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Cultural problems in international acquisitions: The Autopec case
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Abstract

The Autopec Case broadly illustrates how post-acquisition integration and management can be hindered by several factors. In particular, it presents some situations, such as decision-making regarding the continuity of previous managers, priorities in terms of changes, and the handling of business relationships between the acquirer and the acquiree’s business partners, that need to be taken into account by those in charge of the post-acquisition integration process. Hence, value creation after an acquisition depends on how well the post-acquisition phase has been managed.

Introduction

It is October 1999. Paul Carter, Managing Director of the electrical-electronic division of Carpart (a Canadian auto-component manufacturer) is in Brazil’s São Paulo airport waiting for his return flight to Toronto. Over the last two years, Carter has been travel-
ling to Brazil from his office in Toronto every month since Carpart’s acquisition of Autopec. He would normally have used this spare time to start writing the report about his two-day trip. But, this time, he simply does not know what to write. Autopec’s integration into Carpart has become so badly derailed that he has just one question on his mind, “What has gone wrong?”

While he searches his mind for potential causes of the problems now associated with Autopec’s integration, he remembers his meeting with Marc Gomez at that same airport following the acquisition two years ago. Gomez, a consultant having ample experience with Latin American companies, had told him, “Paul, I know you have a lot of experience in acquiring companies, but be careful. Acquiring a family-owned company may be quite complex.” To which he had naively replied that Carpart, being a world leader with a lot of know-how, would have no problems assimilating Autopec. Now, he wonders whether his answer had been too arrogant.

Carter’s immediate concern is how to explain the ongoing problems at Autopec to Carpart’s Board members in three days’ time; especially when two years earlier he had been so enthusiastic and had even convinced a hostile Board that Autopec’s acquisition would be a strategically profitable deal. He had guaranteed the Board then that Carpart could enter the electrical-electronic sector in Brazil through this acquisition and, at the same time, consolidate its position in the promising Brazilian market. Carter is particularly concerned about the reaction of John Turner, Carpart’s Financial Director, who has been against this acquisition since the very beginning, preferring to favour the consolidation of Carpart’s European operations. Carter knows that he needs to present a convincing and realistic alternative to put Autopec’s integration back on track. Otherwise, his professional credibility and career prospects might be put into jeopardy. Unfortunately, he still does not know what to do. And the clock is still ticking.

I. AUTOPEC

Autopec was founded in 1967 by Mr. Carlo Bertoluzzi, an Italian immigrant who had arrived in Brazil in the 1950s. Autopec grew considerably and came to supply the four major carmakers operating in Brazil: Ford, General Motors, Volkswagen and Fiat. However, since Autopec had been unable to supply all of them, it had concentrated mainly on one of them (henceforth Topcar). Since Topcar had been expanding fast, it had offered Autopec many opportunities. Autopec (which was very flexible in responding to Topcar’s requirements in terms of product development and delivery) was offered more opportunities by each new Topcar model produced. The relationship between the two companies had thus evolved into a close partnership. Around 35 per cent of Autopec’s production had been for the aftermarket. This had represented only 10 per cent of production until 1990, but increased considerably, reaching 35 per cent by 1996. Autopec had achieved sales of 45 million dollars and employed 650 people by 1997.

Originally, Autopec had been a company essentially focused around Bertoluzzi and hence very much reflected his personality. He had been a centralising manager who
kept strict control over the whole company (see Appendix 1). The company had had a
very flat, one-layer, simple organisational structure because he did not share the direc-
torship with anyone else. The managers had had little autonomy to make decisions and
not many opportunities to take the initiative. On the whole, managers were concerned
only with their own tasks. As Marina Dias (an Autopec Sales’ Manager) had reported to
Carter,

“We never needed to think about things like market share, competitors, and the
future of the company. That was Mr. Bertoluzzi’s function. The company was his,
not mine. My job was to think about sales.”

Bertoluzzi had had exclusive control over financial issues at Autopec. For example, he
had controlled the budget for the whole company. Antonio Ferraz, another Sales’ Man-
ger, had commented to Carter that, “I never had a budget. I never knew how much I
could spend. When I needed to spend, I simply spent. Bertoluzzi had confidence in me.”

Bertoluzzi was a very informal person and had kept in close contact with his em-
ployees. He would sometimes go to the plant to discuss various issues with shop-floor
workers or employees would go to his office to talk directly to him. Overall, there was a
very informal communication style, with little written registration of action or procedure. In
fact, Bertoluzzi was said not to like ‘paper’ very much as he had preferred to talk directly
to people. On the other hand, information had rarely been disseminated amongst Autopec
staff. Only a very small number of people knew the figures for Autopec’s turnover, sales,
or profits. Costs, for instance, were kept secret; there was the idea that technical and
commercial people should not know the cost of a product. This had limited sales’ people’s
autonomy to negotiate prices when they had had to negotiate with their customers.

Autopec’s Human Resource policy had had two main features: absence of a
coherent training strategy and personalisation of the reward system. Because training
was decided according to cash availability, the company’s training policy was irregular.
If the company was doing well financially, Bertoluzzi would authorise investment in training;
if not, there was no training. Regarding the rewards’ policy, Bertoluzzi himself had de-
cided about any promotion or salary increase. This personalisation had resulted in seri-
ous distortion; for example, people who were better appreciated by the owner earned
more than others. Carolina Santos, the Purchasing Manager, once told Carter how the
rewards’ policy at Autopec had been characterised by this discrepancy.

“At Autopec there were dozens of different positions. But in reality the positions
existed only to justify the differences in salaries. When Bertoluzzi wanted to in-
crease the salary of one person, but not that of others, the solution was to change
that person’s position. So, there were many people doing exactly the same thing
but with different positions. It was a mess.”

Bertoluzzi had been particularly keen on having up-to-date equipment. Autopec
had always possessed very modern machinery because he had believed that this was the
best way of ensuring that cheaper and better products were manufactured. The situation
had been different regarding the operation process and the new product development. Eduardo Silva, who had been the Manufacturing Manager at Autopec, has commented that Bertoluzzi would travel abroad to visit some trade fairs and, on his return, do some sketches. Then, he would ask his engineers to build new components based upon the sketches.

Autopec also had another problem; there was no quality certification, such as ISO 9000. The absence of certification had gradually become a serious issue for Autopec because carmakers were beginning to work only with certified suppliers, so the number of auto-parts’ manufacturers searching for such certification had been substantially increasing (see Appendix 2). However, to obtain such certification had required substantial investment, and Autopec had been unable to make such a commitment.

Although Autopec had been a profitable company, Bertoluzzi had started to worry about his company’s future. Trade liberalisation, the arrival of new auto-component manufacturers, and new requirements from carmakers in terms of quality and supply procedures had transformed the auto-component manufacturers’ panorama, making their lives very difficult. Foreign companies had been acquiring various Brazilian companies, so Bertoluzzi had known that sooner or later Autopec would also be targeted by a multinational. At the end of 1996, two companies (both already present in Brazil) had approached Mr. Bertoluzzi. At that time, however, he turned down their offers, thinking that Autopec could have held out for a few more years.

Some months later the situation had worsened and Bertoluzzi had finally decided to divest himself of Autopec. After considering the earlier offers, he had ended up selling his company to Carpart, one of the two companies which had previously approached him. Mr. Bertoluzzi had been a bit surprised when, at the end of the negotiation process (which had lasted from May to September) Ricardo Porto, the Managing Director of Carpart in Brazil, had invited him to stay on in the company. He had not been sure whether he should accept such an offer, but Porto had insisted that his staying was fundamental for Autopec, so he had accepted and signed a contract to be an advisor for a two-year period.

II. CARPART

Carpart is a Canadian automotive equipment supplier focusing on the development, production and sale of auto-components to carmakers all over the world. It is active in two core businesses: electrical-electronics (57 per cent) and accessories (43 per cent). Carpart has made several acquisitions in the electrical-electronics area in recent years to consolidate its world presence in this sector. Carpart has been active in both the carmaker and aftermarket sectors. It has supplied the world’s leading carmakers, such as General Motors, Ford, Toyota, Nissan and Renault, but none of them has accounted for more than 18 per cent of Carpart’s overall sales. In the aftermarket, it supplies original spare parts to thousands of dealers around the world. The aftermarket accounted for 30 per cent of Carpart’s total sales in 1997 and the carmaker sector had accounted for the rest. The
aftermarket share has become reduced to 25 per cent by 1999 and the carmaker share increased to 75 per cent. The aim had been to have a 20:80 ratio by 2001.

Carpart has had sales of 4 billion dollars in 1999 (3.2 billion dollars in the carmaker and 0.8 billion dollars in the aftermarket sectors), a 22 per cent increase on the 1998 figure. In fact, Carpart’s sales have increased by 55 per cent through internal growth and acquisitions from 1995 to 1999. Acquisitions made in Europe and North America in the last few years have enabled Carpart to strengthen its positions in the electrical-electronics area. Sixty per cent of group sales have been generated in North America in 1999, 30 per cent in Europe and 10 per cent in Latin America (Brazil accounted for 50 per cent of Latin American sales). Sales’ volume outside North America has increased from 32 to 40 per cent in the last five years, but the objective had been to reach 50 per cent by 2001. The company has 95 production sites and employs 25,000 people in 12 countries worldwide. Carpart has been present in Brazil for over twenty years. It had a sales’ volume of 200 million dollars in 1997 and mainly used to supply the two American carmakers present in Brazil: GM and Ford. The aftermarket sector accounted for 22 per cent of sales in 1997.

In 1996, during one of his regular trips to Brazil, Carter (at that time Director of the Accessories’ Division) had been discussing Carpart’s prospects in the country with Ricardo Porto. Porto had argued that the market had been expanding fast (it had been expected that Brazil would produce around two million vehicles in 1997) (see Appendix 3), new carmakers had been coming in and auto-component manufacturers had been trying to consolidate their position, so he had thought that Carpart should have adopted a more aggressive strategy. Porto had thought that this was the best time for Carpart to enter the electrical-electronic sector. Furthermore, there had been plenty of small companies which, unable to face a more competitive environment, could have been targeted for acquisition by Carpart. Carter had made Porto responsible for searching for potential candidates. Meanwhile, he was to check whether Carpart would have been willing to have acquired a company in Brazil.

Porto had called Carter in April 1997 to announce that he had found a company about which he had been really enthusiastic. He had told Carter,

“It is a very well-managed, very profitable company and has a good market share. By acquiring Autopec we will gain an immediate substantial market-share in the electrical-electronic segment and hence strengthen our position in Brazil. In addition, this operation will allow us to have a new customer, Topcar, which is one of the largest carmakers in Brazil (see Appendix 4). In my opinion, this could not be better.”

He had reminded Carter about the evolution of the Brazilian car and auto-component industries in recent years to reinforce his arguments (see Appendix 5). Carter had felt quite enthusiastic about the potential deal and had promised to call him back once he had submitted the proposal to the Board. Porto had asked him to hurry because other companies might have also expressed an interest in acquiring Autopec. When Carter
had presented the acquisition proposal at the Board meeting, some directors had raised objections. They had argued that Carpart should have first consolidated its acquisitions in North America and in Europe. However, by arguing that Brazil was the largest car market in South and Central America as well as being one of the largest in the world (see Appendix 6), and that the pace of car sales was increasing rapidly, Carter had succeeded in convincing Board members that the acquisition was strategic for consolidating Carpart’s presence in Latin America. Two weeks later he had flown to Brazil to negotiate the acquisition of Autopec, along with Porto.

A. Putting the acquisition into context: the Brazilian auto-component sector

The Brazilian auto-component industry went through extensive re-structuring during the 1990s. The government instituted policies aimed at stimulating an increase in investment, production and export in the auto industry. For example, the import tariff on auto-components was reduced from 60 per cent in 1990 to 18 per cent in 1995. In addition, ‘localisation’ (i.e. the proportion of components manufactured locally) was reduced from 95 per cent in 1990 to around 60 per cent in 1995. As a result, there was a substantial increase in auto-component imports (between 1994 and 1998 imports increased by more than 100 per cent, whereas exports increased by only 40 per cent) (see Appendix 7).

In addition to these transformations, there have been some important changes in the world auto industry regarding the pattern of supply. The current model involves the transfer of some production and engineering activities from carmakers to suppliers and the reduction of the number of first-tier suppliers, i.e. the creation of a suppliers’ elite. Such first-tier suppliers need to be involved in world-scale activity, efficient in areas such as technology and logistics and be running R&D programmes as well as having the capacity to invest in new plants to keep up with carmakers’ pressure regarding productivity gain. Moreover, they are required to work with other suppliers and be responsible for assembling their parts so that they can supply carmakers with integrated parts.

As a consequence of the intensification of competition from imported products and carmakers’ strategy of reducing the number of suppliers by, it has become much more difficult for small Brazilian companies which do not possess technology or are not developing cost reduction or quality improvement programmes to survive. Even if the ‘localisation’ index were to be reduced, it has become much clearer that manufacturer proximity is necessary to reduce costs, so the presence of large auto-component manufacturers in Brazil has become a critical issue for carmakers. As a result, several manufacturers have come to Brazil looking for companies to target for possible acquisition.

The Brazilian auto-component sector included several national companies whose presence was limited to the local market. Small- and medium-sized companies that did not invest in managerial or operational modernisation have been amongst those most affected by the new requirements in terms of price, quality and technology. Some of them have not survived, whilst others have been absorbed by foreign companies already installed in Brazil or by those entering the market. Some medium-sized companies have
continued to exist either as second-tier suppliers or by shifting towards the aftermarket. Overall, the whole auto-component sector has undergone a thorough re-structuring in less than one decade affecting small and large, national and international companies.

B. Transforming Autopec’s business practices

As soon as the deal had been closed, Porto and Carter had met to design an integration plan for Autopec. The first issue which had arisen had been that of who would be appointed to conduct the plan. Carpart’s normal rule had been to replace acquired companies’ senior managers. Consistent with this policy, and based on his previous experience, Carter had been convinced that the most efficient way of changing Autopec’s business culture and practice was to bring in people from Carpart. Mr. Bertoluzzi, along with other managers, would consequently have left the company. However, Porto had had a different opinion. He had been convinced that Carpart employees would have indeed been necessary to have brought Autopec’s management practices up to Carpart’s standards, but he had also thought that Mr. Bertoluzzi should remain because of his comprehensive knowledge of the company and his close relationship with Topcar. He would thus certainly have had a useful role to play during the integration period. Respecting the other managers, they remained or left depending on their performance, but Porto had thought that Antonio Ferraz (the manager responsible for the contact with Topcar) should definitely have remained.

Carter had disagreed with Porto’s position, arguing that it would have been very difficult to implement changes and transform Autopec’s culture if Bertoluzzi were to have continued in his current role. Porto had decided not to insist on this point because of his inexperience in managing acquisitions, yet had encouraged Carter to be very careful, especially as Carter had had no experience in dealing with Topcar. Although Carter had not been entirely convinced by his colleague’s arguments, he had agreed that the question of the relationship between Autopec and Topcar had been a critical one. He had ended up by accepting Porto’s suggestion, being aware that the absence of links between Carpart and Topcar had been a factor that had had to be taken into account. It had been decided that Bertoluzzi would not have any executive function, but would remain as an advisor for a while. They had also agreed that Porto would become Autopec’s General Manager and that Carter would come to Brazil once a month to assist him in the integration of Autopec. Carter had learned from previous acquisitions about the importance of post-acquisition visits. They show the acquirer’s interest in the acquired entity, they are helpful in integrating corporate cultures and they are fundamental for adapting administrative procedures.

Next, Carter and Porto had focused their attention on the initial steps of the integration process. Since finance is a key area within Carpart’s structure, the first priority in terms of change would have to be given to this area (normally the first person Carpart would appoint after any acquisition would be a controller). Today, Porto reflects that Autopec had had only a very simple conception of financial control.
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“Autopec, compared to Carpart, did not have any kind of control. We control everything. Our financial system is very strict. You cannot buy anything without having at least three different quotations. Before, if they wanted to buy something, they just bought it.”

Both Carter and Porto had agreed that Manoel Braga, Autopec’s then Financial Manager, should leave because they did not believe that he could ever adapt to the Carpart system. Whilst they had discussed whom to appoint to his position, Fernando Santos (one of Carpart’s financial managers in Brazil) had been appointed on a temporary basis until a permanent manager could be found. Jorge Carturi (a Canadian with Brazilian parents) who had worked at Carpart in Canada for five years replaced him four months later. As Autopec’s Administrative-Financial Director Carturi had brought in three other managers who had been working with him in Canada. He had insisted on bringing these three along because he believed that expatriates with a deep knowledge of the acquirer’s culture and management practices would be fundamental when there were important changes to be made.

As soon as they had arrived, Jorge Carturi’s team had focused on the implementation of new financial and administrative procedures. Carturi has since described the urgency of the change thus,

“In the past, Autopec’s accounting function focused primarily on its tax obligations. It was not seen as a tool for management decision-making, nor was it a priority for the company. Decisions were made based on cash on hand, not on accounting information. Since we have arrived here, financial information has become a priority. The number of reports has thus increased substantially. Managers throughout the company are spending more than 20 per cent of their time filling in reports.”

Managers had not been used to filling in such reports because of the informal style prevalent at Autopec, nor did they see any value in doing so. Implementing this change had thus not been easy. On the contrary, it had meant a drastic change in most managers’ daily activities. Marina Dias remembers how her job has been strongly affected by the implementation of the new procedures.

“It was hard for me to get used to Carpart’s control system. My time was very limited. I used to give priority to contact with clients in my job. Before, I would dedicate 90 per cent of my time to the clients. Now, I spend only 50 per cent of my time with the clients and the other 50 per cent filling in reports. What a waste of time!”

Carturi had recognised that the implementation of a new control system was going to be very difficult indeed, but Carpart would not compromise on this issue.

“People from Autopec felt a shock when changes started to be made. There were many norms, procedures and details that needed to be followed. They are very rigid and as people were not used to them they did not like them. It was very
difficult to introduce these changes. You must be careful, particularly with those people who do not like or do not accept new procedures. Many people had to leave. We did not compromise; if a person did not accept the changes, he or she was fired.”

Carpert had also changed Autopec’s reporting system. Carturi had seen that it was very difficult for managers originating from Autopec to understand the logic of the matrix-reporting system when they were used to reporting only to Mr. Bertoluzzi.

“People from Autopec had many problems understanding the functioning of a matrix system. Someone has a local boss, but there is also someone who is hierarchically above that person in Canada. One has to negotiate with both of them. I do not see this as a limitation, but as a possibility for negotiation.”

According to Carolina Santos (the Purchasing Manager), the main challenge during the first phase of the integration had been to learn how to report to two different people.

“The problem with the matrix structure was that one day you dealt with a guy who said one thing; the next day the other guy says something completely different. So, it was very difficult sometimes.”

Carturi, Porto and Carter had met in April 1998 (when the financial reports were already being written according to Carpart’s standards) to evaluate the integration process so far and to plan their future strategy. After a long discussion, they had resolved that the next priority was to change certain administrative management practices that did not fit in with Carpart’s organisational culture, i.e. the decision-making process, planning, communication and Human Resources. Both Porto and Carturi had then concentrated their efforts on transforming these practices.

Porto has described how managers at Autopec were unable to make decisions on their own, being used to delegating operational decisions to lower managers.

“We are employees of a multinational with a lot of power. People at Autopec had problems in assuming broader responsibilities. Because of the stricter control exercised by the previous owner, managers were not used to making decisions on their own, which is precisely what Carpart expects from them now. This was a huge challenge for most of us.”

Porto had been particularly amazed at how Autopec had survived without any long-term planning.

“They are more practical and do not like to spend time planning. Canadian companies, by contrast, like planning. As they say, ‘without planning and a budget, you cannot get anywhere.’”

Following Carpart’s worldwide policies and practices, he had insisted that Autopec institute a longer-term planning perspective and thus requested Carturi and the other managers to plan their strategies for the next two years.
Ferraz had commented that long-term planning was pointless because the Brazilian economic environment was so unpredictable and unstable. According to him, Autopec had valued flexibility and this had been an important asset for the company. He has said that the first time that he and his team had heard about the need for setting up two-year planning, they had made a lot of jokes about it. “Let’s go buy a crystal ball to help us guess what is going to happen,” is a phrase from the time which sticks in his mind.

Porto had also altered Autopec’s communication practices, which had been too informal. He had been surprised when, one day, he had asked to see a contract between Autopec and one of its suppliers and found out that no contract existed. The agreement had only been made verbally. There were few documents in the company since people had been used to calling each other to decide things, but they had kept no record of such decisions. Porto had also been surprised when he had discovered at his first meeting with managers that they completely ignored basic information, such as Autopec’s turnover, costs, sales and profitability figures. Bertoluzzi had always kept information secret, so managers had no idea of the company’s figures. As Carpart is a public company, it has different practices, and soon information started to become more widely disseminated throughout Autopec. Eduardo Silva points out that Carpart even displays general information about salaries.

“They publish different categories’ salaries. The purpose is to allow employees to compare their own salaries against those of their colleagues. Why does someone earn more than I do? You understand that someone is earning more than you because he has been better trained and is more qualified than you. So things are very clear. Carpart does not hide things.”

Ferraz, however, has observed that these changes, as well as replacement of personnel during the first nine months, created an uneasy atmosphere within Autopec. People had been especially concerned about whether or not they would fit into the new organisational culture being implemented by Carpart. Ferraz has expressed his concerns in the following terms.

“People are really worried. Carpart said that it does not intend to change a lot of people, but there is always someone new coming in. Moreover, we do not know if we are prepared to change as they want and/or expect. For me, in particular, it is very difficult to make decisions and to plan things two years in advance, so I am afraid I do not have the right profile to continue working within Carpart.”

Rosa Oliveira (a Human Resources Manager from Carpart’s Brazilian subsidiary) was appointed in May 1998. Human Resources had been part of the Finance-Administrative department at Autopec and it had been mainly concerned with legal questions. Within Carpart’s structure, however, Human Resources is a key department, so the company could not afford to retain Autopec’s old system. Some weeks after her arrival, Oliveira had confessed her surprise with what she had found. The most serious problems resulting from Autopec’s type of structure, according to her, were the absence of a true reward scheme and the absence of career planning.
There was no HR policy at Autopec, but a policy of advantages, of privileges. And only a few benefited from it. There were people doing the same thing but one earned double the other. Why? Because the owner liked one person and not the other. This resulted in a very unequal reward structure.

Oliveira’s immediate goal had been to normalise Autopec’s reward and promotion policy. However, since salaries could not be legally reduced, normalisation had mainly been done through lay-off; 120 out of 650 employees had had to leave the company. Even after the dismissal of so many people, the personnel/sales ratio at Autopec had still been very high (around 35 per cent) compared to Carpart’s worldwide standard (21 per cent), so further personnel reduction was expected. Oliveira had recognised that this reduction of personnel had generated tension within Autopec, but it had been necessary because such salary differentials are unacceptable within Carpart’s philosophy.

Lucas, the Quality Manager, has noted that people felt much more insecure than before.

“People were very nostalgic about the old relationship between the company and the employee. Autopec used to respect its employees much more. If the employee did a good job, there was no risk of lay-off, so people were not afraid. Now, the company is much more impersonal. If you present results it is fine. If not, bye-bye. You can be replaced much more easily than before. Of course, people feel insecure, so they are less motivated. And what motivates someone is the desire to keep the job, to have a salary.”

Oliveira had been aware of the nostalgic feeling shared by Autopec employees. She knew that Autopec management had been very much based on personal relationships, but that such relationships in a multinational like Carpart cannot be based on personal links.

“Bertoluzzi had a friendship-based relationship with employees. Carpart is an abstract entity. Replacing someone cannot have any impact or consequence on the company.”

Carpart invests a lot in training within its Human Resources. Bertoluzzi only used to authorise investment in training when there was an obvious case for it. By contrast, Carpart has a clear policy on this issue: 80 hours of training per employee per year. Carpart’s investment aims to upgrade the educational level of employees who do not have the minimum 11 years of schooling required by Carpart.

Mr. David Lewin (an American) was appointed as Production Director in July 1998 in place of Eduardo Silva who became the Product Development Manager. Lewin had previously lived in Brazil for five years then gone back to the USA and got a job at one of Carpart’s American subsidiaries. When Autopec had been acquired, Paul Carter had thought that it was a good idea to appoint Lewin because he could speak Portuguese and already had experience with Brazilian culture. Lewin had noted that Autopec’s production process could be substantially improved as soon as he had arrived. Carpart’s know-how about the production process had proved relevant in rationalising Autopec’s production process, and hence in improving productivity and quality. Lewin has said,
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“We had to change the way of doing - the management model, the planning - more than the equipment. It was more the process part. Instead of having a preventative quality system, Autopec only had a corrective quality system.”

Lewin also remembers that Bertoluzzi had been very critical of his plans to improve Autopec’s production system.

“He was very sceptical and doubtful, arguing that changes would only increase costs. I simply could not make him understand that Carpart could help Autopec improve its productivity.”

Lucas (the Quality Manager) has pointed out that Carpart is indeed much more concerned about quality than Autopec had been. In his opinion, this has been the feature that has changed most substantially within the production area following the acquisition.

“Quality is something that has changed a lot. We did not pay much attention to some quality standards. There was a lot of pressure from Topcar, so the most important thing was to deliver. The critical issue was volume. It is interesting, but Topcar’s level of rejection (which was normal at that time) would be unacceptable nowadays.”

C. Cultural differences affecting the process of change

Besides the differences in organisational culture that have become evident as Carpart has implemented new business practices within Autopec, expatriates have claimed that some Brazilian cultural traits have also been affecting the integration process, either positively or negatively. Other cultural traits have been seen as having both positive and negative effects, as Mary Newman (the Accountant) has explained.

“Among the difficulties that I perceive, there is the problem of cultural difference between the Canadian culture and a culture which I am still finding out about. Brazilians are always very enthusiastic, always positive … so when we show them problems, we speak about the difficulties and we show the reality … when we do this, it is very badly perceived or misunderstood. People do not reason like this … we are perceived as being negative. Why, looking at such a good idea, do you speak of problems? Thus, this is an enormous difficulty in the work here, a difficulty still more important at Carpart, whose life is centered on the information cycle (forecast, budget, performance). Therefore, in Brazil, with this over-optimistic view of things, an enthusiasm that I consider sometimes exaggerated, we plan budgets, but we never work within the budget. This, then, is a major problem … this exaggerated Brazilian optimism is more of a hindrance than a help.”

Matthew Thompson (who also came to Autopec with Jorge Carturi) has claimed that the fact that Brazilians do not like conflict and always want to present the best picture of a situation, regardless of the potential trouble this may cause, is a serious problem. Because of this, people have difficulty in saying no. Another problem raised by
Thompson is the question of verbal frankness. In his opinion, Brazilians have difficulty accepting criticism, which makes conversation a sensitive issue. A Brazilian can take what would be a normal comment for a Canadian as an insult. Moreover, Brazilians do not fully explain their opinions to their interlocutor, so while a Canadian sees a lack of frankness as a sign of disrespect, it is normal behaviour for a Brazilian.

The different conception of time between Brazilians and Canadians is also a feature of Brazilian culture that has hindered the process of change (in Carturi’s opinion). He has observed that this difference is one source of problems in the relationship between Autopec and Carpart, even in the company’s daily life. He has stated that, “When Carpart expects certain information or certain data … and they do not get it on time or they don’t get it within the timeframe we feel we should get it in, there is a lot of frustration, and I think that is a problem, whereas time here is not a factor. Time is not the essence. For example, the meetings start at 8 o’clock and people start walking in at 8:15-8:30, so the only way to change this … you just put on the board what time you got there, and of course you shame the guy who arrives later, so each day it gets better and better.”

While these cultural features are said to have been a source of problems, all five expatriates working at Autopec have recognised that Brazilians are normally very flexible, which makes the implementation of changes easier. Carturi has summarised their views as follows.

“Brazilians are very quick. This is very agreeable. When things change, they change. The economic situation changes, so they change. Then, they adapt. The Brazilian will adapt. If we say tomorrow that we have to do this and that, if a chief says something, he does not have to give 50 explanations. They just change. If the change is necessary, they change.”

D. Changing the relationship between Carpart and its business partners

By October 1998 (one year after the acquisition), although internal changes had not yet been entirely implemented, Carpart had decided that it was time to change the terms of Autopec’s relationship with its suppliers and buyers. As for the suppliers, two important changes were introduced; one was a reduction in the number of suppliers while the other was a shift in quality standards, meaning a much stricter and more rigorous control of suppliers. Carpart thus played an active role in offering technical support for the required changes as a consequence of this focus on quality. Santos has said that she began to work much more closely with suppliers than before. During Autopec’s time, she would basically just have negotiated prices, but there had not been such a close involvement with suppliers as there was after the acquisition. She has stated that suppliers are receptive to change because it is very advantageous for them to supply a multinational.

With respect to the buyers, Jorge Carturi has explained that Autopec needed to adapt its strategy to Carpart’s. Carpart had decided to reduce its dependence on Topcar,
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following the rule that no single carmaker could account for more than 18 per cent of its turnover.

“In strategic terms, the previous owner preferred to supply only Topcar. Topcar is still responsible for the largest part of our turnover, but Carpart has been trying to develop a stronger relationship with other carmakers. We cannot depend on only one carmaker. We need to diversify.”

In spite of Carturi’s stated policy, obtaining new contracts had not been easy. Dias has also pointed out that by the early 1990s carmakers had reduced the number of suppliers they dealt with. This elite of suppliers (first-tier suppliers) were mostly multinationals with strong product development competency. Furthermore, first-tier suppliers and carmakers had already worked together on several projects. These factors made it very difficult for a company to become a first-tier supplier. Carpart was also not willing to let Autopec remain a second-tier supplier because Carpart had always supplied carmakers directly. However, Dias was not convinced that Carpart would be able to reduce Topcar’s share as Carpart expected.

Lewin and Carturi had both been looking for ways to change several terms of the relationship between Autopec and Topcar. Autopec could no longer respond to all of Topcar’s requests because this would have meant that Autopec would not have been able to respect some of Carpart’s corporate policies. As Carturi explains,

“Topcar wants us to develop products too quickly. We have our own procedures. We cannot develop products in one month, as they have asked us to do. We need at least six months. Topcar wants its suppliers to react quickly. We cannot always make decisions in Brazil. Some decisions have to be made in Canada, and this takes time.”

Lewin has explained that not responding to a client in the same way that Autopec had done before the takeover has meant a huge change within the acquired company’s organizational culture. Lewin thinks that Topcar understands that Carpart is right – it is just a matter of time.

“Autopec used to respond to its clients irrespective of the circumstances. And the principal change implemented by Carpart, or that Carpart has been trying to implement, is to call the client to tell that them that we cannot sometimes respond as quickly as they would like because this would imply a lowering of the quality. Occasionally the client does not understand this and they complain, alleging that we are going to cause a stoppage in their production.”

However, Topcar has seen the new Canadian supplier as being too bureaucratic and inflexible. Whilst Autopec had been a very flexible company, always ready to accept Topcar’s conditions and requirements, Carpart is trying to impose new conditions that Topcar thinks are unsuitable. Ferraz (who worked directly with Topcar) has been highly critical of Carpart’s attitude. He has observed that Carpart lacks flexibility, one of Autopec’s pivotal competencies. Flexibility had been fundamental to Autopec’s relation-
ship with Topcar. He has also criticised Carpart’s slowness, which, according to him, is damaging the old relationship between Autopec and Topcar.

“I think what irritates Topcar is when they, for instance, ask for a price reduction and expect an answer in three days. If it takes 15 days or a month to answer something that used to take only one day, our client ends up being very irritated.”

Carturi and Porto have recognised that there are limits to the extent of change that can be made. Until they have found new buyers, they cannot afford to lose Topcar, their main customer. Lewin has explained Carpart’s dilemma regarding Topcar as follows.

“Carpart is frequently forced to disregard its own procedures when responding to Topcar’s requirements; otherwise it would have lost its customer. So, we have to work at Topcar’s rhythm. If you do not follow all their procedures, and do not respect their delays, Topcar might change their supplier. However, if you develop a product very quickly and there are problems later, Carpart’s image might be damaged. Of course, Topcar is not going to assume responsibility for this. We needed to find a balance so that we will not risk losing our contract with Topcar, but at the same time retain our credibility.”

Porto has been very concerned about the future of the relationship between Topcar and Autopec. As long as Bertoluzzi had stayed on he had guaranteed smooth relationships between Autopec and Topcar but, since his departure, Carpart has gradually started to impose its own style. He has wondered if this might permanently damage the relationship with Topcar. Further, he has realized that cultural factors have been the key to this relationship and is not confident that Carpart is capable of managing this touchy issue.

“There is a lot of difficulty in the relationship, problems of communication, and so on. There is a series of misunderstandings on both sides. If you buy a company that supplies a multinational without knowing the multinational, without talking the language of the multinational, there can be problems. Every multinational has its own features and is different from others.”

E. Bertoluzzi leaves the company

Two years after the takeover, Bertoluzzi has left Autopec. Even Paul Carter, who had initially been sceptical about the retention of Bertoluzzi after the acquisition, has recognised that he has ensured the smooth running of the integration process. He now thinks that if Bertoluzzi had not stayed, Carpart could have had a lot of problems.

“It was very positive because when you have had someone on whom so much power was concentrated upon, you need time for that person to transfer all his/her knowledge. A major problem, and it is still a problem nowadays, is the commercial part. All commercial contacts were with Mr. Bertoluzzi. He had established the contacts by himself. So, to pass on these contacts, it is essential to introduce the contacts to the new people so that you do not need to re-create these commercial links from scratch.”
Cultural Problems in International Acquisitions: The Autopec Case

Porto, who has had defended Mr. Bertoluzzi’s stay from the beginning, believes that Mr. Bertoluzzi’s stay has been so successful because he has been very helpful and he really tried to transfer all his knowledge to Carpart.

“These two years were fundamental for cultural exchange. Mr. Bertoluzzi did not put up any obstacles. In fact, he was very helpful. Of course, he had some problems because he was used to making decisions and after the acquisition he needed to follow orders.”

Ferraz and Dias argue that Bertoluzzi had been essential during the first phase of the integration period, but question whether Carpart fully used his presence to absorb his knowledge. They doubt that the transfer has been accomplished effectively. Even if his knowledge was supposed to be relevant, they believe that Carpart had different views on how things should be done. It has thus been difficult to consult someone whose ideas did not match those of Carpart. Ferraz has said,

“Since they knew that he was not going to stay for much longer, people gradually began to stop consulting him. When we needed to make a decision we did not do it with him anymore. When we made a decision he did not interfere anymore but, if someone asked him about something, he would give his opinion. I think that the people from Carpart did not consult him enough.”

Porto does not think that Mr. Bertoluzzi’s departure will hinder future consolidation of the company’s transformation because most of Carpart’s business practices have already been implemented. However, things are different regarding the relationship between Autopec and Topcar. Porto has noticed that relationships with Topcar have become more difficult since Bertoluzzi has left. According to him, Autopec needs to be extremely careful if it does not want to damage its relationship with Topcar.

“The cultural issue is fundamental. You need to be very careful when you deal with different clients. You really need to understand the culture of the multinational, which you are supplying. Bertoluzzi understood Topcar very well. He has left, so it has become much more difficult for us to approach them.”

F. Autopec’s situation in October 1999

Autopec has certainly gained important resources from Carpart in the last two years, i.e. financial and managerial know-how and access to better technology. All in all, Carpart has made the Brazilian company much more competitive. Paradoxically however, even though it is more competitive than when it had been acquired, Autopec’s situation is not good. In part, this is due to external factors, but there are also some internal considerations to be taken into account.

First, there have been a succession of economic crises (Asia in 1997, Russia in 1998, and Brazil in 1999) all of which have had a strong impact on whole automobile sector. The devaluation of the Brazilian currency in January 1999 triggered a crisis lead-
ing to a sharp reduction in economic activity. In the auto sector, for instance, two million cars were manufactured in 1997, but this number decreased to 1.5 million in 1998 and to 1.3 million in 1999, despite a forecast of 2,150 million for 1998 and 2,320 for 1999 (see Appendix 9). In addition, foreign companies like Carpart, which have acquired companies in Brazil, are seeing their investments become devalued. Autopec, for example, was acquired in October 1997 when the dollar was at $1.10 Brazilian reals but, two years later, the real has been devalued by more than 50 per cent (see Appendix 10).

Secondly, in addition to these external problems, Carpart is also facing some internal difficulties related to changes implemented during the last two years. Carpart has implemented a complex and costly administrative structure; there are now many audits which did not exist before. Various new departments have been created (see Appendix 11) and expatriates’ salaries are very high. All these changes have had a severe impact on the acquired company’s profitability. Carturi has explained that the changes introduced by Carpart have substantially increased its costs.

“The company’s profitability has decreased because we have re-structured the company. Before, there was a company managed by one person only, but now there is a company managed by several people. Expatriates are costly. Overall, the costs increased substantially. However, we do have various managerial and production tools that Autopec did not have before.”

Ferraz has argued that Carpart has aimed to increase its profitability but, in his opinion, has used inappropriate means to achieve this goal.

“The first thing you need to be is coherent. If you want to reach a certain turnover, you need to follow one fixed path rather than another. You cannot increase your costs by 20 per cent and then expect to have a good turnover in the next year. So, you need to be coherent. If you design a path, you need to follow it.”

He has particularly criticised those changes which have been implemented simply to follow corporate policy, even when such implementation has not been necessary. Instead of creating added value, Carpart is destroying Autopec’s existing value. Ferraz has summarised the paradox faced by Carpart regarding the process of change at Autopec.

“Carpart’s structure is huge, the rules are too rigid and people are too afraid of not abiding by corporate policy. Therefore, although Porto knew that some of the acquired company’s business practices needed to be maintained, he also knew that some new practices, even if not strictly necessary, needed to be implemented. There are some stupid things about the corporate policies that have been totally useless. They are destroying the company by implementing these things. Transferring 100 per cent of the acquiring company’s practices (having a completely different philosophy to that of the acquired company) could seriously damage any acquiree.”

Another difficulty has been related to the implementation of the changes themselves (content and process). Employees have questioned whether changes being implemented are really necessary. The general feeling has been that Autopec is perhaps not
CULTURAL PROBLEMS IN INTERNATIONAL ACQUISITIONS: THE AUTOPEC CASE

so competitive but is at least in a much better situation than after the acquisition. The process by which changes have been implemented has also been called into question. Santos has argued that even if Carpart had tried to carry out the process smoothly, it has not been successful.

“They have tried to integrate smoothly and, as time passed, not to interfere very much until people have had time to assimilate Carpart’s culture. However, intention is one thing, reality another.”

Santos has particularly complained about the arrogance of those people who came from Carpart.

“The main problem is that people from Carpart have been very arrogant. I would never have thought that. These managers believe that they are always right and know everything. They are not interested in finding out if they can learn something from us.”

Porto has wondered if the difficult climate Carpart has been experiencing might have been due to the fact that Carpart has tried to change Autopec too quickly. Looking back, he thinks that it has been a mistake to imagine that the integration could have been done in two years, as he and Paul Carter had initially planned.

“We have to think that we had an old machine. We could only paint it to give it a better appearance; to change it internally takes much longer. Perhaps the main factor determining the length of the process of change is the time required by the acquired company’s employees to reach a complete understanding of the logic of change. Put differently, people need to understand why the change is necessary and how it is going to affect their work.”

Relationships with Topcar have deteriorated. Topcar has been very happy with the technological improvement arising from the acquisition. Autopec is now able to respond to Topcar’s new technological product development needs. Moreover, Topcar no longer needs to reject so many supplied products due to substandard quality. Nevertheless, flexibility regarding delays has remained, and this is a growing source of friction between the two companies. Carpart has also expected to be able to impose its own timetable on Topcar because it has offered a better technological answer to Topcar’s needs, but the carmaker has simply refused to accept Carpart’s bureaucratic nature. Ferraz (who was responsible for dealing with Topcar) claims that the situation has become unbearable; he doubts whether Topcar and Autopec can continue their relationship for much longer.

Autopec has not succeeded in changing its customer base as quickly as it had initially expected. However, several new carmakers have announced their plans to enter the Brazilian market, so Porto is convinced that in two or three years’ time it will be possible to gain new contracts. Another problem has been the aftermarket. Several Brazilian manufacturers, unable to keep their contracts with carmakers, have started to supply the aftermarket because it does not have so many requirements in terms of qual-
ity. Competition in this market has thus become very fierce. Carpart’s investment in Autopec has meant that the final prices for Autopec’s products have risen, thus rendering them less attractive in this sort of market. Dias (who has dealt with the aftermarket for more than 20 years) is convinced that Autopec will soon see its sales in the aftermarket being sharply reduced. This has coincided with Carpart’s strategy of reducing aftermarket sales to 20 per cent. However, in the case of Autopec, the situation is only becoming worse.

G. Meanwhile, on the plane...

Paul Carter orders a triple whisky immediately after boarding the plane and drinks it at once. He wants to enjoy the weekend with his wife and children and so he finally decides to write his report. While he having dinner he thinks about the Board meeting that will take place in three days’ time and about the conversation that he has had with Ricardo Porto that afternoon. Such an intense series of ideas is flowing through his mind that he feels rather confused. By the time is eating dessert the alternatives have gradually emerged, but he is still not sure which is the best one to choose.

He wonders whether Carpart should sell Autopec. Despite the current problems in the auto sector, some foreign manufacturers are still planning to enter the Brazilian market or increase their Brazilian market share. There is actually a Topcar supplier who might be interested in acquiring Autopec; Carter is convinced that finding a buyer for Autopec will not be a problem. Moreover, since Autopec is unlikely to acquire any new contracts in the short-term, selling the company could ensure that Carpart will lose no more money. There is, however, a big problem; the devaluation of the Brazilian currency against the dollar means that Carpart will be unable to recover its initial investment. Adding the two-year investment which Carpart has made to this, the loss will become substantial. Carter thus knows that this position will be difficult to defend to a Board, which will not allow Autopec to be sold for less than they have paid for it. He needs to be able to argue that divestment is, however, the most profitable course of action in the short term even though he cannot disregard the fact that this argument will certainly jeopardize his future position at Carpart.

His alternative strategy is to try to convince the Board that Autopec is a worthwhile long-term investment. The Brazilian market has been showing good signs of recovery following the crisis in January, which turned out to be less serious than had been initially predicted. After a period of sharp variation, the dollar has started to become stable again. In the long term, then, it is likely that Autopec could acquire new contracts, mainly with the new carmakers arriving in Brazil. However, he is aware that this alternative strategy could also be difficult to defend. The Board will probably never agree to inject any further money into Autopec even though maintaining investment levels has always been essential to making Autopec more competitive. The Board will not consider Autopec to be a worthwhile long-term investment unless Carter can present them with a consistent and detailed plan for getting the company back on track. But the problem is
that he is not exactly sure which changes Autopec requires. Moreover, if these changes
are not effective, Carter knows that he will not only lose his job but he will also lose his
reputation as a successful manager.
Appendix 1

Organisational structure of Autopec.

Mr. Bertoluzzi
Managing Director

Eduardo Silva
Manufacturing

Lucas Tavares
Quality

Carolina Santos
Procurement

Antonio Ferraz
Sales
(Carmakers)

Marina Dias
Sales
(Aftermarket)

Manoel Baga
Finance-
Administrative
Appendix 2
Degree of implementation of Quality Programs at 250 Brazilian auto components manufacturers.

1 Data in the appendices were drawn from the following sources: www.bndes.org.br and www.anfavea.com.br
Appendix 3
Forecast for the automotive sector (Production and Sales).

**Total Production Forecast**

<table>
<thead>
<tr>
<th>Year</th>
<th>Vehicles</th>
</tr>
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<tbody>
<tr>
<td>1997</td>
<td>2,067</td>
</tr>
<tr>
<td>1998</td>
<td>2,150</td>
</tr>
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<td>1999</td>
<td>2,320</td>
</tr>
<tr>
<td>2000</td>
<td>2,480</td>
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<tr>
<td>2001</td>
<td>2,720</td>
</tr>
<tr>
<td>2002</td>
<td>2,820</td>
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**Vehicles' Sales Forecast**

<table>
<thead>
<tr>
<th>Year</th>
<th>Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1,000.0</td>
</tr>
<tr>
<td>1999</td>
<td>1,200.0</td>
</tr>
<tr>
<td>2000</td>
<td>1,400.0</td>
</tr>
<tr>
<td>2001</td>
<td>1,600.0</td>
</tr>
<tr>
<td>2002</td>
<td>1,800.0</td>
</tr>
<tr>
<td>2003</td>
<td>2,000.0</td>
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</tbody>
</table>
CULTURAL PROBLEMS IN INTERNATIONAL ACQUISITIONS: THE AUTOPEC CASE

Appendix 4

Production and sales market-share of carmakers in Brazil.

### Production (1997)

<table>
<thead>
<tr>
<th>Company</th>
<th>Passenger cars</th>
<th>Utility vehicles</th>
<th>Heavy trucks</th>
<th>Buses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiat</td>
<td>552.099</td>
<td>68.120</td>
<td>–</td>
<td>–</td>
<td>620.019</td>
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<tr>
<td>Ford</td>
<td>168.553</td>
<td>44.722</td>
<td>16.382</td>
<td>587</td>
<td>230.244</td>
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<tr>
<td>GM</td>
<td>405.502</td>
<td>96.268</td>
<td>2.286</td>
<td>–</td>
<td>504.056</td>
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<tr>
<td>Honda</td>
<td>837</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>837</td>
</tr>
<tr>
<td>MBB</td>
<td>–</td>
<td>–</td>
<td>25.039</td>
<td>15.438</td>
<td>40.477</td>
</tr>
<tr>
<td>Scania</td>
<td>–</td>
<td>–</td>
<td>7.793</td>
<td>1.739</td>
<td>9.532</td>
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<tr>
<td>Toyota</td>
<td>–</td>
<td>3.779</td>
<td>–</td>
<td>–</td>
<td>3.779</td>
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<tr>
<td>VW</td>
<td>552.575</td>
<td>89.658</td>
<td>6.697</td>
<td>2.042</td>
<td>650.972</td>
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<tr>
<td>Volvo</td>
<td>–</td>
<td>–</td>
<td>5.058</td>
<td>1.655</td>
<td>6.713</td>
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### Sales

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>1997</th>
<th>Var.%</th>
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<tbody>
<tr>
<td>Fiat</td>
<td>447.765</td>
<td>508.887</td>
<td>13.7</td>
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<tr>
<td>Ford</td>
<td>182.742</td>
<td>278.255</td>
<td>52.3</td>
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<tr>
<td>GM</td>
<td>383.531</td>
<td>409.632</td>
<td>6.8</td>
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<tr>
<td>MBB</td>
<td>34.847</td>
<td>40.767</td>
<td>17.0</td>
</tr>
<tr>
<td>Scania</td>
<td>6.818</td>
<td>8.635</td>
<td>26.7</td>
</tr>
<tr>
<td>VW</td>
<td>592.638</td>
<td>587.967</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Volvo</td>
<td>5.295</td>
<td>6.172</td>
<td>16.6</td>
</tr>
<tr>
<td>Others</td>
<td>20.060</td>
<td>38.601</td>
<td>92.4</td>
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![Car market chart](chart.png)
Appendix 5


Production of the auto sector (1991-1996)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cars</th>
<th>Vans</th>
<th>Jeeps</th>
<th>Pick-ups</th>
<th>Trucks</th>
<th>Buses</th>
<th>Total</th>
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<tbody>
<tr>
<td>1991</td>
<td>705 303</td>
<td>11 999</td>
<td>1 655</td>
<td>168 955</td>
<td>49 295</td>
<td>23 012</td>
<td>960 219</td>
</tr>
<tr>
<td>1992</td>
<td>815 959</td>
<td>16 085</td>
<td>384</td>
<td>185 122</td>
<td>32 025</td>
<td>24 286</td>
<td>1 073 861</td>
</tr>
<tr>
<td>1993</td>
<td>1 100 278</td>
<td>25 495</td>
<td>265</td>
<td>198 627</td>
<td>47 876</td>
<td>18 894</td>
<td>1 391 435</td>
</tr>
<tr>
<td>1994</td>
<td>1 248 773</td>
<td>38 967</td>
<td>231</td>
<td>211 846</td>
<td>64 137</td>
<td>17 435</td>
<td>1 581 389</td>
</tr>
<tr>
<td>1995</td>
<td>1 297 467</td>
<td>43 975</td>
<td>247</td>
<td>195 177</td>
<td>70 495</td>
<td>21 647</td>
<td>1 629 008</td>
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<tr>
<td>1996</td>
<td>1 458 576</td>
<td>67 740</td>
<td>244</td>
<td>211 713</td>
<td>48 712</td>
<td>17 343</td>
<td>1 804 328</td>
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</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
<th>Growth %</th>
<th>Export</th>
<th>Growth %</th>
<th>Import</th>
<th>Growth %</th>
<th>Investments</th>
<th>Employees</th>
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<tbody>
<tr>
<td>1991</td>
<td>9.848</td>
<td>(19.5)</td>
<td>2.048</td>
<td>(4)</td>
<td>844</td>
<td>0.8</td>
<td>764</td>
<td>255.6</td>
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<tr>
<td>1992</td>
<td>10.122</td>
<td>2.7</td>
<td>2.312</td>
<td>15.1</td>
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<td>25.6</td>
<td>715</td>
<td>231.0</td>
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<tr>
<td>1993</td>
<td>13.222</td>
<td>30.7</td>
<td>2.665</td>
<td>15.2</td>
<td>1,700</td>
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<td>702</td>
<td>235.9</td>
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<tr>
<td>1994</td>
<td>14.800</td>
<td>12.1</td>
<td>3.000</td>
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<td>3.300</td>
<td>10.0</td>
<td>2,800</td>
<td>40.0</td>
<td>1,247</td>
<td>214.2</td>
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<td>1996</td>
<td>17.000</td>
<td>5.0</td>
<td>3.510</td>
<td>6.0</td>
<td>3.423</td>
<td>22.0</td>
<td>1,300</td>
<td>192.7</td>
</tr>
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</table>

Vehicles’ production vs. auto components’ turnover

![Chart showing the relationship between vehicles' production and auto components' turnover from 1981 to 2000.](chart.png)
### Appendix 6
*Worldwide Automotive Industry Ranking.*

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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>188 372</td>
<td>190 362</td>
<td>194 063</td>
<td>198 045</td>
<td>201 500</td>
<td>206 365</td>
</tr>
<tr>
<td>Japan</td>
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<td>61 658</td>
<td>63 263</td>
<td>65 011</td>
<td>66 854</td>
<td>68 801</td>
</tr>
<tr>
<td>Germany</td>
<td>38 504</td>
<td>40 251</td>
<td>42 044</td>
<td>42 878</td>
<td>43 561</td>
<td>44 167</td>
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<tr>
<td>Italy</td>
<td>31 003</td>
<td>32 114</td>
<td>32 327</td>
<td>32 578</td>
<td>32 807</td>
<td>33 515</td>
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<td>30 040</td>
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<td>30 755</td>
</tr>
<tr>
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<td>26 429</td>
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<td>27 006</td>
<td>27 437</td>
<td>27 942</td>
<td>28 486</td>
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<tr>
<td>CIS</td>
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<td>26 000</td>
<td>23 405</td>
<td>23 405</td>
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<td>23 565</td>
</tr>
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<td>16 687</td>
<td>17 284</td>
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</tr>
<tr>
<td>Brazil</td>
<td>14 097</td>
<td>14 346</td>
<td>14 859</td>
<td>15 451</td>
<td>16 123</td>
<td>16 880</td>
</tr>
</tbody>
</table>

### Appendix 7
*Shifts in the auto component sector.*

<table>
<thead>
<tr>
<th>Re-structuring in the auto component sector.</th>
<th>1990</th>
<th>1991</th>
<th>1993</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationalisation index</td>
<td>95%</td>
<td>...</td>
<td>...</td>
<td>60%</td>
</tr>
<tr>
<td>Import tariff</td>
<td>60%</td>
<td>30%</td>
<td>20%</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance of the autocomponent sector.</th>
<th>1994</th>
<th>1997</th>
<th>97/94 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ billions</td>
<td>14,8</td>
<td>17,5</td>
<td>18</td>
</tr>
<tr>
<td>Exports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ billions</td>
<td>3,0</td>
<td>4,0</td>
<td>33</td>
</tr>
<tr>
<td>Imports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ billions</td>
<td>2,0</td>
<td>4,4</td>
<td>120</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ billions</td>
<td>0,9</td>
<td>1,8</td>
<td>100</td>
</tr>
<tr>
<td>Employees (thou)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>236,6</td>
<td>186,4</td>
<td></td>
<td>(22)</td>
</tr>
</tbody>
</table>
### Appendix 8

**Summary of changes introduced by Carpart to Autopec.**

<table>
<thead>
<tr>
<th>Business Practice</th>
<th>Autopec</th>
<th>Carpart</th>
</tr>
</thead>
</table>
| **Organisational structure** | Decision-making centralisation  
Short-term planning  
Flat departamental structure | Decision-making decentralisation  
Long-term planning  
Personnel reduction  
More complex departamental structure |
| **Control**               | Cash emphasis  
General budget | More sophisticated financial concept  
Budget by areas  
Matrix-reporting system |
| **Human Resource**        | Personalisation of the reward system  
No regular training policy | Equalisation of the reward system  
Re-definition of the training policy  
Less personal relationships |
| **Marketing**             | Diversified line of products  
Flexibility to respond Topcar | Focus on core business  
Re-definition of relationship with Topcar  
Greater involvement with suppliers |
| **Operations**            | Focus on machinery  
Little product development | Focus on process  
Strong product development |
| **Communication**         | Informal communication style  
Little dissemination of information | Formalisation of communication  
Information more disseminated |

### Appendix 9

**Ratio dollar/real (1997-1999).**

<table>
<thead>
<tr>
<th>Date</th>
<th>Dollar/Real</th>
<th>Variation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/01/1997</td>
<td>1.0395</td>
<td>–</td>
</tr>
<tr>
<td>02/01/1998</td>
<td>1.1165</td>
<td>7.40</td>
</tr>
<tr>
<td>02/01/1999</td>
<td>1.2087</td>
<td>8.25</td>
</tr>
<tr>
<td>03/01/2000</td>
<td>1.8011</td>
<td>49.01</td>
</tr>
</tbody>
</table>
### Appendix 10


<table>
<thead>
<tr>
<th>Automotive industry performance (thousand)</th>
<th>1997</th>
<th>1998</th>
<th>(%)</th>
<th>1999</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2,070</td>
<td>1,573</td>
<td>-24.0</td>
<td>1,343</td>
<td>-15.2</td>
</tr>
<tr>
<td>Exports</td>
<td>417</td>
<td>385</td>
<td>-7.7</td>
<td>268</td>
<td>-32.9</td>
</tr>
<tr>
<td>Imports</td>
<td>303</td>
<td>345</td>
<td>13.8</td>
<td>178</td>
<td>-48.5</td>
</tr>
<tr>
<td>Sales</td>
<td>1,943</td>
<td>1,535</td>
<td>-21.0</td>
<td>1,252</td>
<td>-18.0</td>
</tr>
</tbody>
</table>

### Vehicles manufactured (thousand)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td>1,679.6</td>
<td>1,254.0</td>
<td>1,108.4</td>
</tr>
<tr>
<td>Light commercials</td>
<td>302.4</td>
<td>246.4</td>
<td>171.1</td>
</tr>
<tr>
<td>Trucks</td>
<td>63.7</td>
<td>63.7</td>
<td>55.1</td>
</tr>
<tr>
<td>Buses</td>
<td>21.6</td>
<td>21.4</td>
<td>14.9</td>
</tr>
<tr>
<td>Total</td>
<td>2,067.4</td>
<td>1,585.6</td>
<td>1,343.6</td>
</tr>
</tbody>
</table>
Appendix 11

Organisational structure of Autopec after the acquisition.

Ricardo Porto
General Manager
Carpart/Brazil

Mr. Bertoluzzi
Advisor
Autopec

Jorge Carturi
Finance-Adm.
Carpart/Canada

Rosa Oliveira
Human Resources
Carpart/Brazil

Manna Dias
Sales (Aftermarket)
Autopec

Antonio Ferraz
Sales (Carmakers)
Autopec

Carolina Santos
Procurement
Autopec

David Lewin
Production
Carpart/USA

Lucas Tavares
Quality
Autopec

Mary Newman
Accountancy
Carpart/Can.

Mat Thompson
Controller
Carpart/Can.

Peter Turner
IT
Carpart/Can.

Eduardo Silva
R&D
Autopec

Pedro Sousa
Manufact.
Carpart/Brazil

ROBERTO GONZÁLEZ DUARTE Y GUILLERMO CARDOZA

REVISTA LATINOAMERICANA DE ADMINISTRACIÓN, 26, CLADEA, BOGOTÁ: 2001