

The Enterprise Merger and Acquisition Effect on Firm Value

—A Discussion on Geely's Acquisition of Volvo for Example

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Abstract

With the development of market economy, mergers and acquisitions as an enterprise can accelerate the rational allocation of resources, and optimize the allocation of enterprise. Enterprise resource conservation, which is an important means to realize the enterprise's low-cost expansion in the market, has been more and more used by enterprises. In this paper, through the study of Geely's acquisition of Volvo, we understand the effect of merger and acquisition of enterprises, which is based on the analysis of financial condition before and after Geely Automobile, at great risk to the meaning of low-end brand merging and acquiring high-end car brand.

Keywords

Mergers and Acquisitions, Market Economy, Geely Car, The Enterprise Value

1. Introduction

Since reform and opening up, China's economy has been booming, but after China's entry into the World Trade Organization, the domestic economy opens to the outside. On the one hand, it accelerates China's integration into the economic globalization which has changed the domestic economic isolation, and on the other hand, foreign companies' enter causes the competition of the domestic market. In order to enter into the Chinese market more quickly, foreign enterprises select enterprise merger and it becomes a positive and effective way. But for our enterprise, mergers and acquisitions abroad occupy the domestic market, and at the same time our enterprises can also actively learn from foreign enterprises, management experience and their M & A; they start to go abroad and target broader overseas markets.

Since the development of China's auto industry in the 1950s, they have gotten a good development in nearly

20 years. With the rapid development of China's economy, private cars and business cars are facing the huge market demand, but in the face of the broad market, the domestic auto industry falls into a predicament of lack of market. On the one hand, the domestic automobile industry lacks high-end brands as well as competitiveness in the production of the core technology, and is subject to foreign cars; the competitiveness is not strong. On the other hand, the impact of the international automobile industry and the product awareness is not high, thus limiting the development of domestic automobile on high-end brands.

On March 28, 2010, Beijing time, the Chinese private enterprise independent car maker—Geely group paid \$1.8 billion acquisition and purchased Ford's 100% stake in Volvo Car Company and related assets. At this point, Geely's acquisition of Volvo which lasted more than a year of "transnational marriage" finally settled. Geely group purchased the brand of Volvo, nine big series of products, three new platforms, Volvo's intellectual property rights and R & D personnel as well as the global dealer network and supply system.

In this article, through merger and acquisition of Volvo Geely cars, the high-end to low-end M & A and core technologies and patents, relying on foreign advanced technology industries, and globalization of market channel, we try to come out a new development pattern to explore the way to the overseas mergers and acquisitions in the automobile industry with the help of foreign well-known brands of Volvo brand image trying to launch their own high-end car brand.

2. A Theoretical Overview of Operating Mergers and Acquisitions

(1) The meaning of merger and acquisition

Under the goal of modern economic development, one of the important ways of enterprise restructuring is the use of M&A to implement, at the same time, through the external environment, enterprise mergers and acquisitions are on the way of growth. Enterprise merger and acquisition (M & A) generally refers to the market mechanism, a enterprise to obtain the other party by means of trading enterprise assets ownership or management ownership of property rights transaction activity. Merger and acquisition is the enterprise through merger and acquisition behavior of using their own funds or equity property of the target, obtain the target of the M & A party property [1]. Mergers and acquisitions are divided into narrow and generalized of mergers and acquisitions of mergers and acquisitions, mergers and acquisitions only narrow refers to property right trades between enterprises lose their behavior makes one or more parties have their own property, make acquisitions party to gain control of the economy by acquisition targets; generalized covers the narrow sense of mergers and acquisitions mergers and acquisitions, in mergers and acquisitions mode not only obtained the property rights of the M & A party, also won the economic control of the other.

(2) The motivation of enterprise M & A

In today's world is a changing world, the world increasingly closer connection and communication between, growing social needs constantly stimulate the market competition, enterprises face the increasing pressure and competition, need to make a series of effective strategic decision-making, guarantee its market position. Enterprises in pursuit of the interests and the expansion of the enterprise, needs to make the correct financial decisions, compared with the enterprise internal the slow accumulation of capital, enterprise through merger and acquisition is greatly accelerated the development of enterprise, expand rapidly. Through mergers and acquisitions, make the enterprise can get rid of the technology, time, capital and other elements of limit, realize reasonable allocation of resources, enhance their various advantages, in a relatively short period of time complete the scale effect, far away the gap with competitors [2] [3]. Enterprise development needs far environment, through mergers and acquisitions can be time at the lowest cost to enter new business, across the barriers to limit, reduce the hostility to competitive enterprises, achieved stable development opportunity, and diversify business through M & A.

The world is constantly toward economic globalization, the competition between enterprises is no longer limited to a region, a nation, but in the face of the external world. Mergers and acquisitions can help companies active in the face of the change of the external market environment, through direct investment and equity investment and other ways for enterprises to carry out the future strategic layout, take new markets through acquisitions, new opportunity, receive priority market development, enhance market competitiveness of enterprises.

(3) The type of the enterprise M & A

At present, the enterprise M & A behavior vary, but generally can be divided into the following three categories: mixed mergers and acquisitions, horizontal M & A, vertical and mergers and acquisitions. Appear to today,

the enterprise M & A behavior has not been stopped, sometimes spread out, sometimes focus, performance is not obvious, but since the wave of mergers and acquisitions after five times, attracted the attention of more and more scholars understanding mergers and acquisitions, and therefore put forward different views [4].

Enterprises in the process of M & A is not plain sailing, which contains many uncertain factors, enterprises face various risks. They may exist in the enterprise internal, external may also exist in the enterprise, both before the implementation of merger and acquisition risk, there are in the process of M & A risk and enterprise integration after the merger of enterprises operating risks, understand these risks from what aspects and its impact factors and risk size will help enterprises to strengthen risk prevention measures and consciousness.

(4) The risk of mergers and acquisitions

Enterprises in the process of M & A is accompanied by a variety of risk factors, they are all affect the process of mergers and acquisitions, these risk factors is likely to come from within the enterprise, but more likely is the external environment change caused by the external risks. At the same time, the risk of mergers and acquisitions both before the implementation of mergers and acquisitions, also has the risk of enterprise operation in the process of mergers and acquisitions, understand these risks from what aspects and its impact factors and risk size will help enterprises to strengthen risk prevention measures and consciousness [1] [5].

(a) The decision-making risk before the enterprise's merger and acquisition

The choice of merger and acquisition object is not blind, they are a company based on their own internal and external environmental factors, from the perspective of enterprise development strategy, the earnest analysis, the advantages and disadvantages of their own and the target enterprise to carry on the rational, scientific, rigorous careful evaluation. If the understanding of their own capabilities and merger and acquisition object ability is insufficient, will cause huge losses to enterprises and negative effects. Enterprises need to carry on the omni-directional rational judgment, mergers and acquisitions are based on the purpose of the enterprise actual decisions, whether according to the development strategy of the enterprise, whether there is a clear motivation of mergers and acquisitions, etc., and is not influenced by outside opinion or competitors, nor caused by lack of actual blind behavior.

(b) The risk in the enterprise's merger and acquisition

Real time control of the mergers and acquisitions in the process of mergers and acquisitions need information of an object, in mergers and acquisitions, mergers and acquisitions is most likely to be found the company's actual situation and the master does not meet the condition of the acquisition object deliberately hide bad news, exaggeration and fabricate good news, the profitability of mergers and acquisitions object, sheets, asset quality not understanding, thus make the enterprise fell into the plight of mergers and acquisitions. Companies also need to pay attention to their own financial situation, the process of mergers and acquisitions often need a lot of financial support, financial enterprises should reasonably calculate the funds, guarantee the stability of the flow, the smooth completion of the merger.

(c) The risk after the enterprise's merger and acquisition

Enterprise after the merger and acquisition is not only the size, usually need to accept M & A enterprise personnel, management personnel and management team after the merger can get the same treatment, about mergers and acquisitions of enterprises can be smoothly integrated into the original environment, the need to take reasonable management measures and means of management, integrated management team, to strengthen the resource configuration, coordinate contradictions between the two sides, strengthen the publicity of enterprise culture, strictly control, improve the enterprise management methods, to enhance the values of both parties after the merger.

In the face of rapidly changing market environment, it is possible that enterprise in a calm, after moment could be waves, the acquisition of the expected return on assets will bring in the future, not for enterprise to bring losses, need to enterprise rational judgment, actively take effective measures, efforts will decrease the risk in the end, the final goal smoothly.

3. The Analysis of the Process in Geely's Acquisition of Volvo

(1) The background of Geely's acquisition

In recent years, with unceasingly rise of the reform and open policy and China's per capita consumption level rising, people demand for cars is also showing a growing trend, the current demand in China's growth year after year, driving the development of the car boom, by contrast, China's auto industry is also showing a good devel-

opment trend. In addition, the policy of the auto industry vigorously support, also continue to maintain China's auto industry continues to develop, but is limited by the international environment, the change of the international currency, the Yuan appreciation as well as the domestic comprehensive costs rise, and the automobile industry with independent brands and technology, China's auto development is limited by many environmental factors and their own strength is insufficient, facing the future, the prospects of the development of the auto industry is still a long way to go [6].

Geely automobile belongs to private enterprises in China's automobile group, go straight on low-end brand strategy in the past, set not too good brand image in the industry, in order to realize from the form the idea common people can afford a good car" to create "the safest, most environmental protection, the energy saving good car", Geely will core competitiveness from the cost advantage to reposition for the technical advantages and quality service. Geely's chairman Shufu-Li keen insight into the possibility of merger and acquisition of Volvo, wants to get rid of the image of low-end brand through M & A thoroughly, with the aid of Volvo years precipitation technology system and the "most safety car" brand image, complete the comprehensive strategic transformation of Geely.

(2) An overview of Geely and Volvo

(a) The introduction of Geely automobile

Geely automobile, founded in 1986, officially enters the automobile industry in 1997. It is not only China's earliest development of private enterprises, but also a top ten enterprises of China's auto industry. Their gross asset reached 15 billion Yuan and has staff of 8000 people. It is one of the top enterprises in China. There are four main vehicle manufacturing base, Geely group construction are respectively, Ningbo, Taizhou Luqiao Taizhou Linhai, Shanghai, existing Geely KC, Emgrand, Lofty Sentiments, Vision, King Kong, Pandas and so on six big series cars, was named the first batch of national "innovative enterprise". Geely group by setting up 4S car store and brand dealers and after-sales service and spare parts supply network, makes the Geely group set up marketing service network all over the country.

(b) The introduction of Volvo

Compared with Geely, Volvo was founded in 1927. It is a car companies which have established close to one hundred and has a profound history. It is one of the 20 world famous auto enterprises and is Sweden's pillar industry. Volvo in car manufacturing technology, especially in automotive safety system has been the industry's top level, in the eyes of consumers is safe and reliable, and enjoy high reputation. Its business with the enlargement of the auto industry also gradually to the production and living areas, slowly become the largest enterprises in northern Europe.

(3) The process of Geely's acquisition of Volvo

From January 18, 2008, Geely's chairman Shufu-Li in an auto show and booth, Ford's vice President and chief financial officer, express to buy Volvo will formally, to March 28, 2010, the two sides signed a merger agreement, the deal after 800 days. The specific process is shown in **Table 1**.

Table 1. The process of Geely's acquisition of Volvo.

Time	Events and brief description
November, 2008	Volvo find a buyer, Geely landing
February, 2009	Mr. Li publicly denied that Geely will choose Volvo
June, 2009	Geely official said Geely's purchase, which belongs to the rumors
August, 2009	Geely announced to become the only standard party to bid for Volvo
September, 2009	Issue debt denied for Geely bid
November, 2009	Geely's acquisition of Volvo 100% equity exposure
December, 2009	Geely and Ford make a merger agreement
January, 2010	Geely buy Volvo three platforms, nine products
February, 2010	Geely and China-made Volvo will choose in the Chinese capital
March, 2010	Geely and Ford announced formally signed, \$1.8 billion acquisition of Volvo
July, 2010	Geely's purchase, which successfully passed the European Union antitrust for verification
October, 2010	Geely completed all assets of the acquisition of Volvo

(4) The obtains of Geely's acquisition of Volvo

Through the acquisition, Geely gains a lot, in general, contains the Volvo brand, product, dealer network, intellectual property, plant and staff, etc., as shown in [Table 2](#).

(5) The movements of the share price after the merger

On March 8, 2010 Geely's acquisition of Volvo has officially announced the merger and acquisition of Volvo, Geely automobile's share price fell sharply.

On March 28, after news from the official report of Volvo Geely, by the above clear, Geely automobile stock prices rose at the end of the month, but the range is not big. But after a few months, the stock price fallen, on April 1, the closing price of 4.14 Yuan to below 3 Yuan on May 17, in just a month and a half the stock price fell by 27.5%, this not only reflects the investors for Geely "snake swallow like" model of mergers and acquisitions generally don't look good, look weak merger Geely development prospects, is also worried about Geely money under the pressure, in the process of M&A companies spent a great deal of money may be due to mergers and acquisitions, influence the development of Geely itself. Geely automobile disadvantage after M & A, investors in the deal generally are not optimistic, in which more consideration to the problems of the acquisitions [3] [7].

Look from the various aspects of the investors for Geely's acquisition of Volvo, especially after the world famous company receiving Volvo is still not turn Volvo's financial status, annual losses made investors a deep concern for Geely's acquisition of Volvo, Volvo investors care about is not the purchase price, but rather in Geely have excellent ability to change the Volvo bad financial situation at present, makes this old car enterprise vigor again, this is the biggest risk, the acquisition. However, from the perspective of the stock price of subsequent Geely automobile investors began to agree that Geely's acquisition of Volvo, Geely's stock price began to rebound.

4. Geely's Acquisition of Volvo Performance Analysis

Geely's acquisition of Volvo has happened in the past few years, we can see through the analysis of the financial report of Geely trajectory after merger and acquisition of Volvo.

(1) Volvo sales analysis after the merger

From clear, Volvo before acquired by Geely, has for three consecutive years of losses, that Volvo is in the midst of the landslide, the development of the enterprise are not look good. And after the merger and acquisition, Volvo cars to profit, in car sales and realize the turnover growth, although in 2011 fell, but on the whole, Volvo's success on the road to recovery ([Table 3](#), [Table 4](#)).

(2) The Geely main financial situation before and after M & A

Geely automobile since listing, has maintained a rapid development speed, after the acquisition of Volvo, enterprise has not slowed growth because of mergers and acquisitions, but still maintained a high growth rate, suggesting that Geely automobile, after fulfilling the snake swallow like no indigestion, steady growth performance, performance of Geely automobile has brought a greater development ([Table 5](#), [Table 6](#)).

(3) The Geely company solvency analysis

By on, after the merger, Geely's short-term debt is reducing year by year, the inventory increase, but the total debt paying ability is low.

Table 2. The obtain of Geely's acquisition of Volvo.

Project	Contents
Brand	Volvo car brand
Nine series products	S40, S60, S80, C70, C30, XC90, XC60, V50, V70
Three new platforms	In the production of compact sedan P1 platform; In the production of large and medium-sized P2 platform; The P2 platform upgrade platform P24
Global dealer network	2500 dealers in more than 100 countries around the world
Research and development personnel	Research and development personnel is an important factor to decide whether it is new Volvo
Intellectual property rights	Volvo's patent intellectual property rights
Overseas factories and employees	The existing factory keep Volvo in Sweden and Belgium
To provide support for Ford car	In order to ensure the smooth finish of the stripping process in engineering technology, information technology support, conventional parts, etc.

Table 3. Volvo in 2007-2010 financial data (unit: billion Swedish kronor).

Project	2007	2008	2009	2010
Sales	458,323	374,297	334,808	373,525
Turnover	1216	951	957	1131
Operating profit	-11.17	-94.73	-51.85	23.40

Table 4. Volvo in 2011-2013 financial data (unit: billion Swedish kronor).

Project	2011	2012	2013
Sales	449,255	421,951	427,840
Turnover	1257	1245	1222
Operating profit	16.36	0.66	19.19

Table 5. 2007-2010, Geely automobile major financial data (unit: one million Yuan).

Project	2007	2008	2009	2010
Total assets	3042.033	11510.47	21353.646	23974.34
Total liabilities	388.83	6087.481	13294.1283	15255.92
Turnover	137.2090	4289.0370	14069.2250	20099.3880
Pre-tax profit	319.773	1040.8577	1760.85742	1900.323
After-tax profit (loss)	318.1	982.04197	1498.02009	1549.711
Earnings per share	6.3800	15.0000	17.0800	18.5900
Number of shares issued	5,201,083,450	6,489,755,450	7,310,855,450	7,440,755,450
currency	RMB yuan	HK currency	HK currency	HK currency

Table 6. Geely automobile major financial data in 2011-2014.

Project	2011	2012	2013	2014
Total assets	27596.758	31379.826	33599.308	37280.15
Total liabilities	17446.64	18175.80	17369.63	19813.8
Turnover	20964.9310	24627.9130	28707.5710	21738.3580
Pre-tax profit	2183.208	2529.077	3304.182	1943.305
After-tax profit (loss)	1715.849	2049.786	2680.248	1449.128
Earnings per share	20.720000	27.050000	31.740000	16.250000
Number of shares issued	7,457,460,450	8,258,948,934	8,801,446,540	8,801,446,540
currency	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan

Can be seen from the above table, begin from 2010 to 2010, the enterprise indebted amount is lower than the increase of the total assets, which makes Geely asset-liability ratio dropped year by year, Geely company's operating results better year by year ([Table 7](#), [Table 8](#)).

(4) Geely company profitability analysis

Can be seen from the above table, Geely income increasing each year, total profit and net profit is growing every year. Among them, the sales profit margins have declined from 2008 to 2008, but in 2012 and picked up a little bit, operating profit margin has been declined ([Table 9](#)).

Table 7. Geely automobile short-term solvency analysis.

The year	2010	2011	2012	2013	2014
Current ratio	1.33	1.13	1.19	1.29	1.42
Quick ratio	1.25	1.04	1.08	1.19	1.32

Table 8. Geely automobile long-term solvency analysis.

Project	2010	2011	2012	2013	2014
Total liabilities	15255.92	17446.64	18175.80	17369.63	19813.8
The total assets	23974.34	27596.76	31379.83	33599.31	37280.15
Asset-liability ratio	0.635	0.632	0.579	0.517	0.531

Table 9. Sales margin analysis.

Project	2008	2009	2010	2011	2012
Operating income	4863.460	15978.419	20099.388	20964.93	24627.913
Operating cost	2822.603	14217.561	18199.065	18781.72	22098.836
Operating profit	1040.858	1760.857	1900.323	2183.208	2529.077
Operating profit	982.0427	1498.0201	1549.711	1715.849	2049.786
Net profit	879.0530	1182.7400	1368.4370	1543.437	2039.9690
Sales gross profit margin	0.201922	0.093753	0.077102	0.081844	0.08323
Operating profit margin	0.214016	0.110202	0.094546	0.104136	0.102691

Can clearly see from the graph, the operating cost profit margins in 2009 to 2012, has been in a fluctuation condition, operating expenses margins than their smaller fluctuation margin, all expenditure total profit margins and all expenditures net basically remain unchanged, in 2010, in addition to all expenditure total profits rise, had fallen to the rest of the project, explain enterprise profit growth than the cost of enterprise cost, but after 2011, in addition to all expenditure gross profit decreases, the rest of the project has rise, indicates that the development of the enterprise are slowly moving in the right direction (**Table 10**).

(5) Geely operating capacity analysis

By comparison, Geely automobile operating capacity is relatively stable, the liquidity and profitability of assets is relatively stable, Geely automobile financial situation stable and reliable, not only meet the needs of the daily cash, there are enough can independently to repay short-term debt (**Table 11**).

5. The Beneficial Effects of Geely's Acquisition of Volvo and Challenges

(1) To bring the beneficial effects of Geely

(a) Geely has obtained the core technology

Technically, Geely acquired 100% stake in Volvo and related intellectual property rights, merger and acquisition of Volvo has belongs to own car manufacturing technical reserves, talent reserves and automobile research and development laboratory, for the Geely auto manufacturing technology to fill the gaps in many, Geely automobile manufacturing capability is greatly enhanced, the high-end automobile, Geely automobile manufacturing technology advantage, fill the Geely's own car core technology and patent and other intellectual blank, help Geely to accelerate the car road high-end brand development strategy, to high-end automotive industry, set up their own high-end brand automobile industry image. Won global distribution channels and Geely's acquisition of Volvo, get rid of the foreign auto industry of China's automobile industry technology to clamp down and barriers obstacles, laid the groundwork for the development of China's automobile industry [8].

(b) Geely get high-end car brand

Table 10. Cost profit analysis.

Project	2009	2010	2011	2012
Operating cost margins	0.200619	0.099678	0.242737	0.114444
Operating expenses margins	0.134489	0.116019	0.127339	0.126019
All expenditure gross margins	0.215193	0.221871	0.216469	0.220435
All expenditures net profit margin	0.087626	0.071453	0.077853	0.08602

Table 11. Working ability analysis.

The project	2012	2013	average
Inventory turnover ratio	12.6229	12.7224	12.67265
Current assets turnover ratio	1.3363	1.3636	1.34995
Total assets turnover ratio	0.8352	0.8836	0.8594

Geely choose acquisition of Volvo, the purpose lies in the Volvo brand. Mergers and acquisition Volvo, Geely acquired Volvo nine series of products, including C70, C30, Y70, S40 and V50, S60, S80, XC90, XC60, almost all of this is Volvo brand models. At the same time, also won the Volvo's latest platforms (P1, P2, P24). In addition, the Volvo brand core value is environmental protection and safety, Volvo in 2006 compiled by the world brand laboratory, ranked 232 in the world brand 500 strong, therefore, in the heart of the world's consumers have high security brand faith, this is good for Geely to adapt to the world in pursuit of environmental protection, the pursuit of the development of green concept, more conducive to Geely create own brand road.

(c) Help Geely to build own brand

Geely choose acquisition of Volvo's aim is took a fancy to the Volvo brand and core technology advantage, before the choose acquisition Volvo, Geely enterprise go straight is the development of low-end brand sales. Due to China's automobile industry started relatively late, in car production technology lags far behind the European and American countries, especially in the automotive industry abroad blockade of the core technology, under the condition of China's auto industry has been in a passive position in the market, the lack of brand awareness and technology, in the face of the impact of foreign automobile industry, has been unable to obtain the effective development. Under the huge market demand in China automobile industry, Geely has the local geographical advantage, in the high-end brand Volvo, through independent innovation research and development of new technology, realize technological leapfrogging, solve the problem of China automobile lack independent core technology, help Geely preemption of domestic high-end car market opportunities, through the development of the domestic automobile market demand to expand enterprise road, step out the first step of China's high-end automotive industry [9].

(2) The challenges faced by Geely

(a) The operation and management

As is known to all, Geely before merger and acquisition is a low-end car production, a small private enterprises, the acquisition of Volvo car belongs to a Swedish luxury car brand, is famous in the world. Geely to low-end brand luxury car brand mergers and acquisitions, may reduce the Volvo brand appeal. Geely's lack of production of luxury car brand management, sales experience, in the face of the transition of the market from domestic to global luxury car brand, need to Geely management thinking into globalization.

After M & A, choose to retain Volvo's headquarters in Sweden, Volvo Geely how will add with the world market, the marketing team and development team, smoothly into the Geely on the road of development, planning the perfect plan prompted enterprises on both sides, reasonable layout in the global market, continue to ensure that the Volvo brand position and market position to make reasonable enterprise development strategy.

In the acquisition, Geely has spent a lot of money, among them, the vast majority of cash, has brought the huge impact to production of Geely, corporate debt was far beyond the normal level. Before merger and acquisition of Volvo is, its production has been in great losses state, this will be the biggest challenge for Geely, all over the world famous ford couldn't change the status quo of Volvo, Geely should be how to suit the remedy to

the case, turn a profit, this will be a major challenge for Geely [10].

(b) Brand marketing

Geely's acquisition of Volvo in domestic has a higher visibility, in before Ford's sales system, Volvo's reputation is higher than the Ford brand of a few other Land Rover, Jaguar, crucially luxury car brand in China market, Volvo has very high visibility. As is known to all, Geely's acquisition of Volvo has long been the industry think is "snake swallow like" low-end brand for high-end, this to the enterprise brand marketing has brought certain difficulties.

Geely's acquisition of Volvo, how to let two completely different, the scale is far automobile brand of mutual integration, how to make use of Geely in the local market's geographical advantages and huge domestic market the temptation to strengthen Volvo sales, Volvo and integration in the global market sales channels and reverse production channels help Geely to expand overseas.

The purpose of the acquisition of Volvo is ultimately in order to develop China automobile independent high-end brands, with the Volvo car brand names in the international, Geely can successfully manage to live the brand image, with the help of Volvo's technology and market sales channels to develop its own brand image, making the car brand Geely independence, get rid of the image of economy cars, success to international luxury car brand.

(c) Production technology

Volvo is a nearly one hundred-year-old cars, has been hailed as "the safest car in the world".

Geely's acquisition of Volvo, Volvo's technology advantage can change the impression of domestic car unsafe Chinese consumers, so as to strengthen the Geely brand value.

Acquisition of Volvo to Geely is the greatest help Volvo accumulation of a large number of core technologies and patents, but the international transfer of technology often contain a lot of uncertainty, limited by western countries in technology transfer barriers and restrictions, Geely could fully accept the Volvo's technology. Although Geely merger is Volvo hundred stake for Geely will help to accept, but difficulties still need attention. Even if accepted these techniques, after digestion, absorption, Geely also can't forget the importance of technology further development and innovation.

(d) The cultural integration

Huge differences between Chinese and western culture will lead to between Geely and Volvo to produce different corporate culture and management style, different market environment facing the two sides also easy to bring both sides more contradictions. How to retain the original Volvo's management personnel, and Geely has its own management to adapt to the need to strengthen communication and exchanges, the two sides respective change of ideas, as far as possible to promote understanding between each other, Geely needs to strengthen the enterprise value of cultural choice, after the merger to mutual recognition enterprise value, finally realizes the common cultural enterprise value.

It is well known in the western world attaches great importance to the human rights and workers' rights, at the same time, compared with the east have highly improve the system of social security benefits, Geely how to face after the merger benefits under different social systems, is a huge challenge for enterprise management. How to combine the penetration of Chinese and western, solve the cultural differences and mutual recognition of the obstacle, eliminate the barrier, rational treat the conflict, respect each other. Enterprises to cope with, can eliminate the conflict of enterprise culture, in the management of Geely is a huge test.

(3) The adverse effects faced by Geely

From now on, you can see a sign of Volvo cars in the street, you can take a little proud to say that the international top brands is a Chinese car. However, as the coin has two sides, Geely's acquisition of Volvo is not plain sailing. Geely's acquisition in the process of the difficulties, including \$1.8 billion in funding difficulties, loss-making Volvo, debt, foreign consortium block, Volvo union put forward no cut, no harsh conditions and overseas laws and regulations such as the transfer of factories and government supervision become a stumbling block to Geely group, however, China's Geely insisted on down.

6. Conclusions

Mergers and acquisitions as an enterprise can accelerate the rational allocation of resources, and optimize the allocation of enterprise. Enterprise resource conservation, which is an important means to realize the enterprise's low-cost expansion in the market, has been more and more used by enterprises. Through merger and acquisition

of Volvo, Geely group makes the enterprise obtain the sustainable development, and enhance the value of the enterprise and the core competitiveness of the enterprise.

Based on the research of the merger and acquisition of Volvo Geely group, the enterprise can be found in the M & A decision which needs long-term preparation. With the development of the global economic situation, the enterprise M & A is not plain sailing. It often needs to solve the difficulties in mergers and acquisitions. If each issue could not be properly solved, it is likely to affect the pace of mergers and acquisitions and ultimately affect the enterprise mergers and acquisitions. Enterprise needs to realize the self-development of roads, see the change of the market and seize every opportunity. If it can't reach the expected financial synergy, management synergy and consistence and its own development strategy, it doesn't make any sense to mergers and acquisitions. Merger does not mean that companies have already completed the enterprise's strategic plan, and it needs to play out the meaning of M & A under successful integration after mergers and acquisitions. If it can't achieve good finance, human, management, strategy, and culture, the integration of M & A ultimately fails. M & A is only the first step of "going out", and how to make the enterprise work after the merger operation is the major problem that the domestic enterprise faces.

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