

A Study of the Process of Overcoming Source Country Disadvantages through Legalization Strategies

--A Case Study of Cross-Border M&A of Emerging Economy Firms Based on Event System Theory

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Abstract

Based on event system theory, this paper takes the development process of Geely after its acquisition of Volvo for ten years as a case study to investigate how emerging economy enterprises overcome source country disadvantages after their cross-border acquisitions of developed country enterprises. The study finds that the legitimization strategy of emerging economy enterprises based on event system theory overcomes source country disadvantages mechanism, and overcomes institutional source country disadvantages first, and then institutional dimension and product dimension source country disadvantages in parallel. Later on, innovation and technology strength is used as the core competitiveness to achieve the strategic goal of globalization.

Keywords

Cross-Border M&A; Source Country Disadvantage; Legalization Strategy; Globalization; Event System Theory.

1. Introduction

The automobile industry has a history of more than 100 years. The automobile industry of a country is the pillar industry of the national economy of that country and plays an important role in economic and social development. With the development of economic globalization, cross-border mergers and acquisitions have become an important way for enterprises in various countries to achieve technological breakthroughs and economic development, and China's local enterprises are no exception, but the complex process of mergers and acquisitions and even the results of mergers and acquisitions are only the beginning, what is more complex is the integration of patented technology, culture and personnel between enterprises and enterprises after mergers and acquisitions, and countless enterprises have experienced the tragic results of successful mergers and acquisitions but business failures, especially in China as a developing country, China's automotive industry Also lagging behind the developed countries in the West, due to specific source-country disadvantages, such as imperfect market mechanisms, poor employee benefits, product quality and other institutional and product source-country disadvantages, cross-border mergers and acquisitions of developed country enterprises is not a good path, but Chinese independent brand Geely Group acquired the famous Swedish luxury car brand Volvo Cars a few years later, Volvo's value rose tenfold, Geely also from a second-tier Geely also jumped from a second-tier brand to a representative of China's own brand, and its influence and popularity rapidly increased, and its engine technology can be compared with some German models of Volkswagen, breaking the "seventy-seven law", that is, 70% of mergers and acquisitions fail to achieve the expected business value, 70% of the reason is the failure of cultural integration after the merger, and the two companies finally formed a

win-win situation. However, most of the scholars' studies focus on the detailed analysis of the causes and effects of the successful M&A, but the follow-up of the M&A has not been the focus of the study, and the time span of the post-merger tracking is not long enough. -----Event systems theory is used as a basis to study how the integration process of Geely's M&A of Volvo gradually overcame the source country disadvantage through legitimacy strategies.

The theoretical and practical contributions of this paper lie in the following three aspects. First, it summarizes the key events of Geely's business development ten years after the acquisition of Volvo; second, it explores in depth the process of legitimacy strategy overcoming source country disadvantage after the acquisition; third, it applies the event system theory to the study of the process of legitimacy strategy overcoming source country disadvantage, which provides a new analytical method for the study of related theories and also expands the scope of application of event system theory.

2. Literature Review

2.1. Source country disadvantage

Source country disadvantage is a phenomenon in which multinational enterprises from emerging economies face an inherent disadvantage in investing and developing in the host country due to economic, institutional and technological shortcomings when entering developed countries (Ramachandran and Pant 2010), due to negative stereotypes of the host country and region (Wei Jiang 2020).

Source country disadvantage, outsider disadvantage, and source country image are often used together by scholars; the difference between outsider disadvantage and source country disadvantage is that source country disadvantage is a negative stereotype of a particular country by the host country, and outsider disadvantage is a disadvantage for all countries except the host country, and the difference between source country disadvantage and source country image is that source country image is only about consumer stereotypes of product image, brand image, and The difference between source-country disadvantage and source-country image is that source-country image is only about the stereotype of consumers' image of products, brands and countries, and its focus is on products (Johansson, 1989; Wang, Tao et al., 2012), while source-country disadvantage refers to the disadvantages faced by firms from emerging economies in their activities such as investment in host countries, and its focus is on multinational corporations and their overseas subsidiaries or branches.

Source-country disadvantage is a concept that has emerged in recent years, independent of outsider disadvantage and source-country image, specifically representing multinational enterprises in emerging economies. Ramachandran and Pant expanded the connotation of source-country disadvantage and pointed out that source-country disadvantage is a disadvantage based on capability and legitimacy, and then the concept of source-country disadvantage was gradually widely studied and cited. Among domestic scholars' studies, Yang Bo et al. (2020) systematically sorted out the connotation, composition, formation mechanism, overcoming strategy and impact of source-country disadvantage and formed an integrative analysis framework, and studied the formation mechanism and overcoming mechanism of source-country disadvantage based on the perspective of organizational identity, and Wei Jiang et al. (2020) discovered the heterogeneity of source-country disadvantage and its respective corresponding legalization strategies.

2.2. Organizational legitimacy and legalization strategies

Organizational legitimacy refers to the process by which an organization is recognized and accepted by internal and external stakeholders in a given context (Elsbach & Sutton, 1992; Zaheer, 1995; Kostova et al., 2008; Drori & Honig, 2013), i.e., the organization's behavior is appropriate, reasonable, in line with expectations (Suchman, 1995).

Legitimization strategy, on the other hand, is a legitimization strategy choice made by organizations in multinational operations due to the lack of legitimacy of source country disadvantages in the host country, which includes three types of legitimization strategies: legitimacy acquisition type, legitimacy repair type and legitimacy maintenance type.

With the gradual focus on source-country disadvantage, the closely related organizational legitimacy has also been studied by many scholars, for example, Wei Jiang et al. (2017) studied the dynamic evolution of the legitimacy strategy choice of MNCs' overseas subsidiaries in the host country through the case of Wanxiang and explored the mechanism of the role of overcoming source-country disadvantage, while Cheng Cong et al. (2017) studied the multinational through the case of Geely's acquisition of Volvo M&A with an internal and external switching strategy for organizational legitimacy focus; Wei Jiang et al. (2020), on the other hand, explored the heterogeneity of source country disadvantages and the legitimization strategies adopted in contrast to them through a multi-case study approach.

2.3. Event System Theory

Event systems theory is a theory in which events that occur in organizations have attributes of intensity, time, and space and interact with each other to dynamically influence the development of the organization at all levels (Morgeson et al., 2015). The theory expands the scope of quantitative and qualitative research by introducing event systems theory both in case and qualitative research to form a systematic research paradigm through a systematic chain of events, and in quantitative research to quantify events and build a more comprehensive model by measuring each attribute of events (Zhang Mo, 2017).

For example, Yu Fan et al. (2016) used event systems theory to analyze the mechanism of crowding and trampling accidents in urban public places and to conduct risk assessment; Liu Dong and Liu Jun (2017) introduced the principles and main connotations of event systems theory and analyzed its application in management research and practice; Zhang Mo and Ren Shengze (2018) used event systems theory to study the gradual formation of entrepreneurial competencies in events; Li J et al. Zhang Mo and Ren Shengze (2018) used event systems theory to study the gradual formation of entrepreneurial competence in events; and Li J et al. (2019) studied the stigma formation mechanism of high prestige occupations under the framework of event systems theory.

Although the event systems theory is widely applied at present, it has been used in relatively few studies on source country and legitimacy, and the main content of this paper is the process of legitimacy strategy to overcome source country disadvantage, so the use of event systems theory to study is both a new perspective to observe and explore the globalization strategy of emerging economy enterprises facing source country disadvantage after cross-border mergers and acquisitions, and also a small extension of event It is also a small extension of the application of event systems theory in management research and practice.

3. Study design

3.1. Research ieals

Based on the event system theory, this paper takes the ten-year operation process of Geely after its acquisition of Volvo as a case study to explore in depth the process of emerging economy enterprises gradually overcoming source country disadvantage through legitimacy activities, and finally achieving globalization strategic goals and achieving new high performance year after year. The event itself is used to represent the legitimization strategy, and the corporate performance and international evaluation are used to represent the degree of overcoming the source country disadvantage.

3.2. Research Methodology

This paper uses an exploratory longitudinal case study approach, which is applied to event-based, chronological development of event systems theory, to study phenomena that are not yet fully understood. The goal of this paper is to open the black box of the process of legitimacy strategy to overcome source country disadvantage and study how emerging economy firms overcome source country disadvantage by means of mergers and acquisitions of developed country firms, however, most of the current scholarly research focuses on detailed analysis describing the causes and effects of successful mergers and acquisitions, and the follow-up of mergers and acquisitions, although also focused, has not been the focus of research, and the time span of post-merger tracking is not long enough, therefore The author wants to study the time span of ten years after a successful M&A, and the best choice of case study methodology is the exploratory longitudinal research approach.

3.3. Case selection

The case of Chinese Geely Group's acquisition of Volvo Cars from the Swedish Volvo Group is chosen as a "revealing case". The reasons are as follows: firstly, automobile is a globalized industry, and the components needed for the production of automobile come from all over the world, so globalization and internationalization are inevitable for an automobile enterprise to develop well, and in order to develop successfully, it involves solving the problem of disadvantages in the country of origin, so the case chosen for this paper is from the automobile industry; secondly, Geely's acquisition of Volvo Cars is an example of The example of multinational M&A of developed country luxury car brands by developing country enterprises is undoubtedly a subversive success and has gained a lot of attention, from the resistance of Swedish media and staff at the beginning to questioning and then to understanding and even later to impressing and supporting, the process of solving the source country disadvantage, Geely's strategic means is worth studying and is in line with the objective of this paper; finally, Geely at that time as a established more than twenty years ago to focus on the low-end market of private independent car brands, no hard product strength, no high-end R & D team and advanced management concept, dare to acquire a developed country luxury car brand with a hundred-year history and advanced technology level, and achieve the current win-win situation, indicating that China's huge emerging market is very potential and needs to be properly developed and utilized, and the trend of globalization is also It is inevitable that the case of Geely's acquisition of Volvo can also show the role and potential of China's huge market, and through the study of Geely and Volvo's development events, provide some management inspiration for Chinese independent brands in other industries.

3.4. Sources of information and collection process

Drawing on relevant research experience, this study takes the successful acquisition of Volvo by Geely in 2010 as the starting point for observation, because the success of cross-border M&A of developed companies by emerging companies is only the beginning, but the important thing is how to manage the integration and development after the M&A. As a developing country, there are many cases of cross-border M&A of large companies by Chinese companies, but there are few companies that have successfully managed to achieve win-win situation after the M&A. Therefore, this paper focuses on the development process of Geely's successful cross-border M&A of Volvo to date. This study uses multiple sources of data, including historical archives, literature, public media, corporate websites, internal information, on-site observations, and interviews with insiders, etc. To ensure the reliability and validity of the data, the data from multiple sources can constitute a "triangulation" in the study.

The following primary and secondary sources were used for data analysis in this study: (1) primary information obtained through surveys and interviews. Since the author had a six-month internship at Volvo Cars, he conducted semi-structured interviews with several middle

and senior managers who were accessible to him, as well as information obtained from chats with regular employees during their free time; (2) information released by Geely and Volvo's official corporate public website; (3) media news about Geely and Volvo; (4) public speeches by Geely's chairman Li Shufu (5) the published domestic and foreign literature related to the case topic and the case company; (6) the information obtained directly from the company and the information obtained from on-site observation.

The secondary data such as literature, public media materials, corporate websites public numbers and internal information are the main data, supplemented by primary data from on-site observations and interviews with insiders, because the strategic approach in the development process of a company over a decade, etc. is difficult to describe clearly through storytelling interviews, which may also result in one-sided understanding, while today's rich and convenient network resources make a wide variety of scholarly studies, media reports, and company Self-summary is more valuable and accessible, so this paper summarizes and analyzes mainly secondary data, and uses the event system theory research that has a value of use in recent years, both in a new way new perspective to look at the study of popular cases that have been studied frequently, and also as an application of the event system theory that helps expand the new approach.

3.5. Data analysis

The key constructs involved in this case study are event intensity, event time, event space, organizational system design (autonomous integration), system compliance, resource synergy, communication coordination, and reputation reconstruction, so we are now sorting out the meaning and measurement degree of key constructs based on the existing literature and coding the key events according to the key constructs. The following is a description of the key concepts.

Event intensity attributes. Event intensity includes three dimensions: event novelty, event disruptiveness, and event criticality; event novelty refers to the extent to which the event distinguishes itself from past behaviors, characteristics, and practices; event disruptiveness refers to the extent to which the event disrupts the entity's regular activities; and event criticality refers to the extent to which it requires the organization to prioritize the application of resources to address it and the extent to which it impacts the achievement of organizational goals (Zhang, Mo, 2018).

Event time attributes. Event time includes three dimensions: timing, duration and intensity change of event occurrence; timing refers to the degree to which the occurrence of the event satisfies the development of the entity, duration refers to the time from the occurrence to the end of the event, and intensity change refers to the degree of intensity change of the event over time.

Event space properties. The event space is divided into the event origin, the spread range, and the distance between the event and the entity. Event origin refers to the range of levels at which the event occurs, spread refers to the organizational level covered by the event, and event-to-entity distance refers to the geospatial distance between the event occurrence and the entity.

Based on the classification of legitimization strategies in previous studies, this paper concludes that source-country disadvantages are divided into institutional and product-dimensional disadvantages, and in the face of institutional-dimensional source-country disadvantages following the strategic logic of acquiring legitimacy, the category of compliance (institutional compliance, organizational system design for reverse integration, and resource synergy) is chosen as the legitimization strategy, and in the face of product-dimensional source-country disadvantages following the strategic logic of repairing legitimacy, the category of strategic reconstruction (organizational system design for autonomous integration, resource synergy, and reputation reconstruction) is chosen as the legitimization strategy. In the case of high

source-country disadvantage in both product and institutional dimensions, firms tend to adopt a combination of three types of legitimacy acquisition, legitimacy maintenance, and legitimacy repair strategies, with legitimacy maintenance including the legitimization strategy of communication and coordination.

Organizational design (autonomous integration). Organizational design refers to the legitimacy strategy of restructuring and changing the structure of an organization to make the acquired party work better with the acquirer, while autonomous integration is generally used in cross-border acquisitions of developed countries by companies from emerging economies, indicating that the acquired party is highly authorized to give operational independence and the acquirer does not interfere with its daily operations.

Institutional compliance. Institutional compliance refers to the legality strategy of following the laws and practices of the host country when an emerging economy firm acquires a developed country firm without understanding the mature market mechanism, laws and regulations, and ethical norms of the host country.

Resource Synergy. Resource synergy refers to a legitimate strategy in which the acquirer and the acquired party integrate their respective superior resources to achieve a win-win outcome and create greater value for both parties.

Communication Coordination. Communication coordination refers to the legitimacy strategy in the form of mutual visits, exchanges, and cultural transmission by the M&A party to the acquired party in order to eliminate differences and biases.

Reputation reconstruction. Reputation reconstruction refers to the strategy of firms in emerging economies to reconstruct their product image to enhance legitimacy through reputation spillover mechanisms (Wei Jiang, 2020).

Through survey interviews, internal information, on-site observation, literature reading and web search, we obtained first-hand secondary information about the development events after Geely's acquisition of Volvo, from which we compiled a number of key events, sorted them in chronological order, and made a table to label these events, and assessed the event attributes of the events, which were classified into active or passive events based on whether the events were led by organizational entities; based on Research data event intensity (novelty, disruptiveness, and criticality) can be divided into three levels, with "++++" representing strong, "+++" representing medium, and "+" representing weak; event space attributes (inside the organization, outside the organization, and outside the industry) can also be divided into three levels, with "++++" representing outside the industry, "++" representing outside the organization, and "+" representing inside the organization; event time attribute, "++++" represents good timing of occurrence, "++" represents medium timing of occurrence, and "+" represents weak timing of occurrence. Corporate performance or international evaluation, on the other hand, represents the degree of overcoming source country disadvantage, with "+" representing mild source country disadvantage improvement, "++" representing moderate source country disadvantage improvement, and "++++" then represents a high degree of source country disadvantage improvement.

In terms of analysis, this study uses key events as the unit of study, comparing the magnitude of the role of different events, analyzing the links between events, what legitimacy strategy the event used, and how it affected Geely's and Volvo's source country disadvantages.

4. Case Study and Research Findings

4.1. Overview of key events in Geely's M&A of Volvo

Based on the primary and secondary data collected, the author has compiled a series of key events since Geely's acquisition of Volvo, ordered chronologically, labeled and evaluated the event attributes, as shown in Table 1.

Table 1. Summary of key events following Geely's acquisition of Volvo

Time	Event Code	Event Type		Event Description	Event Strength Properties			Event Space Properties	Event Time Properties
		Proactive	Passive		Novelty	Subversive	Criticality		
November 2010	1		√	Establishment of the "Volvo-Geely Dialogue and Cooperation Committee"	+++	+	++	+	+++
November 2011	2	√		Volvo opens factories in Shanghai, Daqing and Chengdu	+	++	++	++	+
2012	3	√		Geely and Volvo sign technology transfer agreement to new energy vehicles	+++	+	++	+	+++
2013	4	√		Geely begins global joint procurement of parts	++	+	++	++	++
September 2013	5	√		Geely and Volvo jointly establish the China-Europe Vehicle Technology Center (CEVT)	+++	+	++	++	+++
2014	6	√		Volvo's new XC90 based on SPA Scalable Modular Architecture makes its world debut	++	+	+	++	+
September 2015	7	√		Volvo Asia Pacific headquarters groundbreaking, new China premiere center officially opened	++	++	+	+	+
2016	8	√		Volvo's new S90L based on SPA Scalable Modular Architecture makes its world debut	++	+	+	++	+
2016	9	√		Geely and Volvo jointly set up a new high-end brand Link Automotive	+++	++	+++	++	+++
2016	10	√		Establishment of CMA mid-range vehicle base module architecture	+++	++	+++	++	+++
2017	11	√		Volvo S90 produced in Daqing plant exported to Europe	++	+	++	++	++
2017	12	√		Link officially launched	++	+	++	++	++
2018	13	√		Volvo Cars' first U.S. plant goes into operation, realizing global industrial system layout	+	++	+	++	++
2019	14	√		Geely Holdings and Baidu, Tencent, Xiaomi, Ali, Jingdong and other joint to open a new era of intelligent mobility	+++	+	++	+++	+++
2019	15	√		Geely Holdings cooperates with China Mobile, China Unicom, China Telecom and other operators for 5g technology layout	+++	+	++	+++	+++
July 2019	16	√		The XC60 produced by Volvo's Chengdu plant arrived in Europe via the "Chang'an" China-European train	++	+	++	++	++
February 2020	17	√		Geely announced that it is exploring a business combination and restructuring with Volvo Cars	+++	+	++	++	+++
May 2020	18	√		Volvo's first domestic xc40 exported to South Africa through the 21st Century Maritime Silk Road	++	+	++	++	++
June 2020	19		√	"2020 Geely Good Car Festival", the total amount of benefits reached 2 billion yuan	++	++	++	++	+++

4.2. The relationship between the event and the development process after Geely's acquisition of Volvo and its impact

Based on the domestic and international media reports and information published on corporate websites from the collection of secondary data, I assessed the source country disadvantage overcoming situation after Geely's acquisition of Volvo until now (2010-2020), as shown in Table 2. It is worth noting that since the degree of source country disadvantage overcoming is measured based on the corporate performance or international evaluation in that year, but it takes some time to ferment and develop after the event. development, so the assessment of the degree of source country disadvantage overcoming may not correspond to the key events that occurred in that year, so it needs to be divided into time periods to analyze the source country disadvantage overcoming.

The author divides them into three parts based on the key events in Table 1 and three phases in time. The first stage is the beginning of the successful merger and acquisition to 2013, Geely is in the investment stage, the goal is to help Volvo back to the top, retrieve and consolidate the European market, and master the emerging economic market in China, while Geely is preparing to develop the overseas market while developing the Chinese market, so in order to gain the trust of the Volvo side, Geely is giving full independence to Volvo from capital investment to organizational management. From Geely's establishment of a communication mechanism for Volvo, in order to fully respect the wishes of Volvo employees, as well as its investment in building Volvo factories, establishing European R&D centers, appointing European high-tech talents as executives, and providing places and resources for Geely and Volvo R&D and production, it can be seen that this phase of source country disadvantage was successfully overcome, laying a solid foundation for the next development.

The second phase is from 2013 to 2018, which is the period when Volvo gradually embarked on the right track and began to produce output, and the cooperation between Geely and Volvo began to gradually move from shallow to deep. "Geely, on the other hand, absorbed Volvo's experience and technology and reorganized and integrated its own brand lineup, combining the three brands of Diao, Global Eagle and Yinglun into one brand. In 2015, Geely launched the Borei, together with Geely Boyue, Geely GS and Geely GL, and announced that Geely had officially entered the "3.0 era of high-quality cars" (China Development Observer, 2019), released the "Smart Engine " new energy power system, the initial realization of the leap to lead the transformation of new energy technology, and and Volvo jointly developed the CMA intermediate vehicle infrastructure, jointly established a high-end new brand Link, research and development of new energy vehicles, expand the market to Asia, Europe, America, the formation of a global industrial layout, become a truly global enterprise, this stage of source country disadvantage to overcome the degree Huge, Geely and Volvo's investment in developed countries has been relatively much easier to develop, and has gained a lot of gains.

The third phase is from 2019 to the present, which is a period of Geely's expansion into new fields. Geely Chairman Li Shufu is leading the "new four" changes with "electrification, intelligence, networking and sharing" as the technological focus, and insists that Therefore, Geely has seized the opportunity of the change of the technological era and joined hands with Internet companies such as Baidu, Tencent, Xiaomi, Ali and Jingdong to open a new era of intelligent mobility, as well as cooperated with China Mobile, China Unicom, China Telecom and Huawei to carry out the layout of 5g technology, so as to realize the large-scale application of driverlessness and ecological construction for the whole auto industry in the future. Volvo Cars is also firmly under the influence of Geely Holdings in the strategic direction of full automation and high intelligence, releasing a new self-driving concept car 360c and announcing that by around 2025, half of the sales models will be pure electric vehicles and 1/3 will be self-driving cars.

Table 2. Assessment of the extent to which source country disadvantages are overcome

	Time	Event Serial Number	Event Description	Company performance or international evaluation	Degree of source country disadvantage overcome
Phase 1	2010	1	Establishment of the "Volvo-Geely Dialogue and Cooperation Committee"	Questioning whether it is possible for Geely to combine two Chinese and Western company cultures with completely different political systems	+
	2011	2	Volvo opens factories in Shanghai, Daqing and Chengdu	Volvo sales in China improve to 47,000 from 31,000 in 2010, with Swedish media reporting a positive moderating turn	++
	2012	3	Geely and Volvo sign technology transfer agreement to new energy vehicles	From doubts about Geely to recognition of Li Shufu's mutually independent management philosophy	++
	2013	4	Geely begins global joint procurement of parts	Swedish media starts to see China as good for Volvo, boosting global sales to new heights	+++
		5	Geely and Volvo jointly establish the China-Europe Vehicle Technology Center (CEVT)		
Phase 2	2014	6	Volvo's new XC90 based on SPA Scalable Modular Architecture makes its world debut	Volvo sales in China boosted to 81,000	++
	2015	7	Volvo Asia Pacific headquarters groundbreaking, new China premiere center officially opened	Volvo sold 500,000 vehicles, the best year for global sales since its inception	++
	2016	8	Volvo's new S90L based on SPA Scalable Modular Architecture makes its world debut	"So far, fears that Geely would destroy Volvo have fizzled out and the quality of the cars has not deteriorated" and "the fact that turnover has increased is impressive and most fascinating is to see the spirit of innovation rekindled with the Chinese in charge"	+++
		9	Geely and Volvo jointly set up a new high-end brand Link Automotive		
		10	Establishment of CMA mid-range vehicle base module architecture		
	2017	11	Volvo S90 produced in Daqing plant exported to Europe	"At the time Ford was a big hit at the beginning of the acquisition, but it ended in a fiasco, and now with Volvo Car Corporation and CEVT creating about 4,500 new jobs, the community has become more auspicious towards Geely and Volvo"	++
		12	Link officially launched		
	2018	13	Volvo Cars' first U.S. plant goes into operation, realizing global industrial system layout	Volvo sales in China improve to 130,000	++
Phase 3	2019	14	Geely Holdings and Baidu, Tencent, Xiaomi, Ali, Jingdong and other joint to open a new era of intelligent mobility	Volvo's sales in China exceeded the 150,000-unit mark for the first time, with all-campus sales exceeding 700,000 for the first time, breaking global sales records for the sixth consecutive year and doubling global revenue to 274.1 billion from 125.5 billion Swedish kronor in 2011	+++
	2019	15	Geely Holdings cooperates with China Mobile, China Unicom, China Telecom and other operators for 5g technology layout		
		16	The XC60 produced by Volvo's Chengdu plant arrived in Europe via the "Chang'an" China-European train		
	2020	17	Geely announced that it is exploring a business combination and restructuring with Volvo Cars	During the epidemic, Geely and Volvo have increased their online marketing efforts, with Volvo leading the passenger car market, and global exports have continued to grow thanks to the development of the Belt and Road and the China-European Railway. Global exports are also increasing	++
		18	Volvo's first domestic xc40 exported to South Africa through the 21st Century Maritime Silk Road		
		19	"2020 Geely Good Car Festival", the total amount of benefits reached 2 billion yuan		

Both parties will list automotive safety, health ecology, new energy, intelligent network connection and autonomous driving as the development areas of their core technology strategies. Therefore, in 2019, despite the global automotive market being affected by factors such as trade frictions between China and the United States and the switching of national V and national VI emission standards, Geely and Volvo are still on an upward trend, with the highest performance ever, and still managing to minimize losses in the post-epidemic era. By resuming production in a step-by-step manner and giving back to customers through concessionary promotions to stimulate economic recovery in the Chinese market, this phase is a critical period to overcome the source country disadvantage and try to get rid of the source country disadvantage through technological innovation.

This shows that Geely was in a passive position when it first acquired Volvo, as their technology, management and culture were too different and their capabilities were not on the same level. Therefore, Geely passively adopted the "Volvo people ruling Volvo" approach by investing in Volvo and letting it manage itself. The new crown epidemic, other strikes, similar to anti-globalization, Sino-US trade friction, financial crisis and other challenges, I believe Geely and Volvo can also cope and solve well.

And from the attributes of event intensity, event time, and event space, events with higher event novelty tend to have higher event attributes, indicating that these events are novel and well-timed at the same time, indicating that it is important for companies to innovate, but also to keep up with the changes and trends of the times so that they can be successful.

Proposition 1: Novelty is crucial in event attributes, and innovation is indispensable for business development

4.3. The relationship between events and legitimacy strategies to overcome the process of source country disadvantage and its impact

The deeper reason for Geely's successful development after the acquisition of Volvo is that Geely overcame the source country disadvantages it had to face in the process of overseas market expansion through its legitimacy strategy, so I labeled and classified the key events that occurred after the acquisition according to the type of legitimacy strategy, and according to the existing literature, the source country disadvantages are heterogeneous and divided into two types of institutional disadvantages and product disadvantages (Wei, Jiang, 2020), also labeled the classification of the source country disadvantages addressed by these 18 key events, as shown in Table 3.

According to Table 2, I found that Geely successfully merged Volvo after the first solution is the system dimension source country disadvantage, and then solved the product dimension source country disadvantage, with the development of time the two sides cooperation has come to fruition, to reach a win-win situation later, Geely use their accumulated capital and technology to explore other areas, follow the trend, keep up with the times to innovate, and finally be able to predict the trend, lead the trend, but also can comfortably deal with the blow of unexpected situations. Therefore, the author analyzes the three stages according to the three stages in Table 1, and Table 2 also according to the three stages in Table 1, taking the event as the standard, the first stage includes event 1 to event 4, the second stage includes event 5 to event 13, and the third stage includes event 14 to event 18.

In the first stage, address the institutional dimension source country disadvantage. The institutional dimension source country disadvantage refers to the stereotype of the host country of the developed country about the lack of institutions (e.g., imperfect market mechanisms, inadequate intellectual property protection, etc.) in the country where the firm from the emerging economy is located. It mainly results in distrust, disobedience and non-cooperation of host country enterprises towards the M&A firms. In the first stage, Geely had just successfully acquired Volvo, and due to the lack of understanding of Geely and the

stereotype of China, the Volvo side resisted at the beginning. This is a legitimacy strategy of autonomous integration, organizational design and communication and coordination, which made Volvo abandon its stereotypes about Geely and buffered the cultural differences, technology and management gap between the two sides. Geely then adopted the legitimacy strategy of helping Volvo to build a factory in China and invest in R&D and production to help Volvo recover from the dilemma, and gradually gained Volvo's trust, signing technology transfer agreements with Volvo and gaining access to Volvo's global supplier network through the legitimacy strategy of communication and institutional compliance, and starting to enter the European market.

Proposition 2: Emerging economy firms entering developed countries through cross-border M&As primarily address the source-country disadvantage of institutional dimension

In the second stage, the product dimension source country disadvantage is addressed. The source country disadvantage of product dimension refers to the stereotype of the host country of developed countries about the technology level and product quality of enterprises from emerging economies. This may lead to the concern that the image of the acquired company will be affected by the "low quality and low quantity" image of the acquired company, as well as the distrust of the technology of the acquired company, which may lead to communication difficulties in the integration process. At this stage, the cooperation between Geely and Volvo was gradually on the right track. Through the first phase of efforts, Volvo's stereotype of Geely's system was reduced and its understanding gradually deepened, but Geely's disadvantage in the product dimension of the country of origin was still very deep. So Geely cooperated with Volvo through a strategy of synergistic legitimacy of resources, learning Volvo's technology and management style, integrating the research and development of its own brands, while Geely also abandoned the practice of "fetishism" and jointly developed a platform architecture with Volvo, building a new CMA base architecture, and on this basis The new high-end brand Link is also the result of the synergy of Geely and Volvo's resources. The brand combines stylish Scandinavian design and Chinese-made quality, as well as Volvo's sharing of some parts systems and manufacturing systems. The cooperation between the two sides in developing the platform is a process of technology accumulation, sharing, digestion and absorption, and is a model of achieving a win-win situation. The management of module development has also developed from the European side being dominant at the beginning to Geely being able to lead some module development as well. In the second phase, Volvo's output is rich, through Geely's investment in Chengdu and Daqing factories to develop the S60, the new XC90, S90, XC40 and other car series, and through China's "One Belt, One Road" strategy, the Chinese factory production of cars exported to Europe, to achieve the "go This not only helps Volvo to stabilize the European market while developing the Chinese market, but also improves Geely's brand image through the legitimacy strategy of reputation reconstruction, and in the eyes of the outside world, Ford failed to save Volvo, but the Chinese company did, and laterally improves China's image as a source country for the auto industry, proving to the outside world that the Chinese market has great potential and that Chinese companies are capable of making a difference. and that Chinese companies are capable of doing so. By the end of 2018, Geely and Volvo have achieved great success, with Volvo global sales doubling from 370,000 units in 2010 to 705,500 units in 2019, and Geely rising from a second-tier car company to the number one independent brand, so this phase has overcome the source-country image of the product dimension with legitimacy strategies such as resource synergy and reputation reconstruction.

Proposition 3: After overcoming part of the institutional dimension source country disadvantage through legalization strategies, the product dimension source country disadvantage is overcome primarily and the institutional dimension source country disadvantage is overcome in parallel

Table 3. Assessment of key event legitimacy strategies and source country disadvantage overcoming types

	Event Serial Number	Event Description	Legitimacy Strategy	Source country disadvantage overcoming type	Degree of source country disadvantage overcome
Phase 1	1	Establishment of the "Volvo-Geely Dialogue and Cooperation Committee"	Organizational system design, system compliance, communication and coordination	Institutional	+
	2	Volvo opens factories in Shanghai, Daqing and Chengdu	Resource Synergy	Institutional	++
	3	Geely and Volvo sign technology transfer agreement to new energy vehicles	Communication and coordination, system compliance, resource synergy	Institutional	++
	4	Geely begins global joint procurement of parts	System compliance, resource synergy	Institutional	+++
	5	Geely and Volvo jointly establish the China-Europe Vehicle Technology Center (CEVT)	Organizational system design, resource synergy	Institutional	
Phase 2	6	Volvo's new XC90 based on SPA Scalable Modular Architecture makes its world debut	Reputation Reconstruction	Institutional	++
	7	Volvo Asia Pacific headquarters groundbreaking, new China premiere center officially opened	Resource Synergy	Institutional	++
	8	Volvo's new S90L based on SPA Scalable Modular Architecture makes its world debut	Reputation Reconstruction	Products	+++
	9	Geely and Volvo jointly set up a new high-end brand Link Automotive	Resource Synergy, Reputation Reconfiguration	Institutional, Products	
	10	Establishment of CMA mid-range vehicle base module architecture	Resource Synergy	Products	
	11	Volvo S90 produced in Daqing plant exported to Europe	Reputation Reconstruction	Products	++
	12	Link officially launched	Resource Synergy, Reputation Reconfiguration	Institutional, Products	
	13	Volvo Cars' first U.S. plant goes into operation, realizing global industrial system layout	Resource Synergy	Institutional	++
Phase 3	14	Geely Holdings and Baidu, Tencent, Xiaomi, Ali, Jingdong and other joint to open a new era of intelligent mobility	Open up innovation and outward cooperation	Products	+++
	15	Geely Holdings cooperates with China Mobile, China Unicom, China Telecom and other operators for 5g technology layout	Open up innovation and outward cooperation	Products	
	16	The XC60 produced by Volvo's Chengdu plant arrived in Europe via the "Chang'an" China-European train	Reputation Reconstruction	Products	
	17	Geely announced that it is exploring a business combination and restructuring with Volvo Cars	Organizational system design, communication and coordination, resource synergy	Institutional, Products	++
	18	Volvo's first domestic xc40 exported to South Africa through the 21st Century Maritime Silk Road	Reputation Reconstruction	Products	
	19	"2020 Geely Good Car Festival", the total amount of benefits reached 2 billion yuan	System Compliance	Institutional	

The third stage, stand firm, joint innovation with other industries, pioneering trend-setting trends. In the first two stages of Geely and Volvo's cooperation has been from shallow to deep, the system and the product dimension of the source country disadvantage has also been well

resolved, to make a breakthrough, the two sides continue to deepen cooperation is one side, but Geely and Volvo's goal is to become an international first-class car companies, and the degree of the time is not enough to make Geely and Volvo continue to leap to the top of the global car companies, so Geely began to seek joint outside the industry. Cross-border and Internet companies Baidu, Tencent, Xiaomi, Ali, Jingdong and other joint to open a new era of intelligent travel, as well as with China Mobile, China Unicom, China Telecom and Huawei and other communications sector companies to carry out 5g technology layout, because with the progress of technology, network development, green environment needs, the car will meet more and more people's needs, only to keep pace with the times, to seize the opportunity of the times of change, in order not to be eliminated by the times. Only by keeping up with the times and seizing the opportunities of the changing times can we not be eliminated by the times. Both sides will list auto safety, health ecology, new energy, intelligent network connection and autonomous driving as the development areas of core technology strategy, concentrate capital and energy on R&D innovation, further improve the source country disadvantage of product dimension, and the innovative image of Chinese car companies will also deepen in the minds of domestic and foreign consumers, overcoming the source country disadvantage from another level. Meanwhile, last year Geely announced that it is exploring business merger and reorganization with Volvo Cars to overcome the dual disadvantages of system and product through a legitimacy strategy of resource synergy and communication coordination, and to prepare for further internationalization and globalization to become a top global enterprise. 2020 On June 1, 2020, with the epidemic causing damage to China's economy, Geely opened "2020 Geely Good Car Festival" to give back to consumers by way of discount promotions totaling 2 billion yuan to stimulate the economic recovery of the Chinese market. In the Chinese market that has experienced the blow of the epidemic, having a leading car company like Geely set an example and respond to the call of the two sessions to improve consumer confidence is not only the image of Chinese car brands It is also a symbol of the strong vitality of the Chinese economy, overcoming the disadvantage of the country of origin on the system dimension and bringing confidence to Chinese cars going international and global.

Proposition 4: After overcoming the disadvantage of system dimension and product dimension, we expand and innovate outside the industry, aim at globalization, and use the strength of science and technology R&D to lead the trend of change.

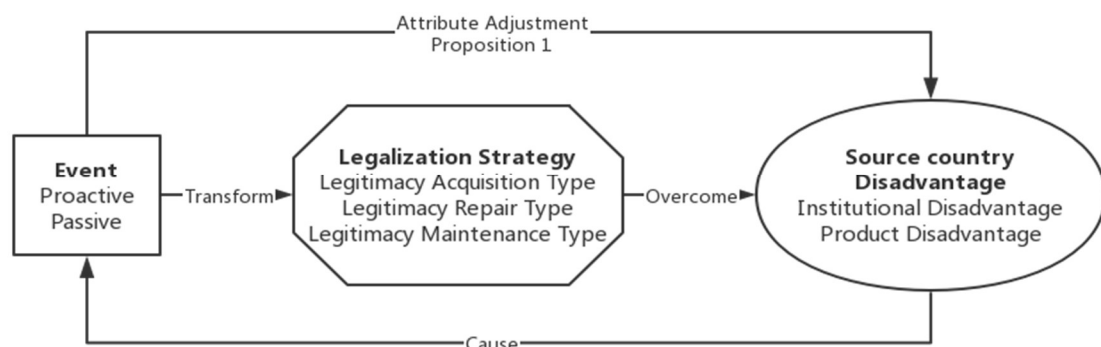


Figure 1. Source country disadvantage overcoming mechanism based on event system theory

5. Conclusion

5.1. Summary and Contribution

This paper adopts an exploratory process case study approach, based on event system theory, to investigate the relationship between events and legitimacy strategies and source country

disadvantages embedded in the development of Geely's acquisition of Volvo in the decade after the acquisition, and to expose the process of event development and the resolution of source country disadvantages in the integration after the acquisition, the main contributions of this paper are as follows.

First, this study summarizes the development process and key events in the ten-year span since Geely's successful acquisition of Volvo to facilitate future research.

Second, based on the previous research on source-country disadvantage overcoming, this paper combines the event system theory to form a new source-country disadvantage overcoming mechanism, and the source-country disadvantage overcoming mechanism based on the event system theory found in the study is shown in Figure 1. Companies first react according to the background situation of source country disadvantage they are in, and generate a series of proactive or reactive events, which are deeply transformed into legitimization strategies to overcome institutional dimension or product dimension source country disadvantage accordingly, and the events themselves also have properties of intensity, time and space, which strengthen the intensity of legitimization strategies to overcome source country disadvantage, such as events with stronger novelty to overcome The effect of source country disadvantage is more significant.

Third, since this case study is a process study, the evolution of legitimization strategies in the process of overcoming source-country disadvantage is shown in Figure 2. After Geely's acquisition of Volvo, the first thing to overcome is the source country disadvantage in the institutional dimension to solve Volvo's distrust of Geely, using legitimization strategies such as communication and coordination, institutional compliance and resource synergy, and then overcoming the source country disadvantage in the product dimension through legitimization strategies such as resource synergy and reputation reconstruction, and finally, after both sides trust each other and cooperation produces win-win situation, they march into new fields and seize the opportunity of change Here I add the legitimacy strategy of pioneering innovation and outward cooperation to overcome the dual source-country disadvantage of system and product dimension, because only by mastering the core technology can we have the right to speak, and Chinese auto companies and even the whole industry should strive to break through the core technology from big to strong, and innovation is the first priority, which is not a certain This is not a matter of the automobile industry, but the whole industry and even the national level.

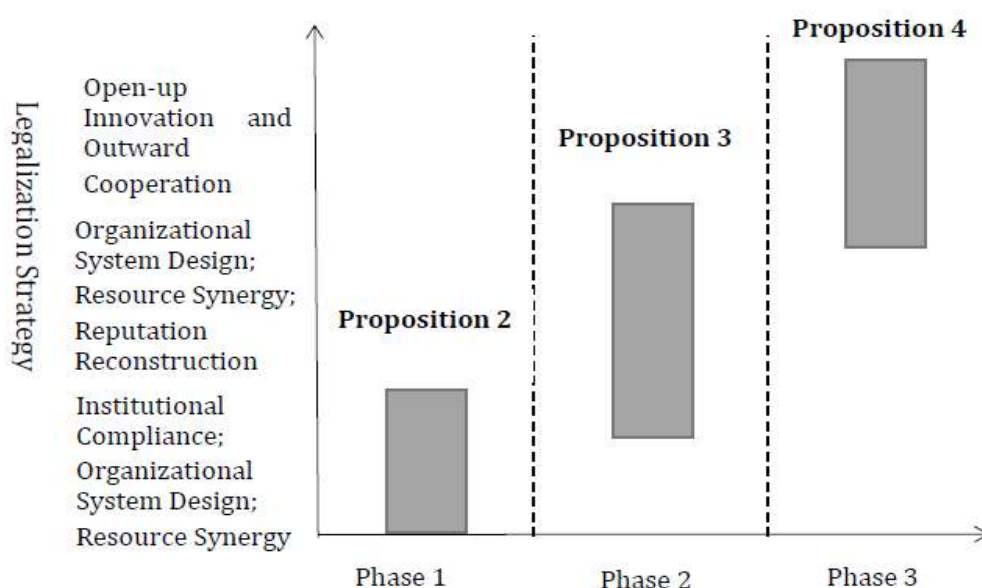


Figure 2. Evolution of a strategy to legitimize the process of overcoming disadvantage in the source country

5.2. Insights and limitations

As a successful case of cross-border M&A between Geely and Volvo, it is also worthwhile to study the development process after M&A for other emerging economy enterprises in the same or different industries, so as to help more emerging economy enterprises break the "7-7 law of M&A" and achieve better development. In the context of the global economy and the Chinese economy as a whole, this decade reflects to a certain extent the transformation of China's economic structure, the going out of Chinese enterprises and the accelerated growth of China's auto industry, but although China's market size has been the world's largest for many years, the situation of China's auto industry being large but not strong has not been fundamentally changed. Under the trend of the new four trends of electrification, networking, intelligence and sharing, we should follow the trend and achieve a win-win situation, and find room for development in the hedging process of two different concepts of "globalization" and "anti-globalization", and always adhere to the concept of globalization. In this way, we will be able to develop better under the adverse environment of the source country and the epidemic.

However, there are certain shortcomings in this paper and there are many areas that can be studied in depth in the future. First, there are limitations in this paper as a single case study representing the cross-border M&A development of emerging economy firms, and more emerging economy firms should be used as case studies in the future, and most of the data in this paper come from secondary data, with primary data coming from Volvo Cars, and more primary data can be researched in Geely Group in the future; second, in terms of research methodology, although this paper uses an exploratory case study approach based on Second, in terms of research methodology, although the exploratory case study approach based on event system theory used in this paper provides a novel perspective to observe the source country's inferiority and legalization strategy, it can also be used again to analyze the data using the rooted theory approach to build a more sound and systematic theoretical framework for the study.

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