Decision-making in conditions of constant change – a case within the automotive industry

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Abstract
Purpose – To analyse how differences in decision-making affected the integration of the R&D functions after Ford’s acquisition of Volvo Cars.
Design/methodology/approach – The analysis is carried out in two steps. Step one analyses which type of approach Ford employed to integrate Volvo into the company. Step two analyses how R&D decisions are made by both firms and the consequences of found differences in decision-making on the success of the integration process.
Findings – Ford’s approach to the integration of Volvo Cars follows a symbiosis approach, combining a high need of both organizational autonomy and strategic interdependence. A symbiosis acquisition integration approach demands that the decision-making processes are given special attention. The acquired firm’s specific decision-making processes need to remain intact in order to preserve its embedded unique R&D value creation capabilities. The decision-making processes should be kept separate in order to prevent disruption.
Originality/value – The paper relates theories about firm acquisition processes and aspects of organization theory to establish a bridge between these research areas.
Keywords Automotive industry, Acquisitions and mergers, Change management

Introduction
Recent events in the automotive industry form the background to this study. The industry is currently engaged in adjusting to future market situations. Two ways of doing this are to form new or join existing strategic alliances, or to merge with or acquire competitors. This trend is reflected in the increasing number of acquisitions in the automotive industry, the most recent being FMC’s acquisition of the former British car manufacturer Land Rover. Other examples are Renault’s acquisition of a large stake in Nissan, Volkswagen’s purchase of the Spanish company SEAT and the Czech company SKODA, and General Motors’ purchase of the Swedish car manufacturer SAAB. Mergers, acquisitions and joint ventures are, however, nothing new – these activities have been described as occurring in waves, starting in the UK in the early 1920s. The second wave occurred in the 1960s, followed by a third in the early 1970s (Cartwright and Cooper, 1996). The latest wave of re-structuring started in the mid-1990s and is still ongoing. There may be several reasons for the restructuring: changing market conditions, increased availability of capital, rational, financial, or strategic risk, or simply the need to share risks (Carr, 1999). The expected synergies of mergers and acquisitions are high-volume production, shared market and distribution.
costs, and co-ordinated product development activities (Dussauge and Garrette, 1999). However, these synergies cannot be achieved without a successful integration of the two firms. If unsuccessful, the acquisition poses a serious threat to the achievement of its objectives (Ernst and Vitt, 2000).

In this paper, we relate the acquisition integration approach to the decision-making process. Specifically, we discuss how differences in decision-making affected the integration of the R&D functions of Ford and Volvo Cars. We distinguish among four different integration approaches and conclude that Ford's acquisition of Volvo Cars follows a specific integration approach. Our aim is to understand how firm specific decision-making variables, such as control, style and speed, affect the acquisition integration process. Although previous research on acquisition integration processes has examined the possibility of attaining synergies and common value creation capabilities (Hansel and Jemison, 1991; Ernst and Vitt, 2000), differences in decision-making have received less attention. Our findings, therefore, contribute to the literature by identifying important decision-making characteristics and how these affect the acquisition integration process.

Our analysis was carried out in two steps. Step one analyses which type of approach Ford employed to integrate Volvo into the company. This information is important, as the approach used determines the level of organisational autonomy and strategic interdependence, as well as how the integration process should be governed in order to gain the maximum benefit from the acquisition. In step two, we analyse the impact of a specific aspect of the companies' organisational structures on the integration process. The aspect analysed is how R&D decisions are made by both firms. We discuss the differences in decision-making and the consequences of these differences for the success of the integration process.

Part 1: classification of acquisition integration approaches
Based on the acquisition prerequisites, various kinds of integration approaches can be used. Different integration approaches based on the strategic and organisational prerequisites of the acquisition are discussed below. These different "integration approaches" are important for the management of the integration process (Hansel and Jemison, 1991). We begin by describing the classification framework of the acquisition integration approach and then present the Ford-Volvo acquisition based on this approach. We then conclude part 1 by determining the specific integration approach utilised in the analysed case.

Acquisition integration approaches
After an acquisition, the integration process is seldom straightforward, but is time-consuming, uncertain and entails many risks, and the managers involved often do not agree on how it should be managed (Triantis, 1999). Even if managers are aware of the difficulties involved, the problems are frequently bypassed without a detailed discussion. Thus, the uncertainty is great and the process is complex.

In a discussion of acquisition integration approaches, Hansel and Jemison (1991) stated that the nature of the interdependence between two firms is one of the key integration determinants. The nature of the interdependence should be considered because it impacts on the value creation possibilities generated during the integration process. The acquisition and successful integration of two firms may enable resource
sharing, a transfer of functional skills, a transfer of general management capability, or any combination of the aforementioned. However, transferring capabilities between firms have to be carefully managed in order to preserve its value creation potential. If the acquired firm’s value creation processes are embedded in its general processes and organisation, removing all boundaries between the firms would be a mistake.

Hasselkamp and Jemison (1991) refer to the need for strategic interdependence and organisational autonomy when distinguishing among the four integration approaches, see Figure 1. If the need for organisational autonomy is low, an absorption approach may be used, i.e. the full consolidation of both organisations’ operations, structure, and culture over time. The boundary between both units is dismantled to enable an optimal transfer of capabilities between the organisations, thus satisfying the high need for interdependence. An example of this type of integration approach is Volkswagen’s acquisition of the Czech Skoda Company, where Volkswagen introduced its organisational structure and strategic intentions into the acquired firm. Skoda’s existing structure was completely altered to fit in with that of the acquiring firm, i.e. all Skoda’s senior management, with the sole exception of the CEO, were replaced by Volkswagen senior management, which indicates how both organisations’ operations, structure, and culture would change over time.

If capability transfer is not expected to create additional value, removing boundaries or facilitating interdependence between the firms will be unnecessary. Hasselkamp and Jemison (1991) call this the “holding” approach. Value may be created by means of financial transfer, risk-sharing, or general management capability.

If, however, the integration process threatens the value creation processes of both firms, it is important to preserve organisational autonomy. In this case, the two proposed integration approaches are preservation and symbiosis, depending on the varying needs for strategic interdependence.

The preservation approach combines a high need for autonomy with a low need for interdependence, where maintaining the boundary between both firms is of primary importance for the acquiring firm. It is expected that value will be created through positive changes in the goals, risk-taking and professionalism of the acquired firm’s management group. GM’s integration approach in relation to the Swedish Saab company over the first ten years can serve as an example. GM realised that too close a co-operation between Saab and the other brand names, e.g. Opel, Subaru, Cadillac, etc. would damage Saab’s identity. Saab was therefore, permitted to maintain its organisational autonomy and strategic independence without direct GM involvement in strategic decisions or organisational structures. There are some indications that this approach has changed in recent years.

Figure 1. Four integration approaches

Source: Hasselkamp and Jemison (1991)
Symbiosis is the most complex integration approach, combining a high need for interdependency with a high need for organisational autonomy. This type of acquisition approach implies that the firms initially coexist until strategic interdependency is achieved. In this case, some kind of boundary is necessary in order to prevent disruption of the acquired firm's processes. As Haspeslagh and Jemison (1991) point out, there is a need for organisational autonomy to preserve the acquired firm's value creation potential. Ford's acquisition of the English company Jaguar in the mid-1980s can be cited as an example. Although the integration approach contained elements that resulted in Jaguar losing large parts of its organisational structure, it could continue to function as an independent brand, despite the incorporation of parts of Ford's structure.

There is no obvious way to manage an integration process due to the differing needs for autonomy and strategic interdependence. The roles of decision-making and information processes vary, depending on the integration approach applied. An acquisition involving the holding or preservation approach does not require the total integration of the two firms' information and decision-making processes. However, acquisition approaches where the need for interdependence between firms is high emphasise the need for a rapprochement of the information and decision-making processes. The symbiosis approach is especially demanding, as its aim is not the complete assimilation of the acquired firm, but the preservation of at least some of the firm's organisational autonomy. A match between an acquisition integration approach and the design of the information and decision-making processes is thus essential for successful integration.

The Ford Motor Company's acquisition of Volvo Cars
Ford's acquisition of Volvo Cars in February 1999 is one of the latest in a string of acquisitions in the automotive industry, an acquisition in which the Ford brand has a strategic power advantage over the Volvo brand. However, in the day-to-day operations, Volvo Cars is treated as an equal player among the other brands within Ford. Ford has eight brands, in five countries, on three continents: Ford, Mercury, and Lincoln at Ford USA, Ford in Germany, Ford in England, VCC in Sweden, Mazda in Japan, in addition to the three British car manufacturers, Aston Martin, Jaguar and the recently acquired Land Rover. Furthermore, to manage its European luxury brands, Ford has created the new Premier Automotive Group (PAG), bringing together Volvo, Land Rover, Aston Martin, and Jaguar. Under the Ford Motor Company umbrella, PAG allows Ford to leverage the unique strengths of the four premium brands, while preserving their individual values and characteristics. Even though the bulk of VCC's cooperation presently takes place within PAG, Ford is the acquirer, i.e. owner and largest brand in the group. Thus, the implementation and coordination of decision-making activities in this paper are analysed in terms of the relationship between Ford and VCC.

The acquisition integration process between Ford and Volvo Cars involved combining complex organisational structures and the crossing of cultural and organisational boundaries. The integration process included not only technical matters, but also a large number of meetings, e.g. design review meetings, cost review meetings, action groups, etc., where various commitment have to be made. The project teams need to constantly exchange information in order to obtain a clear picture of the
situation, at the same time as performing the work. This implies making decisions in a context that is strongly influenced by the standard practices within the companies involved. As illustrated below, the divergent decision-making processes of the firms initially affected the acquisition integration process, by reducing the mutual understanding between both firms. Project managers in the smaller firm, Volvo Cars, who were used to delegating decisions as far down the hierarchy as possible, had difficulty with the decision-making process at the considerably larger acquiring firm, where project managers gather as much information as possible, which is then passed on to a higher management level for decision-making purposes.

When looking at the strategy behind FMC’s acquisition integration approach, some functions are synchronised and integrated, while others have their own special goals and purposes, i.e. the R&D process, should not be fully integrated and synchronised to form one single process (cf. absorption approach above). FMC decided to promote the development of new models based on common product design projects, while stressing the importance of keeping the brand image intact – a Ford car should be recognised as a Ford and a Volvo car as a Volvo. However, the situation became somewhat complicated due to their brand specific ways of working.

We can conclude that Ford’s approach to the integration of VCC can be classified as a symbiosis approach, i.e. joint development projects demand interdependence, but there is also a need for autonomy. Ford managers are aware of the risk that brand identity will be lost if autonomy is denied, thus the symbiosis approach entailing a step-wise integration process was employed. To ensure value creation, interdependence and autonomy have to be balanced.

Part 2: organisational structure, decision-making, and consequences with a bearing on the specific integration process

In the previous section, we concluded that the symbiosis approach was the specific integration approach utilised in this acquisition. In this section, we discuss organisational structure and how different decision-making processes affect the integration process. After a review of the methods used to analyse our empirical evidence, we analyse the decision-making differences between the two organisations and the ensuing consequences. In a concluding section, we discuss our theoretical contribution, i.e. how differences in decision-making affect the integration process when the acquired firm requires a high degree of organisational autonomy, at the same time as a high degree of strategic interdependence with the acquiring firm.

Organisational structure and decision-making

Organisations can be described in terms of their organisational structure and its context (Pugh and Hickson, 1976). Organisational structures can be illustrated with reference to, for example, the division of labour or division of authority. Researchers explore the degree of specialisation (degree of horizontal differentiation, number of specialists, professions, etc.; degree of vertical differentiation, number of organisational levels, geographical extension, one or several locations), formalisation (degree of standardisation of the work, i.e. the extent to which it is governed by rules and routines) and centralisation (vs decentralisation, identifying the decision-making level in the organisation) (Simon, 1957; Katz and Kahn, 1966; Pugh and Hickson, 1976; Burrell and Morgan, 1979; Morgan, 1998; Galbraith, 1995; Scott, 1998).
A closer look at the organisational structure in terms of how and where decisions are made (Simon, 1957; Taylor, 1965; Miller and Hickson, 1996) with a focus on R&D reveals that some firms rely on functional, often centralised, R&D organisations, while others prefer to organise these activities in a more decentralised way, often utilising cross-functional teams. Functionally oriented R&D operations tend to have well-developed, formal information processes (Clark and Fujimoto, 1991; Ulrich and Eppinger, 1995; Clark and Wheelwright, 1994), since more information needs to be transferred within the organisational hierarchy (Hall, 1977; Gupta and Wilemon, 1990), due to the fact that many managers have to report to senior executives (Ulrich and Eppinger, 1995), who are responsible for decision-making. A disadvantage in larger organisations is that senior management may be burdened with everyday operational issues or rely on their specialist skills rather than taking a strategic perspective on problems (Mintzberg et al., 1998). Cross-functionally oriented R&D operations, however, tend to rely on a higher degree of decentralised decision-making, where managers have the authority to delegate. Few decisions within this type of operation are made without the approval of a senior manager, thus leading to a low degree of cross-functional interaction (Gupta and Wilemon, 1990; Hart, 1996). This implies that cross-functionally and functionally organised R&D operations often have different decision-making processes.

The functional organisation of a firm's R&D tends to be combined with centralised decision-making and formal vertical information processes, while cross-functional organisation corresponds to a greater degree with decentralised decision-making and informal, lateral information processes. We consider the degree of formalisation and decentralisation as two of the most important factors in the design of information and decision-making processes. A high degree of formalisation implies the use of rules, hierarchical information flows and a centralised power structure, while a low degree of formalisation is related to decentralised decision-making and lateral information flows (Galbraith, 1995). Information flows and decision-making in a firm characterised by a high degree of formalisation and centralisation will differ from those of a decentralised firm with more informal structures.

Aspects of decision-making

Efficient decision-making depends on many factors, including a common understanding of the process and goals among the project team members, the type of management and partners involved (Simon, 1957; Wheelwright and Clark, 1992), in addition to the role of informal decision-making (Pacanowsky and O'Donnell-Trujillo, 1982; Nobelius, 2001). In the context of managing the R&D integration process following acquisition, research has revealed three critical aspects of decision-making: control, style, and speed (Lundback, 2002). Each of these aspects will be discussed, starting with control.

Paterson (1969) stresses the importance of control in decision-making and divides the process into several steps from information gathering to execution of the decision.

- Collecting information concerns passing on information to the decision-maker, without comment as to what should be done.
- Processing information is presenting advice to the decision-maker as to what should be done.
• Making a choice is obtaining a clear picture and determining what needs to be decided.

• Authorising is about what should be done and what the expected final outcome of the decision will be.

• Executing is carrying out the decision.

Paterson argues that the person who controls these steps also controls the decision-making process. Control is maximised if a manager or group of managers control all of the steps. If control is divided between different organisational levels, each individual decision-maker has less power. A manager in control of information input has a decisive influence on the factors considered in the decision-making process. The power to control the process can be lost in any of the steps described above. Although control is one important aspect of decision-making, the picture can be enriched by complementing control with different decision-making styles.

Vroom and Yetton (1973) categorise decision-making into autocratic, consultative, and group decision styles, as shown in Table I.

Styles relate to the degree of decentralised decision-making. An autocratic style indicates a centralised way of making decisions, whereas a group style is decentralised. To complement the decision-making styles of Vroom and Yetton (1973) by the actual speed of decision-making, we have used the study conducted by Eisenhardt (1989b), who states that the ability of the manager or group to attain speed in the decision-making process depends on three factors.

(1) **Efficient and fast processing.** The decision-maker must have the ability to process and analyse large amounts of information quickly and efficiently.

(2) **Efficient teamwork.** To be effective, the manager must work with groups that have an efficient team structure and harmonious team relationships. This does not mean that there must be consensus among the group; members of well functioning groups often disagree. Group members who share a common vision and who are mutually supportive aid fast decisions. As Triantis (1999) points out, the right individual chemistry among personnel is a key success factor in operations and in established co-operation projects. Good chemistry among personnel is created when relationships are formed, the objectives of the projects do not conflict, and there is a fair degree of both trust and support among the partners (Triantis, 1999).

<table>
<thead>
<tr>
<th>Decision style</th>
<th>Definition</th>
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| Autocratic    | Managers make the decisions alone  
Managers request information from subordinates, but make the decisions alone.  
Subordinates may or may not be informed as to the nature of the problem  |
| Consultative  | Managers share the problems with subordinates and request information and evaluation. Meetings are held, though not with the whole group, and a manager then makes the decision alone  
The team meets with the manager to discuss the problem, but it is the manager alone who makes the decision  |

Table I  
Styles of decision-making  
Group  
The team meets as a group to discuss the problem and jointly makes the decision
(3) **Confidence to act.** A fast decision-making process needs decision-makers who are not afraid to act. Uncertainty is one reason why managers and groups hesitate before making decisions.

In summary, multiple factors determine decision-making and its potential outcomes (Hall, 1977; Gupta and Wilemon, 1990). We can also conclude that there are close relationships between, for example, degrees of centralisation and decision-making, as well as between degrees of specialisation and decision-making (Pugh and Hickson, 1976). Decision-making can obviously be analysed from different perspectives, each with its own specific focus. Three aspects from earlier research (Lundbladh, 2002), i.e. control, style, and speed, have been selected and discussed above. When relating the specific integration approach to the above decision-making dimensions, we can demonstrate how different decision-making processes affect the integration process. However, before presenting the differences between the acquiring and the acquired firm, in accordance with this frame of reference, we will describe the collection and analysis of our empirical evidence.

**Research approach**

The companies we were about to study gave us their full support at the start of this research project, which fact played an important role in our choice of research strategy. Top executives gave us unlimited access to the required data, i.e. meetings, personnel, documentation of the integration process, as well as various internal corporate material related to the acquisition and the integration process. We thus had unique access to the phenomenon under study. Since our aim was to understand how firm specific decision-making variables, such as control, style, and speed, affect the acquisition integration process, our first choice was to use a qualitative research approach.

Some important research prerequisites which led to the choice of a case study design deserve to be mentioned (Eisenhardt, 1989a). Firstly, the research project and the integration of VCC into Ford began simultaneously. The choice of a longitudinal, single case study allowed the different phases of the integration process to be followed. This methodology was selected in view of its advantages over other methods in terms of the formulation of how and why questions (Yin, 1994). Furthermore, it is a valuable approach for exploring, describing and explaining an occurrence, i.e. acquisition integration approaches and decision-making processes. Secondly, when the initial choice of a qualitative method and case study approach had been made, we needed to decide upon the unit of analysis. A detailed research project could then be constructed around this choice. Units of analysis need not be human, biological or empirically definable players (Galtung, 1967); thus in this case the unit of analysis was the relationship between the specific integration approach and the decision-making processes. Thirdly, in case study research, it is tempting to conduct just one more interview to obtain complementary information on specific research questions, contextual factors, or particular situations. One important decision, therefore, is when to stop data collection (Leonard-Barton, 1990). Data were collected for approximately two years before the amount of information needed to fulfil the research aims was obtained. Although some data were collected at a later stage, the bulk of the information was gathered during the same two-year period.

Data were gathered through a variety of sources and at different stages of the integration process: the combination of interviews, participation in project meetings,
and the analysis of project documentation and financial reports increases reliability (Eisenhardt, 1989a). Structured and unstructured interviews were carried out with senior management at both firms, in addition to structured interviews with engineering personnel and project leaders. A summary of the questions used to generate knowledge about the relationship between the integration process and decision-making is presented here. The interview guide was adjusted according to the respondents' level of responsibility for the decisions made.

The interview questions were:

- Please describe the integration process so far.
- What challenges have you encountered?
- What were your most positive experiences?
- Which factors do you think negatively affected the integration process? Why? In what way? Examples?
- Which factors do you think positively affected the integration process? Why? In what way? Examples?
- Describe the communication structure, tools, methods and processes.
- Do you see any big differences in the companies' attitudes towards decision-making?
- Do you see any big differences between the companies' ways of solving problems?
- How well do you communicate with Volvo/Ford in matters concerning the integration process?
- How does the difference in the size of your company compared to Volvo affect collaboration? (Speed or styles of decision-making? Pace and rhythm of planning and strategy formulation? Data handling methods?)
- In your opinion, what characterises decision-making at Ford/Volvo?
- What are the strengths of the Ford/Volvo decision-making processes?
- Is there anything else you would like to add?

The issues addressed in the interviews were based on earlier acquisition integration process research (Lundbäck, 2002) and decision-making theories (cf. Vroom and Yetton, 1973; Eisenhardt, 1989a). Staff interviewed included human resources, financial and quality control managers involved in the product development process. Conducting interviews at different hierarchical levels helped us to identify a broader range of attitudes and behavioural issues of importance for an understanding of the integration process. Furthermore, in order to capture the essence of the decision-making processes, the interviewed personnel were contacted on several occasions and asked to clarify their responses and to comment on our interpretations of the interviews. Such an interactive process leads to a deeper understanding of the essence of the phenomenon studied (Eisenhardt, 1989a).

Table II shows the number of interviews and the year in which they took place.

The software program for qualitative data analysis, QSR Nudist version 5 (N5), was used to analyse the data collected from the interviews, project documentation, strategy documentation, internal information, etc. The interviews and other data were imported
in plain text, and qualitative and quantitative data were combined and analysed together. The data were sorted into decision activities, e.g. style, control, execution, or information. The N5 tool, which was designed to help researchers make sense of complex data, not only increased the quality of the analysis process, but also simplified it considerably, while the constituent functions, such as automatic coding and searching, significantly supported the selected research method. N5 also helped to clarify relationships and facilitated the analysis, thereby providing solid information based on data from different sources, as opposed to an analysis based solely on information from managers, observational protocols, or financial data.

We then compared the theoretical framework and the results of the empirical data. The two main theoretical bases discussed above (acquisition integration approaches and decision-making processes) provided us with a framework for sorting and analysing the data gathered. Table III shows how this was done. Data were sorted and categorised according to the model shown below. All coded information was analysed and discussed with other researchers and some of the respondents. New interviews were then conducted to obtain complementary information about the phenomenon under study and subsequently added to the database. The results of the analysis were discussed with the respondents to eliminate any errors or misunderstandings.

Triangulation was used to verify the findings of the different data collection phases. This technique made it possible to identify patterns or pursue a line of inquiry to a reliable conclusion with the aid of visual displays, in line with what Yin (1994, p. 91) calls “multiple sources of evidence”. According to Yin, there are four basic types of triangulation:

1. data triangulation makes use of a variety of sources;
2. investigator triangulation uses several different researchers or evaluators;
3. theory triangulation uses multiple perspectives when interpreting data; and
4. methodological triangulation is the use of several methods to study a phenomenon.

<table>
<thead>
<tr>
<th>Volvo Cars</th>
<th>Ford</th>
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<tbody>
<tr>
<td>No. of interviews (approximately)</td>
<td>35</td>
</tr>
<tr>
<td>Duration (hours each)</td>
<td>1-1 3/4</td>
</tr>
</tbody>
</table>

Table II. Interviews

<table>
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<tr>
<th>Indicators</th>
<th>Data</th>
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<tbody>
<tr>
<td>Integration approach</td>
<td>Consolidation over time, boundaries between units, degree of strategic interdependence</td>
</tr>
<tr>
<td>Strategic interdependence, organisational autonomy</td>
<td>Type of processes, type of models, clear/vague purpose, type of ERP-systems, Decision-making methods</td>
</tr>
<tr>
<td>Decision-making processes</td>
<td></td>
</tr>
<tr>
<td>Information processes, formalisation, authority, speed, control and style</td>
<td>Model for analysing data</td>
</tr>
</tbody>
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Table III. Model for analysing data
We employed the first three types. Data were collected from different sources. During the data gathering and analysis process, the researchers played two different roles:

1. Participating as an observer, collecting and analyzing documentation as well as conducting interviews in the everyday integration activities of the two organisations' R&D operation.

2. Providing input from different theoretical perspectives on the integration process.

Each researcher had a specific role. The researcher responsible for collecting and analysing data during the integration process was in close contact with the management of Volvo Cars and Ford. The second researcher provided input from previous research and regularly discussed and validated the findings in relation to this input.

**The decision-making differences between the two firms**

This section discusses the differences between decision-making processes in the acquired and acquiring firms within the context of the acquiring firm’s integration approach. We decided against outlining all the details of the decision-making processes in the two firms and instead focused on some of the most important differences. In order to identify the differences, we use the organisational structures of the two firms as a point of departure and focus on the different aspects of decision-making discussed above.

Table IV shows the results of the comparison. In exploring the differences, we have chosen to describe important characteristics relating to the research focus and indicators of decision-making processes. The indicators employed were identified by means of a previous literature review and were developed in an iterative process combining theory and practice.

As stated above, well developed techniques for collecting and analysing information and the authority to set the agenda are fundamental in order to control

<table>
<thead>
<tr>
<th>Information processes</th>
<th>Ford</th>
<th>Volvo Cars</th>
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<tbody>
<tr>
<td><strong>Decision-making</strong></td>
<td><strong>Collecting and processing information</strong></td>
<td><strong>Highly formal and professional</strong></td>
</tr>
<tr>
<td><strong>Authorisation and decision-making</strong></td>
<td><strong>Engineers not allowed to make decisions. Managers authorise decisions. Purposeful and clear</strong></td>
<td><strong>Engineers empowered to take decisions. Vague</strong></td>
</tr>
<tr>
<td><strong>Execution</strong></td>
<td><strong>By managers</strong></td>
<td><strong>By engineers</strong></td>
</tr>
<tr>
<td><strong>Decision speed</strong></td>
<td><strong>Slow</strong></td>
<td><strong>Fast</strong></td>
</tr>
<tr>
<td><strong>Decision style</strong></td>
<td><strong>Consultative, with managers making the decisions</strong></td>
<td><strong>Group based, the team makes the decisions</strong></td>
</tr>
<tr>
<td><strong>Storing information</strong></td>
<td><strong>Well-developed culture of storing and documenting information</strong></td>
<td><strong>Well-developed culture of storing information, although documentation culture is less well developed</strong></td>
</tr>
<tr>
<td><strong>Accessing information</strong></td>
<td><strong>Use of databases, which are frequently employed by specialists and engineers</strong></td>
<td><strong>Use of databases, mainly by specialists</strong></td>
</tr>
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Table IV: Indicators of decision-making processes
decision-making. Both firms have the tools and methods to collect and process information and Ford has a well-developed organisational culture that emphasises easily accessible information, the importance of documentation and the use of databases. The result is a powerful information flow through the decision-making process. The way in which managers at Ford base, their decisions on information is considered as professional and well developed by Ford and Volvo employees. Processes and routines exist and are understood by the employees involved, while the Ford managers who are authorised to make decisions have great influence on the organisation, similar to what Paterson (1969) terms efficient decision-making. This is also perceived as professional, highly efficient and purposeful and has been recognised as such by Volvo car's technical organisation. It is, however, also viewed as a highly formal process and rather different from processes at Volvo, which are perceived as more informal and flexible.

The different decision-making styles are obvious. The interviews and observations reveal, for example, that Ford is much more likely to send people to meetings without any authorisation to decide on matters that are usually decided at Volvo's technical meetings. So, while Volvo personnel are accustomed to making decisions, Ford's personnel prefer to refer relevant information to a higher level in the hierarchy authorised to make decisions. Mintzberg et al. (1998) have argued that such practices have a downside in terms of the utilisation of centralised processes. Ford has highly skilled technical managers who are extremely up to date in the technical area and are able to control and monitor important decisions as well as synchronise decisions across various vehicle lines. However, if we compare lower level managers, a Ford manager does not have the authority to make decisions, whereas a Volvo manager does.

Compared to the decision-making process at Volvo, we found that the thrust of routines and policies at Ford was to move decision-making towards a higher management level in a formalised process. The rather informal decision-making process at Volvo Cars and the fact that technical teams at Volvo are authorised to make decisions have, however, resulted in many decisions taking the form of verbal agreements that can be made quickly. At Volvo, decisions taken by the engineering teams are accepted without question, as they possess the necessary competence. The decision-making process at Ford is more similar to what Vroom and Yetton (1973) define as decision-making of a consultative nature. The team meets with the manager to discuss the problem, but it is the manager who makes the decision.

The execution of decisions at managerial level reveals a related problem. Volvo managers often lack the technical skills required to discuss or decide on detailed technical issues, whereas Ford managers invariably possess such skills. Detailed technical issues are usually handled on a lower organisational level at Volvo, i.e. by engineers. During the integration process this complicated inter-firm communication is at managerial level. Ford managers assume that all managers are up to date on detailed technical issues and consequently able to discuss and make all necessary decisions. However, Volvo managers were accustomed to leaving such discussions and decisions to the engineers, and focused instead on staff competence and organisational and strategic issues. In the course of the integration process, Volvo managers have developed technical skills similar to those at Ford, whereby decisions are referred to a higher level in the hierarchy. Volvo managers are thus ready to develop the in-depth technical skills necessary for decisions involving detailed
technical solutions. Decisions previously taken by Volvo engineers are now transferred to more senior managers. One disadvantage of such a system is that managers become overloaded with routine decisions (Gupta and Wilemon, 1990). Furthermore, from the perspective of a cross functionally oriented firm, such routines considerably delay the decision-making processes (Paterson, 1969).

Volvo’s move towards the acquiring firm’s position in this issue led, among other things, to apprehension among Volvo employees because nobody seemed to be in a position to make the necessary decisions. At that stage of the integration process, Volvo employees were uncertain about where decisions were taken and who had the decision-making authority in the organisation. They struggled to understand how the company actually functioned. Focus on synergy and common value creation capabilities was lost, and employees devoted a great deal of effort to solving problems and clearing up misunderstandings. That period of the integration process was characterised by many difficulties, which are directly traceable to the different decision-making methods in the two firms (Table III).

The difficulties had negative consequences for the integration process, as employees had to devote time and effort in order to arrive at a mutual understanding of what had, and what had not, been decided instead of improving the value creation activities. If we accept that many of Volvo’s unique value creation capabilities are embedded in its ability to make rapid decisions on a low hierarchical organisational level, the move to a more centralised and functionally oriented decision-making slowed down the decision-making process (Eisenhardt, 1989b; Ernst and Vitt, 2000) and had a negative effect on both the acquiring and the acquired firm.

Conclusions and managerial implications
In this study, we aimed to understand how different aspects of decision-making affect the management of a specific R&D acquisition integration process, such as when the need for organisational autonomy and strategic interdependence is high.

Our result reveals that, during one phase of the integration process, differences in decision-making processes resulted in a situation where nobody made the necessary decisions. The employees no longer had any idea of when and where decisions were made, as they had lost their mental map of how the company functioned. This resulted in employees focusing on administrative problems instead of value adding activities. In an attempt to solve this problem, the decision-making of the acquired firm was altered to resemble the processes of the acquiring firm. However, changing decision-making to a more standardised and formal process had a detrimental effect on the opportunities for coordinating specific organisational activities at the acquiring firm. In this case, the change negatively impacted upon the speed of the acquired firm’s work.

This result also shows that, within the framework of the symbiosis acquisition integration approach employed by Ford following the acquisition of VCC, decision-making processes are one aspect of the organisational structures that require a high level of attention. We argue that the acquired firm’s specific decision-making processes need to remain intact in order to preserve its embedded unique R&D value creation capabilities. These findings imply that, in an acquisition integration approach similar to the one Haspeslagh and Jemison (1991) term the
symbiosis approach, the decision-making processes should be kept separate in order to prevent disruption. We, thereby stress the existence of a relationship between the type of acquisition integration approach employed and the decision-making processes. Failure to preserve the boundary may subsequently lead to integration process difficulties similar to those exemplified above.

An interesting parallel can be drawn from Ford’s integration approach when acquiring Jaguar. Although competitive, Jaguar suffered from low profitability. Ford tried to reverse Jaguar’s low profitability by, among other things, utilising many of Ford’s organisational structures, e.g. their decision-making processes, although the integration was characterised by a low degree of strategic interdependence. This integration approach was not successful, resulting in the current situation with a fair degree of strategic interdependence and a somewhat higher degree of organisational autonomy. GM’s acquisition of Saab and the initial years of integration can be cited as an example of a third integration approach. Here, every change in Saab’s structure or strategic orientation was deemed to endanger Saab’s unique value creation capabilities, thus the approach chosen consisted of a high degree of organisational autonomy and a low degree of strategic interdependence. As in the Jaguar case, the integration approach rendered neither of the firms profitable. GM has, therefore, now decided to integrate Saab more closely into the GM family, resulting in low organisational autonomy and high strategic interdependence. A third example is Volkswagen’s acquisition of Skoda, i.e. a high degree of strategic interdependence and low organisational autonomy. Since Skoda suffered from the same problem as Jaguar, i.e. competitive, but not profitable, Volkswagen successfully decided that a full consolidation of both organisations’ operations, structure, and culture over time was the best way to render the acquired firm profitable. In this integration approach, it was not deemed necessary to protect the acquired firm’s organisational structures. However, Ford’s acquisition of Volvo Cars, which permitted Volvo to retain a large degree of its organisational autonomy, while at the same time providing a high degree of strategic interdependence, has so far been extremely efficient. Since Ford’s purchase of Volvo, Volvo’s financial reports have been most favourable.

Our results reveal that there are forces at work which have made the organisational structures of the firms more similar. We observed changes in the distribution of labour, in new team working methods, increasing levels of standardisation, and centralisation of decision-making. We argue that these changes support neither the strategic intentions of the symbiosis approach nor a high need for autonomy and strategic interdependence.

Although prior research on acquisition integration processes has examined the possibility of achieving synergies and common value creation capabilities (Haspeslagh and Jemison, 1991; Ernst and Vitt, 2000), the differences in decision-making have received less attention. Our findings, thereby contribute to the literature on the subject of acquisition integration processes by presenting important decision-making characteristics and how they change and influence the acquisition integration process. For management, our findings imply the need to devote efforts and resources to safeguard the acquired firm’s unique, built-in organisational, value creation capabilities, for which the decision-making processes can serve as an example. Given the symbiosis acquisition integration process and the fact that the acquiring and
acquired firms have different decision-making processes, the acquisition integration process can be improved by:

- developing coordination mechanisms to protect decision-making processes, instead of eliminating the differences;
- clarifying and helping managers to cope with the negative consequences caused by different organisational structures, thereby increasing organisational support; and
- using different degrees of coordination, i.e. organisational versus strategic interdependence, depending on the desired outcome.

In conclusion, this study has mapped out differences in decision-making processes and related the acquisition integration approach to these processes. We have specifically discussed how decision-making differences affected the integration of the two firms. Our aim was to understand how firm specific decision-making variables, such as decision-making control, style, and speed, affect the acquisition integration process. By gaining an improved understanding of how these variables affect the integration process, we will be better prepared to manage it, thus improving its future performance.

References


Triantis, J. (1999), Creating Successful Acquisition and Joint Venture Projects – A Process and Team Approach, Quorum Books, Westport, CT.

Further reading