Balancing Integration and Autonomy in the Post-acquisition Phase-
A study of German firms acquired by Chinese firms

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Jing Liu
Xiaohuan Chen
Supervisor: Susanne Åberg
ABSTRACT

Acquisitions as a commonly adopted tool enable Chinese firms to gain quicker and deeper access to certain resources and capabilities from developed countries. The integration process after acquisition plays a key role in creating the expected value for acquirers. In recent years, Chinese acquirers have shifted their integration strategy from heavy involvement to high autonomy. By examining six acquisitions done by Chinese firms in Germany, this study was carried out in order to answer the question how integration and autonomy can be balanced in the post-acquisition phase. Specifically, five key success factors were examined: culture distance, communication, integration speed, leadership & top management team turnover and resources complementarity. The results demonstrated that both high integration and high autonomy could be simultaneously achieved in one acquisition case. Despite the fact, that in general speed of integration was slow, all examined acquisition examples achieved a high integration level after a certain period of time. The results also showed that the Chinese side rather considered large cultural distance between the two countries a complementary factor as they benefited from learning the German way of conducting business. The German side also tended to learn from its Chinese acquirers, which stabilized top management teams during this “co-learning process”.

Key Words: Post-acquisition Integration, Autonomy, China, Germany, Culture distance, Communication, Resources Complementarity, Leadership, Integration speed.
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<tr>
<td>OFDI</td>
<td>Outbound Foreign Direct Investment</td>
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<tr>
<td>M&amp;As</td>
<td>Mergers and Acquisitions</td>
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<td>EMNCs</td>
<td>Emerging Market Multinationals</td>
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<tr>
<td>OLI</td>
<td>Ownership, Location and Internalization</td>
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<td>TMT</td>
<td>Top Management Turnover</td>
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<td>SMTCL</td>
<td>Shenyang Machine Tool Co., Ltd</td>
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1. Introduction

In recent years, China has been proactively investing into highly developed economies. The number of foreign acquisitions made by Chinese companies rose rapidly, it doubled from 40 in 2003 to 82 in 2006 and reached a peak of 298 in 2008. In 2012, Chinese Outbound Foreign Direct Investment (OFDI) in Germany amounted to 1.93 Bio. Euros that represented 17% of Germany’s total FDI. Germany became the most popular country which covered 64 percent of all Chinese acquisition deals in the EU (Germany Trade and Invest, 2013). Therefore, we put the focus of our study on Chinese companies acquiring German firms.

Acquisition is a common tool for firms to obtain quicker corporate growth and thus it attracted substantial attention from scholars (Deng, 2007). According to Haspeslagh and Jemison (1991) “all value creation takes place after acquisition”. Four integration strategy approaches are frequently used in acquisition integration studies. They are “Preservation”, “Symbiosis”, “Absorption” and “Holding”. Each approach defines a specific level of autonomy granted to the acquired firms and a specific integration level. Prior research identified several obstacles during the integration process, such as organizational incompatibility (Datta and Grant, 1990; Jemison and Sitkin, 1986), high executive turnover (Hambrick and Cannella, 1993), culture distance (Weber, Shenkar and Raveh, 1996), operational disruption (Paruchuri et al., 2006) and leadership vacuum (Haspeslagh and Jemison, 1991). Conflicts often occur during integrating and restructuring acquired firms, because both are typically accompanied by loss of autonomy. The acquirers’ intensive interference may lead to high top management turnover (TMT). These conflicts have a negative impact on post-acquisition performance (Chatterjee, Lubatkin, Schweiger and Weber, 1992; Very, Lubatkin and Calori, 1997; Hambrick and Cannella, 1993). The loss of autonomy can even result in resentments and anger (Buono and Bowditch, 1989). The further conclusion is made that integration strategy has to balance integration and autonomy (Haspeslagh and Jemison, 1991; Graebner, 2004). Hence, five main success factors shall be considered which are culture distance, communication, integration speed, leadership & top management team turnover, as well as resource complementarity. (Gomes, Angwin, Weber and Yedidia, 2013; Ranft and Lord, 2002)

1.1 Problem Statement

The type of integration strategy determines how much value is created. Implementing an efficient integration strategy has the goal to unlock potential synergies between the two firms.
A non-existent or poor post-acquisition integration strategy can lead to acquisition failure (Haspeslagh and Jemison, 1991). In order to achieve potential synergies, many acquirers used to adopt integration strategies and plans such as typical 100 days plans which focused on the integration of acquired firms into their own corporate structures and on making changes as quickly as possible to reduce uncertainty of employees and customers (Reichheld and Henske, 1991; Clemente and Greenspan, 1997; InKpen, Sundaram and Rockwood, 2000). Yet, these strategies and plans may also create many bad side effects on target firms, such as high employee resistance and high top management turnover due to the loss of autonomy of the acquired company and the parent firms’ excessive interference (Ranft and Lord, 2002). In general more than 80 percent of acquisitions failed to achieve enough profits to cover annual cost of capital. And only 23 percent of acquisitions can be considered successful (Bekier, Bogardus and Oldham, 2001).

A study on Chinese mergers and acquisitions (M&As) in Germany found out that one third of all acquisitions made between 2000 and 2010 were disastrous. Only about one third was considered successful. As most of Chinese acquirers heavily involved in their subsidiaries, these German factories closed down and no acquisition objectives were achieved (Liu and Waldemar, 2011). However, Chinese acquirers learned from previous mistakes they made when acquiring firms in developed countries. Some researchers find that in recent years these acquirers shift to a different integration approach, in which they grant a high level of autonomy to acquired firms, and try to preserve the boundaries between the two sides. This resulted in fewer failures in comparison to previous acquisition deals (Bruche and Wallner, 2013; Otto, 2013; Liu and Woywode, 2013).

Although many researchers argue that high autonomy granted to acquired firms means loss of control and limited integration, leading to unsatisfying results for the acquirers (Puranam, Singh and Chaudhuri, 2009), some scholars highly support this integration approach, because fewer bad side effects occur such as employee resistance and high top management turnover (Kale, Singh and Raman, 2009). Hence we were very interested in investigating this topic and to discover how the conflicts are handled when balancing the dilemma of autonomy and integration in post acquisition stage.

1.2 Research Purpose

Previous scholars mainly focused on acquisitions done by Western MNCs. There is a lack of research in the area of acquisitions done by emerging market multinationals (EMNCs). Hence,
the purpose of this thesis is to increase the understanding of post-acquisition integration made by Chinese firms acquiring German firms, as well as to establish a sound foundation for further theory development within the field of post-acquisition integration.

1.3 Research Question
A case study of Chinese firms acquiring German firms with six acquisition examples is carried out to answer the following research question:

*How do Chinese firms balance integration and autonomy with acquired German firms?*

2. Theory Review and Framework
All theories about acquisition motivation and post acquisition integration concerning five main concepts are critically reviewed, summarized and presented at Appendix III.

2.1 Acquisition Motivation

*Since the study of motivations in the pre-acquisition stage enhances the understanding of integration in the post-acquisition stage (Napier, 1989), this section reviews reasons why firms from emerging countries make M&As in developed countries.*

The ownership, location and internalization (OLI) eclectic model (Dunning, 2000) says that firms can exploit their assets overseas and increase their profits only when they have certain ownership-specific advantages, which are not possessed by competitors from other countries and by internalizing these advantages in a favorable location. OLI eclectic model represents three types of advantages of enterprises that seek international expansion, namely ownership advantages, locational advantages and internalization advantages.

Dunning’s eclectic paradigm could relevantly explain the EMNCs’ OFDI towards other developing countries, as these EMNCs could leverage ownership advantages and search for location-specific advantages (Luo and Tung, 2007). However, EMNCs do not have such superior ownership advantages to leverage when they invest in developed countries (Amsden and Chu, 2003; Goldstein, 2007; Mathews, 2006).

Instead, they take proactive actions to compensate for their competitive disadvantages by acquiring firms from developed countries. A springboard perspective is used to explain EMNCs’ motivations to acquire firms in developed countries. EMNCs use acquisitions as a springboard to obtain strategic assets in order to strengthen their position in home markets.
where there is rapid growth (Luo and Tung, 2007). Strategic asset is defined as “the specialized capabilities and resources, which belong to an enterprise which are hard for competitors to imitate” (Amit and Schoemaker, 1993).

Obtaining strategic asset is proved to be the most crucial motive for Chinese MNCs’ OFDI. Chinese MNCs prefer acquisition as a quicker way to access strategic capabilities and resources such as advanced technology, managerial expertise, and market resources in industrial countries (Deng, 2007).

In conclusion, the motives for M&As of MNCs from developed countries and of EMNCs are different. The former intends to leverage ownership advantages, the latter aims at acquiring strategic capabilities and resources.

2.2 Integration Approach in Post-acquisition

2.2.1 Definition of integration and autonomy

After acquiring another firm, integration strategy becomes the central focus, and it strongly influences post-acquisition performance (Haspeslagh and Jemison, 1991; Gomes et al., 2013). Integration strategy is about how to balance integration and autonomy (Haspeslagh and Jemison, 1991; Graebner, 2004).

Integration is defined as “making changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole (Pablo, 1994). Integration can positively affect post-acquisition performance by exploiting potential synergies between acquired firms and acquirers (Capron, 1999; Larsson and Finkelstein, 1990; Birkinshaw, Bresman and Håkanson, 2000).

Autonomy in an acquisition by definition is the day-to-day freedom to make decisions rather independently without parent firm's intensive involvement but in the same time to keep a close and respective cooperation for the sake of post-acquisition objectives (Hayes, 1979; Vancil, 1979). Autonomy encourages people to be more responsible and do more meaningful work, as through it the needs for higher order of human beings, e.g. in terms of power and freedom, can be met (Khandwalla, 1977; Stubbalt, 1983)
2.2.2 Integration approach model

A commonly used model for acquisition integration approaches is Haspeslagh and Jemison (1991), which reveals four types of integration approaches. Each approach represents different levels of autonomy and integration. We will frequently refer to some of these types in our theory framework. The terms “preservation” and “absorption” are used more frequently in order to clearly distinguish between autonomy and integration.

In the model the vertical dimension represents autonomy granted to the acquired firms. The horizontal dimension shows the strategic interdependence (integration) expected between acquirers and acquired firms.

1. **Preservation**: acquirers keep the acquired firms intact, high autonomy is granted and resources are provided if needed.
2. **Symbiosis**: acquirers must simultaneously ensure boundary preservation and boundary permeability. Target firms enjoy a certain degree of autonomy. Integration is a gradual process.
3. **Absorption**: acquirers dissolve the boundary between the two firms, assimilate acquired firms into their own operation system, totally consolidate the operation of the two firms and apply high level integration and low autonomy for the target firms. Integration speed is high.
4. **Holding**: acquirers have no intention to integrate and value creation is achieved through financial transfer, application of general management skills or risk sharing.

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<td>Low</td>
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<td>Preservation</td>
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<td>Holding</td>
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Figure 1. Integration approach model (Source: Haspeslagh and Jemison 1992 p.148)

2.3 Theoretical Framework Background

Based on Haspeslagh and Jamison’s (1991) integration approach model, Gomes et al. (2013) did further research and enhancement. He demonstrated six success factors in the post-acquisition process, which are: integration strategies, post acquisition leadership, speed of implementation, autonomy, communication and cultural distance. Since integration strategies highly depend on leadership, speed, cultural distance and communication (Angwin, 2001;
Weber et al., 1996; Waldman and Javidan, 2009; Schweiger and DeNisi, 1991), they can be as well described as the balance between integration and autonomy (Haneslagh and Jemison, 1991; Kale et al., 2009; Reich, 2013). Further more, some researches also put emphasis on the importance of integrating and reconfiguring resources and capabilities from acquired firms in the post acquisition stage (Kogut and Zander, 1992; Harrison, 2001; Zaheer, Castaner and Souder, 2013). Hence, we have chosen culture distance, communication, integration speed, leadership and top management team turnover, and resource complementarity as the five criteria to analyze how Chinese companies balance integration and autonomy. In the next five sections, we will review the literature about these five criteria and critically discuss their impact on balancing integration and autonomy after acquisition.

2.3.1 Culture distance
Organizational cultures are closely associated with national cultures (Terpstra and David, 1991). If two countries have a great culture distance, there also is a big difference in attributes of organizational cultures (Kogut and Singh, 1988). In terms of culture distance, both national culture and organizational culture are put into consideration.

National cultural distance is the degree of shared values and customs between two countries (Hofstede, 2001; Kogut and Singh, 1988; Morosini, Shane and Singh, 1998).

Organizational cultural distance can be defined as difference of how things are done in different organizations (Miller, 2003). It influences how individuals and teams communicate with each other, as well as with other stakeholders (Vazirani and Mohapatra, 2012).

Cultural distance is considered to be a critical determinant of integration after acquisition (Björkman, Stahl and Vaara, 2007; Teerikangas and Very, 2006; Vermeulen and Barkema, 2001). Many studies have been done regarding relationships between cultural distance and acquisition performance (Datta and Puia, 1995; Chakrabarti, Gupta-Mukherjee and Jayaraman, 2008; Vaara, Sarala, Stahl and Björkman, 2012).

A big cultural distance could lead to poor post-acquisition performance (Chatterjee et al., 2008; Olie, 1994; Vaara et al., 2012), because it is regarded as an obstacle during the integration implementation process. It is more obvious in cross-border acquisitions (Chakrabarti et al., 2008).

However, cultural difference could be seen as a sort of resource complementarity and lead to value creation (Krishnan, Miller and Judge, 1997; Morosini et al., 1998; Vermeulen and Barkema, 2001). Firms can learn from other firms with different cultures (Reus and Lamont,
2009; Vaara et al., 2012). Hence, the increased diversification could result in a more intense innovative spirit inside firms that allows them to improve marketing skills and acquire more customers (Cox, 1991). Firms also become more adaptive towards changing environment by acquisitions with firms of different culture (Barkema and Vermeulen, 1998).

When it comes to balancing autonomy and integration in terms of cultural distance, Slangen (2006) argues that big national culture distance negatively affects acquisition performance if the “absorption” approach is applied. Instead the adoption of the “preservation” approach enhances acquisition performance under such circumstances.

2.3.2 Communication
Communication in a single organization facilitates firm performance as efficient internal communication enables employees and managers to share insights and create conformity to achieve common goals. Further more open and transparent communication increases employee commitment (Mishra, Boynton and Mishra, 2014). Communication within one company is already quite complex. As acquisition involves organizations, communication challenges between acquirers and acquired firms are even higher. In comparison cross-border acquisitions provide the highest level of difficulties and communication has an extremely critical influence on post acquisition performance (Gertsen, Søderberg and Torp, 1998; Ranft and Lord, 2002; Gomes et al., 2013).

Top managers normally are well informed about the acquisition. However, they have the tendency to avoid discussions with employees due to many reasons (Miris and Marks, 1986). Thereafter, employees seek information from other sources such as rumors due to the lack of information and uncertainty towards their future (Napier, 1989).

D’Aprix (2009) emphasized that face to face communication could be a more credible source of information for employees. Two-way communication formal as well as informal between employees and managers is proved to be of highly valuable in organizations. Open and transparent communication results in well informed employees. They obtain a better understanding about the coming corporate changes and the difference in their work responsibilities after acquisition, which enhances the integration process (Schweiger and DeNisi, 1991; Eisenberg and Witten, 1987).

Ranft and Lord (2002) states that communication in the post-acquisition stage is proved to be critical for reducing employee uncertainty, builds trust and facilitates knowledge exchange between the two firms. Communication richness particularly compensates for the acquirers’
limited control when “Preservation” integration type (acquired firms have high autonomy) is adopted, as it establishes a cooperative and collaborative atmosphere in which the two firms can achieve expected synergies under the internal organizational boundary. Haspeslagh and Jemison (1991) emphasize that the atmosphere plays a key role in the integration implementation process. When acquirers have a high integration and low autonomy plan, which is called “Absorption”, the integrating process aims at assimilating target firms into the acquirers’ systems, which requires a lot of communication work (Haspeslagh and Jemison, 1991).

2.3.3 Integration speed
Integration speed is considered to be critical in post-acquisition stage (Homburg and Bucerius, 2006; Schweizer and Patzelt, 2012). Either high speed or low speed could lead to good performance (Inkpen et al., 2000).

Homburg and Bucerius (2006) argue that internal relatedness (management style, strategic orientation, performance) and external relatedness (target market and market position) jointly affect the relation between post acquisition performance and integration speed. High speed could lead to better performance when higher internal relatedness comes with lower external relatedness. In contrast high speed could strongly decrease performance if lower internal relatedness as well as high external relatedness represent the situation of the two firms. However, integration speed has a weak influence on post-acquisition performance when internal and external relatedness are both high or both low.

Fast speed integration is especially beneficial when it comes to reducing customer uncertainty after acquisition. Customer uncertainty originates from potential changes in product related issues, different contact persons, rumors in the market and efforts of competitors trying to gain over customers (Reichheld and Henske, 1991; Clemente and Greenspan, 1997). Fast speed integration implementation e.g. conducted through a typical 100 day plan (Inkpen et al, 2000), could also increase employee commitment as it mitigates the uncertainty for employees of the acquired firms. In addition, fast integration enables firms to quickly benefit from economies of scale, and save cost (Capron, 1999; Homburg and Bucerius, 2005).

In contrast, Ranft and Lord (2002) write that fast speed integration results in value destruction e.g. because key employees and top managers with valuable knowledge leave the organization soon after acquisition.
Slow integration can leave a time period for mutual learning and trust building between acquired and acquiring firms (Homburg and Bucerius, 2006). Mutual learning and trust enable firms to achieve resource- as well as knowledge transfer (Haspeslagh and Jemison, 1991). Ranft and Lord’s (2002) further elaborate that slow integration has a positive impact on cultural adaptation. Low speed and high autonomy given to the acquired firms could keep the valuable knowledge inside the acquired firm for a period of time and therefore knowledge transfer can be less difficult. Low speed enables the TMT (Top Management Team) to better adapt the integrations plans and manage the team in accordance to the acquisition objectives. However, for high-tech firms the first and prime motivation for acquisitions is to obtain new technologies in order to combine them with their own business and create innovations. Hence in this case, slow integration speed could be risky for acquirers (Lin, 2012).

2.3.4 Leadership and TMT turnover

2.3.4.1 Leadership

Leadership plays a vital role in creating substantial acquisition values towards acquisition performance (Pablo, 1994; Strauss and Corbin, 1990; Waldman, Javidan and Varella, 2004). Graebner (2004) conceptualized the acquisition values in two types, expected and serendipitous. Acquired leaders are important for both types of values. On one hand, Expected values can be achieved under the support of them, because they mitigate potential conflicts and help to relieve employee anxiety that typically occurs in post-acquisition stage. Acquisition can also catch serendipitous value, if leaders have the visibility to discover unexpected synergies. Babić, Savović and Domanović (2014) emphasized that employee needs support from leaders when there are new changes; leaders’ support could leads to a better acquisition performance.

2.3.4.2 TMT turnover

The TMT is a group of high position managers who have the responsibility to draft and execute corporate strategies. They have the authority and power to comprehensively control and influence firms. They are of high importance and influence (Smith, Smith, Olian, Sims Jr, O’Bannon and Scully, 1994). When acquisitions take place, the TMT in the acquired firms becomes a critical issue. Angwin and Meadows (2009) found that high-level integration as conducted in the “absorption” approach might relate to high TMT turnover.
From the acquired firm’s perspective, high-level integration indicates intensive interventions from acquiring firms (Krug and Hegarty, 2001), less autonomy and lower formal status (Hambrick and Cannella, 1993). As a result high-level TMT turnover increases significantly.

In comparison, the integration approach with high autonomy granted to acquire firms usually relates to low TMT turnover (Angwin and Meadows, 2009).

Low TMT turnover could come from two reasons. The first is that executives in acquired firms have a positive outlook on the long-term benefits of the acquisition, which motivates them to stay (Hambrick and Cannella, 1993). The Second is that the TMTs in both acquirers and acquired firms have complementary functional backgrounds (Krishnan et al., 1997).

As stated above, the different TMT turnover rate after acquisition is caused by multiple reasons. Whether TMT turnover has a positive or negative effect on post-acquisition performance, there are also different opinions from previous researches. From corporate control perspective, post-acquisition performance (Lowenstein, 1983) can be improved if acquirers replace members of the acquired firm’s management team that are perceived unnecessary to better exploit acquired assets. From a resource-based view, however, high TMT turnover has a negative impact on post-acquisition performance, because the TMT in acquired firms possesses unique and vital internal knowledge (Brockmann and Anthony, 2002; Michalisin, Karau and Tangpong, 2004; Kiessling and Harvey, 2006). Randel and Ranft (2007) also emphasize that TMT turnover has negative effects on information exchange and social capital in acquired firms. Butler, Perryman and Ranft (2012) examined the relationship between top management turnover and the acquisition outcomes in acquired companies. The result showed the same. The lower the turnover in an initial post acquisition TMT, the greater the market expansion goals can be achieved (Cording, Christmann and King, 2008).

2.3.5 Resource and capability complementarity vs. similarity
Firms make acquisitions to gain quick access to certain resources and capabilities in foreign countries, in order to open up new markets and obtain new technologies. Kogut and Zander (1992) put emphasis on the importance of integrating and reconfiguring resources and capabilities from acquired firms in the post acquisition stage, e.g. new markets and capabilities from acquired firms or mutual diversification of corporate resources (Morosini et al., 1998; Kogut and Singh, 1988).
2.3.5.1 Resource and capability complementarity

Resource and capability complementarity can be defined as two firms having complementary, mutually enhancing elements, such as strong marketing abilities from one side combined with advanced research and development abilities from the other side. Bringing two different attributes together can potentially create greater joint values (Milgrom and Roberts, 1995). To achieve such joint values, the two firms need to closely coordinate each other and cooperate well (Kim and Finkelstein, 2009; Milgrom and Roberts, 1995). However, these can only be achieved if acquirers and acquired firms can efficiently combine and integrate their resources. Either side cannot create them alone (Cassiman, Colombo, Garrone and Veugelers, 2005; Conner, 1991). Thus, a certain level of integration is necessary to achieve potential synergies between acquirers and acquired firms, when their resources and capabilities are complementary (Harrison, 2001).

On the other hand, acquired firms have their own unique set of resources and capabilities, which is embedded in its specific context and people as well as unfamiliar and new for the acquirers. The acquirers have bigger challenges to be fully aware of the target’s resources and capabilities than their own (Capron, 1999). These resources and capabilities should be well maintained to achieve the aimed synergies. Acquirers should grant a certain level of autonomy to the acquired firms in order to ensure the stability of the acquired firms (Harrison, 2001). This certain level of autonomy is also proved to be especially vital to deploy complementary R&D resources and capabilities (Zaheer et al., 2013).

2.3.5.2 Resources and capability similarity

The extent of how much two firms overlap in terms of markets and technology is associated with similarity. Two firms with high similarity of resources and capabilities have potential synergies to achieve economies of scale and gain higher market power through integration (Lubatkin, 1983). It has a positive impact on earnings for acquirers (Singh and Montgomery, 1987). A high integration level can be expected if two firms are similar. It is easier to go through the integration process as the two firms share much of the same skills and understanding of markets and technologies (Kogut and Zander, 1992; Makri, Hitt and Lane, 2010). Such high degree of integration means a lower level of autonomy (Datta and Grant, 1990). However, when firms acquire similar firms for the sake of gaining high-tech and improving product quality by absorbing acquired knowledge, the target firms’ high loss of
autonomy will result in knowledge disruption. Therefore the expected objective to absorb new technology cannot be realized (Puranam et al., 2009; Ranft and Lord, 2002).

Previous researches show that a high integration level means low autonomy granted to acquired firms, and a high autonomy is always combined with a low degree of integration (Datta and Grant, 1990; Pablo, 1994). However, Zaheer et al. (2013) argues that a high level of integration and autonomy can coexist and are required to achieve great post acquisition performance. Moreover, decisions on integration and autonomy levels are made separately, especially when two firms match complementarily.

It can be said that balancing integration and autonomy is necessary, either when acquirers and acquired firms are complementary or when they are similarly related in terms of resources and capabilities.

2.4 Conceptual Framework

We summarized our conceptual framework in Figure 2. As stated above, theories regarding the implementation of integration have conflictive ideas as some scholars conclude that different integration levels could all possibly lead to post-acquisition success or failures (Child, Pitkethly and Faulkner, 1999; Hubbard and Purcell, 2001). We will take five factors into consideration to explore Chinese acquirers’ integration approach. They are culture distance, communication, integration speed, leadership and TMT turnover as well as complementarity of resources and capabilities. These five key factors are vital for balancing autonomy and integration (Gomes et al., 2013; Ranft and Lord, 2002).

![Figure 2. Theory Framework](image-url)
3. Methodology

3.1 Research Approach
This thesis intends to increase the understanding of post-acquisition integration made by Chinese firms acquiring German firms, as well as to establish a sound foundation for further theory development within the field of post-acquisition integration. In order to contribute to the mentioned topic, it is of high value for the authors to refer to the plenty existing theories and studies of acquisition integration that are based on cases in industrialized countries. However, we think that these theories are not sufficient to understand the integration approach applied by Chinese MNCs, as these firms have different attributes and operate in different business environments. Thus, abductive reasoning gets applied. This approach allows us to go through an intertwined process that uses empirical data and existing theories. Abductive reasoning has the advantages of understanding a new phenomenon, and of improving the existing theories by adding new insights (Van Maanen, Sorensen and Mitchell, 2007).

3.2 Research Design
The research design is the author's plan of how to answer the research questions (Saunders, Lewis and Thornhill, 2012). We define the nature of our study as exploratory research. First, as external researchers, we have no involvement and little understanding about the business reality in the organizations, and we acknowledge that acquisitions from EMNCs are a new phenomenon that has ample aspects to discover (Liu and Woywode, 2013; Kale et al., 2009). This research design is more complex and probably different from previous studies, which are mostly based on acquisitions done by firms from industrialized countries. Hence we were ready and excited to gain new insights occurring during the data collection process as exploratory research has the advantage of discovering and adding new perspectives on the given topic. When choosing an exploratory methodology, a qualitative study is suitable (Yin, 2009).

3.3 Research Strategy
A case study is relevant and suitable to gain an in-depth understanding of the context and the processes of a phenomenon (Eisenhardt and Graebner 2007). It has the considerable ability to answer the “how” questions (Yin, 2009). At the same time, the use of case studies is
worthwhile to explore or challenge the existing theories (Saunders et al., 2012). As little attention has been drawn to the topic of balancing integration and autonomy granted to the acquired German firms by Chinese acquirers, the evidence gained from a case study including six acquisition examples can possibly build a foundation for further theory development.

3.4 Case Selection

In the beginning of acquisition example selection, we decided to contact acquirers of small size, because we know that large size firms in China are highly hierarchical and hard to contact. However, the small size firms, which did acquisitions of German firms, are not present in the media. We tried to contact consulting firms that deal with acquisition issues for Chinese companies. Yet, information on the acquisition deals is highly confidential.

Afterwards, we chose 25 companies from the acquisition report made by BGM Associates Research (Bruche and Wallner, 2013). It lists the 25 largest corporate acquisitions from China in Germany between 2002-2012. Because of expected access difficulties, we targeted a large sample of firms in order to significantly increase the possibility to collect enough data. Among these 25 companies, we have only had existing contacts to two firms. Strong continuous efforts were made to gain access to all other 23 acquisitions. The initial contact by email was unsuccessful as no feedback was received. Thus cold calls were made both to the German and Chinese side.

After 2-4 weeks of contacting, access was gained to seven acquisitions. As one acquisition (WISCO acquire Tailored Blanks) in the end did not provide new insights, it was deleted. Among the six remaining acquisitions, only one required anonymity. Further more we also chose to not present another example’s name as sensitive issues were raised during integration process. We considered this a more ethical way of conduct. These two anonymous acquisitions are from the new energy sector. The six acquisition examples therefore make up one case, which is Chinese firm acquiring German firm.

Table 1 shows the fundamental information of the six acquisitions concerning industry, transactions values, the number of employees in acquired firms, and the number of our informants.

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>Acquirer</th>
<th>Acquired</th>
<th>Industry</th>
<th>Acquired Year</th>
<th>Approximate Transaction Value/million Euro</th>
<th>Approximate Number of Employees in Acquired Firm</th>
<th>Number and Level of Informants</th>
<th>Affiliation of Informants</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Company 1</td>
<td>Company 2</td>
<td>Year</td>
<td>Employees</td>
<td>Role 1</td>
<td>Role 2</td>
<td>Acquisition Status</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------</td>
<td>---------------------------</td>
<td>------</td>
<td>-----------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>--------------------</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>SMTCL Schiess AG Machine</td>
<td>Machine</td>
<td>2004</td>
<td>8</td>
<td>1 Manager</td>
<td></td>
<td>Acquirer</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Beijing No.1 Waldrich Coburg</td>
<td>Machine</td>
<td>2005</td>
<td>35</td>
<td>1 Manager</td>
<td></td>
<td>Acquired</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sany Putzmeister Machine</td>
<td>Machine</td>
<td>2012</td>
<td>360</td>
<td>1 Manager</td>
<td></td>
<td>Acquirer</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>SZXN Degen Solar Cell New Energy</td>
<td>Machine</td>
<td>2013</td>
<td>8</td>
<td>&lt; 50 employees</td>
<td>2 CEO</td>
<td>Acquirer and Acquired</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Energy Inno New Energy</td>
<td></td>
<td>2012</td>
<td>25</td>
<td>400 employees</td>
<td>2 Managers</td>
<td>Acquired</td>
<td></td>
</tr>
</tbody>
</table>

### 3.5 Data Collection

#### 3.5.1 Primary Data collection and interview process

In line with our research methodology and research strategy, a “non-standardized” semi-structured interview is chosen. Cooper and Schindler (2008) also suggest that when a study includes exploratory elements, semi-structured interviews are suitable to obtain data. Interviews are a most advantageous approach to obtain data in the following circumstances: First, there is a substantial amount of questions. Second, the questions are open-ended and of high complexity. Third, the logic and order of questions can be adjusted to different interviewees (Jankowicz, 2005; Saunders et al., 2012).

Our interview media is mostly digital via the Internet together with telephone calling. Concerning digital interviews, both synchronous (Skype and Chinese online chat program QQ) and asynchronous (email and internet forums) ways are used. There are two main reasons why such approaches instead of face-to-face interviews were chosen. Firstly, the potential interviewees are either from China or Germany, which are geographically remote from the authors. Secondly, as most of the interviewees are top managers with high job intensity and physical visits are more difficult to organize, the probability that a face-to-face interview request will be refused is rather high. Luckily, we were able to conduct only one face-to-face interview in Uppsala due to the fact that the German firm has a subsidiary here, and we interviewed the CTO in the end of our data collection in Uppsala.

Saunders et al. (2012) emphasize the importance of preparation before interviews. Preparation increases data quality and demonstrates the authors’ competence and credibility. First, information on potential interviewees was gathered, such as their previous work experience and their working years in the studied organizations. We have mainly used their LinkedIn profile and their corporate webpages. Secondly, in order to enhance information quality provided by interviewees, we collected data online (company webpage, news in Chinese, English and occasionally in German) about the acquisitions. Third, the list of questions was sent to the interviewees beforehand, so that they could prepare themselves,
which is a way to facilitate cognitive access (Saunders et al, 2012). The themes of the questionnaire were: cultural distance between German and Chinese firms, top management turnover in German firms, communication mechanisms, integration speed, and the two firms’ complementarity of resources and capabilities. We have designed two interview guides for both Chinese side and German side. The interview Guide for Chinese side is written both in Chinese and English. (See Appendix I and Appendix II)

Table 2 below presents our summarized information of our interviewee position, and the years they spend in the studied organization and the interview time. Interviewed companies are marked with a white background in the table. The grey ones in the same line are their acquired/acquirer companies.

Table 2. Overview of the Interviews

<table>
<thead>
<tr>
<th>Interview No.</th>
<th>Acquisition firm</th>
<th>Interview type</th>
<th>Date</th>
<th>Length</th>
<th>Interviewee</th>
<th>Stay period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sany Putzmeister</td>
<td>Skype</td>
<td>March 23</td>
<td>35-40 min</td>
<td>Secretary General Director</td>
<td>8 years</td>
</tr>
<tr>
<td>2</td>
<td>SMTCL Schiess</td>
<td>Skype</td>
<td>March 25</td>
<td>20-25 min</td>
<td>PR Representative</td>
<td>12 years</td>
</tr>
<tr>
<td>3</td>
<td>WISCO Tailored Blanks</td>
<td>Skype</td>
<td>March 30</td>
<td>10-15 min</td>
<td>CEO of Tailored Blanks</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>BYJC Waldrich Coburg</td>
<td>Skype</td>
<td>March 27</td>
<td>20-25 min</td>
<td>PR Representative</td>
<td>15 years</td>
</tr>
<tr>
<td>5</td>
<td>as above</td>
<td>E-mail</td>
<td>March 28</td>
<td>-</td>
<td>as above</td>
<td>as above</td>
</tr>
<tr>
<td>6</td>
<td>as above</td>
<td>Skype</td>
<td>March 31</td>
<td>30-35 min</td>
<td>as above</td>
<td>as above</td>
</tr>
<tr>
<td>7</td>
<td>SZXN Degen</td>
<td>Skype</td>
<td>March 31</td>
<td>30-35 min</td>
<td>CEO of Degen</td>
<td>30 years</td>
</tr>
<tr>
<td>8</td>
<td>SZXN Degen</td>
<td>Skype</td>
<td>April 14</td>
<td>35-40 min</td>
<td>CEO of SZXN</td>
<td>14 years</td>
</tr>
<tr>
<td>9</td>
<td>Bestwind Solar Cell</td>
<td>Skype</td>
<td>March 31</td>
<td>25-30 min</td>
<td>Works Council Representative</td>
<td>15 years</td>
</tr>
<tr>
<td>10</td>
<td>as above</td>
<td>E-mail</td>
<td>April 01</td>
<td>-</td>
<td>as above</td>
<td>as above</td>
</tr>
<tr>
<td>11</td>
<td>as above</td>
<td>Skype</td>
<td>April 06</td>
<td>20-25 min</td>
<td>as above</td>
<td>as above</td>
</tr>
<tr>
<td>12</td>
<td>Energy Inno</td>
<td>Skype</td>
<td>April 07</td>
<td>55-60 min</td>
<td>Product Manager</td>
<td>5 years</td>
</tr>
<tr>
<td>13</td>
<td>as above</td>
<td>E-mail</td>
<td>April 23</td>
<td>-</td>
<td>as above</td>
<td>as above</td>
</tr>
<tr>
<td>14</td>
<td>as above</td>
<td>Face-to-face</td>
<td>May 02</td>
<td>50-60 min</td>
<td>CTO</td>
<td>30 years</td>
</tr>
</tbody>
</table>

3.5.2 Choice of Interviewees

Since the topic of our thesis is balancing autonomy and integration in the post-acquisition stage, it involves both acquirers and acquired firms. We therefore have chosen interviewees from both sides. In the beginning we intended to interview managing directors, communication department managers, as well as works council representatives on the German side. Works councils in Germany play a vital role between employer and employee, as they deal with employment issues especially during acquisitions. These representatives are more open to interview requests according to suggestion from BRIC-INVEST in Germany.
BRIC-INVEST has been conducting many researches concerning BRIC (Brazil, Russia, India, China) countries’ investments in Germany. In the end, we had a wide range of interviewees from both German and Chinese firms: three CEOs, two PR representatives, one general manager assistant, one works council representative, one product manager and one CTO respectively. In total, fourteen interviews were conducted with eight interviewees.

3.5.3 Gaining Access

Acquisitions by nature are of high sensitivity. Thus gaining access and building trust became a difficult part of this research. In the following our data collection strategy is further described. In order to gain comprehensive data, we had the strategy to gain hybrid access - a combination of traditional and internet-mediated approaches.

Overcoming organizational concerns about granting access:
To overcome concerns about time and resources required for the research, the participants were offered to only partly answer the questions in our interview guide (Easterby-Smith et al. 2008). Informed consent was reached by declaring the interviewees’ rights and by promising confidentiality of data before interview questions were sent to the organizations. By doing so, anxiety was decreased, honesty and respect was shown to the interviewees, which in return enhanced the possibility to collect more qualified data (Bryman and Bell, 2005; Saunders et al., 2012).

Utilizing existing contacts
It is easier to gain access if existing contacts are utilized wisely (Easterby-Smith et al. 2008). It is also suggested that by creating a track record based on old contacts credibility with new contacts increases (Saunders et al., 2012). We have searched our existing contacts in China and Germany, and have made best use of social media such as LinkedIn, Wechat (social media platform widely used in China) and Facebook to find contacts that may facilitate access. After selecting the acquisitions, we searched contacts connecting us to corporate staff and managers. By using existing contacts to institutions such as the German Chamber of Commerce in Shanghai, the Acquisition “Energy acquired Inno” was acquired as one of our examples.
3.5 Establishing credibility

Robson (2011) illustrate that gaining the participants’ willingness to cooperate is a matter of credibility and trust. By sending out emails using Uppsala University’s email system, a high level of credibility and trust was built compared with sending emails via personal email addresses. To enhance this positive effect the research purpose was clearly stated in the emails and emphasis was put on the high importance of the participant’s cooperation and support for the research.

3.5.4 Using proper language

In initial calls and emails to Chinese interviewees the term “Chinese firms’ wisdom and experience in managing foreign acquired companies” was used instead of “research” to make the topic more interesting for the potential participants. As their working style is rather straight German interviewees were directly informed of our request. We were aware that Chinese firms have a much more hierarchical structure compared with German firms. Hence gaining access to top managers is much more difficult. Either through existing connections or by convincing gatekeepers such as receptionists of the research value for the firm, we also achieved the goal of talking to Chinese top managers.

3.5.4 Secondary data collection

In order to complement the primary data collected through interviews, we also used secondary data, which is argued to be of higher quality (Saunders et al., 2012). As main source for secondary data in this study documentary data, including organizational documents, emails, and news on webpages were used.

At the same time, we have contacted some government-supported organizations, such as the German Association of M&A consultants (http://www.bm-a.de/), as well as the Bric-Invest Association in Germany (www.bricinvest.de). Their information helped us to gain an overall understanding of the topic, as these organizations provide support and consultancy on acquisition deals. We also contacted M&A consulting agencies, however, due to strict confidentiality agreements with customers, they were not able to provide any secondary data.

3.6 Data Analysis

The conducted interviews were recorded and transcribed. They were reviewed in detail before the following interview to improve results. In total there are fourteen transcriptions.
They were summarized and categorized in accordance to the defined themes. Coding and cluster analysis method (Foss, 2004) was used to review the data. First, all interview were written down. Secondly, transcriptions of each Acquisition were classified into the five concepts of our theory framework. Thirdly, we created and highlighted existing keywords (codes) in our transcriptions. Then, all codes were moved to a new document and connected with each other. The result was a summary of all 14 transcriptions categorized in five concepts that could be examined on the base of the study’s theory framework. We have summarized and compared the key findings, and the results show what are confirmed and what contradicts the theories we presented in theory section. Please see Appendix IV.

3.7 Reliability, Validity and Limitation

Case study research always has the limitations in terms of generalization to a big population (Yin, 2009). However, we carried out a case study with six acquisition examples as triangulation to make our conclusions stronger (Saunders et al, 2012). The conclusions might be applicable to acquisitions done by emerging countries in developed countries due the similar nature of post acquisition styles (Kale et al., 2009).

We are also aware that some of our respondents are CEOs who are very busy. Hence the interview time was limited to maximum 20-25 minutes. Within this short period of time the ability to develop a deeper understanding of the studied case through interviewed CEOs was limited. However, we have tried to compensate by searching secondary data and by emailing assistants to CEO’s to obtain internal supporting documents on the topic.

In order to improve validity, interviews were mainly conducted with top managers from the Chinese and German side.
4. How Chinese Firms Integrate Acquired German Firms

In this section, we present our empirical findings regarding the six acquisition examples. The findings show the reality of how Chinese acquirers balance integration and autonomy by considering the five main factors in focus (culture distance, communication, integration speed, leadership & top management team turnover, and resources complementarity). There is also a short description of two firms and fundamental background of each acquisition.

4.1 Schiess AG and Shenyang Machine Tool (SMTCL)

Shenyang Machine Tool Co., Ltd (SMTCL) was founded in 1995. It is a state-owned machine tool builder in China. Schiess AG is a world-famous machine producer with 150 years history, located in Aschersleben, Germany.

SMTCL participated in an exhibition in Chicago in 2002 to introduce itself as the largest machine tool producer in China. However, its booth was located in the basement where fewer visitors passed by. This made SMTCL to change its strategy to gain and improve its global impact through international cooperation. SMTCL was dedicated to get rid of limitations stemming from China’s old planned economy, and increase its product range as well as its machine precision. In December 2003, SMTCL and Schiess started to talk about cooperation. On June 25th 2004, Schiess had to file for bankruptcy and SMTCL took the opportunity and acquired the firm with an approximate transaction value of 8 million Euros. In December 2004, the acquisition was completed.

4.1.1 Culture

Schiess AG was less hierarchical than SMTCL and much more decision-making friendly. Tasks were executed by strictly following previously made plans (Interview 2, 2015). At SMTCL, however, the labor force was more flexible as employees were used to work overtime if the organization needs them to finish urgent projects (Interview 2, 2015).

In the beginning of the acquisition, the difference between the two firms caused many difficulties for cooperation. SMTCL chose to respect and accept the difference. The objective was to develop mutual understanding over a long period of time.

Both sides adopted a “compromise” attitude to combine the two sides’ advantages and create culture diversity (Hou, 2013). SMTCL aimed to learn the German’s rigorous and precise manner of making machines, and then combine it with Chinese workers’ hard working spirit. SMTCL also had the plan to transfer the Chinese hard working spirit, passion
and flexibility to Schiess AG. In order to achieve the objectives, SMTCL adopted the 3C Principle (Communication, Credit, Cooperation).

After 10 years, the “marriage couple knows how to handle things together now”, as stated by SMTCL (Interview 2, 2015). The German side learned the Chinese way of conducting business at a certain level as the Chinese side absorbed the German’s way of doing things.

4.1.2 Communication
SMTCL sent some of its Chinese staff to Germany not to supervise German employees but to support them and help the two sides to better communicate (Interview 2, 2015). German engineers were also sent to China to facilitate communication and transfer skills (Hou, 2013).

4.1.3 Integration speed
“Chinese were very efficient, it only took 3 months for them to complete the whole acquisition, which actually was supposed to take 6 months” said by German side (Hou, 2013). However, after the deal was closed, SMTCL was very careful to execute its integration strategy slowing moving towards its goal. Mr. Chen, who was the CEO of SMTCL, had set a long-term plan for Schiess AG before acquisition.

He proposed three fundamental principles: First, to support Schiess AG to develop further. Secondly, to keep the tradition of Schiess AG and keep its base in Germany rather than moving it to China. Thirdly, to keep its talents and management style (Hou, 2013).

The slow integration speed also showed in the work of totally independent department. The purchasing department did not achieve any synergies due to different product offerings. Such independencies satisfy both sides. They have different requirements, as suppliers provide material of different quality.

4.1.4 Leadership and top management team turnover
As Mr. Chen stated, the original TMT was kept and Schiess AG was granted high autonomy to operate and develop new technology. Managing directors from SMTCL only interfered in the decision-making process at a corporate level to ensure that Schiess AG follows the corporate strategy of SMTCL (Interview 2, 2015).

At the same time, SMTCL also controlled who stayed in the TMT. “We only controlled the top management team, in all other HR related issues we did not interfere”, said by Mr. Chen
4.1.5 Resource and capability

Trinity can be summarized as SMTCL’s plan to integrate resources and capabilities. It stands for “Get orders in China; Made in Germany; Timely service in China”. “We have a foot in Europe, Schiess AG has a foot in China” (Hou, 2013). Regarding sales and market, the acquisition provided chances for both sides. The two sides worked together on sales and had a high level of integration (Interview 2, 2015).

SMTCL specializes in manufacturing small to medium size machine tools, while Schiess AG is better in producing large machinery (Interview 2, 2015). “The acquisition widens our product rage to higher quality products, and enables us to target more market segments”. Before the acquisition, SMTCL relied on imports when high end products were needed. Thereafter its German subsidiary’s produce was used for their orders in China. Additionally, SMTCL had a “PRD (Product Research & Development) Plan”, which intended to reduce the tech gap with Germany. 36 master students were hired to get trainings in Germany (Hou, 2013).

4.2 Waldrich Coburg and Beijing No. 1 Machine Tool Plant

Started in 1949, Beijing No.1 Machine Tool Plant started its business in the year the People’s Republic of China was founded. It’s a state-owned large-scale machine tool manufacturer. Waldrich Coburg is a medium size machine tool builder in Germany, founded in 1920.

In 2004, the American company Ingersoll, the parent company of Waldrich Coburg at that time, filed for bankruptcy and decided to sell two subsidiaries (Waldrich Coburg and Waldrich Siegen). As Beijing No.1 and Waldrich Coburg started to cooperate since 1984, the two sides had built trust over their 20 years of cooperation. Hence, Beijing No.1 decided to acquire Waldrich Coburg with 35 Mio. Euros and continually invested approximate 40 Mio. Euros for building a new manufacturing workshop, an office building, repairing machines and increasing employee benefits. After 10 years, sales of Waldrich Coburg doubled, and the number of employees increased from 500 to more than 800, which made Beijing No.1 the largest Chinese employer in Germany. Beijing No.1 increased orders by 10 times and gained 5 times higher profits after the ten years cooperation.
4.2.1 Culture

An American firm had acquired Waldrich Coburg, and heavily intervened. The result was not satisfactory. In comparison, the Chinese owner Beijing No.1 was different. “We have all the freedom we need and all decision are made here in Germany.” said Becker, CEO of Waldrich Coburg (Interview 4, 2015).

Beijing No.1 had a mid to long-term plan, which ranged over 5 years. However, it did not require such plan from the German side. Waldrich Coburg had its own rather showed term plan, which was based on one-year objectives (Interview 6, 2015). Such a “One country, two systems” policy intended to create trust and a good cooperation atmosphere (Interview 5, 2015). Chinese incrementally learned and understood the culture of Germany and Waldrich Coburg. After ten years, “Beijing No.1 can handle things and work with us in a more European way” (Interview 4, 2015). Waldrich Coburg’s branch in Beijing strengthened its connections with Chinese culture and further enhanced the corporation.

4.2.2 Communication

Right after acquisition, there were rumors in German media, and employees had many doubts about its Chinese owner (Interview 4, 2015). In order to resolve all rumors and doubts, Mr. Cui, CEO of Beijing No.1, started to talk with every employee with sincerity and openness (Interview 5, 2015).

The communication mechanism during the integration process worked like this: First, there were two big meetings every year. Secondly, three Chinese staff members were sent to Germany to coordinate the work. Thirdly, Beijing No.1 set up a special business unit to handle the cooperation with Waldrich Coburg. The unit acted as a communication bridge. Fifthly, when conflicts occurred, the key to solve the conflict was to have open and direct communication that made compromises possible (Interview 6, 2015). One example was the negotiation with works council in terms of increasing working time due to the increased orders. Germany is a country with very strict rules for working time. The negotiation was tough and long. However, an agreement was achieved in the end (Interview 5, 2015). Works council agreed to increase working time by 2 hours every week and to abolish two holidays. Such a result was rarely seen before (Interview 4, 2015).
4.2.3 Integration speed
Integration speed was considered slow (Interview 4, 2015). Beijing No1 followed two principles for the past ten years:

a. The “Big tree principle” was initiated by Mr. Cui. During the years, Beijing No.1 provided necessary support when its German subsidiary needed or suggested new projects. At the same time, it tried to keep the tradition of Waldrich Coburg and let it grow independently like a big tree that is well adjusted to and rooted in its environment. Any big or quick changes would put it in danger (Interview 4, 2015).

b. “Do participate but not lead” In order to create synergies, the management method “matrix management” was applied by Beijing No1 (Interview 5, 2015). Through matrix management, both sides could clearly see responsibilities for decision-making. There were 56 decision-making items defined at the operational level, in which Beijing No.1 controlled only four financial items. The German side decided over the other 52 items. This transparent system of decision-making, made the two organizations cooperate very smoothly. And it also created trust and showed respect to the TMT in the acquired firms.

4.2.4 Leadership and TMT turnover
Beijing No.1 kept the whole TMT of Waldrich Coburg since 2005. The German team was perceived as critical intangible assets. “Chinese people rather look up to us than down on us”, said Mr. Becker, CEO of Waldrich Coburg (Interview 6, 2015).

Two reasons why TMT was stable were: First, Mr. Cui played a very critical role during and after the acquisition. His personal character and communication skills reduced anxiety and created a pleasant atmosphere (Interview 4, 2015). Secondly, the TMT felt good towards the new owner. In comparison to the prior American owner that intervened and forced many changes., Beijing No.1 granted high autonomy to the TMT (Interview 4, 2015).

4.2.5 Resources and capability complementarity
“The machine industry in Germany well-known globally. Its workers are well trained. Germany has a stable economic and political system. These macro factors attracted us to invest”(Interview 5, 2015). After acquisition, Beijing No.1 and Waldrich Coburg made big efforts to combine each other’s resources and capability to gain a “win-win” situation (Interview 4, 2015).
The two sides had different machine types. Beijing No.1 had small size types for the lower level market. The Germans had bigger machine sizes and covered the upper market. They had no synergies in production. But the product design departments worked together on a certain level and tried to create synergies in the mid level market (Interview 5, 2015).

As “made in Germany” was an absolute advantage for selling in China, more Chinese clients bought Coburg’s products. Therefore, Waldrich Coburg Machine Tool Maintenance Service (Beijing) Ltd was set up to offer customers in China more timely service. Salesmen and some engineers from two sides worked together (Interview 4, 2015). They constantly cooperated and exchanged ideas for the Chinese market. The Chinese and German engineers were working together in Beijing to install new machines and to provide maintenance services to customers. As a result, Beijing No1 continuously improved its product quality by learning from the Germans.

4.3 Putzmeister and Sany

Founded by Wengen Liang in 1986, Sany is the sixth largest heavy machinery manufacturer in the world. The acquisition of Putzmeister by Sany caused big public reactions, as Putzmeister was considered a “German gem”.

4.3.1 Culture Distance

Culture distance was perceived very high. All procedures and responsibilities were clear at Putzmeister. At Sany, tasks are done not only by following general rules and procedures but also by heavy influence from personal relationships and suggestions made by the boss (Interview 1, 2015). The difference made it hard to share views about an issue. And high autonomy was necessary to avoid potential conflicts.

4.3.2 Communication

As their communication style is very indirect, Chinese tried to learn from the German directness. We could say that Sany adapted more to the German way in terms of communication (Interview 1, 2015).

There were regular meetings between the two TMT and German engineers were sent to China. Norbert Scheuch, former CEO of Putzmeister, said that instead of dispatching some of its 180 engineers to China, Putzmeister helped Sany to recruit German professionals. Then
they were sent to Sany to train Chinese. Third, Chinese engineers were sent to Germany. Some engineers were sent to Putzmeister. However, Putzmeister had the right to decide how many it could welcome, as too many apprentices could have interrupted its own workflow and routine.

4.3.3 Integration speed
The employees were very insecure about the acquisition, firstly because they were not informed; secondly because they were afraid Sany would destroy Putzmeister’s German soul. However, Sany kept everything and Putzmeister operated very autonomously. This calmed down the employees (Interview 1, 2015). After the acquisition, there was very little change such as in manufacturing and purchasing (Interview 1, 2015). Both sides considered integration speed very low. “There are huge differences in management, problem solving, and social structures, which could not be transferred. We will never be able to turn a German company into a Chinese company, and vice versa” (Interview 1, 2015).

4.3.4 Leadership and TMT turnover
The CEO of Sany promised Putzmeister to stay unchanged. He promised no layoffs until 2020. The German CEO played a very important role for the acquisition (Richter, 2013). He was very positive about the Chinese owner and his own career in a long term, he helped to comfort employees and reduce employees’ doubts (Interview 1, 2015).

4.3.5 Resource and capability complementarity
The main purpose of the acquisition was to “get some technology and get some brand” (Zhuo, 2012). Both sides claimed high similarity of their products. The interviewee from Sany told us that Sany and Putzmeister were at the same technology level. Putzmeister also said “concrete pumps were completely overlapping products” (Richter, 2013). Since both sides were direct competitors, Sany decided to separate their markets regionally. Putzmeister focused on the European and American market, while Sany mainly sold its products in Asia and the Middle East (Richter, 2013). The acquisition was to reduce competition on the international market and better allocate resources (Interview 1, 2015)

4.4 Degen and Suzhou Xinneng (SZXN)
SZXN is a burgeoning company founded in 2001. But due to its creative technology, it developed very quickly in those 15 years. Founded in 1968, Degen Maschinenbau GmbH had more than 40 years of history in the manufacturing industry.

SZXN and Degen signed the agreement of transfer 51% stock to SZXN in January 2013. The approximate transaction value amounted to around 8 Mio. Euros. The cooperation between them had the potential to accelerate the internationalization of both companies. They hoped to learn from each other and to enter the European and Chinese market.

4.4.1 Culture
At Degen, employees strictly followed the plan, which was less likely to be changed during its execution. In comparison, SZXN had a more flexible plan that could be adjusted depending on various changes. SZXN could finish an urgent project in a very short time with flexibility and efficiency. The Chinese firm took more risks to expand, while the German firm was more conservative (Interview 8, 2015).

4.4.3 Communication
Degen hired a Chinese engineer in Germany. He used Skype and QQ (Chinese social media) all the time to handle communication with SZXN (Interview 7, 2015). At SZXN, there was a Chinese who spoke German to communicate with the German side. In terms of technology transfer, SZXN sent employees to Germany already twice one year after acquisition (Interview 8, 2015).

“The communication between two sides is still very challenging for me, the tremendous difference creates barriers against fully understanding each other. It can lead to mistrust and less transparency perceived”, said Mr. Degen. “We see that both of us are learning from each other, and compromising on some issues.” (Interview 7, 2015). Mr. Degen also used China’s most popular social media platform “Wechat”, and tried to personally connect through social media with his Chinese partners. In addition, we were told that a clearly stated long-term plan for the German firm increased transparency and trust (Interview 7, 2015).

4.4.3 Integration speed
The integration speed at the time of the interview was still perceived to be quite slow. SZXN granted a high level of autonomy, which did not mean it did not care about synergies. Instead,
it expected to incrementally achieve synergies with great care for stability. SZXN expected that in three to five years, it could achieve the expected synergies.

4.4.4 Leadership and TMT turnover
SZXN choose not to get involved in the management of the German subsidiary because we thought their top managers were doing very well. Any intervention could put their business stability at risk (Interview 7, 2015).

4.4.5 Resource and Capability Complementarity
SZXN set the goal to make Degen a high end product producer in the global market and at the same time to strengthen its own position and brand awareness globally especially in its home market (Interview 8, 2015). Concerning products and markets, Degen covered the high-end market, while SZXN covered the low and middle-end market with less advanced technology and cheaper product prices (Interview 7, 2015).

As SZXN said “the Chinese market is promising and we have already sold some Degen machines here, Chinese clients love ‘Made in Germany’, we share our experience with each other, and we have the plan to work together on new product developments” (Interview 8, 2015). Meanwhile, Degen also acted like a bridge for SZXN to enter the European and other foreign markets.

4.5 Solar Cell and Bestwind (Anonymous)
Bestwind is a Hong Kong based high-tech company focusing on researching, developing, producing and selling silicon solar cells. Solar Cell is located in Germany, and focuses on photovoltaic products.

In May 2014, Bestwind acquired two German solar companies. Solar cell was one of them. In total, Bestwind acquired three German firms (Solar Cell, Bestwind and TBH) in the new energy industry.

4.5.1 Culture
The perceived cultural distance was not very big, due to Bestwind’s international way of doing business (Interview 9, 2015). Hong Kong’s long colonial history and business traditions played a very important and supportive role. Top managers have solid international
management expertise. Their employees in the Hong Kong headquarters were very international and spoke good English and Mandarin. Bestwind had a very dynamic culture and used to make quick decisions. Solar Cell had been acquired twice. The first acquirer was also a Chinese firm, which made quite slow decisions. No changes were implemented in the German firm. However, after the acquisition, Bestwind’s style was very different and quick decisions were made (Interview 9, 2015).

4.5.2 Communication
There were regular meetings and reports between the two sides. The R&D department reported every week or every two weeks to Bestwind (Interview 11, 2015). The reports should include the progress of product development.

Bestwind suddenly changed its integration strategy. As a result communication intensified tremendously between the three acquired German units. Nevertheless the whole organization including the only reserved R&D department continued to feel quite nervous about the shift in Bestwind’s integration strategy. Solar Cell still had doubts about its future since the long-term plan was unclear. Our interviewee did not feel good and was very emotional about the changes (Interview 9, 2015)

4.5.3 Integration Speed
Integration strategy changed from “Preservation” to “Absorption”. Bestwind promised to grant high autonomy in the beginning, but in the end Solar Cell enjoyed very little autonomy and speed of change was perceived very high (Interview 9, 2015). Bestwind appointed a new CEO in charge of the three acquired firms. He integrated them into one structure. TBH became the headquarters of Bestwind Europe (Interview 11, 2015). Solar Cell only became a research center for certain solar components. Except for its R&D department, all the other departments were about to be dissolved. Other top managers had to leave the firm (Interview 9, 2015).

4.5.4 Leadership and TMT turnover
The old TMT was replaced by new TMT to consolidate the integration process. The new CEO having 20 years of managing experience in the solar industry was appointed to integrate
the units (Interview 9, 2015). All three acquired units had shared the same TMT (Interview 10, 2015).

4.5.5 Resource and capability complementarity

“The solar power industry in Germany was going down” (Interview 10, 2015). However, the “industry in China is growing quickly”. Potential synergies could be unlocked by combining the technologies of all acquired German firms. They worked together to achieve the goal set by Bestwind, which was to create advanced solar products that could be sold on global markets especially in Asian (Interview 9, 2015).

Solar Cell was no longer considered a technology pioneer. However, its R&D department still had very excellent employees who Bestwind wanted to retain and nurture (Interview 9, 2015). For a new project, TBH solar and Solar Cell were developing a special solar device. Bestwind supported and used us to develop the new technology” (Interview 11, 2015).

4.6 Energy and Inno (Anonymous)

Energy Group is a multinational clean-energy power generation company from China. Inno is a R&D oriented manufacturer of thin-film solar modules, which was originally founded in Uppsala and moved to Germany later. The original lab in Uppsala still remains as the research center of Inno. It has the largest CIGS solar modules production and highest conversion efficiency in the world.

Energy acquired Inno in 2012 with an approximate transaction value of 25 Mio Euros. That year was the most difficult for the solar energy industry. Due to low efficiency and high cost of silicon solar cells, people began to doubt the reliability of solar technology. The whole solar industry cooled down. As Energy had abundant capital, it closed the deal at a decent price and successfully entered the solar industry.

4.6.1 Culture

All interviewees thought that national culture difference was very high. They confused the idea of both national culture and organizational culture during our interviews. Interviewees thought that national culture difference simply caused the different way of doing things (Interview 14, 2015). However, besides being a source of communication issues and an obstacle for creating synergies it also built opportunities for co-learning.
“I believe that the Chinese company is very good at finishing urgent short-term tasks very quickly as well as developing a strategy for the very long term” (Interview 12, 2015). The German company in contrast is better at project management and mid-term planning.

Whereas German firms are more transparent in communicating long-term real goals, Chinese companies are very indirect in this regard. “Maybe it would be better if the Chinese firm clearly tells us what the top goals are and what it wants. Sometimes you do not know why things are the way they are. I am not very clear of the overall picture” (Interview 14, 2015). A culture difference issue was apparent and the German side hoped for a more open attitude at both sides to better learn from each other. It took a long time to really understand each other. The CTO of the German side also thought that they learned a lot about the Chinese culture. He even went to Beijing for Chinese New Year. The culture was undergoing a diversification process.

“I do not feel that the Chinese side was forcing changes on us, we enjoy a lot of autonomy in daily operation. They are afraid things will be falling apart if they manage by themselves” (Interview 14, 2015). Culture difference made Chinese very cautious and respect local rules. For instance, the HR department from the two sides worked rather independently (Interview 13, 2015). There were no salary changes in the German subsidiary due to the fact that in Germany one has to strictly follow trade unions, labor unions etc. Energy also bought another three American firms, and HR department from Energy also made efforts to integrate different subsidiaries. It established common goals among different subsidiaries; so that everything could be in align with the parent firm. Finance department also cooperated very closely; a Chinese finance manager was working in Germany (integration).

4.6.2 Communication

Before and shortly after the acquisition, communication only took place between members of top and middle management of the German subsidiary and selected Chinese managers and experts. After the acquisition, more and more direct communication evolved between staff of their different departments.

The organization of the Chinese parent company was very big, often changing and not very transparent to the German subsidiary. Therefore, it was quite difficult for the German employees to find the right contact person in the Chinese mother company. The situation slowly improved with time, but the issue couldn’t fully be solved.
Important topics of the German side were usually addressed by the top management, which had clear contact persons in the Chinese mother company. The Chinese side often had the top management of the German subsidiary as main contact, even for smaller operative topics. This clearly reflected in e-mail communication. The German side usually limited the recipients in carbon copies, while the Chinese side often sent a copy to many people of the higher management (Interview 13, 2015). For almost all activities the mother company requested frequent reports from the German subsidiary. Sometimes, different departments of the mother company required similar reports, which created unnecessary workload and confusion for the German subsidiary. The Chinese side also collected ideas and suggestions from its acquired subsidiaries when it had a new plan. For example, when the Chinese owner wanted to expand to new markets. They asked the subsidiaries to report the advantages of the new market (Interview 12, 2015). However, the German side thought that more information and knowledge should be transferred back to the subsidiary.

Concerning communication on technology, the researchers of all parts of the corporate group attended regular workshops to discuss and exchange ideas. The different subsidiaries, however, mostly independently pursued concrete research projects. “I go to China for management meetings, sometimes I go to the US for annual R&D meetings and I train Chinese staff in China” (Interview 14, 2015).

After acquisition, the advisory board was added into the German organization. Its members were Chinese with experiences in both cultures. They acted as important coordinators. Their responsibility was to communicate corporate strategy, bonuses, targets, etc. “It helped a lot that the Chinese owner had people that understood Western styles and culture.” (Interview 14, 2015).

4.6.3 Integration speed

“We have several areas with high synergy potentials such as purchasing and marketing. But they are not unlocked yet.” (Interview 14, 2015). Transferring technology to China was an ongoing process. But the CTO thought that the current process speed should be quicker. It has already been three years since the acquisition, but our Chinese firm actually slowed down the process of building the factory in China compared to the original plan. A new factory in China will trigger technology transfer, train people, etc. There was a period when they were not sure about the production and the future plan. So they were cautious and did not hire new people during that period. But around this year, they plan to hire more people and make more
things happen (Interview 13, 2015). The integration process was speeding up. In addition, many departments have built up a quite close cooperation. However, process development and production (of the German product) are mostly managed by INNO independently. The Chinese mother company is responsible for sales and marketing, while the German subsidiary offers some support.

The subsidiary as a whole was incorporated into the new corporate structure and later restructured to match the structure of the mother company and comply to the new company goals. (Interview 13, 2015).

4.6.4 Leadership & TMT
All employees including the TMT kept their positions after the acquisition. A Chinese finance manager has been added to the top management of the subsidiary. The Chinese firm had more control on top management. The top managers were welcoming the Chinese owner. During the integration process, the acquired leaders did not specifically need to comfort its employees. The takeover had no influence on the employees in Uppsala. The Chinese TMT made all the decisions, the German side had to follow them enjoying high autonomy to execute them. “So top managers kept their former responsibilities to keep the company running. And they also have the new responsibility to go with the long-term plan of the Chinese acquirer. For example, expanding to new markets, building the new factory and running long-term research projects” (Interview 13, 2015).

4.6.5 Resources complementary
INNO had a technology that Energy did not have. Technology was complementary between the two sides. The R&D department operated independently but the German side had to constantly report to Energy. The Chinese firm intended to maximize its market share in the Chinese market. There, the Western technology could be used best in the long run. The German firm also could benefit from it. “Without support from Energy, we will not be able to enter the Chinese market” (Interview 14, 2015).

The best-integrated unit was the department for setting up plants and production lines. The German side improved its capability to supply equipment for building factories in China. There were synergies in the purchasing department as there were similarities in raw materials. Although the acquisition did not have any impact on German customers, some insecurity for suppliers occurred. “Before acquisition, the German owner bought from German suppliers,
and followed German legislation. Everyone was safe under the German system. Now you change the owner to Chinese, especially when you go through economic difficulties, German suppliers will feel less safe” (Interview 14, 2015).
5. Analysis

In this section the analysis of empirical findings is made based on the theoretical framework. Please see Appendix IV as our summarized analytical results.

In 5.1, we classify the six acquisition examples into the integration model of Haspeslagh and Jemison (1991). From 5.2 to 5.6 empirical data is analyzed by following the five concepts of our theory framework.

5.1 Integration types of the six acquisitions

We categorized the six acquisitions based on the four integration approaches defined by Haspeslagh and Jemison (1991). Interestingly, we found out that integration approach of SMTCL and Beijing No.1 has slowly changed from “preservation” to “symbiosis” within the last ten years after acquisition.

![Integration Approach Model and Six Acquisitions](Adapted from Haspeslagh and Jemison, 1992 p.148)

5.2 Culture Distance

In five acquisitions, except Bestwind, high culture distance is perceived. This aligns with theories saying that culture distance derives from both the firms’ and the countries’ cultures. Organizational cultures are strongly influenced by national cultures (Terpstra and David, 1991; Kogut and Singh, 1988). These five acquisitions recognize the obstacle of realizing synergies great culture distance causes. In the “Energy” acquisition, the German side considers organizational procedures and structures of its parent firm so different due to large company size and unfamiliar hierarchies that finding the right contact person seems almost impossible. At Sany the CEO in Germany showed little optimism that any real synergies could be realized due to the two firms’ culture distance. Also the interviewee from Sany China thought that there are no obvious benefits or learning gained from its acquired firm in Germany. This is in line with the theory claiming that big culture distance leads to poor acquisition performance (Chakrabarti et al., 2008; Olie, 1994; Vaara et al., 2012). Findings from SMTCL and Beijing NO.1 actually reveal no culture conflicts as (quote) “after a long
“marriage, we know how to live together”. SMTCL, Beijing No.1, Energy, SZHN, despite culture-based obstacles, all consider culture difference a complementary resource. Attitudes towards co-learning and mutual respect are adopted to solve conflicts when implementing changes. No side dominates decision-making as Chinese acquirers and German subsidiaries “compromise” when meeting critical issues.

Germans felt that their higher need for order was satisfied after acquisition as they further enjoyed independence and freedom to conduct business. For instance, Chinese are long term driven (5 - 10 years plan) and also good at running short-term projects (e.g. 3 days to finish one big project). However, Germans are more midterm oriented, normally using detailed one-year plans. Decisions on these plans are made independently, which enables the German firm to keep its traditions, working style and business rhythm. As a result they feel more motivated and willing to learn and accept new cultures. This may explain why theories argue that autonomy motivates acquired teams by satisfying higher human needs (Khandwalla, 1997; Stubbalt, 1983).

Chinese acquirers appreciate the German culture in terms of strictness and precision. This may explain why in most acquisitions German firms are left independent. Chinese want to learn and intend to be influenced by Germans. In the acquisitions of SMTCL and Beijing NO.1, on the one hand, Germans have experienced the Chinese coworkers’ strong working spirit and flexibility to handle problems. On the other hand, Chinese have partially absorbed the European way of doing business. In the acquisition of Beijing NO.1, both Chinese and Germans have cooperated in design jobs and market activities, which resulted in more innovative thinking by adopting a collaborative mentality. In the acquisition of SMTCL, the Chinese way of thinking caused the acquired German firm to finally realize the true reasons of its bankruptcy which were formerly undetectable. We could see the difference between German and Chinese cultures as they diversify each firm’s resources by mutual adaption and co-learning (Reus and Lamont, 2009), which generate a higher innovative spirit (Cox, 1991).

In all acquisitions, except for Bestwind, the “preservation” integration strategy was adopted in the beginning of the acquisition process. With SMTCL and Beijing NO.1 the approach slowly shifted from “preservation” to “symbiosis”. In two acquisitions a high level of integration was shown in many aspects. The interviewees showed undisguised happiness about the cooperation results of the German subsidiary and the Chinese parent firm. The reason why the acquisition achieved a high level of integration after ten years to some degree can be explained by Slangen, (2006). He indicates that with acquisitions involving two firms with big national culture distance, post-acquisition performance can be enhanced if the
“preservation” approach is adopted. In contrast, although Sany adopted a “preservation” approach three years after acquisition, both sides state that no obvious values were achieved. This clearly contradicts Slangen (2006).

Another argument from Slangen says that the “absorption” integration approach has a negative impact on acquisition results when both national cultures are different. The acquisition “Bestwind”, showed that total assimilation and absorption of the acquired German firms lead to employee unhappiness and value disruption.

To sum up, the six acquisitions demonstrate that culture is a critical element to consider when choosing and implementing the proper integration strategy (Björkman et al., 2007; Teerikangas and Very, 2006; Vermeulen and Barkema, 2001). In our study, successful acquisitions were those where culture difference was considered a complementary resource instead of an obstacle. When German firms felt free, respected and supported by their Chinese acquirers, they initiated necessary change themselves.

5.3 Communication

Communication becomes a key success factor after acquisition. Most interviewees emphasized the difficulty of communication that is normally caused by language difference, culture and location distance, and as well firm size difference. In the Energy acquisition, the German side was confused when different Chinese departments asked for similar reports, which unnecessarily increased the workload for the German side.

Communication gets tough for Chinese acquirers if the German subsidiary does not welcome them. If acquirers take over a firm in difficulty, its employees are more open and willing to accept the acquisition. As a result communication becomes easier. However, if the acquisition causes reaction such as “Chinese are buying German souls”, the acquirers are faced with hardship to overcome them. It is coherent with Gomes et al., (2013), who argue that communication in cross-border acquisitions is more challenging as acquirers have to deal with high complexity in terms of finding and following the right communication strategy.

In this context SMTCL, Beijing NO.1 and Energy have done a great job after acquisition. Beijing NO.1 employed the “big tree principle” which guaranteed the German firm to operate and grow within its own system. The Chinese parent company would only provide support when “the tree needs extra nutrition”. Sincere meetings were held in Germany in order to answer all questions and remove all doubts of the German employees and works council representatives. A harmonious atmosphere was established. Haspeslagh and Jemison
(1991) emphasize that an efficient communication strategy leads to a more cooperative and collaborative atmosphere, which is essential for the integration implementation process.

Beijing NO.1 gained trust by keeping its promises and doing what has been said to the German side. This is also in line with the theory indicating that face-to-face communication may deliver information with more credibility (D'Aprix, 2009). And also in line with Ranft and Lord (2002) who emphasize on the significance of communication in order to reduce employee uncertainty. After removing uncertainty and gaining fundamental trust, the integration process started. Beijing NO.1 set up some communication mechanisms to facilitate knowledge transfer. According to Ranft and Lord (2002), trust building is an essential condition for knowledge transfer.

Most acquisitions in this study have shown similar communication mechanisms during the integration process. First, the German side had Chinese coordinators that are experienced in both Western and Chinese culture. They act as a bridge between the two sides. Secondly, German experts were sent to China, or Chinese technicians were sent to Germany in order to train Chinese employees. Thirdly, Chinese and German top managers frequently held meetings. Intense communication between them ensured alignment of the German side to corporate directions set by the parent company in particular if a high level of autonomy was granted. Fourthly, Chinese acquirers sometimes have a special business unit to handle critical joint projects. The communication mechanisms applied facilitates cross border communication also under the “Preservation” approach. This explains the theory from (Ranft and Lord, 2002), which argues that rich communication can compensate the disadvantage of the acquirers’ limited control over target firms.

In one acquisition communication could not solve the underlying conflicts. Bestwind has shifted its strategy from little interventions to heavy involvement at the German side. Although frequent communication took place as top managers travelled onsite to talk to every employee, the big shift led to distrust and communication failed. This further illustrates that communication has to be consistent with company behavior (Cording et al., 2014).

In the acquisitions of Beijing NO.1, Energy, and SZHX, all interviewees stated that continuous communication between acquirers and acquired firm takes place. However, the biggest obstacle of getting a clear picture and developing long-term goals in terms of subsidiary development stays. German subsidiaries were highly concerned about the transparency of top goals. This issue was considered a culture problem especially due to national culture incompatibility. Chinese are indirect in terms of communicating and solving problems. The concepts of communication and culture are in many ways connected and
interact. This aligns with theory saying that communication and culture are interconnected, and the way that people communicate is largely influenced by national culture (Morosini et al., 1998).

5.4 Integration Speed

In five acquisitions (except Bestwind), interviewees said that integration speed was slow. Changes in target firms were conducted cautiously. InKpen et al., (2000) present a 100 days plan arguing a high integration speed is the common way to mitigate uncertainty of employees and related stakeholders. None of the studied acquisitions were following such integration strategy that firms from developed countries adopt when making acquisitions. The Chinese approach of slowly integrating the German side into the acquirers’ system proves rather successful than the previously mentioned approach.

In two acquisitions, SMTCL and Beijing NO.1, certain synergies were achieved in sales and technology development after 10 years. Both sides acted like an “old married couple”. This also is in line with theory (Homburg and Bucerius, 2006; Haspeslagh and Jemison, 1991). arguing that slow speed integration leaves more time for mutual learning and mutual culture exchange and further allows the realization of synergies.

SZXN and Energy also have the intention to preserve the business routine and tradition of the target firms. Although SZXN did not achieved any synergies by then, the Chinese acquirers wanted to speed up the integration process in the years to follow. Competition in China is fierce. By applying the German firm’s capabilities quicker, they were aiming at gaining a competitive edge in their home market through higher competence. Sany stated that the acquisition did not bring them any obvious value yet. Hence the findings of these 5 acquisitions show that slow speed brings both satisfactory and unsatisfactory acquisition performance. This is in line with theory from Schweizer and Patzelt (2012), which states that integration speed critically influences post-acquisition performance. However, both low and high speed could lead to good or bad results. No matter how Chinese balance integration speed, either slow or quick speed might cause similar reactions in acquired firms. The attitude from the German side varies as shown in the Energy acquisition. The Chinese acquirer proposed a new joint project requiring both sides to cooperate applying a slow speed approach. The German side, however, expected quicker synergies and changes to better exploit knowledge developed in Germany on the Chinese market. Different integration speed was expected and no specific speed turned out to be either definitively good or bad. This is
in line with Homburg & Bucerius (2006), which indicate that there is no obvious relationship between integration speed and post-acquisition performance when both internal and external similarity are low.

5.5 Leadership and TMT turnover

After acquisition, the leaders from Chinese acquirers and German firms put high importance on the facilitation of the integration process. Beijing NO.1 is a representative acquisition illustrating how Chinese leaders may influence the attitude of target firms towards the new owner. Right after acquisition, rumors spread in the German organization saying that Chinese would take advantage of German technology by downsizing and moving the German unit to China.

Then the CEO, Mr. Cui, showed up in Germany, and did one-to-one talks with all employees. His “Big Tree Principle” was used when he visited the German office. Although he only knew little German, he used the following German words to communicate his sincere intentions “Waldrich Coburg bleibt Waldrich Coburg” (Waldrich Coburg will still stay as Waldrich Coburg). People were mentioning this episode throughout the acquisition’s 10-year history. His strong leadership skill had created a positive influence on all German employees, and increased their willingness to cooperate and communicate. The leadership shown by Mr Cui supports the arguments made by Pablo (1994) and Waldman (2004), which emphasize leadership’s essential role in the creation of value in the acquisition process.

The Chinese acquirers did not only focus on delivering ideas from their leaders, but also were fully aware of the critical role German leaders play to mitigate potential conflicts and solve problems that they were not able to identify. On the one hand this goes in line with Kiessling and Harvey (2006), who argue that leaders in target firms possess vital and tacit knowledge about their firms and on the other hand aligns with (Brockmann and Authony, 2002; Michalisin et al., 2004; Kiessling and Harvey, 2006) saying that the TMT in acquired firms has unique and vital knowledge. Chinese acquirers were strongly aware that big culture distance between two countries leads to different approaches how people communicate and work with each other. Thus, replacing the German TMT with Chinese leaders to change business rhythm puts high pressure on social capital. It’s not simple for Chinese leaders to manage Western employees, as the risk is high to rather lose control in the end. This is in accordance with Randel and Ranft, (2007), who say that acquired leaders have solid social
connections amongst their employees. However it contradicts Lowenstein, (1983), who claims that replacing the target TMT means gaining higher control over acquired firms.

Chinese acquirers had frequent informal and formal meetings with top managers in Germany, or invited them to China to gain experience in Chinese culture and the country’s new developments. During meetings, Chinese acquirers further expressed their good intentions, communicated corporate goals and exchanged information with Germans. In the five acquisitions (except for Bestwind), acquired leaders were motivated to work for the Chinese owner. In the Sany acquisition, the German CEO tried to convince his employees as well as the whole German public of the positive effects brought by the acquisition.

Although expected synergies were not achieved after 3 year, the importance of his roles as a leader to comfort employees for the acquisition success cannot be denied. Graebner, (2004) argues the acquired leaders can be of great support in relieving employees’ anxiety. In the acquisition of SZXN and Energy, the interviewees who all were top managers, said that originally they saw more potential synergies in the acquisition. From their perspective, unexpected advantages occur through the support of acquired leaders. This is also aligned with another argument from Graebner (2004), saying that acquired leaders can discover unexpected synergies and achieve serendipitous values.

In five acquisitions (except Bestwind) Chinese acquirers granted high autonomy to the local TMT. As Chinese parent firms were also seeking a certain level of integration in accordance to their acquisition motivation, they came up with a management approach called “matrix management” (decision making items). As adopted in the acquisition of Beijing NO.1, the German TMT had the rights to decide on 52 items, whereas the Chinese side could only decide on four. The parent company could successfully keep the whole TMT at a low turnover rate. This confirmed the results of a study done by Angwin and Meadows, (2009) which states that high autonomy is a crucial element to keep TMT turnover low.

“Bestwind” in contrast started to strongly intervene in the German business half a year after acquisition. Consequently TMT turnover rose significantly. Bestwind replaced the TMT with managers, it selected on its own. As the new CEO was responsible for integrating the three acquired German firms, “Bestwind” gained better control. Three acquired German firms shared many functional departments, so “Bestwind” could reduce cost by laying off employees The three German acquired firms were integrated to become one functional whole. This example justifies the replacement of the TMT as it enables acquirers to better control acquired firms. We therefore conclude that the reasons why “Bestwind” took a different approach by replacing the acquired TMT in comparison to the other five acquisitions are their
confident derived from its international management experience as well as the similarity of technologies and management in the three acquired German firms.

The leaders in different German sub-units of Bestwind had similar management experience and functional background. This is in line with Krishnan et al., (1997) saying that high similarity in the TMTs’ backgrounds indicates overlapping capabilities and lead to high TMT turnover. This theory also demonstrates that the possibility to integrate TMT teams with complementary skills into one system is quite high. In the other five acquisitions where initially no replacements in the TMTs were made, TMT turnover is low in the years after acquisition. Beijing NO.1 can be taken as a classical acquisition. Its Chinese TMT is more specialized in marketing and sales. Furthermore, after-sales were more respondent that on the German side. The German side, however, was more specialized in producing high quality precision machines. The TMT of the two sides matched in a way that they could get well along with each other for a long period of time. This fact justifies and strengthens the theories of Krishnan et al., (1997)

Another empirical finding contradicts the theory that is proposed by Babić et al., (2014), who states that employees need more support from leaders after acquisition. In the Energy acquisition, however, employees on the German side neither needed additional psychological support from their leaders nor had a negative attitude towards the acquisition. This could be explained by harsh market conditions in the solar industry as the market was shrinking sharply in Germany. It is much easier to follow the integration strategy under such circumstances.

5.6 Resource and capability complementarity vs. similarity

Five acquisitions of our study (except for Bestwind) proofed the fact that the main motive of Chinese acquirers purchasing companies in industrialized countries is the gain access to lacking resources and capabilities (See Appendix IV). In the due diligence phase companies made sure that they could be acquired. SMTCL and Beijing NO.1 are from Mainland China and turned to professional consulting agencies in Hong Kong to get a clear picture of the target firms. This approach strengthens the argument of Kogut and Zander, (1992) which highlights the importance of identifying resources and capabilities in the acquisition process. All six Chinese acquirers took over firms in their own industry. They are all related acquisitions.

Resource complementary and similarity in terms of technology, market segmentation and
managerial expertise of the six acquisitions is summarized below.

Table 3. Resource Complementarity in Six Acquisitions

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<th>Technology</th>
<th>Market</th>
<th>Managerial Expertise</th>
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<td>SMTCL and Schiess AG</td>
<td>Complementarity</td>
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<td>Beijing No.1 and Waldrich Coburg</td>
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<td>SZXN and Degen</td>
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<td>Sany and Putzmeister</td>
<td>Similarity</td>
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<td>Bestwind and Solar Cell</td>
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<td>Energy and Inno</td>
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SMTCL, Beijing NO.1, SZXN possesses a high degree of complementarity with their target firms.

As Chinese tend to adopt the “preservation” integration approach when the two sides highly complement each other. The TMT of SMTCL, Beijing NO.1, SZXN, planned to improve their product quality by learning from the German’s globally well-known machine making skills. They highly supported R&D departments to develop and keep the target team stable by granting a high level of autonomy. Harrison (2001) argues that autonomy can enhance the stability of target firms. It explains why Chinese tend to “preserve” instead of “absorb”. The respect and support from Chinese owners, as well as the fast growing massive Chinese market grant high potential benefits for German side. These two factors motivate the German side to be more willing to “teach” Chinese employees and transfer know-how to China. Obviously, the 1+1>2 joint values were achieved in the acquisitions of Beijing NO.1 and SMTCL, as both sides combined their complementary resources and capabilities. This lies in line with Milgrom and Roberts (1995), who argue that greater joint values can be created by such combinations.

Chinese acquirers normally suffer a lack of international expertise and have the intention to learn from the German side. One German interviewee said “the Chinese are afraid that things fall apart if they manage the German side by themselves”. It is substantially difficult for Chinese sides to manage a Western business unit, as they do not know the rules and procedures in Germany. They rather focus on their own domestic high potential markets, as they understand them better. Capron, (1999) states that it is more challenging for acquirers to rationalize the acquired firm’s resources and capability than their own.

Despite the lack of technology and management, the Chinese provided strong sales support. As a result the German side was able to significantly increase its brand awareness and sales
volume on the Chinese market. Few conflicts occurred as the Chinese side rarely intervened and synergies were created as departments closely cooperated. Beijing NO.1 and SMTCL achieved both high integration and high autonomy. This result strengthens the theory by Zaheer et al., (2013) which argues that high level integration and autonomy can both exist when the acquired firms’ resources and capabilities complements those of acquiring firms.

The Energy acquisition shows a medium level of complementarity.

“Energy” followed the strategy to acquire high-tech firms in developed countries with different products, in order to widen its patent portfolio and strengthen its leadership role in the new energy industry. It had solid experience in international business operations and was extremely good at winning project bids in the Chinese market. Yet, the acquired firm, Inno, had a technological product that Energy did not have.

Although “Energy” had rich international business experience, it decided to not get involve in its German subsidiary. Autonomy is encouraged when acquirers are unfamiliar with the technology in acquired firms (Zaheer et al., 2013). Meanwhile, in order to combine “Inno’s” technology in its own wide product portfolio, “Energy” tried to integrate Inno into its new corporate structure following the overall goal to align all acquired firms. The new factory in China that was built by “Energy” and “Inno” should act as a technology transfer center, triggering synergies in engineering, marketing and technology. This confirms the theory by Harrison (2001) saying that a certain level of integration is needed when acquirers aim to gain benefits from complementary resources and capabilities of acquired firms.

The Sany and Bestwind acquisitions show high similarity

Due to high similarity with its German subsidiary, Sany expected to realize many synergies. It demonstrated publicly to the Chinese media that they would closely cooperate with Putzmeister. Kogut and Zander (1992) argue that a high integration level can be expected when two firms are similar.

However, reality showed that few synergies could be unlocked due to the slow integration process. Both sides are large enterprises in the machinery industry. After the acquisition, Sany deliberately ensured market protection for the German firm and promised a high level of independence, as reaction to strong resistance from the entire organization and even the German public.

To conclude, most Chinese acquirers purchased firms with resources and capabilities that complement their own to diversify and complement each other (Morosini et al., 1998; Kogut
and Singh, 1988). Complementary resources make acquirers grant high autonomy to the German side.
6. Conclusion

Previous studies mainly focused on acquisitions done by companies from developed countries. Some studies made certain contributions in the area of acquisitions done by EMNCs. However, the post-acquisition stage still stayed almost unexplored. Although assumptions were made that EMNCs grant high autonomy to target firms during the integration process, only few studies actually tried to answer the questions how the integration process works in detail and how Chinese acquirers balance integration and autonomy given to German target firms. Therefore, the purpose of this paper is to gain deeper understanding of post-acquisition integration made by Chinese firms acquiring German firms, as well as to establish a sound foundation for further theory development within the field of post-acquisition integration. In order to achieve this goal, the research questions were defined as “How do Chinese firms balance integration and autonomy with acquired German firms?”

Based on previous studies, a theory model was developed that included five key factors which have a substantial impact on the dilemma of balancing integration and autonomy. These factors are culture distance, communication, integration speed, leadership & TMT turnover and resource complementarity. A case study with six acquisition examples was implemented, during which we have conducted fourteen interviews mainly with top managers both from the German and Chinese side. The following five key findings could be identified:

**First**, although previous scholars argued that high autonomy leads to loss of control and limited integration, our results showed that granting high autonomy to acquired firms doesn’t necessarily lead to such consequences. It could even be said that in one acquisition both high autonomy and high integration can coexist. We discovered that German and Chinese firms mainly possessed complementary resources and capabilities. German firms had more advanced technology whereas Chinese had a strong foothold in the growing Chinese market showing high demand for German products. This complementarity made each party cooperate closely in marketing and sales as well as in R&D, so that both acquired more customers and provided services to them especially in the Chinese market. In these departments with high complementarity, both high integration and high autonomy were simultaneously possible. This was one foundation piece for further theory development.

**Secondly**, the results also showed that the Chinese side rather considered large cultural distance between the two countries a complementary factor as they benefited from learning
the German way of conducting business. The German side also tended to learn from its Chinese acquirers. A “co-learning” process regarding culture, leadership and communication between the two sides took place.

Thirdly, despite the fact that, in general, speed of integration was slow, all examined acquisitions achieved a high integration level after a certain period of time.

Fourthly, all acquisitions shared similar communication strategies: coordinators proved useful to act as bridge between the two sides. These coordinators had a deep understanding of both Western and Eastern culture. Also meetings were held among TMTs to ensure the achievement of corporate goals set by Chinese acquirers.

Fifthly, the studied acquisitions showed that the five key factors were interconnected. Culture distance hampered the management of the acquired firm by the Chinese acquirer on a daily base. As a result acquirers kept the acquired TMT stable and TMT turnover low. Big culture distance caused acquirers to integrate at slow speed whose disadvantages could be well compensated by intense communication. In addition, culture distance acted as complementary resource and created more innovative thinking.

Besides the mentioned key findings, we could also conclude that the sizes of the acquirer, its ownership such as state owned or privately owned, as well as its industry were closely related with the integration approach chosen. For instance, big firms in the traditional machine industry with state owned background (Sany, SMTCL, Beijing No.1) were more conservative when making changes in the German target firms. They were more likely to apply the “Preservation” approach with slow integration speed. Ten years after acquisition, Beijing No.1 and SMTCL incrementally transformed to the “Symbiosis” integration approach. While privately owned companies from new industries (Energy, Bestwind) were more experienced in international business management and more progressive concerning the integration process.

In addition, six acquirers promised to grant high autonomy to the acquired firms before acquisition. Five of them kept their promise and slowly integrated the acquired firm without big interventions. Only one acquirer (Bestwind) started to heavily intervene in the acquired firm and absorbed it six months after acquisition. The reason why Bestwind suddenly changed its approach was the target firm’s tremendously shrinking market share in Germany. Furthermore Bestwind acquired three highly similar German firms in the same industry regarding technology know-how, market segmentation, and managerial expertise. In order to save cost all three units were merged into one structure, which showed more efficient results.
Energy was on the way to change its approach from “Preservation” to “Symbiosis” achieving high integration and high autonomy. On the one hand, Inno intended to market the acquired technology in China while the European market was going down. On the other hand, the German subsidiary felt positive towards Energy, which proposed a new attractive business model to gain a competitive edge in the long run. These two aspects made integration more attractive to many departments of the German side.

6.1 Limitation
In our study, one limitation is that we did not make a standardized measurement for post-acquisition performance. Some acquisitions firms think the acquisition have not yet generate direct economic benefits, but they are happy about the situation as they for example successfully entered the Chinese markets. Some other firms say that they have strong roots in another continent after acquisition. Such non-standardized measurement probably could not comprehensively represent the reality.

6.2 Implication for further research
We acknowledged that our research have limited acquisitions and not sufficient to generalize. We suggest that future researchers should examine how other country EMNC integrates and create synergies with their acquired targets in developed countries. The conceptual framework in this study should be also further examined and further reveals how the relationship among five concepts interacted. Chinese integration strategy and how it relates with post-acquisition performance will be of high value to explore in future studies.

As Bestwind Acquisition is quite a mystery for us, due to the limited time and access, we were not able to find the real motivation behind its acquisition. Further research could explore the acquisitions that have done acquisition without a clear motivation, as well as how their integration process works.

6.3 Managerial implications
This study provides a better understanding of integration approach that Chinese MNCs adopt when making acquisition with German firms. It sheds lights on how Chinese MNC balances integration and autonomy by referring to five defined concepts.

From a managerial perspective, the key findings of the study firstly show that a sincere and open communication with works council and employees can reduce the uncertainty and
create trust, and it is quite critical for Chinese acquirers to clearly demonstrate to the acquired firms about the long-term plan and stick to it, since most CEO of acquired firms express to us the biggest obstacles for them is the exact and clear plan for the future, even they have high autonomy currently.

Second, it suggests that acquirers should differently balance integration and autonomy in different business units. And high integration and high autonomy in certain department is possible and acquirers should implement efficient mechanisms so that expected synergies could be achieved instead of totally intact the acquired firms. Third, acquirers should make efforts to propose attractive business model for target firms to gain confidence and sincerity towards the target firms, it could gain TMT and employees commitment if they perceive the bright future to work for a new owner.
List of References


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Available from:
[Accessed March 1, 2015].


Appendix I Interview Guide to Chinese Firm

Acquisition Purpose 收购目的：
1. What were the reasons your company chooses to acquire the German firm?  
   请问贵公司当时决定收购德国公司的主要原因有哪些呢？
2. What are your expectations after the acquisition?  
   请问完成收购后，贵公司的预期收益有哪些呢？（包括市场，技术，生产，人力资源等方面）

Cultural and leadership difference 文化和管理模式差异
3. What were the main differences of the two firms’ organizational culture?  
   请问双方在企业文化上有哪些主要的差异？
4. What did you learn from German firm’s management style?  
   贵公司在与德国公司的相处与磨合过程中，学到了什么管理方面的重要经验？
5. What is your long-term plan for German subsidiary?  
   贵公司对于德国公司的长远发展有何计划？

How two firms work together to achieve synergy potential (Balance between autonomy and integration)? 中德双方如何协作以达成潜在的协同效应？

Communication 双方交流方式和工作协调
6. What difficulties do you think are the main obstacles for achieving potential synergy?  
   您认为双方想要实现预期的协同效应（市场，技术，生产），有哪些主要阻碍？
7. What mechanism exists to facilitate communication and trust building between two sides?  
   有没有制定一些有效机制和政策等来促进双方的有效交流和信任的建立？
8. What do you think should be improved between two firms’ communication?  
   您认为双方的沟通是否有值得提高的地方？
9. Which departments in Germany works very independently? Which departments cooperate more and Chinese involve more?  
   德方哪些部门更加独立，哪些部门与中方有更多的合作？为什么保持有些部门更加独立？
10. After acquisition, for R&D and marketing or manufacturing, do you perceive two sides are quickly or slowly integrated with each other?
    在您看来，收购之后，分别在研发，市场和生产上，双方整合的速度是快还是慢呢？
11. Do you think Chinese firm adapts to German side more or another way around?
    在这个整合的过程中，更多的是中方在适应德方，还是德方在适应中方？
12. Do you think Chinese firm improve international management skill since acquisition took place?
    您认为收购之后，中方在国际管理上的能力有所提高么，具体体现在哪些方面呢？

**R&D and Manufacturing 研发与生产:**
13. Do two firms’ R&D departments complement with each other?
    请问双方在研发方面互补吗？可以简单介绍一些么？
14. How does R&D cooperate between two firms? Why do you choose such approach?
    收购之后，双方在研发上是怎样的合作方式呢？为什么选择这样的合作方式
15. How do you cooperate with each other in Manufacturing and purchasing?
    请问双方在生产以及原材料采购上有合作么？如果没有合作，是否有计划进行更多的融合和资源共享？

**Marketing and Sales 市场与销售**
16. Do you work together on market and sales strategies? How does it work?
    请问双方在市场和销售战略上有合作么？如何进行市场和销售方面合作？
17. What are the changes of both firms’ market share and brand awareness?
    收购之后，中德双方在市场占有率和知名度上有何变化？
18. What are your plans for global market expansion? What is the role of your German subsidiary?
    您对全球化扩张有何计划？德国公司在您的全球化战略中扮演怎样额角色？

**HR 人力资源**
19. Which side decides on hiring and promotion in German side?
    请问中方会影响德方招聘及员工晋升的决定么？
20. What are the changes of top management responsibility in German sides? Is there any mechanism to facilitate the communication between top managers between two firms?

收购之后，德方高层的责任划分有哪些改变呢？中方是否制定了有效交流机制保证高层之间有效合作？

21. Is there a growing number of expatriate from German side to Chinese firm?(Or Chinese move to German firm to work)

德方会派员工到中方来学习，或者中方会送员工去德方交流么？交流效果如何？

**Final question 最后问题:**

22. What aspects do you satisfied about the cooperation? Which aspects should be further improved?

您对目前合作的哪些方面比较满意？那些方面您觉得要再提高？
Appendix II Interview Guide to German Side

**Acquisition Purpose:**
1. Why do you think Chinese firm choose to acquire this company?
2. What are your concerns and expectations after the acquisition?

**Cultural difference**
3. What were the main differences of the two firms’ organizational culture?
4. What do you think of Chinese management and leadership style?

**How two firms work together to achieve Synergy potential (Balance between autonomy and integration)?**

**General questions:**
5. What difficulties do you think are the main obstacles for achieving potential synergy?
6. What mechanism exists to facilitate communication between the two sides? What aspects of the business performance on the German side are monitored by the Chinese side?
7. Which departments in Germany work independently? Which departments cooperate more and involve the Chinese part more? Are you satisfied with how the cooperation works?
8. Do you think the speed of integration is slow or quick?
9. Do you feel secure and get support from Chinese side if in difficulty?
10. Do you think German firms adapt to the Chinese way more, or the other way around?
11. Do you think the Chinese have improved their international management skills since the acquisition took place?

**R&D and Manufacturing:**
12. Does the two firms’ R&D complement each other?
13. How do the R&D-departments cooperate between the two firms?
14. How do you cooperate with each other in Manufacturing?

**Marketing and sales**
15. Do you work together on market strategies?
16. Did both sides improve market share and sales after acquisition?

**HR**
17. Which side decides on hiring and promotion in the German company?
18. What are the changes of top management responsibility in the German company?
Are there a growing number of expatriates from the German company to the Chinese company? (Or do Chinese employees move to the German company to work)
Appendix III. Summary of Theoretical Background

<table>
<thead>
<tr>
<th>Concept</th>
<th>Researchers</th>
<th>Theoretical Propositions</th>
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</thead>
<tbody>
<tr>
<td><strong>Pre-acquisition</strong></td>
<td></td>
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<tr>
<td>Acquisition motivation</td>
<td>Dunning (2000)</td>
<td>OLI eclectic model: Firms internationalize due to three advantages: ownership, Location, and Internalization</td>
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<tr>
<td></td>
<td>Goldstein (2007)</td>
<td></td>
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<td></td>
<td>Mathews (2006)</td>
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<tr>
<td></td>
<td>Luo &amp; Tung (2007)</td>
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<td></td>
<td>Deng (2007)</td>
<td>Chinese MNCs prefer acquisition as a quicker way to access to strategic capabilities and resources in industrial countries. Include following: - Advanced technology - Managerial expertise - Market resources</td>
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<tr>
<td><strong>Post-acquisition</strong></td>
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<tr>
<td>Integration</td>
<td>Capron, 1999</td>
<td>Integration can positively affect post-acquisition performance by realizing synergies.</td>
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<tr>
<td></td>
<td>Larsson and Finkelstein (1999)</td>
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<td></td>
<td>Birkinshaw et al. (2000)</td>
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<td></td>
<td>Khandwalla (1997)</td>
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<td></td>
<td>Stubalt (1983)</td>
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<tr>
<td></td>
<td>Haspeslagh and Jemison (1991)</td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>Khandwalla (1997)</td>
<td>Autonomy could meet higher needs of human being such as freedom and power, thus it could motivate acquired team.</td>
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<tr>
<td></td>
<td>Stubbalt (1983)</td>
<td></td>
</tr>
<tr>
<td>Integration approach model</td>
<td></td>
<td>Four types of integration approaches: - Preservation: High autonomy and low integration - Symbiosis: High autonomy and high integration - Absorption: Low autonomy and high integration - Holding: Low autonomy and low integration</td>
</tr>
<tr>
<td>Culture Distance</td>
<td>Terpstra &amp; David (1991)</td>
<td>Culture distance derives from both organization culture and national culture. Organizational cultures are closely associated with national cultures.</td>
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<tr>
<td></td>
<td>Kogut &amp; Singh (1988)</td>
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<td></td>
<td>Björkman et al. (2007)</td>
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<td>Teerikangas &amp; Very (2006)</td>
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<td></td>
<td>Vermeulen &amp; Barkema (2001)</td>
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<tr>
<td></td>
<td>Olie (1994)</td>
<td>Culture distance is a key determinant in post-acquisition integration.</td>
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<tr>
<td></td>
<td>Chatterjee et al. (2008)</td>
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<td></td>
<td>Chakrabarti et al. (2008)</td>
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<td></td>
<td>Olie (1994)</td>
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<td>Vaara et al. (2012)</td>
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<td></td>
<td>Krishnan et al. (1997)</td>
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<td></td>
<td>Morosini et al., 1998</td>
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<td></td>
<td>Vermeulen &amp; Barkema (2001)</td>
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<tr>
<td></td>
<td></td>
<td>a. A big cultural distance could lead to poor post-acquisition performance.</td>
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<tr>
<td></td>
<td></td>
<td>- Cultural distance is an obstacle for integration.</td>
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<tr>
<td></td>
<td></td>
<td>- Culture distance as an obstacle is more obvious in Cross-border Acquisitions</td>
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<td></td>
<td></td>
<td>b. Cultural distance can be seen as resource complementarity and lead to value creation.</td>
</tr>
</tbody>
</table>
Reus & Lamont (2009) - acquirers and acquired firms could learn from each other's culture, which create culture diversification
Cox (1991) - Culture diversification could result in more innovative spirit.
Barkema & Vermeulen (1998) - Firms with diversified culture are more adaptive to changes
Slangen (2006) When there is a big national culture distance, adoption of "preservation" integration could positively impact on post acquisition performance. In contrast, "absorption" integration negatively influences the result.

<table>
<thead>
<tr>
<th>Communication</th>
<th>Mishra et al. (2014)</th>
<th>An efficient and open internal communication enables employees and managers share insights and increase commitment to achieve the common goals.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gertsen et al. (1998)</td>
<td>Cross border acquisition has to deal with more challenging communication difficulties, and communication are critically impact on post acquisition performance.</td>
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<td></td>
<td>Ranft &amp; Lord (2002)</td>
<td>Communication richness compensates for acquirers limited control when acquirers have granted a high autonomy.</td>
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<td></td>
<td>Gomes et al. (2013)</td>
<td>Communication reduces employee uncertainty and nerves, build trust Communication facilitate knowledge transfer.</td>
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<td></td>
<td>Miris and Marks (1986)</td>
<td>Top managers tend to avoid discussing with employees about changes after the acquisition.</td>
</tr>
<tr>
<td></td>
<td>Napier et al. (1989)</td>
<td>Employee from acquired side seeks information from other sources such as rumors due to the lack of information and uncertainty towards their future.</td>
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<tr>
<td></td>
<td>D’Aprix (2009)</td>
<td>Face to face communication could create more credible information for employees.</td>
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<td></td>
<td>Schweiger &amp; DeNisi (1991)</td>
<td>Open and transparent communications clearly inform employees about the corporate changes and their work responsibility differences after acquisition, which enhances integration process.</td>
</tr>
<tr>
<td></td>
<td>Mishra et al. (2014)</td>
<td>Communication richness compensates for acquirers limited control when acquirers have granted a high autonomy.</td>
</tr>
<tr>
<td></td>
<td>Haspeslagh &amp; Jemison (1991)</td>
<td>An Efficient communication strategy helps to establish a cooperative and collaborative atmosphere. Atmosphere is important for integration implementation process.</td>
</tr>
<tr>
<td></td>
<td>Haspeslagh &amp; Jemison (1991)</td>
<td>The integration process of Absorption integration type is to assimilate target firms into the acquirers system, which needs much work of communication.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integration Speed</th>
<th>InKpen et al. (2000)</th>
<th>High speed integration could increase employee commitment.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Homburg &amp; Bucerius (2006)</td>
<td>Internal similarity and external similarity jointly affect the relation between post acquisition performance and integration speed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- High speed could lead to better performance when a high internal similarity combines with low external similarity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- High speed could strongly lower the performance when a lower internal similarity combines with high external similarity</td>
</tr>
</tbody>
</table>
Integration speed does not have an obvious influence on post-acquisition performance when internal and external similarity are both low. Slow integration can leave period for mutual learning and trust building, which enable firms to obtain resource and knowledge transfer. Slow integration could positively impact on culture adaptation.

High integration speed can reduce customer uncertainty. High speed integration could mitigate employee uncertainty, such as typical 100days plan. High speed enables firms quickly benefit from economies of scale and save cost. Fast integration might result in value destruction. Key employees and top managers leave the organization.

Leadership and TMT turnover

Pablo (1994) Leadership plays vital role in creating acquisition values

Acquired Leaders can achieve two types of values: expected and serendipitous
- Leaders can mitigate potential conflicts and relieve employee anxiety that typically happen after acquisition. (Expected values)
- Leaders have the visibility and motivation to discover unexpected synergies. (Serendipitous value)

Babić et al. (2014) Employees need support from leaders after acquisition

A high level integration relates to high TMT turnover; a high level autonomy relates to low TMT turnover. High TMT turnover might caused by
- intensive interventions from acquired firms
- less autonomy and lower formal status

Low TMT turnover might caused by
- The executives in acquired firms have positive perceptions of the long-term benefits on acquisition
- TMT in acquirer and acquired firms have complementary functional backgrounds.

Lowenstein (1983) Acquirers replace acquired TMT to better control the target firms

TMT turnover has negative impact on post-acquisition performance since
- TMT in acquired firms has unique and vital knowledge about target firm.
- TMT turnover has negative effects on information exchange and social capital in acquired firm

Kogut & Zander (1992) Integrate and reconfigure resources and capabilities is important for post acquisition performance.

The new market and capability from acquired firms or acquirers diversifies each other’s corporate resource
<table>
<thead>
<tr>
<th>Resource and capability complementarity VS similarity</th>
<th>Milgrom &amp; Roberts (1995)</th>
<th>Bring two firms together with complementary resources could potentially create greater joint values.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kim &amp; Finkelstein (2009)</td>
<td>Two firms need to be integrated to achieve the expected joint values.</td>
</tr>
<tr>
<td></td>
<td>Cassiman et al. (2005) Conner (1991) Harrison (2001)</td>
<td>Certain level of integration is necessary to achieve potential synergies when two sides' resources and capabilities are complementary. Certain level of autonomy should be granted so that acquired firms' resources and capability could be maintained and stay stable.</td>
</tr>
<tr>
<td></td>
<td>Capron (1999)</td>
<td>Acquirers have more challenges to rationalize target’s resources and capability than their own.</td>
</tr>
<tr>
<td></td>
<td>Zaheer et al. (2013)</td>
<td>Autonomy is especially vital for acquirers to deploy R&amp;D resources and capability.</td>
</tr>
<tr>
<td></td>
<td>Lubatkin (1983)</td>
<td>High resources and capability similarity by integration could lead to economic of scale and increase earnings for acquirers.</td>
</tr>
<tr>
<td></td>
<td>Singh &amp; Montgomery (1987)</td>
<td>Integration level is expected high when two firms have a high similarity.</td>
</tr>
<tr>
<td></td>
<td>Kogut &amp; Zander (1992)</td>
<td>It is easier for two firms with high similarity in market and technology to implement integration strategy.</td>
</tr>
<tr>
<td></td>
<td>Makri et al. (2000)</td>
<td>Low level autonomy results in knowledge disruption.</td>
</tr>
<tr>
<td></td>
<td>Puranam et al. (2009) Ranft &amp; Lord (2002)</td>
<td>High Level of integration and high autonomy can coexist, especially when two firms have complementary resources and capabilities.</td>
</tr>
<tr>
<td></td>
<td>Zaheer et al. (2013)</td>
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<tr>
<td>Concept</td>
<td>Researchers</td>
<td>Theoretical Propositions</td>
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<tr>
<td>-------------------------</td>
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<tr>
<td>Acquisition motivation</td>
<td>Dunning (2000)</td>
<td>OLI eclectic model: Firms internationalize due to three advantages: ownership, Location, and Internalization</td>
</tr>
<tr>
<td></td>
<td>Amsden &amp; Chu (2003)</td>
<td>EMNCs do not have competitive advantages when they invest in developed countries.</td>
</tr>
<tr>
<td></td>
<td>Goldstein (2007)</td>
<td>EMNCs intend to compensate for their ownership disadvantages by acquiring firms from developed countries.</td>
</tr>
<tr>
<td></td>
<td>Mathews (2006)</td>
<td>EMNCs take acquisitions as &quot;springboard&quot; to obtain strategic assets and strengthen their positions in home markets</td>
</tr>
<tr>
<td></td>
<td>Luo &amp; Tung (2007)</td>
<td>Chinese MNCs prefer acquisition as a quicker way to access to strategic capabilities and resources in industrial countries. Include following:</td>
</tr>
<tr>
<td></td>
<td>Deng (2007)</td>
<td></td>
</tr>
<tr>
<td>Integration</td>
<td>Capron, 1999</td>
<td>Integration can positively affect post-acquisition performance by realizing synergies.</td>
</tr>
</tbody>
</table>
### Integration approach model

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Description</th>
<th>Example Firms</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larsson and Finkelstein (1999)</td>
<td>Preservation: High autonomy and low integration</td>
<td>Sany, SZXN, Energy</td>
<td>Confirmed by five acquisitions, except Bestwind Group. Interviewees always mix the domain of national culture and firm culture. When we ask them about the organization culture, they always link the idea to national culture difference.</td>
</tr>
<tr>
<td>Birkinshaw et al. (2000)</td>
<td>Symbiosis: High autonomy and high integration</td>
<td>SMTCL, Beijing No.1</td>
<td>Energy is on the way to be &quot;Symbiosis&quot;</td>
</tr>
<tr>
<td>Khandwalla (1997)</td>
<td>Absorption: Low autonomy and high integration</td>
<td>Bestwind</td>
<td></td>
</tr>
<tr>
<td>Stubbalt (1983)</td>
<td>Holding: Low autonomy and low integration</td>
<td>None</td>
<td></td>
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</tbody>
</table>

### Culture Distance

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Description</th>
<th>Confirmed by Sany.</th>
<th>Interviewees in four acquisition (except Sany and Bestwind) are all happy about the acquisition performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terpstra &amp; David (1991)</td>
<td>Culture distance derives from both organization culture and national culture.</td>
<td>Confirmed by five acquisitions, except Bestwind Group. Interviewees always mix the domain of national culture and firm culture. When we ask them about the organization culture, they always link the idea to national culture difference.</td>
<td></td>
</tr>
<tr>
<td>Kogut &amp; Singh (1988)</td>
<td>Organizational cultures are closely associated with national cultures.</td>
<td>Confirmed by five acquisitions, except Bestwind Group. Interviewees always mix the domain of national culture and firm culture. When we ask them about the organization culture, they always link the idea to national culture difference.</td>
<td></td>
</tr>
<tr>
<td>Björkman et al. (2007)</td>
<td>Cultural distance is a key determinant in post-acquisition integration.</td>
<td>Confirmed by five acquisitions, except Bestwind Group. Interviewees always mix the domain of national culture and firm culture. When we ask them about the organization culture, they always link the idea to national culture difference.</td>
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<tr>
<td>Vermeulen and Barkema (2001)</td>
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<td></td>
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<tr>
<td>Olie (1994)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chatterjee et al. (2008)</td>
<td>a. A big cultural distance could lead to poor post-acquisition performance.</td>
<td>Confirmed by Sany.</td>
<td>Interviewees in four acquisition (except Sany and Bestwind) are all happy about the acquisition performance.</td>
</tr>
<tr>
<td>Chakrabarti et al. (2008)</td>
<td>- Cultural distance is an obstacle for integration.</td>
<td>Confirmed by all acquisitions. All acquisition firm think it difficult to integrate predicted conflicts in SMTCL, Beijing No.1,</td>
<td>However, the culture obstacle did not create informative conflicts in SMTCL, Beijing No.1,</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Findings</td>
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<tr>
<td>Olie (1994)</td>
<td>Culture distance as an obstacle is more obvious in Cross-border Acquisitions due to culture difference Energy.</td>
<td></td>
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<tr>
<td>Vaara et al. (2012)</td>
<td>- Culture distance as an obstacle is more obvious in Cross-border Acquisitions due to culture difference</td>
<td></td>
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<tr>
<td>Krishnan et al. (1997)</td>
<td>- aquirers and acquired firms could learn from each other's culture, which create culture diversification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morosini et al., 1998</td>
<td>Confirmed by four acquisitions (except for Sany and Bestwind) four acquisitions all think it's a mutual adaptation and culture co-learning process. Beijing No1 and its German side work on some Design and Market activity, which nurture more innovative thinking in these activities by adopting different mentality.</td>
<td></td>
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<tr>
<td>Vermeulen &amp; Barkema (2001)</td>
<td>- Culture diversification could result in more innovative spirit.</td>
<td></td>
<td></td>
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<tr>
<td>Reus &amp; Lamont (2009)</td>
<td>- Firms with diversified culture are more adaptive to changes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cox (1991)</td>
<td>Confirmed by five acquisitions (except for Sany). Among these five acquisitions, SMTCL and Beijing NO.</td>
<td></td>
<td></td>
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<tr>
<td>Barkema &amp; Vermeulen (1998)</td>
<td>When there is a big national culture distance, adoption of &quot;preservation&quot; integration could positively impact on post acquisition performance. In contrast, &quot;absorption&quot; integration negatively influences the result.</td>
<td></td>
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<tr>
<td>Slangen (2006)</td>
<td>Confirmed by five acquisitions (except for Sany). Among these five acquisitions, SMTCL and Beijing NO.</td>
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<td></td>
<td>Sany and its German have very little interaction, and the integration strategy of preservation does not satisfy both sides. No expected synergies are realized.</td>
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<tr>
<td>Communicat</td>
<td>Mishra et al. (2014)</td>
<td>An efficient and open internal communication enables employees and managers share insights and increase commitment to achieve the common goals. Confirmed by SMTCL, Beijing NO.1, Energy Bestwind tried the best to communicate with its acquired target, however, the massive layoffs already create too much anxiety towards employees. Even the rich communication could not compensate on it.</td>
<td></td>
</tr>
<tr>
<td>ion</td>
<td>Gertsen et al. (1998)</td>
<td>Cross-border acquisition has to deal with more challenging communication difficulties, and communication are critically impact on post acquisition performance. Confirmed by five acquisitions (Except for Bestwind). The reasons: 1. big culture distance 2. location distance 3. language problems 4. organizational structure difference. 5. firm size difference. One</td>
<td></td>
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<tr>
<td></td>
<td>Ranft &amp; Lord (2002)</td>
<td></td>
<td></td>
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<tr>
<td>Source</td>
<td>Key Points</td>
<td>Confirmation Details</td>
<td></td>
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<td>--------------------------------</td>
<td>---------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Gomes et al. (2013)</td>
<td>Top managers tend to avoid discussing with employees about changes after the acquisition.</td>
<td>Confirmed by Sany. Sany's German subsidiary did tend to avoid to talk to whole employee in the beginning.</td>
<td></td>
</tr>
<tr>
<td>Miris and Marks (1986)</td>
<td>Employee from acquired side seeks information from other sources such as rumors due to the lack of information and uncertainty towards their future.</td>
<td>Beijing NO.1, SMTCL, Energy all opened talked about the acquisitions. Employees in Inno(Energy acquisition) were positive and looking forward to the acquisition.</td>
<td></td>
</tr>
<tr>
<td>Napier et al. (1989)</td>
<td>Employee from acquired side seeks information from other sources such as rumors due to the lack of information and uncertainty towards their future.</td>
<td>Confirmed by Sany, Beijing NO.1, Energy. Employees in Putzmeister(Sany acquisition), Waldrich Coburg(Beijing NO.1) have been seeking for information from German society which had certain negative impression towards Chinese acquirers. Both Putzmeister and Waldrich Coburg were &quot;German Soul&quot;. German society thus were criticizing Chinese buying its soul.</td>
<td></td>
</tr>
<tr>
<td>D'Aprix (2009)</td>
<td>Face to face communication could create more credible information for employees.</td>
<td>Confirmed by Beijing No1 and SMTCL. CEO from China came to Germany to have meetings with all the employees.</td>
<td></td>
</tr>
<tr>
<td>Schweiger &amp; DeNisi (1991)</td>
<td>Open and transparent communications clearly inform employees about the corporate changes and their work responsibility differences after acquisition, which enhances integration process.</td>
<td>Confirmed by SMTCL and Beijing NO.1</td>
<td></td>
</tr>
<tr>
<td>Mishra et al. (2014)</td>
<td>Communication richness compensates for acquirers limited control when acquirers have granted a high autonomy.</td>
<td>Beijing NO.1, SMTCL, Energy, Degen all admitted that as German side operates independently, they communicate very often so that know how can be transferred.</td>
<td></td>
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<tr>
<td>Eisenberg &amp; Witten (1987)</td>
<td>Communication reduces employee uncertainty and nerves, build trust Communication facilitate knowledge transfer.</td>
<td>Confirmed by Beijing NO1</td>
<td></td>
</tr>
<tr>
<td>Ranft and Lord (2002)</td>
<td>Communication richness compensates for acquirers limited control when acquirers have granted a high autonomy.</td>
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<tr>
<td>Integration Speed</td>
<td>Source</td>
<td>Statement</td>
<td>Conclusion</td>
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<tr>
<td></td>
<td>Haspeslagh &amp; Jemison (1991)</td>
<td>An efficient communication strategy helps to establish a cooperative and collaborative atmosphere. Atmosphere is important for integration implementation process.</td>
<td>Six acquisitions all confirmed.</td>
</tr>
<tr>
<td></td>
<td>Haspeslagh &amp; Jemison (1991)</td>
<td>The integration process of Absorption integration type is to assimilate target firms into the acquirers system, which needs much work of communication.</td>
<td>Bestwind confirmed</td>
</tr>
<tr>
<td></td>
<td>Inkpen et al. (2000)</td>
<td>High speed integration could increase employee commitment. Internal similarity and external similarity jointly affect the relation between post acquisition performance and integration speed. - High speed could lead to better performance when a high internal similarity combines with low external similarity - High speed could strongly lower the performance when a lower internal similarity combines with high external similarity</td>
<td>Not confirmed. We do not have a in depth acquisition with high speed integration(Five acquisitions are all slow speed integratio, only one acquisition firm Bestwind just started. Our six acquisitions all the low internal and external similarity.</td>
</tr>
<tr>
<td></td>
<td>Homburg &amp; Bucerius (2006)</td>
<td>Internal similarity and external similarity mixed in a complicated way. High speed integration could increase employee commitment. High speed could lead to better performance when a high internal similarity combines with low external similarity.</td>
<td>Not in the acquisition</td>
</tr>
</tbody>
</table>
- Integration speed does not have an obvious influence on post-acquisition performance when internal and external similarity are both low.

Confirmed by all acquisitions. In SMTCL and Beijing NO.1, the slow speed integration proved to positively influence on acquisition performance. In Sany acquisition, the integration speed is too slow, and our interviewee from Sany said the acquisition does not bring extra values for them. In both Energy and SZX, integration process is expected to speed up to realize more potential synergies. Interestingly, Inno (Energy acquisition) side expect higher speed to integrate and deploy its technology in Chinese market. Yet, Bestwind quicken its changes on the German side, and it made German side upset. No matter integration is slow or quick, the result and influence are uncertain in each acquisition.

Homburg & Bucerius (2006)
Haspeslagh & Jemison (1991)
Ranft & Lord (2002)

Slow integration can leave period for mutual learning and trust building, which enable firms to obtain resource and knowledge transfer.
Slow integration could positively impact on culture adaptation

Five acquisitions except Bestwind adopted slow integration speed. Among the five, four acquisitions except Sany have gained or still trying to gain trust and build mutual learning. SMTCL and Beijing No.1 have done acquisition for ten years, two acquisitions strongly represent a long time courtership relationship with mutual understanding and smooth cooperation. Chinese learned European way, German learned Chinese way.

Reichheld & Henske (1991)

High integration speed can reduce customer uncertainty.

Not confirmed

Sany have a very slow integration speed, and the two sides hardly gained mutual understanding and trust. (1 two sides have been direct competitor for a long time 2 high product similarity and overlap 3 so, two sides donot a mutual goals of integration.

In our acquisitions, high integration speed actually increase customer uncertainty.
<table>
<thead>
<tr>
<th>Author(s) (Year)</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clemente &amp; Greenspan (1997)</td>
<td>High speed integration could mitigate employee uncertainty, such as typical 100days plan</td>
<td>Not confirmed</td>
</tr>
<tr>
<td>InKpen et al. (2000)</td>
<td>High speed integration could mitigate employee uncertainty, such as typical 100days plan</td>
<td>Not confirmed</td>
</tr>
<tr>
<td>Capron (1999)</td>
<td>High speed enables firms quickly benefit from economies of scale and save cost.</td>
<td>A higher speed integration in Energy and Sany were perceived to be more benenitial to save cost</td>
</tr>
<tr>
<td>Homburg &amp; Bucerius (2005)</td>
<td>Fast integration might result in value destruction. Key employees and top managers leave the organization</td>
<td>Confirmed by Solar Cell.</td>
</tr>
<tr>
<td>Ranft &amp; Lord (2002)</td>
<td>Slow integration could be risky for high-tech firms since they need to get technology source quickly.</td>
<td></td>
</tr>
<tr>
<td>Lin (2012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pablo (1994)</td>
<td>Leadership plays vital role in creating acquisition values</td>
<td>Confirmed by six acquisitions. A very representative acquisition is Beijing No1, Chinese CEO Mr Cui has showed a very transformational leadership style, he was the one who clear doubts for employees. His &quot;big tree principle&quot; was very influential</td>
</tr>
<tr>
<td>Strauss &amp; Corbin (1990)</td>
<td></td>
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<tr>
<td>Waldman et al. (2004)</td>
<td></td>
<td></td>
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<tr>
<td>Graebner (2004)</td>
<td>Acquired Leaders can achieve two types of values: expected and serendipitous</td>
<td></td>
</tr>
</tbody>
</table>

SMTCL once tried to speed up the process of integration by making some quick changes, for example, moving production to China and it actually made its customers get worse products due to that German made products are more appreciated. Energy acquisitions reveals that low integration speed didnot have any influence on acquired firms. All six firms did not have 100days plan for integration. Five acquisition (except for Bestwind) confirmed that a low speed integration could reduce employee uncertainty. Sany acquisition confirmed as target firms' employees were mitigated after Sany demonstrated high autonomy and very little changes would be made. SMTCL once moved production to China, which suppose to reduct cost ,however, German firms has to reprocess the product, and it in the end actually increase the cost.
- Leaders can mitigate potential conflicts and relieve employee anxiety that typically happen after acquisition. (Expected values)
- Leaders have the visibility and motivation to discover unexpected synergies. (Serendipitous value)

Confirmed by Sany acquisition. Acquired CEO Mr Scheuch did comforting the employees.

Confirmed by Suzhouxinneng acquisition. Acquired CEO Mr Degen strongly dedicated to the organization. Due to the business secrecy he just told us he sees interests that no one else could see.

Babić et al. (2014) Employees need support from leaders after acquisition

Confirmed by five acquisitions. Especially when the acquired firms are going through quick changes. For instance, employees came to our interviewee, who is works council representative to talk about their needs and fears.

In Energy acquisition, after acquisition, employees in R&D center did not have any influence and do not have emotional reactions towards the acquisition. It is because the R&D center has been acquired twice. It already get used to foreign owner.

Angwin & Meadows (2009) A high level integration relates to high TMT turnover; a high level autonomy relates to low TMT turnover. High TMT turnover might caused by

Confirmed by six acquisitions


- intensive interventions from acquired firms
- less autonomy and lower formal status

Confirmed by Bestwind

Lowenstein (1983) Acquirers replace acquired TMT to better control the target firms

Confirmed by Bestwind


Lowenstein (1983) Acquirers replace acquired TMT to better control the target firms

Confirmed by Bestwind
<table>
<thead>
<tr>
<th>Resource and capability complementarity VS similarity</th>
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<th>Resource and capability complementarity VS similarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butler et al. (2012)</td>
<td>TMT turnover has negative impact on post-acquisition performance since TMT in acquired firms has unique and vital knowledge about target firm. Confirmed by six acquisitions.</td>
<td></td>
</tr>
<tr>
<td>Brockmann &amp; Anthony (2002)</td>
<td>- TMT turnover has negative effects on information exchange and social capital in acquired firm. Confirmed by six acquisitions.</td>
<td></td>
</tr>
<tr>
<td>Michalisin et al. (2004)</td>
<td>Integrate and reconfigure resources and capabilities is important for post acquisition performance. The new market and capability from acquired firms or acquirers diversifies each other's corporate resource. Confirmed by six acquisitions.</td>
<td></td>
</tr>
<tr>
<td>Kiessling &amp; Harvey (2006)</td>
<td>Bring two firms together with complementary resources could potentially create greater joint values. Confirmed by six acquisitions. One acquisition is Sany and Putzmeister have now more focus on the different market segmentation, which shift the relationship as competitors to cooperative relationship. Confirmed by six acquisitions. German firms and Chinese firms all have complementary resources in market segmentation. Four acquisitions (except Bestwind and Sany) complement each other in R&amp;D, and it brings 1+1&gt;2 joint values.</td>
<td></td>
</tr>
<tr>
<td>Randel and Ranft (2007)</td>
<td>Two firms need to be integrated to achieve the expected joint values. Two firms need to be integrated to achieve the expected joint values. Four acquisitions confirmed except Sany and Bestwind. 1: Energy make efforts in restructuring the acquired firm into one big structure, so that the subsidiary can fit into the common goal that Energy set up. 2: Four acquisitions all have constant communication in R&amp;D and R&amp;D departments have certain level of integration to drive new technology and knowledge transfer. Confirmed by six acquisitions.</td>
<td></td>
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<tr>
<td>Resource and capability complementarity VS similarity</td>
<td>Resource and capability complementarity VS similarity</td>
<td>Resource and capability complementarity VS similarity</td>
</tr>
<tr>
<td>Kogut &amp; Zander (1992)</td>
<td>Integrate and reconfigure resources and capabilities is important for post acquisition performance. Confirmed by six acquisitions.</td>
<td></td>
</tr>
<tr>
<td>(Morosini et al., 1998; Kogut and Singh, 1988).</td>
<td>The new market and capability from acquired firms or acquirers diversifies each other's corporate resource. Confirmed by six acquisitions. One acquisition is Sany and Putzmeister have now more focus on the different market segmentation, which shift the relationship as competitors to cooperative relationship. Confirmed by six acquisitions. German firms and Chinese firms all have complementary resources in market segmentation. Four acquisitions (except Bestwind and Sany) complement each other in R&amp;D, and it brings 1+1&gt;2 joint values.</td>
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<td>Milgrom &amp; Roberts (1995)</td>
<td>Bring two firms together with complementary resources could potentially create greater joint values. Confirmed by six acquisitions. One acquisition is Sany and Putzmeister have now more focus on the different market segmentation, which shift the relationship as competitors to cooperative relationship. Confirmed by six acquisitions. German firms and Chinese firms all have complementary resources in market segmentation. Four acquisitions (except Bestwind and Sany) complement each other in R&amp;D, and it brings 1+1&gt;2 joint values.</td>
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<tr>
<td>Conner (1991)</td>
<td>Certain level of integration is necessary to achieve potential synergies when two sides' resources and capabilities are complementary. Confirmed by six acquisitions. One acquisition is Sany and Putzmeister have now more focus on the different market segmentation, which shift the relationship as competitors to cooperative relationship. Confirmed by six acquisitions. German firms and Chinese firms all have complementary resources in market segmentation. Four acquisitions (except Bestwind and Sany) complement each other in R&amp;D, and it brings 1+1&gt;2 joint values.</td>
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<td>Harrison (2001)</td>
<td>Certain level of integration is necessary to achieve potential synergies when two sides' resources and capabilities are complementary. Confirmed by six acquisitions. One acquisition is Sany and Putzmeister have now more focus on the different market segmentation, which shift the relationship as competitors to cooperative relationship. Confirmed by six acquisitions. German firms and Chinese firms all have complementary resources in market segmentation. Four acquisitions (except Bestwind and Sany) complement each other in R&amp;D, and it brings 1+1&gt;2 joint values.</td>
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<tr>
<td>Source</td>
<td>Statement</td>
<td>Evidence</td>
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<tr>
<td>Capron (1999)</td>
<td>Certain level of autonomy should be granted so that acquired firms' resources and capability could be maintained and stay stable.</td>
<td>Acquirers have more challenges to rationalize target's resources and capability than their own.</td>
</tr>
<tr>
<td>Zaheer et al. (2013)</td>
<td>Autonomy is especially vital for acquirers to deploy R&amp;D resources and capability.</td>
<td>Confirmed by six firms. Six firms all have high autonomy in R&amp;D department. Normally Chinese acquirers more financially support R&amp;D development such as Beijing No1 and Energy. The target firms independently develop new products, and the Chinese acquirers will adopt certain products and sell them in China.</td>
</tr>
<tr>
<td>Lubatkin (1983)</td>
<td>High resources and capability similarity by integration could lead to economic of scale and increase earnings for acquirers.</td>
<td>Not confirmed</td>
</tr>
<tr>
<td>Singh &amp; Montgomery (1987)</td>
<td>Integration level is expected high when two firms have a high similarity.</td>
<td>Confirmed by Sany Energy and Bestwind. One good example is Sany. In Chinese media, Sany demonstrated to the public that there exists a great potential synergies between Sany and Putzmeister.</td>
</tr>
<tr>
<td>Kogut &amp; Zander (1992)</td>
<td>It is easier for two firms with high similarity in market and technology to implement integration strategy.</td>
<td>Bestwind has already started to &quot;absorb&quot; its acquired firms by downsizing and create economic of scale by sharing the same TMT, as it saw the overlapping functional units within the whole organization.</td>
</tr>
<tr>
<td>Makri et al. (2000)</td>
<td>Low level autonomy results in knowledge disruption.</td>
<td>Sany perceived high difficulty to obtain synergies, and it did not achieve obvious synergies after three years.</td>
</tr>
<tr>
<td>Puranam et al. (2009)</td>
<td></td>
<td>Confirmed by Bestwind. Bestwind started to heavily intervene into the business of target firms, and even it intends to keep R&amp;D development, and layoff others, this action actually make the R&amp;D also lose security and feel bad about it, our interviewee as a technical leader consider leave the organization.</td>
</tr>
<tr>
<td>Ranft &amp; Lord (2002)</td>
<td></td>
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</tbody>
</table>
Zaheer et al. (2013) High Level of integration and high autonomy can coexist, especially when two firms have complementary resources and capabilities. SMTCL and Beijing No.1 already achieve the result. Through our interview, we could see that Energy acquisition probably will be achieving the result as well. Energy highly respect the local rules of Germany, and let the subsidiary work with high autonomy. and they are also already making many projects together. A factory is just built up to act as knowledge transfer center and many functional units from both sides are integrated in the factory.