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Strategic Fit in Mergers and Acquisitions

A Case Study of Volvo Cars

Bachelor Thesis in Business Administration - EMM

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Jönköping January 2008

Acknowledgements

We would like to express gratitude to our tutor, Jens Hultman, PhD, Jönköping International Business School, who has been guiding us throughout the process of writing and constantly pushing us to further improve this thesis.

Our fellow student colleagues in the seminar group have further contributed with valuable thoughts and comments which have enhanced the quality of our work.

Of course we would also like to express our thanks to the respondents who have been kind enough to share their valuable insights and knowledge of the chosen case, without your participation this thesis would have been of lesser quality.

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Jönköping, January 2008

Executive Summary

Today's business world hosts a phenomenon, a way to expand business activities by consolidating or buying another company, so called Mergers or Acquisitions (M&As). It is a way to grow quicker and enter new markets than otherwise would not have been possible without M&As. Within the automotive industry this phenomenon has been seen frequently with examples like the Renault-Nissan, DaimlerChrysler-Mitsubishi and Ford Motor Company-Volvo Cars team-ups. The last mentioned is particularly interesting since there have been talks implying Ford to sell Volvo Cars due to a harsh financial position.

M&As can be successful or less successful. In order to get the most out of a partnership it is important to do some research before deciding what to do. It can be done through a due diligence process, through identifying if there is a *strategic fit*, i.e. if the companies actually fit each other's goals etc., and if and how the partners can benefit from each other. One example of the latter is the complement of each other's strengths and weaknesses. A model of strategic fit such as the 4 Cs where the capability, compatibility, commitment and control issues are brought attention for further evaluation. It can clearly be seen that these factors should be considered when looking for a partner. Applying this between a potential buyer and Volvo Cars, new and reasonable owners/partners can be identified.

In this study an inductive approach has been used. An inductive approach means that the researcher collects data and from this data develops a theory. The study is furthermore exploratory, meaning that the researcher seeks new insights of a phenomenon, finds out "what is happening" and seeks new insights into the area. A cross sectional approach is taken as it is not the authors' aim to describe a long-run development but rather to give a view of what happens in a special moment. It has been decided that a case study will be done to narrow down the study and to provide an example of a current situation where strategic fit plays a vital role. The study is qualitative by nature as the authors aim to develop an understanding of a complex phenomenon.

In the search for secondary data 725 articles were reviewed and from them 32 were chosen. Out of these articles six potential buyers were identified and their appropriateness was discussed with a source with insight in the automotive industry. The primary data was collected through semi-structured interviews of which the majority was performed by phone.

The very purpose of the study was to identify new potential buyers, which is also to be seen as *partners*, of Volvo Cars. In the pursuit of doing this a firm process had to be carried out. The *strategic fit* between Volvo Cars and a future potential buyer must be settled in order to identify it. Out of the set of potential buyers some are more credible than others, due to their traits which fit Volvo Cars better than with others. The fit is also looked upon whether a new buyer needs to be a car manufacturer or not. This was a key in the study along with which *synergistic gains* could be realized in different scenarios and also *which specific company* out of the set that would be the most *reasonable* buyer. The conclusion is that, given the authors' view of strategic fit presented in this thesis, the most reasonable partner of Volvo Cars would be Renault-Nissan. Further it was concluded that Volvo Cars will be better off if having a car manufacturer as a partner.

What could be complicated was the actual outcome which was not known at the time of writing. Hence the authors have left a *reasonable* answer to whom Volvo Cars can be sold to in the future; it is not a definite one.

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1 Introduction

The introduction contains a discussion of the problem area, the purpose as well as the research questions for this thesis. The authors will give an understanding of why it is an interesting area to investigate.

1.1 Discussion of Problem Area

The reason why the authors have focused on the topic, Mergers and Acquisitions (M&As), is because of this business growth tool's actuality. According to *The Economist*, the value of merger and acquisition deals made public during the first five months of 2007 equaled \$2 trillion, making it possible to break the record from 2006 with more than 60 percent (*The Economist*, May 2007). Mergers and acquisitions are today very relevant themes in the field of expanding a business organization. There may be different purposes such as rapid expansions, to beat potential future competitors or expand the product depth and range. It can also function as a short-cut to new markets (Eun & Resnick, 2007).

There are different ways to merge or acquire, can there be differences between if company X merges with or acquires Y or if company Z does so? This gives a hint of a problem in the progress – in what way can a merger or acquisition proceed, what type of integration can be fulfilled – do the companies actually fit each other? Elaborating with these problems and obstacles is crucial for a company to do before it is too late – merging with or acquiring a company that does not fit will mean future problems (Medcof, 1997 and Cullinan et al., 2004).

Since summer 2007 there have been rumors in media regarding Ford which is said to consider selling Volvo Cars, one of the members of their PAG, Premier Automotive Group (Lövgren, 2007, Ibison, 2007). Ford sold Aston Martin during 2007 and are negotiating the joint sales of Jaguar and Land Rover, two British car brands, included in their PAG (*Financial Times*, 2007, *The Economist* 2007). As of the summer 2007 it was made clear that Ford considered selling Volvo Cars as well and during late summer and fall several different possible buyers have been discussed in the media and business press. Such sources are *Financial Times*, *Dagens Nyheter*, *Göteborgs-Posten*, *Dagens Industri* and *The Economist*.

In short it can be said that the chosen topic is an interesting theme of today's business world. There is empirical evidence showing that many companies are considering this business growth tool in order to gain something extra, the turn is now at an unknown potential buyer of Volvo Cars, considering the situation that Ford would sell it.

1.2 Purpose

This thesis focuses on strategic fit in the context of mergers and acquisitions. The purpose of the study conducted is to evaluate identified potential buyers of Volvo Cars from multiple perspectives of strategic fit. In addition the analysis will try to answer which of the identified potential buyers that will have the best strategic fit with Volvo Cars and therefore be the most suitable new owner.

1.2.1 Research Questions

Here the authors have listed the research questions used as guidance throughout the study.

- From a strategic fit perspective, which company can be appropriate as an acquirer of or merging company with Volvo Cars?
- If sold, what synergistic gains can be reached if Volvo Cars teams up with another actor in the industry?
- Must Volvo Cars necessarily team up with another car manufacturer if sold?

1.3 Thesis Disposition

This thesis is divided into certain sections wherein different themes are presented and discussed. The thesis has started with an introduction of the problem at hand and the purpose of the entire study as mentioned earlier. In section two the authors present some background of the companies involved in the study and the points of interest thereof. Hereafter, in section three, are theoretical concepts and models outlined. After the theoretical section the authors continue with their research approach, section four, where the methodology of the study is presented. The section contains various concepts related to the authors' choice of performing the study. Certain limitations to the chosen methods are discussed as well. Further, in section five, the empirical situation is outlined, including presentation of earlier similar cases like the authors' chosen case. The authors elaborate, with the help of information from interviews, with different scenarios which could become reality for Volvo Cars. Potential buyers are identified and reasons behind the selection are discussed around. The last section is where the authors bring primarily sections three and five together in order to discuss and analyze around the chosen theories and retrieved empirical findings. The section will finally be concluded with remarks accounting for the study and thereafter invite the reader to further, certain readings.

2 Background

In a logical and chronological order the relevant background is covered. Beginning with Volvo's and Ford's history, followed by the Volvo brand name the section continues with an overview of how Volvo Cars was bought and the relationship between the new owner Ford and its acquisition, ending with why Volvo Cars may be for sale.

2.1 History of Volvo Group and Volvo Cars

Olsson and Moberger (1995) write in their book about the history of Volvo Group. The company Volvo was founded in 1926 by Assar Gabrielsson and Gustaf Larson. The two men were working in the Swedish ball-bearing company Svenska Kullager Fabriken, SKF and had finally been able to convince management that producing cars could be profitable. The brand Volvo had been registered in SKF already eleven years earlier and was now taken out of its rest. The company moved to empty premises in Gothenburg and only one year later the first Volvo left the factory. In the 1930's Volvo expanded by acquiring its major suppliers. The factory on Hisingen (a part of Gothenburg) produced not only cars but also tractors, buses and trucks. During WWII Volvo produced a lot of military materiel at the same time as it was planning for the future. In 1944 the PV 444 was introduced and as it two years later began to be sold it was the first success of Volvo, sold in almost 200 000 units (Olsson and Moberger 1995). The modified version 544 increased the number of sold cars to 440 000 during 21 years of production. The next success was the Amazon, produced from 1956 to 1970. The important export to the US was improved in the 1950's and today more than 100 000 cars are exported annually. In 1964 the new (and current) factory in Torslanda, Gothenburg was opened. The same year the second current major factory was established in Gent, Belgium (Olsson and Moberger 1995).

In the 1970's Volvo was negatively affected by the oil crisis and a lack of new models, they continue. The idea to join forces with the Swedish competitor SAAB was introduced but the two companies never merged. In the same decade the car-producing part of the Dutch company DAF was bought by Volvo. Volvo's intention was to fill out the gap it had in the segment for small- and medium sized cars.

Volvo's 50-th anniversary took place in 1977. One way of celebrating this was the creation of a coupe model. The 1980's was the decade of a new era for Volvo and its customers, the 760 and 740 series were launched. The 240 series continued to be produced along with the 7-series until 1993. It was also the decade of a less known and popular model, the 300-series' sequel 400-series. As its predecessor it was front wheel driven. In 1991 the Volvo 850 with a new 5 cylinder engine was launched. It was in stark contrast to the ageing 240 model which was ended in 1993. Two years later another series was launched, the -40 series. Another three years later the S80 was introduced as a top of the line model, a five-door sedan somewhat larger than the S70 (Olsson & Moberger, 1995).

Jan Hökerberg (2000) makes clear that the thought of Volvo Cars being foreign-owned emerged already when the company was only two years old. At that time American car-maker Nash gave an offer, however the decision to sell Volvo was hindered by Assar Gabrielsson who promised that Volvo Cars would become profitable. Further Hökerberg (2000) explains that Volvo Cars eventually did make profits, although very small the first time but they proved to be growing. After almost half a century the company went from approximately 1500SEK in profits to 6 billion SEK in 2006 (Hökerberg, 2000). In contrast

to Hökerberg is Plate (1985), who mentions Volvo Cars' profitability creation; he mentions that Assar Gabrielsson decided in the beginning to focus on volume rather than to become profitable immediately, i.e. that Assar Gabrielsson intentionally avoided certain profits and instead continuously worked with volume measures.

2.2 History of Ford Motor Company

Henry Ford was born on July 30, 1863 in Dearborn, Michigan. In the late 1800s Ford held a position as an engineer at Edison Detroit Electric Company, a leading actor in the industry (Pollard, 1995). Ford spent his spare time trying to build a car together with another mechanic. He managed to drive off with his first car after two years of production time. He called the vehicle "Quadricycle" and the year was 1896 (Pollard, 1995). The company was at this time one of 88 car manufacturers in the US and one of the very few that were profitable (Brinkley, 2003). Until 1908, eight models had reached the market, and Ford launched the T-Ford. The T-Ford came to dominate the market during 18 years, and a total number of 16.5 million units of the car were manufactured (Ohlin & Persson, 2007).

The success of the T-model was highly dependent on the fact that Ford took effective use of new methods of production en masse, such as manufacturing the cars on an assembly line. This type of manufacturing methods had been used in different industries in the U. S. for around 100 years, used exclusively in simpler, less technical-demanding production. Ford took inspiration from these manufacturing methods and tried to implement them into the manufacturing of cars (Pollard, 1995). This led to that the market price for a T-Ford could be kept low and the workers' salaries increase (Brinkley, 2003). The price of a T-Ford was \$500 in 1913 (Ohlin & Persson, 2007).

Henry Ford owned the majority of the shares in the company from the start of and in 1919 the remaining shareholders were bought out of the firm (Brinkley, 2003). The Ford Family and their Ford Foundation were the sole shareholders until 1955 when the stock was placed on the market (Ohlin & Persson, 2007).

Henry Ford was succeeded as President of the company by his son Edsel Ford in 1919. Edsel, at this time 26, had been brought up to be able to take over the company. Edsel and his wife had already a son, Henry II, also being raised to secure the Ford line within the company (Pollard, 1995).

By the mid 1920s, the demand changed to other car brands that contrary to Ford launched new brands and models annually and had focus on design (Pollard, 1995). Henry Ford was however reluctant toward the changes that his son Edsel wanted to implement, but in 1927, the production of the T-Ford was cancelled and a completely new model, the A-Model was introduced. The new A-Model sold well but had nothing like the success of the earlier T-Ford. In the US Chevrolet and Chrysler challenged Ford. In the European markets, competition was even fiercer, with French firms Peugeot, Renault and Citroen, Italian Fiat and British Austin and Morris all competing for a place in the growing automotive industry (Pollard, 1995).

Edsel died in 1943, at the age of 49. The natural successor, Edsel's son Henry II served in the US Navy in the ongoing WWII and Henry Ford once again stepped back in as President of the firm, now at the age of 80. In 1945 Henry Ford II was released from his active duty and took over as president of Ford Motor Company (Pollard, 1995).

The Ford line still today is represented in the management team. William “Bill” Clay Ford, Jr., the great grand-son of founder Henry Ford, is the executive chairman and also served as president and CEO until September 2006 when Alan Mulally took over those roles (CNN, 2006).

Ford Motor Company diversified its operations in 1917 and also started to manufacture tractors (Pollard, 1995). In 1922 Ford acquired Lincoln, where the luxury brands Lincoln and Continental were manufactured, as well as Mercury in 1938. Ford Motor Company acquired Aston Martin and Jaguar in 1987. Ford also owns 33.4 percent of Mazda Motor Corporation (Ohlin & Persson, 2007).

The Ford Motor Company has its corporate headquarters in Dearborn, Detroit and also has factories in Canada, Great Britain, Germany, Belgium, Spain, Brazil and Australia (Ohlin & Persson, 2007).

2.3 Volvo Brand Name

The brand name VOLVO (with capital letters) was registered as a trademark at the Royal Swedish Patent and Registration Office on February 10, 1915 by the Swedish ball-bearing company SKF. The name Volvo comes from “Volvere”, the infinitive form of the Latin verb meaning “roll”. In its first person singular form, “volvere” becomes “volvo”, meaning “I roll” (Volvo, 2007b).

The brand name came to use 11 years later when the two SKF employees Assar Gabrielson and Gustaf Larson managed to persuade the board of SKF to financially support the idea of car manufacturing. The Volvo name was taken out of a desk draw and the car company AB VOLVO, also known as Volvo Group, was born (Volvo, 2007b).

In 1999, when Volvo Cars was sold to Ford Motor Company one reservation was made; the brand name Volvo should be used in the future by both Volvo Cars as well as the remaining companies in the Volvo Group. The brand name was put under management by a holding company, Volvo Trademark Holding AB. The holding company is a joint venture between Volvo Group and Ford Motor Company and is owned on a 50-50 basis by the two parent companies. The management team and board of directors consist of Leif Johansson, president and CEO of Volvo Group and Bill Ford Jr., chairman and CEO of Ford Motor Company. Volvo Trademark Holding AB is managing questions of joint use of the Volvo brand, such as sponsor questions, branding and other usage of the Volvo brand and its logotype (Volvo, 2007b).

2.4 The Acquisition of Volvo Cars

On January 28th, 1999 Ford's acquisition of Volvo Cars was made official. The sum Ford had to pay to acquire Volvo Cars was \$6.5 billion (Buerkle, 1999). Some of the other potential buyers were Italian Fiat and the German company Volkswagen (Sjödín, 1999). Acquiring Volvo Cars made Ford the second biggest car producer in Europe, a market where Ford needed to strengthen its brand. Volvo Cars on the other hand needed money to develop new models in order to stay competitive in the world market where its 400 000 sold cars per year constituted a modest one percent of total world sales (Buerke, 1999). At that time, Ford was the most profitable car maker in the world with an operating profit of \$6.57 billion and 6.8 million sold cars (Buerkle, 1999).

Buerkle (1999) writes that Ford had no intention to make radical changes with the Volvo brand or its operations. Ford wanted to let Volvo Cars be a separate business unit and keep the then three production facilities as well as research and developments capabilities in Sweden. Ford had the aim to realize savings through common parts purchases and later to have common platforms for Volvo Cars and Ford models. At the time of the takeover, Ford was producing 6.9 million vehicles and employed 225 900 employees world wide. Volvo Cars added 22 000 workers and 400 000 cars per year to that (James, 1999).

2.5 The Relationship between Ford and Volvo Cars

Ford acquired Volvo Cars to fill out its Premium Automotive Group (PAG), already then consisting of Aston Martin and Jaguar. In an article in Dagens Nyheter in February 2003, it was stated that the strong brand of Volvo Cars only had to gain from not being integrated into Ford (Djerf, 2003). A too strong integration however could lead to a cultural clash and negative consequences for the corporate culture in Volvo Cars.

The differences between Ford and Volvo Cars are big. Volvo Cars has an open organization where employees' influence is strong whereas Ford is a more hierarchical organization. Ford said in 1999 that they were striving to get the main values of Volvo Cars, safety, environment and quality. These values are integrated in Volvo Cars and constitute a major part of the internal culture. Again, integration efforts from Ford could severely damage these important values (Djerf, 2003).

Ford made a promise not to relocate any factories or research centers from Sweden (Swärd, 1999). Jac Nasser, President of Ford at this time, made an example of Jaguar as how Volvo Cars was to be integrated into the Ford family. Ford bought Jaguar and got a company in very bad shape. After that Ford has invested billions of dollars in new models and modernized plants. The result turned out well thanks to the technical and financial help from Ford and Jaguar's work force and management (Swärd, 1999). See Table 1 for an illustration on how Ford's market is segmented from the perspective of their brands in declining order from luxury via premium to less prestigious brands (Swärd, 1999).

<i>Europe</i>	<i>USA</i>
Jaguar	Jaguar
Land Rover	Lincoln
Volvo Cars	Land Rover
Ford, Mazda	Volvo Cars
	Mercury
	Ford, Mazda

Table 1 Prestige of the Ford Brand Family.

In an article Holland, Salama and Vinten (2003) describe the union between Ford and Volvo Cars. Volvo Cars is described as a decentralized and teamwork oriented firm. Prevailing in the corporate culture of Volvo Cars is the participatory style of management. The decision making process takes place at lower levels of the organizational structure. The Volvo Cars' Swedish culture is so strong that it many times overrides the host national values. Ford on the opposite is a structured and hierarchical company. Another difference between the two companies is how they co-operate with labor unions. Volvo Cars management and employees work very closely with union representatives to achieve better business results. The same level of co-operation does not take place in Ford (Holland, Salama & Vinten, 2003).

The transition of ownership is in the article described as a major change. With Volvo Group as an owner, Volvo Cars constituted 51 percent of the company group. Today it constitutes only 8 percent of Ford Motor Company. Due diligence has been mentioned in the theoretical section of this thesis. The due-diligence period for Volvo Cars and Ford lasted six months and focused mainly on potential financial synergies (Holland et al., 2003).

Once the deal was done, 18 matching pairs with Volvo Cars and Ford executives were created to form the integration team. This team was created to find synergies in areas like purchasing, marketing and research. Half of the 18 persons came from Ford and the other half from Volvo Cars, hence the ambition was equality. The areas of synergy achieved at the time of the report (2003) were in technology transfer, engineers went from US to Sweden and the opposite to transfer technologies and offer knowledge to their colleagues. In marketing and sales the fact that PAG comprises several brands has helped, for example in relation with car dealers. Synergies are also found in R&D, research and development, where efforts are joined to develop new fuels (Holland et al., 2003).

2.6 Reasons behind a Potential Sale

Lövgren (2007) mentions in his article the \$12.7 billion loss Ford made in 2006. The company needs to save another \$18 billion in the next three years. It has taken on loans and credits accounting to \$20 billion and put everything including its own brand and logotype as collateral (Lövgren, 2007). Pröckl (2007) writes that Ford wants to sell Volvo Cars because of the current financial and liquidity crisis that it is in and because Ford did not experience the increases in efficiency and improvements in the PAG that it was hoping for 5-10 years ago. Despite owning the European premium brands Volvo Cars, Jaguar and Land Rover (Aston Martin was sold in March 2007), positive brand effects have not been transferred and improved Ford's status (Pröckl, 2007).

As Volvo Cars is one of the most valuable assets in Ford's portfolio of European brands, it is not surprising that Volvo Cars is up for sale (Lövgren, 2007). While Ford did not reach the top 200 of the world's most respected brands, Volvo was placed 57th overall, making it the 4th most respected car brand in the world (Lövgren, 2007). The price tag for Volvo Cars is \$8 billion (O'Connell, 2007).

3 The Road toward Consolidation

This section covers what Mergers and Acquisitions are and trends, the reasons why companies acquire and merge, strategic fit and a model of the same, the role of corporate culture, due diligence and ends with a model of what is needed in an M&A situation – the 4 C's. The authors have chosen models with care, which can be implemented in the specific study this thesis brings about.

3.1 Mergers and Acquisitions

The terms merger and acquisition are often used synonymously, with a preference for the word merger because it is a less aggressive term and suggests consent. However there are legal, financial and practical differences (Hussey, 1999). A merger is defined by Hussey (1999) as an incorporation of two firms where the respective shareholders of each firm agree to combine their equity capital to form a single new company. Agreement between the shareholders involves the receipt of shares in the new company in exchange for shares in the old companies at some suitably determined rates. A textbook definition of a merger states: “*In general, a situation in which two or more enterprises cease to be distinct enterprises*” (Parker (ed.), 1992, p.188) and an acquisition: “*An acquisition by one corporation of another entire corporation or of a business from an ongoing corporation*” (Capron, 1999, p. 988).

According to Achtenhagen (2006) a merger means that two organizations come together and become one single unit. The rationality behind a possible merger can be explained by the following equation: Rationale: Firm A should merge with Firm B if (Value AB > Value of A + Value of B + Cost of transaction). There are three sorts of mergers and acquisitions; *horizontal integration*, when two similar firms come together, *vertical integration*, when two firms at different points in the supply chain get together and *diversification*, when two companies with nothing in common merge (Economist, 2006).

M&A activity generally comes in waves. During the late 1990s there were intense M&A activities continuously evolving, then the pace slowed down in most industries, especially after the September 11th attacks in 2001 (Economist, 2006). The paste of M&As took off again in mid-year 2003 as companies that survived the downturn in the global economy sought to bargain among competitors and other suitable companies now being up for cheap sales (Economist, 2003). The year 2006 showed a large numbers of M&A activities in the global business environment and the \$2 trillion M&A deals that were made public during the first months of 2007, created a possibility of breaking the record from the previous year with more that 60 percent, covering all industries (Economist, 2007).

An important underlying factor for entering a merger or acquisition process is that of *synergistic gains*. Synergistic gains are created when there is a mixture of actors that will create a greater value together than otherwise could have been possible comparing the firms operating on their own (Eun & Resnick, 2007). Furthermore it is important before entering such a process to do some research before commitment. Cullinan et al. (2004) describe this research as a procedure where parties on a merger's/acquisition's both sides try to find out if a possible process actually is appropriate and can contribute to success.

3.2 Motivations for Pursuing M&As

In an article by Walter and Barney (1990) analyzing goals for M&As in companies presents five clusters of motives for M&As-pursuit. They explain that the first cluster presents goals which incline that M&As are a mechanism for managers to *obtain and exploit economics of scale and scope*. These goals focus on taking skills or assets in one firm and using them in the other firm to create scale; economies of scale become a competitive tool.

The second cluster of goals and objectives suggests that M&As are a key mechanism, through which managers deal with *critical and ongoing interdependencies* with firms in their environment. Examples within this cluster of goals can be found in ongoing interdependencies between an acquiring firm and its targets, a need for use of the other firm's "executive wisdom", existence of synergy or vertical integration that responds to ongoing supply dependencies.

The third cluster with goals suggests that M&As are sought by managers who are motivated to *expand their current product lines and markets*. Goals within this cluster emphasize the importance of improving a firm's market position, managers are using M&As to enhance their ability to serve customers within a given industry and expanding the distributional capabilities for current products, they continue.

The fourth cluster of goals identified in the analysis Walter and Barney carried out suggests that M&As provide a way for managers to *enter new business*. Goals within this cluster point out for instance that the cash flow mobilized through an acquisition is used to gain valuable or potentially valuable assets. Presumably, these assets could be held within an acquiring firm's current business or within another business. Within this cluster there is also a goal that strongly suggests that these firms are motivated to move beyond their current markets and products in merger and acquisition activities.

The last cluster in the study suggests that M&As are a way in which managers *maximize and utilize a firm's financial capabilities*. If a partnership¹ can yield improved financial performance there is a motivation to do so. Further, issues related to profitability, especially in relation to the creation of scale economies, be it either mergers or acquisitions, are some factors giving incentives for pursuing such strategy (e.g., DaimlerChrysler, 1998 and GM-SAAB, 2000 in Hultman, 2007).

In contrast to the motivational factors there might be drawbacks when merging or acquiring. Hultman (2007) argues that there are consequences when pursuing M&As; the division of power can be changed at several levels where one example is the acquisition of Volvo Cars by Ford. He explains that the acquisition implied a redirection of power of Volvo Cars from Sweden to the US. Whether this kind of situation arises every time M&As are pursued can be questioned (however that is not Hultman's point) and can be interesting for further research.

¹ The authors will from this point refer to a *partnership* and a *partner* as a result of a merger or acquisition

3.3 Strategic Fit

First a definition of the term *strategic fit* is good to bear in mind. A strategic fit can be defined through several perspectives, both from a target and an acquiring firm's point of view. As Shelton (1988) indicates, a strategic fit is present when two firms have created value that would not otherwise have been reached if they were trying to achieve a goal separately. He argues that it is the combination of the firms' brought-together assets that creates this extra value. Further so called synergistic gains, as mentioned above, can be reached.

To some difference is the strategic fit defined as a partnership's potential, i.e. the operational and relational matching questions that arise from a partnership, as presented by Ireland, Hitt and Vaidyanath (2002). The two firms have an operational potential as an example, in other words they can, if collaborating successfully, achieve greater potential aims when they match each other.

A third approach to define strategic fit is the need of highly matching goals between the merging or target/acquiring firms (Das & Teng, 2000). This might be a more explicit clarification of the term; it indicates that the firms need to have things in common in order for the merger or acquisition to work in the first place but also a great matching of aims.

As can be understood from the above given definitions of strategic fit they all say the very same basic thing: a matching, a fit, should be present as a prerequisite for the merger or acquisition to work at all. If that is not the case the set goals could be hard to reach. To further make it clear, firms are looking for synergistic gains; otherwise there would be no point in merging or acquiring. The first definition exemplifies it – a goal that would not be reached if the firms were working separately, instead when they go together *synergy* is created (Eun & Resnick, 2007).

A way of classifying acquisitions is presented by Shelton (1988). The term related-complementary fit means vertical integration while related-supplementary fit is horizontal integration. A related-supplementary entity gives a partner access to new customers and markets instead of new assets and products. Related-complementary entity on the other hand brings new assets, products or skills for product markets that are already served. Figure 1 illustrates the four possible strategic fits between new potential partners (Shelton, 1988).

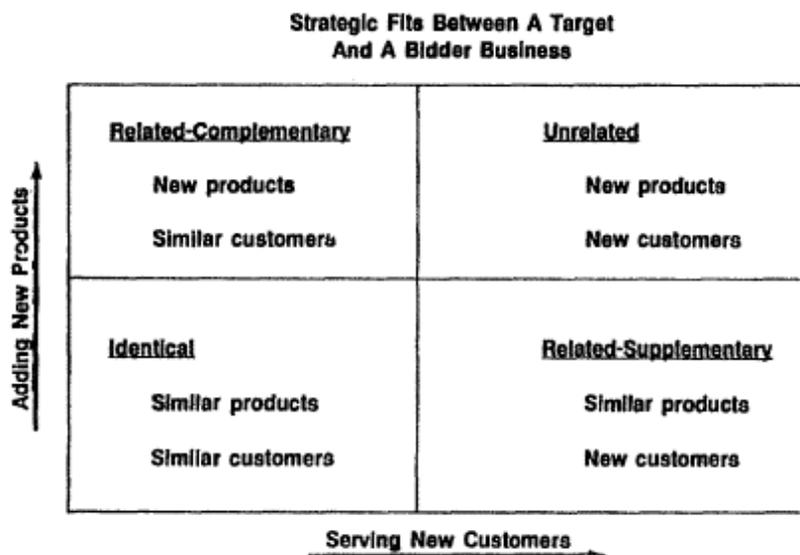


Figure 1 Shelton's Strategic Fit between Target and Acquiring Firm

Different types of asset combinations and thereby different opportunities for value creation are represented by the four strategic fits shown in Figure 1. Shelton (1988) continues by saying that opportunities for creating economies of scope increase if the assets of a firm are related to another firm's ditto. If the two firms are in the same business, it qualifies the fit as identical. Unrelated assets mean low potential for economies of scope development but do not exclude value creation through market imperfections. Further he explains that related-supplementary fits provide greater opportunities to use managerial creativity capacity excess than do related-complementary. Related-complementary fits give the opportunity to consolidate or strengthen a market position. Better service to existing customers with new products and improved technology creates value but the use of assets remains the same.

In related-supplementary fits the focus is on expansion to new markets and there to meet new customers. Clever use of managerial creativity or entrepreneurial ideas in order to use existing bidder assets most effectively in exploiting the new markets made available by acquiring the target brings success. Shelton (1988) argues that both related-complementary and -supplementary fits may provide opportunities to cut costs to equal extents but the latter offer more intense utilization of entrepreneurial ideas. The difference between the two thereby lies in the type of assets most intensively used and the change in the product market opportunities of the acquiring firm.

In his article, Shelton (1988) tests the hypothesis that the different strategic fits can be ranked in order of value creation starting with identical, related-supplementary, related-complementary and ending with unrelated. The results show that strategic fits are important to determine the total gains created in an acquisition. Related-supplementary and identical fits offer significant opportunities for value creation, related-supplementary do it with the least variance. Unrelated fits are least able to create value.

Increase in size of one firm relative to another also increases the value created. Larger targets often offer very valuable assets and opportunities to future partners such as brand recognition in the country, distribution nationally and market share. A larger target can also provide economies of scale in some M&A transaction costs. The presence of rival acquirers

yielded increased gains to future potential partners. It is argued that rival acquirers indicate that the target has value-creation potential such as management or high-quality assets beyond what is measured in the strategic fit categories (Shelton, 1988). The conclusions that the potential partners' management should look for the largest target firms with high-quality assets that will let them expand to related markets or expand the existing business.

Medcof (1997) complements this by explaining that it is the objective of any partnership to further the strategic business objectives of the firms involved. Therefore it is important to consider whether or not the prospective partner makes a good strategic fit. The parties in the partnership should understand each other's strategic reasons for forming it and the strategic rationale as well. The reasons must not conform but should be clear to all involved. Prior to engaging in the partnership, discussions leading to a common understanding should take place. Establishing strategic fit requires not only scrutinization of the prospective partners but also self-examination.

3.4 Overlapping Model of Strategic Fit

From a purely strategic view a need for matching is important for the mergers' or acquisitions' survival, both in the short- and long-run. One good way to assure this is the overlapping approach where two or more partners complement each other. This could be done by covering each others' weaknesses e.g.; a car manufacturer having little presence in some markets where the other/others are represented to a greater extent. They could also complement each other's technology and product portfolio. When the strategy of the newly constructed company (through merger or acquisition) is clear at both/all sides it can be beneficial to look at what is missing in the respective companies (Medcof, 1997). A good example of this overlapping approach is pointed out in Medcof's article "*Why Too Many Alliances End in Divorce*" where Volvo Group and French automobile manufacturer Renault are compared, an illustration of the merger follows in the figure below. The two companies showed to fit each other well when looking at their presence in different markets, their technology and product portfolios. By looking at Figure 2 it can be seen that each of the two companies are complementing one another, weaknesses and strengths are brought together to form one stronger entity. In contrast to this specific fit, Hökerberg (2000) explains that the management of Volvo Group was looking for a capital boost since it was harsh times for the company. The question is if Volvo Group really was looking for a long-run partner or just a financial contributor. Hökerberg (2000) also mentions that some sources in Renault viewed Volvo Group's position as unreliable; that their partner only was interested in the capital it could gain. Going back to the model it can be seen that Renault and Volvo Group fit each other very well and, eventually, the two companies did become partners. The French side could contribute with small cars to the Swedish side and vice versa with the larger cars (Medcof 1997). What was constructed was a pattern of overlapping; the companies' contributions were well designed to fit each other as can be seen in Figure 2 below.

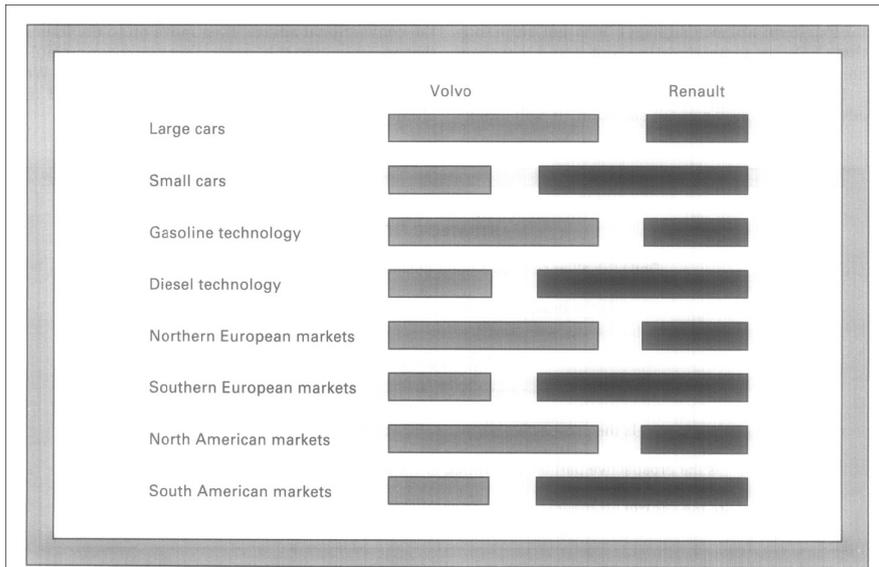


Figure 2 Medcof's Overlapping Model

Further he stresses that it is different if there are two or more companies that are going to form a new one through a merger. As surely can be understood the implications of a merger or acquisition go to a wider extent, simply because there are more parties involved in the deal. This implies that the process will require a longer time before settled and, firstly, if all parties really match the purpose of the merger or acquisition. There will be more strengths and weaknesses which will have to be taken into consideration. Hopefully all will contribute in some way, creating a web where the companies overlap each other in different areas. To sum up, the greater the amount of companies involved in a possible merger or acquisition the more time is required to analyze the situation.

If there is a potential partner that an earlier merger or acquisition entity is interested of, Medcof (1997) develops the discussion of credible difficulties. The already existing entity must be extremely cautious since bringing in a new partner might cause imbalance in the strategy. There is a risk for overlapping too far, the partners' abilities should not be too identical, hence there is no purpose for the entity to exist. Because of this all partners must actively participate in the process when a new one is taken into consideration. Further he argues, not only the entity must investigate its interest in bringing a new partner into it but also the target, the potential new partner, must also start a process to find out if it actually will fit in. It will not be good if a company disturbs the existing strategy; it could both harm the others and itself, which could imply money being lost as early as in a discussion phase i.e. not *when* but *before* a new potential partner enters an existing entity.

3.5 Corporate Culture and its Impacts on M&As

Srilata, Schomaker and Genc (2003) suggest that cultural incompatibility between the target and acquiring firm has significant impact on why M&A operations sometimes fail to achieve the pre-defined goals. According to Srilata et al. (2003), for the best possible outcome of an M&A operation a “merger of equals” should be sought. A textbook definition of a merger of equals is an M&A operation where there is a 50-50 stock swap between two firms merging and the new board of directors is made up by members from both organizations (Srilata et al., 2003). A looser, more generic definition is an M&A operation where an approximately equal value contribution from both firms to the new merged unit or organization exists. Organizational integration has been shown to lead to synergy creation and overall merger success (Larsson and Finkelstein, 1999; Haspeslagh and Jemison, 1991 in Srilata et al., 2003). It may be far more difficult to integrate firms, than first thought of, regardless of how similar their corporate cultures are. Part of the reasoning for this is because mergers of equals assume equality; however in reality this does not always occur. In every decision it is likely that one organization will trump the other and there is likely to be confusion over who is in charge of different areas of the process (Srilata et al., 2003).

Assuming equality also reinforces separate corporate identities to evaluate every post-merger integration action and determine if it meets the distributive equality test. It may also lead to clinging from each side regarding their own personal culture and identity. They will want to resist any new cultures and identity within the new firm. Identity is also a large issue in partnerships, particularly if both organizations have similar cultures. Salk and Shenkar (2001) found that national social identities were the dominant sense-making vehicle. They suggest that social identity plays a major role in the integration teams, where identification is drawn from the nationality of team members or from organization affiliations. Another important finding from this is that when organizations come together and this leads to large-scale layoffs, it is highly likely this will inspire lower levels of identity (Srilata et al., 2003).

Overall, managers involved in partnerships should pay special attention to the strength of organization identity, as well as cultural compatibility and strategic combination potential when deciding if a partnership should be integrated (Srilata et al., 2003). For a merger or acquisition to be successful the companies must make efforts to understand each other in terms of organizational activities and culture. If the companies do not understand each other it is highly likely that any form of partnership will result in failure. The extent to which firms must integrate with each other depends on how closely they are working together. A joint venture requires more integration than a network, and a merger or acquisition requires even more integration work. However when a firm only involves a segment of its organization in a merger/acquisition operation, there is less need for integration (Hussey, 1999).

3.6 Due Diligence – a Pre-M&A Process

Due diligence is a crucial part of the merging/acquiring process since it should, according to the article *When to walk away from a deal*, give a “...fair analysis of the deal’s strategic logic and the acquirer’s ability to realize value from it” (Cullinan et al., 2004, p.1). They stress the need of investigating a target’s potentials, its strengths and weaknesses. There must be a strategic logic which will be found out by doing some research before acting. They also argue that acquirers often only look at the financial measures of the target instead of taking the whole picture into account. This might be a time consuming process but the results will be well worth it if it shows that the target firm is not going to add value. Medcof (1997), and Cullinan et al. (2004) mention that the strategic/business rationale is important to have in mind when performing research, doing so will help acquirers on the way towards a successful deal.

It was found that M&As were more successful when comprehensive processes had been conducted by acquiring firms (Cullinan et al., 2004). This indicates the strength and importance of the due diligence process. Another important question they point out is the possible negative synergies that also can be realized. It is crucial that an investigating team searches for negative impacts which might arise after a deal is sealed. There may be hidden conflicts waiting to be initiated, scenarios not accounted for. Once again this shows the necessity of making a thorough investigation of the target, may it take some extra time and cost but it might be worth it and can be the difference between success and failure.

3.7 The 4 Cs

A common advice concerning assessment of strategic fit is to assume a desire for consolidation of strengths and weaknesses. The following theory covers four areas of fit between two parties in what can be a partnership. There are two sets of 4 Cs; below Medcof’s (1997) are presented. In contrast to his 4 Cs are the, according to him, less comprehensive 4 Cs developed by Brouthers, Brouthers and Wilkinson (1995). These comprise complementary skills, cooperative cultures, compatible goals and commensurate levels of risk. They can be implemented similarly when speaking about partnerships Medcof (1997) argues. He continues with proposing his 4 Cs since they can be used for broader thinking in the field of long-run partnerships. Hence the authors of this thesis have chosen to implement Medcof’s 4 Cs in order to have the most flexible view of these.

3.7.1 Capability

The first C symbolizes the word capability. It means the ability of partners to carry out their roles in the alliance. Again, not only partners should be looked at but one should also turn to the own company to evaluate the capability. The difference between strategy and capability is for example that strategy concerns whether the product lines are complementary or not. Capability on the other hand addresses the question if the products are produced competently.

When looking at capability from the long-run strategy perspective, one must try to see whether a partnership gives the possibility to improve and/or acquire capabilities that will be of use in future activities, he continues. It can be an opportunity to learn not only for one of the parties as a single organization but also for its associated firms.

3.7.2 Compatibility

The second C initiates the word compatibility. The most important type of compatibility is the one among people. Top management as well as all other parts of the organizations which interface must be compatible. In this case culture plays a very important role. Culture is the underlying attitudes toward things as internal or external focus of the organization, task or social focus, conformity or individuality, safety or risk and ad hoc approach or planning.

Not only people but also operating procedures need to be compatible. Operating procedures include in what way activities in the different functions of the organization are carried out. Incompatibility in this area can disrupt and even make the relationship unworkable.

In the long-run view, the concept universal compatibility is important. In short it means the ability to work well on the operational level with just about any partner. When choosing among potential partners, it will be obvious that not one is perfect and all stand out in some way, good or bad. If the organization is operationally very flexible, it can choose the partner who offers the most suitable strategic opportunity. A partnership may however seem unattractive in the short-run but in the long-run it presents a very good opportunity to enhance partnering skills. This is a conflict where one must not forget that being able to show a history of successful relationships with various different partners is valuable for the reputation of the firm (Medcof, 1997).

3.7.3 Commitment

Introducing the third C, commitment, one is looking at the aspects of the theme. The first is continuously committing resources and effort to the partnership. Lacking this kind of commitment a partner will only put in what it has to for the relation to survive. The other kind of commitment concerns if the partner will leave the relation in case of unexpected difficulties. There is also pragmatic and psychological commitment. The latter relates to how dependent a prospective partner is on the partnership. If dissolution of the partnership or an under-performing ditto will create difficulties for the other party, it is more likely to put in necessary effort in good as well as harsh times. It is also related to how strongly people believe in the partnership. A decision-maker with low psychological commitment will be quicker to say that facts point to the need for abandoning the partnership than would a person with high psychological commitment. Reputation is also an important consideration in this kind of commitment. Convincing your partner to make a larger contribution will be a lot easier if this partner respects you. Pragmatic commitment involves strategic fit, compatibility and capability. A firm that has a significant strategic stake in the partnership is compatible with its partners and capable to play its role is said to have pragmatic commitment.

Looking at commitment with a long-run perspective, focus lies upon building commitment that will last not only during the current partnership but for future partnerships and other types of co-operation. This commitment will make it easier to persuade other firms into partnerships and once there to make a fair contribution and stay as it gets difficult. When joining a partnership a firm should ask itself if it is something that will enhance the firm's reputation. It must look internally and see whether it can perform the role it is expected to play and be seen as a strong partner that delivers what it should. If partners also in other contexts will speak well of the firm, it is a good strategic move in the long-run perspective to enter such a partnership (Medcof, 1997).

3.7.4 Control

The fourth and final C is control. Control is in most cases something that should be evenly shared within a partnership. One of the few exceptions is when interests of all members coincide with that of the leading firm and strong, focused leadership is needed. In such case dominance by one firm can be preferable. Otherwise it is usually suggested that neither party should be dominant. A dominant partner is able to lead the partnership in the direction of its preference, a direction not likely to be preferred by the other partner. If it is seen that an organization will be weaker, it should not enter the partnership. It is even suggested that if the firm finds itself in a situation where it could take on a dominant role, it should step back and do what it can to restore equality.

4 Information Handling – a Thorough Process

The methodology section covers aspects such as the research approach, research strategy and data collection as well as limitations and credibility of the method chosen.

4.1 Research Approach

In the subsections to come, several sources are used in order to get a wider view of the research approach, the research strategy and the data collection, it also gives a wider view on how to, in the end, reach the purpose of this thesis.

When choosing a research approach, there are two methods to consider; the deductive and the inductive approach. The deductive approach is where a theory and hypothesis are developed and then design a research strategy to test the theory. This approach is widely used in scientific research and is a highly structured approach. The developed theory or hypothesis is subject to a rigorous test in order to explain causal relationships between variables (Saunders, Lewis & Thornhill 2003). Using the inductive approach, where theory follows data, the research is characterized by the collection of data and development of theory as a result of the data analysis. The inductive approach to research emphasizes the close understanding of the research context and gaining an understanding of the meanings humans attach to events. It seeks to develop an empirical generalization that describes patterns of data and it tries to identify or develop a theoretical proposition that is consistent with those patterns (Schutt, 1996). The purpose of applying this strategy to the research is therefore to understand the nature of the problem studied (Saunders et al., 2003).

The purpose of this thesis is to identify potential buyers from a strategic fit perspective and an understanding of how the strategic fit between target and acquiring firms can affect the outcome of a merger or acquisition is sought. This is something that is best done through an inductive research approach with its more qualitative nature and therefore the inductive approach has been applied as research method in this thesis. This approach will furthermore, as suggested by Saunders et al. (2003), allow a more flexible structure and will permit alternative explanations of the phenomenon to be explored, compared to using a deductive approach to the research. The choice of theories for this thesis is based on the desire to get different perspectives on strategic fit as well as different tools to evaluate strategic fit.

4.2 Research Strategy

Using an inductive approach, the research strategy for this thesis has the characteristics of an exploratory study. With an exploratory strategy approach the researcher seeks new insights of a phenomenon, finding out “what is happening” and seeks new insights into the area (Saunders et al., 2003). This strategy is one of the three approaches, exploratory, explanative and descriptive Saunders et al. (2003) continue. Explanative research is a study that establishes causal relationships between variables. The emphasis is on studying a situation or a problem in order to explain the relationship between variables. Descriptive studies attempt to portray an accurate profile of persons, events or situations.

Furthermore, when discussing research strategies, the concept of the time horizon of the study is of importance to bring up for discussion. Studies can be defined as cross sectional or longitudinal. Cross sectional research is a study of a particular phenomenon (or phenomena) at a particular time e.g. snapshot, whereas longitudinal research is a study that has

the capacity to study change and development during a longer period of time. Cross-sectional studies often make use of a survey strategy (Easterby-Smith, Lowe & Thorpe 1991, Robson, 2002). The study may be seeking to describe the occurrence of a phenomenon or to compare factors in different companies or organizations. However, the cross sectional study may also be utilizing qualitative methods, such as case studies, which is often based on interviews performed over a short period of time (Saunders et al., 2003). Since this thesis studies the strategic fit between Volvo Cars and potential buyers at a given time, a potential sale by Ford, the study in this thesis can be defined as cross sectional.

This thesis uses Volvo Cars as a case study in order to analyze the concept of strategic fit and how it can affect the outcomes of M&As. A case study can be defined as: *“a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”* (Robson, 2002 p 178). By focusing on one single case, the research gets the necessary focus and narrowness that is suitable for this kind of study. According to Saunders et al. (2003) a case study strategy has a significant ability to generate answers to the question “why?” as well as “what?” and “how?”. This ability is of importance for fulfilling the purpose of the study performed in the thesis and therefore a case study has been chosen as a part of the research strategy.

4.2.1 Quantitative vs. Qualitative Strategy

When discussing research strategies, quantitative and qualitative methods are important to address. Quantitative methods are based on the gathering of numerical data or data that will be quantified (Saunders et al., 2003). Quantitative research has, according to Hussey (1997) the following characteristics; use of large samples, concerned with hypothesis testing, data is highly specific and precise, generalizes from sample to population. When using quantitative strategies for research, statistical analysis is employed and this creates the need for large samples to be collected, preferably using some type of probability sampling in order to create a setting that can generate results with reliable and valid outcomes.

Qualitative methods are, according to Miles and Huberman (1994), a set of data collection and analysis techniques that emphasize a fine grained, process oriented, observational approach to data collection and -analysis and provide a mean for developing an understanding of complex phenomena from the perspective of those that are living it. They are a mean of exploration, of investigating a situation in order to better understand it (Barr, 2004). Qualitative methods allow the researcher to discover new linkages and processes and are particularly useful for creating a better and more in-depth understanding of complex processes and the influence of individual perspectives in those processes (Barr, 2004). Using qualitative methods when performing research the emphasis will be on a more interpretive approach, the result produced comes to terms with the meaning, not the frequency of the occurring phenomena (Easterby-Smith et al., 1991). Furthermore, qualitative methods provide the researcher with the opportunity to identify and explain complex relationships without having to pre-specify either the variables or the relationship between them. The research allows for questions simply being asked, rather than testing whether the expected answer is correct (Barr, 2004).

With these aspects in mind, a qualitative base for the research in this thesis has been applied. The nature and complexity of the chosen area of research, strategic fit and its impact on M&As calls for an in-depth understanding of the complex phenomenon of strategic fit. Using quantitative methods would not benefit the purpose of this thesis. The nature of the research, as it aims to give an understanding of the concept of strategic fit and to evaluate potential buyers in order to identify the one with the largest strategic fit, the authors are

convinced that a qualitative approach is most beneficial when working with the chosen case.

4.2.2 Argumentation for the Chosen Case

The reason for choosing the Volvo Cars – Ford case is its actuality. The authors wanted to focus on a contemporary event and, obviously at the time of writing, the Volvo Cars and Ford case was suitable. The main interest was the possibility of a sale of Volvo Cars by Ford and to whom. Who would be interested in buying Volvo Cars and why? Would it be another car manufacturer or someone else as a buyer? Such questions were underlying the enthusiasm of the authors. The problem of Volvo Cars not being sold during the time of the study was not taken into account since the main focus was to identify reasonable buyers. It was somewhat the other way around, to have the study finished or at least well under way before any buyer was identified. Instead the authors worked with finding potential buyers through performing interviews with various people who had knowledge about the specific situation. A lot of interesting information was found and could be used in the study. The argumentation for the chosen case could further be strengthened by relevant data at hand, such as Ford's harsh financial position, both before and after finding empirical data. The fact that Ford considered to sell Volvo Cars was known at the beginning of the study and after the empirical data collection was made more evidence was found, in favor of the study's main theme which partially also was to answer to whom Volvo Cars should be sold.

A further argument of the appropriateness of the chosen case is the relation to Sweden, since Volvo Cars is a former Swedish company owned by Volvo Group as explained earlier in the thesis. Also the fact that Volvo Cars could be sold back to another Swedish company was taken into consideration, a pure financial institute for example.

4.3 Data Collection

The approach to data collection utilized in this thesis is two-folded. First a sample of potential buyers was identified by performing an extensive literature search, in detail described in section 4.3.1. In order to collect first-hand data, interviews with academic scholars, journalists, market analysts and other "experts" on the automotive industry was performed. This method is described in detail in section 4.3.2.

4.3.1 Sample Selection

Due to the nature of the research, the need to narrow down the research lens emerged. In order to do this an extensive literature search in business press regarding a potential sale of Volvo cars from Ford was conducted. The database Affärsdata was used, mainly due to its comprehensiveness, and a search on articles on topics regarding a sale of Volvo Cars was conducted. The key words Volvo, Ford and sale(s) were used and the time span was set from 2007-01-01 to 2007-10-12. The words were used to initiate a search of other companies brought up in the same articles as Volvo Cars and/or Ford. 725 articles were reviewed from the Affärsdata database. In order to further expand the search, individual searches were conducted in the archives of Financial Times, The Economist, Forbes Magazine, Wall Street Journal and Business Week.

Articles from Affärsdata and from the individual archive searches from the above mentioned international business newspapers and magazines where potential buyers were mentioned and discussed added up to 32. Only articles which had references regarding the po-

tential buyers of Volvo Cars were reviewed. Articles that were of speculative art (no external reference regarding potential buyer) were discarded in the sample selection. From these 32 articles, six potential buyers were identified. In order to strengthen the validity of the list of the six potential buyers, it was discussed with an academic scholar with insight into the automotive industry.

With the sample of potential buyers identified from the business press, the aim was shifted towards designing a strategy for the collection of first-hand data. Early on in the working process the authors understood that it would be complicated to collect first-hand data directly from the major sources, Ford Motor Company and Volvo Cars. Therefore alternative strategies for collecting first-hand data started to develop. The idea of interviewing journalists, academic scholars, market analysts and other market “experts” with documented insight and/or experience from the automotive industry was initially brought up as early as during the brainstorming sessions performed with the purpose of exploring potential thesis topics to investigate.

All identified potential interview targets were contacted initially by email where the researchers, the topic, purpose and partly the method of the thesis was presented as well as the reason for why the interview target was contacted. In these first contact emails, the wish to schedule an interview was presented and through continued correspondence the details regarding interviews were set by the researchers and the interviewee. The majority of the interviews were conducted by telephone, due to time aspects as well as the geographical location of the targets for interviews.

Due to the geographical location and scarcity of time by some targets, interviews as a mean for data collection from these sources was abandoned. Due to the perceived importance of, and the expertise and knowledge of these targets, an alternative approach was utilized in order to be able to collect first-hand data from also these targets. Using e-mail, a questionnaire with open-end questions, based on the questions in the interview guide developed for the semi-structured interviews, was presented to these respondents. The respondents will be presented further down.

4.3.2 Sample Responsiveness

A list of 18 potential interviewees was produced and from this list initial contact was made through e-mail or by phone. Ten interviewees responded, with five of them agreeing to participate. Follow-up-contact was made with the non-responding targets, which resulted in one more respondent agreeing to participate in the study. Of the six interviewees, one participated by submitting written answers via e-mail due to geographical location and time difference between Jönköping and this person’s respective location. The participants were two journalists, two industry analysts and two experts, experts being specifically aware of or having worked for Volvo Cars and Ford. Four interviews were conducted in Swedish and two in English with four participants located in Sweden and two located abroad.

In order to fulfill the promise of anonymity for the respondents participating in the study all names have been disguised and their positions to some extent generalized. The interviewees have in order to ease for the readers been given the following names; Journalist 1, Journalist 2, Analyst 1, Analyst 2, Expert 1 and Expert 2.

Journalist 1 (J1) is a Swedish journalist at a major Swedish newspaper who writes mostly on topics regarding the automotive industry. J1 has many years of experience from news covering and analytical work related to Volvo and the automotive industry.

The first contact was made through e-mail, where the authors, the subject of the thesis and the reason behind contacting Journalist 1 were presented. Through an ongoing correspondence through e-mail a time for a telephone interview was set. The interview was performed during a 30 minute phone conference performed at JIBS (Jönköping International Business School).

Journalist 2 (J2) is working at a major Swedish business newspaper. J2 has a lot of competence and knowledge regarding the chosen case and has written a lot of articles regarding the potential sale of Volvo Cars and potential buyers as well as other interesting aspects of the automotive industry. After having had e-mail contact it was possible to settle an interview date. The interview was performed by telephone in a group room at JIBS.

Analyst 1 (A1) is an automotive industry analyst at an influential, international business newspaper. A1 has a good insight into the industry, especially in the Nordic/Baltic area. The interviewee was chosen after the authors had read some articles of special interest. A1 was contacted by e-mail first to settle an interview. The interview was performed by phone as agreed from a group room at JIBS.

Analyst 2 (A2) is working at a major financial business newspaper. Since A2 is located in London and difficulties arising from lack of time available for A2 as well as difficulties with getting in first-person contact with the respondent, the interview was made through e-mail. This analyst was chosen after it became clear for the authors that he had a good insight into the automotive industry, especially the industry situation in Europe.

Expert 1 (E1) is working as executive managing director for an international forecasting and consulting firm in London. This expert has extensive knowledge and insights gained from having high positions in both Volvo Cars and Ford for several years. The expert was found on the Internet while searching for expertise in the studied field. Having read about the expert's merits, immediate contact was taken and a phone interview was booked and later held from a group room at JIBS.

Expert 2 (E2) is working for an international consultancy firm as head of strategic services. This expert's position, knowledge and the department that the expert is in charge of were criteria used in the selection process. The phone interview was performed from the residence of one of the authors.

The interviews with E1 and E2 were performed after the release of Ford Motor Company's 3rd report for 2007. These two interviewees have therefore given some information that could not have been given earlier.

The possibility of being able to collect any useful data directly from Ford Motor Company and Volvo Cars was early on viewed as presenting a small probability. However, an honest attempt was made by the authors. The two companies were contacted and a request for an interview was presented, Ford declined, declaring that they do not comment "in any way on this kind of issues". Volvo Cars referred the authors to an e-mail address to which all requests from university students performing any kind of study was to be addressed. A response was returned after two e-mails and several weeks waiting, giving only general and short comments of no use for this thesis.

The initial plan was to contact the non-responding interview targets at the list in order to expand the responding sample. However, the choice was made not to spend further time on the pursuit of more respondents as the amount of data collected after the initial six interviews was considered sufficient and the quality of the data was high. The list of potential

interview targets was put together with the purpose of collecting a broad and as complete picture as possible, thus the different backgrounds of the respondents.

Despite their different backgrounds and current professions, all interviewees provided various answers to the different questions, *though* when summarizing, most of them were pointing at the same direction as end lines, i.e. which could be the best solution for Volvo Cars. The authors had first expected a more spread view between the different respondents, based on their respective backgrounds and professional positions. But after six interviews had been performed the authors felt that the saturation had been fulfilled and that meaningful analysis and conclusions would be able to be generated based on the collected data.

4.3.3 Interview Method

Interviews can be defined as unstructured, semi-structured or structured (Saunders et al., 2003). The different interview approaches give different data, describe causalities and open up for different results and conclusions. Therefore it is of importance for the researcher to be aware of the differences between interview methods and which one to utilize for a specific study (Lantz, 2007).

According to several scholars an interview method is undoubtedly the most advantageous approach in order to obtain data when the following circumstances are present: (1) there are a large number of questions to be answered; (2) the questions are either complex or open-ended and (3), the order and logic of questioning may need to be varied (Easterby-Smith et al., 2002; Healy, 1991; Jankowicz, 2000 cited in Saunders et al., 2003). For the latter two situations semi-structured or in-depth interviews will be the most appropriate approaches for data collection (Saunders et al. 2003).

The interviews performed for this study can be characterized as semi-structured. Saunders et al. (2003) define these as interviews where the researcher has a list of themes and questions to be covered, although the order of the questions and which of those that are included can vary from interview to interview. This approach to interviews puts the interviewee in focus. Thus the interviewee has the potential to decide how the phenomenon of study is defined and affects how it is understood (Lantz, 2007).

Easterby-Smith et al. (1991) argue that researchers need a framework or base from which they can begin to develop themes that should be covered in the interview situation. As the interview goes on and the aggregated number of interviews conducted expands, the researchers should focus on themes and data of interest, exploring these further and ignoring lines of questions and themes not of interest or not of importance for the research. Using semi-structured interviews as mean for data collection is appropriate for this, since it does not bound the researcher or the interviewee to a narrow, pre-defined set of themes but instead allows the interview target to explain and explore the definition and understanding of the studied phenomenon from its point of view (Lantz, 2007).

A list of questions was prepared and used as an interview guide during the interviews, see appendix I. The questions presented in appendix I were constructed in such a way that the authors could get answers specific for the research question outlined in the beginning of this thesis. Some of the questions are rather long and open-ended which was opening up for a discussion by the interviewee. It was a major point designing them in that way, the probability that different interviewees would provide various aspects in an answer increased. The outline of the questions was discussed by the authors in order to find out the

appropriateness, the probability of them being answered and the priority (if all questions could not be asked at an interview).

The questions also allowed for a broad picture of the whole case situation i.e. they could yield a lot of information from the interviewees. The short questions focused on shorter answers which in combination with the longer could lead to comprehensive answers leading to plausible answers to the research questions.

The interviews were conducted at pre-specified times, agreed upon through ongoing email correspondence with the interviewees or settled by phone. During the interview session notes were made corresponding to the answers verbally expressed by the respondents. Immediately after the interview session was completed the notes were typed in a word document and written out in their full sentences. When the actual typing of the interview section in section 5 was made, the authors had both the hand-written original notes; computer typed notes as well as a complete transcript of the interview as reference points in order to as accurately as possible present the data collected through the interviews.

4.4 Limitations of Chosen Research Strategy

Any chosen research strategy will have its own downsides and limitations as well as unique positive aspects attached to it. As the data collection and research are conducted it is important that the researchers are aware of their chosen strategy's limitations and its impact on the result. The following limitations have been identified to potentially affect the research performed in this thesis.

4.4.1 Telephone Interview Limitations

Interviewing by telephone can have some drawbacks since the interviewer and the interviewee are not face to face. Saunders et al. (2003) argue that it is important to establish trust as an interviewer, something that might be harder to do in a telephone interview. It is especially important to do this when the interviewer has critical questions. They continue to stress that it can also lead to less reliability in the answers which might become a downside for the analysis of the answers later. Further the interviewees can appear less willing to give away answers if they do not feel they have full trust for the interviewer; in the worst case participation might be abandoned.

In order to approach this issue and to avoid any biases all respondents were contacted through e-mail where the reason to why they were contacted, the purpose and research scope of the thesis and the authors were presented. This was done in order to establish trust and confidence of the authors' intentions and minimize the potential limitations of telephone interviews.

Another aspect which needs to be taken into account is the pace of the telephone interview. Saunders et al. (2003) mention that it can be difficult to perform the interview and record data at the same time. Since the interviewee does not know what the interviewer is recording, e.g. writing/typing and how fast. Hence, developing very complex questions and trying to get complex answers is not easy as there must be enough time to record such answers.

4.4.2 Qualitative Method Limitations

It can be difficult to analyze results found when using a qualitative method approach Golden-Biddle and Locke (1997) in Barr (2004) argue and continue that the reason behind this is the absence of a standardized instrument in the analyzing process. Though there are instruments which can be used when analyzing answers and these are broad in order to fit the specific research carried out by the researcher (Barr, 2004).

When the researcher is analyzing it might become a biased result due to his/her very own interpretation of the recorded data which in turn, according to Barr (2004), can lead to the final outcome being unreliable. This can of course lead to questionable conclusions of the whole study. In Barr (2004), Golden-Biddle and Locke (1997) present a way to overcome possible obstacles in relation to the reliability of the final results of a study; the recorded data and the results should be linked together at the same time as bringing a research that comes up with a logic conclusion. Further, the best outcome is if the reader of the research results will be able to clearly see the connection between the recorded data and its conclusions.

4.4.3 Bias

Bias is a drawback when performing a study using interviews as a mean of data collection since it distorts the data collection procedure. Bias can appear rather easily where, for example the interviewer ends up steering the interviewee's answer in a certain direction; this is the so called interviewer bias (Saunders et al., 2003). Hence it is good to be aware of this already from the beginning of the research. Another possible situation where bias is created is when the researcher interprets the findings of an interview (Easterby-Smith et al., 2002 in Saunders et al., 2003). The authors have included this subsection because the possibility of bias to appear is as likely as in any other study and awareness and active work from the researcher is required to avoid it.

Saunders et al. (2003) describe that on the other hand, bias may appear on behalf of the interviewee too, so called interviewee bias. They continue by explaining that due to certain questions from the interviewer's side the interviewee might not want to answer such questions. It could be critical information not to be revealed for example; hence the interviewee's answers become restricted or twisted to fit the question as good as possible, even though it might not be the complete answer on one single question. Robson (2002) extends the bias concept by arguing that interviews requiring time to be performed may result in some bias. Here it can be the interviewee that creates this by not being willing to participate in an interview which might take some time to go through. It is important to consider this in advance of a possible interview to avoid non-desirable responses, if any at all.

4.4.4 Limitations of Chosen Case Approach

Another limitation of the chosen case in relation to the main topic of this thesis, strategic fit in M&As, is that the Volvo Cars-Ford case is the only one considered. The authors focused on only one case since they believed it was interesting to go in depth with it. More cases could have been chosen even though it would imply less research of each one given the time frame. Cases of similar situations have been included in this thesis although they are not researched; only reported of. Including only one case can mean less comprehensiveness of the entire study, something the authors have taken into account and continuously worked with by extending the case by working in depth with it.

4.5 Evaluating the Process

Lincoln and Guba (1985) present four criteria that should be used when evaluating a chosen method and its design. They suggest the following criteria to be used: Credibility, Transferability, Dependability and Confirmability. By reviewing the methodology using these criteria, a solid trustworthiness of the research is attained (Morse, Barrett, Mayan, Olsen & Spiers, 2002). In terms of trustworthiness of the research performed Morse et al. (2002) argue that by using the criteria developed by Lincoln and Guba (1985) a solid validity and reliability is achieved. This type of approach is beneficial toward and is preferably used in relation to qualitative research and therefore the authors of this thesis have chosen to apply the constraints suggested by Lincoln and Guba when evaluating the methodology applied in this thesis.

4.5.1 Credibility

Credibility exhibits whether “*the research was conducted in such a manner that the subject of the enquiry was correctly identified and described*” (Hussey, 1997, p. 272). This can be obtained by the researchers involving themselves in the study in a prolonged period of time, by persistent observation of the subject under study in order to obtain depth in the understanding and by triangulation by using different sources and methods for collecting data (Hussey, 1997). In order to tackle this issue the authors referred to a variety of sources to collect information and built a robust image of what strategic fit is and how it manifests itself in the context of M&As. Furthermore this search continued in order to identify theories and models that could be used as tools for evaluating strategic fit and benefit the analysis work that had to be performed in order to fulfill the purpose of this thesis. In order to underpin the theoretical foundation at a satisfying level, several aspects and opinions on the same concepts of the frame of references were collected and used. The data used in this thesis comes, as mentioned above, from both secondary as well as primary data collection.

The authors have attempted to triangulate the image of strategic fit by first identifying two cases of previous M&A attempts within the automotive industry, to be used as exemplifying models, performing a vigorous sample selection through reviewing over 700 articles from the business press in order to develop a valid sample of potential buyers and collecting a rich amount of first-hand data by interviewing persons with insight into the automotive industry. The major part of the data collection has been the interviews with the selected persons. In order to establish credibility the interviewees were first contacted using e-mail, where the authors, the purpose of the thesis, and why the interview target was contacted was explained. A consist but rich description of the type of questions/themes to be covered was attached within the information given at this first contact in order to let the interviewee get a clear image of what the authors wished to discuss. If the interview target agreed to participate a time for an interview was set. The authors allowed the respondent to choose the time and date for the interview in order to guarantee as good foundation for the data collection as possible, as the interview was performed during a time where the interviewee had control of the surrounding situation and could focus all attention on the questions in the interview and the researcher performing the interview. As for the respondent who submitted answers to a questionnaire with the same open-end questions used in the telephone interviews via e-mail, the authors are convinced that this was the appropriate way to handle the issue of time difference and geographical locations in a smooth way and still ensure the credibility of data collection to be fulfilled.

As mentioned above the data generated from the interviews was processed into a word file immediately after the interview was concluded in order to as accurately as possible display the data and ease the presentation of it in the final version. The fact that some of the interviews were conducted in Swedish, resulted in translation work having to be performed. The actual translation was made when the raw data from the word file was re-written in the interview section of chapter five. At last, in order to be confident that the collected data was as little biased as possible, anonymity was granted to all participants. The authors of this thesis are convinced that the anonymity does not hurt the credibility of the data but have, in order to eliminate any possibilities of such remarks, chosen to give generalized descriptions of the participating respondents and their respective positions. This was first established and confirmed with the interviewees, prior to any interviews being put in print in the thesis document. Not all interviewees explicitly asked for anonymity but as some did, the authors saw no reason to use different methods for displaying the data compared to what was mentioned in the first, contact-establishing e-mail sent out.

4.5.2 Transferability

Transferability is concerned with if findings of the research can be applied to another situation which is sufficiently similar in order to permit generalization (Hussey, 1997).

As Lincoln and Guba (1985) argue, qualitative research does not intend to express external validity. Van Maanen (1983) defines the purpose of qualitative methods to describe, decode, and translate in order to come to terms with the meaning, not the frequency, of a certain phenomenon (Van Maanen, 1983, in Easterby-Smith et al., 1991). This thesis used a case study as its research foundation and therefore the aim is to accurately describe the situation of the case, Volvo Cars. Transferability in terms of the results of the strategic fit between Volvo Cars and potential buyers are only valid in terms of the perception of the existence of general trends and patterns when evaluating strategic fit, not in any statistical transfer toward a general population of car manufacturer and other players in the automotive industry.

Lincoln and Guba (1985) argue that researchers performing studies with qualitative methods should provide a description that is detailed enough to enable other researchers to test whether the methods and results hold in other contexts and at another time. In other words, the degree of potential transferability is dependent on the similarity of the two contexts. In order to do this researchers using qualitative methods should provide a solid explanation of the problem being researched, a thorough description of the method and research process, discussion of important aspects being studied more in depth and a robust description of the outcome of the research (Lincoln & Guba, 1985). The authors of this thesis have attempted to follow these guidelines and are therefore confident that the transferability, in terms of qualitative research, has been fulfilled in the research performed.

4.5.3 Dependability

Dependability should show that the research processes are systematic, rigorous and well documented (Hussey, 1997). According to Lincoln and Guba (1985) this means that the authors need to show the research process and the findings generated in the study so it can be replicated if the study was to be conducted with the same participants in the same context. Qualitative research does not necessarily intend to be repeatable since it reflects the reality at the time when it was collected, in a situation that may be subject to change (Marshall & Rossman, 1999 in Saunders et al., 2003).

The respondents were all interviewed using a semi-structured interview method. The authors used the interview document as a frame for the interview in order to make sure that the proper themes were covered but were flexible with the order and which questions that were used during the interview session. This in order to allowing deep “probing” of the respondents’ views and thoughts on the topic for the research. The respondents were selected based on their respective positions and backgrounds and by that also their different perspectives. These perspectives include from where they are viewing the case of Volvo Cars not being owned by Ford anymore, so their respective interviews got to have slightly different focuses adapted to their respective perspective. This flexibility creates a situation where it becomes difficult to replicate the research fully. Another issue in this is then the identity of the respondents; since they have been granted anonymity it would only be possible to locate interview targets of similar positions and this also creates difficulties when it comes to replication of the research. However in order to fulfill dependability the interview guide and the questions used are placed as an appendix in this thesis document and the anonymity of the respondents has been displayed in such a manner that it would be possible to locate interview targets with similar backgrounds and positions.

The biggest issue and restraint of whether the research is replicable is the nature of the studied phenomenon (Marshall & Rossman 1999 in Saunders et al. 2003). The case used in this thesis, Volvo Cars-Ford, is affected by one major function; the world is changing; the situation for Volvo Cars and Ford Motor Company is affected by many different aspects, such as international macro trends, financial market fluctuations, industry trends and competitors’ actions on different markets. Interviewing the same respondents regarding the issue studied in this thesis would most probably not generate similar responses and the conclusions would probably be different. According to Saunders et al. (2003) the dependability constraint can still be fulfilled with confidence by the authors making sure that the research methodology is described in detail. The description must be detailed enough so that the process used can be understood and the data is re-used with confidence and with a clear understanding of the methodology applied.

4.5.4 Confirmability

This last construct suggested by Lincoln and Guba (1985) is concerned with determining as whether findings flow from the data and that the researcher can be sure that the findings reflect the respondent's view rather than a fabrication created from the researcher's own biases. In order to fulfill confirmability in a study using interviews as a mean for data collection it is important to work actively to reduce interviewer and interviewee biases. Saunders et al. (2003) suggest a number of issues in order to overcome the threat of biases and by that fulfilling confirmability. First, interviewers with a strong knowledge base regarding the topic of their research receive credibility from the respondent and increase the confidence of the respondent. Furthermore, supplying information to the interviewee before the interview increases the credibility of the researcher in the eyes of the respondent. Therefore, all interviewees were given supplementing information through e-mail regarding the purpose of the research, the aim of the interview and the theme of the questions that would be given to them during the interview. This was done as the researchers are confident that the respondents would be able to give better, more appropriate and deeper answers to the questions if they were prepared. In combination with this the interviews were performed on pre-specified times in order to avoid biases due to time limits, stressful situations or issues of anonymity for the respondents.

Easterby-Smith et al. (1991) argue that open-end questions could reduce bias issues since it is the respondent's interpretation of the question that leads to a response. This creates the need of making sure the way open-end questions are structured generates a non-bias foundation. In order to tackle this issue a draft of the interview guide was developed and discussed with the authors' thesis tutor. This draft had some question-formulations that were re-worked after the consultation with the tutor in order to eliminate bias problems due to poorly structured questions. Saunders et al. (2003) furthermore argue that theoretical concepts and jargon should not be used in the questions if the respondents are not familiar with them. Sensitive questions should also be put in the end of the interview so that trust can be built up during the interview. In order to approach these issues in the best manner the authors constructed the questions without any theoretical expressions but instead formulated the questions in such a way that the information gained could be decoded into the different models and theories and sub consequently provide an answer to the research questions used. The order of the questions, as can be seen in the appendix, was also chosen with the arguments by Saunders et al. (2003) in mind. The more sensitive questions were used in the second half of the interview if it did not steer towards these types of questions earlier by the answers generated by the interviewee.

4.6 Data Presentation and Analysis

The collected data is presented in a logical way starting with the secondary data. This contains a description of two cases of success and failure of M&As within the automotive industry. This is followed by a description of the identified potential buyers, who they are, short history and key features. This is done in order to create an understanding that can underline further discussions of their potential strategic fit, approached in the analysis section of this thesis.

The major part of the data presentation is made up by the presentation of the raw data from the interviews performed. This data will be presented according to theme. Lantz (2007) defines raw data as selected information from the total information available that could be collected and that will be used as a basis for the analysis.

The raw data from the interviews are presented in the way the different themes and categories were covered in the interview and the text is interspersed with quotations as this will give the text authenticity and vibrancy and will enable the reader to share the world the authors are analysing (Hussey, 1997).

By presenting the interview data by the themes that emerged through the interviews it portrays the interviewees' perception and view of the questions and this is of importance since what is sought is an understanding of the different potential buyers' potential of strategic fit with Volvo Cars. By keeping the data in its raw version the reader also gets an understanding of the respondents' views and thoughts and it is made clear that the views and perspectives are the ones of the interviewees, not the authors themselves. Those interviews that were conducted in Swedish raise some difficulties since the translation forces the text to be presented further away from its original raw version. In order to deal with this issue, very close attention has been taken toward the translation in order to as accurately as possible present the views and perspectives from the interviewees' point of view.

In order to be able to get as accurate data as possible and eliminating the risk of interviewees giving biased responses in terms of "what is the right thing to say" all participants were promised anonymity when it comes to data display and referencing the collected data to them. To fulfil this, all interviewee names and positions have been disguised and generalized in such way that the reader still gets a proper understanding as to why the respondents have been included in the study, what kind of position they possess and where they are located.

The data has been analyzed looking at each potential buyer through a lens consisting of the major theoretical tools; the 4 Cs, Shelton's strategic fit matrix and the overlapping model. This is done in order to identify and enlighten the potential buyers' characteristics that can create a foundation for strategic fit with Volvo Cars and to view the potential buyers in a new perspective. After this is completed the conclusions will be presented and an attempt to answer the research questions as well as reflect upon the performed study will be made. Table 2 displays the flow of the data analysis. This graphical model has been included in order to clarify the analysis process for the reader.



Data Analysis

	Capability	Compatibility	Commitment	Control
Potential buyer 1				
Potential buyer 2				
Potential buyer 3				
Potential buyer 4				
Potential buyer 5				
Potential buyer 6				

Table 2 Data Analysis Approach

5 Results

Section 5 presents the real world data collected from various sources. The authors wanted to focus on different aspects and views of the chosen case and topic. The results from the data collection are presented and will be finalized by a conclusion thereof.

5.1 Introductory Remarks

The highly interesting 2007 3rd quarter report from Ford indicated that the company's PAG still is making losses, although less compared to the previous year. The sale of Jaguar and Land Rover is continuing but, most interesting, is that such actions were not taken in relation to Volvo Cars. Instead a strategic review was performed, implying that Volvo Cars is staying in Ford's ownership until further notice.

The sample of potential buyers has been proved to be adequate, not only the media has mentioned parts of the authors' sample, also the interviewees have responded accordingly, all differentiated but with the same end line.

Firstly the authors begin by presenting two cases of success and failure respectively related to earlier situations of M&As in the automotive industry. Whether Volvo Cars might end up in any of the situations below will be discussed in the analysis.

5.2 Success and Failure cases of M&As

According to Capron (1999) M&As have been a greatly used tool to expand a business in today's highly competitive auto industry. There are some prime success cases and some failure cases. The authors have identified one example of success and one of failure within automotive industry M&As, which function as exemplifying cases. Below follows the two well-known cases, both at the extremes of positive and negative, respectively, aspects of M&As, they will function as a guide of these and then be mentioned in relation to Volvo Cars and a future potential buyer.

5.2.1 The Renault-Nissan Case

Renault, the French carmaker, had some problems in the 1990s, partially due to its focus on the European domestic market in globalization times as mentioned by Schweitzer (1999) in Donnelly, Donnelly and Morris (2005). Nissan, also in the 1990s, was losing market share and under-utilized its capacity leading to high unit costs (Hunston, 1999a in Donnelly et al., 2005). Hunston continues by mentioning the rising value of the Japanese yen which hindered exports of the cars. As can be understood from the problems they both turned to their, primarily, domestic markets, somewhat restricted from expanding. Hence it was a good match and reason to bring these car manufacturers together since they could complement each other as follows below.

Renault needed to expand globally, which had to be done together with a partner. The company looked at the North American market which was pointless because of already existing ties between for example Ford and General Motors with other European firms. Asia was an important market too, where Nissan already had a grip. Nissan was at last the only remaining choice of partner. In reverse Renault could offer Nissan market presence in Eu-

rope and South America (Donnelly et al., 2005). More obvious synergies were the shared technology and product range expansion (Schweitzer 1999 in Donnelly et al., 2005).

A new chief executive was appointed to the merger, Carlos Ghosn from Renault whose very first tasks were to create management integration and improve communications. English was chosen to be the official language; along with this a terms-glossary was created in order to get rid of misunderstandings (Hughes et al., 2001 in Donnelly et al., 2005). Another, rather controversial change was Ghosn's breaking of the Japanese traditional promotion-by-seniority. Instead he applied a promotion-by-merits. In this way young, experienced managers could direct a person older than him- or herself (Flament et al., 2001 in Donnelly et al., 2005).

By putting together so called Cross Functional Teams (CFTs) and Cross Company Teams (CCTs), the merger was eventually coming up with the "Nissan Revival Plan". The CCTs had as mission to explore possible synergies of the merger and the CFTs were looking at areas like purchasing, financial management and R&D (Hunston, 1999b in Donnelly et al., 2005).

The "Nissan Revival Plan" (NRP) was going to be a tough approach to turn Nissan around. Three main objectives were presented: to make Nissan profitable by the end of 2002, to reduce the business debt by 50 percent by 2003, and the return on equity would be at least 4.5 percent by the end of 2002 (Nunn, 1999 in Donnelly et al., 2005). To meet these targets Ghosn for instance approached cost savings through dismissing thousands of workers, sharing platforms for building common models, closing under-utilized factories, and assets in non-core activities were sold off (Hunston, 1999b and Hughes et al., 2001 in Donnelly et al., 2005).

Much of the success was Ghosn's ability to manage the merger. As mentioned by Testa and Morosini (2001) in Donnelly et al. 2005, Ghosn worked with the integration between the two car manufacturers. He learned some Japanese to show his commitment and was also able to spread his vision and aims throughout the entire organization, not only at the top management level. His intercultural approach was also a crucial cornerstone of the success, to bring forth people at all levels from both Nissan and Renault. By establishing clear goals from the beginning it was easier to avoid uncertainties in the information stream (Yoshino and Egawa, 2002 in Donnelly et al., 2005).

To sum up this highly successful merger there is proof given by the results of it. Nissan was in fact turned around; the three main objectives were achieved in a great way. Ghosn could proudly present a vast majority, 80 percent more specifically, of the aims set in the NRP were reached in half the time given. Carlos Ghosn had succeeded, together with his intercultural teams, to make Nissan a prime car manufacturer of the auto industry (Nissan, 2002 and Le Monde, 2001 in Donnelly et al., 2005).

5.2.2 The Mitsubishi-DaimlerChrysler Case

Mitsubishi Motors Corporation (MMC) of Japan and Daimler Chrysler (DC) of Germany/USA was a contemporary attempt of cooperation between two car manufacturers in relation to the Renault-Nissan case. In 2000 the two firms made their cooperation official; DC takes a 37 percent stake in MMC. The plan was as in the Renault-Nissan case, to produce cars jointly. A German executive, Rolf Eckrodt, was appointed as head of the acquisition since DC bought a considerable part of MMC; however the appointment was not made until two years after the investment and start of the joint effort. This acquisition also had a revival plan in order to steer MMC away from the red numbers and avoid bankruptcy. By 2002 MMC was back in the blacks as compared to the previous year's loss. A record high net profit was also presented that same year (Ibison, 2002 and Mitsubishi Motors, 2007).

As of 2003 Eckrodt could present positive results achieved ahead of the time frame. The positivism did not last for long though, half into the year the forecasts changed dramatically implying less sales and profits (Ibison, 2003). DC then decided to send a management team to Japan in order to find the problems causing the downturn. A new revival plan was to be set, which would include greater control and insight in MMC's strategy. At the same time there were reports on Eckrodt leaving the executive position, something that would further trigger negative speculations (Ibison, 2004a).

DC could no longer support MMC due to heavy losses and falling sales. No formal decision had been made but DC strongly considered abandoning MMC. At the same time the Mitsubishi Group was in talks of rescuing MMC if that would prove to be necessary (Ibison, Mackintosh & Grant, 2004 and BBC News, 2004). At this exact time, late April 2004, Eckrodt stepped down. Neither could he nor DC as a company back up MMC, which was in need of substantial financial support. As made clear in DC's 2004 annual report the company stopped to fuel MMC with money. Recall scandals due to insecure vehicles did not make it easier in the already harsh position (Ibison & Ward, 2004 and BBC News, 2004).

After four years of attempts to revitalize MMC, DC proved to have failed in May of 2004. By then the Mitsubishi Group had taken over again, who in 2000 sold parts of MMC to DC. The Mitsubishi Group could manage to put capital into the heavily damaged company. MMC had to start over again, creating a new, reliable image to save its face towards its customers; the recall scandals had drawn a, earlier, highly reputable Japanese car manufacturer into the ditch (Ibison, 2004b). In addition, mentioning that the appointment of a President of the MMC-DC waited for two years it is understood that the due diligence was given extremely little attention, if any, compared to the former case (Donnelly et al., 2005).

5.3 Brand Reputation Report 2007

The Reputation Institute publishes an annual report on brand reputation of international companies. The model developed includes a sample of the 1000 largest corporations by revenue and measure the good feeling, trust, and respect/admiration that consumers feel toward a company (Reputation Institute, 2007). The model is based on seven dimensions that were found from qualitative and quantitative research in order to best explain the reputation of a company internationally and is presented as a list where the 200 most respected brands are listed. The top notation is held by the Danish toy manufacturer Lego, followed by Swedish furniture giant IKEA and Italian food manufacturer Barilla (Reputation Institute, 2007).

When it comes to brands of car manufacturers, the highest rank is held by Toyota, which is placed 6th. The report puts Honda 20th, BMW in 34th place, Volvo in 57th, Nissan in 160th, DaimlerChrysler in 169th and Volkswagen on the 170th place. (Reputation Institute, 2007)

5.4 Potential Buyers

Below follows a description of each of the six potential buyers identified from the literature search. This selection is based both on data from the media and from the interviewees presented later in this section.

5.4.1 BMW

BMW is a German company with headquarters in Munich, Germany (BMW, 2007). It was founded 1917 and the abbreviation BMW stands for Bayerische Motoren Werke (BMW, 2007). BMW is considered to be a premium brand, belonging to the same range of car producers as Mercedes and Jaguar for example, where the 7-series and the SUVs X5 and the smaller version X3 are first-rate models. The company often stresses the driving sensation in its advertisement. BMW is a car to drive, not just a mean of transport. BMW sells cars and motorcycles under its own brand, it also owns Mini and Rolls-Royce and it has a company offering financial services. Production takes place mostly in Germany but also in other European countries, Asian countries, South Africa and Russia. In 2006 BMW Group produced 1.5 million vehicles, of which 104 000 were motorcycles; the net income 2006 was €2.9 billion (BMW, 2007).

5.4.2 Renault-Nissan

Renault-Nissan has been an alliance since March 1999. Renault owns 44.3 percent of Nissan's shares and Nissan owns 15 percent of Renault's shares (Renault-Nissan, 2007a). Nissan and Renault are not the only brands, Infiniti is owned by Nissan while Renault owns Dacia and Samsung. The two main companies have production plants in all five continents of the world. Renault-Nissan has strong (but not the main) markets in terms of sales in Asia, Japan, Oceania, Africa and the Middle East. Sales last year was 5.9 million vehicles, a 9 percent of the total world market; the net income for 2006 was €6 billion (Renault-Nissan, 2007b).

5.4.3 Volvo Group

Volvo Group consists of six companies producing marine engines, buses, trucks, construction equipment and airplane engines. The 6th company offers financial services. Net income 2006 was €1.7 billion (Volvo, 2007a). The main office is located in Gothenburg and production takes place in 17 other countries except Sweden. All continents are represented among the production facilities, including countries such as South Africa, Australia, South Korea, Norway and Poland.

5.4.4 GAZ

GAZ, Gork'ovskiy Avtomobil'ny Zavod, or the Gorki car factory is a group consisting of 18 companies. The daughter companies produce buses, cars (Volga and GAZ), mini buses, trucks, construction vehicles, engines and gearboxes. Apart from the Russian factories GAZ owns a factory in Birmingham, Great Britain producing mini buses. GAZ is by far the largest Russian producer of cars seen in terms of units produced and financial size. Of the annual production some 50 percent are trucks, nearly 20 percent are buses and the remaining almost 30 percent are cars (GAZ, 2007). Annual sales sum up to approximately €1.7 billion (GAZ, 2007).

5.4.5 Investment Banks

That an investment bank or an investor would be interested in Volvo Cars is not impossible. Lövgren (2007) was surprised by the fact that the venture capital company Cerberus bought Chrysler Group in the middle of 2007. He thinks that the razor sharp competition in the automobile industry should scare off buyers with purely financial aims.

5.4.6 The "Swedish Solution"

In an article by Wäingelin (2007) and another published on E24 (2007) it is claimed that efforts are made to make Swedish institutional investors and the AP (Allmän Pension, in English common pension) funds to buy Volvo Cars. First of all some Swedish institutions would provide \$4 to \$4.5 billion which would render a 50 percent stake in Volvo Cars. The plan also involves an initial public offering of Volvo Cars. A part of this solution is that Ford guarantees a 10-15 percent 10-year ownership because of the strong technical, component and purchasing integration with Ford. One of the sources cited in the article says that Volvo Cars in this case would need a new strategic partner who will buy a 25 percent share of the stocks. Renault-Nissan is mentioned as a desirable new partner and partial owner. An alternative is PSA Peugeot Citroën whose CEO has said that new alliances are possible. Volvo Group would also play a role in this solution and own 5-10 percent of the Volvo Cars stocks.

5.5 Interviews

In the following subsection the interviews are presented. The parts of the interviews are categorized in different themes and sources.

Comments on Ford's Purchase of Volvo Cars in 1999 and Volvo's Attractiveness

The decision to acquire Volvo Cars back in 1999 was good according to J1. For the time it was the correct thing to do but there have been difficulties with reaching the strategic goals set up by Ford when they merged Volvo Cars into their PAG. When it comes to saving the core of the business, the North American market and the brand name Ford, nothing is holy and selling Volvo Cars is a possible part of such plan.

Volvo Cars has important sections to offer a potential buyer as J2 sees it. When it comes to safety and producing environmentally friendly cars the company will contribute with these specific strengths. It has also the potential to develop itself as it has done together with Ford. J2 gives a number of approximately \$7 billion in development costs of Volvo Cars. The product range is also a factor; Volvo Cars is well established in the mid-size segment of quality cars. In addition A1 says that for example BMW would be interested because of Volvo Cars' premium brand status. A1 continues that seen from a buyer's perspective Volvo Cars is an attractive target, the safety standards are desirable. Also the portfolio range is interesting for car manufacturers not covering the mid-size segment as well as Volvo Cars does. Therefore well established actors in the auto industry might imply positive results but can at the same time bring less good results with it too. A2 is positive about the attractiveness of Volvo Cars. It is "*one of the best mid-market brands in the world with its solid reputation for safety. This has allowed for a premium pricing of the cars as well, something that Ford obviously has reaped the benefits from.*" Therefore it is not hard to tell that manufacturers not having these qualities could be interested. E2 has same thoughts about Volvo Cars' strengths as the other interviewees. *Volvo Cars is attractive because of its well-known brand which communicates safety, reliability and positive values*". E2 sees a Volvo car in the US as a family car for someone who wants something else than "Made in America".

Overlaps and Areas of Fit

Renault-Nissan is a likely acquirer of Volvo Cars according to J1. The technology and model park of Volvo Cars fits well into Renault-Nissan's and complements it in terms of brand value, market share and technological aspects. J1 states that "*Renault has tried to solve these issues with the help from Nissan, but with Volvo Cars in the portfolio they would succeed much better and faster.*"

A2 agrees by saying that Renault-Nissan could be an interesting partner since it needs a premium brand. Also E1 agrees that Renault-Nissan can be a good candidate since it offers a bigger possibility. E1 identified Volvo's image to be between prestigious brands and volume brands, yet somewhat closer to the prestigious. Another benefit in this potential cooperation is that Volvo has its products targeted to another group of customers. This means that Volvo constitutes a good complement to the Renault-Nissan product range. Volvo does not target exactly the same customers as BMW and Mercedes but still Volvo Cars is

on a higher level than Renault-Nissan or their smaller brands. E2 adds the perspective that Volvo Cars would be a good complement to Renault-Nissan in production and resale. Together the three brands could achieve economies of scale which are not within reach if each producer would stand alone.

J1 says that the Russian company GAZ is probably interested in Volvo Cars for several reasons. They are for example quick access to a large market share outside Russia, ownership of a strong, well established brand and creating possibilities for premium pricing. *“Volvo Cars’ business is growing in Russia and GAZ could view Volvo Cars both as a good target for increasing its market share also in the home market.”* The major reason behind a potential bid from GAZ would, according to J1 be access to Volvo Cars’ knowledge and technology in production and manufacturing, especially the world leading knowledge and technology within safety. A2 considers that GAZ as a potential buyer has more negative sides than positive, looking from Volvo Cars’ perspective. GAZ would gain a rapid access to advanced technology but this will not help Volvo Cars. Management capability is also questioned; another point is the financial view. In addition there is little obvious link between GAZ’s and Volvo Cars’ business. With this A2 means that the partnership might not end up having a competitive purchasing; neither would it have any overlapping purchasing patterns with GAZ. E1 summarizes everything by saying that GAZ owning Volvo Cars would not benefit Volvo Cars since there are no mutual synergistic gains to be made. E2 also identifies the main reason for GAZ, or a Chinese car-producer as suggested by the expert, to buy Volvo Cars is a quick and easy way to enter the European market with a well-known and respected brand. For GAZ it would also extend the product portfolio beyond merely cheap cars.

According to J1 BMW is not a probable buyer due to lack of synergies. This journalist says *“there is no evident synergy in neither of technology, culture or market segment. BMW has most of its technology based on rear-wheel based platforms where as Volvo cars are developed on platforms based on front-wheel technology. BMW and Volvo are furthermore competitors in the same segment, premium brands, and even though BMW might have been tempted to play with the thought of owning Volvo Cars, acquiring the company would be a bad business decision.”*

This not only due to the lack of synergies, but also the high risk of Volvo cannibalizing the BMW brand as they are both perceived as premium brands and are focusing on similar segments of the market. E1 generally agrees with J1 and does not consider BMW to be a serious candidate. The reason underlying this statement is that Volvo is not a complement to the BMW product line. BMW’s marketing strategy is based on the driving experience, driving a BMW is entertaining. This entertainment is based on the rear wheel drive (RWD) concept. Except the option four wheel drive available for some models all BMW’s use RWD. Volvo cars on the other hand are with some exceptions front wheel driven. Therefore the potential synergies between the German company and Volvo are small. E2 agrees with the previous interviewees and rejects the idea of BMW buying Volvo Cars. E2 also adds that BMW may be even less interested because of the failed cooperation with Rover.

Volvo Group sold Volvo Cars back in 1999 since they saw lack of synergies between heavy trucks and cars. Volvo Group buying back what they once sold is not probable according to J1. Volvo Cars are in need of a large owner that can share the cost of developing new technical aspects, such as platforms etc. Volvo Group is in that perspective too small, they are focusing on development in other areas and owning Volvo Cars again would only drain their profit and delude the profitable focus they have today. A2 finds Volvo Group as a reasonable buyer when it comes to a possible clearer branding. From a negative perspective A2 questions if there is any manufacturing or distribution overlap. A clarification would be

that heavy trucks and machinery share little technology or inventory of components with cars and further have no common customers.

Concerning the case of an investor buying Volvo Cars A1 says that if it would actually be acquired by a financial investor the company could gain management knowledge from the executives in the equity firm. A2 thinks that Volvo Cars is too small as a standalone company. Therefore it needs a partner in order to maintain its brand by keeping high quality and safety standards and by not expanding the model range at the expense of improving the core line-up (models). Also J1 thinks that Volvo Cars is too small to be standing by itself. That is why investment banks and other types of non-industry acquirers are less probable as to buy Volvo Cars. It needs some sort of solid back-up behind it, which Ford has been able to partially perform. If Volvo Cars is acquired by a smaller car manufacturer or even another type of buyer, such as an investment bank, some sort of licence deal regarding R&D has to be made with e.g. Ford. *“There is just too much lack of synergies and potential fit between Volvo Cars and that type of buyer for it to be a good solution. If Ford decides to sell it is because they are in need of cash and will most probably not be willing to continue to support Volvo Cars and its new owner”*. In opposite to A2, E2 believes that Volvo Cars could survive without a car-producing partner. If an investor was to buy Volvo Cars the investor would probably further develop Volvo Cars and then sell it to a car producer or make an Initial Public Offering. Since Volvo Cars is a part of Ford whose stocks are traded in the market, preparing Volvo Cars for the stock exchange would most likely be an easy task. For an investor to buy Volvo Cars, guarantees from Ford would be necessary that parts will be supplied since Ford and Volvo have so many parts in common in their cars. In such a case one should bear A2’s words in mind that Ford most probably will not be willing to support Volvo Cars with its new owner.

What has been called “the Swedish Solution” in the business press and media where several investors and banks from Sweden would come together and “buy back” Volvo Cars to Sweden, J1 calls a “patriotic utopia”. J1 calls it a *“nice thought that would never work in reality. There are no synergies to be made, Volvo Cars cannot stand alone and needs a more solid type of backing.”* Also raising \$8 billion out of the blue without any good solid plan behind is nothing any investment bank or similar institution will do, J1 continues.

J2 claims that a new potential buyer would be looking for scale economies when producing cars. Hence J2 means that Volvo Cars is too small as a company. This journalist rejects the idea of BMW, Renault-Nissan or Volvo Group being interested in acquiring Volvo Cars.

Potential Buyers of Volvo Cars

According to J1 BMW is not a probable buyer due to lack of synergies, *“there is no evident synergy in neither of technology, culture or market segment.* Volvo Cars being bought by BMW could be dangerous for Volvo Cars if comparing to the case with Rover where the partnership did not end well. It would of course not be good for either side’s reputation. Also E2 mentions BMW’s failure with Rover. Both are competitors in the same segment, premium brands, and even though the German car manufacturer might have been tempted to play with the thought of owning Volvo Cars, J1 thinks that acquiring the company would be a bad business decision. A hindrance can be a lack of synergies, but also the high risks of Volvo cannibalizing the BMW brand as they are both perceived as premium brands and are focusing on similar segments of the market. On the positive side A1 comes back to the synergistic gains which can be created if a new owner is another car manufacturer.

E1 states that the Renault-Nissan cooperation has been successful and beneficial for both parties. This success indicates know-how in dealing with close partners, something that could come to gain Volvo if it would have Renault-Nissan as an owner. J1 addresses the issue that Renault has a strong interest in the Volvo brand name due to its large portfolio of shares in the Volvo Group, being the largest single shareholder in Volvo Group. This means that Renault has a good insight into the culture of Volvo Cars and a good estimate of the Volvo Cars potentials and how it could benefit Renault-Nissan.

A2 sees Volvo Group as a reasonable buyer when it comes to a possible clearer branding and shared corporate culture. A1 is afraid on Volvo Cars' behalf that it only would be acquired by an investor on a short-run basis and then sold to a more strategic investor, possibly a car manufacturer. Hence a financial investor would exclusively be interested in getting money out of the deal. A1 continues to explain that Volvo Cars is not the kind of company that would benefit by being owned by an equity firm. Volvo Cars needs someone in the same business as itself. A2 has very similar thoughts which he expresses by saying that a financial institute might not be reasonable while it only would be interested in Volvo Cars in pure financial terms. Therefore it would not be good if the car manufacturer was to be acquired by such institute. Regarding BMW it would probably not be interested in Volvo Cars; A2 is referring to the unsuccessful acquisition of Rover.

Regarding GAZ A2 questions the management capability of the company. J1 continues by saying that if a bid on Volvo Cars actually was made by GAZ, both Volvo Group and Renault, by themselves and/or together, would probably do all in their power to stop such deal. Neither Volvo Group nor Renault would accept the control of the brand name to end up in the hands of a rather unknown company, such as GAZ. *“The Volvo brand is one of the most valuable and has a large importance for Volvo Group as well as Volvo Cars. With Renault-Nissan as the largest shareholder in Volvo Group, the where-about of the brand is of absolute importance also to Renault-Nissan”*, J1 concludes.

Thoughts and comments regarding the possible sale of Volvo Cars

Ford does not want to sell Volvo Cars, but due to the financial situation the company currently is in, a sale is still plausible according to J1. Ford Motor Company has put all its assets up as collateral, including Volvo Cars and if Ford decides to sell, a large portion of the revenues made from that sale would have to be used to pay off parts of the loan. A2 has similar thoughts as J1 and points out that Ford is desperate for cash. To sell the former Swedish brand could be welcomed out of one perspective, the cash, however it *“would not make a big enough difference to be crucial”* to Ford's financial situation. Since the breaking up of the PAG has already begun by selling Aston Martin and Jaguar together with Land Rover under way A2 sees it not strange to do the same with Volvo Cars. What E1 says correlates a lot with A2 and J1, which Ford is probably not certain about whether to sell or not; they do not want to sell. However the difficult financial situation has forced Ford to put all its assets, including its own brand, as collateral for an \$18 billion loan. J2 continues the theme by saying that selling Volvo Cars might not be a good idea referring to Ford's financial situation. J2 explains that the amount of money Ford will get by selling will not be enough to restructure its own financial position. E2 implicitly agrees with J2 about selling Volvo Cars and adds that management of Ford through the comments made recently sends other signals than that a sale of Volvo Cars is to be expected. On the other hand it would not be the first time that a company in public shows a will to develop an acquisition but later does the opposite. A1 begins by saying that selling Volvo Cars could be problematic for both sides, i.e. Ford and Volvo Cars can in the first place lose certain things on such a deal. On the

other hand, in purely financial terms it would be good for Ford to sell Volvo Cars in order to bring more cash into the company given the financial situation. Continuing, A1 says that a sale would be good for Ford in the short-run as it would receive capital. In the long-run perspective a sale is questioned, the analyst refers to the synergistic gains already created and a lot of effort has been put into the partnership.

What may speak against a sale is for example Ford's 3rd-quarter report of 2007 which was released on November 8, 2007 as J2 mentions. In the report it says that Ford has performed a *strategic review* of Volvo Cars and when referring to Alan Mulally, the CEO of Ford, he quotes that "*Volvo Cars is not for sale now*". This "now" is interesting since it leaves the way open for a future possible sale. Further J2 explains that Ford wants to keep on putting effort into Volvo Cars by extending the premium brand status. If this shows to be the case it will be harder to justify a sale soon since more money will be spent on the company. In addition it would not be a good decision to sell while Volvo Cars totally seen has generated much profit. However lately substantial losses were made, though this situation has improved in relation to the previous year. J2 points out that a major reason behind the losses is the weakening dollar. In North America, Volvo Cars' most important market, sales are of course in terms of dollars but also in China which has pegged its currency to the dollar; this also implies financial losses. He also mentions a possible new price strategy – to raise the prices on certain models.

E2 believes that if Ford is offered a good price for Volvo Cars it may be sold. Regarding J2's statement about continued effort from Ford, E2 says that the timing of a sale now is bad. Selling Volvo Cars now would not let Ford reap the full benefits of Volvo Cars since large sums have been spent on coordinating and integrating the two companies. At the same time E2 argues that the relationship between Ford and Volvo Cars has been rather poor. If Ford would have faced the same situation today as it did 1999, the acquisition of Volvo Cars would not have been made. Volvo Cars is however the company which has been most beneficial for the PAG. Volvo Cars functions rather well and may, despite that it at this point is not profitable, become a good investment as well as profitable. Ford wanted to get the economies of scale and diversify its brand portfolio since Ford lacks "normal premium" brands such as BMW or Mercedes.

While E2 sees negative aspects in the Ford-Volvo Cars relationship, A2 questions Ford's management capability of running premium brands and that the strategy to do so has been abandoned. Neither is there a corporate culture in Ford that demonstrates that capability. Further A2 thinks that a removal of a management distraction (in relation to the capability) and the need for future large investments, which must be made if keeping Volvo Cars, is important. The investments are needed to develop the brand in order to meet competition from other premium brand manufacturers like BMW, Lexus and Mercedes.

A1 mentions another aspect that Volvo Cars' stakeholders are worried and questions if the company will be able to cope without Ford. Another question is if Volvo Cars can be sold at all as of now since a part of the company is taken as collateral to hold up Ford. If it would be possible it will take some time before an actual sale can take place in that case.

Volvo Cars' and Ford's relationship

J2 points to the loss of synergy that could occur if Volvo Cars was to be sold. Ford and Volvo Cars share purchasing and product development. The companies have shared platforms for certain models which Volvo Cars not longer would benefit from until creating a similar joint production with a new partner. There is also a lot of technique sharing which will be lost if a sale takes place, a negative impact on both companies. Much is given by Ford since the company could contribute with the financing. To sum up, substantial losses would be made on both sides if a sale becomes reality. J2 further mentions two main synergies gained between Ford and Volvo Cars, one on each side. When Volvo Cars was acquired it got greater access to the North American market which has become the most important to Volvo Cars. Ford on the other side could benefit from a company with high safety standards. Also A1 sees that the high safety standards Volvo Cars has contributed with would disappear from Ford, for Volvo Cars important sales would vanish. Volvo Cars has also contributed with the mid-size segment which is the most important in Ford's portfolio, J2 continues. J2 further thinks that a good fit was created through the partnership when it was made reality in 1999.

In opposite of what J2 says about the North American market, E2 says that Ford's channels have not helped Volvo Cars to increase the number of sold cars to such a great extent. Ford has however given Volvo Cars the possibility to introduce new models at a faster pace. Today's car buyers want new models every now and then and get tired of old models faster than before.

The company would also lose a safe haven at the mighty Ford Motor Company. Hence it would lie in both sides' interest to continue the partnership. E1 sees that the years until now with Ford has given Volvo the ability to develop new models at a lower cost than what would have been the case without a large car producing owner.

5.6 Summary of the Findings

Most of the interviewees are pointing in the same direction. To sell Volvo Cars is not a good idea even though a sale would bring money to Ford. Continuing the partnership would be better, especially now when Ford has announced its plans for Volvo Cars. This would mean a more certain future for Volvo Cars itself compared to the recent uncertainty. Most of the respondents are positive to this; however, whether Ford will go for a long- or short-run approach remains to be seen.

The findings imply that there are synergies created between Ford and Volvo Cars. The most important mentioned synergies are safety, portfolio range, market presence and technology sharing. These have been at the core of the partnership and made it successful, although losses were made by Volvo Cars recently. The two car manufacturers are good and important for each other, whether such synergies will be created in another partnership is unclear. Hence the interviewees' thoughts regarding the set of potential buyers were highly interesting.

Almost all respondents believe that BMW is not a good partner for Volvo Cars. There are limited or no synergies which is a prerequisite for a merger or acquisition. The companies are too similar, two premium brands not producing their cars with the same philosophy

(rear wheel drive vs. front wheel drive). On the other hand is the Renault-Nissan possibility where more synergies are plausible. In a credible partnership they can expand each other's portfolios, an overlapping approach with Volvo Cars as the premium brand. Production complement is more likely to happen in this case rather than in the former.

Volvo Group is not a reasonable buyer since the former division would be too small to take on again, the majority of the respondents imply. A prerequisite for a merger or acquisition in this case would be that the two sides have common customers which Volvo Group and Volvo Cars would not have. The only positive thing generated by this combination is the branding; Volvo Cars would again be integrated in the mother company.

What can be concluded from the reactions of the Volvo Cars-GAZ combination is the riskiness. The former mentioned can get its reputation damaged by teaming up with a low-profile car manufacturer like GAZ. Volvo Cars would still be the premium brand but without any explicit possibility to develop; it would do more harm than good. Neither are there any synergies. Only GAZ will win by acquiring Volvo Cars, the development would only be on GAZ's side through rapid expansion and acquisition of technology.

Whether it is good or not if an investment bank or similar institution buys Volvo Cars was not commented on much. What was said is that Volvo Cars is too small as a company to be an interesting target. The duration of ownership is questioned; such an institution is primarily interested in pure financial terms. The only thing Volvo Cars would gain is possible management expertise.

Finally, the interviewees agree on many points and it is thus possible to see that Volvo Cars presently is better off staying with Ford, once again because of Ford's statement of putting further effort into its partner. There are positive and negative aspects with a sale but to sum up the most plausible approach is today's partnership since the turbulence around Volvo Cars and Ford will come to calm.

6 Analysis

In this section the authors will present an analysis by bringing theories and empirical findings together. Through this the reader will be able to get an understanding of why it is important to have a strategic fit when merging or acquiring on a general basis and also in relation to the specific case. Below follows the analysis carried out with help of the model presented in the methodology section.

The authors present the research questions again in order to ease the analysis.

- From a strategic fit perspective, which company can be appropriate as an acquirer of or merging company with Volvo Cars?
- If sold, which synergistic gains can be reached if Volvo Cars teams up with another actor in the industry?
- Must Volvo Cars necessarily team up with another car manufacturer if sold?

It is important to reflect upon these since they are not only central to the study but will also function as a backbone when combining the key theories and the empirical findings.

The 4 Cs are a central cornerstone in the analysis. They are an important tool when analyzing the identified potential buyers (IPBs) in relation to strategic fit. Since strategic fit is a main theme of this thesis the authors have chosen to apply the 4 Cs on the IPBs one at a time to make each case more explicit. From Table 3 it can be seen which of the IPBs that has the best fit with Volvo Cars according to the 4 Cs; N.B. the table is not indicating a “perfect fit”, rather the *likeliness* of a fit. Whether the result of what the table shows will be the end line is discussed upon further in this section.

Capability

Volvo Cars can be viewed upon as producing cars competently. According to the initial profitability of the company when Ford was a new partner to it this is by all means correct. Once again referring back to the high safety standards the company offers it could improve standards in its partner as well. Also, being developed further has meant that Volvo Cars has acquired other benefits from Ford, financial support being one part. It has implied that the partners do reap benefits from each other and this can be put into a long-run perspective; as the forecast is now this partnership will continue through an unspecified time-space hinting a continued long-run collaboration. Ford being a car manufacturer as a partner is interesting to bring up as synergistic gains have been created according to several interviewees. This can point in a certain direction when discussing if Volvo Cars *necessarily must team up with another car manufacturer if sold*. A reasonable answer is *yes* if similar synergies which are present now are to be reached in a new partnership for Volvo Cars. Looking at the interviews only one interviewee says that having an investor as owner could work for Volvo Cars. Whether the exact synergies which now are present will reappear between Volvo Cars and a new partner is hard to tell since a different partner will not be identical to Ford as a company; if a good combination of companies are created this can possibly yield similar synergies but not necessarily the same.

Compatibility

There are different perspectives when choosing a partner, for short- or long-run. A discussion of if *there is any company that can be appropriate*, e.g. an equity firm or a car manufacturer, comes into play when viewing from the two perspectives mentioned above. Different thoughts were presented if the scenario Volvo Cars – equity firm will arise. It shows that, in conjunction with a Volvo Cars – car manufacturer scenario, the short- and long-run perspectives are highly relevant as an equity firm only would acquire Volvo Cars in the short-run and, more probable, an actor in the auto industry would commit itself in the long-run. Since equity firms according to the interviewees are more likely to be interested in financial terms rather than development of the acquired company; it clearly points out the short-run perspective. On the other hand it can be unprofitable for a car manufacturer to invest in Volvo Cars for a shorter period of time since synergies need to be developed and are more likely to be realized in the long-run. Hence it comes to the question *what synergistic gains can be realized?* This is an important issue to take into consideration while synergistic gains can be hard to take for granted. If there is no compatibility in a partnership there is a diminishing likelihood to realize value from it. From yet another point of view a new partner *will* contribute with something although it can be questioned if it actually will *benefit* Volvo Cars in any way. An example of this would be GAZ which has more to benefit than Volvo Cars from a partnership. Hence a partnership can be costly if it does not work properly, a drawback can be reputation; a main thought in such case is if GAZ can afford a scenario like that.

Compatibility in a partnership needs to be fulfilled if it is to work smoothly. Incompatibility in management for example is a serious issue since a partnership will not work appropriately; this is also the case for the compatibility of the corporate culture. GAZ was mentioned as a risk for Volvo Cars since the management of the former is viewed as not qualified to run such a combination. As mentioned earlier it is crucial for Volvo Cars not to enter a partnership like this or similar. To join forces with a company which has a history of other successful partnerships is important for the company as it carries with it a good reputation. Hence it is crucial that a due diligence process is carried out in order to find out if a target is appropriate, be it in the short- or long-run. If this is not done it is possible for Volvo Cars to find itself in a less convenient position where the company cannot execute basic decisions which will benefit itself and the partnership.

At another extreme is Renault-Nissan whose management is more suitable for Volvo Cars. Thanks to the already existing partnership between Volvo Group and Renault the culture is already accustomed between the two companies. If Volvo Cars is merged with or acquired by Renault-Nissan, the management culture can easier be integrated or adapted between them.

Commitment

Another crucial point to be fulfilled by a possible, future partner is to continuously commit resources to the partnership. If this will not be the case Volvo Cars is put in an undesirable position; this is important to fulfill by itself too. This is especially important if GAZ will take Volvo Cars as a partner where a scenario can be shown to slow a possible development rate, if development will be present at all due to the former's questioned capabilities and experience of management. On the other hand GAZ is less probable to abandon the partnership if unexpected difficulties arise. It can instead learn and develop along with difficulties since it is rather inexperienced, at least in the international arena. BMW as a well

established actor can be seen as a more impatient partner if difficulties arise while a partnership can be taken less seriously in relation to Volvo Cars. BMW would in such combination be the leading partner who backs its partner up. If it is not worth the difficulties along the road the partnership can be questioned from the point of BMW. The German company can be less motivated, and Volvo Cars too, since a partnership does not seem to be a priority in such a case. Looking at the overlapping approach less or any synergies are issues in terms of existence, hence *synergistic gains* will be hard to realize. There is also reason to question BMW's commitment given the failed cooperation with Rover. A combination with Renault-Nissan and Volvo Cars is more likely to be successful both in relation to commitment and the overlapping approach. As mentioned earlier Renault-Nissan is suitable for Volvo Cars where a long-run commitment is more likely as well. One can question if a short-run thinking is appropriate at all if a car manufacturer is the merger/acquirer.

Respect is also important for the commitment if the partnership is to work well. For making both partners to contribute to a large extent is undermined by the respect the companies are to give each other if the combination fits. An equal balance of power is also an issue while a commitment from both partners is fair for the partnership. This can be an issue if there is a redirection of power, i.e. if a new partner to Volvo Cars brings the majority of the power to its own country, as was the case when Ford invested in Volvo Cars. It is therefore of importance to create a partnership where the equality is *balanced* which will make way for commitment.

The short- and long-run perspectives are relevant to the commitment as well. It is much easier to build up a commitment over time rather than force each other to be committed. If Volvo Cars was to be acquired by a financial institute it would be in the short-run, at least according to the interviewees. Hence a long-run perspective is not likely and by that the probability for a well developed commitment is almost non-existent. Though, if a car manufacturer invests in Volvo Cars it is more likely since, as mentioned above, a long-run partnership is more credible.

Control

Going back to the redirection of power, a partnership must have some kind of balance (equality) in order to work well. If one side becomes too strong it should take a step back and look over what can be done to equal the imbalance. An agreement which is not fulfilled will lead to a struggle between two partners (or more). This case is rather probable if Volvo Cars gets BMW as its new partner. The likelihood that BMW will want to take on a leading role, not only because it can *acquire* Volvo Cars, is credible although its partner can potentially cannibalize the "main brand", i.e. BMW. Here an agreement of control is important to be settled and, preferably, investigated of possibilities *before* a partnership will be a fact. Once again a due diligence process should be carried out in the interest of both parties; hence they will be able to know if a partnership will benefit them both. In theory an actor who is aware of the advantage and takes a step back to let the weaker part take on a greater role is desirable although this might not be the case in reality. In the end a stronger part can also become the weaker, indirectly, by feeling threatened by the then weaker; the end note is to survive and to save one self. A prime example when the stronger partner was not willing to take a step back was the MMC-Daimler Chrysler case to where a parallel can be drawn.

Table 3 displays the likeliness of a fit between Volvo Cars and the potential buyers according to the 4 Cs. As can be seen Renault-Nissan is the most probable out of the set while this actor is likely to have the capability, compatibility *and* commitment to a partnership. Hence it can be viewed upon as becoming a suitable partner of Volvo Cars.



Data Analysis

Volvo Cars' fit with:	Capability	Compatibility	Commitment	Control
BMW	X			
Renault-Nissan	X	X	X	
GAZ	X		X	
Volvo Group	X		X	X
Investment Banks			X	
"Swedish Solution"				X
X indicates a fit				

Table 3 IPBs' Strategic Fit with Volvo Cars

The six different potential buyers have been matched with the Shelton (1988) matrix and placed in the category where they are considered to belong as is illustrated in Table 4.

<p>Related-complementary</p> <p>Renault-Nissan</p>	<p>Unrelated</p> <p>Investment bank</p> <p>Swedish Solution</p> <p>Volvo Group</p>
<p>Identical</p> <p>BMW</p>	<p>Related-supplementary</p> <p>GAZ</p>

Table 4 Potential buyers inserted in the Shelton matrix

Renault-Nissan's possible acquisition of Volvo Cars is identified as a related-complementary fit. A related-complementary fit is defined as supplementing the acquirer with new skills and products for markets already served by the acquirer (Shelton, 1988). The products are new in the meaning that they are targeted at another group of customers than Renault-Nissan's cars. The exception could possibly be Infiniti which is Nissan's luxury brand. In the US, Volvo's largest and most important market, an Infiniti and a corresponding Volvo are priced on a similar level. An Infiniti is however not a substitute for a

Volvo or vice versa. One of the main arguments for buying a Volvo is safety; Infiniti does not have the same focus on safety. Even though the products are somewhat different the customers are similar. A Volvo buyer is not identical with a Renault-Nissan buyer but they are seen as related enough to be considered as similar.

BMW is placed in the category identical since practically the same customers are served with the same products. In Sweden a BMW is usually seen as more prestigious than a Volvo but that is not the case in the US where Volvo and BMW are both considered to be premium brands. For each Volvo model a similar or more or less equivalent (mainly in terms of size) BMW model can be identified.

The third and last car producer is the Russian group GAZ which is placed in the related-supplementary category. Shelton (1988) writes that the focus in such a fit is on expansion to new markets and there to meet new customers. This is identified as the main reason for GAZ buying Volvo, acquiring a premium car manufacturer and opening up markets previously unavailable. This is also supported by the sources such as E1, A1, A2 and J1. The cars produced (under the brands Volga and GAZ) are so different from what Volvo Cars is producing that they must be seen as new products. The customers are also very different since at least two Volga can be bought for the price of one corresponding Volvo. Further Volvo Cars offers more customization and options available for their cars than does GAZ.

Placed in the unrelated category are the investment bank, Volvo Group and the “Swedish Solution”. Here it is even easier to see that the customers are new and so are the products. Volvo Group produces trucks, buses and engines for marine and aerial use but without Volvo Cars it has no car production. Therefore it would be a “new” product. The customers would also be new since the buyers of trucks and buses are in most cases not the same as the buyers of cars. The “Swedish Solution” and investment bank can be grouped together in the manner that neither of them has common customers or products with Volvo Cars. Volvo Cars would add a completely new line of business to such investors.

Shelton (1988) argues that related-complementary fit gives the opportunity to consolidate or strengthen a market position. This would be the case if Renault-Nissan was to buy Volvo Cars. It is the authors’ firm belief that Renault-Nissan’s market position would be strengthened with Volvo Cars as an addition to the alliance. Volvo Cars is a brand which fills an empty hole in the Renault-Nissan product range, between Infiniti and the other brands already present.

Due diligence can be put in relation with Medcof’s (1997) overlapping model where Volvo Group’s and Renault’s strengths and weaknesses complemented each other well. Hence it is important for a potential buyer to search for the own weaknesses which are to be filled out by Volvo Cars supposedly. It is also important for Volvo Cars to get its own weaknesses filled out; i.e. there have to be mutual benefits. Market presence is one example where Volvo Cars got access to the North American market through Ford. If acquired by a company not involved in the automotive industry it is harder to fill weaknesses (or strengths) such as market presence. From this point of view Volvo Cars is better off with a car manufacturer as a partner.

Safety has been repeated several times as one of Volvo Cars' strengths. As the company is known for its safety in cars a potential buyer should investigate this among other things to find out, if Volvo Cars is an interesting target. When a potential buyer has found strengths which can fill out the existing internal weaknesses value can then be added. If the partnership is successful the value adding will be mutual. The mutual benefits depend on if there is an even control, implied by the 4th C, of the partnership and the distribution of power need to be equal too; if the power is only concentrated to one side the other's will have a less chance to retrieve benefits. This is on the other hand a correct and fair approach seen from the acquirer's view i.e. to realize value from the deal.

The risk a potential buyer may unconsciously take is to look at Volvo Cars as a future financial asset, something that will generate money. This approach can be understood by going back to Volvo Cars' best years with Ford, thus a financial success. A potential buyer can be tricked since the same situation may not arise again if acquiring Volvo Cars. It is not reasonable just to look at the financial measures of a target; it might lead to a negative result. There are other factors in addition when not researching a potential target. Common goals in the strategic fit-sense and also in relation to the 4 Cs are important to be fulfilled if a partnership is going work in the long-run. It will be worth to take some time to investigate a potential partner while certain similarities are found. When they have been identified the acquirer can then decide how to act. In relation to the MMC-DC case this was not done and therefore the partnership ended with nothing more than negative synergies. This is an interesting point for a potential buyer of Volvo Cars to take into consideration since the industry is highly competitive and spending an excess time to find out that a potential target does not fit at all is a waste of time. For this reason an acquirer must work efficiently through a due diligence process and specifically look for strengths *and* weaknesses to determine whether a target is a good choice or not. Given that successful M&As are a product of a thorough due diligence process this is pointing in a certain direction future M&As must account for.

A further example of a plausible negative combination of companies is if Volvo Cars is acquired by an investment bank. In such case the motives can considerably lean toward pure financial interests which would leave Volvo Cars worse off according to empirical data. The risks are high at both sides; little financial return and a weakening development rate respectively. Hence it is important to have clear, mutual goals and purposes on both sides if the partnership is to be successful. The earlier mentioned acquisition of Chrysler Group by Cerberus is interesting for further research and a prime example to look at if a similar situation will arise with Volvo Cars included.

Speaking about fueling money into a company just acquired, as the case above suggests, the acquisition of MMC by the Mitsubishi Group is suitable for comparison, and also in relation to the "Swedish Solution" scenario. When MMC was on the verge of breaking down Mitsubishi Group stepped in and bought the motor division back. It was the only plausible solution if the MMC was to survive. This solution is also plausible for Volvo Cars if threatened to be bought by GAZ or another "threatening" foreign investor/buyer. In order to save the Volvo brand's respect and integrity the only way is that someone else steps in as an owner. If Volvo Cars is in the same state as MMC was, in a serious financial situation, can be questioned although the situation remains implying that it could "disappear", to be merged into or acquired by a rather unknown company. Going back to the fueling of money it can be understood as a pure financial interest of the acquirer, though this was not the purpose of the Mitsubishi Group which instead wanted save MMC. Hence there *are* differences in the purposes; Volvo Cars' possible situation will remain to be seen.

As mentioned earlier Volvo Cars can contribute with a premium brand, safety technology and a certain model portfolio which other actors might not have. It is therefore in the potential buyer's interest to research if Volvo Cars as a target has the potential to overlap certain technology, portfolio and market presence gaps. In order to meet this requirement it is important for Volvo Cars to merge with or be acquired by another car manufacturer. No other type of investor would be able to fill in for what an actor in the same industry could do. If Volvo Cars can get its weaknesses filled out at the same time there is an overlap, forming one stronger entity. Putting this in relation to the IPBs it can be seen that there are clear differences because of the shifting traits among them. Below follows the overlapping model where the different scenarios are integrated. The authors have only included the IPBs which are car manufacturers, including Volvo Group, since a financial institute e.g. cannot overlap certain traits.

In Figure 3 BMW and Volvo Cars are analyzed. Merging the two actors can be questioned since there are few plausible synergies; as also indicated from the interviews. The medium-sized cars represent a wide portfolio at the two companies; it is hard to find synergistic gains here. In the up-scale portfolio BMW has a clear overtake while Volvo Cars does not have a corresponding offer; Volvo Cars' S80 is not a substitute to BMW's 7-series as the S80 is smaller and less luxurious in comparison. The SUV (Sport Utility Vehicle) selection is not equal since Volvo offers only a larger SUV while BMW has a large and a smaller. The market presence is on the other hand equal. The second differing factor is the brand reputation where BMW is placed higher. This can be seen as an extreme where the two actors will not complement each other well, they are too similar.

On the other extreme, where GAZ and Volvo Cars are included, the two actors do not complement each other here either; they are too dissimilar as shown in Figure 4. Medium-sized cars are represented to a wider extent in Volvo Cars' portfolio. The S80 is presented as the only selection as an upper-scale car which is non-existent at GAZ. Neither are SUVs represented in GAZ's line-up. Volvo Cars' market presence in North America and Europe puts the company well ahead of GAZ which is established mainly in Russia. The brand reputation is therefore largest at Volvo Cars.

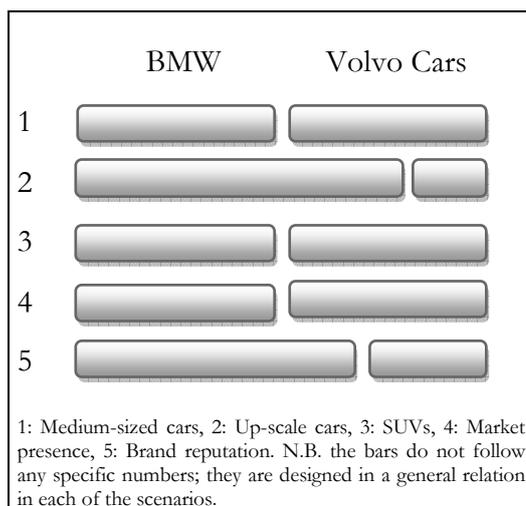


Figure 4 BMW–Volvo Cars Scenario

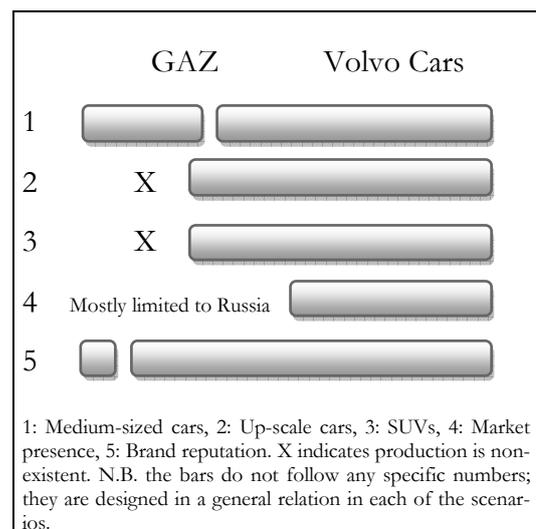


Figure 3 GAZ–Volvo Cars Scenario

Figure 5 shows Volvo Group and Volvo Cars. These are harder to bring together, no clear synergies as J1 outlined, since they do not bring each other much complement relevant to the *car* manufacturing. Volvo Group has neither medium-sized, up-scale cars nor SUVs. Hence Volvo Cars will not be complemented with any products. Only market presence, where Volvo Group is more widely represented with its group of companies, is greater. Brand reputation is a difficult issue since the brands are often confused and looked upon as one single.

The last combination is displayed in Figure 6 which shows the Renault-Nissan-Volvo Cars possibility. Renault-Nissan’s portfolio of medium-sized cars is somewhat greater since the both companies contribute with this. The up-scale portfolio is different where the S80 still stands high in comparison. On the SUV-side Volvo Cars has only one model while Renault-Nissan can contribute with a wider selection, a good complement to the selection of the former. Volvo Cars has a less market presence due to the size of the companies, where Renault-Nissan consists of two main companies. This will in turn complement Volvo Cars’ market presence. Volvo Cars can again show a strong brand reputation where the combination Renault-Nissan is not included in the list mentioned earlier but separately.

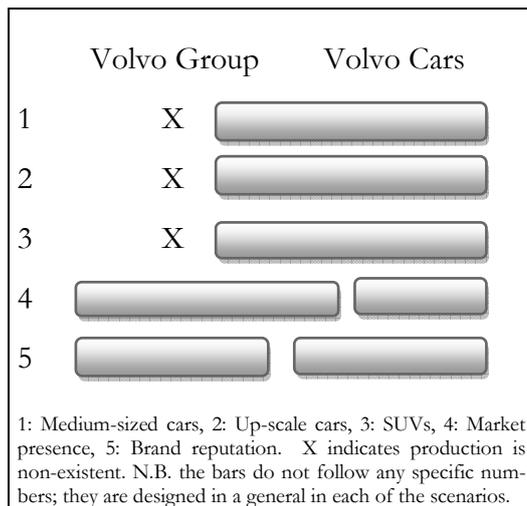


Figure 5 Volvo Group–Volvo Cars Scenario

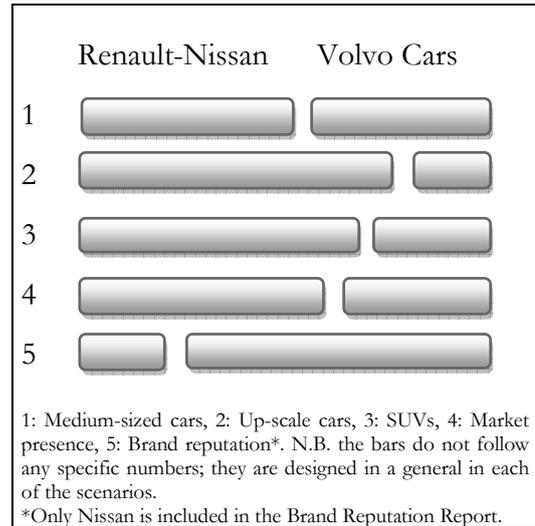


Figure 6 Renault-Nissan–Volvo Cars Scenario

Looking at Figures 3-6 it is obvious that the Renault-Nissan–Volvo Cars scenario is the most suitable seen from both sides. BMW will not get much out of a partnership presently; neither will Volvo Cars gain synergies if having GAZ or Volvo Group as a partner. As can be seen there is not much overlap in the three initial scenarios. Only the last is favorable for both prospective partners where Renault-Nissan can complement Volvo Cars with an expanded product portfolio of medium-sized and up-scale cars together with a wider market presence. Volvo Cars on the other hand can contribute with a strong brand and partially the medium-sized cars portfolio.

When combining the theories with the empirical findings there are indications pointing in a certain direction. Looking at the possibility to create *synergistic gains* Volvo Cars is better off to be acquired by or merged with an actor in the same industry. In this way they can complement each other and possibly benefit from the partnership. Renault-Nissan is, according to the overlapping model and the 4 Cs, the most suitable and prospective partner when looking at what it can bring to Volvo Cars and vice versa. Some underlying factors can be the already existing partnership and understanding of the culture between Renault and Volvo Group. Specifically taking the overlapping model into consideration it can clearly be seen that this is the best choice and fit among the IPBs. Figure 6 is a sign of complementary functions which can be realized if both sides have the incentive to work for a good partnership.

An important point is then to be made; once again, the best solution for Volvo Cars *is* to become a partner with another car manufacturer due to that they have more in common. This answers the authors' third research question well; there are more incentives for Volvo Cars to become a partner with an existing actor in the industry rather than a partner from another one. Hence the synergistic gains are more likely to be realized; examples of those are shared production, shared product development and expansion of each other's market presence, something that was realized with Ford as a partner, as can be realized with a new partner. That being mentioned there is clarification in the second research question; an important synergistic gain is the joint production which can lead to the creation of *scale production* or economies of scale in other words, something that can be a highly competitive tool.

As mentioned briefly above Renault-Nissan is the "*whicb*" as cited in the first research question. The reasons are clear and they are able to give a trustworthy and fair answer. To summarize, Renault-Nissan as a reasonable buyer and Volvo Cars have the potential to fit each other well, to create scale production and to become a, possibly even more, respected competitor in the automotive industry.

7 Conclusion

The purpose of this thesis has been to identify potential buyers of Volvo Cars. If or when Ford will sell was not known at the time of writing. This made the study rather special, to investigate a possible result of the future. The aim was not to make a definite statement whether Volvo Cars would have company X or company Z as a future partner but to give a *reasonable* answer to it.

After the authors had spoken to interesting people on the matter of the chosen case they could work with the relevant models. Through this combination of theories and empirical data the *reasonable* answer was made clear in relation to the research questions. The results on their own pointed in a certain direction, as did the authors' analysis – Volvo Cars is better off if having an actor in the automotive industry as a new, potential partner since it can reach *synergistic gains* easier and more obvious rather than with a financial institute. A *strategic fit* is thus more possible to exist between Volvo Cars and its partner. This is important if the partnership is to survive in the long-run.

Which synergistic gains can then be reached? If the optimal option will be the outcome, i.e. Volvo Cars will have a car manufacturer as a partner; the gains will be for instance shared production and shared product development. Others are market presence and the complement to each other's product portfolios. As these are achieved the companies benefit from each other and become more competitive. This would not be the case if a financial institute was to acquire Volvo Cars. Its interest would then primarily lie into the financial possibilities where Volvo Cars is to become a cash cow rather than a partner.

Which company that can be a potential partner to Volvo Cars is discussed back and forth, the most *reasonable* answer is Renault-Nissan. There are several reasons to this choice. The company is a well established actor in the European and Asian markets. The understanding of company culture is not thought to be a complicated issue while Renault and Volvo Group were partners before Ford's acquisition of Volvo Cars and still are; Volvo Cars was in 1999 still a division of Volvo Group. Further the two new potential partners do overlap each other's strengths and weaknesses. This is good in the long-run while they can continue to complement each other. Another very important point is the creation of scale economies, to combine each other's production in a joint effort. This lies in line with the shared production; when it is fulfilled the partnership can strengthen its competitiveness.

To sum up, a future Renault-Nissan–Volvo Cars partnership is the most *reasonable* answer in the point of view of strategic fit and out of the authors' set of identified potential buyers. The models and concepts in this study have helped the analysis process to come to this conclusion. Once again, whether the future will show this specific outcome remains to be seen.

8 Ending Notes

During the period the authors have been working with this thesis, the topic and scope of interest have been very much actively shifting. When the research process was started it seemed almost certain that Ford was going to sell Volvo Cars in order to solve its imminent financial crisis. As time passed, the 3rd-quarter financial statement was released by Ford and the future for Volvo Cars looked slightly different. Also the financial crisis and the situation on the world financial markets also had an impact on the process and rumors regarding a potential sale of Volvo Cars by Ford. This thesis has a somewhat special approach; research has been performed on activities that lie in the future and have not yet happened. With this kind of approach to research it may be difficult to determine if the conclusions are “correct” in terms of the future for Volvo Cars. However the scope and purpose of this thesis was to identify potential buyers and give a reasonable answer to the question of strategic fit. In the point of view of strategic fit, the conclusions are reasonable and correct, in the perspective of the scope of this thesis. The “real” result regarding the future ownership of Volvo Cars is out of scope for this thesis and only time will reveal if the conclusions of this thesis will be the situation of Volvo Cars in the future.

8.1 Further Research

The purpose of this thesis was to identify potential buyers and the most natural scope for further research would be to evaluate a buyer in a post-M&A perspective after Volvo Cars has been sold. Since it is not possible to say when or even if Volvo Cars will be sold by Ford other scopes of research are perhaps more beneficial to be performed in the future.

An interesting point of further investigation is how companies manage the partnership after a deal is sealed. A need for post-merger/-acquisition activity might become convenient for those partnerships that are to survive. There is interesting literature on so called post-merger integration and also empirical evidence of how this is dealt with. It can become crucial whether a partnership will be successful in the long-run or not. It is important to follow up M&A activities as it will be supportive for the new company or companies in the future; it will be a helping tool to use *before* potential problems might arise.

The situation for the identified potential buyers as well as for Volvo Cars is bound to shift over time. Hence, a new study of strategic fit in the future would perhaps not generate the same results, and an interesting angle of further research could be to cross study the result from this thesis with a similar, future study and attempt to identify the parameters of change.

Another point beneficial for further research is the redirection of power in M&A activities. Do all partnerships see redirection of power as a problem or do some take it for granted and accept it? It is important to be aware of plausible effects which can arise when M&A activities are under process. Hence having an understanding of why it is an issue will help managers to evaluate the situation and be pro-active, giving them a chance to act and decide before it can be too late.

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Appendices

Appendix I – Interview Guide and Questions

Here the interview questions are presented. They are brought together in order to try to analyze answers regarding new potential buyers of Volvo Cars. Hence the questions are aimed in certain directions which can be seen below, trying to give answers to the research questions.

Below follows questions used in this research.

1. Is a possible sale of Volvo Cars appropriate in the first place, why or why not?
2. Is a possible sale of Volvo Cars a last way out for Ford to financially restructure, why or why not?
3. Why would well established car manufacturers like BMW and Renault-Nissan be interested in Volvo Cars?
4. What could a car maker like Russian GAZ win by acquiring Volvo Cars?
5. What has Ford's ownership given Volvo Cars? Is it the possibility to reach new markets, economies of scale, strategic benefits and marketing benefits? Feel free to add any perspective you find appropriate.
6. Seen from Volvo Cars' strategic perspective, was Ford the right buyer? Ford was not the only bidder on Volvo Cars, were there more potential buyers that made a good match to Volvo Cars, if so which?
7. What can be said about the timing of Ford's acquisition of Volvo? Seen from Volvo Cars' perspective, was it a good time?
8. In what way, if any, has Volvo Cars changed after Ford's acquisition? Has the organization changed the production, the financial results or the brand? Please, use the perspective you find most appropriate.
9. What does Volvo Cars possess that attracts buyers? What would attract an investor to buy Volvo? What would attract another car producer/actor in the same industry such as BMW, Renault-Nissan, GAZ or Volvo Group?
10. Would Volvo Cars be as well off with a buyer only contributing financially as it possibly could be if/when merging or being acquired with/by another car manufacturer? Why or why not? What type of owner would be best for Volvo Cars, an already established car manufacturer such as BMW or Renault-Nissan, an investor or another alternative as new owner?
11. Would a financial investor (institute) only be interested of Volvo Cars in pure financial terms?
12. What could Volvo Cars gain if it was repurchased by its former owner Volvo Group?

13. Which motives would a new owner have if buying Volvo Cars, from BMW's and/or Renault-Nissan's points of view?
14. Whom would Volvo Cars itself alternatively accept as a new owner?
15. Volvo Cars is considered by media to be a cash cow for Ford, what speaks for that this would happen again with a new owner instead of Volvo becoming a more *strategic partner*, i.e. to contribute with information and technology for instance?
16. How could Volvo Cars develop itself in order to approach bigger players in the industry such as BMW and Renault-Nissan?