Improving Merger Process Management Skills Over Time: A Comparison Between the Acquisition Processes of Jaguar and of Land Rover by Ford

EMANUEL GOMES*
TOM DONNELLY*
DAVID MORRIS*
CLIVE COLLIS*

ABSTRACT

The main purpose of this paper is to investigate what the critical factors underpinning successful merger and acquisition process management are and how organisations can improve their skills on managing these key factors. To do so, this paper examines similarities and differences between Ford's acquisition of Jaguar in 1989 and its acquisition of Land Rover eleven years later. It confirms past results of the literature that learning plays an important role, investigates major aspects of organisational learning, but additionally identifies the crucial factors for merger success. It concludes that, from experience, organisations gain specific execution skills that are essential to the management of merger processes.

Key Words: Merger; Acquisitions; Process; Management; Strategy.

* *Faculty of Business, Environment and Society, Coventry University, UK*

INTRODUCTION

Companies which have consistent strategies of achieving growth by acquisition and are experienced in merger activity are more successful than those who have less experience of external growth, or merely react to a merger. Experience brings execution capabilities that are critical to the merger process (Testa and Morosini, 2001; Meschi and Metais, 2006) and, on the other hand, instead of having to react quickly trying to take advantage of a sudden merger opportunity, companies are able to plan what resources, competencies, products and markets they want to develop in anticipation. Where growth is pursued via a well-worked-out strategy for mergers and acquisitions, it is easier for firms to scan the industry and choose suitable targets. Companies that pursue external growth on an unplanned basis may not have appropriate resources in terms of people and skills available at the critical time, and may be unable to take full advantage of all the potential benefits of scanning opportunities.

In this paper two mergers, separated by a decade, and involving the same acquirer, Ford, are analysed. During this period the auto industry was subject to serious macroeconomic pressures. The major trends of global consolidation and fragmenting consumer demand, fuelled by rising incomes and increasing development costs driven by tighter environmental legislation and increasing competition, provided the backcloth for strategic decision-making. Ford wanted to extend its market to include the growing and potentially profitable luxury car sector. The Ford brand itself was, and is, associated with mass-market vehicles rather than luxury vehicles. Its US-based luxury brands, Lincoln and Mercury, do not sell well outside the United States and were associated with an ageing buying population. The option of creating a new brand (as Toyota did with Lexus) was rejected on the grounds of cost and the time needed to establish a new brand successfully in a highly competitive market (Scheele, 2004). The remaining option was external acquisition of existing luxury brands, Jaguar in 1989 and Land Rover in 2000.

METHODOLOGY

The underlying methodology is that of the case study. Since the focus of this study is to compare how Ford managed the critical merger process in two acquisitions, this methodology seems appropriate because it builds from rich qualitative evidence (Eisenhardt and Graebner, 2007). The primary source of data is a series of interviews with senior managers of the companies involved, for example, Nick Scheele, former Ford World President and CEO (now Sir Nick Scheele), Bob Dover, former Chairman of Jaguar/Land Rover, and John Towers, former Chairman of Rover (see Table 1).

All the interviews were conducted by the authors. Two interviews took the form of pre-arranged telephone conference calls and the remaining ones were face-to-face. All the interviews were semi-structured and a common base interview schedule was used.

Table 1: Record of the Interviews

Sir Nick Scheele – Former Ford World President and CEO
Mr John Towers – Former Rover Chairman
Prof. Bob Dover – Former Jaguar/Land Rover Chairman
Mr Mark Foster – Former BBC Midlands Business and Industrial Correspondent. He is the current Jaguar/Land Rover Director of Communications
Mr Bob Ainsworth – MP for Coventry (Former Jaguar shop steward)
Mr Vincent Hammersley – Former Director of Communications for BMW/Rover
Mr Des Thurlby – Jaguar HR Director
Mr Ken Giles – Former Jaguar's Programme Office Director who covered the concept planning and introduction of all new model programmes at the time of the acquisition
Mr Paul Stokes – Ford Director of Purchasing for the European operations covering Land Rover, Jaguar, Aston Martin, Volvo and Ford of Europe
Mr Rob Lummis – Head of HR at the manufacturing site at Solihull – Land Rover
Mrs Joy Batchelor – Team Leader in the Warwickshire Manufacturing Group
Mr Markus Sinclair – Jaguar/Land Rover HR Policy and Programmes Manager

Interviewees were given a brief summary of the areas to be covered in advance. The interview data were supplemented by analysis of contemporary documentation including industry analysts' reports, newspaper articles and company documents. This also provided a check on the potential bias in interview data.

To follow a comparative case study analysis, we have selected two acquisitions undertaken by the same acquirer over a period of time. Since the aim of this study is to develop theory, not to test it, a theoretical sampling has been chosen. This seems to be adequate, as the cases have been 'selected because they are particularly suitable for illuminating and extending relationships and logic among constructs' (Eisenhardt and Graebner, 2007: 27). The acquired firms chosen were Jaguar and Land Rover because both were of much the same size, both were located in the traditional automotive industry heartland of the UK and both had broadly similar heritages and cultures. Both lacked the scale and resources to develop new models effectively and undertake the renewal of facilities. Thus we are positing that, despite the time gap between 1989 (the year of the Jaguar acquisition) and 2000 (the Land Rover takeover), the two target companies were broadly comparable. In addition the strategic intent of Ford was the same in both cases. Given that many of the environmental variables in the two merger cases are similar, then the passage of time becomes a major consideration in its own right. In particular it is asked whether Ford learned anything about merger processes over the intervening period and how that learning occurred, for example, through learning from errors and/or gaining an increased sensitivity for what the critical issues are. It is also worth noting that Ford made other acquisitions in the 1989–2000 period, notably that of Volvo.

Although the aim of this research is not to evaluate the success or failure of these two acquisitions, but rather how Ford improved its merger process management skills, there are some limitations in terms of merger performance measurement. The main reason is that there was very limited 'hard' performance data available. This was especially due to the fact that the corporate parent, Ford, only publish corporate group accounts. To overcome this obstacle the authors have used the 'goal' model,[1] where managers were asked to what extent the merger could be considered a success or a failure.

The problem with this method is that their assessments might still carry a high level of subjectivity according to what their expectations were and they may have tried to put a more favourable interpretation on the merger performance.

LITERATURE REVIEW

Despite the fact that mergers and acquisitions are two of the main methods of development, most companies fail to realise the gains from them by not having an overall consistent strategy for growth, thus missing the opportunity to learn from a continuous and accumulated experience of merger activity (Kitching, 1967; Jemison and Sitkin, 1986; Krishnan et al., 1997; Inkpen et al., 2000; Testa and Morosini, 2001; Vermeulen and Barkema, 2001; Hayward, 2002; Zollo and Singh, 2004; Meschi and Metais, 2006). Testa and Morosini (2001) claim that a continuous learning approach to merger activity can increase the chances of success because, from experience, companies gain specific execution capabilities that are critical to conducting the merger process (Vermeulen and Barkema, 2001).

Hayward (2002) uses the 'organisational learning theory' as the basis for his empirical research and asserts that managers gain experience in developing standardised routines so as to make mergers, which can be applied in future cases. He analysed a sample of 535 mergers accomplished by 100 US domiciled companies between 1985 and 1995 and concluded that experience is the principal means through which pre- and post-merger skills are gained (Hayward, 2002). The merger process is complex and despite being one of the main means used by companies to grow, their implementation has proved difficult and the rate of failure has been around 50 to 60 per cent (Kitching, 1967; Pritchett et al., 1997; Testa and Morosini, 2001; Schoenberg, 2006). The received wisdom is that companies should carefully appreciate various aspects associated with the premerger stage, which will strongly influence the successful or unsuccessful outcome of the merger. Choosing the right partner, making a thorough evaluation of its real strengths and weaknesses and paying the right price become essential at this stage (Jemison and Sitkin, 1986; Schweiger et al., 1993; Datta and Puia, 1995; Anslimger and Copeland, 1996; Inkpen et al., 2000; Bower, 2001; Hayward, 2002; Graebner and Eisenhardt, 2004).

The post-merger implementation has proved generally to be the most critical phase in the merger process. Most companies fully explore the legal and financial aspects of the merger but often fail to consider thoroughly how the new organisation will be operated and managed after the deal. Organisational, cultural, personnel and process issues need to be carefully designed and executed in a way in which companies can combine their operations and achieve the possible benefits of the merger within the right time (Kitching, 1967; Leighton and Tod, 1969; Pritchett et al., 1997; Morosini, 1998; Inkpen et al., 2000; Bower, 2001; Light et al., 2001; Testa and Morosini, 2001; Zollo and Singh, 2004; Lodorfos and Boateng, 2006; Riad, 2007).

Therefore, it can be asserted that mergers' success or failure mostly depend on the capacity of managers to manage these pre- and post-merger critical success factors in order to be able to take advantage of the synergies that the combination of the two firms offer. Since cross-border mergers are situations where differences in national values, routines and repertoires are obviously more likely to exist than in domestic situations they may be, on the one hand, more difficult to execute, but on the other hand, they may provide a richer knowledge base to break the rigidities of firms involved in the process, through knowledge, skills, routines and people interchange.

CASE ANALYSIS: PRE-MERGER CLIMATE

Unfavourable external macro- and micro-environment factors in the late 1980s combined with internal problems led the way to the sale of Jaguar. It has been argued that Jaguar did not have critical mass, could not fund new products, had basically sapped out all the investment potential that was in the business and that it could not have survived as an independent company (Dover, 2004). Independently of the performance of the company, the then strongly pro-privatisation Conservative government wanted to sell Jaguar at a time when its management was extremely concerned about the future ownership of the company. Simultaneously Ford made clear its intention of acquiring it (*Independent*, 21 April 1989). In the event this takeover proved to be a contested situation. From the very beginning when Ford announced its plans to take control of the company, its advances were perceived by Jaguar's management team as a hostile takeover (*Independent*, 20 September 1989).

Because the potential Ford takeover was perceived as unwelcome, Jaguar's management sought to find ways of preventing the acquisition. They tried to find a 'white knight', a buyer who would make only a partial acquisition and not a full controlling takeover and leave Jaguar's current management team in place. The potential alternatives to Ford were other carmakers such as General Motors (GM), Daimler, Volvo, Fiat, Peugeot and Volkswagen (VW); of these, GM was Jaguar's preferred saviour (*Independent*, 21 April 1989). When GM acquired Lotus, it invested large sums of money into the company and left the management team to continue running the company. However, the resort to both defensive mechanisms, the government's golden share and the search for a 'white knight', failed. In an interview with the authors Nick Scheele, former Ford World President and CEO, who was President of Ford of Mexico at the time of the acquisition, and who then became Jaguar's Chairman and Chief Executive between 1992 and 1999, asserts that 'when the government removed the golden share we decided that because of all the strategic reviews that we'd had previously, we would move to acquire Jaguar. Recognising that Jaguar had talked so extensively with GM, we decided (a) we had to bid for a hundred per cent and (b) we had to make it a close-out bid, which is what we did' (Scheele, 2004).

In contrast, the merger climate surrounding the acquisition of Land Rover by Ford in 2000 took place in a very different manner. Rover was acquired by BMW in 1994. However, six years later, and despite all the investments made by BMW in the Rover business, it was still in red and without any prospect of improvement. In a personal interview Rob Lummis, current Head of HR at the manufacturing site at Solihull, asserts that Land Rover was a company, part of Rover, a group that was losing money and financially struggling (Lummis, 2004). Consequently, in March 2000 BMW announced that it was going to dispose of the Rover group in various ways and BMW announced 48 hours later that Ford Motor Company was going to purchase Land Rover (Lummis, 2004).

The announcement that BMW was selling the company created a climate of general surprise: 'there was some disappointment and surprise from various groups when it was initially announced and then people felt that this could be good for us as a business'

(Lummis, 2004). After the immediate initial shock, employees at Land Rover generally had positive expectations about the prospects of working under Ford's parenthood. The merger atmosphere in which this acquisition took place was one of 'collaboration'. This was because, on the one hand Rover's parent, BMW, was willing to sell the company to Ford and, on the other hand, Land Rover managers had a positive regard for Ford. The fact that Ford had been in the UK since 1911 perhaps gave it a closer appreciation of British national culture than BMW (Lummis, 2004). However, the way Ford had handled the Jaguar acquisition eleven years before, respecting and preserving the 'Britishness' of the Jaguar brand, may also have played an important role. Contrary to the acquisition climate of Jaguar in 1989, when Ford was initially perceived as an invasive predator, a positive merger integration experience with Jaguar created a favourable perception of Ford. Thus the growth strategy and experience that a company has in terms of merger activity will affect the way it is perceived by potential partners and a favourable perception of the acquirer may facilitate the merger process.

The Logic of Acquisition

Mergers are transactions in the market for corporate control and are motivated by a variety of reasons, which may differ between instances. Ford's acquisition of Jaguar represented a continuation in corporate growth strategy, following its earlier purchases of Aston Martin and AC Cars and its unsuccessful attempts to buy Land Rover, Saab and Alfa Romeo (Flint, 1989; Scheele, 2004). The rationale behind these acquisitions was that the luxury car market was the fastest growing auto market segment and buying Jaguar would allow Ford to strengthen its market presence therein, especially as its American brands, Lincoln and Mercury, had proved unsuccessful in penetrating the European market. Scheele (2004) points out that from a study Ford had done in the early-to-mid-1980s they concluded that the profitable growth in the automotive industry would principally come in premium brands because people were moving up-market. Three options were considered: (i) internal development using their existing brands, Lincoln and Mercury, trying to move them globally, (ii) internal development by doing what

Toyota had done with Lexus and create a fresh brand or (iii) external development through the acquisition of an existing premium brand and improving it.

Scheele (2004) argues that the first option was rejected because Lincoln was a brand that would not naturally lend itself to being a global product. He asserts that the second option was also laid aside because it was considered too time consuming and would have cost about $10 billion. The external option was favoured because it offered immediate access to an established and prestigious brand, and the accompanying dealership and market share (Dover, 2004; Giles, 2004; Scheele, 2004). In a personal interview Ken Giles, Jaguar's Programme Office Director who covered the concept planning and introduction of all new model programmes at the time of the acquisition, asserts one of the reasons why Ford favoured this external method of development was because it would be much quicker than having to develop a new brand from the beginning (Giles, 2004). Dover adds that Ford wanted 'to acquire a prestige nameplate without the trouble of creating the brand' (Dover, 2004). Scheele argues that what 'Jaguar offered was (a) it was a known brand, (b) it had an image and (c) it had a distribution system' (Scheele, 2004). He argues that, above all, Ford acquired Jaguar for its brand (Rubython, 1993: 79; Scheele, 2004).

With regards to the acquisition of Land Rover, Lummis (2004) argues that Ford had the opportunity to acquire a company that enabled it to extend its range of premium products because Land Rover was purchased and placed within the Premier Automotive Group (PAG) of Ford. He states that 'the opportunity was there because BMW expressed themselves willing to actually sell Land Rover' (Lummis, 2004). In a personal interview Markus Sinclair, Jaguar/Land Rover's HR Policy and Programmes Manager, strengthens this idea by arguing that Ford had previously sought to buy Land Rover and had been unsuccessful at the time; therefore, when an opportunity did avail itself to get into a segment that had proved to be very profitable, they then sought to take that opportunity (Sinclair, 2004). It can then be argued that Ford acquired Land Rover for similar reasons it had acquired Jaguar: a product development strategy to strengthen its presence in the luxury market and achieve geographical market expansion. It acquired a company with a strong brand and leading products in the European four-wheel-drive sports/utility Land Rover and Range Rover, models that were also sold widely in the Far East and the United States. The acquisition of Land Rover completed the formation of Ford's PAG, with the objective of targeting the upper segments of the car market, especially in Europe. The other companies that were part of this group were Aston Martin, Jaguar and Volvo. In a personal interview Joy Batchelor, Project Leader at the Warwickshire Manufacturing Group, also strengthens this idea by arguing that Land Rover clearly fitted into Ford's premium product strategy, the PAG strategy (Batchelor, 2004).

Evaluation of the Strengths and Weaknesses of the Target

Evaluating the strengths and weaknesses of the targeted company in a merger exercise has generally been acknowledged as a difficult process (Kitching, 1967; Hennart and Reddy, 1997). The fact that these two acquisitions were cross-border mergers would normally have required an additional effort in the process of evaluating and understanding their differences in political, economic, legal and cultural domains, but the fact that Ford had been in the UK since 1911 meant that these were taken as understood.

Time is at a premium during merger evaluation. Kitching (1967) posits that successful companies are distinguished by their ability to weigh the strengths and weaknesses of potential acquisitions quickly. In the case of the Ford/Jaguar acquisition there was not much time for a thorough evaluation.

> Ford literally came in and bought the company within 24 hours. When they purchased Jaguar, what they thought they were getting they did not get. They thought they had a company with a solid future model programme and it just was not there (Giles, 2004).

Batchelor supports this point, arguing that 'the course of events appeared to be not particularly well thought through. Everything happened in quick succession, so whether Ford had sufficient time in the process of due diligence to actually go through everything with a fine toothcomb is possibly open to question' (Batchelor, 2004). In a personal interview Bob Ainsworth, current Member of Parliament for Coventry and former Jaguar shop steward, strengthens this idea, asserting 'I have little doubt that they thought that Jaguar was worth a lot more than it was' (Ainsworth, 2004). Obviously, this lack of experience and capacity in weighing the strengths and weaknesses of the target in a short period of time strongly contributed to a poor evaluation process. This resulted in the overestimation of the Jaguar brand and the underestimation of the investment requirements in terms of new model development, facilities and equipment. Giles asserts that Ford had to make an investment of over £2 billion in new model developments, new factories, new paint shops and new work facilities. He argues that when Ford realised what they had actually bought they discovered that their analysis of the real strengths and weaknesses of the company was singularly incomplete.

In contrast, Lummis (2004) states that Ford were more thorough in their evaluation of Land Rover, even though they had to act quickly and knew that Land Rover was part of a loss-making group and suffered from under-investment and serious quality problems (with the exception of the new Freelander facility). Land Rover was a company that was part of a group which was losing money and struggling financially. Lummis portends that it was a company where the quality of its products was 'not brilliant' and, as a business, the site required high levels of new investment. It had a new paint shop and a new facility built to assemble Freelanders, but it did not really have a proper products cycle plan going forward.

Sinclair (2004) argues that there was a better understanding in terms of the product portfolio than in terms of the facilities and the fabric of the business. To support this assumption he suggests that 'at one stage it was not clear but it appeared to be that they did not know that they were buying' the engineering centre in Gaydon (Sinclair, 2004). One of the reasons explaining this may have been the speed at which everything happened, since BMW put Land Rover for sale. Similarly to what had happen in the acquisition of Jaguar, Ford had to act quickly to take advantage of this unique opportunity.

The need to react quickly to take advantage of sudden available merger opportunities did not allow Ford to benefit from any type of 'courtship period' with the target companies. Although the impact of having a courtship period on merger processes has not yet been extensively researched, some authors argue that when firms recognise a potential suitable partner and have the possibility to experiment in a courtship period before a definitive deal, the merger implementation will be much more successful (Chung et al., 2000). This should be so because a courtship period gives the possibility for partners to know each other better by cooperating on short-term common projects, and make an evaluation, not just based on the usual strategic and financial aspects, but also on the more subtle cultural issues that ultimately tend to manifest during the implementation stage.

Before acquiring Jaguar, Ford had not had any courtship period with the company. This shows that Ford, by not having had a courtship period before deciding to acquire Jaguar, and because of its lack of experience and capacity in weighing the strengths and weaknesses of the target in a short period of time, strongly contributed to a poor evaluation process which resulted in the overestimation of the Jaguar brand, and the underestimation of the investment requirements. Eleven years later, Ford again missed the opportunity of having a courtship period with Land Rover or with its owner at the time, BMW (Lummis, 2004).

POST-MERGER INTEGRATION APPROACHES AND IMPLEMENTATION MANAGEMENT

Mergers are undertaken within different contexts and for different reasons and implementation strategies should reflect the rationale behind the merger. Given Ford's historical approach in terms of providing strong leadership and the need to generate economies of scale in production and exploit the economies of scope of the combined company's knowledge base, it was quick to take an active role in running Jaguar's operations. 'The melding of the two companies started out deliberately. Jaguar men have been to Detroit, and Ford executives are starting to swarm around the Jaguar operations in Britain' (Flint, 1990). On 27 March 1990, after a brief transition period of four months, John Egan was replaced as Jaguar's Chairman by Bill Hayden, a British executive from Ford (*Industry Week*, 1990). According to Giles (2004), the main reason why Bill

Hayden was appointed to run Jaguar immediately after the acquisition was because he was a brilliant manufacturing man. Ainsworth asserts that, 'For the first time in a very long time, we had a chairman who really knew what he was talking about. He knew how a car was built; he lived and breathed car production' (Ainsworth, 2004). Dover suggests that as a result, several of the Ford routines and processes, especially quality measurements, were adopted by Jaguar and Jaguar moved from the bottom of the quality table to the top very quickly (Dover, 2004). In a personal interview Paul Stokes, current Ford Director of Purchasing for the European operations covering Land Rover, Jaguar, Aston Martin, Volvo and Ford of Europe, asserts that another immediate benefit of being part of Ford was the leverage effect in terms of purchasing bargaining power (Stokes, 2001).

At Jaguar, Ford pursued the objective of reducing costs through gains related to purchasing, manufacturing and, especially, marketing in the search for synergies through integrating the relevant departments in both firms (Pritchett et al., 1997). However, total integration was never attempted, as Ford was well aware of the importance of persevering with the 'Britishness' of the Jaguar brand. Perhaps this was also to preserve country of origin effects in overseas markets so that the product would not be confused with its Blue Oval volume models (Ainsworth, 2004).

However, independently of the integration approach adopted, acquisitions always represent a huge step in moving into something new. Testa (2000) argues that change is the usual scenario for organisational activity and, as a result, the need for change becomes an integral part in the culture of the organisations. The existence of an implementation management capable of enacting the critical amount of change is crucial for companies involved in merger activity (Testa, 2000; Testa and Morosini, 2001; Hyde and Patterson, 2002; Jeris et al., 2002). When Jaguar was acquired by Ford there were two groups of people in Jaguar with different perceptions of the acquiring company and different levels of resistance to change: 'old school' Jaguar people, viewing themselves as 'elite', presented some resistance to change, but the acquisition was like a breath of fresh air to those who were fairly new and had yet to become fully integrated into Jaguar's almost hide-bound traditional culture

(Giles, 2004; Stokes, 2004). Within a period of between six and nine months after the acquisition, three of the four plant directors that were there when Hayden started were gone (Stokes, 2004). Though there were also some internal Jaguar promotions, new senior staff were recruited from Ford to strengthen the management team, especially in the areas of quality and financial controls (Giles, 2004). Having transformed and restructured the company in terms of manufacturing, Hayden was replaced by Nick Scheele who, according to Giles (2004), was the ideal leader to take control of the company at that stage. With the foundations of manufacturing in place, especially in terms of industrial relations, Jaguar needed a big push in terms of the marketplace and, according to Giles (2004), Scheele was the right person to take Jaguar to the next stage. He was 'very good in terms of working with the government, working with customers, working with the outside world' (Giles, 2004).

In contrast, the circumstances at Land Rover when it was acquired by Ford were different from those surrounding the Jaguar acquisition. Nine months earlier its then owners, BMW, had made some fairly far-reaching changes in Land Rover's management team. Most of the old directors had been removed and replaced with BMW nominees (Dover, 2004). When BMW sold Land Rover to Ford the BMW appointees left, leaving the company with almost no senior management team. This exceptional situation cleared the way for the introduction of an entirely new team responsible for integrating the company and enacting the necessary changes. Ford assembled a very strong team of Ford insiders from around the globe, and Bob Dover, from Aston Martin, was sent to run the company. To soften the impact of an international influx of new people and demonstrate opportunity, internal staff were promoted into senior management roles, but not at board level (Lummis, 2004).

According to Nahavandi and Malekzadeh (1988), when the acquired management team has a favourable view of the buying company, it may be willing to adopt its culture in a process of assimilation. In turn mergers will be more successful if companies have the ability to appoint an implementation team from both traditions who enjoy complementary functional backgrounds capable of enacting necessary change within the right timescale (Krishnan et al., 1997). Finally, it is essential to build a leadership team capable of implementing change and aligning businesses around common values in situations in which people from different national cultural backgrounds can work together (Testa and Morosini, 2001).

The integration approach adopted by Ford for the Land Rover acquisition differs to that of the acquisition of Jaguar eleven years earlier. With Land Rover they adopted a more hands-on approach while with Jaguar they had adopted a partial integration. Both Land Rover and Jaguar were brands with very strong identities and Ford certainly wanted to preserve their strengths. However, comparing the integration approach followed in both acquisitions, it can be argued that the Land Rover merger was far more hands-on than that of Jaguar:

> When Ford acquired Jaguar, it was very much hands-off – 'you carry on doing your own thing'. When they acquired Volvo, it was sort of fifty/fifty, about 30 per cent engagement and the rest, 'you get on and do your own thing'. When they acquired Land Rover, they adopted a different acquisition model which was full integration as quickly as you can, and I think probably from the point of view of the impact upon people, then the clarity associated with that was appreciated (Sinclair, 2004).

In this case the hands-on approach was not perceived as a negative controlling measure. On the contrary, it was positively perceived as a clear and consistent integration approach. In this regard Lummis (2004) argues that, despite taking a more hands-on approach with Land Rover, the Ford takeover cannot be considered as having been very rough because Ford did not want to damage the brand at all. Sinclair asserts that Ford is one of the most international car companies in the world and, therefore, processes a very rich set of routines, processes and repertories. However, he argues that they have a very balanced approach and people who can actually interpret and deploy its culture in a very sensitive manner.

Eleven years later, and having also acquired Volvo in the meantime, it can, therefore, be argued that Ford seems to have learned from their previous experience by having significantly improved its integration process. This shows the relationship between the integration approaches with the accumulated experience on merger activity. In following this balanced and sensitive approach Ford was able to introduce a rich variety of routines and processes at Land Rover as it embarked on turning it round from loss making to operational profitability (Lummis, 2004; Sinclair, 2004).

Managing Cultural Differences

In cross-border acquisitions the differences between the firms involved need to be properly recognised and handled in order to facilitate the integration process and diminish potential conflict. When conducted properly, acquisitions represent useful means for companies to learn and benefit from each other's differences and complementarities, and to bring about a necessary cultural shift in order to remain competitive by combining different resources, competences, routines and procedures (Vermeulen and Barkema, 2001).

Despite the commonality of language between the American and British companies, the differences in terms of national culture could not be disregarded. Scheele (1998) has argued that the essential ingredient of Jaguar's success was its 'Jaguarness' and that being seen to be British was critical. This played an important role when, contrary to financial logic, Ford decided to produce the X400 model in the UK, at Halewood, instead of producing it in Germany or America (Lewin, 1997; Lane Fox, 1998). This was a clear message that Jaguar/Ford wanted to produce Jaguars in the UK, on the basis that a car might not be perceived as a Jaguar if it was produced elsewhere (Giles, 2004).

Possibly as an attempt to minimise cultural clashes, the two new chairmen sent by Ford to run the two companies after takeover were British. Both were career Ford executives and culturally sympathetic to their new employees, a view strongly espoused by Scheele himself:

> We felt from day one that it had to be somebody that was British because to do otherwise would have been a problem… I mean there is a question: do you have to have a Brit to run Jaguar? I don't think you do but in those initial years it was felt that we had to because of the political furore that had happened when we acquired Jaguar and it was felt that it might be perceived wrongly if we put a non-Brit in there. Today, I don't think that's relevant

> personally but I know that a Brit was wanted and I happened to be in a position to do it (Scheele, 2004).

In a personal interview Mark Foster, the BBC's business and industry correspondent for the Midlands area, asserts that 'they put in people who culturally were sympathetic' (Foster, 2004). Stokes strengthens this idea, asserting that 'Ford brought people that they had confidence in and at the same time being very culturally aware of what they had bought' (Stokes, 2004). This provides evidence that Ford wanted to send British-born executives to run Jaguar as a means to manage cultural differences.

Indeed, there is no evidence of serious national cultural clashes between American and British managers in either company following the respective mergers (Giles, 2004; Stokes, 2004). Ford, though, did in both cases effect corporate cultural change by emphasising the importance of the 'bottom line', focusing on efficiency, costs and quality control to improve profitability, bringing a new perception to running the business and ending Jaguar's alleged culture of running the firm as 'an old English club' that provided cars for an elite market (Ainsworth, 2004; Giles, 2004; Stokes, 2004).

Managing cultural differences is directly related to the type of integration approach employed and the leadership character of the implementation management team sent to run the company. Hayden handled the situation with a very tough approach, by getting rid of all those who wanted to stick with the old way of doing things and enacting all the necessary changes to transform the company. In effect Hayden was quite ruthless, but those who remained to a greater or lesser extent embraced the new culture, which paid dividends in bringing about a change in attitude at Jaguar. Elitism died quickly and the workers showed a commitment to their product whose quality improved incrementally; productivity rose and after nearly a decade Jaguar returned to profit (Giles, 2004).

By the time Ford acquired Land Rover in 2000 it was experienced in terms of managing national and corporate cultural differences. Apart from operating in the UK car industry from 1911, Ford had also previously acquired other British-owned companies such as Aston Martin and Jaguar as well as a majority stake in Mazda of

Japan. The fact that Land Rover had experienced several different owners (British Leyland, Rover and BMW) may also have helped to prevent cultural clashes because it had been forced to operate under different leaders and use a diversity of processes and routines over a short period of time and had become used to change.

What appears to have also contributed positively to the limited level of resistance from the Land Rover workforce was the fact that they had a more favourable view of Ford's American/Anglo-Saxon culture in comparison to the BMW German culture. Indeed, Sinclair points out that it was like 'reverting to some cultural styles that intuitively we were more used to' (Sinclair, 2004). The current human resources director at Jaguar, but previously at Land Rover, claimed that 'they would listen and go away and the view was, all decisions were taken in Munich and there was no empowerment whereas Ford allowed more involvement and participation from Land Rover people' (Thurlby, 2004).

Despite the lack of significant national or corporate conflict, Scheele argues that the real cultural differences were between Jaguar and Land Rover despite being both British Midlands-based and niche premium product companies (Scheele, 2004). Batchelor strengthens this perspective, asserting, 'I only saw the noticeable difference in culture when Jaguar and Land Rover were brought together last year [to operate as one company] and there was definitely a clash' (Batchelor, 2004). Both Towers (2004) and Scheele (2004) commented on these differences. As Scheele expressed it:

> Land Rover is still in manufacturing terms a child of the 70s. I mean to suggest that there is something hugely problematic with not wearing belt buckles, or covering up belt buckles on the line, because it interferes with individual liberty, in today's age, is absolute nonsense. I cannot understand how that can happen. At Jaguar you would never ever see that happening. It is just inconceivable that the workforce would not say 'yes', we have to be globally competitive and that involves working practices, clothes, etc., etc. (Scheele, 2004).

This shows that, despite having established a whole new Ford management team at both Jaguar and Land Rover, and having passed Ford's processes, routines and repertoires on to both firms, managing corporate cultural differences is a sensitive and continuous issue in merger processes even between firms whose plants are less than twenty miles apart.

CONCLUSIONS

Table 2 presents a comparative summary of how Ford managed the key pre- and post-merger success factors in these two acquisitions, providing evidence to support the argument that Ford, as the result of its accumulated experience of merger activity, had significantly improved the management of its merger processes over the period between acquiring Jaguar and acquiring Land Rover.

Table 2 provides support to the argument that firms with greater experience of mergers and a planned growth strategy are more successful than those with less or who merely react to a merger opportunity. In this case it seems that Ford simply reacted to the opportunity to acquire a prestigious brand (Jaguar) with the objective of strengthening its presence in the luxury segment, especially in Europe. In this instance, the emphasis was on speed of acquisition which in turn prevented due diligence being undertaken and so the evaluation of Jaguar's strengths and weaknesses was poor. In contrast, Ford was more thorough in its evaluation of Land Rover.

As argued above, Jaguar preferred GM to Ford because, given its acquisition experience, it were regarded as being more likely to be less intrusive than Ford. However, the way Ford had handled the integration of Jaguar in 1989, respecting and preserving the 'Britishness' of the Jaguar brand, had a positive influence on the acquisition climate of Land Rover in 2000. This time, because Land Rover had a favourable perception of Ford as an acquirer, a collaborative merger climate emerged. It can be concluded that the growth strategy and the experience that a company has in terms of merger activity affects the way an acquirer is perceived by potential targets. Learning takes place on both sides and can influence the reaction of the acquired firm.

This research also indicates that as companies become more experienced in merger activity, they gain more specific execution

Table 2: Comparative Analysis of the Ford/Jaguar, BMW/Rover and Ford/Land Rover Acquisitions

	Ford/Jaguar	**Ford/Land Rover**
Merger Process Pre-merger Phase		
Acquisition Climate	***Contested Situation*** It was perceived as a hostile takeover.	***Collaboration*** It occurred in a collaborative environment.
Reasons for the acquisition	**Economic reasons: Market power** Acquisition of brand name to strengthen its presence in the luxury car market, especially in Europe. Achievement of economies of scale and other synergies.	**Economic reasons: Market power** To strengthen its presence in the luxury car market by adding another valuable brand name to its PAG (Premier Automotive Group).
Choice of strategic partner	**Strategic fit** in terms of development of competences and resources, and complimentary products and markets.	**Strategic fit** in Ford's PAG.
Evaluation of real strengths and weaknesses of the target	No merger 'staff team' – lack of experience in evaluating the target. Very short period of time strongly contributed to a poor evaluation process. **Overestimation** of the strengths (especially the brand compared to BMW and Mercedes) and of the return on investment.	Ford were more thorough in their evaluation of Land Rover than they had been in the acquisition of Jaguar. However, the speed at which Ford had to act to take advantage of that unique opportunity didn't help the evaluation process.

(*Continued*)

Table 2: (*Continued*)

	Ford/Jaguar	Ford/Land Rover
Evaluation of the investment requirements	**Underestimated** the investment requirements in terms of new model development, facilities and equipment (more than $3 billion).	Apart from the Gaydon centre, the paint shop in Solihull and the facility for Range Rover, everything else was in a very bad state and lacking in investment.
Courtship period	**None**. Very quick acquisition, it was almost an instantaneous bid.	**None**. Like the Jaguar acquisition Ford had to act quickly to take advantage of a sudden opportunity.
Future compensation policy	Because of the **huge differences** in terms of compensation policy, Ford tried to keep both organisations' terms and conditions of employment apart to avoid letting it become a divisive issue.	BMW's management grading system was discarded and **Ford's global compensation policies** were fully introduced.
Merger Process Post-merger Phase		
Integration strategies	**Partial integration/'preservation'.**	**Full integration/'assimilation'** (but preserved the brand identity).
Implementation management	**Ford's management** was **sent to run Jaguar** (Bill Hayden first and Nick Scheele later). There was a cull amongst Jaguar staff who resisted change.	Ford sent an **entire new 'international' management team** to run the business from day one.

(*Continued*)

Table 2: (*Continued*)

	Ford/Jaguar	**Ford/Land Rover**
Post-merger communication	**Clear**. To diminish the uncertainty created in terms of Jaguar's autonomy, Ford made clear from the beginning that, although some integration would take place, Jaguar's identity would be preserved.	**Very good cascade communication** from day one. However, some lack of clarity about the integration of Land Rover with Jaguar and the rest of Ford's PAG.
Corporate and national cultural differences	**No major problems**. Despite the similarities between both companies, Ford did not disregard the importance of dealing with the corporate and national cultural differences. Ford preserved the 'Britishness' of Jaguar. The corporate cultural differences were more manifest than the national.	**No major problems.** In 2000 Ford was well experienced in managing cultural differences. Land Rover was also used to having different owners over a short period. Land Rover's culture was closer to Ford than to BMW.
Performance	Despite $3 billion of investments the success of the acquisition is still to be proven after seventeen years.	Not performing according to initial expectations but after six years it is still too soon to come to a conclusion.

Source: Author analysis

capabilities through exchanging routines, procedures, processes and knowledge with their partners. This makes them much more capable of understanding and managing cultural differences when it comes to the integration stage. The integration approach of the acquisition of Land Rover in 2000 seems to have been much better than that adopted for the acquisition of Jaguar in 1989, revealing that Ford had significantly improved its integration process as the result of experience. When it acquired Land Rover it was quicker in introducing global systems and policies and brought in a new management team with vast international experience. Ford seem to have learned that in cross-border mergers it is more beneficial to appoint an implementation management team composed of people with different functional and national cultural backgrounds instead of just sending managers who were born in the country of the acquired firm.

Seventeen years after the acquisition, it is still questionable whether or not the outcome of the Jaguar acquisition can be considered as a successful one. It has certainly been a success for the Jaguar company which otherwise could just not exist anymore, or if it did exist, it would not have grown to its current dimension and would not be as competitive in the executive and luxury segment. However Jaguar's financial performance has been disappointing and its future ownership by Ford is currently under examination. The Land Rover acquisition is more difficult to assess because only six years have passed since its acquisition. The company is thought to be just about breaking even financially and Land Rover is launching new products and working hard to increase productivity and quality, working practices and relationships with other stakeholders. Yet, despite the progress made, Jaguar and Land Rover have sucked in huge investments from Ford over the last few years and have not yet delivered the anticipated financial returns (Thurlby, 2004). Successful merger processes are no guarantee of financial success.

---

1 Child and Faulkner (1998) assert that when the access to 'hard' performance data is limited, the 'goal' model can be alternatively used. It consists in asking managers how far they think the merger has met its objectives.

REFERENCES

Ainsworth, B. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes and T. Donnelly.

Anslimger, P. and Copeland, T. (1996) 'Growth Through Acquisitions: A Fresh Look', *Harvard Business Review*, Vol. 74, No. 1, pp. 126–135.

Batchelor, J. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes and T. Donnelly.

Bower, J. (2001) 'Not All M&A are Alike – and that Matters', *Harvard Business Review*, Vol. 79, No. 3, pp. 92–102.

Chung, S., Singh, H. and Lee, K. (2000) 'Complementarity, Status Similarity and Social Capital as Drivers of Alliance Formation', *Strategic Management Journal*, Vol. 21, No. 1, pp. 1–22.

Datta, D. and Puia, G. (1995) 'Cross-Border Acquisitions: An Examination of the Influence of Relatedness and Cultural Fit on Shareholder Value Creation in US Acquiring Firms', *Management International Review*, Vol. 35, No. 4, pp. 337–359.

Dover, B. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes and T. Donnelly.

Eisenhardt, K. and Graebner, M. (2007) 'Theory Building from Cases: Opportunities and Challenges', *Academy of Management Journal*, Vol. 50, No. 1, pp. 25–32.

Flint, J. (1989) 'The Hole in Ford's Doughnut', *Forbes*, 13 November, pp. 50–51.

Flint, J. (1990) 'Luxury doesn't come Cheap', *Forbes*, 22 January, pp. 72–75.

Foster, M. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes and T. Donnelly.

Giles, K. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes and T. Donnelly.

Graebner, M. and Eisenhardt, K. (2004) 'The Seller's Side of the Story: Acquisition as Courtship and Governance as Syndicate in Entrepreneurial Firms', *Administrative Science Quarterly*, Vol. 49, No. 3, pp. 366–403.

Hayward, M. (2002) 'When do Firms Learn from their Acquisition Experience? Evidence from 1990–1995', *Strategic Management Journal*, Vol. 23, No. 1, pp. 21–39.

Hennart, J. and Reddy, S. (1997) 'The Choice Between Mergers/ Acquisitions and Joint Ventures: The Case of Japanese Investors in the United States', *Strategic Management Journal*, Vol. 18, No. 1, pp. 1–12.

Hyde, A. and Paterson, J. (2002) 'Leadership Development as a Vehicle for Change During Merger', *Journal of Change Management*, Vol. 2, No. 3, pp. 266–71.

Independent (1989) 'Ford Buys Jaguar for £1.6bn', *Independent*, 21 April.

Independent (1989) 'Ford Signals Battle to Control Jaguar', *Independent*, 20 September.

Industry Week (1990) 'Jaguar Boss Makes Way for Ford', *Industry Week*, 27 March.

Inkpen, A., Sundaram, A. and Rockwood, K. (2000) 'Cross-Border Acquisitions of US Technology Assets', *California Management Review*, Vol. 42, No. 3, pp. 50–71.

Jemison, D. and Sitkin, S. (1986) 'The Process Can Be a Problem', *Harvard Business Review*, Vol. 64, No. 6, pp. 107–16.

Jeris, L., Johnson, J. and Anthony, C. (2002) 'HRD Involvement in Merger and Acquisition Decisions and Strategy Development: Four Organisational Portraits', *International Journal of Training and Development*, Vol. 6, No. 1, pp. 2–12.

Kitching, J. (1967) 'Why do Mergers Miscarry?', *Harvard Business Review*, Vol. 45, No. 6, pp. 84–101.

Krishnan, H., Miller, A. and Judge, Q. (1997) 'Diversification and Top Management Team Complementarity: Is Performance Improved by Merging Similar or Dissimilar Teams?', *Strategic Management Journal*, Vol. 18, No. 5, pp. 361–374.

Lane Fox, H. (1998) 'Jaguar Picks Merseyside', *European*, 8 January, pp. 16–17.

Leighton, C. and Tod, R. (1969) 'After the Acquisition: Continuing Challenge', *Harvard Business Review*, Vol. 47, No 2, pp. 90–102.

Lewin, T. (1997) 'The New Jaguar: Made in America?', *European*, 21 August, p. 22.

Light, D., Kid, D., De Monaco, L., Freeland, G. and O'Sullivan, P. (2001) 'Who Goes, Who Stays?', *Harvard Business Review*, Vol. 79, No. 1, pp. 34–43.

Lodorfos, G. and Boateng, A. (2006) 'The Role of Culture in the Merger and Acquisition Process: Evidence from the European Chemical Industry', *Management Decision*, Vol. 44, No. 10, pp. 1405–1421.

Lummis, R. (2004) *The Acquisition of Jaguar by Ford*. Interview by E. Gomes.

Meschi, P. and Metais, E. (2006) 'International Acquisition Performance and Experience: A Resource-based View. Evidence from French Acquisitions in the United States (1988–2004)', *Journal of International Management*, Vol. 12, No. 4, pp. 430–448.

Morosini, P. (1998) *Managing Cultural Differences*, Oxford: Pergamon Press.

Nahavandi, A. and Malekzadeh, A.R. (1988) 'Acculturation in Mergers and Acquisitions', *Academy of Management Review*, Vol. 13, No. 1, pp. 79–80.

Pritchett, P., Robinson, D. and Clarkson, R. (1997) *After the Merger: The Authoritative Guide for Integration Success* (Second Edition), New York: McGraw-Hill.

Riad, S. (2007) 'Of Mergers and Cultures: "What Happened to Shared Values and Joint Assumptions?"', *Journal of Organizational Change Management*, Vol. 20, No. 1, pp. 26–43.

Rubython, T. (1993) 'Nick Scheele's Brave New Adventure', *Business Age*, July, pp. 78–81.

Scheele, N. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes, T. Donnelly and D. Morris.

Schoenberg, R (2006) 'Measuring the Performance of Corporate Acquisitions: An Empirical Comparison of Alternative Metrics', *British Journal of Management*, Vol. 17, No. 4, pp. 361–370.

Schweiger, D., Csiszar, E. and Napier, N. (1993) 'Implementing International Mergers and Acquisitions', *Human Resource Planning*, Vol. 16, No. 1, pp. 53–70.

Sinclair, M. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes.

Stokes, P. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes.

Testa, G. (2000) 'How to Develop Leadership', *efmd Forum*, December, pp. 27–31.

Testa, G. and Morosini, P. (2001) 'How to Win in Execution: The Role of Leadership in CNH Construction Equipment M&A and Alliances', in M. Trick (ed), *Proceedings of the Carnegie Bosch Institute 5th International Conference on Growing the International Firm: Success in Mergers, Acquisitions, Networks and Alliances.* Held October 4–6 2001, Berlin: Carnegie Mellon University Press, No. 1, pp. 191–194.

Thurlby, D. (2004) *The Acquisition of Jaguar by Ford*, Interview by E. Gomes and T. Donnelly.

Towers, J. (2004) *The Acquisition of Rover by BMW*, Interview by E. Gomes and T. Donnelly.

Vermeulen, F. and Barkema, H. (2001) 'Learning through Acquisitions', *Academy of Management Journal*, Vol. 44, No. 3, pp. 457–476.

Zollo, M. and Singh, H. (2004) 'Deliberate Learning in Corporate Acquisitions: Post-Acquisition Strategies and Integration Capability in US Bank Mergers', *Strategic Management Journal*, Vol. 25, No. 13, pp. 1233–56.