

Doctoral Thesis in 2019 (Summary)

The Cross-border Mergers and Acquisitions and  
Overseas Management Resources Utilization of Chinese  
Automobile Companies

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## Summary

The Chinese automobile industry first adopted the policy of “From Overseas” after the Opening of China which was started in 1978. Because of that development of the modern automobile industry requires large scales of capital investment, but the economy of China was underdeveloped with backward technology on automobile industry at that time. Therefore, the Chinese government began actively introducing direct foreign investment in the 1980s to accelerate the modernization pace of Chinese automobile industry, as well as saving money on early investment and setting up a production system. The Market-for-Technology Project has put forward by introducing more advanced foreign technology, management talents, and experiences.

Although the initial capital problem was solved, the purpose of transferring technology via introducing foreign capital, especially the process of transferring advanced technology did not go successfully as expected. Therefore, in this context, the Chinese government issued the "Go Overseas" policy in 2001, that is, the policy was converted into awarding overseas investments of domestic companies to promote the formation of world-class Chinese companies' and brands' influences. The implementation of the policy accelerates Chinese companies to go overseas and through various means such as merger and acquisition (M&A), capital participation in overseas companies to obtain overseas professional talents, high-end technology, brand power, management experiences, and other advanced management resources, making these

resources to become strategic targets of China.

The economic growth rate of China gradually declined after the 2010s; at the same time, China's manufacturing industry has started to face new challenges. At that time, China had not mastered superior technologies of internal combustion engine independently, so it could only start to vigorously develop the alternative fuel vehicle industry through large-scale financial investments and industrial cultivation programs. In 2015, the Chinese government released "Made in China 2025" plan. According to the plan, the most critical development goal of the automobile industry is to improve its quality rather than increase its quantity and scale.

The motivation of Chinese automobile companies is different from those of more advanced foreign competitors. When analyzing the developing mode of the Chinese automobile industry in the past, it is discovered that the characteristics of Chinese companies are to seeking advanced overseas management resources through cross-border mergers and acquisitions. Enterprise management resources including human resources, material resources, financial resources, information resources, and respectively, each of them corresponds to human, material, and money. However, as for information resources, they are not only information itself, but also intangible resources such as technology, management ability, and brand power. Moreover, as the source of competitive advantage, information resources are becoming more and more critical. For companies, there are many choices in acquiring necessary management resources, yet the M&A is the most effective way to pursue both time-saving effect and synergetic effect.

Therefore, the research objectives of this dissertation are as follows, in other words, it discusses the influence of overseas management resources on the growth of Chinese corporations based on the development history of China's automobile industry. Moreover, how to use a theoretical model that is suitable for Chinese enterprises to discuss the reasons for cross-border M&A and the process of acquisition, integration, and utilization of overseas management resources after cross-border M&A. It also provides some enlightenment for the later-developed companies' transnational M&A and the company growth strategy.

The research method of this dissertation is based on the above purposes as the starting point, conducted literature review and theoretical verification, and built an analysis framework that suits Chinese enterprises, namely the SSIT model. Next, the dissertation grasps real situations of each company through field study, it analyzes and evaluates specific cases of those companies, and finally, it evaluates whether the catch-up strategy implemented by them is useful.

The conclusion of this dissertation is as follows.

First of all, when reviewing the development history of the Chinese automobile industry, it is found that the utilization of overseas management resources had played a significant role in the development of China's automobile enterprises. The pattern of using these resources includes merging with foreign companies (M&A in general) and acquisition of advanced overseas companies (M&A in the narrow sense). In this paper, both generalized and narrow transnational M&A are considered as cross-border M&A.

Secondly, the study reveals that the Chinese automobile industry has experienced

three stages of leaping development. The initial stage of "self-reliance" mode of internal management resources build up; The accumulating stage of obtaining overseas management resources using "from overseas"; The integrating stage of domestic and international management resources centering on the policy of "go overseas." Also, we can divide the utilization of overseas management resources by Chinese automobile companies into three basic modes according to the classification and characteristics of cross-border M&A, that is, the modes of out-in cross border M&A, in-out cross border M&A and mixed type of innovation.

Then, focusing on the essential issue of this dissertation, namely the utilization of overseas management resources through cross-border M&A, and the inspiration from LLL model and dynamic capability theory, an SSIT model suits the analysis of Chinese companies is constructed. The SSIT model is used to analyze the catch-up strategies of three different types of Chinese automobile companies. These are: Making use of overseas management resources through mergers with foreign companies -- SAIC Motor; Absorbing overseas management resources by acquiring overseas companies -- Geely Automobile's Volvo acquisition; And mixed type of innovation for development through independent research and development (R&D) and the use of overseas management resources -- BYD electric vehicle business.

Finally, this dissertation evaluates three company cases mentioned above and discusses the effectiveness of each pattern's catch-up development strategy and overseas management resource utilization. It is suggested that the introduction of foreign capital in the early stage of the development of the Chinese automobile industry

has realized the cultivation of the industry and, to some extent, improved the overall competitiveness of the Chinese automobile industry. The auto market of China has become the largest in the world, with nearly all over the world brands building factories, assembling models, and selling cars in the land. In order to catch up with the first-mover companies, in the reality of a market full of fierce international competition, the development strategy of Chinese enterprises is transformed into acquiring more advanced management resources through overseas acquisitions. Next, in the market environment trend of vigorously promoting alternative fuel vehicles, local companies should integrate and innovate the existing internal management resources accumulated before and the management resources obtained from the outside world, so that the latecomer Chinese enterprises are more likely to catch up with the first-mover companies.