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Separation or Integration for Successful Acquisition? A Comparative Study of Established and Emerging Economies' Firms

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ABSTRACT
Studies of the post-acquisition practices of established economy firms argue that integration is one of the most important factors that drives acquisition performance. Recent research suggests that firms from emerging economies may use different approaches in their acquisitions. However, there is a lack of studies of the post-acquisition strategies of emerging economy firms. This study presents an in-depth case study of the strategy of an emerging economy firm from a large business group after its acquisition of a classical brand-name company in a developed economy. Moreover, this strategy and its performance outcomes is compared with the strategy of the acquired firm´s previous owner, an established MNE from a leading OECD country. The study reveals that the emerging economy firm, Tata Motors, pursued a consistent separation strategy in all the investigated areas – human resource management, new product development, production and marketing. Moreover, this separation strategy turned out to be much more successful than the integration strategy pursued by the previous owner, Ford Motors.

JEL code: G34, L22, M13, M16, O32

Key Words: Post-acquisition organization strategy, separation, integration, emerging economies firm, automotive industry, Tata, Ford.

1. INTRODUCTION

Mergers and acquisitions are important parts of internationalization strategies (Brueller et al. 2016; Haleblian et al. 2009) and have been used to accelerate growth, access valuable assets, such as human capital and to reduce competition (Brueller et al. 2016:2). However, a stream of empirical studies shows that many M&As fail, often attributed to loss of market shares and exit of key personnel (Scherer and Ross, 1990; Haleblian et al. 2009). Examples of failed M&As are found in almost all industries, including automotive (Orsato and Wells 2006), banking (Bertin et al. 1989), hospitals and health services (Saxena Shar et al. 2013) and

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telecommunications (Vandore 2007). The acquisition of the Rover group by BMW and the "merger of equals" between Chrysler and Daimler-Benz (Donnelly et al. 2003; Badrtalei and Bates 2007) belong to the most high-profile M&As failures in business history. The many failure cases show a discrepancy between the expectations motivating acquisitions and the difficulty encountered in realizing the expected value (Zaheer et al. 2011). Several studies found that such factors as the timing of the M&A and pre- and post-acquisition practices and strategies (integration or separation) impact on the success of the acquisition (Birkinshaw et al. 2000; Makri et al. 2010). However, there is little consensus regarding success factors in spite of the long history of studies in M&A in the developed economies.

While the researchers seldom agree on the success factors for established multinationals, another challenge is posed by the new multinational firms evolving in emerging economies which have begun to acquire firms in developed countries (Madhok and Keyhani 2012). Ramamurti (2012) has highlighted several distinctions between multinational firms based in developed and emerging economies. In general, multinational firms in a developed context tend to hold advantages in corporate governance, brand names, previous acquisition experience, global reach, technology, and management competence compared to multinational firms from emerging economies (Luo and Tung 2007). Despite their historical disadvantages, however, several emerging economy multinationals have accomplished successful acquisitions (Luo and Tung 2007; Madhok and Keyhani 2012). Recently, researchers have started to analyses these successes by examining a range of aspects, such as motivations, antecedents and the roles of institutions and home country networks (Popli and Sinha 2014). While the general M&A literature discusses the importance of post-acquisition integration, few studies have examined which post-acquisition strategies emerging economy firms are using to affect the M&A performance positively, and there is a dearth of detailed case studies of such post-acquisition processes.

Against this background the aim of this study is to expand our understanding of emerging economies firm's post-acquisition organization strategy by presenting an in-depth case study of the strategy of an emerging economy firm from a large business group after its acquisition of a classical brand-name company in a developed economy. Moreover, this strategy and its performance outcomes, will be compared by the strategy of the acquired firm´s previous owner, an established multinational company from a leading OECD country. We have selected the high-profile case of Tata Motors from India and its acquisition of Jaguar Land Rover (JLR), and we will compare Tata´s strategies with the approach pursued by JLR´s previous owner, Ford Motor Company. The analysis will increase our understanding of how and for what reasons emerging economy firms may pursue different strategies than recommended in the literature, and why they may be more successful than established multinationals

As will be shown, the new owner Tata pursued a separation strategy in all these areas, without any attempts to integrate the acquired JLR with its existing operations, whereas Ford pursued an integration strategy, intending to maximize synergies and economy of scale. The study analyzes these strategies in four areas, human resource practices, manufacturing, new product development and marketing, and their outcomes in terms of new products, market shares and profits. All these indicators show that the emerging economy firm was considerably more successful than the approach by the established multinational. The analysis relates the emerging economy firm´s strategy of separation to the structure of the corporation, a diversified business group, which is a common corporate form in emerging economies.

The paper is organized as follows. The next section introduces a theoretical background for the empirical analysis. It is followed by a section on methods and context. The empirical section and the analysis provide the main results of the study. In the Discussion section we analyze differences and similarities between Ford and Tata Motors in their way of handling the Jaguar Land Rover acquisition. The final section summarizes the reasons for the success of Tata

Motors and relates its separation strategy to ownership factor and the wider corporate structure.

2. LITERATURE REVIEW AND RESEARCH QUESTIONS

Researchers have investigated the several potential factors behind successful acquisitions (Chatterjee 2009; Kim and Olsen 1999; Bertoncelj and Kovač 2007). Kim and Olsen (1999), for example, identified 26 determinants of post-acquisition success in the U.S. Lodging Industry, grouping those determinants into strategy, people, organization, culture, and approach. Bertoncelj and Kovač (2007) also classified key contributors to success into soft and hard factors. The soft success factors included the learning environment, management team, intellectual capital, organizational culture, and communications strategy for the acquisition, while the hard success factors consist of the acquisition search, due diligence, financial resources, synergies, and integration plans. Gomes et al. (2007) used a temporal approach to classify success factors in acquisition management, including pre- and post-acquisition strategies. The majority of the literature has reached a consensus that an appropriate integration strategy is key to the success of M&As (Angwin and Meadows 2015; Larsson and Finkelstein 1999; Birkinshaw et al. 2000; Brueller et al. 2016). Several studies, including Monin et al. (2013) emphasize the need for integration of the merged entities in the post-acquisition process, arguing that the failure of high-profile M&As, e.g. Chrysler - Daimler, resulted from poorly implemented integration. Integration is defined as “the degree of interaction and coordination of the two firms involved in a merger or acquisition” (Larsson and Finkelstein 1999:6). Within the integration strategy, different ingredients may have an important impact, including the speed of integration the choice of integration level (Puranam et al. 2006), and the specific integration of business functions.

Contrary to this line of argument, a few studies advocate that for M&As to succeed, the degree of integration should be low, and the acquired firm should preserve its autonomy, resulting in an M&A strategy involving a high degree of separation (Puranam and Srikanth 2007). Here, separation is defined as the “amount of day-to-day freedom that the acquired firm is given to manage its business” (Datta and Grant 1990:31). Firm and employee autonomy is often tacit and resides in an organization’s structure and culture (Lee, Kim and Park 2015). While integration is positively related to the coordination of firm activities, it harms the autonomy of functional units, negatively impacts the motivations of talented employees, and increases their intention to leave the organization (Kretschmer and Puranam, 2008). Thus, an emphasis on integration may cause high turnover in newly acquired firms (Bilgili et al. 2016). Separation strategies seem to be especially vital in cases where the acquirer does not hold enough experience or expertise in the operation of the acquired firm’s business and thus would benefit from preserving the autonomy of the acquired firm (Datta and Grant 1990; Hambrick and Cannella 1993).

Strategies of integration or separation can be implemented in both day-to-day and long-term activities. Integration in M&As has been discussed in terms of human resources (Birkinshaw et al. 2000; Brueller et al. 2016), operations and production (Hoberg and Phillips 2016), technological development (Makri et al. 2010), management practices (Birkinshaw et al. 2000; Bauer et al. 2016; Bertoncelj and Kovač 2007), socialization (Grøgaard and Colman 2016), organization structure and acculturation (Lin 2014) and language use and employee reactions (Kroon et al. 2015). As can be seen, M&As integration and separation practices can be implemented in different business functions.

Human resource management seems to be one of the keys to success for any M&A (Marks 1997), while inefficient management of human resources may result in demotivation among employees and chaos in the organization (Pirson and Malhotra 2008). “Identify and retain key employees and managers of the target firm” may be considered a critical human resource practice for acquiring firms (Kim and Olsen 1999). Bertoncelj and Kovač (2007) stress that communications strategies also play a valuable role in restricting “brain drain” among the

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workforce of acquired firms and enable an acquiring firm to retain human assets, which may affect the ultimate success of the acquisition. Bauer et al. (2016) found that the speed of human resource integration impacts positively on acquisition performance. Datta (1991) observed that in spite of integration in human resource processes, differences may remain in reward and evaluation systems. In these cases, acquisition performance will be affected negatively.

New product development strategies during the post-acquisition period have also been mentioned as success factors in the acquisition process. Acquisitions have the potential for a significant effect on R&D inputs, levels of investment in new product development, and the direction of the new product specifications at acquired firms (Cassiman et al. 2005; Bertrand 2009). Scientific and technological integration will be useful when firms have complementary knowledge (Makri et al. 2010), and joint R&D projects may facilitate technology and knowledge transfer and improve the absorptive capacity of the partner firms (Frost and Zhou 2005). However, such efforts may also lead to protracted conflicts between various engineering groups which historically have focused on different market segments (Berggren, 2002).

Production is a business function which is often integrated in the post-acquisition process and mentioned as a success factor in acquisition management. Manufacturing operations, quality, and supply chain factors together form the production strategy of a firm (Hill 1993). New ownership may bring changes to supplier selection and manufacturing investments. The acquiring and acquired firms may share resources with each other to eliminate risks and reduce costs). Sharing of inventory, components, and supply chains are some of the advantages of such an integration within production. However, such benefits come with risks related to component quality and brand image (Handfield et al. 2006).

Marketing is another business function where managers of acquiring firms may strive to implement integration. Marketing strategies consist of promotional activities, branding, sales operations, and market positioning (Ferrell and Hartline 2012). The advantages of an integrated marketing strategy, such as the sharing of distribution channels, warehouses, and marketing knowledge, can be factors contributing to success (Luo and Tung 2007; Madhok and Keyhani 2012). However, it has also been emphasized that integration in marketing activities may negatively affect the market position of an acquired firm and result in an erosion of its brand image (Lee and Lee 2011).

As this review shows, many business functions and practices are affected by M&As, giving top management motivation to integrate - or more rarely - to separate the acquired and acquiring units. Most researchers have emphasized the importance of integration as a positive contributor to the success of an acquisition. Few studies insist on the viability of separation and autonomy-based strategies. It can be argued that the strategic choice between integration and separation is particular important for emerging economy multinationals. This leads us to our research questions:

RQ1-What kinds of organizational strategies are pursued by and emerging economies firms to succeed in post-acquisition process?

RQ2- How do those organizational strategies impact on the post-acquisition performance of the emerging economies firm to compare with the preferred strategies of established multinationals from developed countries?

3. METHODS, CASE AND CONTEXT

Most studies examining M&A success have used quantitative research methods (see for example Datta 1991; Zaheer et al. 2011; Brueller et al. 2016; Bauer et al. 2016; Lee et al. 2015; Ahammad et al. 2014). However, exploration of pre- and post-acquisition strategies requires an in-depth examination of company-level factors (Meglio and Risberg 2010). Qualitative research methods such as case study are therefore suggested allowing comparisons and highlight the effective set of pre- and post-acquisition strategies (Jormanainen and Koveshnikov 2012; Kroon et al. 2015; Meglio and Risberg 2010; Reddy 2015). Considering that a vast majority of the

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existing literature suggest integration strategy as a major determinant of M&A success, we will use a single case approach to evaluate if this claim is generalizable and valid also for emerging economies firms (Benbasat et al. 1987; Jormanainen and Koveshnikov 2012). In this case study the acquisition of Jaguar Land Rover by Tata Motors will be the main focus. In addition, we will analyze the previous experience of JLR when it was acquired by Ford. This parallel analysis gives the study an opportunity to shed light on the similarities and differences between Tata and Ford's integration and separation management strategies and their results. The approach is mainly interview-based but enhanced by patent analysis of the post-acquisition strategies related to new product development and analysis of annual reports related to the acquisition performance.

Due to the limits in available data, this paper will neither discuss financial issues, such as the price paid, mode of payment, nor the previous acquisition experience of the acquirer (see Gomes et al. 2013 for a review of literatures on pre-acquisition strategies). Moreover, we will not include the effects of the global economic recession that began in the year of the acquisition, when discussing the effect of the timing of the acquisition on JLR's subsequent performance.

3.1. Data collection

The starting point of this research was the surprising success reported in the media of the inexperienced Tata´s success in managing the Jaguar Land Rover acquisition, after the failure of the highly experienced Ford Motor Company to do the same (Schwarz and Stensaker 2014; Benbasat et al. 1987). These observations lead the researchers to query bout the reasons for the success of the Tata's acquisition, compared to the Ford record. Guided by the literature the study was designed to capture practices in four different areas, mainly by the means of semi-structured interviews (Robson 2002). See Supplementary Material for the list of questions.

A total of 15 interviews were conducted between January-June 2015. Interviews averaged 45 minutes in length; some of the interviews were video or audio recordings to protect against any loss of information. The interviewees were associated with either Ford, JLR, or Tata Motors to achieve requisite variance of experiences (Grøgaard and Colman 2016). The JLR employees who served under both Ford and Tata are central to this study, since these interviewees allow a direct comparison between the post-acquisition strategies implemented by these firms. See Table 1 for information of interviewees and mode of interview.

To strengthen, or if needed, qualify the perspectives of interviewees, data triangulation was used when possible (Jack and Raturi 2006). Thus, the study investigated patent data to investigate the new product development strategies applied by Ford-JLR versus Tata-JLR. Both USPTO and the European Patents Office (EPO) records were searched to identify the relevant patents granted to Jaguar, Land Rover, Ford, and Tata. To identify performance indicators, we also used the annual reports from Ford, Tata and JLR. Finally, research articles (such as Gomes et al. 2007) and news in the trade press (see for example, Strach and Everett 2006) that cover the Ford's acquisitions of Jaguar and Land Rover have also been used.

3.2. Data Analysis

In order to eliminate researchers' selection bias, the authors independently read the interviews, created the first sub-codes. These codes helped to form the integration and separation strategies in different functions (see Appendix A for the overview figure of codes that shows the Tata's post-acquisition strategies for Jaguar Land Rover and success factors). We also selected quotes to illustrate the practices in the acquisition processes (Auerbach and Silverstein 2003; Flick 2014). Later the researchers compared their analysis and agreed on classification and quotes as indicators of the integration practices. To analyze the patent data, we used the cross-citation ratio (CCR) analysis suggested by Mowery et al. (1996). CCR can be expressed by the following equation, which tracks the flow of knowledge transfer between the acquirer and acquired firm:

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$$\text{Cross citation ratio }(firm_x, firm_y) = \frac{\boxed{\text{Citation}}\text{ to } firm_x\text{'s patents in } firm_y\text{'s patents}}{\text{Total citations in } firm_y\text{'s patents}}$$

Table 1 List of interviewees with location, mode, date and focused area

Firm	Interviewees, Location & Interview Time	Interviewee's Focus Area	Date	Mode of Interview
JLR	1st JLR Manager (Executive-level), Denmark	Marketing, Communication Strategy (HR)	January, 2015	Skype
	2nd JLR Manager (Executive-level), UK	Marketing, HR, R&D and Production	January, 2015	Skype
	3rd JLR Manager (Executive-level), Norway	Marketing, Communication Strategy (HR)	February, 2015	Skype
	4th JLR Manager (Executive-level), UK	Marketing, HR, R&D and Production	March, 2015	Skype
	5th JLR Manager, UK	Marketing	March, 2015	Telephone
	6th JLR Manager, UK	R&D	April, 2015	Skype
	7th JLR Manager, UK	R&D	April, 2015	Telephone
Tata	1st Tata Manager, India	Production, R&D	March, 2015	Telephone
	2nd Tata Manager, India	Marketing	April, 2015	Telephone
	3rd Tata Manager, India	Production, R&D	April, 2015	Telephone
	4th Tata Manager, USA	Production, R&D	April, 2015	Telephone
	5th Tata Manager (Executive-level)	Marketing, HR, R&D and Production	February, 2015	Telephone
	6th Tata Manager	Supplier selection (Production)	April, 2015	Skype
	1st Ford Manager, USA (Executive-level)	Marketing, HR, R&D and Production	March, 2015	Telephone
Ford	Ray Hutton, Author, USA	Marketing, HR, R&D and Production	March, 2015	Telephone

3.3. Case background and context: Jaguar Land Rover

Jaguar Land Rover has a long history in the UK. Rover began manufacturing cars in 1904, while the company that became Jaguar dates back to the 1920s and started producing Jaguar branded cars in the 1930s. Both companies were absorbed by British Leyland Corporation in 1968, but became independent through separate privatization initiatives in the 1980s. Jaguar was subsequently purchased by the Ford in 1989, while Rover was sold to BMW, which after disastrous losses sold Land Rover to Ford in 2000. Both the two British luxury brands were acquired from Ford by the Indian car manufacturing company Tata Motors and was amalgamated to an autonomous UK-based subsidiary, Jaguar Land Rover (JLR) in 2008 (jaguarlandrover.com, 2016). Whereas Tata can be considered as an emerging economy multinational at an early stage of internationalization (Ramamurti, 2012), Ford and BMW represent highly established multinationals. In this study, the integration and separation strategies pursued by Ford and Tata, respectively, will be analyzed through the practices of Jaguar Land Rover over different periods.

4. EMPIRICAL FINDINGS AND ANALYSIS

This section builds on the interview data (and patent analysis), regarding dealer and human resource management, new product development, production, and marketing strategies.

4.1. Human Resource Strategies & Dealer Management

Ford's decision to sell JLR to the Tata Group received a negative response from several external stakeholders such as franchise dealers (see Quote 1 in Table 2). Some dealers even criticized the decision in the U.S. media (see Quote 2 & 3 in Table 2). Will Tata put their own people in the senior management of JLR? Will Tata initiate a merger between JLR and Tata to transfer technology from the former to the latter and force JLR to make cheap cars? Will Tata use JLR's dealer network to sell and promote Tata's products such as the $2,000 Tata Nano (See Quote 4 in Table 2). These were among the questions raised by dealers.

During the first official meeting with the employees and external stakeholders at JLR, Ratan Tata, the chairman of Tata group, specifically mentioned that Tata would not move JLR's business operations to India, and that JLR would operate as a separate business entity (See Quote 5 in Table 2). Ratan Tata also went to the U.S. to present his future plans for JLR to the American dealers. To support his argument, the acquisition of Corus Steel Company by Tata Steel in 2006 was presented. The way Tata kept the integrity and identity of the Corus brand alive by maintaining operational separation gave the dealers a good example of the group´s strategy (See Quote 6 in Table 2).

Regarding JLR management, several interviewees stated that no major restructuring had taken place at JLR under Tata, nor did the change of ownership result in job cuts. A few executives, such as the purchasing director, the legal secretary and an information technology officer left JLR within one year after the acquisition. Most of those managers were former Ford employees who rejoined Ford. Moreover, Tata´s transition team for the acquisition process at JLR consisted mainly of JLR employees with a few board members and young professionals from Tata, including an advisor to the finance director during the acquisition period. However, these transition team went back to Tata. Tata did not place any of its managers on the board of JLR.

Table 2. Selected interviewees' quotes related to dealer and human resource management strategies

Quote 1: "For the dealers, it was a bit of surprise. We also witnessed negative reactions from some of them" (2nd JLR Manager)

Quote 2: "Maximum responses came from USA dealers" (5^{th} Tata Manager)

Quote 3: "USA dealers criticized openly on media; they at first could not accept the fact that Tata, which produces Nano (2000$ car) has bought Jaguar Land Rover" (Ray Hutton)

Quote 4: "I was a little bit scared. If I have to be honest, I was a bit worried because when Rover was handed over to a private owner back in 1990s, they brought Rover down to catastrophe. I was working for Jaguar Land Rover when Rover went bankrupt. So, I was a bit worried when I heard that Tata is going to take over Jaguar Land Rover. We were not sure if Tata will be selling Tata Nano alongside a Jaguar and feared that Tata would take the good things from Jaguar and Land Rover to India, which later, of course, proved wrong'' (1st JLR Manager)

Quote 5. "After the acquisition, Tata announced that Jaguar Land Rover is not going to be another Tata branded product. They would leave Jaguar Land Rover as premium British brands. They won't move any product development or R&D out of UK." (2nd JLR Manager)

Quote 6: We told the story of Tata acquiring Corus, how well they managed the company and we conveyed that Tata is capable of managing a foreign company like Jaguar Land Rover and like Corus, Tata will also not interfere too much in Jaguar Land Rover's business" (3nd JLR Manager)

Quote 7: "I have been in the business since Tata bought JLR, I have never seen any Tata employee in the top management team of Jaguar Land Rover. But Tata brought a few Germans to the board" (1st JLR Manager)

Quote 8: "JLR keeps Tata's chairman Cyrus Mistry in loop. However, it is very unlikely that he would reject a design that is being shown to him by the JLR's design team" (4th JLR Manager)

Tata did, however, change compensation at JLR. Under Ford ownership, bonuses were directly linked to share prices. Tata discontinued this scheme and introduced a fixed bonus system, while also implementing a new performance review system based on the one in place at Tata Motors. However, salary schemes, recruitment processes, and working hours at JLR were kept the same. When the CEO of JLR died, Tata filled JLR's board with former BMW professionals, experienced in the management of luxury brands (See Quote 7 in Table 2). As of 2015, former BMW employees served JLR in the key roles of CEO, Director of Research and Technology, Director of Engineering, and Director of Manufacturing (Auto News 2015).

According to the interviewees, Ford had participated in decision-making at JLR quite actively during its period of ownership. Product designs needed to pass several different hierarchical levels for approval, and according to the interviewees, original JLR designs were diluted through the cumulative impact of modifications during this process. Meanwhile, major decisions related to investment and product development were made at Ford's U.S.

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headquarters. By contrast, the new Tata owners did not interfere with JLR's design a product development team. One interviewee pointed out that the Tata chairman Ratan Tata had participated in the design meetings, encouraging debate but not participating in model selection; and the new chairman of the Tata Group, Cyrus Mistry, has taken a similar role (See Quote 8 in Table 2). Moreover, Tata organized no job rotations between JLR and Tata Motors; one manager reported a few visits made by R&D engineers from India to JLRs British headquarters., but pointed out that the frequency of such visits was very low.

4.2. New Product Development Strategy

Before officially handing over JLR to Tata, Ford left a few products in the pipeline (See Quote 1 and 2 in Table 3**).** The Evoque design was actually initiated under Ford and Jaguar XF was launched by Ford just before the Tata acquisition. Aluminum technology was also explored under the Ford time; Ford was also awarded a contract to deliver components to JLR, including engines, for up to six years after the acquisition. Thus Tata could build on several products and technologies when acquiring JLR; however, major investments were needed to bring them to the market. Under Tata management, JLR completed the development of the Range Rover Evoque (See Quote 3 in Table 3) and invested £500 million to set up a new engine manufacturing plant in Wolverhampton to replace the engines previously supplied by Ford, one of the largest investments by the company in recent times (See Quote 4 in Table 3). Table 4 summarizes the new products launches after Tata's acquisition.

Table 3. Selected interviewees' quotes related to new product development strategies

Quote 1: "Ford was going through a rough financial stage and their main priority was to save Ford and that lead to the sale of Jaguar Land Rover to Tata. But towards the end, Ford was on the right track and they were making to the right investments in terms of product architecture of Jaguar and Land Rover" (Ray Hutton)

Quote 2: "Jaguar was just starting to turn a profit. But Ford had run out of money, and it wanted out. There was some great product in the pipeline, the result of some heavy Ford investment. Someone was going to pick it up cheaply" (4th JLR Manager)

Quote 4: "For me, the most surprising and impressive thing was Tata's decision to make Evoque in the middle of Financial Crisis" (3nd JLR Manager)

Quote 4: "I cannot remember some other brands making such a huge investment like that, a brand new from the ground a major, mainstream car production factory whether being car or engine manufacturing, in U.K. The market in U.K. even in Western Europe is flat and costs are high. So such an investment is quite impressive." (4th JLR Manager)

Table 4. JLR's New Products post-acquisition

Brand	Displayed Year	Lunched Year	Current condition (April 2017)
Jaguar XF -X250	2007	2008	
Jaguar XJ /X351	2009	2010	
Jaguar F-Type	2011 as concept car 2013	2013	
Jaguar XE- X760	2014	2015	
Jaguar XF- X260	2015	2016	
Jaguar F-Pace X761	2015	2016	
Jaguar XFL	2016	2016	
Range Rover Sport 1st generation	2005	2013	*Next generation is lunched see "Range Rover Sport 2nd generation" in this table
Range Rover Evoque	2008 (as concept)	2011	
Land Rover Discovery 4*	2009	2009	*Next generation is lunched see "Land Rover Discovery 5" in this table
Range Rover	2012	2012	
Range Rover Sport 2nd generation	2013	2013	
Land Rover Discovery Sport	2014	2014	
Land Rover Discovery 5	2016	2017	
Range Rover Velar	2017	2017	

Sources: Annual reports (2011 to 2017) and www.jaguarlandrover.com/, 2017.

Tata's R&D investment in JLR continued to increase after 2008 and reached £2700

Million in 2013 (Annual Report, 2014). Interviewees also highlighted the £150 million investment made by JLR to establish an innovation center at the University of Warwick to improve research collaborations; such collaborative projects were not present during Ford's ownership. According to one of the interviewees, JLR has heavily invested in R&D. The data of annual reports confirm increasing trends of R&D employee numbers and R&D investment. During this time, the investment in JLR's human resources, especially in the product development department also increased. In 2009, product development at JLR employed around 2500 people; in 2016, the number reached approximately 9,000. See Figure 1 for detail of JLR R&D investment and number of R&D resources between 2011 and 2016.

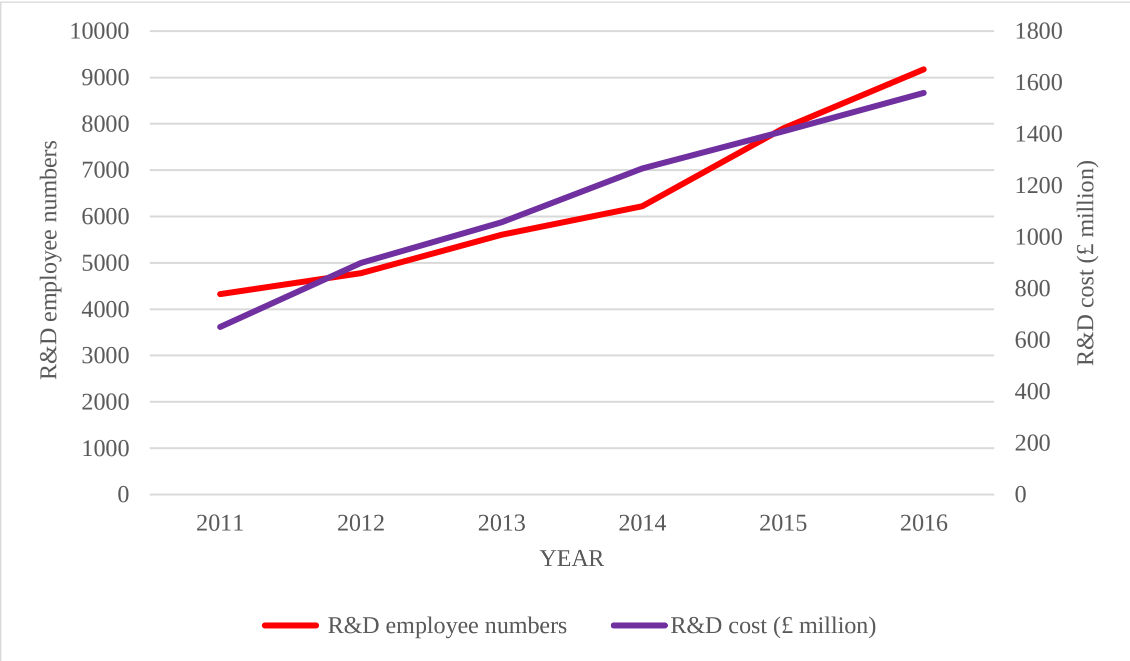

Fig. 1 Yearly R&D employees and R&D cost of Jaguar Land Rover

Source: Annual Reports, 2012 to 2016

At the same time, the collaboration between Tata and JLR was limited to a few exceptional cases such as the joint development of Revotron, India's first 1.2-liter turbocharged petrol engine. One interviewee specified that the R&D department of Tata Motors received input from JLR during the development and launching phases of Tata's passenger cars, mentioning the transfer of design-related drawings from JLR to Tata. The R&D department of Tata has examined JLR designs to investigate whether they could be used in Tata's passenger vehicles. However, whether or not Tata has yet been influenced by any such drawings in their own passenger vehicles or not, could not be verified.

The analysis of the USPTO patent shows that Ford and Jaguar jointly applied for a total of 58 patents and Ford and Land Rover jointly filed 29 patents at USPTO. On the other hand, under Tata's leadership, Jaguar applied for 144 USPTO patents. Of these 46 were shared with Land Rover and not one was shared with Tata (See Figure 2 and Figure 3).

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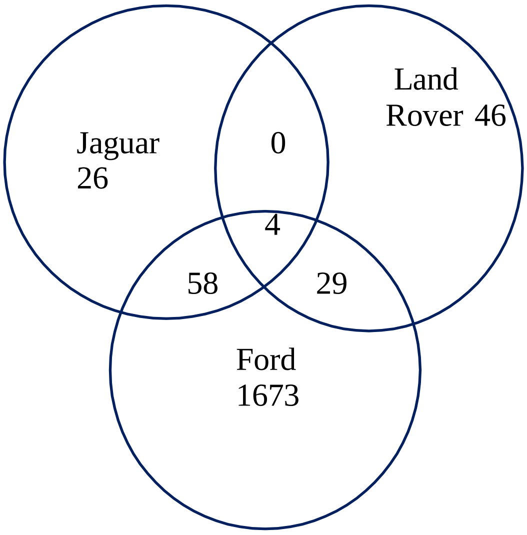

Fig. 2 Number of patents shared between Jaguar, Land Rover and Ford
Sources: Authors own data collection from USPTO

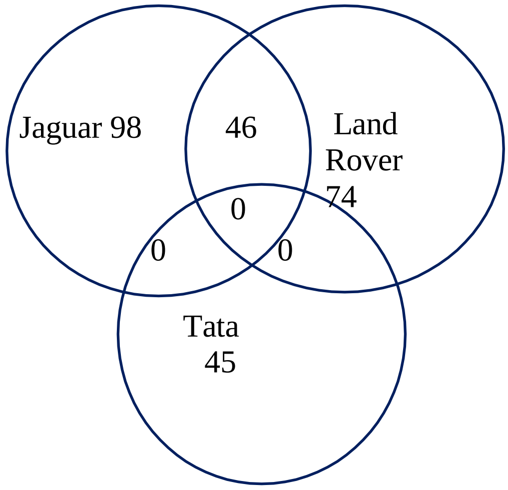

Fig. 3 Number of patent shared between Jaguar, Land Rover and Tata

Sources: Authors own data collection from USPTO

4.3. Production Strategy

Since its purchase by Tata, JLR invested in a substantial expansion of its manufacturing footprint, including assembly in China and knock-down assembly in India, with additional plans to expand in Brazil and the Middle East. Apart from these investments in assembly operations, JLR also invested in engine manufacturing in the, U.K (see above) to eliminate their dependency on Ford engines. Several interviewees interpreted the decision to invest in engine manufacturing in U.K. as a part of a strategy to keep JLR as a British brand (See Quote 1 in Table 5). Importantly, the JLR plant in India does not assemble any Tata cars and, indeed, only assembles cars from pre-assembled parts, strictly following quality procedures from the U.K. While the supply chain for raw materials differs between Tata and JLR, a few supplier-buyer relationships connect the two business units. For instance, Tata Consultancy Services helped JLR to develop its IT strategy after the acquisition and INCAT, a subsidiary of Tata Technologies, was contracted to transfer information technologies and software from Ford to Tata. However, as one of the interviewees stressed, JLR selects suppliers based on quality and cost, *"on merit, not on preferences or recommendations"* (See Quote 19 in Table 5) and without preference to companies from Tata group (See Quote 20 in Table 5).

Table 5. Selected interviewees' quotes related to production strategies

Quote 18:	"It must be a strategic decision to project JLR as a British brand. They chose the most expensive place to set up such a huge manufacturing plant. No other reasons justify this decision making." (4th JLR Manager)
Quote 19:	"Tata can suggest preferred suppliers names to the selection committee but does not force the committee to select the ones, Tata has suggested. We need minimum three quotations. If the quality is good enough and we can reach to a financial agreement, we select a supplier. We select them on merit, not on recommendations" (2nd JLR Manager)
Quote 20:	"Tata's resources were always available for Jaguar Land Rover to use if necessary, but they were never imposed" (Ray Hutton)

By contrast, Ford´s policy was to maximize the sharing of resources among members of its premiere Automotive Group: Aston Martin, Lincoln, Volvo Jaguar, and Land Rover. As a part of that policy, Jaguar and Land Rover utilized the same platforms as other brands in the group. Ford engines were also widely used, and the Halewood factory in the U.K., which belonged to Ford before the acquisition, produced the Jaguar X type alongside the Ford Escort in the early 2000s.

4.4.Marketing Strategy

The number of franchise sales dealers associated with JLR remained constant throughout Ford's ownership. Under Tata, the number of distribution channels has risen, especially in the Asian market, compared to Ford's reliance on markets in the U.S., the U.K., and Europe. See Quote 1 in Table 6). In the earlier years of the acquisition, the main contributor to JLR's increased sales in Asia was rising demand in China. Since 2008, the luxury car market in China has grown very quickly (See Quote 2 in Table 6). This increase was concentrated among Sport Utility Vehicles (SUVs), where Land Rover operates (See Quote 2 in Table 6). To manage growing demand, JLR expanded its distribution network in China and eventually added a manufacturing unit as well. In 2010, JLR established a National Sales Company (henceforth, NSC) to look after sales and marketing sector in China, expanding the distribution network while eliminating the cost of importers (See Quote 3 and 4 in Table 6).

During Ford's ownership, the policy had been to co-locate two or more brands from the Premiere Automotive Group (PAG), which included Volvo, Aston Martin, Lincoln, Jaguar, and Land Rover, when the dealerships were large enough to accommodate them. Therefore, there were instances where Jaguar shared dealerships with Volvo or Aston Marin, for example (Gomes et al. 2007). Under Tata's leadership, JLR's marketing team operates independently; they do not use Tata's distribution channels (See Quote 5 in Table 6). For example, JLR publishes its annual report separately from Tata, while under Ford, Jaguar and Land Rover were given brief mentions in the PAG section of Ford's annual report.

Table 6. Selected interviewees' quotes related to marketing strategies

Quote 1.	"Jaguar Land Rover's business was limited to UK, US and EU market under Ford. China did not contribute at all" (4th JLR Manager)
Quote 2:	"Luxury Automobile market faced recession in Europe, while enjoyed the market growth in China. Chinese market grew very fast after the year 2008 for luxury cars. The growth was even more for SUVs" (4th JLR Manager)
Quote 3:	A Jaguar or Land Rover costs almost twice in China due to high import duties, traveling charges if you compare to the prices in UK" (2nd JLR Manager)
Quote 4:	"If Jaguar Land Rover offshores its manufacturing to China, it can compete with the competitors over price competitiveness." (2nd JLR Manager)
Quote 5:	"For Jaguar Land Rover, it is important to project itself as a separate business entity from Tata. There may be some sort of collaboration or transfer of knowledge between Tata and Jaguar Land Rover, but there won't be any collaboration in the marketing level at least in the distribution channels. Customers do not want to see a Jaguar and an Indica (Tata's vehicle) side by side in the same dealer" (1st Tata Manager)

5. DISCUSSION

This section will compare Ford´s integration strategy with Tata's separation strategy in four areas: human resource strategies, marketing, new product development, and production.

5.1. Human Resources Strategy and Dealer Management: Tata vs. Ford

At the time of Tata´s the acquisition of JLR, several external stakeholders worried that Tata would transfer technologies to aid Tata Motors operations in India. Dealers were concerned whether Tata, with its experience of manufacturing low-cost cars for the Indian market, would be able to handle a luxury car brand. These worries are consistent with observations in previous studies (Pirson and Malhotra 2008); anxieties over changes to the country of origin, manufacturing and design location are well-established in the literature about mergers and acquisitions (Essoussi and Merunka 2007), but they were particularly salient in this case, where a low cost producer from a former colony acquire the "jewel in the crown" of British. In our study we also observes that external and internal stakeholders are initially concerned about whether the acquiring firm has the managerial and technical competency required to manage the acquired firm, which is Dowling (2006) claims that it is very important for a new owner to answer questions such as – "*Who are we?", "Why are we here?"*, and "*What are we going to* *do with the acquired company?*" Tata responded to these concerns with a communications strategy to answer questions with her Corus Steel acquisition about their future plans.

By contrast, Ford management had participated directly in decision-making, leaving JLR without the autonomy to make important decisions about design and investment. Tata retained the existent JLR managers after the acquisition, without promoting its people to the board as had been the practice under Ford. The transition team Tata formed to manage the acquisition process consisted mainly of previous JLR employees. Overall, Tata restrained itself to minimal participation in JLR's decision-making processes. Abiding by the definitions of organizational strategies stated in previous literature (Datta 1991), Ford implemented a highly-integrated strategy (Gomes et al. 2007), while Tata followed a strategy of separation. JLR was allowed to run all its operations from the U.K. and thus to avoid shifting its country of origin status to any country outside the U.K. Meanwhile, Tata brought experienced professionals from other luxury car manufacturers to the board of JLR, which contributed positively toward its brand image. This is consistent with previous literature (Dowling 2006), which has found that the image of the board of directors strengthens the image of a corporate brand.

5.2. New Product Development Strategy: Tata vs. Ford

The documentary and interview evidences suggest that there were a couple of new models in the pipeline for JLR, when Tata bought JLR from Ford. While the role of these models in Tata's purchase decision could not be verified, documentary evidence shows that Tata increased investment in JLR's technology and products after the acquisition, as shown in the number of R&D personnel at JLR, the number of products launched or ready to launch, and the number of patents granted.

The R&D staff working at JLR increased almost four times after the acquisition by Tata, another indication of Tata's increased investment. In addition to examining investment and workforce to measure R&D (Cassiman et al. 2005), this study also examines patents granted and new products launched by JLR: in Europe, 670 patents have been granted to JLR by EPO in the first 6 years of Tata ownership, compared to a total of only 204 patents by EPO during Ford's 8 years owning Land Rover and 19 years with Jaguar. Moreover, participants mentioned that JLR plans to launch at least 30 new models between 2014 and 2019, which would exceed the models launched in an equal period of ownership by Ford.

Ford's integrated approach for JLR included collaborative R&D projects, suggesting a high degree of integration between business units (Gomes et al. 2007; Kim and Song 2007). The USPTO shows that Ford and Jaguar jointly applied for a total of 58 patents, while Ford and Land Rover jointly filed for a total of 29 patents through the USPTO. On the other hand, under Tata's leadership, Jaguar applied for 144 patents under USPTO, out of which, 46 were shared with Land Rover and no patents were shared with Tata (See Figure 2 and Figure 3). Analysis of EPO data revealed shows that 70.5% of the total patents filed by Jaguar under Ford ownership were in collaboration with Ford; 39.2% in case of Land Rover (see Figure 2). The cross citation ratios of these units also increased under Ford ownership: Table 7 and Table 8 provide ratios showing the interactions between the four companies (Tata, Ford, Jaguar, and Land Rover) before and after the respective acquisitions. The increase in the cross-citation ratio for JLR with respect to Ford and vice versa suggests (Mowery et al. 1996) a bi-directional knowledge flow between the two units.

While JLR and Tata have worked together on very few small-scale projects (for example, the Revotron project), patent analysis reveals no instance, where Tata worked with JLR for filing a patent (see Figure 3). Tata and JLR, therefore, can be said to have avoided *"task integration processes"* as defined by Birkinshaw et al. (2000). Participants have also confirmed that there has been a small amount of technology transfer from JLR to Tata and none the other way around. The patent citation analysis suggests that neither Tata nor JLR has cited each other's previous patents while filing a new patent (see Table 7, Table 8, Figure 4, and Figure

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5), suggesting no explicit knowledge transfer between Tata and JLR. The R&D evidence suggests that Tata has adopted a separation strategy in new product development while Ford emphasized an integration strategy with JLR in new product development.

Table 7 Cross citation ratio for Tata & Ford with respect to Jaguar & Land Rover

Companies	**Time Period**	**Total Citations**	**Citation to Land Rover's patents**	**Citation to Jaguar's patents**	**CCR (Land Rover, Ford/Tata)**	**CCR (Jaguar, Ford/Tata)**
Number of patents	Prior to 2008	2	0	0	0	0
cited by Tata Motors	2009-2015	62	0	0	0	0
Number of patents cited by Ford	Prior to 1989	7200	0	0	0	0
	1990-1999		14	21	0.0019	0.0029
	2000-2008	10028	154	75	0.0153	0.0074

Sources: Authors own data collection from USPTO and calculation

Table 8 Cross citation ratio for Jaguar & Land Rover with respect to Ford & Tata

Companies	**Time Period**	**Total Citations**	**Citation to Ford's patents**	**Citation to Tata's patents**	**Citation to Tata's patents Rover)**	**Citation to Tata's patents Rover)**
Number of patents cited by Jaguar	1980-1989	244	0	0	0	0
	1990-1999	206	4	0	0.019	0
	2000-2008	228	24	0	0.105	0
	2009-2015	686	40	0	0.058	0
Number of patents cited by Land Rover	1990-1999	474	10	0	0.021	0
	2000-2008	216	14	0	0.067	0
	2009-2015	735	40	0	0.063	0

Sources: Authors own data collection from USPTO and calculation

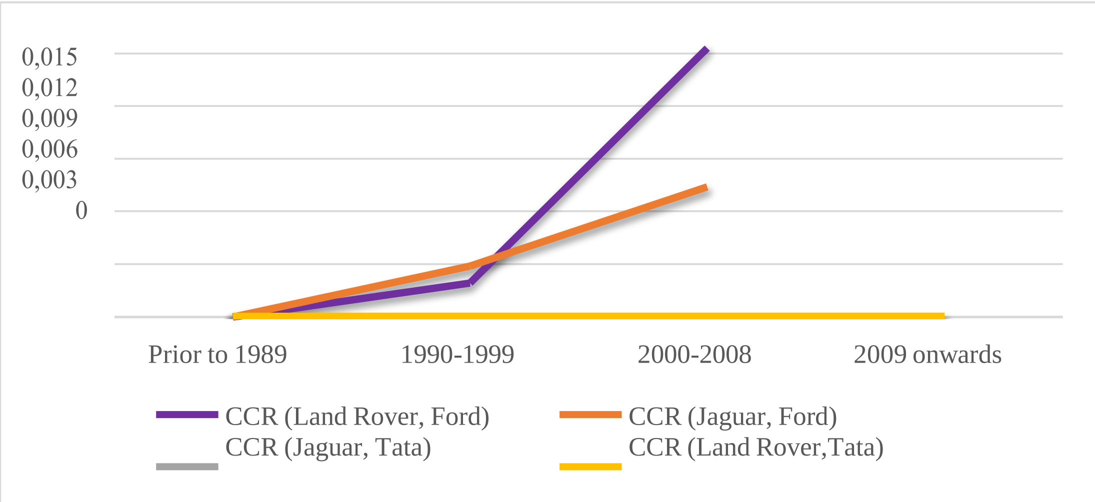

Fig. 4 Cross citation ratio (CCR) trend for Tata & Ford with respect to Jaguar & Land Rover

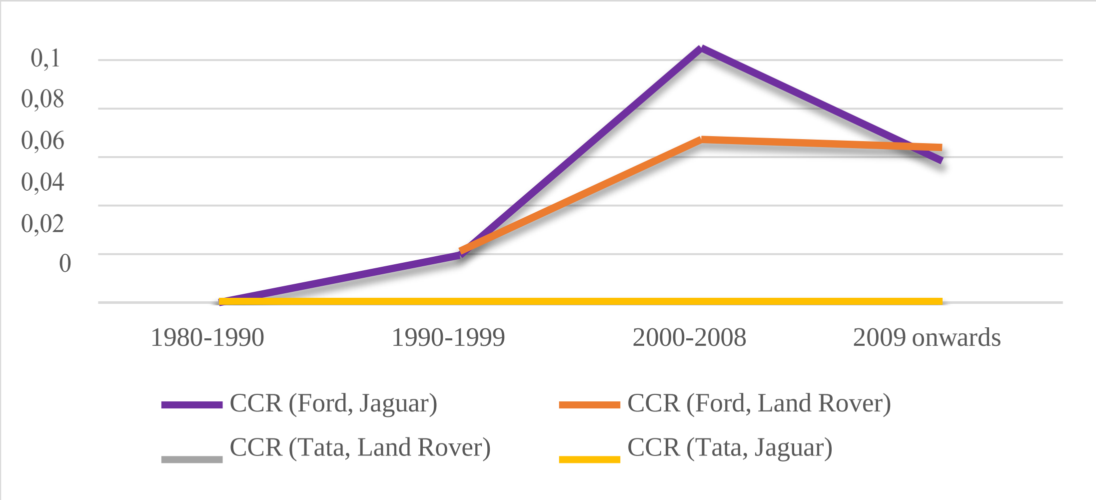

Fig. 5 Cross citation ratio (CCR) trend for Jaguar & Land Rover with respect to Ford & Tata

5.3. Production Strategy: Tata vs. Ford

Tata's decision to invest £500 million in the engine manufacturing plant in UK has been identified as part of Tata's strategy to keep JLR as a British brand. The evidence also suggests that Tata retained the U.K. as the country of design for JLR, while offshoring some manufacturing to China and knockdown assembly to India. This paper supports the conclusion reached by Aiello et al. (2008), that the country of design and historical origin are more impactful components of a brand image than the country of manufacture.

All interviewees agree that the decision to produce JLR cars in China was made for three reasons: production flexibility, low-cost labor, and elimination of import taxes. This supports Daft and Lengel's finding (1986) that cost and flexibility are the main motivators of decisions to begin manufacturing in new locations.

During the period of ownership by Ford, JLR was involved in sharing platforms, components and production sites with Ford and the other members of the PAG group. These arrangements are evidence of a higher degree of integration between these business units. However, no such integration was found to have occurred between Tata and JLR. Even JLR's assembly plant in India, which initially hired a workforce of former Tata employees, does not follow Tata's standard quality procedures, which speaks about the avoidance of integration at the lowest possible level of production. Whereas previous literature has discussed the resource-based advantages of having access to a business group (Bruche 2010), JLR does not avail itself of any possible advantages of being a member of the Tata Group. This verifies the existence of separation strategy in manufacturing between the Tata Group as a whole and JLR.

5.4. Marketing Strategy

During Ford's ownership, JLR used import agencies to sell its product in China. However institutional environment of such market forces firms to implement different and a specific entry strategy (Cui, 1998) to an access broader market. It is observed that JLR has established its own distribution network in China and it also uses distribution channels which are owned by Chinese entrepreneurs as complimentary market channel strategy. See Table 9 for Tata' and Ford organization strategies.

When JLR was a member of Ford's PAG family, the firm utilized the same distribution channels as the rest of the group, including dealers, transportation infrastructure, and warehouses. As indicated in previous literature, this suggests a strategy of integration between Ford and JLR. Subsequently, Tata pursued a strategy of separation. This strategy contributed toward maintaining the brand image of JLR and enhanced the success of the acquisition.

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Maintaining an extremely low degree of integration with JLR, Tata has overcome important liabilities encountered by emerging economy firms, identified as major disadvantages in the literature (Madhok and Keyhani 2012). A contrast between Ford's strategy of integration at JLR across business functions versus Tata's strategy of separation within the same business functions at JLR (See Table 9).

Table 9 A comparison between Ford's organizational strategy versus Tata's organizational strategy for Jaguar Land Rover

Business functions	Categories	Organizational strategy	
		Under Ford	**Under Tata**
Human Resources	Decision making	Centralized (Integrated)	Decentralized (Separated)
	Communication	Separated	Integrated
	Structure	Integrated	Separated
Marketing	Distribution channels	Integrated with PAG*	Separated
	After sales service	Integrated with PAG	Separated
	Customer Service	Separated	Separated
New Product Development	Product development	Integrated with both Ford	Product development
	Team member exchange	High	Low
	Exchange of design related information	High (bi-directional)	Low (from JLR to Tata)
Production	Production sites	Integrated	Partly integrated
	Use of components	Integrated with both Ford and PAG	Separated
	Supplier selection	Separated	Separated
	Warehouses	Integrated	Separated
	Transportation medium	Integrated	Separated

Sources: Authors own grouping based on interviews
*PAG = Premiere Automotive Group at Ford group

5.5. Acquisition Performance: Tata vs Ford

Despite its vast international experience and greater global scale, Ford struggled to bring success to the Jaguar and Land Rover brands (Gomes et al. 2007). Thus Strach and Everett (2006) document how the brand value of Jaguar was corroded and influenced by Ford's mass-market brands. Meanwhile Tata represented a much smaller motor vehicle manufacturer without significant international experience and carrying the potential disadvantages of being a low-cost multinational firm based in an emerging economy (Luo and Tung 2007; Madhok and Keyhani 2012). Nevertheless, the financial valuation of JLR was estimated as $14 billion in 2012 (Rapoza 2012), representing a five-fold increase within the first five years of Tata's ownership of JLR. Moreover, Tata's approach turned the acquired brands to profitability and growth within five years. In 2008, Tata acquired Jaguar Land Rover (JLR) from Ford Motor Company for $2.3 billion (Carty, 2008).

After the acquisition in 2008, the sales figures grew significantly and in 2014, JLR's sales were twice what they had been in 2007 for these brands under Ford's ownership (Annual Report 2014). Figure 1 presents a compiling of the available annual reports of Ford Motor Company and Tata Motors from the year 2003 onwards to bring to paper a comparison on how the retail volumes of Jaguar Land Rover have been affected by the acquisition. In 2014, Jaguar Land Rover's retail sales found to be almost twice as compared to the retail sales in 2007 under Ford's ownership (See Figure 6). Profitability statement of Jaguar Land Rover during Ford's ownership could not be obtained as Ford does not disclose profitability of individual brands. Gomez et al (2007 stated that both the performance of Jaguar and Land Rover were performing according to initial expectations. Contrary to this JLR's gross profit steadily and strongly increased between 2008 and 2015. JLR only reported a decrease in her gross profitability in 2016 (see Figure 7) Moreover, the financial valuation of Jaguar Land Rover was estimated by financial experts as $14 billion in 2012 (Rapoza, 2012); that means the valuation of Jaguar Land Rover increased by 5 folds within the first five years of Tata's ownership.

Fig. 6 Compilation of yearly sales figures of Jaguar Land Rover under Ford and Tata
Source: Annual Reports (2005 to 2014)

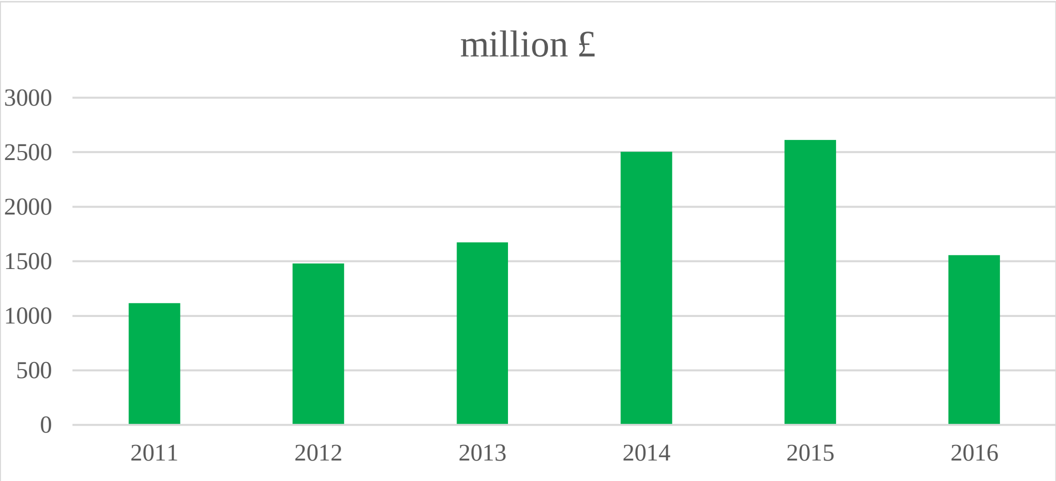

Fig. 7 Yearly gross profit of Jaguar Land Rover in million £ after Tata's acquisition
Source: Annual Reports (2014 to 2016)

Gomez et al (2007) stated that Ford approximately invested £3 billion in Jaguar's new model developments, new factories, new paint shops and new work facilities. Gomez et al (2007) also stated at the time of the acquisition Land Rover was also in bad shape and it needed investment. But they did not state if and how much Ford invested in Land Rover. The annual reports of JLR under Tata management show JLR heavily invest in R&D, production and marketing. For example, in 2011 JLR invested in direct distribution and sales channel in China. The 2012 annual report 2 JLR reported that the company has been undertaking for its sales and distribution channels in 24 different countries. In 2012, JLR formed joint venture with Chines Cheery Automobile and started to build the facility near Shanghai, China to tailor and produce for Chines market. This venture included £1.15 billion investment includes a new R&D center and engine production facility. In addition to these Jaguar invested in R&D development center at, University of Warwick. The number of R&D employees increased from 3000 to 9000 last six years.

6. CONCLUSION

The starting point for this study was the question what strategies multinationals from emerging economies may pursue to succeed in post-acquisition process, and how such strategies resulted to compare with the preferred strategies of established multinationals from developed countries. The empirical analysis has shown that Tata Motors from the emerging Indian economy pursued a starkly different strategic approach than Ford Motor Company. Whereas the US firm sought to maximize integration and synergies in all the studied areas, marketing, product development, human resource practices and manufacturing, the Indian owner pursued an opposite strategy of separation, combined with selective elements of technology and human resource exchange. Whereas Ford´s integration strategy failed to make the acquired company, Jaguar Land-Rover, a profitably growing business, Tata Motors´ separation strategy complemented with substantial, group-sponsored investments became a resounding success in terms of brand maintenance, sales, market shares and profitability - to the surprise of industry stakeholders who associated the Indian company with low-cost products for low-margin markets. Their association, however, failed to understand the context of Tata Motors as part of a highly diversified business group with independently operating companies in various markets (Karabag and Berggren, 2014). The separation strategy made a good fit in this corporate structure, which is a widespread phenomenon in all emerging economies, from Korea and Taiwan to India and Turkey (Kale et al. 2009). Many ambitious emerging economy firms have been successful in upgrading from low cost manufacturing to product development capabilities, but they have been much less successful in building strong brand values in premium markets, which command premium prices (Aulakh et al. 2000). The acquisition of a strong brand name company in a developed economy thus constitutes a strategic asset (Aulakh et al. 2000), which internationalizing emerging economy firms tend to deal with carefully. As the JLR case shows, a separation strategy vis-à-vis such acquisitions may be quite profitable, but compared to the classical integration strategy, separation has no potential to yield direct synergies. However, in the studied case, the successful management of the acquired JLR has also resulted in immaterial group synergies for the Tata Group, such as reputation for competence and brand management, which will most probably be of value for the Group in future acquisition activities.

The studied case suggests several issues for future studies both in time and space. One issue relates to the permanence of the separation strategy in the studied group; will it prevail over the long run or be replaced by integration attempts when new executives take over at the Group level? The studied case highlights how the chosen strategy fits the relevant corporate context, which is very different from corporate structures in develop economies. Nevertheless, it is important to investigate the diffusion of such post-acquisition strategies among emerging economy multinationals, and the existence of possible hybrid strategies, which seek to preserve independence and brand value of acquired firms in developed economies but at the same organize technology transfer and joint efforts to create new forms of synergies. Moreover, success or failure of such post-acquisition strategies need to be related to the timing of the acquisition in broader empirical studies.

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APPENDIX A.

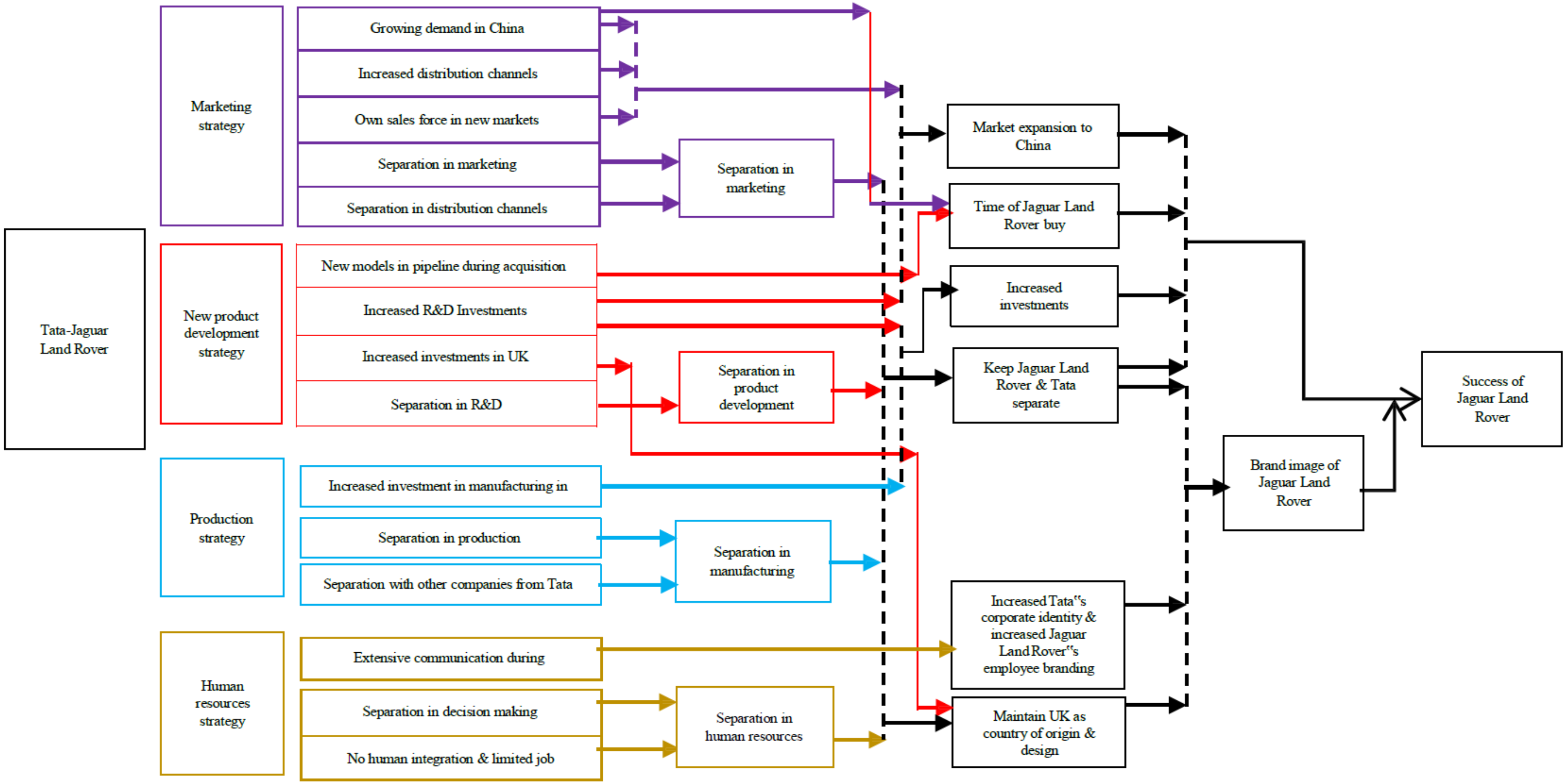

Fig. 8 Overview of Tata's post-acquisition strategies for Jaguar Land Rover and success factors
(Source: Authors' own data collection and design)