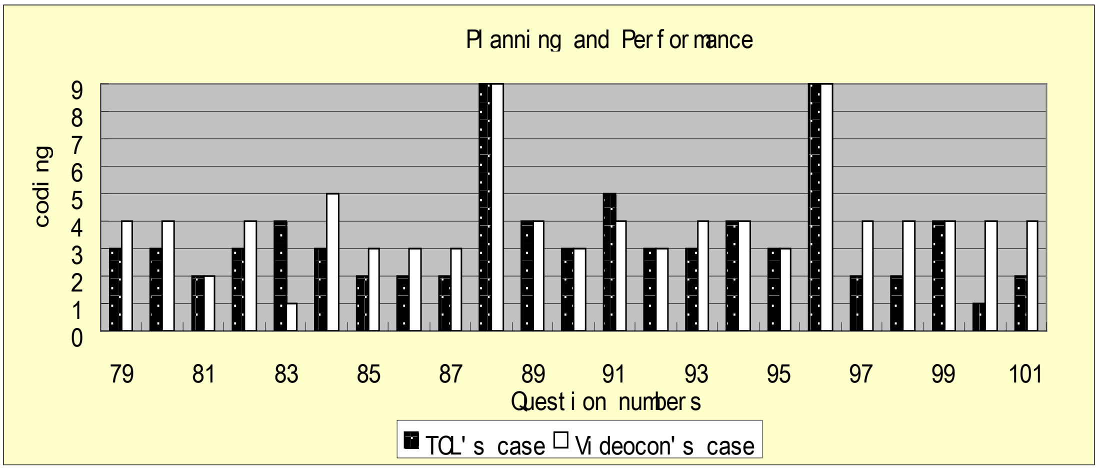
1) The constitution and execution status of the acquisition and integration plan.(Q79,Q80,Q86)
2) The post-acquisition performance in different aspects covering both financial and non financial indicators such as reaction from clients and employees (Q81-Q85, Q87-Q101).

Compared with TCL, Videocon obtains more positive feedbacks in majority of the questions in this section. As mentioned in the case study part, TCL does not fully prepare for the acquisition of Thomson in terms of pre-acquisition analysis regarding the company's internal situation and the external market climate. In spite of the negative opinion proposed from its consultant BCG., Mr. Li, Dongsheng, the chairman of TCL, insists in pursuing the cooperation with Thomson. Importantly, TCL underestimated the difficulties of integration process when they decided to take an action on the deal. Besides, the company does not prepare well in both financial and in human resource aspects before the acquisition took place. It only takes four months for TCL to finish the deal in which it neglects to obtain the control of sales network.

In contrast, Videocon is more prudent in its acquisition. It actually bid for the TV business in 2004, trying to compete with TCL when Thomson tried to sell its TV business off, but decided to quit the bidding due to the high risk after cautious evaluation of the pros and cons of the deal. Furthermore, Videocon has conducted proper industry and market analysis regarding its current position in domestic consumer electronics and home appliances market and future forecast of the CPT business worldwide before it enters in the deal. Videocon realizes that it would gain competitive advantages if it shifted its focus on manufacturing key component of the CRT TV. Actually, acquiring CPT business makes Videocon to become a preferred supplier of TCL according to agreements prior signed between Thomson and TCL (Thomson's Form20, 2005).

Summarizing the post acquisition performance, TCL and Videocon obtain quite different financial outcomes from their acquisitions. Although TCL had turned around its acquired Thomson's business in North America, the overall acquisition performance was considered unsuccessful given the huge loss in European market. The firm had suffered since the acquisition and the turnaround of North American was at the price of shrinking business. Videocon on the other hand obtained better financial results and synergy creation from the acquisition in our studied period.

Moreover, in terms of human resource management in post-acquisition period, TCL had experienced challenges from maintaining talents during the integration. The top management (including several founder of TCL group) in charge of multimedia business (including TV) were changed frequently along with the increasing loss from the acquisition. The change of the rewarding system, reducing the fixed compensation of salesmen leads to the loss of sales team. The turnover rate of the top management of the TV business was higher relative to that of Videocon. Videocon, on the other hand, had experienced pressure coming from its European facilities. Although it was cooperated with Thomson in Board of Director level, it failed in managing its foreign labors expectation.



5 Conclusions

In this thesis, we attempt to develop conceptual implications from interpretation of the theories and case study focusing on the perspectives of motivation, integration and performance. We firstly build a framework and align the fragmented theories to achieve a better understanding of cross border M&As from emerging market. Then we focus on presenting and analyzing two cases comprehensively from two largest emerging markets, China and India respectively. Finally, we conclude with theoretical and practical implications from our research.

5.1 Theoretical Conclusions

Cross-border M&A from emerging market has grown into a power to be reckoned in the global economy in recent years. However, the research on this growing phenomenon has not been extensive examined (Gubbi, et al, 2009). Our project attempts to contribute to a better understanding of cross border M&As initiated by companies from emerging market.

Firstly, E firms conducting overseas M&As generally have multiple motivations with major focuses on accessing new markets and strategic assets. This finding supports Wang and Boateng's argument that the most intrinsic motivation of Chinese firms' overseas M&As

seems to be market development, power and strategic knowledge sourcing. In our studies, learning is not a dominated motivation for the examined companies which may due to the fact that acquisitions occur between well-established companies and financially-distressed assets.

Secondly, culture difference is a great integration obstacle and negatively correlated with post-acquisition performance. Our finding is contrary to research which supports a positive relationship between the level of cultural difference and the performance of the combined company (Morosini et al, 1998; Chkrabarti, et al, 2005), whose samples are generated from cross border M&As conducted by D firms.

Thirdly, our findings further confirm the importance of integration and interaction proposed by Shrivastava, 1986, Larsson& Finkelstein, 1999 in the process of cross border M&As. When E firms acquire related assets from overseas market (i.e. non-conglomerate M&As), there is a positive link between the post-acquisition performance and the intensiveness of interaction and coordination. As suggested, the knowledge and experience about the business and the integration are most essential to successful acquisitions of distressed firms (Bruton et al, 1994). Specially, in our research area, integration and integration related experience function importantly in improving the success of the cross border M&As conducted by E firms when they acquire businesses from distressed firms..

Findings of the thesis also shed some lights on strategic choices of E firms' cross border M&As. In our study, the vertical M&A outperforms the horizontal one, which does not in line with the results of some research. For example, Guaghan (2007) suggests that D firms' horizontal cross border M&As seems to yield better outcomes. The uniqueness of characteristics of E firms' cross border M&As suggests that it is an interesting study area to further enlarge research in the future.

5.2 Practical Conclusions

Cross border M&As can be both challenges and opportunities for E firms. We have derived several factors which may positively influence the post-acquisition performance of E firms' overseas M&As. Our findings are valuable in contributing to the improvement of the success of cross-border M&As conducted by newly emerged multinational firms from emerging markets.

Firstly, elaborate evaluation of the feasibility of a cross border M&A activity should be conducted before the negotiation of the deal which means motivations of acquisitions should be based on solid, objective and rational foundation, not the impulsive or subjective judgment from top management. It is crucial for management to take an active role in acquisition activities rather than a defensive, reactive approach after a deal has been consummated (Noble et al, 1988) Acquiring firms should not only focus on the expected return and potential synergies but also the importance of analyzing related risks and challenges.

Access to new markets is one of the key motives for both TCL and Videocon. Without a deep understanding of the new market, the overseas M&A could be a dangerous move for firms expanding in an unknown market. For example, TCL had tried to enter the Europe market under Thomson's name but failed to forecast the market trend of CRT TV in Europe where CRT TV was significantly substituted by LCD and plasma TV after TCL acquired Thomson (Xu, 2007). However, in the case of Videocon's CPT business, the company had spent a considerable amount of time to construct industry and market analysis before it entered the deal. Our observation indicates that the structured industry and market analysis by Videocon has positively correlated to its later stable post-acquisition performance.

Secondly, when an E firm aims to obtain strategic assets through cross-border M&A, it should properly identify the strategic assets and consider how to make the strategic assets work efficiently and effectively prior to the acquisition. In other words, the motivation of acquiring strategic assets should be supported or fulfilled by a feasible "utilization instruction".

For instance, without control of sales and marketing network at the first half of the integration period, TCL had trouble in expanding its business in Europe and North America which were targeting markets even before the acquisition. On the contrary, Videocon's acquisition of complete set of the CPT business including both sales and technology entitle its full control over CPT business and lay foundation for the future integration.

Thirdly, the integration is a crucial factor in realizing synergies. It may also reduce the conflict when integrating human resource and cultures (national and organizational) which are the two most challenging parts in cross border M&As. In the circumstance of cross border M&As, acquiring and acquired firms usually come from different culture and management backgrounds. The importance of integrating culture has been addressed by many scholars as we mentioned in literature review part. E firms should pay a special attention to the culture and human integrating problems when they acquire established D firms. Moreover, the loss of motivation and support from the acquired employees can be disastrous (Noble et al, 1988). For example, our observed companies TCL and Videocon had faced similar problems during the integration period especially after the lay-off action. Some E firms might aggressively reduce labor force in the early stage of integration due to high wage expenses in developed countries. This may result in conflicts between acquired employees and acquirers which could become obstacles for acquirers to integrate in the later period. Therefore, considerations and effective communication mechanism related in this aspect should be involved in integration strategies by E firms

Fourthly, the speed of integration is essential. While the importance of the integration strategy has been widely accepted, the importance of the integration speed is sometimes underestimated. There is a significant correlation between the speed of integration and the merger success. Low pace of integration process may result in negative consequences such as high turnover of employee and lag of innovation (Epstein, 2004). For example, employees may interpret the slow pace as a sign of uncertainty which may result in losing talents in the end. TCL's slow action in integrating their Europe business had suffered the above consequence. As Noble et al pointed out, if the acquiring firm wait for the problem to rise, it would be too late to fix it (Noble et al, 1988)

Last but not the least, the extensive experience in cross border M&As also significantly affects the success of the M&A. Acquisition experience has been regarded as a key determinant in promoting the success of a cross border M&As by Duncan and Mtar, (2006). Extensive M&As experience enables firms to be familiar with the integration process. Lack of such experience might hinder the whole M&A process. In addition, an experienced and skilled management team is also an important pre-requirement in enhancing the success of M&As. For instance, TCL treats of its acquisition of Thomson as a valuable and expensive lesson for its future cross border M&A activities.

5.3 Limitations

Major limitations in this project are summarized as follows:

Firstly, analytical framework is limited which may not cover the full aspect of key issues in cross border M& such as the choice of targets. It would be interesting to examine how firms from emerging market choose their M&A targets in future research.

Secondly, data and detailed information regarding the researched companies are limited. Although the project has carefully screened the source of gathered information, it is possible that the information generated from reports, newspapers, and internets are disparate and sometimes unreliable. All these have created difficulties for the project in constructing a complete and systematic analysis.

Thirdly, the observation period of Videocon's post-acquisition performance is limited. This company completed the acquisition with Thomson in the late 2005 and the integration process has not yet completed by far, making it hard to conclude and define the final results of the acquisition at the present. More research and study would worth to be done in the future by following the firm's post acquisition performance.

Moreover, the project mostly focuses on qualitative measures on the two studying cases since the orientation of this project is more strategic, and also due to the limited access in complete information. Therefore, more quantitative measure and systematic evaluation could be done to further complete the research on these two cases.

Finally, the cases are mainly studied from the viewpoint of acquirers without much emphasis on the side of target companies. Future research may apply investigation on the viewpoint of target companies, such as Thomson (Technicolor).

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7 Appendix

Case Meta-analysis of M&A

Notes to the case survey
questions:

* "7" in Answer column means "others"
* "9" in Answer column means "insufficient information"
* Regarding the questions No2, we have not found any existing cases. We are the authors of the case study part in our thesis.
* T and V in the last 2 column stands for the coding from “TCL” and “Videocon” respectively

No.	**Questions**	**Answers**							**T**	**V**
		1	2	3	4	5	7	9		
	Research Aspect									
1	Research coder	Yukun Zhu	Zhongjin Wu						1, 2	1, 2
2	Total number of sources with different (co)authors								1	1
3	Total number of source pages	<30	30-60	60-90	90-120	>120			9	9

4	What is the primary field of research (or teaching) of most pages (if more than one source)?	economics	finance	strategy and marketing	organizatio n	popular nonresearch			3	3
5	What is the research publication status of most pages	unpublished working pager, dept research pager series	Harvard case,conferenc e paper, popular journal	doctoral dissertation, conference proceedings	published book or chapter	research journal			1	1
6	What is the primary research purpose of most pages	mainly descriptive	mainly normative	teaching	popular story				7	7
7	How extensive was the data collection?(adjust one position up or down for level of document collection significantly difference from given interview level)	very low	low	medium	high	very high			3	3

8	How systematic were the data collection and analysis?(like how well-founded in methodological lit.) not only positivistic standards but also qualitative and interpretive approaches	very low	low	medium	high	very high			3	3
9	Estimate average integration year studied defined as 1/2 of (calendar year of legal comb+calender year of end of studied per)	1985-1989	1990-1994	1995-1999	2000-2004	2005 or later			5	5
10	Estimate the length of time of the studied integration period (typically from the legal combination) background description is not to be included) to the end of description or complete divestment)	<1 year	<2 year	<3 year	<4 year	4 years or more			5	5

11	Estimate dominate perspective of the case study in terms of those viewpoint is mostly used	mostly the acquiring firm's	balanced mist of both sides	mostly the acquired firm's					1	1
12	Are the real corporate names used in the text	no	yes						2	2
13	Which type of legal combination was it	acquisition(where the acquired firms becomes a subsidiary of or dissolved into the still existing acquiring firm	merger of 2 firms(where the two firms are both dissolved into one new joint firms	merger of 3 or more firms					2	1
14	What was the nationality of the acquiring firm	china	India						1	2
15	Was the nationality of the acquired firm the same as the acquirer	yes	no						2	2

16	Estimate relative size defined as annual sales of acquiring firm/annual sales of acquired firm if not available use total number of employees)	1-1,5	1,5-3,0	3,0-6,0	6,0-10,0	>10,0			1	1
17	Estimate the leading motive of the acquiring firm for the acquisition?	primarily to sell most of it off(as a whole or dismantled parts)	primarily keep as an investment for its own return without any significant interaction with other organizational units like a holding company	primarily to create synergies (benefits)from interaction with other organizational units of the acquiring rim	balanced mix of two or 3 of the motives above				3	3

18	Estimate the profitability of the acquired firm in the year before the combination in terms of return on assets defined as operating income(pre=tax)divided by total assets(end period)	income	loss						2	2
19	Estimate prior combination experience of the acquiring firm in terms of number of acquisitions during the 5 last years before the focal combination(can be adjusted one step if relatively large up or small down acquisitions and significantly higher combinations activity prior to the 5 year period direction refers to numerical order and not presentational	very low (around 0-1)	low(around2-3)	medium(around 4-5)	high(around 6-7)	very high(around 8)			3	2

20	Estimate amount of prior interaction between the joining firms before the combination (like the following inferants in order of decreasing weight 1.prior customer-supplier relation 2. close competitors 3.close personal relationship at the executive level4. earlier or drawn out negotiations 5 being in the same city	very low(like only short negotiations)	low	medium(like close executive relations)	high	very high (like long extensive customer supplier relationship			2	2

21	Estimate degree of geographical market similarity. The major market of each of the joining firms are	In different countries with prohibitively high transportation costs between them for relevant products depending on weight, size and geographical distance	In different countries with low transportation costs between them for relevant products	In the same country(ies)					1	1
22	Estimate customer group similarity in terms of the categories consumers, professionals, industry, and government. The major customer groups of each joining firm are mainly	In different categories like one firms has mainly consumers and the other has mainly industry	In the same category like both firms have mainly government						1	1

23	Estimate product similarity in terms of the categories retail and finished products wholesales and intermediate products and raw materials . the major products of each joining firms are mainly	In different categories like one firm has mainly retail products and the other wholesale products	In the same category like both firms has mainly raw materials						2	2
24	Estimate the production relationship between the joining firms. Their closest related major production is mainly	Unrelated	Long-linked(the output of one firm correspond to the input of the other	Similar	Identical				4	2
25	Note the estimated industry SIC code(S&P) for each joining firm	Different 2 digit SIC	Same 2 but not 4 digit SIC	Same 4 but not 6 digit SIC	same 6 but not 8 digit SIC	same 8 digit SIC			5	6
Synergy Realization										

	Consolidated purchase of input in order to reduce purchase price/cost per unit(like through volume rebates)									
26	Estimate potential amount of benefits	no	low	Medium	High	Very high			4	4
27	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	3
	Consolidated production in order to reduce production cost per unit(like utilization excess capacity)									
28	Estimate potential amount of benefits	no	low	Medium	High	Very high			3	4
29	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	3
	Consolidated marketing in order to reduce marketing cost per unit (like integrated sales force with fewer employees)									

30	Estimate potential amount of benefits	no	low	Medium	High	Very high			4	4
31	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	3
	Consolidation of competitor in order to increase market power by reducing competition and thereby being able to command higher prices (without losing corresponding volume)									
32	Estimate potential amount of benefits	no	low	Medium	High	Very high			3	4
33	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	3
	Consolidated administration in order to reduce adm, overhead per unit (like elimination of duplicated head offices)									
34	Estimate potential amount of benefits	no	low	Medium	High	Very high			2	3

35	Estimate realized amount of benefits	no	low	Medium	High	Very high			1	2
	Consolidation of possible supplier or customer in order to reduce transaction costs per units(like elimination of intermediate storage, marketing and purchasing)									
36	Estimate potential amount of benefits	no	low	Medium	High	Very high			4	3
37	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	2
	assess to new geographic markets through the other firm's established local sales organization in order to increase joint sales									
38	Estimate potential amount of benefits	no	low	Medium	High	Very high			4	4
39	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	3

	cross selling of complementary products to joint customers in order to increase joint sales									
40	Estimate potential amount of benefits	no	low	Medium	High	Very high			2	3
41	Estimate realized amount of benefits	no	low	Medium	High	Very high			1	2
	Transfer of existing knowhow(including R&D) to one firm from the other in order for the first firm to manage its operations more effectively.									
42	Estimate potential amount of benefits	no	low	Medium	High	Very high			4	4
43	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	4

	Creation of new knowhow (including successful R&D) from the interaction between the joining firms that one firm can use in order to manager its operations more effectively.									
44	Estimate potential amount of benefits	no	low	Medium	High	Very high			4	4
45	Estimate realized amount of benefits	no	low	Medium	High	Very high			2	3
	Other explicit source of synergy in the case study that is of significance to the estimation of the total amount of synergy potential and realization made up of these synergy source(like financial)									
46	Estimate potential amount of benefits	no	low	Medium	High	Very high			2	3

47	Estimate realized amount of benefits	no	low	Medium	High	Very high			1	2
48	Estimate amount of operational interaction between the joining firm during the integration period in relation to the total amount of activity in the acquired firm (like the creation of everyday material) in services also information) and cash flows between the firms and/or restructuring resulting in more permanents transfers of products, facilities personnel and other resources between the firms	very low relative to total activity in acquired firm	low	medium	high	very high			3	4

49	Estimate amount of coordinative effort expended to enhance synergy realization by adjusting the operational interaction between the joining firms. This can be inferred from the amount of utilization of coordination mechanisms across the joining firms like special integrators, transition teams, management info systems, interaction plans, senior management involvement and temporary personnel exchange/rotation.	very low (like few mechanisms little used)	low	medium	high	very high			3	3

50	How long was the delay after the legal combination until the operational interaction and coordinative effort had significantly started becoming implemented at their subsequent levels	very short(<2 weeks)	short	medium(2-4 months)	long	very long(>6 months)			4	9
The Human Side										
51	Estimate average resistance against the combination before its legal finalization by the employees about to be acquired	very low(like almost no opposition by most employees)	low	medium(some opposition)	high	very high(strong opposition)			2	2
52	Estimate average acquired employee resistance against the integration process with the acquiring firm during the first half of the studied integration period	ditto	ditto	ditto	ditto	ditto			3	4

53	Estimate average acquired employee resistance against the continued integration process with the acquiring firm during the second half of the studied integration period	ditto	ditto	ditto	ditto	ditto			3	3

54	Estimate level of achieved acculturation(defined as the development of jointly shared meanings fostering cooperation between the joining firms) towards the end of the studied integration period. The more remaining cultural clash between the firms(like we-they polarization and remain or even strengthened old company spirit) the less acculturation has been achieved	very low(like continued strong cultural clash and almost no emerged joint org.culture)	low	medium	high	very high(like an emerged strong joint org. culture and almost no remaining cultural clash)			1	1

55	Estimate the degree of initially shared meanings across the joining firms at the time of the legal combination. This corresponds to how similar the joining firms organization cultures were initially and it can be inferred from similar societal regional and business cultures(inc language, values, norms, symbols and work activities)as well as the firms informal organizations. Observe that statements that firms organizational cultures were significantly different solely based on different managerial styles should be given a low with for this variable (covered by next variable)no 56	very low(like very different societal cultures and unrelated work)	low	medium(like similar societal culture but regional differences and related but different work)	high	very high(like same region and similar work)			2	2

56	Estimate degree of managerial style similarity between the joining firms at the beginning of the integration phase managerial style is there viewed in term so f degree (high vs. low) of formality employee participation and any other dimensions emphasized by the cases writer(these 2 or more demotions can be given equal with unless the case strong suggest otherwise)	very low(like no similar characteristics)	low	medium	high	very high			2	2

57	Estimate degree of socialization of all employee in order to create a joint organizational culture through activities like introduction programs, training and joint get together	very low (like almost no such activities)	low	medium	high	very high			2	9
58	Estimate change in average acquired employee level of motivation(defined as the actual, willingly expended efforts by employee to perform their work) by comparing it before combination versus during the whole studied integration period)	high decrease(like substantially more shirking absenteeism and merely disinterestedly going through the motions)	decrease	about the same	increase	high increase(like substantially less shirking)			2	2

59	Estimate to what extent average acquired employee interpreted the combination and subsequent integration as a **threat at the beginning** of the integration phase	very low(like most emp. Viewing it quite harmless)	low	medium(like most emp. Viewing it somewhat dangerous)	high	very high(like most emp.viewing it as about the worst thing that could have happened)			3	3
60	Estimate to what extent average acquired employee interpreted the combination and subsequent integration as a **threat at the end** of the integration phase	ditto	ditto	ditto	ditto	ditto			4	5
61	Estimate to what extent average acquired employee interpreted the combination and subsequent integration as an **opportunity** at the beginning of the integration phase	very low(like most emp. Viewing it as quite useless)	low	medium(like most emp. Viewing it as somewhat useful)	high	very high(like most viewing it as about the best thing that could have happened)			3	3

62	Estimate to what extent average acquired employee interpreted the combination and subsequent integration as an **opportunity** at the end of the integration phase	ditto	ditto	ditto	ditto	ditto			2	2

63	Estimate asymmetric change of financial control defined as unequal reallocation of influence in the financial decision-making during the studied integration period. It can be inferred from like how extensive financial reporting and performance requirements placed by one firm upon the other and the degree of centralization investment decision of other firms to one firm	very low(like almost completely equal transfer of control between firms)	low	Medium(like somewhat one-sided transfer of control)	high	very high(like almost completely one side transfer of control)			4	5

64	Estimate asymmetric change of adm control defined as unequal reallocation of influence in adm. decision-making during the studied integration period. In can be inferred from like one firm placing its people in top management positions of the other firms and centralization of adm function of the other firm to one firm (eg. elimination of other headquarters)	ditto	ditto	ditto	ditto	ditto			3	4

65	Estimate asymmetric change of operational control defined as unequal reallocation of influence in operational(mainly production and marketing) decision-making during the studied integration period. It can be inferred from like centralization of operational decision-making in the other firms to one firm	ditto	ditto	ditto	ditto	ditto			3	5
66	Estimate degree of broken integrity of the acquired firm in terms of changes in its name, formal structure, management systems, and top managers during the studied integration period.	very low(like almost no changes)	low	medium(like many minor or some moderate or few major changes)	high	very high(like many major changes)			3	2

67	Estimate degree of hostility attributed to the acquiring firm by the average acquired employees during the immediate per combination period and the beginning of the studied integration period.	very low(like then viewed as almost completely friend)	low	medium(like then viewed as somewhat hostile)	high	very high(like then viewed as strongly hostile)			2	2
68	Estimate degree of impact of the acquired employee's union on the development of the combination of integration processes. It is defined as the actual consideration given to union standpoints in decisions affecting the occurrence of the combination and how the integration process proceeded(until the end of studied per.)	no employees were unionized	very low(like almost not even any made standpoint by union)	medium(like some decisions largely reflecting union standpoint)	high	very high			3	3

69	Estimate amount of true communication by the acquiring firm to the average acquired employees about the integration during the studied integration period, like revealing integration plans beforehand and no broken promises(ie. No withholding or giving false information)	very low(like almost no true information to acquired employee)	low	medium(some)	high	very high(like almost completely rich and true communication)			3	3
70	Estimate amount of force against the wills of the acquired employees used by the acquiring firm in order to implement unwanted changes and punish possible resistance(like threatening or actually firing or demoting unwilling employees)	very low(like almost no forced unwanted changes or punishment)	low	medium(like some force unwanted changes and punishments)	high	very high(like many strongly forced changes and punishment)			9	9

71	Estimate degree of conflict of interest between the joining firms(like zero-sum or musical chair games where on firm's gain became the other's loss) relative to the commonality of interest between them (like both gained from cooperatively increasing their joint pie during the studied integration per.)	very low(like almost only commonality of interest)	low	medium (like some conflict of interest)	high	very high(like strong conflict almost no communality of interest between the firm)			2	2
72	Estimate overall career implications for average acquired employees in terms of positive or negative effects on their future work lives form the combination and subsequent integration	very negative(like almost only strongly unfavorable consequences for most emp. continued work situations)	negative	ambivalent(like a balanced mix of positive and negative or no consequences for most employees continued work lives)	positive	very positive(like almost only strong favorable consequences for most emp. Continued work lives after the comb.			3	3

73	Estimate change's in amount of work that average acquired employees were required to contribute to the joint firm during the studied integration period compared with before the combination	strong decrease	decrease	about the same as before	increase	strong increase			4	3
74	Estimate change in rewards both extrinsic from pay and benefits and intrinsic from the work itself) for average acquired employees during the studied integration period compared with before the combination (pay can be weighted the most and intrinsic work the least unless case suggest)	strong decrease(like pay cuts, loss of employee benefits and disrupted or less interest work)	decrease	about the same as before(like no or cancelled out changes)	increase	strong increase (like pay raises improved benefits and more interesting work)			2	1

75	Estimate change in job security for average acquired employees due to the combination	strong decrease(like actual or threatening lay offs shutdowns or sell offs)	decease	about the same as before	increase	strong increase(like rescue form previous, increased profitability and expansion)			2	2
76	estimate change in advancement opportunities for average acquired employees due to the combination	strong decrease(like merging 2 hierarchies into one resulting in mostly relative demotions)	decrease	about the same as before	increase	strong increase(like rescue from a declining situation and access to possible advancement in larger firm)			4	3
77	Estimate change in percentage annual overall employee turnover for the acquired employees during the studied integration period compared with before the combination	strong decrease(to around less than a third of prior)	decrease	about the same as before(+-< 25% change)	increase	strong increase(aroun d more than 3X)			9	9

78	Estimate extent of acquired key employee exits (voluntary and forced)during the studied integration period. It is defined as number of top managers, high performing operational managers in essential areas and informal leaders.	very low(10%)	low	medium(30%-45%)	high	very high(75%)			3	3
Planning and performance										
79	estimate extent of established initial integration plan around the transition from legal combination to integration phase in order to guide the following integration activities.	very low(like almost no pre-planning of integration activities)	low	medium(like some pre-planning)	high	very high(like comprehensive detailed preplanning)			3	4

80	estimate extent of actual guidance of the integration activities by the initial integration plan during the studied period. Observe that this variable is not the percentage of actual guidance by plan-high actual guidance of few pre-planned activities is still a low amount of actual guidance of the total integration activities	very low(like almost no actual integration activities were preplanned)	low	medium(like some integration activities were preplanned)	high	very high(like most integration activities were preplanned)			3	4
81	estimate the acquiring firms' intermediate evolution of the acquisition at around half of the studied integration period in terms of its satisfaction with the combination and subsequent integration up to that half point in time	very dissatisfied(like failing to fulfill even the minimal expectation)	dissatisfied	ambivalent(like indifferent or balanced mist of satisfaction and dissatisfaction)	satisfied	very satisfied(like exceeding even the most optimistic expectations)			2	2

82	Estimate comb. performance at the end of the interaction period in terms of the joining firms having been better or worse off without the comb.(=inverse of the joining firms being better or worse off with the comb. that also can be used for the evaluation). This evaluation is intended to be the average of stockholder and present mgt. opinions. Main inferants of these opinions are the change in the joint stock value around the announcement date and whether the present mgt. at the end of the period regrets having done the combination or not (observe that the management opinion is the average of both sides/pervious firms)	strong failure(like at least one firm would have been much better off and the other not worse off without the combination)	failure	neither failure nor success	success	strong success(like at least one firm would have been much worse off and the other not better off without the combination)			3	4

83	Estimate the actually sold off share of the acquired firm during the studied integration period	very low	low	medium(around20%-45 %)	high	very high			4	1

84	Estimate the leading motive for the future of the remaining(i.e. not sold off) parts of the acquired firm at the end of the studied integration period	to sell off most of the reaming parts	to keep most of the reaming parts as investments for their own return with no significant interaction with other units s of the acquirer	to keep most of the remaining part in order to create synergies through interaction with other units of the acquiring firm	a balanced mix of two or three of the motives above	others(non due to sell-off, close down or bankrupt)			3	5
85	Estimate the speed of the integration process, as indicated by how fast the intended degree of operative integration and change were achieved after the legal combination.	Very slow (eg, long waiting, small steps, major delays)	slow	Moderate (eg, partly fast, some delays)	fast	Very fast (eg, immediate major steps, very few delays)			2	3

86	To what extent was a long-term orientation emphasized during the integration process, as indicated by long-range planning, deliberate long-lasting solutions, sustainable joint value creation, etc?	Very little (eg, almost only short-term actions)	little	Moderate (eg, some long-term considerations)	much	Very much (eg, strong long-term focus)			2	3
87	To what extent were the joining sales forces integrated during the studied integration period?	Very little (eg, kept completely separate from one another)	little	Moderate (eg, some combinations of sales people)	much	Very much (eg, complete consolidation into one sales organization			2	3
88	To what extent had the average sales people to learn and sell for them new products during the first half of the studied integration period?	Very little (eg, almost all kept selling known products)	little	Moderate (eg, some had to learn and sell some new products)	much	Very much (eg, many had to learn and sell mostly new products)			9	9

	To what extent were the brand(s), products, and sales people of the **acquirer/dominant** firm retained in the joint firm during									
89	First half of the studied integr.period	Very little (eg, almost none k.)	little	Moderate (eg, some kept)	much	Very much (eg, almost all kept)			4	4
90	Last half of studied period	ditto	ditto	ditto	ditto	ditto			3	3
	To what extent were the brand(s), products, and sales people of the **acquired/dominated** firm retained in the joint firm during the									
91	First half of the studied integr.period	Very little (eg, almost none k.)	little	Moderate (eg, some kept)	much	Very much (eg, almost all kept)			5	4
92	Last half of studied period	ditto	ditto	ditto	ditto	ditto			3	3
	To what extent were new joint brand(s) & products created and new sales people hired that were different from either of the joining firms during									

93	First half of the studied integr.period	Very little (eg, almost no new)	little	Moderate (eg, some new)	much	Very much (eg, almost all new			3	4
94	Last half of studied period	ditto	ditto	ditto	ditto	ditto			4	4
	How did the customers react to the combination in terms of uncertainty, threats vs. opportunities and satisfaction									
95	At the time of legal combination	very negative	negative	ambivalent	positive	very positive			3	3
96	At middle of the studied period	very negative	negative	ambivalent	positive	very positive			9	9
97	At the end of the studied period	ditto	ditto	ditto	ditto	ditto			2	4
	How was the sales performance of the joint firm affected by the combination									
98	At middle of the studied period	strong decrease	decrease	about the same as before	increase	strong increase			2	4
99	At the end of the studied period	ditto	ditto	ditto	ditto	ditto			4	4

	How was the financial performance of the joint firm affected by the combination relative to the sum of the separate profits before combination									
100	At middle of the studied period	strong decrease in profits	decrease	about the same	increase	strong increase			1	4
101	At the end of the studied period	ditto	ditto	ditto	ditto	ditto			2	4
Source of the case survey model: Larsson, R. (1989)										