

# When The South Takes Over The North: Dynamics Of Up-Market Integrations By Emerging Multinationals

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**Abstract.** This article deals with emerging multinationals post-acquisition integration approaches in developed countries. It confronts theoretical hypotheses and anecdotal evidence with unpublished empirical data. Analyzing four cases of French entities acquired by EMNE, it confirms that EMNE often adopt a partnering approach after these up-market acquisitions. Yet this approach is likely to develop in a dynamic way over time, and the path of this inflection may run in opposite directions, depending on the result of the first coordination of activities. It also seems that EMNE that are already experienced in up-market acquisitions may directly adopt a more interventionist approach. From these results we discuss several theoretical and practical consequences: the complexity of the antecedents of integration choice, for which we recommend an integrated approach, the reliability and definition of the “emerging multinationals” category, and the role of the target in the deployment of the relationships with the acquirer in a partnering integration.

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The development of emerging multinational enterprises (EMNE) has been the subject of recent interest, seen in a growing number of studies (Guillen & Garcia-Canal, 2012 ; Kale & Singh, 2012 ; Williamson, Ramamurti, Fleury, & Leme Fleury, 2013). Two elements explain this interest. Firstly, the scope and pace of this phenomenon has been exceptional, with for instance Chinese groups reaching the top of multinationals rankings in a few years only (Mayrhofer, 2011). Secondly, the patterns of international development used by these EMNE have raised questions about their originality and whether the existing theories on international expansion strategies are adequate or need to be modified (Cuervo-Cazurra, 2012 ; Hennart, 2012).

Topics regularly garnering attention include EMNE acquisitions in developed countries, which often go beyond the boundaries of research to introduce themselves into the media and social debates (Sarathy, 2013). Challenging conventional wisdom, they are indeed tangible markers of a globalization which is not westernization (Chanda, 2007). In terms of management research, these up-market acquisitions are all the more interesting since the available literature has yet to provide any definitive conclusion on EMNE management styles (Nayir & Vaiman, 2012). Therefore, these acquisitions offer a particularly interesting area of research in international management: it is a recent phenomenon, expanding rapidly and raising a number of theoretical and practical issues.

Early evidences suggest that EMNE would develop a cautious and evolutionary approach toward their acquisitions in developed countries, which would be revealed in the medium-term. In a retrospective of their article which

won the Journal of International Business Studies Decade award, Birkinshaw, Bresman, & Nobel (2010) point out that the increasing number of cases of asset acquisitions by EMNE in developed countries (Mittal / Arcelor, Tata / Jaguar, Lenovo / IBM PC) represent a new layer of complexity in the field of mergers & acquisitions (M&A), adding that this new phenomenon is still insufficiently explained by theory. Since this trend will increase in the coming years, up-market acquisitions are a promising avenue of research, so far providing only some anecdotal evidence which suggest that

*“Developing country MNEs are predominately taking a “high road” approach to their acquisitions, imposing some controls but offering enormous autonomy as well, and looking to get the most out of what they are buying. But we have little if any systematic evidence here, so this is an area that could certainly do with more research (Birkinshaw et al., 2010, p. 22).*

Kale & Singh (2012) echo these first suggestions and assume that MNEs would prefer to develop an integration approach which they call “partnering”, characterized by a high level of autonomy left to the acquired entities and a selective coordination of activities with the acquirer. They add that this approach might increase as the acquirer gains experience. This partnering approach developed by EMNE is likely to change direction over time, either during the same integration process or from one acquisition to the next: as they become more and more experienced, EMNE may develop more interventionist approaches. But these suggestions about the partnering approach as the EMNEs preferred approach and its temporal dynamics are based on little research and few empirical confirmations (Liu & Woywode, 2013), since the debates often remain theoretical.

This article deals with these EMNE post-acquisition integrations in developed countries, by comparing assumptions and first indications with unpublished data. By analyzing four cases of French entities’ integrations by different EMNE, it specifically questions the dynamics of the partnering integration: do these dynamics change over time, for instance with the acquirer becoming more interventionist during the deployment of an integration, or during the acquisition of a subsequent one? Thus, the article focuses on the “how”, (how are integrations initiated and deployed by the acquirers) rather than motivations or performance of the acquisitions.

Primarily, the results here support many assumptions and theoretical suggestions: EMNE are likely to adopt a partnering approach, which can dynamically evolve over time. Results also improve understanding and conceptualization of these changing forms of integration: if EMNE actually seem to choose partnering approaches which are changeable in the medium-term, this change can take different directions. Indeed, partnering integration can be either intensified or abandoned, according to the results of initial activity coordination. It also appears that EMNE with enough experience in up-market acquisitions might directly choose a more interventionist, absorptive-type approach.

These results draw discussions about several issues. Thus, to articulate the multiplicity and complexity of the antecedents to the EMNE choice of integration mode, we advocate an integrated approach combining strategic, pragmatic and deliberate choices from the acquirer with some less explicit managerial practices related to its administrative heritage (Calori, Lubatkin, & Very, 1996; Lubatkin, Calori, Very, & Veiga, 1998). We also challenge the category of “emerging multinationals” and suggest reconsidering it in the light of a further question: are EMNE “multinational from emerging countries ” or “emerging multinational companies”?

The article is organized as follows. A literature review provides a theoretical framework for analyzing the EMNE integration approaches. Next, we present the method, the cases studies used for data, before analyzing each of the four cases. Finally, we elaborate our conclusions using the multi-case analysis, and discuss their theoretical and managerial implications.

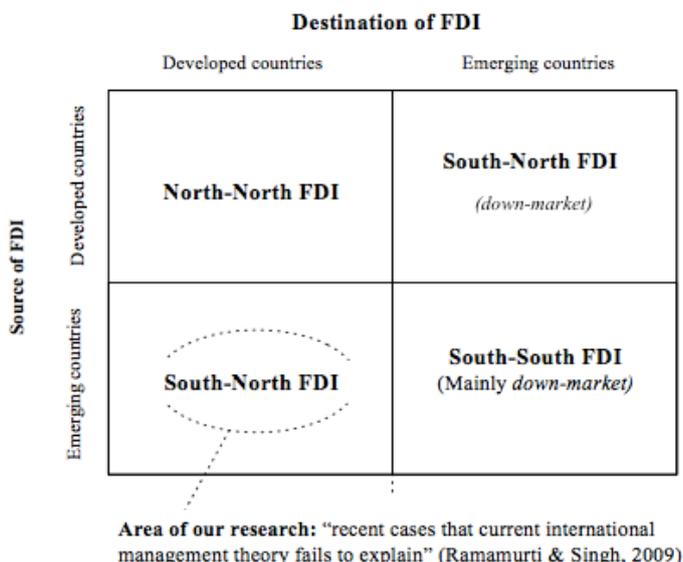
## THEORETICAL FRAMEWORK: EMNE INTEGRATION APPROACHES

The recent and fast development of EMNE has drawn the attention of an increasing number of researchers, but the number of studies dedicated to these multinationals managerial practices remains rather small (Nayir & Vaiman, 2012). This applies particularly to studies related to the conduct of EMNE post acquisition integrations in developed countries, to which many studies suggest assumptions or indications which need empirical validation.

### UP-MARKET ACQUISITIONS

Ramamurti & Singh (2009) provide a framework to locate and think about EMNE investments in developed countries. Mapping the different possible directions of foreign direct investments (FDI) between developed and emerging countries, they locate the South-North FDI, called up-market (Figure 1). They consider these investments are theoretically interesting because they go against the conventional wisdom that assets, technology and knowledge should move from advanced to emerging economies. These rather recent up-market FDIs are an example of a situation that current management theories fail to explain. In these cases, EMNE invest in developed countries to explore and gain new resources rather than to exploit benefits already acquired in their country of origin. This situation might only be temporary, related to their level of maturity and their stage of evolution (still “ infant MNE”); such EMNE would be seeking resources to develop themselves.

**Figure 1.** Classification of FDI according to their direction (From Ramamurti & Singh, 2009)



According to Kumar (2009), EMNE rewrite the rules of M&A with these up-market acquisitions. Whereas the Western MNEs usually use acquisitions to increase their size and efficiency, “emerging giants” acquire firms in the developed countries mainly to gain the necessary skills, technology and knowledge for their development. This motivation of exploration (rather than exploitation) of resources leads EMNE to adopt a rather specific position towards their acquisitions in developed countries. The acquirer-target relationships developing over time in a headquarters-subsidary relationship might indeed use many control and coordination tools, which have to be related appropriately according to the context (Jausaud, Mizoguchi, Nakamura, & Schaaper, 2012). Therefore, EMNE achieving up-market acquisitions should make decisions about their position toward their target and define the roles of the two entities, the headquarters and the new subsidiary (Beddi, 2011). In this present case, to meet their motivation of exploration of resources, EMNE should avoid changing the structures and the systems of the acquired entities in order to get the greatest learning potential from it. Thus, they would develop a light integration process, with a rather slow integration speed while allowing themselves to develop and reinforce this integration gradually. This acquisition approach contrasts with the traditional approach in which the acquiring firm quickly activates changes within the target, but thereafter the search for synergies slows down. These characteristics are just hypotheses which have not yet been tested through empirical research (Kumar, 2009; Birkinshaw et al., 2010).

#### THE EMNE PARTNERING APPROACH

These issues actually refer to the types of post-acquisition integration and their effects on the acquired entities. Studies by Haspeslagh & Jemison (1991) are the most commonly mobilized on this topic in published literature; they have been adapted by Kale & Singh (2012) for EMNE. Haspeslagh and Jemison (1991) consider that the success of an acquisition strongly depends on the successful integration of the two organizations following the acquisition, with the choice of integration type being based on two essential criteria: the interdependence between the entities, and the target’s need for organizational autonomy. Combining these two criteria helps to identify a number of ideal-typical integration modes. The first one is absorption, which is intended to quickly align the target’s strategies and practices with the acquirer’s and results in significant changes in the structure and the systems of the target. The second approach is preservation, which allows the target’s strategies and organization to be maintained, since changes are restricted to an absolute minimum. In practice, there is a continuum between absorption and preservation, more than a binary choice between two distinct categories. The third approach is symbiosis, which aims for the target and the acquirer to learn from each other and share their qualities. While working on these symbiotic-types of integrations, Koenig & Meier (2001) insist as well on the importance of the managerial dimension of post-acquisition integration phases. According to them, “symbiosis” approaches are characterized by a willingness to develop innovative practices or offers in a cooperative environment between the acquiring entity and the target. As a consequence of this drive for joint innovation, the successful processes of symbiosis often seem emerging, incompletely programmed, and deploy gradually over time.

Kale & Singh (2012) build on these studies, adapt them to the EMNE and made hypotheses about the EMNE integration modes. They first take on the structuring factors of Haspeslagh & Jemison’s thesis, by indicating that an acquirer must make decisions about several critical issues for the management of its acquisition: the level of acquisition of the acquired entity, the extent to which the target’s resources are replaced, the level of autonomy left to the target and

the speed at which these issues are managed. They make slight changes in the terms of these measures (structural integration / degree of coordination) and propose to identify three approaches: preservation, absorption and partnering approach. “Partnering” is preferred to the word “symbiosis” which has been used in the literature up to now, though Kale & Singh (2012) do not explain this choice. We will use it by default and then discuss it at the end of the article.

**Figure 2.** EMNE partnering approach (Kale & Singh, 2012)

		Degré de coordination des activités	
		Faible	Elevé
Intégration structurelle	Oui		<b>Absorption</b>
	Non	<b>Préservation</b>	<b>Partenariat</b>

According to them, “classical” MNEs from developed countries usually develop an absorption type of integration, whereas EMNE use mainly the partnering approach: they would not absorb their acquisitions, rather collaborating with them. The partnering integration mode, which is close to a strategic alliance, would be, if not completely distinctive, at least a recurring feature of EMNE and manifests itself through several features: structural separation of the acquired entity, selective coordination of activities between the two entities, few replacements of the target’s resources (management team, brands), high organizational autonomy left to the target, and a gradual integration speed. On all these points, partnership, which is likely to be characteristic of EMNE, would be differ from absorption, which is likely to be characteristic of “classical” EMNE (Table 1).

**Table 1.** Differences in post-acquisition approaches : absorption and partership (Kale & Singh, 2012)

	Absorption	Partnership
Structure	Acquiring entity absorbs the acquired entity	Acquired entity remains separate
Activity	Integration of core and supporting activities	Selective coordination of some activities
Management team	Replaced	Remains
Autonomy	None, or very restricted	Almost total
Integration speed	Fast	Slow

The distinction between partnering approach and absorption is in the coordination of some activities. In both cases, the target remains structurally independent and vastly autonomous, but a partnering approach of the operational synergies is implemented with the acquiring entity. Thus several types of activities can be coordinated together. An up-market acquisition can be used as a “springboard” for internationalization, its target allowing it to quickly obtain the necessary resources to access new markets: networks, brands, patents, images and experience (Luo & Tung, 2007). A learning or technological catch-up dimension may also be a part of the acquiring firm’s strategic intentions. This reverse know-how transfer, ascending from the acquired entities to the headquarters, has been typically associated with the EMNE (Borini, de Miranda, Freitas, & de Oliveira, 2012). According to the evolution of relations between the parent company and its subsidiary, it may develop a perspective of reverse innovation (Mayrhofer & Very, 2013; Gupta & Govindarajan, 2000). Learning could also be managerial, as noted by Kale & Singh (2012) when they quote the CEO of a Chinese group that acquired a French entity: “Our goal was to learn about the practices of international business through the acquired entity and to capitalize on its experience.”

Several antecedents could lead the EMNE to choose this mode of integration: their insufficient managing experience, their conglomerate organization, their specific culture, the target’s superior resources and even an unintentional evolution of their integration process which might lead them to prefer the system that would just seem to work best. (Kale & Singh, 2012). Liu & Woywode (2013) studied the acquisition of German firms by Chinese EMNE and identified this same type of integration approach which they call “light touch” approach. They consider its main factors to be the EMNE absorptive capacities and culture. The notion of culture here refers to the broader concept of administrative heritage of multinational companies, as it was enhanced by Calori, Lubatkin and Very in their studies on the differences in French and British multinationals’ integration approaches (Calori et al., 1996; Lubatkin et al., 1998). This concept combines institutional, historical and cultural aspects which, in a given environment, will influence judgments about ‘how things should be done’, from the form of capitalism in the country to management choices and post-acquisition integration.

## EMNE INTEGRATION DYNAMICS HYPOTHESES

In the research axes that conclude their article, Kale & Singh (2012) use Kumar’s suggestion (2009) and make hypotheses about possible evolutions of partnering approach over time, suggesting that “it is possible that the use of this approach might change dynamically under certain situations” (Kale & Singh 2012, p.23). They identify two types of situations in which partnerships may evolve. First, the acquirer might take a partnering approach at the beginning only, particularly to dampen the adverse effects and ease anxieties felt within the target entity after acquisition. In the medium term, once the obstacles have been removed and the possible synergies have been identified, the acquirer might conduct a fuller absorption of its acquisition. This hypothesis echoes Williamson & Raman’s suggestion (2013), about the Chinese EMNE “double handspring” strategy. Urged by their government to ‘go out’ and invest abroad in the 2000s, the Chinese MNEs generally intended at first to ‘bring back’ the technology or managerial experience acquired in the global area to use domestically. At this first stage, the acquisition has little impact on the target. It is only in a second stage, when the operations in China have been reinforced, that Chinese EMNE start to implement changes in the acquired entity (Yuen 2012). Kale & Singh make a second hypothesis, suggesting that when an EMNE gain sufficient experience in acquisition, “it is quite plausible that it will adopt a more heavy-handed approach

to managing its future acquisitions” (Kale & Singh 2012 p.23). Therefore, partnering approach is likely to be modified over time, either during a single integration or during another one; as they gain experience, EMNE might develop more interventionist approaches. However, once again, Kale & Singh make it clear that there are still few empirical studies to support this hypothesis.

## **METHODOLOGY AND EMPIRICAL RESEARCH: A MULTI-CASE ANALYSIS OF INTEGRATIONS BY EMNE OF FRENCH ENTITIES**

This article compares the hypothesis about dynamics of EMNE up-market integrations with unpublished empirical data. To do so, it makes use of Kale & Singh’s (2012) theoretical framework for the typologies of integration modes. It operationalizes its dimensions and applies them to the analysis of four cases of French entities acquired by different EMNE.

### SELECTION OF METHODOLOGY

The choice of a multi-case study is based on several external and internal factors. The first is related to the research area maturity. Case studies are recommended when there are more hypotheses than knowledge on the research area, and they are based on scarce empirical research (Eisenhardt & Graebner, 2007). Thus, Spigarelli, Alon, & Mucelli (2013) chose a case study to work on the integration of an Italian firm by a Chinese group. Multi-case analysis helps to go beyond the idiosyncratic nature of the events observed locally in a case, and expand the scope of the results by comparing the cases while keeping each one’s context’s specific features (Miles & Huberman, 1994). This method has been chosen by Liu & Woywode (2013) to analyze integrations of German firms by Chinese acquirers, comparative case study allowing them to portray the complexity of the phenomenon and seeking recurring elements through the cases. Given the limited knowledge of integration processes implemented by Chinese firms, they deliberately chose an exploratory approach and mobilized different sorts of data.

An internal factor is related to the nature of the collected data. We combine several types of data (free text from questionnaires, semi-structured interviews and secondary data), which meet Yin’s criteria (1989) in which he defines case study: an exploratory research studying a contemporary phenomenon in a real context, when there is no clear boundaries between the phenomenon and the context, and in which multiple empirical sources are mobilized. Mixed methods combining several types of complementary data are particularly useful to approach an evolving phenomenon such as M&A (Vaara & Monin, 2010). For instance, Birkinshaw & al. (2000) mobilized different kinds of data to analyze the integration processes developed by Swedish firms in cross-border acquisitions. Finally, we adopt a subsidiaries-based approach (Le Borgne-Larivière & Schier, 2010) which allowed us to collect the actors’ testimonies and analyze what has been really implemented after acquisition. This approach aims at going beyond the acquirers’ declarations of intent and managerial statements. Indeed, many researches on M&A focus on the acquirer’s perspective only, and ignore the target’s perspective, though it is critical in the implementation stage (Graebner & Eisenhardt 2004).

## CASE SELECTION

The cases were chosen using a reasoned approach (Seawright & Gerring 2008), for their homogeneity and coherence. On an operational level, our EMNE are all in the sector of manufacturing industry, the acquirers and the targets' workforces are about the same size and all the targets used to be parts of major groups. On an empirical level, the collected data are of the same range, quantitatively and qualitatively. The quantity of collected data meets the order of magnitude used in our area of research (Weber, Tarba, Stahl, & Bachar-Rozen, 2012). The EMNE in the four cases are from three countries: China, Brazil and Mexico. Table 2 presents an overall summary of the cases and data collection.

**Table 2.** Information and collected data

Cas	A	B	C	D
Acquéreur	First China	Yellow Shine	Flexibraz	Mexete
Pays EMNE	Chine	Chine	Brésil	Mexique
Sector	Industry	Industry	Industry	Industry
Year	2011	2006	2006	2005
Workforce				
Acquirer	20 000	40 000	5 000	40 000
Target	200	800	100	300
Data				
Questionnaires	2	2	2	3
Interviews	5	3	2	1
Interviewed persons	French and Chinese Managers	French Managers	French Managers	French Managers
Field visits	Yes	Yes	Yes	--
Internal documents	Yes	--	Yes	Yes
Specialized press	Yes	Yes	Yes	Yes
Litterature	--	--	--	Yes

## DATA COLLECTION AND ANALYSIS

Our study associates three types of data. First, an exploratory questionnaire sent to executives of acquired entities allowed us to collect primary data and exploit their qualitative aspects (free texts of the respondents). These questionnaires allowed us to conduct semi-structured interviews with the respondents (French or expatriate managers of the acquiring group). The interviews, from half-an-hour to two-hours long, were recorded, transcribed and translated. Most interviews were supported by field visits, aiming at better contextualizing data and situations, enriching analysis with memos and field journals. Secondary data (business and specialized press, websites and firms'

internal documents) were also collected: the helped put primary data into perspective and compare primary data to factual and chronological aspects of the integrations. Finally, in one case, specific literature on the previous integrations conducted by the EMNE in question has also been mobilized.

The purpose of data analysis was to compare our cases with the categories existing in the literature, particularly the matrix developed by Kale & Singh (2012) for the EMNE. In order to do this, we must keep in mind that acquisition-type categories are just ideals. They must be regarded as continuum rather than closed-ended, distinct categories. The light touch integration suggested by Liu & Woyworde (2013) clearly expresses the importance of using categories to understand the facts and give them meaning, and not to force them artificially. This analysis was carried out using a structured coding system, developed by operationalizing the two-dimension concepts of the Kale & Singh matrix:

- **Structure** (we prefer this simpler name to “structural integration” which can lead to confusion): separation or structural integration of the target, possible name change, reorganization within the entity, management team changes, speed of changes, evolution of governance and decision-making, regularity of contacts with the group...

- **Activities**: changes or coordination in R&D, production, distribution, marketing or sales, internationalization of activities, introduction of new management forms, tools or processes, training sessions organized by the acquirer, mobility from/to the group, transfers of skills and technology...

Data were processed using the qualitative data analysis software (QDAS) NVivo. This software allows flexible and comprehensive management of qualitative data from multiple sources and of multiple types, particularly maintaining each coded element in its context. It fosters an articulation between contextual analysis and synthesis in a flexible and evolutionary manner, which is particularly useful for a research requiring frequent cross-referencing between data and theories.

## RESULTS

Each case is analyzed and presented in a homogeneous diagram that includes the categories of the theoretical framework. After a presentation of the two entities and of the acquisition context, we analyze the integration from the perspective of its effects on (a) the structure and (b) the activities of the target. We will then address (c) the possible evolution over time of these two dimensions and of the acquirer-target relationships.

### CASE A - FIRST CHINA

In 2011, the Chinese state-owned firm First China took over a French firm in compulsory liquidation. First China is part of a conglomerate controlled by the SASAC (State-owned Assets Supervision and Administration Commission), the party's entity managing the assets of the State. It is leader in its domestic market, and until 2011 its global development focused on Africa, encouraged by the “going out” policy promoted by the authorities at the beginning of the 2000s. As for the French site, it has 200 people. Several thousands of people have worked in this firm since the 1970, and yet it has filed for bankruptcy twice since then and several international owners who have gradually reduced its activity to the production of one single type of item. At the time of the acquisition, the Chinese directors made statements that were meant to be reassuring and ambitious: the acquirer commits himself to keep all the employees and promises investments.

On a strategic level, the acquisition was an opportunity for First China to maintain its place as a leader in up-market products in its domestic market, while turning the French site into a research and business platform for the European market.

### **Structure: high autonomy to the Chinese expatriates directors**

The acquirer's first decisions were imposed partly by the situation: the management, which was previously the former stakeholder's duty, is now vacant. Therefore, the Chinese group sends a team of three expatriates to lead the entity, assisted by an interpreter. This managing team includes the only French executive left in the company, who was in charge of the production and whose position is confirmed. Similarly, the name of the entity being related to former owners, it is renamed First China France, a subsidiary of First China Group. Beyond these structural changes, a Chinese manager claims he benefits from a high level of autonomy:

*"The management of the subsidiary is specific. I have more powerful authority; I can make decisions independently, which allows me great responsiveness. The parent company can help and support you, but it cannot act in your place."* (Translated from Mandarin).

### **Activities: changes "launched slowly"**

At the operational level, the French employees first mention stability, even immobility: there are "no upheavals", the situation consists of "maintaining activity" and the corporate strategy appears "discreet". Moreover, the investments promised by the group are not conducted and the employees feel as though the Chinese group is improvising. This feeling gradually gives way to concern expressed by the trade unions, first by a mail sent to the managers, then through the media. One year after the acquisition, articles published in the press express the employees' disappointment toward the lack of visibility in projects and promised investments: "There was euphoria, but now it has declined. [...] Chinese were the best, they were the future. But now, they are pulling the wool over our eyes." (a French employee). This phase is expressed in other words by a Chinese manager who talks about a one or two-year long breaking-in phase:

*"We are currently in an integration phase. It is not possible to take strong measures to conduct major changes. We have not reached that stage yet. If we want the firm to develop step by step, then we consider the moderate approach is better. So we are implementing our requirements and our managerial conception as the integration goes on, slowly. We have our own methods to integrate."* (Translated from Mandarin).

### **Evolution: selective coordination of activities and investments**

The announced projects will eventually see the light. At the end of 2012, the CEO of the group visited the French site. He recalls on this occasion the importance of "working hard" to make First China France a first-line brand in the group, which for its part must "learn the tools and management methods of the French and European firms [other firms of the group have achieved acquisitions in Germany in the meantime] to improve First China standards" (press release). A few weeks later, the group invests one million euros in a new machining centre. This investment comes along with training sessions and recruitments in France, and Chinese engineers enter the French entity. The French Production Manager is appointed Deputy Managing Director, whereas the Managing Director combines his position with that of Managing Director of First China.

At the same time, via the Chinese news agency, the Vice-chairman of the group praises the "partnerships with firms technologically advanced in the Western countries, and thus provide us a short-cut and an easier access to

technological progress". The word "partnership" is meaningful, even though from a legal point of view it is an acquisition. The point is, since then, the acquisition helped First China to develop its products and its national market. With regards to technology, the parts that were made in France have been included into Chinese products: First China communicates on this technological upgrading, with commercials praising the new "European, made in France technology" on its products. Shortly after, the management re-launches the corporate newspaper and uses it to communicate on the new coordination of activities phase: some products failed in China and the group asks the French entity "for help". A dozen French employees are sent to China to assist the Chinese teams with the repair and thus, to contribute to "expand(ing) the Chinese market in the years to come" (internal document). At the beginning of 2014, new investments were planned in France, with the aim of developing the production and creating an after-sales structure on a new site that could cover the European market.

#### CASE B - YELLOW SHINE

In 2006, the Yellow Shine Chinese group took over a branch of a French group seeking to refocus its activities. Thus, two production sites are transferred to the Chinese state-owned group, that was nominated by the authorities as one of the "big champions" for which global development should be financed by state-owned banks. At the time of the acquisition, Yellow Shine was also taking over a French firm in another sector, and an Australian firm: these acquisitions in 2006 are the group's first cross-border acquisitions,.

#### **Structure: "We have become an SME"**

At the time of the acquisition, the French entity could not keep its name, which was related to its former owner. Therefore, the Chinese acquirer creates a specific division, of which France becomes the international headquarters managed de facto by a French team. Beyond this forced change, the acquisition had no impact on the two French sites. As a French manager states, "Yellow Shine headquarters remained in France and the group did not appoint any Chinese to the headquarters or executive positions. Management remains typically French". On an organizational level, at the French sites a feeling of a great autonomy is prevalent.

*"Yellow Shine France has a Chinese ownership but it is rather independent. [...] Yes, there is the financial strength of a major group to help absorb some financial difficulties but still, we consider ourselves an SME. You cannot change everything anyway. Beyond the fact that the Chinese handle it, we cannot move from a major-group structure to a big-SME structure overnight."* (A French Manager)

The choice of the word "SME" is paradoxical with regards to an entity which is part of a 150,000-persons group, yet it is quite representative of the French employees' perceptions and confirm an operational reality: there is a light presence of the acquirer in the sites organization.

#### **Activities: reverse transfer and mobility within the group**

The French entity declares that it is determined to remain autonomous while being economically viable, but it keeps on functioning as before for most of its activities. Meanwhile, some of its resources are mobilized to develop the group's industrial capacity in China:

*“The only visible impact is that a team of engineers and technicians is assigned for the transfer project in China, experts are required on specific assignments and R&D France helps and supports the implementation of quality labs throughout China”. (A French Manager)*

Indeed, a few months after the acquisition, several French employees are sent to China with the purpose of putting in place an industrial plant similar to the French ones. According to these French expatriates:

*“When the deal was concluded with Yellow Shine, it was decided to develop in China a plant with the same capacities as all the plants in France, with the same technology, to supplement Yellow Shine’s production in China [...] the first choice was to access a different, more advanced technology, to be able to face international competitors that just settled in the Asian area.”*

So the French team expatriated in China guides the industrial project. At the same time, Chinese employees are sent gradually to France to undergo training courses. In the French plants, this period of time is not experienced by all the employees as a peaceful one: there are concerns about the possibility that “the Chinese buy up the company to get rid of it later... they are going to nab the technology and then they will close the plant” (an employee).

#### **Evolution: industrial investments**

These concerns begin to dissipate four years after the acquisition. At that time, investments are made to modernize equipment and expand the plant. These investments under Chinese control are even more welcome, as the previous French group had not invested in the plant for many years. At that time, the plant on which the French expatriates in China are working is in its start-up phase. So the projects discussed are carried out. In the same year the group, whose website is now in three languages – Chinese, English and French, pursues its policy of international development with the acquisition of two new companies in Europe and in the Middle East.

#### **CASE C - FLEXIBRAZ**

In 2006, a major European group disposes off part of its activities. A Brazilian firm, Flexibraz, acquires the entity to be divested, a European firm with some units in France. Flexibraz is a firm with 5 000 employees and is part of a larger conglomerate; it is the leader of its sector in Latin America. But this development is essentially made from Brazil: this European acquisition is the group’s first international external growth operation. As a French executive declared after the acquisition, “our plant has been sold to a group that was 95% Brazilian and, apart from itself, only had these two small European firms”.

#### **Structure: “A de facto SME”**

For the French entity, the purchase is supported by no structural changes. It keeps its name, its organization and all its human resources. Only a single financial executive from the Brazilian group is sent to France to ensure the reporting. Indeed, within the Brazilian group, the international dimension of the organization and its activities does not seem to be a priority: several years after its acquisition, its corporate newspaper and website are still in Portuguese language and the rare Brazilian management meetings in France are organized with Portuguese interpreters. A French manager sums up the situation by saying that, for several years, Flexibraz has “left everything in place and only focused on

the financial part”, the teams being themselves “surprised by the ‘laissez-faire’ (attitude)” of the acquirer. Another sums up this period of time as “the transition from the status of subsidiary of a European group to that of a ‘de facto’ SME”.

#### **Activities: incomplete technological and business coordinations**

The coordination of activities is minimal too. A few months after the acquisition, the French entity achieved some investments, but they had been planned before the acquisition and were financed locally. Then Flexibraz attempted to coordinate some activities. First, the group tried to benefit from the French entity’s skills. Technological co-operations are developed, but they fail, hampered by a lack of coordination and human resources. Commercially, the group also tests a range of products made in Europe on its Brazilian market. However, the market conditions, the difference of practices between a mature market and an emerging market, as well as the management of the distance and its practical consequences put a strain on the project which quickly withered away. Yet, the target’s results continue to satisfy the acquirer. As a French executive states,

“In the first two years, everything went very well. Actually, why did it go that well? Because they [the acquirers] did not get involved in management. They left us to handle it. But as soon as they wanted to get involved in it, in a slightly more specific way, using very American management practices, well, things started to be a little more difficult.”

#### **Evolution: an attempt to become involved, then a gradual withdrawal of the acquirer**

Indeed, the Brazilian group’s positioning starts to change in 2010. Perhaps with the impact of the crisis on the results as a stimulus, Flexibraz becomes more and more involved in its acquisition’s operations. It appoints at the head of its European division a Brazilian manager who wants to incite changes. Operationally, he decides to bring the European plants in line with the Brazilian plants’ standards which, according to a French executive, “use very international management means: ISO 9001, 14001, 5S, lean management...”. He also wishes to conduct reorganizations, but they are faced with differences in legal frameworks between Brazil and Europe, so no major change has been achieved. There is a clear and obvious will from the acquirer to take control both in a structural and operational level, but integration won’t go beyond these first attempts. Apart from operational difficulties, at that time, the owner of Flexibraz refocuses on his core business and resells Flexibraz. The new Brazilian acquirer does not wish to keep the European entities. They are kept in the group, disconnected from it different activities and geographical areas. From the perspective of integration, the coordination projects have been stopped since then, which produced a “backward” effect for the target (a French Manager).

#### **CASE D - MEXETE**

In 2005, the Mexican group Mexete acquires a European firm with production plants in several countries, including two in France. A world leader in its sector, Mexete has been working on strong international development since the 1990s, starting with acquisitions in Spanish-speaking countries, then in emerging countries, with a first up-market acquisition in the United States at the beginning of the 2000s. Up to that time, Mexete international development had been the subject of research which attributed its success to the model implemented by the group in the integration of its acquisitions. Indeed, Mexete follows a formalized process including a two-fold dynamic: on one hand, it quickly

implants its tools and best practice in its acquisitions; on the other hand, it detects within these entities the methods that, if deemed efficient, might be integrated in the standard model and developed worldwide. This approach combines absorption and internal benchmark and was developed particularly during the acquisition of the American entity (Hill & Jones 2012).

#### **Structure: incorporation in the acquiring group**

At the time of the acquisition, the French entities, which had kept their original names and identities within the European group, are combined into one single entity to form Mexete France. This nominal absorption is completed by a quick and strong intervention of the acquirer:

*“During the integration, 200 employees of Mexete came on a mission to set up the model. Later, some of them were appointed to key positions.” (a French employee)*

This six-month assignment was led by group employees from several countries, mostly from Mexico. Moreover, even though the management team stayed in position, reorganizations were quickly implemented within the entities and their teams.

#### **Activities: alignment with the group’s tools and procedures**

The first task of this assignment is to align the entities with the group’s reporting standards, which is done in a month. Then the plants are integrated to the group’s information systems, in a single unified model. Then production processes, distribution networks and buying processes are re-examined. According to a French executive, “The intention of Mexete was to place as quickly as possible the new entities in the Mexete model”. All support functions are standardized, as is the human resources policy. Hotline, invoicing and payroll are outsourced. Some French employees worry about this “excessively rigid centralization”. The change is strong and quick, both in a structural level and in the coordination of activities. Significantly, some respondents use a recurring vocabulary to name the integration, talking about an “American model” and “American culture”. This recurring term shows on the one hand a common association made between the American major groups and the absorption type of integration and, on the other hand, the similarity of the approach of Mexete with this absorption ideal-type: a quick incorporation of the entities into the group, a low level of autonomy and an assimilation into the systems and the models of the group.

At no time did we find any data, either primary or secondary, suggesting that practices or methods from the French entities have ever been detected by the group or integrated in its processes: the actors’ testimonies only mention an intervention and downstream transfers, from the acquirer to their targets.

#### **Evolution: consolidation of the initial changes**

Following this first stage of quick major changes, which lasted about six months, there was no significant change in the relationships between the acquirer and the target. Initial changes were consolidated, without any further major change, the entities continued to be structurally and operationally integrated to the group. Mexete has consolidated its position in France, in which it employs about 3 000 people. The country’s executive committee includes French managers and a South-American manager: the latter comes from the group and has significant international experience, so he is responsible for finances, systems and operational improvements.

## CONCLUSION: PROGRESSIVE FORMS OF INTEGRATIONS BY EMNE

Table 3 sums up the key elements of the cases allowing a comparison and a synthetic multi-case reading. It sums up the characteristics of the acquisitions' effects on the targets' structure and activities, as well as their evolution over time. Case analysis like this enables us to compare these cases with integration cases from the literature and to compare these empirical data with theoretical hypotheses.

**Table 3.** Comparative summary of the cases

Case	A First China	B Yellow Shine	C Flexibraz	D Mexete
EMNE country	China	China	Brazil	Mexico
Year of acquisition	2011	2006	2006	2005
EMNEs prior internationalization	Export only	Export only	Export only	Presence in many countries
up-market experience	No	No	No	Yes
Effects of integration				
Structure	Entity relatively autonomous, managed by expatriates from the acquirer	Entity preserved, autonomous ("we have become a SME")	Entity preserved ("from a subsidiary of a European group to a SME de facto")	Entity absorbed
Activities	The acquirer develops its national market with the target's resources	Employees from the target create a similar industrial plant in China	Attempts of technological and business coordination	A quick alignment of the entities with the acquiring group's standards
Evolution over time	Investments in the target two years after acquisition	Investments in the target four years after acquisition	Attempts by the acquirer to tighten its control, four years after acquisition	--
Type of integration	Gradual partnering, in "double-handspring"	Gradual partnering with technological catch-up,	Uncompleted partnering > preservation de facto	Absorption

### PARTNERING APPROACHES EVOLVING DIFFERENTLY

Firstly, our results confirm the fact that EMNE often choose a partnering approach following their up-market acquisitions. Cases A, B and C are examples of integrations that are definitely similar to the partnering mode, even though modalities and form are different. In case A, expatriate Chinese executives, who say they are relatively autonomous, gradually set up collaborations whose primary purpose is to develop the group's domestic market with the help of the target's technology. In case B, the acquired entity remains structurally unchanged, "has become again an SME", whereas its human resources and its technology is mobilized in a reverse transfer to develop an industrial plant in China. In case C, the target remains autonomous - a "de facto SME", while attempts to coordinate activities are developed at technological and business levels.

The analysis of relationship evolution between acquirer and target over time enables us to go beyond this first level of static reading. Indeed, the results confirm the first part of Kale & Singh's hypothesis (2012): when the acquirer

chooses a partnering approach, it tends to increase medium-term integration. In two cases, investments are made some years after acquisition: then the partnering approach, which was already under way on the acquirers' side, also reveals itself on the targets' side. The two-times dimension of these two integrations make them look close to the Williamson & Raman's "double handspring" model (2013). Yet this is not, as Kale & Singh surprisingly point out, a medium-term "more exhaustive absorption". Indeed, even though the intensification of activities makes the two organizations interweave themselves a bit more, the targets' structural autonomy is still high: therefore, there is no absorption. This is partnership intensification through more significant coordination of activities, which is also and above all bidirectional, both from and to the target.

Case C reveals another dimension of the partnering approach and helps build our understanding of it. In this case the first attempts of coordination of activities fail due to a number of difficulties (distance, lack of resources and experience from the acquirer) which led to their gradual abandon. Though the acquirer tries, four years after acquisition, to reinforce the entity's integration, but once again it meets obstacles. The situation is getting worse, and when the acquirer itself changes owner, the target experiences a "backwards" movement which left it in a situation of simple preservation.

#### A TWO-TIME PARTNERING DYNAMIC, AND IN TWO DIRECTIONS

An overall logic of the partnering approach can be developed, which is characterized by a two-time deployment and a trajectory that can be bi-directional. In a first stage, the acquirer tries to benefit from its acquisition for his own technological or business development; then the acquisition has little impact on the target. Then, in the medium-term, the acquirer changes the level of coordination with the target, in two possible directions. If coordination is proceeding satisfactorily, it is intensified and a bi-directional partnership is taking form. Both organizations, though separate, become more interdependent and develop in interaction: the two entities are interweaving, as a consequence of a more significant coordination of activities. This situation is close to the symbiotic integration mode, except that where the symbiosis ideal-type suggests a coordination of activities on many levels, coordination in a partnering approach involves only a part of the acquirer and target activities. Another issue of this approach reveals itself when coordination of activities is not fruitful. In this case, it can be abandoned gradually, and the target is relatively neglected by the acquirer to find itself in a situation of preservation.

So the partnering approach is a dynamic process. It is not a category in itself; it is a gradual process between preservation and a selective form of symbiosis. As opposed to an absorption, which, by its very nature, leads to immediate effects, the effects a partnering approach reveal themselves gradually to the target. This partnering dynamic is committed to increase over time, with a change occurring in the medium-term, but its trajectory can be in two directions, with a possible backward effect in the case of failed activity coordination.

#### AN ABSORPTIVE APPROACH INCREASING WITH THE EXPERIENCE IN ACQUISITIONS

Case D is clearly different from the previous ones and provides a challenge to the current literature on EMNE. Indeed in this case, the acquirer chooses an absorptive approach, characterized by significant changes made to integrate structurally the target and to align its activities with those of the group. In

accordance with the absorption ideal-type, these changes are achieved quickly and following a formalized plan.

This integration is only partly consistent with the acquirer's practices, as they have been previously identified in literature. Indeed, the acquirer is known to apply a model in which it develops its processes while learning from its acquisitions, detecting good practices and developing them later on in the whole group. In this case, there is a clear alignment of the French entities with the group's processes and systems, but there is no sign that the acquirer ever detected good practices in its acquisitions: it seems that a strictly absorptive integration has been carried out. Our data do not allow us to provide a definite explanation for this fact. However, following several acquisitions and particularly the acquisition in the United States, the group's baseline of knowledge is likely to have grown more and more exhaustive and thus can only develop marginally. Mechanically, the more acquisitions a group achieves, especially in developed countries, the less learning it needs from acquisitions.

While keeping its own logic, its integration process is therefore getting gradually less bi-directional and more "downstream", from the group to the target. The second part of Kale & Singh's hypothesis is, however, correct and even challenges its premises: not all the EMNE choose a partnering approach, and an EMNE which already has enough experience can be more and more interventionist and directly absorb its acquisition.

## **DISCUSSION: MANAGERIAL AND THEORETICAL IMPLICATIONS**

These results lead us to many types of reflection and discussion. At a theoretical level, the diversity of situations compels us to think about the different antecedents of integration mode choice. It also invites us to reconsider, even to rethink the category of emerging multinationals. At a managerial level, the results help better understand the major part played by the target in the development of the relationship with the acquirer.

### **ANTECEDENTS OF INTEGRATION CHOICE: TOWARD AN INTEGRATED APPROACH**

The results highlight a number of antecedents of EMNE integration choices. In the case of our study, the EMNE choosing a partnering approach have no experience in up-market acquisition, whereas the EMNE that absorbs its acquisition benefits from many similar prior experiences. This fact suggests the importance of the acquirer's experience in its choice of integration mode. At the same time the technological or managerial difference between the acquirer and the target also seems to play a major role: thus, the more the technological difference would favor the target, the more beneficial it would be the acquirer to choose the partnering approach, and thus the more likely it would choose it

Yet, would the EMNE implementing a partnering dynamic do it only because they have no other alternative, or is it also partly because they do not want to do another way? The question is worth asking, because many other antecedents seem to be involved. The first case provides clues for a specific vision of the acquirer toward integration: two managers from the group talk about their "own methods to integrate" with a "one or two-year break-in phase". Their choice of a partnering approach does not seem to be constrained by aspects related to capacity, but it would also result from a specific managerial conception that would particularly combine motivation for learning and specific time

orientation. This last point comprises both cultural and governance aspects: in the first two cases, EMNE adopting a partnering approach are indeed Chinese state-owned groups. Elements of governance are also involved in the third case, in which a change in shareholding within the acquirer causes the target to move into a preservation mode.

The antecedents of the choice of integration mode are therefore multiple and intricate. To articulate their complexity, we recommend an integrated approach which combines two series of elements: on one hand, the strategic, pragmatic and deliberate choices of the acquirer (carried out by considering particularly its absorptive capacity, its previous experience and the difference in resources with the target); and on the other hand, the less explicit managerial practices, interweaved into prior visions of “how things should be done” with regards to the EMNEs administrative heritage. We prefer using the term “administrative heritage” (Calori et al., 1997) over “culture” used by Liu & Woywode (2013). It more exhaustively deals with elements related to strategic choices and it combines cultural (relations to time, change, power), institutional (governance, economic environment of the country of origin) and historical elements (development of the EMNE).

Another motivation for the choice of a partnering approach has been described in the literature. According to Kale & Singh (2012), this choice would first allow an EMNE to ease the reluctances and concerns within the target. These effects did not appear in our study. Almost on the contrary, in the first two cases, the hardly interventionist attitude of the acquirer caused among the employees of the acquired entities many anxious expectations and doubts as to the truthfulness in the acquirer’s statements. The relevance of this tactical aspect in the integration approach is therefore not confirmed by the facts.

#### A RE-CHECKING OF THE “EMERGING MULTINATIONALS” CATEGORY

The contrasting results, between EMNE choosing a partnering approach and another absorbing its targets, lead us to question the solidity of the “emerging multinationals” category (EMNE). Indeed, in the literature, this category is often associated with supposedly specific internationalization modes. Our multi-case study reveals differences from this point. Another way to consider this question would be to rethink the definition of EMNE. Is the adjective “emerging” related to these multinationals’ country of origin (exogenous characteristic) or to their own development (endogenous characteristic)? In other words, are these EMNE “multinationals from emerging countries” or “emerging multinationals”? With this second definition based on each organization’s own stage of development and level of maturity, it appears that EMNE choosing partnering approaches tend to be multinationals on their first internationalization stages, whereas EMNE choosing absorption approaches would be already mature multinationals, for which the adjective “emerging” would be inappropriate.

Because of their differences, these cases help outline some recurring forms of emerging multinationals development. Their up-market acquisitions seem to have a dual dimension of learning, which for EMNE consist of getting the necessary resources to their development while testing their management models on an international scale. So there would be no first stage of development of a management model in the domestic market followed by an exploitation of this model in the international market, as there is in the classical model: EMNE develop their competitive advantages and their managerial models not only during their acquisition, but also by means of them.

## MANAGERIAL IMPLICATIONS: MANAGING THE PARTNERING APPROACH TEMPORALITY

Several managerial implications can be drawn from this study, especially from the cases of partnering approaches by EMNE. Firstly, the evolving dimension of the EMNE relationships toward their acquisition must be considered: their managerial and strategic choices at a given time are probably not firm specificities, rather transitional elements related to their stage of development. Then, it is crucial to get a good understanding of the two-time development of the partnering dynamic and to pay particular attention to the first coordination of activities which can condition the next stages of integration, either positively or negatively. Indeed, especially if there is little direct impact on the target in the first stage, its managers should be aware that they play a crucial role in the further development of the relationship with the acquirer. If the first coordinations provide satisfying results, partnership should increase and the target could draw benefits (investments, sustainability and development of the activity...). On the contrary, if the first co-ordinations prove unfruitful, the target could be abandoned in a non-intended preservation situation that would undermine its development and its future in the group.

This is all the more important given that, during the first time period in the partnering approach, managers and the teams of the acquired entities can be surprised by the acquirer's seemingly laissez-faire attitude. Therefore, they can interpret the autonomy which is granted to them as mere and simple independence, and miss the real challenges at this stage. Yet, if there is a relatively new decoupling between the shareholding relationship and the managerial relationships in this type of integration, and the presence of the acquirer is discreet, the latter's expectations are real, as well as the development possibilities for the acquired entity.

## AVENUES FOR FURTHER RESEARCH

In this study, we have tried to produce unpublished empirical data and compare them to the currently developing theoretical frameworks about the EMNE development. These data allow us to provide knowledge and input for debates on EMNE on expanded empirical bases. Further research will confirm its conclusions and particularly articulate with more accuracy the different levels of antecedents of integration choice. The question of whether the EMNE choosing partnering approaches do this because they cannot or will not choose another way seems to us to be particularly interesting. Several ways of expanding this research could help answer the question: temporally, by increasing the longitudinal covering of the studied cases; geographically, by studying cases of further acquisitions by the same EMNE in other developed countries (to determine recurrences or evolutions) or emerging countries (to identify recurrences or differences); and structurally, by complementing the approach based on subsidiaries with an approach based on the EMNE headquarters.

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