



Cross-Border Cultural Challenges in Mergers and Acquisitions: The Tata Jaguar Case

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July 2013

ACKNOWLEDGEMENTS

I could not have written this thesis without the invaluable teachings of the professors with whom I had the privilege to interact at LUISS Guido Carli. My first thanks go to all of them. From them I learned the indispensable concepts of Economics and Management.

A special thank you to Prof. Riccardo Tiscini, my thesis advisor, and to his assistant Dr. Mirella Ciaburri, whose advice and comments have been a key source of in-depth knowledge.

Dr Fabio Romano and Dr Marco Santucci of Jaguar Land Rover Italy have contributed a great deal to this thesis. Not only did they provide much precious time, but were open and willing to share their direct experience with me. Their feedback about the cultural challenges brought to JLR by Tata Motors was incomparable. Thank you so much.

I must pay most profound tribute to my parents for their support and encouragement during my studies, who remain the guiding light in my life.

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1. Introduction

The aim of my thesis is to analyze the cultural challenges of the cross-border acquisition of JLR (Jaguar and Rover) by Indian Tata Motors. The current trend towards international mergers, acquisitions and joint ventures is resulting in organizations not only having to deal with the merger of different corporate cultures, but also of two or more national cultures. In the case of JLR and Tata, the scene is made more complex by the fact that Tata is from India, a country that was a colony of Great Britain just decades ago.

Major changes in business firms such as takeovers appear to follow a typical and usually predictable sequence:

- alarm - the possibility of bankruptcy, acquisition
- new People - new managers are brought in at the top
- new structures and processes: the existing way of doing things is broken up and re-arranged to give new people scope and break up old alliances
- new goals and operating standards: the new organization sets itself new aims and objectives.

Did national and corporate cultures interplay and influence this typical sequence and after acquisition management? To find it out, I used some internal information, available articles about JLR and took the initiative to contact and interview senior management at JLR Italy.

The argument of my thesis rests on the basic assumption that it isn't only the big changes, but the small changes, as C. Handy states in *The Age of Unreason*¹, that can in fact make the biggest differences to daily activities of people in corporations, even if these go unnoticed at the time of their emergence.

¹Charles Handy, *The Age of Unreason*, Harvard Business School Press 1989

Change is not what it used to be. For many years after the last world war, my father generation viewed change as within their control: more of the same only better, and, if possible, for more people.

The economic environment was very favorable, many needs for houses and goods were still unsatisfied, business was growing in almost every field of activity. It was a comfortable but rather superficial view of the future. This view did not consider that every development reaches a maturity stage, and a turning point, especially when governments do not plan and implement on time an effective strategy to prevent dramatic downturns.

It was a democratic, optimistic view of challenges. In our globalized economy, change and related challenges do not appear as comfortable as it used to be. Today change is more chancy, but also more elusive and stimulating, if we want to see it that way. The beginnings are often very small and almost unnoticeable.

In my work, I will try to understand both big and, if possible, small changes that were brought by the new owner of JLR. In the near future, these apparently inconspicuous changes may prove to greatly impact both the culture and business success of the company.

In my thesis I will also discuss culture in cross border mergers and acquisitions. These ventures are becoming increasingly important for the strategy of large multi-national firms. They represent the majority of FDI (Foreign Direct Investment) in OECD (Organization for Economic Co-operation and Development) countries and involve a huge variety of sectors and industries, from manufacturing to services. Although they started existing at the beginning of the last century and they grew especially in the period between 1991-98, mostly because of the abolishment of the trade barriers in Europe.

There are a number of forces that drive companies to embark in such complex ventures, and they vary from industry to industry. The globalization of the economy, and the large developments in the field of technology have allowed firms to become more international than ever. Companies are always trying to find new ways to diversify their investments and to exploit their brand equity, human resources and assets. Of course, M&As can also provide companies a rapid access to a new market, obtaining economies of scale quickly and gaining access to new technologies and specialized personnel.

However, not many M&As are successful, in fact on average the success rate is of 40-60%. By successful ventures we mean those didn't end up losing money, not necessarily those that achieved their goals. Although some are profitable, it's rare to see them achieving the desired financial goals. For international M&As, numbers are even worse. The reasons are numerous. Sometimes, failure is due to the fact that the partners were not chosen correctly because of faulty analysis, and this may lead incompatible firms to collaborate. In other cases, the cause may be external. For example there can be unforeseen technological developments or new government regulations that can change conditions.

Research found that roughly one-third of all mergers fails during the integration phase. The integration phase is the one that starts after closing of the deal and lasts until the operations of the companies are integrated to the desired level.² One of the main problems during this phase regards corporate culture. Employees are often resistant to change, and during these periods they're more concentrated on surviving rather than serving the company's goals. During a takeover people might feel threatened, and in return they communicate less and pass less information vertically. In cross-border M&As the cultural problem is even larger, because apart the cultural difference between the firms, one must also consider the different national cultures that are involved.

²http://www.pwc.com/en_US/us/transaction-services/mergers-acquisition/assets/pwc-7-tenets.pdf

1.1 Structure

In the first part of this thesis I would like to talk about mergers and acquisitions in general, defining what they are and analyzing their trends in the past century. I will then discuss the concept of corporate culture and explain how it develops and why it's important.

Next, I will analyze how culture affects Mergers and Acquisitions. Since cultural integration between two companies seems to be a major problem and is responsible for a large number of failures, I will try to understand why this is so. Furthermore, I will explain what cross cultural management is and how it can help integration.

In the third part I will talk about the Jaguar-Tata case study previously mentioned. I will analyze the acquisition thoroughly and see what pushed the two companies together. Also, I will expose what the decisions that brought these results were, also thanks to an interview to Fabio Romano, manager of sales for JLR Italy. This interview will also be finalized at understanding the culture at Jaguar, to see how it adapted to the cross border acquisition.

2. Mergers and Acquisitions

A merger is defined as the consolidation of two organizations into a single organization. An acquisition is the purchase of one organization from another when the acquirer maintains the control.

There are domestic M&As and cross-border M&As. Domestic M&As are conducted within the same country, while cross-border M&As involve two companies from two different countries. A cross-border M&A is defined as an activity in which an enterprise from one country buys the whole asset or controlling percentage of an enterprise in another country.¹

Although there are many similarities between cross-border M&As and within-border M&As, the international scope poses additional challenges to the cultural integration process.

Acquiring companies outside of one's own country carries the costs incurred by a firm operating in a foreign market in addition to what a local firm would incur.

Cross-border M&As also have the added challenge of having to deal with different cultures, where national culture must also be integrated in addition to organizational culture.

2.1 Trends in M&As

As mentioned in the introduction, M&As have existed since the early 1900s. We can distinguish 7 historical waves².

- 1st Cycle (1895-1904): In this period US firms were the main object of interest. Typically, smaller firms that couldn't compete with the larger ones would merge

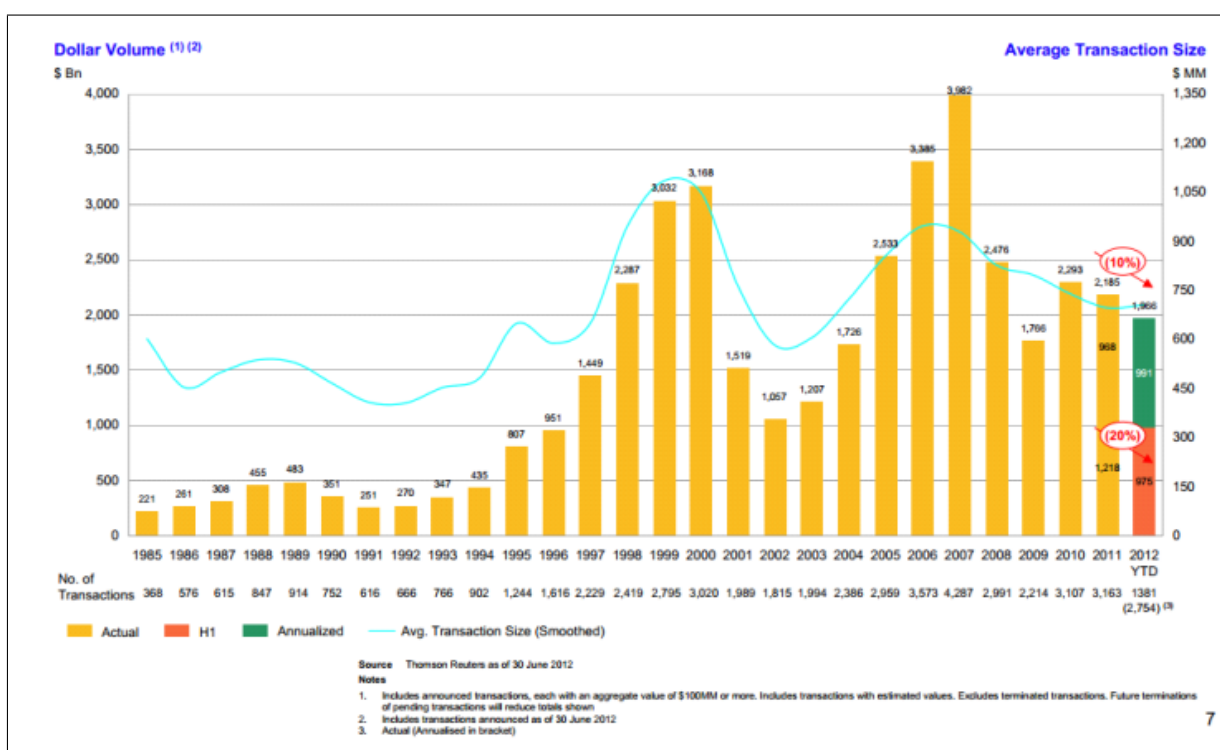
¹The cultural Integration in the Process of Cross-border Mergers and Acquisitions, Zhanwen Zhu, Haifeng Huang

²<http://eco83.econ.unito.it/masters-intacc/wp-content/upload/2012/11/Lesson-03-MA-Historical-Trends-November-2012-pdf>

with them to survive. The mergers were of horizontal type, in the sense that usually firms in two completely different sectors would unite forces to become larger. General Electric was formed in these years.

- 2nd Cycle (1925-1929): This cycle saw the rise of vertical integration, where manufacturing firms also incorporated forwards towards raw materials, or backward towards outlets. It was ended by the great depression of 1929.
- 3rd Cycle (1965-1970): Since vertical and horizontal mergers had become illegal in the US since they were deemed anti-competitive, companies started forming conglomerates, by producing a wide array of products.
- 4th Cycle (1981-1989): In this period hostile takeovers were very widely used. Ended with the economic slowdown.

Figure 2.1: M&A trends in the last 27 years



<http://eco83.econ.unito.it/masters-intacc/wp-content/uploads/2012/11/Lesson-03-MA-Historical-Trends-November-2012.pdf>

- 5th Cycle (1992-2000): The activity was primarily sustained by the buoyancy of the bull market. Interested banking, health care, defense and high technology. Large

growth of cross border M&As thanks to elimination of trade barriers in Europe. Also some Asian countries such as Korea and Japan started opening to FDI. Cycle crashed in 2001 with the market.

- 6th Cycle (2004-2007): Globalization has increased the number of cross border M&As largely. Another factor that has helped this cycle was the ease of borrowing money.

3. Culture

Corporate culture has a very important role in an organization because it aggregates resources to achieve its own goals. Knowing it can allow us to understand the creation of competitive advantage and its long term sustainability.

There are various ways one can define corporate culture. According to Pettigrew A.M.¹, culture is a system of publicly and collectively accepted meanings that operate for a certain social group at a given time.

According to another definition by Louis M. R., culture is a set of understandings or meanings shared by a group of people that are largely tacit among members and are clearly relevant and distinctive to the particular group which are also passed on to new member.² Edgar Schein³ believes that in order to study culture more deeply, one should separate the different levels at which culture operates. There are three levels of observation: artifacts, values and basic assumptions.

Below, I will explain them in more details

1. Artifacts: what the eye can see. By this we mean the way that the offices are organized, the physical environment, the technology used and the behavior of people.
2. Values: the ones used to regulate behavior between different people in the organization. The mission and vision of the company are official documents that disclose them, but they don't always express them as fully as possible.
3. Basic assumptions: basic values not objectionable and given for granted. They were created as a solution as a problem and since then have become an implicit assumption because of their success

Dividing the elements of culture in such way allows us to understand that they are modified in different ways at different time. For example, changing the artifacts of a company

¹On studying Organization al Cultures Andrew M. Pettigrew

²Surprise and sense-making: What newcomers experience in entering unfamiliar organizational settings, Louis M.R.

³Edgar Schein, Organizational culture and leadership, San Francisco : Jossey-Bass Publishers, 1985,

may be relatively quick and simple. However, values, and to even a greater extent, basic assumptions, change a lot more slowly over time. Of course, in cases of external shocks in which the company must rapidly adapt, the timetable of these changes can be accelerated.

3.1 Determinants of Corporate Culture

Factors that influence corporate culture can be both internal and external.⁴

The most important external factors are the ones regarding social, political, cultural, industry, institutional factors. Also, the dynamics of special interest groups such as stakeholders hold a certain importance.

Internal factors can be viewed both from a bottom up and a top down perspective.

The top down flow is usually created by a group of people in an organization that hold a certain amount of power. They pass down the values that have guided them in making the right decisions in the past. In case companies have large corporate areas, the culture that is passed down is the one of the dominating coalition up top. In this view, the culture is the result of managerial styles that influence the functioning of communication inside the company, the centralization of power and the involvement of general staff in the decision making process.

However, there are also flows that come from the bottom of the company, where most of the problems usually occur. In this case, successful procedures used to solve problems may become part of the culture of the company. These flows aren't easy to manage because they develop very informally, and often clash with top down ones, and if these clashes are not properly addressed, they can create a lot of internal tension.

Also, external influences may be absorbed by the organization through technical workers that operate on the border between the organization and the environment. These influences are becoming increasingly important due both to the new forms of collaboration (joint ventures, partnerships, etc.) developing in the modern business world and also because certain firms which focus on service require a high level of knowledge of the culture of a certain sector.

⁴Silvio M. Brondoni, Market Driven Management and Corporate Growth, p. 75-77

3.2 The Role and Manifestation of Corporate Culture

Corporate culture allows companies to adapt to the environment and become more integrated. [2]⁵

It can help to adapt not by only passively reacting to changes in the environment, but also by allowing the company to be a proactive player in its context. In such a way, problems are faced thanks to the creativity and innovativeness of the people involved.

It helps integration by tying together different subcultures in the organization, in such a way to create an unity of intents and direction.

There are various ways to put a culture in place. On one extreme top management can impose a system of hierarchical control with rigid rules and limits, in order to coercively align the behavior of employees. On the other one, a system of trust and openness can be put in place in order to create self organization based on social control. In general, one can use a wide variety of instruments and control systems to foster integration, such as common rules, communication and reward systems. It's always important not to lose sight of company culture in terms of internal competitiveness and innovation when using them.

Corporate culture is therefore very important to identify company identity, which is very important to know and consider both when faced with internal and external problems. The identity is important because it allows employees to identify themselves with a set of values, conduct and objectives. Thus, having a strong culture can help diminish coordination, integration and control costs.

Corporate identity establishes also corporate image, which is the way that the company is seen by external subjects, such as stakeholders or consumers. The audiences then rate the company based on respectability, trust, esteem, application and credibility, defining corporate reputation.

In summary, corporate culture can be viewed as an intangible asset, important both internally and externally. Internally, because of its importance in integration. It aligns objectives, intents and values. It influences communication, management styles, decision making processes and learning. Furthermore, in places where there are culture styles based on trust, skills and innovative behaviors appear more developed.

Externally it is important to create a positive image among the stakeholders, by the for-

⁵Silvio M. Brondoni, Market Driven Management and Corporate Growth, p. 77-80

mation of a strong identity and reputation, which are at the base of a strong competitive position.

3.3 Hofstede's Cultural Dimensions Theory

⁶ Geert Hofstede is the author of the book: "Culture's consequences: International differences in Work-Related Values'. The findings he exposes in his book have proven very important in studying M&As thanks to the studies he made regarding cultural differences between nations.

Through a series of interviews to IBM employees, he wanted to discover the similarities in the behaviors of people coming from the same society. He analyzed the answers of people from over 70 countries to find what views appear to be relevant for a nation in relation to others.

⁶Hofstede, Geert (December 1983). "Culture's Consequences: International Differences in Work-Related Values". Administrative Science Quarterly (Johnson Graduate School of Management, Cornell University)

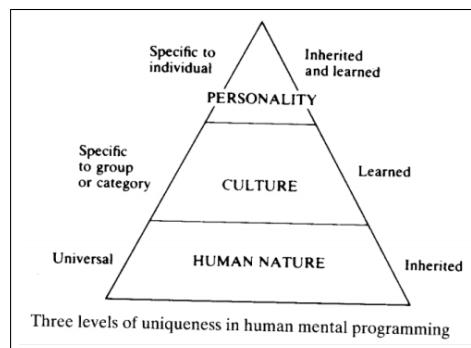
3.4 Mental Programs

In first place it's useful to talk about Hofstede's mental programs. The way a person's mind works is partly due to individual factors and partly to external ones.

- The first level of mental programming is universal, inherited and is shared by all human beings. It includes feelings like happiness and sadness as well as facial expressions
- The second level is one that belongs to a certain group or category. These types of behaviors are learned. They include language, traditions, eating habits, religion and so on.
- The third level regards the individual and is different for everybody.

Fig. 3.1 shows the programs graphically.

Figure 3.1: mental programs

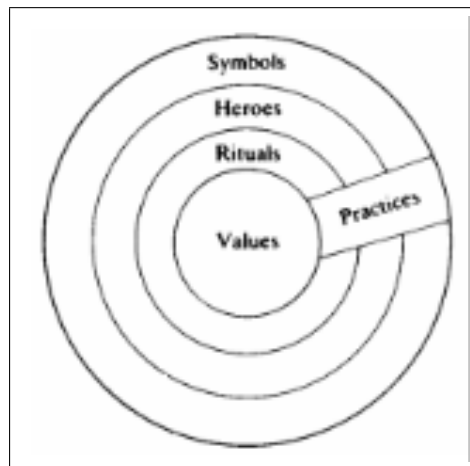


<http://prtipalsblog.blogspot.it/2010/02/organisation-culture-week-4.html>

3.5 Symbols, heroes, rituals, and values

Symbols, heroes, rituals, and values are the ways that cultural differences manifest themselves. They can be represented on an onion diagram.

Figure 3.2: onion diagram



<http://www.grin.com/en/e-book/52907/corporate-culture-how-corporate-culture-is-managed-in-organisations-and>

Symbols: those who share a culture have certain objects, pictures or behaviors that they can relate to. An example can be a company logo. Symbols can change often and are replaced easily.

Heroes: they are people that can be real or fake, alive or dead, that incarnate the values and principles of a certain culture. For example Mongolians have Gengis Khan and Italians have Garibaldi.

Rituals: are activities that aren't necessarily useful from a practical point of view, but are socially very important in a culture. An example is mass for Christians.

Values: they are at the core of a certain culture. They are tendencies within a group to do one thing rather than the other. For example values are un-natural vs. natural of good vs. evil. They are the first things we learn.

These characteristics can be sub named under the term practices.

3.6 Hofstede's Five Cultural Dimensions

He originally came up with the definition of four dimensions, across which, we can explain 49% of the variance of behaviors of people from different nations⁷. This means that 51% of behaviors cannot be explained thanks to these dimensions. Some Chinese scholars later added a fifth dimension in order to extend Hofstede's studies. All of these dimensions can be defined on quantitative scales. These dimensions are very widely cited in cross cultural management literature.

The original four dimensions were: power distance, masculinity index, individualism and uncertainty avoidance. The fifth one is long term orientation.

Power Distance Index: this describes the degree of equality or inequality between the people of a society. It indicates to what extent inequality is accepted as normal and fair by the population.

A high value usually means stricter social hierarchies. This implies that there are higher inequalities in the population. It also means that there probably is a caste system that does not allow for a lot of vertical social mobility. When the value indicator for this dimension is low, equality and opportunity are considered important. This is also reflected in the workplace, where everybody feels more at the same level.

Individualism Index: individualist are people who value personal goals and personal decision making. Collectivists value group of society goals more highly than their own. When the individuality index is high, it means that we find ourselves in an individualistic society. This has important consequences at the workplace. For example, everybody is expected to fight for their own rights, a larger degree of privacy and have individual opinions. Also, members of these societies tend to form weaker alliances between each other and there is a tendency for greater groups of losers to form in these nations.

In nations where the individual index is slow there is a greater sense of collectivism. Here, everybody is expected to take care of the group and put its interests before its own. By this, we mean that individuals are promised protection in exchange for loyalty. It does not hold necessarily political meaning. Usually, western cultures such as the US, European countries and Australia, tend to have high indexes. On the contrary, Asian, African and

⁷Culture Consequences Geert Hofstede

Latin American countries are more collectivistic. A prime example is China, where in front of the government, individual rights have very little value.

Masculinity Index: this index measures to what extent societies reinforce the traditional values associated to the masculine role model of male achievement, control and power. Studies have shown that between cultures woman's values and principles are usually similar. What varies most are the values held by men, which range from being assertive and competitive to more similar values to women's.

If the index is high, it means there's a lot of differentiation between male and female values, and vice versa. In the high masculinity index countries also females tend to be more assertive and competitive, but to a lesser degree to the men, thus there is a larger differential.

In more feminine societies, relationships, high quality of life and social behaviors towards others are more emphasized. On the contrary, masculine societies are more goal and objective orientated, with higher levels of stress and more emphasis on money rather than social relations or family.

Uncertainty Avoidance Index: this index concerns the level of acceptance of uncertainty and ambiguity within the society. It indicates to what extent people feel comfortable in unstructured situations. By unstructured situations we refer to new, unknown, surprising or different ones.

If the index is high, it means that there is low tolerance for this sort of situation. This implies a society with stricter rules, laws and regulations. In these sort of nations people are more driven by their inner nervous energy. They also tend to be more emotional and stick more to rules. When a society has a low uncertainty avoidance index, individuals are more open to opinions that are not their own. They are generally more pragmatic, express emotions less and try to create systems with the lesser amount of rules possible.

Long-Term Orientation Index: refers to how much a certain society embraces, or does not embrace, devotion to traditional, forward thinking values.

In case the value of the index is high, it means that individuals value long term commitments and respect to tradition. Also, one should expect strong work ethics with long term goals. However, in this type of society one can expect businesses to be slower in their growth and development. Values that are strongly stressed are pragmatic virtues, like saving, persistence, and adapting to changing circumstances.

Low LTO index societies don't give strong importance to long term goals. Also, change

happens more quickly and traditions are less respected, as tradition and commitments do not interfere. There are greater tendencies to spend money rather than save it, success is more important and so is leisure time.

3.7 Cultural Challenges in M&As

Is Different Better?⁸

There are two lines of thought regarding cultural differences in an M&A. One school of thought believes that two firms whose culture is too dissimilar shouldn't merge. However, the resource based view of the firm believes that blending two different cultures in a firm can have beneficial outcomes because of the synergies that cultural differences can bring. Conclusive research has not been completed, however it's argued that it's the degree of integration that you want to enforce between two culturally different firms that can influence it the most.

In "Different Integration Strategies" Mirvis and Marks⁹ developed a framework to classify the types of mergers, based on the need of change required in the acquiring company and the degree of change required in the acquired one.

The kinds of integration in this view range from "stand alone", where firms remain rel-

Figure 3.3: integration options

Degree of Change in Acquired Company	High	Absorption		Transformation
			Best of Both	
	Low	Stand Alone		Reverse Acquisition
		Low		High
		Degree of Change in Acquiring Company		

<http://prtipalsblog.blogspot.it/2010/02/organisation-culture-week-4.html>

atively independent, to "transformation", where important and transformational changes are made in both companies. In the "absorption" scenario the acquired firm goes through substantial change, while in the "reverse acquisition" one the opposite happens. Finally, the "best of both" requires changes in both firms. Marvis and Marks also elaborated intermediate integration options, as shown in the figure 3.3

⁸http://www.denisonconsulting.com/sites/default/files/documents/resources/managing_cultural_integration_chapter.pdf

⁹Managing the Merger: Making it Work By Philip H. Mirvis and Mitchell Lee Marks 2001/01 - Beard Book

The above framework makes us understand that there are many degrees of integration one can choose from. The biggest problems usually come when the choices, and their consequences, are not understood clearly from the start. Mergers that began as “absorptions” but turned into “reverse mergers” as they unfolded are likely to encounter problems. Making a clear choice, with full understanding of the consequences, and then clearly communicating this throughout the organization seems to be a prerequisite for success.

Another important thing to understand, is that some degree of integration is necessary to achieve new dynamic capabilities. Leaving two firms independent may be cheap, but this does not guarantee the capability of producing new benefits. A full transformation may be very expensive but is very likely to produce new capabilities.

This dilemma becomes even larger in trans-border acquisitions, because of the larger differences between companies. In this case, placing the right amount of money in a venture can be a make or break decision.

According to Terranova¹⁰, there are three areas to assess when analyzing the culture of a company.

- Personality: how it feels to be inside the company. By this we mean that dress code, communication style and work environment must be evaluated
- Operational Characteristics: how the company is run in general. An example might be how the decision making process works.
- Employee Engagement: how employees connect to the company. (rewards, recruiting).

By comparing the results of these three areas, we should have a good general idea if the company being acquired is too diverse from the acquiring company.

¹⁰Network Culture Politics for the information Age, Tiziana Terranova, Pluto Press 2004

3.8 Cultural Factors that Influence Company Compatibility

¹¹¹² Not all firms are adapt to be merged. In some cases, merging two will create excellent synergies, in others it will prove to be a disaster. Three factors seem to be important to analyze:

1. the degree of integration between two companies. As previously discussed, integration between two firms can have varying degrees, from weak to strong. For example, in case of a financial integration, low levels of integration are required, while in the case of operational integrations, the same cannot be said.
2. the kind of cultural exchange. Usually, the identity of the acquiring firm is completely adopted by the acquired one. This event is called assimilation, while the opposite is called integration, where there's an exchange of cultural elements.
3. the extent to which the own cultural identity is valued and the other firm's culture is regarded as attractive. If wishes from the companies are similar, conflict is low.

Obviously, the degree of integration depends upon many factors. One of them is the power differential between the parties, which can be measured in terms of bargaining power on assets, resources and access to alternative strategies. Also, the motives of the acquiring party are important in allocating the type of acculturation adopted. The type of merger/acquisition can be classified based on the need of integration and the amount of bargaining power a firm has in relation to the other (domination vs. collaboration).

In case two firms have slight power differential but show a low extent of integration, we have a conglomerate merger. In this case the acquiring firm leaves the other alone, changing little or nothing in the operations. This is generally the case in financial acquisitions. In this case cultural related issues tend to be very small. Usually, the acquiring firm has the need to diversify its portfolio.

In case there is a merger where the firms have similar power and they want high level of integration, we have a so called marriage. Neither of the companies have the power to impose their own culture so a new one is formed. An example of this kind of firm is Royal

¹¹Renè Olie, Cultural and Integration Problems in Mergers and Acquisitions

¹²Duarte-de Muijder, The Role of National Culture in Mergers and Acquisitions Tanure

Dutch/Shell.

In the absorptive acquisition the needs for integration are high, and one of the parties has most of the bargaining power.

If the integration required is low, but one of the firms is dominant, it may still impose its form and structure on the other. In this case, we have a redesign.

In cases of hostile takeovers, a change in culture may not be seen very well. On the other hand, when the performance of a firm hasn't been good, accepting a new culture may be easier.

An important factor in mergers is the type of attitude the acquired firm has in relation to the buyer. There are many reasons why the acquired firm may not have a positive attitude. For example if middle management is not happy with a merge, the results may not be optimal. It's them that usually carry out the actual merge, so their opinion may matter from this point of view. Another case where there can be a bad attitude towards a merge is when it's forced on the company from the outside. This may be the case when a firm is heavily controlled by the government.

3.9 Managing Cultural Integration in M&As

Culture may be thought of as the lenses through which we see the world. If we see culture as an onion, we can say that the outer layers represent organizational culture, while the inner layer represent the national culture.¹³¹⁴

In cross border M&As cultural differences between nations are found in attitudes towards nature, rules, status and power. For example the Chinese have a very different culture in relation to Westerners. For example, Chinese value collectivity more than the individual, make decisions based on solid data and value social status a lot. Westerners, on the other hand, value the individual more than the collectivity, are generally more proactive towards problems and are more loyal to principals.

The type of national culture also strongly influences the organizational behavior. For example it can influence the centralization of the hierarchy, the formalization, decision making style and strategy.

In addition to differences given by national culture, also each organization has its own set of values developed in time. These different values may push employees to take different decisions to similar problems in different companies. They generally regard attitudes towards risk, freedom on how to do one's job, preference towards working individually or as a team and management concerns about their subordinates. These type of cultural characteristics are less important than the ones deriving from nationality, because they aren't necessarily employees' inherent characteristics. However, they should still be given appropriate attention.

Cultural integration is not simply merging different cultures into one, but it's a process that involves establishing a new company model by selecting, absorbing, and integrating cultures. Solving cultural differences early on is crucial, since it's one of the primary reasons acquisitions fail.

In multinational companies, it's rare to find the culture influence of only one nation, since during large mergers and acquisitions some level of contamination is inevitable. It's therefore crucial to adopt cross cultural management in such companies, in order to integrate differences and use resources effectively.

Cross cultural management is an effective method to integrate culture between two dif-

¹³Zhu- Huang, The Cultural Integration in the Process of Cross-Border Mergers and Acquisitions

¹⁴Hofstede, Geert (December 1983). "Culture's Consequences: International Differences in Work-Related Values". Administrative Science Quarterly (Johnson Graduate School of Management, Cornell University

ferent firms. It refers to the system a firm selects to carry out integration, by overcoming conflict and unfavorable influences. It has its own patterns and principles.

The basic principles lie in respecting and understanding cultures of others, placing importance on communication and being ready to make adaptive changes.

Zhu& Huang propose four models for cross-culture management to solve the culture differences.

The first is localization. It means the subsidiary of the parent company located in other nations is regarded an independent entity and it can make its own strategy and decisions according the local circumstance. The parent company respects the local culture and recruits local people to manage the subsidiary.

The second model is transplanting the culture of the parent company. The acquirer appoints its own people as representative to control the target company. Through strongly supervising the target company, the buyer can transplant its culture.

The third model is cultural innovation by integration. In this situation, both the cultures of the acquirer and the target companies exist together, and the new culture is established by convergence of the two cultures. This culture innovation can maximize the cross culture value.

The fourth model uses evasion tactics. It happens when there is a huge cultural gap between the acquirer and the target. Then the acquirer will appoint a manager, but it is also possible that the third party will be involved in order to bridge the cultural gap and smooth out the management transition. This model is usually used in a transition period.

3.10 Other Obstacles in Cross-Border M&As

Cultural differences aren't the only problems firms may encounter when doing an international M&A. Companies from different countries come from different environments with different legal conditions and tax rules. Once these problems are solved, governments may often continue to interfere. For example, when confronted with a worsening market condition, a government that was at first favorable towards a merge, may change idea. It can also create problems by not giving the possibility to create an effective merge, for instance by favoring one of the parties unilaterally.

In a recent survey between 150 top managers, the main problems to be found in M&As were due to the human factor. They found that people impose a natural resistance when urged to change the way they are used to work and do things. Also, managers might be afraid to lose power and not remain "ones boss". Another problem in this sort of acquisition is nationalism. This problem is particularly strong in Europe, especially after World War II. In particular, people value strongly their national identities.

4. Jaguar's History

William Lyons and William Walmsley founded the Swallow Sidecar Company in 1922. [10]¹ In 1930 the company changed name to SS Cars Ltd. and they started focusing on luxury cars. They adopted the name Jaguar for one of their cars for the first time in 1935, the SS Jaguar.

After the war they changed their name to Jaguar, mostly because the acronym SS was associated to the war and Nazi Germany. In 1945 the Mark IV model was launched on the market and had a reasonable success. In those years the British government incentivized companies that exported in countries with a strong currency with favorable prices on steel and aluminum, so Jaguar started selling also in the USA. In those years Jaguar also had a lot of success in car racing, especially in the 24 hours of Le Mans.

The '60s were a very good period for growth. In 1961 the famous E-Type was launched and the company acquired Daimler and Coventry Climax. After these acquisition Jaguar started building also limousines and Daimler became the logo of the more luxurious Jaguar cars. At the end of the decade Jaguar's ownership passed to the British Motor Corporation.

Towards the end of the '60s, Jaguar had to face the opposition of German car makers Mercedes Benz and BMW, and had to renovate its image. This was very difficult because BMC was in deep financial trouble, and in 1968 it merged with Leyland, creating British Leyland, a company destined to be a failure. However, during these years the company managed to launch some successful cars such as the XJ, which substituted many obsolete models.

When Sir William Lyons left the company Geoffrey Robinson took over. He solved many problems regarding poor reliability and created many new models. In 1975 he created the XJ-S to substitute the obsolete E-Type.

In 1986, the last model built under BL was launched: the XJ40. The gestation period for this model was very long, and this was due mostly to strikes and problems with the syndicates. In this period all of BL faced quality problems with its cars and had many financial issues. In 1989 Jaguar was sold to Ford.

¹Hall-Geisler, The Cat's Meow, A History of Jaguar

4.1 Ford Acquisition

Originally, Ford bought Jaguar to enter the luxury car market, which was expanding heavily at the time. Also, it wanted to expand even further in the European market, being already the largest US manufacturer in Europe.

The years under Ford were not very good. Ford was tempted to use Jaguar's high profile image to challenge Mercedes and BMW, and thus started launching some lower priced cars. An example is the Jaguar X-Type, which was based on the Mondeo. It had front wheel drive, a wide choice of diesel engines and a station wagon version. The results were very bad because these features ruined Jaguar's image.

4.2 What Was the Economic Outcome?

Ford originally paid \$2.5 billion for Jaguar, in 1989, and \$3.3 billion for Land Rover, in 1999. It sold both to Tata in 2008 for \$2.3 billion. Just from this data one can figure out that buying Jaguar wasn't a great deal for Ford.

But when we analyze the situation even further, it's even worse. Jaguar and LR added up to one of the costliest chapters in Ford Motor Co.'s long history, having very likely drained away between \$35 billion and \$50 billion based on the best estimates taken from the carmaker's financial records.

Ford hasn't always broken out Jaguar's losses. Using even conservative industry estimates, Ford has been pumping an average \$1 billion to \$1.5 billion annually into Jaguar, over the last 18 years, with barely any return. One of the biggest problems was the fact that manufacturing costs in the UK were very high, due to very strong syndicates.

In the beginning Ford was a very strong company that was coming from record quarters in terms of revenue. This meant that they had plenty of money to invest in Jaguar. However, as time progressed Ford too experienced hard times due to an increasingly competitive environment, and it had to start focusing more on its core business.

4.3 Why Wasn't the Acquisition Successful?

One of the reasons for the problems at Jaguar may have been a decision to reduce costs by sharing parts across brands, so that Jaguars were built using platforms on which other Ford vehicles were being built.² The practice is common in the auto industry, but in this case it may have hurt Jaguar's image and quality. For example, they launched the new X-Type basing it on the Mondeo, and this disappointed most of the costumers. That car in particular was selling at \$299 leases, and traditional Jaguar owners were upset because also their maid could afford one.

Jaguar was in a complete identity crisis. To cut costs further and further Ford started putting even more of its parts in the cars, and the results were horrible. The company was selling \$60000 cars with Ford interiors, that could have been a lot better by just spending \$250 more on them. Management was stubbornly convinced that Jaguar's problems was not in the cars. However, they completely lost track of what the company should be, and this was further shown by the fact that they were considering the launch of an SUV.

Another reason for Jaguar's fall from grace was styling. Ford had been criticized for letting the look of Jaguars age. The best example was Jaguar's flagship model, the XJ, which had kept its classic look from the '50s and '60s. That look might have appealed to Jaguar aficionados, but not necessarily to a broader group of consumers. Jaguar didn't keep up with the times, and research showed that Jaguar buyers were older than the average luxury car owner. Jaguar suffered from an aging audience.

In the meanwhile, the lower-end Jaguar models had faced tough competition from Audi, BMW and Cadillac. Jaguar has not always equaled the competition in terms of looks, quality and performance. Mercedes, Jaguar's sworn enemy, was selling six times as many cars. Competition was so fierce that companies often demeaned each other in advertising. Jaguar was viewed as the retiring director's car, which isn't a bad thing, however the market wasn't very large.

Also, Jaguar was sub-par with its competitors in customer service and satisfaction. The Germans were very strong under this aspect, having a lot of specialized units.

²How Ford's CEO Helped Restore The 'American Icon' NPR Staff

4.4 Culture at Jaguar under Ford

When Jaguar was under Ford ownership, Ford had a very hierarchical and bureaucratic structure. This meant also that there were too many people working for the company. There was a very strong role culture, where people had very defined jobs and little room for movement.³

Role culture isn't necessarily negative, but it works better in stable environments. Since changes require lots of approval, it's very badly suited for periods of crisis, where fast reactions and flexibility are very important.

Inside the company, competition for promotion was very high, and depended more on ties and acquaintances, rather than actual performance. Managers focused too much on their career and too little on customers. This meant that there was very little information sharing between departments, and problems were often hidden, since looking good was the most important thing.

During meetings, managers usually attacked each other, looking for ways to gain an advantage on them. The objectives of these meetings was self-preservation, and nothing was usually solved.

These characteristics also permeated to Jaguar, where there was also a robust role culture.

Ford hoped to buy some goodwill with the acquisition of Jaguar, but the end result was disastrous and ended up draining Ford's reserves. Ford was now facing problems also in its core business, due also to its negative culture.

In 2006, Allan Mulally, a Boeing executive with no experience in the automotive industry, was made CEO. His politic was to concentrate on Ford by making everybody understand that they were on the same boat and shifting to a task culture which was intended to unite intentions. Furthermore, he intended to centralize the company. Mulally believed that Ford Europe, Ford Asia and all of the numerous subsidiaries were too dispersed. One of his goals was to build one big Ford, and by re-uniting forces he managed to increase economies of scales hugely. In 2009 Ford returned to be profitable for the first time since 2005.

In 2008 Tata offered \$1.5 billion for JLR and Ford accepted it, due to the new strategic orientation that the company had acquired. At the time JLR was losing \$1.1 billion for

³<http://www.google.com/url?q=http%3A%2F%2Fwww.ukessays.com%2Fessays%2Fmanagement%2Fjaguar-land-rover-and-tata-motors-management-essay.php&sa=D&sntz=1&usg=AFQjCNGK6eix7IUswxII-ohVpZExk97Owg>

the financial year, despite launching the new XF. The losses were also due to the global economic crisis.

5. 2008 Automotive Industry Crisis

Before talking about the acquisition by Tata, it's a good idea to analyze the environment in the years of the acquisition. The automotive industry crisis of 2008–2010 closely related to the global financial downturn. The crisis affected European and Asian automotive manufacturers, but it was primarily felt by American car makers. In fact, they based their business on big cars and SUVs, which were badly suited for the new environment. They had very poor fuel economy and were generally more expensive to maintain than the smaller and more economical Japanese and European cars. With fewer fuel-efficient models to offer to consumers, sales began to slide. The situation for the automotive industry crisis turned critical once the prices of the raw materials hiked because of the credit crunch that same year.

Asian and European car manufacturers had the chance to implement creative means to cope with the automotive industry crisis. These creative methods were used to entice former, as well as unexplored markets to purchase automobiles. Substantial discounts and other promos were used in order to keep the automotive industry alive. North American brands, on the other hand, attempted to follow the footsteps of Asian car manufacturers to invest on smaller and cheaper automobiles, but had bad luck in doing so, and the situation didn't improve for them.

5.1 Asia

There were different reactions to the automotive industry crisis in Asia. The countries which manufacture cars in Asia are: Japan, South Korea, India and China, with Japan being the dominant one. Each country adopted different measures to protect its own industry. The Chinese government for example cut taxes in order to encourage people to buy more cars. India reduced the interest rate through the State Bank to encourage more people to get a car loan. In Japan, most car manufacturers exited racing to funnel their resources to more urgent matters.

South Korea saw a very good period during the crisis for what regards the car industry.

In fact, South Korea was overtaking Japan during the automotive industry crisis, with Kia and Hyundai becoming two successful companies. In particular, their expertise in small and fuel efficient cars was very useful in the current situation. Surprisingly, the automotive industry crisis for Korea also became an opportunity to introduce high end GT cars. Hyundai Genesis and Hyundai Genesis Coupe for instance surpassed Porsche and Ferrari in terms of sales.

5.2 Europe

In Europe the automotive industry was and still is very important. Every major country has at least one car maker, but also here car sales had decreased. The governments, especially in France, Germany and Italy focused on providing financial support to the industry. German Foreign Minister Frank-Walter Steinmeier and Jean-Claude Juncker, Luxembourg's Prime Minister and head of the Eurogroup of single currency nations, discussed the possibility of a common rescue package to be agreed by all the EU member states. In France PSA Peugeot Citroen experienced double digit falls in sales volumes. Renault announced a net profit for 2008 of € 599 million, which represented a 78% drop in profits from the 2007 financial year. European sales fell 4% and worldwide sales 7%, forcing Renault to abandon their 2009 growth targets. This however made Renault one of the few car makers to return a profit. Renault consistently struggled to return profits in the 1990s.

In 2008 Fiat in Italy announced that it would close some production plants temporarily. However, after a few months, reacting to actions by the Italian government to stimulate the automotive sector, Fiat said its plant closures would be curtailed. In 2009 Fiat announced that it had entered into an agreement, subject to regulatory approvals, to acquire 35% of Chrysler. Chrysler would be accorded access to Fiat's sales outlets in Europe, while in reciprocation Fiat will also gain access to Chrysler's dealership network in the US, where it is predicted smaller models such as the Fiat Grande Punto may be successful. However, during the crisis, Fiat too experienced heavy drops in sales.

In the United Kingdom, Jaguar Land Rover was seeking a \$1.5 billion loan from the government to cope with the credit crisis. Nissan UK announced it was to shed 1200 jobs from its Washington, Tyne and Wear factory in North East England due to the crisis. This announcement was made, despite the plant recently being hailed as the most efficient in Europe. UK Van and commercial vehicle manufacturer LDV Group asked the UK government for a £30 million bridging loan to facilitate a management buyout of the group. On the same day this was refused. Eventually, no buyout materialized and LDV was declared defunct on 15 October 2009.

Along with several other countries, the UK government launched a scrappage incentive scheme in order to support the crisis stricken industry. Cars registered prior to 31 July 1999, later extended to 29 February 2000, were eligible to be scrap in exchange for a discount of £2000 on a new car, half of which was provided by the government and the

other half by the dealer. The scheme came to an end on 31 March 2010.

5.3 North America

The crisis in the United States is mainly defined by the government rescue of both General Motors and Chrysler. Ford secured a line of credit in case they require a bridging loan in the near future. Car sales declined in the United States, affecting both US based and foreign car manufacturers. The bridging loans led to greater scrutiny of the U.S. automotive industry in addition to criticism of their product range, product quality, high labor wages, job bank programs. Ultimately, poor management and business practices forced Chrysler and General Motors into bankruptcy.

One problem with American cars, as mentioned earlier, was poor fuel efficiency. The main US car manufacturers received funding for a \$25 billion government loan during October 2008 to help them re-tool their factories to meet new fuel-efficiency standards of at least 6.7 L/100 km by 2020. Automakers could use these loans to equip or establish facilities to produce advanced technology vehicles that would meet certain emissions and fuel economy standards; component suppliers could borrow funds to retool or build facilities to produce parts for such vehicles.

5.4 Tata's Acquisition

It was in this environment of crisis that Tata made a \$2.3 billion offer to Ford to buy Jaguar and Land Rover in 2008. This was an important turning point also because it showed how quickly things change in the modern world: nobody expected an Indian company to become the owner of two of the most important car brands in the world.

Ford sold Tata because of its decision to focus on its core business, which based on their forecasts, would've had to be turned around in two years time. Also, JLR had always been a dog, in the sense that it never provided a profit to the parent company.

5.5 What is Tata?

The Tata group comprises over 100 operating companies in seven business sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The group has operations in more than 80 countries across six continents, and its companies export products and services to 85 countries.

The total revenue of Tata companies, taken together, was \$100.09 billion in 2011-12, with 58 percent of this coming from business outside India. Tata companies employ over 450,000 people worldwide. Every Tata company or enterprise operates independently. Each of these companies has its own board of directors and shareholders, to whom it is answerable. There are 32 publicly listed Tata enterprises and they have a combined market capitalization of about \$89.53 billion, and a shareholder base of 3.8 million.

5.6 Tata's Culture

Tata, for being such a large global conglomerate, has a unique working culture and set of values.¹

Every new employee joining Tata has to sign the Tata Code Of Conduct (TCOC), which has to be strictly followed. In reality, almost every multinational in the world claims it follows certain ethical principles, however few follow the as well as Tata does. TCOC's 25 clauses give workers guidelines on how to behave regardless of issues regarding cases of national interest, financial reporting, competition, government agencies, gifts and donations etc. In short, it provides a roadmap on how business should be conducted.

For Tata, the respect of these rules is very important. In fact, it places officers in every company owned by the conglomerate to ensure that the code is followed. A lot of awareness programs are also run often.

Tata also takes seriously employee well-being. It favors job security rather than high salaries. Usually, not everybody agrees that this system is a good one, however this is how the company has always operated and results so far seem to show that Tata's system works. Furthermore, employees have very good retirement and pension schemes, as well as other benefits such as welfare checks.

Another very important thing for the company is to never lose sight of customer satis-

¹Tata website, Tata Code of Conduct

faction. It's one of the pillars of Tata, and all of its companies have very high levels of customer satisfaction.

5.7 The Rationale Behind the Acquisition

There were numerous reasons why Tata Motors bought Jaguar Land Rover.

In first place, there was a strategic dimension to this move. The acquisition would've been able to launch Tata globally, by giving it better technology and broadening its product range. While Tata was very strong in India, it had problems growing outside because of the very high entry barriers of the automotive market. By acquiring Jaguar and Land Rover, Tata took control of two well-known and established brands, which could give it easy access to international markets.

Tata wanted to also improve its technology since the international market had high technological standards, and the technological know-how of Jaguar as well as Land Rover was on par with them. In addition, Ford was willing to provide technology know-how to Tata on these brands for a period of time. Ford committed to provide Jaguar and Land Rover with vehicle components and access to engineering and technological support, also after the sale.

The acquisition would also expand the company's product line-up, which focused primarily on low end cars. This way Tata could profit from a broader line up of consumers. Furthermore, the acquisition could also be a cost-effective way of gaining competitive advantages such as technology, brand names valued in the target market and logistical and distribution advantages, while simultaneously eliminating a local competitor.

Finally, the acquisition of JLR could enable the company to enhance its financial position in the market. In fact, speculations that Tata was the preferred bidder for Jaguar and Land Rover led to a raise the price of its shares. Recent financial results show that Tata has profited from the acquisition of Jaguar and Land Rover. In fact, JLR posted record sales of \$1.5 billion at the end of the 2012-2013 financial year (the financial year for JLR starts in April and ends in March).

5.8 Gains for Tata

Mergers and acquisitions seek to enhance as well as develop long-term profitability, by expanding the company's operations. In the JLR Tata case, both companies managed to obtain important benefits. On one side, Tata gained access to the global market. This would allow it to diversify its operations also outside of India, and help it get out of the recession it had entered since the economic slowdown.

On the other side, Jaguar managed to obtain important investments that would help it regain its ancient splendor. Tata invested heavily on research and innovation, and gave Jaguar a well-defined image again.

Furthermore, with Jaguar's technology, Tata benefitted of the ability to launch products at lower costs than competitors, also thanks to synergies with other businesses. In addition, Tata would reduce the overdependence on the Indian market which is estimated to have accounted for about 90 percent of its sales.

Also, the acquisition of Jaguar would enable Tata to gain complementary capabilities. The acquisition would broaden the level of diversification of the business portfolio both geographically and product wise. Furthermore, Tata would benefit from the fact that it would enjoy low cost of both design and the engineering. In fact, Tata Motors would move its design centers directly at Jaguars. It would also gain new distribution channels without having to merge TAMO with JLR.

With the deal Tata also acquired three UK plants. Also, centers for advanced design and engineering were now at Tata's disposal. Apart from this, the move made it possible for Tata to gain access to 26 sales companies together with their IP rights. Furthermore, Tata would acquire \$1.1 billion in capital allowances for taxes.

5.9 Major Challenges

Management at Tata and JLR had a number of challenges to address. The main one was probably the economic slowdown in both European and American markets. Another problem was given by the fact that Tata Motors had limited resources. Also, currency risks could potentially affect the acquisition of JLR since it was a cross-border acquisition.

Tata needed a lot of funding to make Jaguar profitable again. Many observers said that Tata's balance sheet could not handle new debt. Also, the economic situation was particularly bad for Jaguar, because in times of economic crisis people invest very little in luxury goods.

Furthermore, it was feared that Jaguar's acquisition would negatively affect Tata since it would've increased the volatility of its earnings. Also, Tata was expected to incur a very large expenditure since it had planned to invest an extra \$1 billion in JLR. Furthermore, Tata was expected to invest huge capital while developing the Nano car. This together with the market conditions that prevailed during the time of acquisition would translate into great losses of profit. From a global standpoint, the sales of cars had dropped 5% compared to the preceding year.

From a general point of view, Tata Motors was facing challenges from the market due to the fact that new products were being introduced. At the same time, competitors could not be underestimated since BMW, Lexus, Infinity and Mercedes were very strong. To worsen things, there were problems regarding brand image and positioning, inherited by Ford, as well as receding sales, which meant that the JLR acquisition would bring more strain to Tata. During times of economic crisis, investments have a tendency to become more volatile and as such they can easily become more costly than anticipated.

Another problem was Tata's inexperience at managing a loss making company, as well as managing a luxury car maker. By keeping the same management at JLR, the turnaround might be easier.

A challenge that a cross border acquisition such as this one usually carries is the one brought by cultural differences. Communication across borders over long distances is another issue of concern, since acquiring JLR did not mean that their operations would be shifted to India. Instead, Tata kept operations quite separate and JLR remained relatively independent.

A point in favor of Tata was its strong management, which was already used at acquiring other companies. It also had expertise in a growing market such the Indian one, and this

could be useful to expand in countries like China. Furthermore, the experience gained in allaying market apprehensions during the acquisition of Corus could come in handy.

5.10 Synergies

One of the main reasons that push companies to merge is the possibility to obtain synergies to reinforce the competitive position. In this case, there was great potential for new synergies. In particular, they would arise with some of the companies held in Tata's portfolio. The companies in question were: Tata Steel, TACO and TCS.

- Tata Steel (part of Corus group, also owned by Tata), is a multinational based in London, which produces steel. It's the second largest European steel producer.
- TACO (Tata AutoComp Systems Limited) is another company owned by Tata, specialized in the provision of products and services in the automotive industry.
- TCS (Tata Consultancy Services) is an Indian multinational information technology services, business solutions and consulting company headquartered in Mumbai.

On its side, Tata would be assisted in improving the quality of its current products in the Indian market by capitalizing on the design capability and experience of JLR. According to Mohandas (2010), the design and aesthetics of the new models will stay in the UK, which is the hallmark of the iconic luxury brands, but such designs would be also provided to other companies of Tata, especially those based in India. Also, by acquiring JLR Tata managed to soften competition in the segment it wanted to enter.

Apart from sharing designs, knowledge and skills as well as reducing competition in the market, the acquisition of JLR also reduced the cost of production thanks to the synergies with other Tata Companies such as Corus.

Apart from these advantages, Tata also managed to lower its operations costs considerably. For example it acquired numerous new technologies saving a lot of money in R&D expenses. Furthermore, the costs of manpower were also reduced, by outsourcing it from India to Britain and vice versa. For instance, off shoring engineering services to India was one ways money was saved. So, did these synergies work? Tata Steel anticipated that the combined entity would save \$450 million in production, procurement, financing, and other synergies over the first three years after the acquisition. In addition, there were enhanced technologies, skills and knowledge transfers from India to Britain and vice versa. In conclusion acquiring JLR will improve Tata's balance sheet in the sense that its revenues will increase owing to the reduced cost of production. Also, expenses regarding engineering and designs services will be lowered and Tata will enjoy lower production

cost. In addition, JLR will give Tata access to the luxury market segment. Although the loans obtained to cater for risks of funding may have negative effects on the Balance sheet, they will be softened by the increased profits.

5.11 Culture at JLR

Defining the culture of a company is never easy. According to a recent survey performed by the company in 2010, workers at Jaguar Land Rover described their environment as being “friendly” and “helpful”. As one would expect, the way of working varies from one department to the other, some jobs are more desk based than others, however the hierarchy structure seems to be very flat. Senior managers are always working on the side of younger ones and are always ready to help with suggestions and advices. Other words used to describe the environment are: “fast paced”, “inspiring”, “hard working”.

For what regards hours of work, interviews suggest that there’s a good balance between work hours and lifestyle. Officially, the company states that it operates using 40 hour weeks, however there may be shift work, so actual time spent on the job may be more than this figure suggests. Also, there seems to be a lot of variance depending on the position and role. Managers and employees are encouraged to be “flexible” in the time they dedicate to work, so probably workloads can be quite high at times. Overall, 80% of employees declare that they are proud of working there.

Workers are rated two times per year. During these evaluations performance is evaluated based on the objectives that were placed earlier, and new goals are placed. These reviews are important for the employees because bonuses and pay raises are decided here, so career wise they are fundamental for the process.

Furthermore, employees have also the opportunity to participate to many social events, especially graduates. Some of them share houses and often organize with each other sport events in order to get involved with each other.

Also charity events are organized. Some of them include:

- Convoy for Heroes, a Land Rover convoy event to raise money for Help for Heroes.
- The Charity Shield, a football tournament to raise money for Comic Relief.
- A dinner dance to raise money for 11 different charities nominated by employees

In order to get feedback on employee satisfaction, JLR yearly runs surveys with all workers in order to understand job satisfaction, training and benefits. The results are then used to devise new policies.

To increase employee satisfaction, a number of methods are used. Some of these are employee magazine “Team Talk”, performance rewards and internet facilities and access. A

particular reward is the long service dinner and gift for employees after 25 and 40 years of continuous service.

From a diversity point of view, 92% of the workforce is represented by men, while only 8% of the workforce isn't of Caucasian origin. In management roles, women represent 12%, ethnic minorities 5%.

The company is actively trying to increase the diversity of its workforce, for example by introducing the women's leadership program developed in collaboration with the Sector Skills Council for Science, Engineering and Manufacturing Technologies. More than 120 women have joined since 2009.

5.11.1 Cross Border Culture

On paper, the merger between Tata and JLR seemed very complicated. JLR came from 20 years of Ford ownership, a company whose culture and values differ deeply from Tata's. People at Jaguar will be very familiar with American business practices, and shifting to Indian ownership will be an interesting challenge for everyone involved in the company. For Tata, understanding Jaguar both from a corporate and national cultural point of view will be fundamental, considering also the huge amount of M&As that fail during the integration phase.

In order to be successful, communication will be very important, and Tata will have to maintain clear and open channels with all layers of the newly acquired company. Information is very important, especially in periods of abrupt change, and having a workforce which receives it in the correct manner can make or break a venture such as this one. Information must not only be between the top managements of the two companies, but must be flowed to everybody involved. Managers must consider that although effective communication is the best way to keep the workforce calm and efficient, changes such as this one take time to digest, and employees will not be able to understand immediately the new objectives and orientation of the organization.

It's important that both of the parties involved understand each other's way of doing business. Cultural factors worth understanding are those regarding levels of formalization, centralization, tolerance of risk, decision making processes etc. Perceptions of time are too worth consideration. While Indians like to take time before discussing business, by meeting as many employees as possible to develop relationships, the British like to get things done more quickly.

Being clear right from the start on company's values, procedures and organization too will be crucial. On Tata's part, they will have to be clear on how they will merge and apply them in the new culture that will develop at JLR.

Another essential element is the one regarding employees and the human element in general. In the end, it's them that have the greatest impact on a merger's outcome. To ensure that everybody is rowing in the same direction, choosing the right leaders is essential to ensure that people feel like they are being taken care of. Failing to understand the importance of the effect of changing cultures on employees can easily lead to failure. Tata seems to be well prepared to face these challenges. As we've previously seen, they focus very greatly on employee well-being. They publicize greatly their equality and fairness, and these attributes can be very useful in this merger.

In order to understand the cultural and communication challenges which a cross-border acquisition of this type may produce I had the opportunity of studying some JLR's internal information and took the initiative to contact and interview a senior director of Jaguar Land Rover Italy in Rome.

6. Interview with Dr. Romano, JLR Italy

While writing this thesis, I had the golden opportunity of being able to interview Dr. Fabio Romano, sales director for Jaguar Land Rover Italy. This was the questionnaire I presented him at our meeting:

- Could you please tell me about the overall business history of JLR (Italy/world) during the last five years?
- What trends do you foresee for JLR's markets in the near future (Italy/world)?
- How would you describe the organizational culture in JLR?
- What impact have had/will have business trends on JLR's organizational culture?
- What impact has had the acquisition of JLR by Tata?
- What challenges had to be faced after the acquisition?
- What cultural aspects have changed mostly after the acquisition by Tata (Values, communication,...)?
- Within JLR/Tata, how are the two cultures interacting? What kind of problems, if any, have emerged during the first period after the acquisition?
- What tools have been used to integrate/take advantage of the two cultures?
- What impact did you experience on your specific role as a consequence of the acquisition?
- In your company, does the culture of different branches vary significantly according to the country?
- Recently JLR has become competitive again in the global market. What are the factors that have allowed this result?

-
- Is there anything that you would have done/would do differently?
 - Could you please give me a description of the communication that JLR Italy exchanges with JLR's HQ and with Tata? (or JLR'S HQ with Tata)
 - What degree of autonomy can the marketing department of JLR Italy enjoy?

He answered in a very colloquial manner and in the following paragraphs I'll expose what he told me.

6.1 Reasons for Jaguar's Success since 2008

Figure 6.1: Jaguar Land Rover Results Under IFRS for the period ended 31 March 2012

Key metrics - IFRS						
(£ millions, unless stated)	Quarter Ended 31 March			Year Ended 31 March		
	2012	2011	Change	2012	2011	Change
Retail volumes ('000 units)	99	67	48%	306	241	27%
Wholesale volumes ('000 units)	98	66	48%	314	244	29%
Revenues	4,144	2,735	1,409	13,512	9,871	3,641
EBITDA	605	375	230	2,027	1,502	525
EBITDA %	14.6%	13.7%	0.9 ppt	15.0%	15.2%	(0.2)ppt
Profit before tax	530	299	231	1,507	1,115	392
Profit after tax	696	261	435	1,481	1,036	445
Free cash flow (1)	342	183	159	958	876	82
Cash	2,430	1,028	1,402	2,430	1,028	1,402
<small>1 cash from operating activities after investing activities</small>						

Jaguar Land Rover Website

After Tata's acquisition, JLR returned to be a profitable company. Data from 2012 released by JLR, shows that in the period between the 1st of April 2011 and 31 of March 2012, profits increased of £445 million.

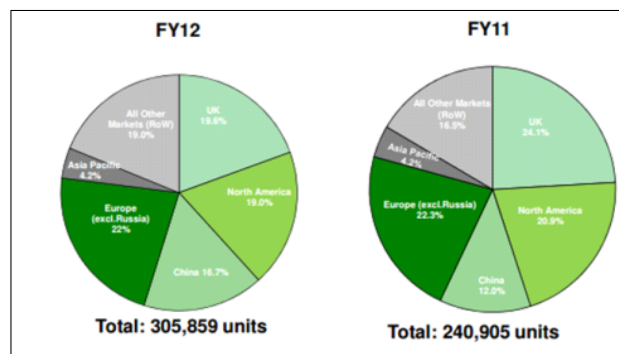
The Telegraph recently published an article that stated that after tax profits for 2013 were of £1.5 billion, another record. A major factor for these results is the growth experienced in China, where sales increased by more than 80%. Jaguar increased sales by 5% worldwide, in most part thanks to the launch of the 2.2L XF. In reality, the increase in profits of the group is more the merit of Land Rover, which increased sales by 33% thanks to their new Evoque SUV.

To keep up with demand, the group is constructing a new engine plant in Wolverhampton. Furthermore, its expanding its existing ones and is building new facilities in China to deal with demand in the local market.

According to Dr. Romano, Tata was successful for a number of reasons. In first place, while Jaguar was just an appendix of a much larger organization under Ford, the new owner decided to bring it back as a central and independent brand. Earlier, Ford ruined

Jaguar's image by trying to "massify" luxury, removing its exclusivity. For example, it took its own parts and put them in Jaguar cars, something that was viewed by traditional owners as unacceptable. This type of behavior may be justifiable in ventures between different car companies, but not with Jaguar.

Figure 6.2: Jaguar Land Rover Results Under IFRS for the period ended 31 March 2012



Jaguar Land Rover Website

Another thing that Tata did correctly was to invest in the right areas. Numerous new engineers were hired, and the objective was to improve the research and development areas. The new focal area of business was now innovation and renovation, not just cost control. Another important thing to consider is the fact that the company was left completely independent. This is a general tendency of Tata when it acquires new companies. Of course, India was a colony of Great Britain just decades ago, and probably strong interferences wouldn't have gotten a lot of approval at JLR. Dr. Romano mentioned that he didn't see anyone from outside Jaguar come and reorganize things. These sort of behaviors, for example with the Japanese, are usually a lot different.

Mr. Tata, the owner and founder of Tata, now retired, has always been interested in how the company was being run, more out of passion than anything, but never imposed his way of doing things. For instance, he was very involved in the development of the new F-Type, by giving his feedback.

He did change top management to some extent. In particular, he brought in a lot of Germans in the top management, who are very prepared in the luxury car market. Also Dott. Romano himself is an example of management change in the company, having been promoted just recently to his current position.

6.2 Culture at Jaguar

From a cultural point of view, Dr. Romano recognizes that the acquisition hasn't brought strong changes. What has made the difference, according to him, are the investments, that have given the identity back to the company. If anything, now as a manager, he feels that he has more liberty than a few years back under Ford.

In particular, he said that Indian cultural influence is completely absent in his experience. If anything, because of the new top management, the culture is more influenced by Anglo-German characteristics.

Dr. Romano felt that the acquisition has brought more flexibility, capability of delegation and autonomy. In general, one can say that Tata has removed a lot of red tape. The difference felt is given by the fact that now he is working for a very ambitious company that wants to pass from producing 250 thousand units to 750 thousand in a few years. After changing some of the management, Tata left everyone to their own job.

I then asked Dr. Romano to describe the culture at the company in general. He identified three concepts that employees are encouraged to follow:

- To think entrepreneurially. Everybody is encouraged to think about the company as their own and act accordingly.
- To pursue excellence. Jaguars cars must be as good as they can possibly be, and for this to be possible employees must apply high standards to everything involved in their work.
- To focus on performance. Energy must be focused on Jaguar Land Rover in such a way that it performs to the maximum as a unit.

Employees must also remember that the company is constantly striving to become the point of reference in the world market. He stressed again that this is the most important change that the new ownership has brought, because of the effect it has had on morale, motivation, and general energy.

At this point, it is interesting to compare this answer with what a British colleague of Dr. Romano, Mr. Bob Joyce, head of the engineering department at JLR UK stated during an interview.

To the question: "Have you seen changes to the engineering department that reflect

changes of company ownership?”, Mr. Joyce answered that ownership doesn’t really impact the way engineering operates. Most engineering operations have to work to a certain formula to deliver the required efficiencies and effectiveness. We do work with Tata Motors where there are areas of synergy on component systems. As for the working with Tata Motors, Bob Joyce also stated that it’s clearly limited because JLR’s existing product portfolios are very different, but who knows where future areas of synergy may be? JLR will obviously work closely with Tata Motors wherever it sees opportunities to exploit synergies. Dr. Romano also mentioned that no instruments in particular were used to merge or change culture. The slight changes have been indirectly brought by the acquisition. From a company structure point of view, the various national offices are closely controlled by the central one. According to Dr. Romano, who has worked for other car companies, control is tighter than average. Marketing strategies are directed from the UK and national subsidiaries don’t have a lot of freedom in changing pricing and marketing logics. They are viewed as “arms” of the central direction. Each office has a lot of contact with the central direction. Performance is evaluated based on weekly, monthly, trimestral, annual and tri-annual basis. Based on the results objectives for the future are set.

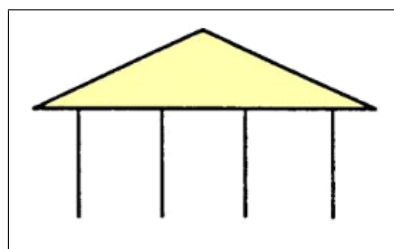
6.3 Merging Cultures

After interviewing Dr. Romano, I had the feeling that Tata left JLR almost completely untouched. However, I also believed that to turn around a company so drastically, something of concrete and effective had been done. In first place, I believe that Tata replaced Ford's old role culture with a new task one. Secondly, Tata gave a new strategic orientation to JLR, which is not a factor to be ignored. [14]¹

6.4 From a Role to Task Culture

When under Ford ownership, at Jaguar there was a role culture in place, like in the rest of the organization.

Figure 6.3: greek temple



<http://kira-peopleandorgs.blogspot.it/2011/01/organisation-culture.html>

Role Culture: This type of culture is often called also bureaucratic, but seen the negative connotation that it has gained, we will stick to the name “role culture”. If we want to, we can compare the structure that accompanies this culture to the one of a Greek temple. Logic and rationality are the engines of this system. We can imagine the pillars as being the research department, the sales department etc. These pillars are very strong and the departments are particularly efficient.

Relationships between different departments are controlled by procedures to communicate and rules to settle disputes. Human coordination is not widely used. In fact, in an organization such as this one, only a small number of senior executives have the responsibility to coordinate the departments. The rationale behind this is that, if everyone does its job correctly within the pillars, than hardly any human intervention is required.

Here, the role and job description of a certain position is more important than the actual

¹Charles Handy, The Age of Unreason, Harvard Business School Press, 1989

person filling it. Since the roles are so well defined and mechanic, a wide number of people could fill them. In fact, employees who perform too well above what described, can possibly disrupt the correct functioning of the organization. The main source of power is the one deriving from one's position. Expert power isn't always well seen, except for certain cases. The bottom line is that the organization functions thanks to the rational organization and allocation of jobs and role. Individual personality is not relevant. This structure and culture are well suited for stable and predictable environments. The roles and procedures of this year will work fine if conditions in the market don't change too much. In monopolies and oligopolies, where an organization can control the external environment quite well, or where there's a long product life, this way of doing things will be successful. Examples of industries where the role culture is used is the civil service one, the oil industry one and the automotive one. However, when a new company enters the market, and its objective is just pure survival, than the structure it adopts might be different. However, when there's an earthquake, Greek temples are very unstable and risk falling. The same can be said for role model culture. In fact, when the environment changes abruptly because of a crisis or shock, this system is badly suited to react. The role is going to remain the same for everybody, even if the conditions call for a change. Many big companies crash because they fail to react quickly enough to changes, and in these cases the end result is top management replacement or a takeover.

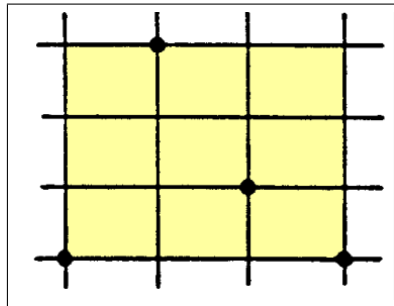
This kind of culture is adapt for the type of person who likes work stability who wants a predictable way to climb the pillar. A worker who does his job to its standard is usually rewarded in this situation. Also, it is possible to gain specialized expertise without incurring in too much risk. However, for a person who wants control over its own work or is more oriented to results rather than method, this sort of system is very frustrating.

An advantage of adopting the role model is that you can increase economies of scale greatly, since you concentrate people who do the same job in the same department. Expertise and specialization will be very high, however flexibility will be very poor, and in times of crisis it's very important.

Task Culture: While a role culture is based on tasks and position, a task culture is job or project oriented. It can be represented as a net. This net has some strands that are stronger than others. In this structure, power and influence lies at the intersections of the net. The structure represented is a matrix structure, and it is one form of task culture.

The purpose of the task culture is to get the job done. To achieve this, it is important to put the right people at the right place with the right resources, and leave them to their job.

Figure 6.4: net



<http://kira-peopleandorgs.blogspot.it/2011/01/organisation-culture.html>

Contrary to a role culture, where power depends on position, here power depends mainly from expertise. In this structure, the team, the result and the objective serve to unite the group. Individual goals are put behind this way, and everybody focuses on getting the job done. Task culture uses the team spirit to overcome problems, to improve efficiency and to help the individual identify with the group objectives.

Groups are at the base of the system. They can be changed, erased and reformed quickly, so that the organization can be flexible and adapt quickly to the changing environment. These groups are very agile in decision making because they have all of the resources needed to function independently. Employees have a lot of power over their work and respect is based more on results and ability rather than age or position.

The task culture therefore functions well when flexibility is needed. For example, in highly competitive environments, or in markets where product life is short, this model is very effective. It is often used in marketing departments, in mergers, in consultancy firms or new venture sections of banks.

A drawback with this model is the fact that economies of scale are practically non-existent. In fact, people change often tasks and function, so they never have the time to deeply specialize on one function. In a factory, for example, this model would be very badly suited, because specialization and expertise are very important in production.

Controlling a task culture may be very challenging. There is a top management that allocates projects and creates groups, however it is not very direct. Since people are trusted when given a job, day to day control is not widely used, however some procedures are used to a small degree. Generally, the organization is successful when there's an agreeable climate, the firm is customer oriented and the product is all-important. When these conditions apply, top management can relax day to day control and focus on strategy, hir-

ing and placing people.

In times when resources are scarce, this system starts to show weaknesses. At this point, methods are used for evaluation as well as results, and money and people have to be rationed. Power starts to become important in order to get the most resources. In general, however, job satisfaction starts to decline and individuals start to chase more after their own goals rather than group ones. When the situation worsens, keeping control over the operations becomes increasingly difficult for the top management, since an unstable system by itself is further un-stabilized by the power fights within.

Overall task culture seems to be very well suited to the modern world, where things happen so quickly. Furthermore, most managers prefer this system over practically any other, since it compensates meritocracy and performance so well. However, it doesn't work in all situations, and if many firms have not adopted it, and yet still manage to be successful, then there must be a good reason for it.

No firm can be classified as having only one type of model such as the role or task one. Usually, the models in organizations are the result of a mix of different ones, but in general, one prevails.

I believe that in Ford the role culture was the prevailing one. Quoting David Kiley: 'Ford Company for a long time had a deeply ingrained hierarchical culture, which resulted in more than required people working in the company. This problem was also present in Jaguar and Land Rover during the acquisition. It had a bureaucratic role culture where influence and power was largely by role and position. Jobs were tightly defined so there were little room for showing own talents and abilities and it had an environment where it was difficult to get approval for changes'.

Also, the frequent discussions and fights that occurred during high level meetings did not regard diverging opinions on how to solve problems, but were caused by executives attacking each other in order to take their position. As a matter of fact, problems were rarely attacked directly, because in role culture following procedure is more important than the outcome. Managers were more concerned with making themselves and their departments look good, in order to advance in the hierarchy. Different sets of data were used to make different points to different constituencies.

Another indication that there was a role model at Ford was the fact that there was very little focus on consumer demand. Even though it was facing declining sales, Ford was continuing to produce the same type of big trucks and SUVs it had always produced. They completely ignored the fact that people wanted newer smaller and cheaper cars.

This slowness to respond is also an indication of the type of culture.

I believe that while Jaguar too had a similar type of culture, the fights for power were less accentuated. Jaguar was treated more as a department of Ford, and probably people in the company managed to remain more united than at Ford. Dr. Romano does not recall a particularly fierce environment, at least at JLR Italy.

Changing culture at JLR went almost unnoticed probably because it was very gradual and professionally done.

One must also consider that Mulally, Ford's new CEO entered in office in 2005, and he started to shift culture to a more team oriented model. For this reason, change was very gradual and took place during 4-5 years at JLR.

Tata, in its turn, didn't change things directly. If anything, it freed Jaguar of a lot of bureaucracy and put in place a more task oriented model. In my opinion, the model at Jaguar right now is a mix of the role and task one, with a tendency towards the second model.

Furthermore, by changing the strategic function of the company and its goals so drastically, Tata affected deeply the way people see their job at Jaguar, and this is an important change. Now, contrary to before, JLR is an independent company with very ambitious objectives. Management wants to increase production from 250.000 cars in 2011 to 750.000 in ten years' time, and for now they are in line with their goals. Just by doing these moves, workers see more purpose in what they do and increase morale and team orientation.

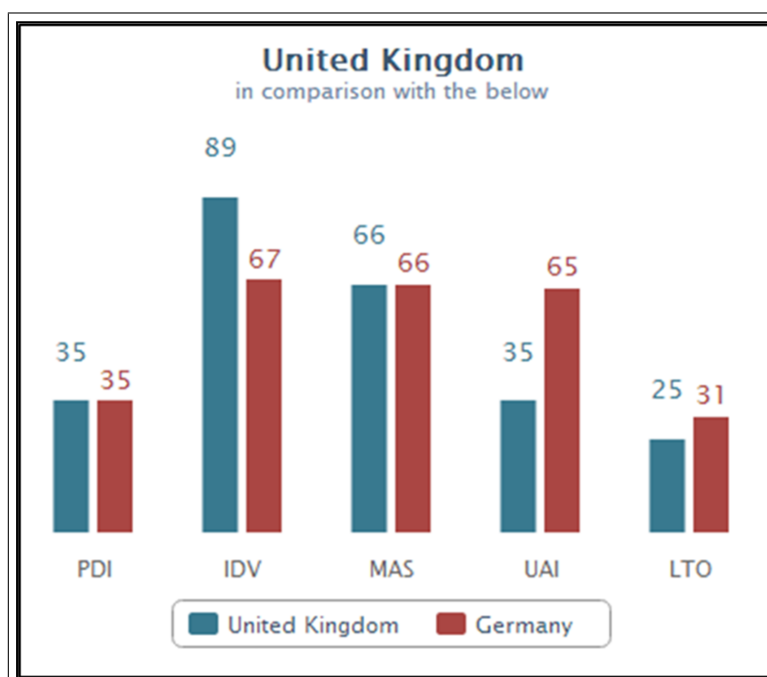
The working atmosphere at JLR Italy seems very calm and friendly. Office doors are left open so people can walk in and out easily and there's a lot of communication. During my 30 minute interview with Dr. Romano, two people walked in to talk to him, including Dr. Santucci, JLR Italy's CEO. Conversation was always colloquial and friendly, and the power distance between the parts seemed to be small. The fact that Dr. Romano mentioned that everyone must see their company as their own, means that the culture is profoundly different from the one in place during Ford ownership, where workers were expected to respect their role.

I've personally had experience working both at Mercedes and JLR as a driver. I can confirm that JLR has a lot less bureaucratic procedures than Mercedes when taking possession of the cars to drive. At Mercedes you have to go through a 30 minute procedure to run background checks, sign a lot of papers and bring copies of documents every time. At Jaguar, once you've been there the first time, you just need to sign a piece of paper and they give you the car keys. There's definitely a deeper culture of trust at JLR.

6.5 Cultural Dimensions and Jaguar

² Dr. Romano, when I asked about cultural integration between the Indian and English models, told me that if anything, I should've compared the English culture with the German one, since management is handled by English and German managers.

Figure 6.5: <http://geert-hofstede.com/united-kingdom.html>



<http://kira-peopleandorgs.blogspot.it/2011/01/organisation-culture.html>

Figure 6.5 compares the two cultures based on Hofstede's dimensions. We can observe that the two cultures are fairly similar. The main difference is in the uncertainty avoidance index.

For the British, having high individualism and low uncertainty avoidance means that there are high levels of creativity and strong needs for innovation. These characteristics are very well suited for what Tata wants from the company, seen the heavy investments in R&D and the desire of growth.

²<http://geert-hofstede.com/united-kingdom.html>

Germans too are fairly individualistic, however they are more risk averse than the British. When working, this means that Germans like to rely heavily on expertise, seen also the low power distance index with their bosses, which makes them more responsible of what they do.

Overall, I believe that the two cultures can integrate very easily, since they're so similar. Germans are generally renown for being easy to work with thanks to their precision, so I don't think that the differences in the uncertainty avoidance index will lead to trouble in the workplace.

The ways of working in these two nations also reflect quite well in what we've seen in Jaguar's current culture. There are strong investments in R&D, power distance seems to be fairly low even though we are in the automotive industry and expertise is very important, since all employees are expected to carry their own responsibilities.

7. Conclusion

Our world isn't the same that it used to be, and we don't know as well what the future is holding for the next generation. However, certain processes appear to repeat themselves, although with different features. The case of Tata Motors and JLR appears to be consistent with such a statement. In fact, the model that I introduced at the very beginning seems to have been repeated also in the practical case I've dealt with in my thesis. Let us consider the points in the model which I introduced, and relate them to each phase in the case.

1. alarm- the possibility of bankruptcy, acquisition- There was a period, under Ford, of deep crisis when the company was kept alive only thanks to the parent's company money injections.
2. new people- new managers are brought in at the top. Top management was replaced in great part, by bringing in the Germans.
3. new structures and processes: the existing way of doing things is broken up and re-arranged to give new people scope and break up old alliances; The culture became more team oriented and lot of red tape was removed. The shift from a role to task culture helped the company survive and thrive after the crisis. Furthermore, it fostered the implementation of the new renovation strategy.
4. new goals and operating standards: the new organization sets itself new aims and objectives.

The company set a new aim of creating cars of a higher standard and quality, giving prestige back to the brand. New ambitious goals were set. For example, management wants to raise production from 250000 in 2011 to 750000 units within 10 years.

As we can see, all of the steps were followed, also in this complex acquisition case, regardless of potential cultural clashes.

More importantly, the changes felt by the employees were very subtle. Did the apparently small changes impact on the direct activities of Jaguar's people? I think they did, seen the

drastic change of the financial performance in the company.

I don't know if Tata made direct intervention in the top management, however I can assume that initial inputs were given by Tata Motors.

In any case the crucial changes at higher levels brought many changes in all of the other levels, both important and smaller ones. The working environment became more friendly thanks to the flattening of the hierarchical chain and new motivation was given by the new way of working, resources and goals. It's likely that these cultural changes happened gradually, and for many people they were almost unnoticed. However, they have undoubtedly contributed to the important results achieved at JLR.

In conclusion, the new culture, aim and strategy brought a company that was on the verge of bankruptcy to current success.

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