

Séminaire BRICS

L'expansion multinationale des constructeurs automobile chinois : le cas de Geely avant et après l'acquisition de Volvo Cars

BRICS Seminar

Multinational growth of Chinese carmakers: Geely before and after the acquisition of Volvo Cars

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Emerging country multinationals and new theories of FDI/TNCs

New specific theories needed

(Matthews, 2006):

- **Asset-seeking motivations are crucial (linked to competitive advantages /disadvantages)**
- **Speed of their expansion**
- **Alliances and joint ventures as a key issue**
- **At odds with HOS approach (Andreff, Balcet, 2013)**

The Automotive Industry in China

➔ 1950s – 1970s: Infant industry stage. Soviet inspired vehicles. Very limited production of passenger cars.

➔ The Proliferation Stage in the Early Opening-up Period (1979-2000). A domestic market driven growth.

➔ Since mid-1980s: European first comer (VW), followed by US (GM), Japanese, South Korean carmakers.

↘ Role of International Joint Ventures

➔ Global Production and Sales Leadership (2001-2020)

- Booming domestic market
- Learning by doing, catching up, assimilation and re-combination of knowledge
- Progress in Design and Engineering

➔ Since the 2000s: Go Global Policy

- **Since 2009, the first global automotive market (35.6% of the world market in 2025)**

- **Variety of institutional configurations and corporate ownership patterns: how does it work?**
 - **State-owned Enterprises (Central Government; Provinces ; Municipalities)**
 - **Private Firms**
 - **International Joint Ventures**

- **A still fragmented industry**

- **Dual-Structure of the Market**

Geography matters: main automotive production clusters in China



The rise of Geely Auto 吉利

- A private-owned company. Founded in 1986 by a self made entrepreneur: Li Shufu
 - Owned by the Zhejiang Geely Holding, listed in 2005 on the Hong Kong Stock Exchange
 - Vehicle production started in 1998
 - Headquarters in Hangzhou, Zhejiang Province
 - No international joint ventures
- From motor cycles to low end car production
 ↳ Fragmented and under-sized factories
- Facing heavy bureaucracy to enter the car market
 - Acquisition of external assets as a strategy towards a domestic growth

Geely Auto

8 assembling plants in China

Why so many plants?

- 4 engine plants
- 2 transmission plants
- 5 component plants
- 4 universities/institutes
- 1 research institute

↳ **History matters. Path dependency**



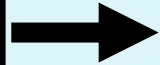
Geely: a paradigmatic long-term asset-seeking strategy

Twin trajectories:

- Technological catching up (via reverse engineering, product architecture innovation, asset-seeking foreign acquisitions). No JVs.
 - Multinational growth (export, foreign assembly plants, asset-seeking foreign acquisitions).
- Volvo deal (2010) was the main step in this trajectory.

Twin trajectories

Technology
imitation
Reverse
engineering



Product
architecture
innovation



Asset-seeking
And
Acquisitions
Abroad



Upgrading
and
Growth in
China.
Global Asset
Integration

Multinational growth trajectory

Exportation



Assembly
Plants abroad



Asset seeking acquisitions of foreign companies: main steps

– Target: “London Taxi”

- 2006. Manganese Bronze Holding, minority share of 19,97%, biggest shareholder
- 2009: JV established in Shanghai, China, with 51% share.
- 2013: full acquisition (worth USD 17.46 bln) .

– Target: Automatic transmission system

- 2009. Drive-Train Systems International (DSI), Australia,, the world second largest AT producer → Impact of the global crisis.
- Full acquisition → leadership of AT system in China

– Target: Volvo (Ford Group)

– 2010: acquisition

– Target: Electric and Smart Vehicles

- 2014: acquisition of British electric startup company Emerald Automotive
- 2018: participation in Daimler. Smart vehicles.

Geely's acquisition of Volvo

- **Drivers:**
 - Long term strategic vision since 2002
 - Active search for asset seeking acquisition (technology and brand)) for continuous growth
 - New opportunities offered by the financial crisis in Western countries
- **Process of negotiation:**
 - 2002 - The search process starts
 - 2005 - International partners needed: 200 lawyers, consultants, banks.
 - 2010 – Closing with Ford Group

Post acquisition governance

At the group level:

- **Li Shufu, president (“I am taking all the risk”)**
- **Boad of 8 person, 2 from China (including Li)**

➔ In a first stage, Volvo keeps full autonomy and independence:

“Volvo is Volvo, Geely is Geely”

“Let the tiger free”

⤵ However: early moves towards technology convergence and integration

➔ The post-acquisition period was a success story both for Geely and for Volvo

Volvo Cars global sales

(2010-2025; units and percentage)

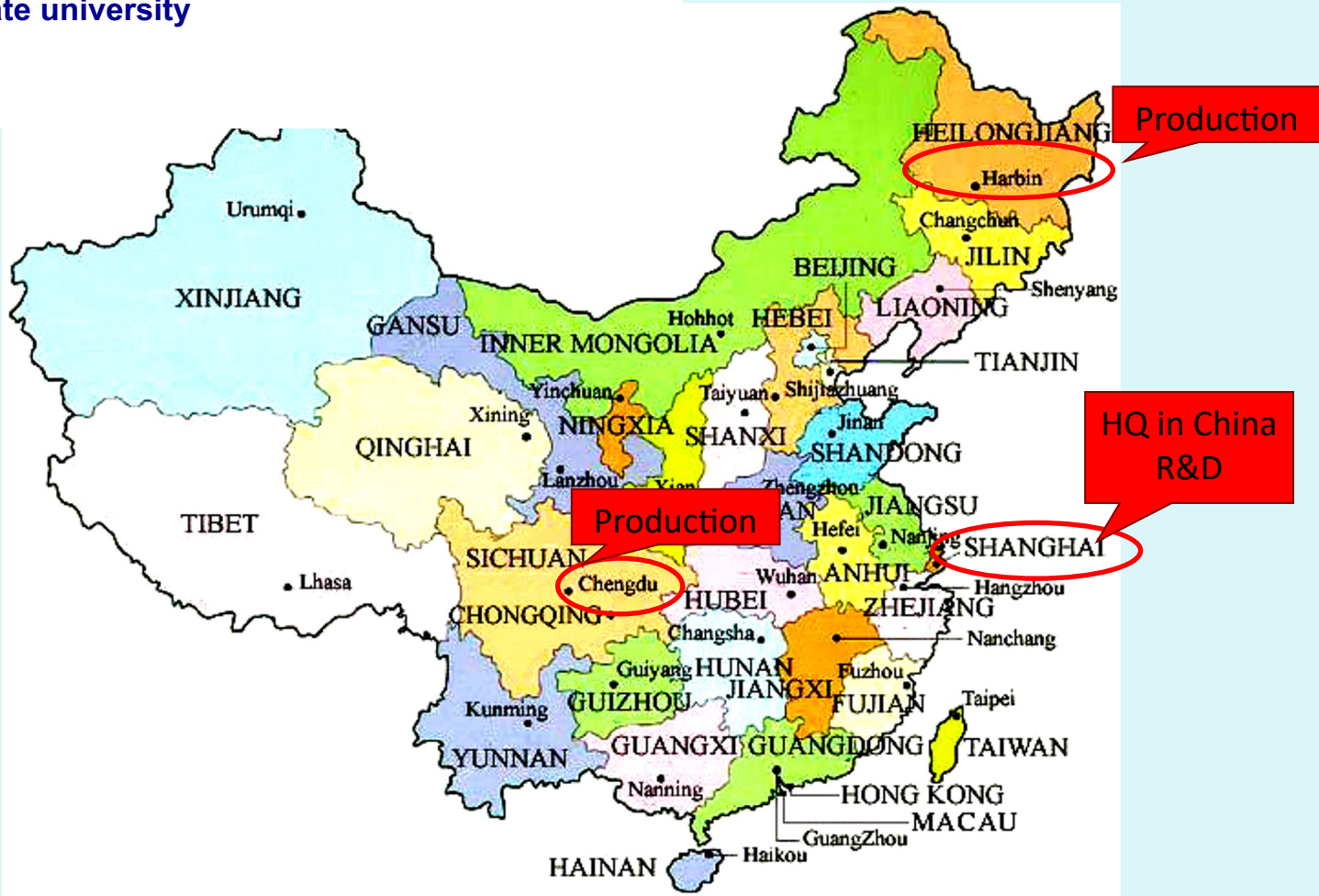
Global sales (units)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Europe	229.312	252.217	227.027	218.567	243.514	269.249	276.412	298.948	318.235	340.605	288.278	293.471	247.413	294.794	369.685	332.667
China	30.522	47.140	41.989	61.146	81.221	81.588	90.930	114.410	130.593	154.961	166.617	171.676	162.322	170.091	156.370	149.549
US	53.952	67.273	68.079	61.233	56.371	70.047	82.726	81.504	98.263	108.234	110.129	122.173	102.038	128.701	125.243	121.607
Other	59.739	82.625	84.856	86.894	84.760	82.243	84.264	76.715	95.162	101.652	96.689	111.373	103.348	115.130	112.091	106.219
Total	373.525	449.255	421.951	427.840	465.866	503.127	534.332	571.577	642.253	705.452	661.713	698.693	615.121	708.716	763.389	710.042
Global sales (%)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Europe	61%	56%	54%	51%	52%	54%	52%	50%	50%	48%	44%	42%	40%	42%	48%	47%
China	8%	10%	10%	14%	17%	16%	17%	20%	20%	22%	25%	25%	26%	24%	20%	21%
US	14%	15%	16%	14%	12%	14%	15%	16%	15%	15%	17%	17%	17%	18%	16%	17%
Other	16%	18%	20%	20%	18%	16%	16%	14%	15%	14%	15%	16%	17%	16%	15%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Annual Reports and Financial Results

Volvo operations in China

Volvo New Operations:

- Administrative center: Shanghai
- Assembly Plants: Chengdu (2013), Daqing (2014)
- Engine Plant: Zhangjiakou (Hebei Prov.)
- R&D and Technology Centre: Shanghai Jiading
- Corporate university



Innovation, R&D and Product Development

Step 1: car modification and adaptation for the Chinese market in Gothenburg (since 2010).

Step 2: creation of a Chinese R&D Centre in Jiading (SH) for the local adaptation of Volvo models (2011).

Step 3: new joint R&D Centre in Gotheberg (2013)

- No global engineering.
- Gradual moves towards a platform sharing between Volvo and Geely.

A Converging Point and Fast Growing Company: China Euro Vehicle Technology – CEVT (2013)

- From Asset Seeking” strategy to “Strategic Asset Creation” strategy
- A joint R&D Centre opened in Gothenberg (2013), where Volvo HQ and production facilities are located
- Cross cultural cooperation at work
- First overseas R&D centre for Geely
- Joint research and design expanded to other areas such as engines, transmissions, powertrain and on connectivity and autonomous cars. Powertrains are designed to fit in electric vehicle
- Output to be shared between the two brands. A main channel for joint research and technology transfer, leading to technology convergence.
- A major original achievement of CEVT: CMA platform. Modularity and innovation
- ↘ **Technology/platform convergence**

Bridging cultural gaps

- A long tradition of corporate social responsibility at Volvo (e.g., safety issues, including the three-point seatbelt, 1959, not patented)
 - Scandinavian *Jantelagen* vs Chinese luxury and consumer tastes
 - Cultural divergence and convergence in the cooperation between Geely and Volvo
 - Intercultural talent management at CEVT
- Synergy between Volvo's automotive technical excellence and Geely's organizational and digital skills

Technology convergence at work: Lynk & Co (2017) and Zeekr (2021) new brands

- Lynk & Co jointly developed by Geely and Volvo in CMA (Compact Modular Architecture) platform at CEVT. The project started in 2013.
- Launch in 2017: a turning point for Geely.
- A new greenfield plant in China started construction in 2014 and went into production in 2018.
- Zeekr premium global brand for full electric vehicles. R&D and Design centres in Gothenburg; new platform and architecture; production in Ningbo and Chengdu factories.
- Launch in 2021. 700,000 cars sold in 3 years

Families of models for both the Chinese and the global market. In China higher prices, approaching those of foreign producers. Synergy between Volvo and Geely's financial and organizational strength

Concluding remarks

- **Geely, a medium and long term strategy towards asset-seeking acquisitions and technological upgrading. Electric vehicles as a leapfrogging opportunity.**
- **A private-owned multinational in the Chinese institutional context: policies matter**
- **The acquisition of Volvo, a key step and a not easy success story, overcoming cultural gaps and initial skepticism.**
- **Technological trajectories and convergences**
- **Behind the asset-seeking strategy, asset integration and innovation**
- **An imitable example?**

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