DOCTORAL THESIS

The Importance of Customers in Mergers and Acquisitions

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– THANK YOU!!!
Abstract

The aim of this thesis is to identify categories and patterns of how customers impact and are impacted by an M&A. In M&A (merger and acquisition) research the focus is traditionally on the M&A parties alone, and while customers are important elements of the motives behind M&As, they are rarely seen as actors affecting and being affected by an M&A.

This thesis researches M&As from M&A parties’ and customers’ perspectives. It categorises and connects M&A parties’ activities related to expectations and activities of customers, with customers’ activities at the acquisition point and at integration.

Based on findings from eight M&As, the thesis concludes that customers may be the reasons why companies merge or acquire. Customers may react to the M&A announcement if it involves companies the customers do not want to have relationships with, or based on the fact that customers perceive the M&A as turbulent, for instance. Customer actions, and M&A parties reconsidering their initial intentions, affect integration strategies. The realisation of integration is in turn impacted by customers’ resistance to buy according to M&A parties’ intentions and by customers actively objecting to integration.

In short, customers impact M&As through;

(i) being a reason to merge or acquire, where the M&A aims at acquirer’s or acquired party’s customers, or markets/positions, and where the M&A is a responsive activity to customers’ previous activities or is based on expectations on customers,

(ii) customer reactions or changed buying behaviour,

(iii) M&A parties’ pre-integration reconsideration, and

(iv) post-integration difficulties, whereby customers impact integration realisation through not seeing the benefit of the M&A and thereby continue to buy as previously, through objecting to integration or through dissolving relationships.
Customers are impacted by M&As through;

(i) the M&A as possibility for change,

(ii) ownership changes, which may lead to changes in competition structures, and

(iii) forced integration.

This means that the impact that customers have on M&As are both results of their own actions, and also of the expectations that the M&A parties have on customers.

Important findings from this thesis concern adjustments of initial M&A intentions, how integration may be resisted so as not to challenge ongoing relationships, and how customers (often) make it difficult to achieve initial M&A goals and integration as the customers do not act in accordance with the integration intentions of the parties involved in the M&A.
Kunder
– viktiga aktörer i fusioner och förvärv


Syftet med avhandlingen The Importance of Customers in Mergers and Acquisitions är att identifiera kategorier och mönster av hur kunder påverkar och påverkas av fusion eller ett förvärv.


Avhandlingen visar på att medan förvärvstidpunkten ofta ställer förväntningar på att kunder ska ändra sitt köpbeteende, handlar integrationen många gånger om att minimera störningar i kundrelationer. Detta innebär också att förvärvsintentioner revideras, både som ett resultat av att de samgående parterna tänker om och som en konsekvens av kunders agerande. Kunders agerande gör det ofta svårt att realisera avsedd integration. Reaktioner från kundens sida kan innebära att relationer upplöses, men oftare förändras endast kundens syn på de samgående parterna utan att köpmönster förändras. Detta är i sin tur en konsekvens av de samgående parternas anpassning till kunderna. Kunder påverkas av förvärv genom de
eventuella möjligheter som följer av förvärv, att ägande omöjliggör eller möjliggör relationer till tidigare parter, och genom tvingad integration. I termer av att kunder

(i) kan vara skäl för företag att förvärva andra företag, genom förväntningar på kunders agerande eller genom att förvärvet är ett svar på kunders tidigare agerande,

(ii) påverkar integration och relationer genom reaktioner vid förvärvstilfället,

(iii) genom att de samgåendes överväganden före integration leder till förändringar i integrationsintentioner, och

(iv) genom att omöjliggöra planerad integration

blir kunder viktiga aktörer i fusioner och förvärv.
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THE IMPORTANCE OF CUSTOMERS IN MERGERS AND ACQUISITIONS

Part I
Introduction

Imagine yourself acquiring a company for the sake of its customers, only to find out that these customers are not interested in your product, refuse further contact with you and also start leaving the acquired company. Or picture customers globalising their businesses and you acquire a firm to match such globalisation, but you fail to reach actual deals abroad due to difficulties in steering the acquired party. Or, visualise yourself acquiring a competitor to create a strong actor and reach current as well as prospective customers you have competed for, but customers choose to re-evaluate their choice of product and in some cases shift to other companies following your decision to replace the product they currently use.

This is what happened following three of the eight M&As (mergers and acquisitions) presented in this thesis; NetSys’ acquisition of Verimation, BT Industries’ acquisition of Raymond, and BasWare’s acquisition of Momentum Doc. Were these consequences foreseeable and taken into account? When NetSys’ acquired Verimation for SEK 120 million, NetSys certainly accounted for that Verimation’s customers would buy NetSys’ product, but this was never materialised. Extensive customer losses followed, and some customers that decided to stay with Verimation openly declared that they did not want to have anything more to do with the acquirer, NetSys. When BT Industries acquired the US firm Raymond, the intention was to meet a globalisation trend among customers through becoming a global actor. While some global general deals were reached, the acquired party did not actively participate in actual closures and global customers chose other US suppliers. In BasWare’s acquisition of Momentum Doc, the purpose was certainly to wipe out competition, but in the estimations of the acquisition, prospective customers were accounted for twice, and although launched as an upgrade, Momentum Doc’s customers saw the replacement of Momentum Doc’s product as a new offer to be evaluated and customer losses were evident.

The NetSys/Verimation, BT/Raymond and BasWare/Momentum examples illustrate various M&A motives related to customers, but more importantly; they illustrate the difficulties of achieving intended outcomes as customers impacted the M&A in its motive and integration realisation.
A new perspective on M&As

“Myth versus reality” (Haspeslagh and Jemison 1987; Kohers and Kohers 2001) is a recurrent way to describe discrepancies between intentions and outcomes in mergers and acquisitions. Media (e.g., Gimbe 1995; Benson 2004) and research results (e.g., Hunt 1990; Schmidt and Fowler 1990; Weston and Weaver 2001) report on high M&A failure rates. These results are inconclusive in finding a common rate of failure (figures of 50 percent or two thirds are common) and also use various calculation methods. But the message is clear; many M&As fail. Integration is often referred to as a cause for M&A failures (Haspeslagh and Jemison 1987; Hunt 1990; Beusch 2007) resulting in employees anxiety, management turnover and cultural clashes (Astrachan 1990; Risberg 1999; Slowinski, Rafii, Tao, Gollob, Sagal and Krishnamurthy 2002). In the jigsaw puzzle of M&As some pieces however seem to be missing. The difficulty of retaining customers following an M&A was acknowledged early (Rydén 1971), but has since been given limited attention in M&A literature.

It is apparent from the introductory examples that an M&A is affected by several parties; acquirers sketching strategies of M&A intentions and integration, acquired parties that were not willing to follow acquirers’ aims, and customers not seeing the benefits of added or replaced products, for example. This means that M&A motives and outcomes, but also intended and realised integration, would not be concordant. During the scope of an M&A, initial motives may be reconsidered, where customers could impact such amendments. This indicates two things;

(i) during the scope of an M&A, M&A parties may change their intentions, which leads to actions not foreseeable when the M&A was announced, and

(ii) customers may affect such changes and ultimately M&A outcome, making it important to understand customers related to M&As.

This thesis divides an M&A into two events: the acquisition point and integration. The acquisition point is when the M&A was announced; integration refers to whether and how M&A parties were combined into single units. The thesis also researches M&As from M&A parties’ and customers’ perspectives.

Figure 1:1 illustrates four building blocks in this thesis;

(i) the acquisition point from M&A parties’ view,

(ii) the acquisition point from customers’ view,

(iii) integration from M&A parties’ view, and

(iv) integration from customers’ view.
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Figure 1:1 also indicates differences in perspectives and differences between the acquisition point and integration.

![Diagram showing Acquisition point, Integration, M&A parties' view, and Customers' view with arrows indicating Difference in action and Difference in view.]

Figure 1:1 Differences potentially leading to discrepancies between M&A intentions and outcomes. Difference in action refers to how parties may act differently in integration than implied at the acquisition point. Difference in view refers to customers' and M&A parties' viewing the M&A differently.

With a focus on business-to-business relationships, this thesis describes M&A parties' and customers' expectations and activities related to M&As. Not only is it shown that customers may react to M&As, and that these re-actions in turn may affect the M&A parties, but further that M&A activities including integration may be the result of activities among customers.

Customers – A frequent feature in M&A motives

The literature often refers to cost synergies or revenue enhancing as the main M&A motives (Anderson, Bjuggren and Ohlsson 2003), where cost synergies may entail customer dimensions, while revenue enhancing certainly does. Some empirical studies show that the customer side, often referred to as the market, dominate as motives. According to Sevenius (2003), market share is the most common M&A motive, while Kelly, Cook and Spitzer (2003) show that new geographical markets are the main reasons for M&As, and in a review of press releases reporting on M&As, strengthening a (market) position was the single most frequent motive (referred to in forty-two of ninety-three M&As, for details, see Öberg 2004). Although various studies present some different results, the common feature is the reference to customers or markets; market shares, geographical markets or strengthening of positions all emphasise customers. An assumption seems to be that customers are controllable and possibly transferable between companies and products, where control at its minimum means that customers will continue to buy as previously.

M&As and control

M&As involve attaining control over another company (or part thereof) (e.g., Inkomstskattelag; Konkurrenslag), but what is that you get control over? Whereas the (net) assets included in the balance sheet of the acquired party is what the acquirer actually controls, the price tag commonly aims well beyond market values of assets and liabilities presented in a balance...
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The deviation from the market value of individual assets and liabilities has several explanations; (i) valuation driven by other interests than finding a “true” market value of the company (e.g., Buckley 1975; Roll 1986; Berkovich and Narayanan 1993; Kesner, Shapiro and Sharma 1994; Gupta, LeCompte and Misra 1997), (ii) the value of the company taking expected synergies between the specific acquirer and the acquired party into account, and (iii) the valuation reflecting assets not presented in the balance sheet, such as brand names and an existing customer base.

Whereas the M&A may give you the right to access a brand name, it does not per default give you a future income from the brand, and a customer base does not mean that customers will continue to buy from the company. This all means that the price tag includes items that you actually cannot control, and this often is to a considerable amount. Furthermore, these “uncontrollable” assets are often what motivate the M&A; customer related motives are examples thereof. But the issue remains; the acquirer pays for “assets” that will not be in control of the acquirer. Valuation models such as discounted cash flow valuation (see e.g., Stapp 1988; McKinsey 2000; Severnus 2003) are commonly calculated with a continuous or growing inflow of cash, which implies that customers will continue, or even increase, buying from the company. But are these assumptions granted following an M&A?

Can you acquire control over customers?

Customers undoubtedly play a critical part in the success of a company. With the fundamentals that construct the day-to-day reality of many companies in a business-to-business marketing setting, individual customers may represent a substantial portion of overall sales, and the longevity of relationships is emphasised (see e.g., Webster and Wind 1972; Axclsson 1996). Relationships have been given increased attention in research (LaPlaca 2005), and according to a literature search in EBSCO host, articles referring to relationships, relations or loyalty have doubled between 1993 and 2003 as percentage of articles dealing with customer issues.

In an M&A setting, the longevity of customer relationships would potentially be a reason to merge or acquire, and market share calculations performed to valuate an M&A only become meaningful if customers continue to buy from the company. Homburg and Bucerius (2005) found that the market-side of the merged companies had a higher impact on post-M&A financial performance than cost reductions, meaning that changes in reve-

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1 Based on journal articles quoted in EBSCO Host, customer related articles referring to relations or relationships and loyalty, respectively, as subjects have doubled in percent of customer related articles between the years 1993 and 2003. In 1993, 183 articles referred to customers as subject, whereas relations/relationship were stated as sub-subject in 46 cases and loyalty in 10. The corresponding figures for 2003 indicate a total of 552 articles stating customers as subject, with 239 dealing with customer relations/relationships and 69 articles dealing with loyalty (see also Öberg 2004).
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nues more extensively impact financial performance than do cost changes, and Mazur (2001) suggests that while the prime focus following an M&A is placed on cost synergies\(^2\), the real value lies in creating customer value;

> Nothing illustrates the undervalued role of marketing than what happens during a merger or acquisition. Unless the new company can create more consumer value than the component parts, it is doomed to fail. Yet while chief executives may think this is what they are doing, the results often suggest they were deluding themselves.

Mazur (2001, p.1)

Whereas relationships may be considered stable, they do change over time (Gadde and Mattsson 1987). Most expected changes in relationships refer to incremental changes as relationships and parties develop, but relationships may also be dissolved, and one trigger to dissolution is paradoxically M&As (e.g., Halinen, Salmi and Havila 1999; Tähtinen, Matear and Gray 2000; Anderson, Havila and Salmi 2001). To exemplify this, Rydén (1971) reported on customer losses amounting to between 25 and 50 percent of the acquired company’s customer base, and following Deloitte & Touche’s acquisition of the Swedish part of Arthur Andersen, twelve of thirty-five investigated companies shifted away from the new owner (Öberg 2006). In light of this, M&As that may aim at reaching additional customers, may instead result in customer losses, where such customer losses emphasise that customers are actors rather than transferable or controllable assets.

A lack of previous research

As implied by Mazur (2001) and Homburg and Bucerius (2005), and supported by the literature reviews conducted for chapter two in this thesis, the lack of earlier research concerning the marketing dimension of M&As is obvious. Literature where customers are regarded as actors affecting and being affected by M&As is even more limited. Apart from the research conducted by Anderson, Halinen, Havila and Salmi\(^3\), which deals with business partners in general and which refers to M&As as triggers to change, and research on M&As as for instance outcomes in internationalisation processes (Mattsson 2000; Andersson and Mattsson 2007; Andersson and Mattsson forthcoming), M&A related literature rarely acknowledges business partners as actors (see also Schriber 2008). None of these publications on business actors related to M&As, deal with customers alone; customers are not distinguished from other business partners and customers’ perspective on M&As is rarely included.

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\(^2\) This could also be interpreted in light of the time dimension of an integration process; the focus is on a short pay-back time, not on the creation of long-term value. The cost side is given more focus and is easier to trace.

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How does this fit with that customers are important in M&A motives? Certainly customers are common in the literature on M&A motives, but they are usually only referred to indirectly; as markets to enter, as positions to take, and so on, which means that they are (except for those studies on business partners related to M&As) commonly not regarded as actors.

Homburg and Bucerius (2005) mainly target integration (implementation and realisation of M&A intentions) in their critique towards previous research. Much integration literature deals with integration in general terms, cultural, management and employees related difficulties in integration, or integration as a consequence of how the M&A companies fit together (Datta 1991; Haspeslagh and Jemison 1991). By taking such a focus, integration is oriented towards the matching or non-matching of M&A parties rather than towards customer needs; the literature commonly focuses on the M&A parties alone, or persons within these firms. Few, if any, studies on integration include customers directly and a customer perspective on integration is not taken. No references are made to integration as an adjustment to customer activities.

Through acknowledging customers as actors, it becomes evident that control over customers is not an acquirable asset. Still, the literature mostly treats customers as acquirable, transferable and controllable, or describes M&As without regard to how customers impact and are impacted by M&As (for literature reviews, see also Öberg and Anderson 2002; Öberg 2004; Anderson, Havila, Holmström and Öberg working paper). When customers are addressed, this is generally done from the M&A parties’ perspective, where no attention is paid to customer reactions (Öberg and Anderson 2002).

Based on that customers are a frequent feature in M&A motives, that the focus in most M&A research is on the M&A parties, where customers may only be understood indirectly (if at all), and based on empirical findings which suggest that customers affect M&As, this thesis includes customers as actors in M&A analyses. Including customers as actors in M&A analyses introduces new perspectives on M&As and contributes to research solely taking the M&A parties’ perspective or referring to customers as controllable, acquirable or transferable. The new perspectives include to;

(i) introduce customers as actors,
(ii) research how customers are regarded by M&A parties when initiating an M&A,
(iii) research customer actions related to an M&A through the customers’ perspective, and
(iv) research how customer actions and expectations on customers affect integration realisation.
A viewpoint to research customers in M&As

How could customers as actors in M&As be grasped? Empirically this would mean researching M&A parties’ as well as customers’ view on the matter, detailing actions and what drives these actions, and connecting actions and perspectives to create an understanding for driving forces and differences in view between parties. Theoretically this means contributing primarily to research on M&As via combining M&As with a view on customers as actors connected to M&A parties in long-term relationships. For this purpose the network approach is used as a viewpoint. The network approach is a school of thought within marketing, which emphasise suppliers and customers as active parties interacting in long-term relationships. Relationships are in turn embedded in wider network contexts, and central to the school of thought is; (i) the longevity of relationships where parties adjust to each other, (ii) that relationships together construct webs of relationships (so called networks), where no party can act independently of the network (iii) as parties are actors, and (iv) as actions in the network affect other parties and via their reactions make outcome unforeseeable (see e.g., Håkansson 1982; Håkansson and Snehota 1989; Ford and Håkansson 2006a).

As mentioned, some recent research has been done on business partners and M&As based on this approach (e.g., Anderson, Havila and Salmi 2001; Havila and Salmi 2002). In most of that research, M&As are referred to as triggers of change and as business partners are treated in general, customers are not explicitly the focused. Compared to previous research on M&As and business partners, this thesis gives a more detailed description on actions related to M&As. It explicitly focuses on customers and relationships to these, where M&A parties’ activities towards customers would be expected to differ from how they act towards other business partners, and where the high frequency of customer related motives makes the customer focus relevant. By acknowledging that M&A parties may well adjust to customers, the thesis adds to the view of M&As as only a trigger to change and shows that M&As may also be a response to change, when the M&A is introduced, but also in terms of integration adjustments. Whereas relationships are in focus in research on M&As according to the network approach, the dualistic perspective including empirical data from both suppliers and customers is less explored, as is describing M&As as more than a trigger to network or relational change.

While the main contribution is aimed at traditional M&A research, the thesis thus also adds to research on M&As according to the network approach, and also to the network approach as such. In regards to the network approach, the contribution lies in enriching the understanding of M&As in a network context, pointing out M&As as activities in networks and where these occur at a ‘different’ level than the day-to-day activities, and connecting driving forces and actions in networks, where Easton and Håkansson (1996) have pointed out the importance of understanding and modelling.
driving forces of networks, not merely describing networks and how parties are connected.

The setting

M&As are connected with change; M&As mean a prompt change in ownership control (for M&A definition, see the end of this chapter), and a possible change via integration. Following the M&A, the M&A parties would be connected via ownership ties, whereas the M&A parties may choose to, or not to, link to the other party’s customers. Ownership change is a “day 1”-reality, meaning that ownership is transferred when the M&A agreement is signed. Integration may array over several years, and may be initiated directly or several years after the M&A agreement is signed, where connecting to the other party’s customers is one dimension of integration. Related to customers; (i) the M&A parties may continue to handle customers separately, (ii) merge customer interfaces, (iii) transfer customers from the acquiring to the acquired party or vice versa via replacement of products, and (iv) transfer customers from the acquired party to the acquirer or vice versa via providing products, while at the same time keeping the original products. The acquiring and acquired parties may not be treated as equals in the integration; integration may aim at primarily benefiting one of the parties via transferring customers or products to that party. Customers may, via their actions, affect the realisation of integration and via actions and reactions, affect outcome as well as be the reasons to merge or acquire, and be reasons for reconsiderations. Figure 1:2 illustrates possible connections before and after an M&A.

Figure 1:2 Possible relationships and connections before and after an M&A.

How connections are changed is consequently a result of M&A intentions, and also of actions from other parties, including both the acquired party and external parties such as customers, and continuous adjustments and reconsiderations. To further complicate the picture, it is not certain that all actors experience change in the same way, which in turn may result in different actions between the acquirer and the acquired party (cf. perception
on various organisational levels, Slowinski et al. 2002; Öberg, Hennberg and Mouzas 2007a). And various customers would not be expected to react and act the same way to a specific M&A activity.

**M&As divided into events**

In this thesis, the initiation of an M&A is referred to as the acquisition point, which includes the M&A announcement and represents the M&A reasons declared in the M&A motives and reactions thereto. Integration refers to the unification of companies and transfer of resources in M&A parties’ interfaces towards customers, and customers’ actions related to this. The thesis treats the acquisition point and integration as separate, yet interrelated events. The acquisition point is connected with ownership changes, integration with possible business integration (cf. Mattsson 2000). These events may be separated in time, and via the possible time span, initial reactions from for instance customers may be taken into consideration once deciding to integrate businesses. Furthermore, ownership changes and expectations on an M&A and its integration, could be anticipated to cause different reactions among customers.

**Perspectives on M&As**

Actions and reactions of M&A parties and customers underline the fact that M&A parties and customers may not perceive a situation in the same manner, and furthermore, they may not see the benefit of ownership or business integration in the same way. Therefore, M&A parties and customers are referred to as two different perspectives in this thesis, which is underscored by them giving their story of the M&A in data collection as well as in presentation.

**Aim of the study**

The aim of this thesis is to identify categories and patterns of how customers impact and are impacted by an M&A. The categorisation is meant to show types of driving forces and (re)actions, while patterns connect categories of driving forces and (re)actions but also relate events and perspectives to each other.

With the prime intention to contribute to traditional M&A research, the following research question is raised:

- How is the view on M&As changed if customers are seen as actors impacting and being impacted by M&A activities?

The literature on M&As may focus on overall outcome and literature on M&As according to the network approach emphasises relational outcomes. While this thesis discusses these and indicates the difficulties of measuring outcome, it stresses the activities of M&A parties and customers and the differences therein, rather than outcomes. For presentation purposes four building blocks are emphasised; (i) the acquisition point from the M&A parties’ perspective, (ii) the acquisition point from the customers’ perspective, (iii) integration from the M&A parties’ perspective, and (iv) inte-
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gration from the customers’ perspective, which together build an event (acquisition point and integration) and a perspective (customers and M&A parties) dimension on M&As. To steer the presentation in the empirical result chapters of this thesis (chapters six to nine) the following sub-questions are raised:

- How are customers included in M&A motives and what expectations on customers underpin these motives?
- How do customers react at the acquisition point and what drives these reactions?
- How do expectations on customers drive integration and in what capacity is integration influenced by customer actions?
- Finally, how do customers act to the integration and what drives these actions?

Central to these questions are expectations and activities (or actions). Activities or actions could be referred to as what a company does or does not do, but could also be reasons for other companies’ actions (or non-actions). Expectations refer to how a party is expected to act in the future. Consequently, both activities and expectations may drive what a company does and thereby act as a driving force for actions.

Outline of the thesis

The thesis is outlined in the following way (see also Figure 1:3).

Chapter one gives a background to the study, briefly discusses the lack of previous research on customers related to M&As, describes the practical relevance and presents the aim of the study. The rest of this chapter defines some central concepts of this thesis.

Chapter two presents an overview of previous M&A research with special attention to the possible presence and treatment of customers in that literature. The chapter is largely built on three literature reviews and while summarising the theory, its role in this thesis is not to build a theoretical framework, but to point at gaps in the literature and position this thesis.

In chapter three, the network approach and the use of the approach as a viewpoint is presented. The presentation orientates the reader on some of the basics of the approach. Since the thesis mainly aims at contributing to M&A research, the text on the network approach is meant to be comprehensible for a reader not previously familiar with the approach. The network approach emphasises business partners as actors, and builds on the longevity of relationships. Still, the approach is limited in its research on M&As. While the thesis takes its point of departure in companies as actors engaged in business relationships, and while the thesis reflects results with the help of
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the network approach, the approach is not used as theory in a theory-testing manner. No hypotheses or ideas of how companies may act or react are developed from the approach, instead studied actions and reactions are discussed in network approach terms after they are observed and categorised.

In chapter four, methodological issues are discussed. The thesis is built on case studies and these, together with how literature reviews were performed, are described in the chapter.

Chapter five summarises the cases; the cases are presented in full in part two of this thesis (see the second half of the thesis). The reason for separating the case descriptions from the rest of the thesis is that the second half of the thesis allows to draw own conclusions and also to read about events that may not necessarily be of prime concern for this thesis, yet were part of the companies' developments. The function of chapter five is to orient the reader about the M&As, so when company names such as Raymond, ADB Gruppen Mandator or Structurit appear in the following chapters, these will have at least been heard of previously.

The following chapters, chapter six to nine, summarise empirical findings from the case studies. The chapter division in chapter six to nine is constructed to illustrate the acquisition point from the M&A parties' perspective (chapter six), the acquisition point from the customers' perspective (chapter seven), integration from the M&A parties' perspective (chapter eight) and integration from the customers' perspective (chapter nine). In the chapters, empirical findings are already categorised, where examples are taken directly from the empirical descriptions.

While chapters six to nine focus on categorisation, at the same time indicating patterns, chapter ten stresses patterns, connects events and perspectives and reflects categories and patterns theoretically.

Chapter eleven presents conclusions, discusses these, outlines managerial implications and suggests future research.

Part two is in turn divided into six chapters (chapters A-F). Chapter A describes BT Industries and three M&As: BT's acquisition of Raymond, BT's acquisition of Cesab and Toyota's acquisition of BT Industries. In addition to descriptions of BT Industries and the M&As, the chapter includes customers' actions and reactions related to the M&As, while interviewed BT customers are presented in chapter B. Chapter C presents Momentum Doc (previously Structurit), Momentum's acquisition of Structurit and BasWare's acquisition of Momentum Doc. Customer actions and reactions are included in the chapter. Chapter D presents interviewed customers related to Momentum Doc, its previous and current owners. Chapter E presents Verimation and ADB Gruppen Mandator's, NetSys' and Nexus' acquisitions of the company. Interviewed customers of Verimation are described in chapter F, while their actions and reactions are included in chapter E.
M&As, M&A parties... – On definitions and their use in this thesis

Some concepts are central or used frequently in this thesis. This section defines these concepts.

**Mergers and acquisitions**

“Mergers and acquisitions” target ownership transfer of companies or part of companies. In the literature, the concepts are often used interchangeably (Weston, Mitchell and Mulherin 2004) or in pairs, but when separated, the concepts entail some unique features. A **merger** includes the complete transfer of assets and liabilities from one company to another, where the first company ceases to exist (Gaughan 2002), or the unification of two companies into one legal unit (Konkurrenslag; Weston and Weaver 2001). An **acquisition** describes how one company obtains owner majority control over another company or part of a company (Capron 1999; Hagedoorn and Duysters 2002), indicating that the companies involved continue as (separate) legal units after the acquisition. The acquired party needs not

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4 Another terminology used is “takeovers”. Haberberg and Rieple (2001) treat takeovers and acquisitions synonymously. The takeover concept clearly targets a direction of action, one company **takes over** another, and is often used in combination with **hostile acquisitions**; “hostile takeover” (Gaughan 2002). Terms such as “tender offers” and “buyouts” describe the acquisition of previously publicly traded companies. A tender offer refers to when one firm offers to buy the outstanding stock of another firm. “Buyouts” are special forms of tender offers. “Managerial buyouts” refer to the acquisition of a previously publicly traded company where managers acquire the company. “Leveraged buyouts” refer to tender offers financed through debt.
necessarily be a separate company prior to the acquisition, but could also construct a separate(able) business unit. If only focusing on acquisitions of separate companies, this would draw the attention to how the divesting company was organised rather than to what is actually acquired; what in one divesting company group is a separate company may in another be a division within the divesting company.

Only through these few definitions, are various dimensions of mergers and acquisitions found: the ownership transfer, the creation of a common legal unit or the continuance of the companies as separate legal units (as a distinction between mergers and acquisitions), the whole or part of a company and the control dimension. In this thesis “mergers and acquisitions” are defined as:

At minimum the acquisition of control over a separate(able) part of another company, and at the fullest the consolidation of two or more entire companies into one. Shift in ownership control is a fundamental prerequisite in both cases.

The thesis thus distinguishes between mergers and acquisitions primarily in legal senses. In this thesis, the abbreviation “M&A” is extensively used in general discussions about mergers and acquisitions, whereas when a specific merger or acquisition is focused on, they are addressed as either merger or acquisition.

**Merging, acquiring, acquired or M&A parties**

Although it is not necessarily the case, a merger could mean that two companies are brought together on equal terms, and it is not certain that one of the companies is in charge. An acquisition, on the other hand, means that legally one company becomes the parent company, the other one a subsidiary. This says nothing about which party actually initiated the acquisition and as can be seen in the empirical parts of this thesis (see part two), acquisitions may well be initiated by the acquired party, the divesting party, or the acquirer. Yet again, with one company becoming owner of the other, it might make sense to distinguish between the acquirer and the acquired party. However, when spoken about in general terms, these will be described as the M&A parties for practical presentation reasons (should you feel uncomfortable with that, please think “the merging, acquiring and acquired parties” each time you come across the “M&A parties” in this thesis).

**Customer, customers and customer relationships**

The setting in this thesis means that the M&A parties constitute suppliers to the other parties described: customers. Those customers may have customer relationships with either or both the M&A parties prior to the M&A, or may be prospects that the M&A parties hope to incorporate as customers following the M&A. The thesis targets business-to-business settings meaning that both the M&A parties and their customers are companies. From the M&A parties’ point of view, customers may well be treated as aggregates. From the customer side, the customer acts and reacts as individual companies,
meaning that there may be a discrepancy between M&A parties and customers regarding aggregation level.

By taking the network approach on M&As and customers, relationships are emphasised. Customer relationships are understood as ongoing, often long-term interaction between buyers and sellers, wherein episodes of exchanges occur (cf. Håkansson 1982). Contracts or other agreements may well constitute the basis for such relationships, and, as seen from the cases in this thesis, tie-in effects may be obvious. Besides a business dimension (exchanges of goods and services, let alone financial cash flows) these relationships have a social, or personal relationship, dimension. The social dimension in itself does not constitute a customer relationship as this is based on an individual’s interaction rather than on companies, and as this may dissolve or last beyond the business relationship. A business relationship is instead built on business exchanges, and possible adaptation between companies. A customer relationship is dissolved if the customer no longer buys from the supplier. A discontinuity in buying may be temporal, so changes in and dissolutions of customer relationships could be seen in terms of suppliers being invited or disclosed by the customer.
Research on M&As – An outlook

This chapter maps previous research on M&A with specific attention to whether and how customers are included in the literature. The presentation centres on customers in strategy M&A literature, M&As in marketing, and M&As according to the network approach. The aim of this chapter is to identify gaps and to position this thesis vis-à-vis traditional M&A research and M&A research according to the network approach.

Research on M&As

M&As have been researched extensively. As such, M&As could be described as an empirical field, which also means that there is no single research approach or theoretical field covering the phenomenon. Instead, research on M&As is found in various fields such as finance, organisation theory and strategy. A literature search of M&As in the fields of marketing, organisation theory and strategy (Öberg 2004) indicates that strategic issues dominate the field (see Table 2.1).

The literature search included some of the top ranked marketing journals and publications from 1990 to 2004, and showed the under-representation of research into M&As in the field of marketing. Homburg and Bucerius (2005) similarly draw attention to the limited research on the marketing side of M&As.
Table 2:1 Literature search – Results per Journal

<table>
<thead>
<tr>
<th>Research focus</th>
<th>Journal Subject</th>
<th>Title</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>European Journal of Marketing</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Industrial Marketing Management</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>International Marketing Review</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Journal of Marketing</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Journal of Marketing Management</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Journal of Strategic Marketing</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Organization</td>
<td>Administrative Science Quarterly</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>International Studies of Management &amp; Organization</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Organization</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Organization &amp; Environment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Organization Studies</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Organizational Dynamics</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Strategy</td>
<td>Academy of Management Journal</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Academy of Management Review</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Journal of International Business Studies</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Strategic Management Journal</td>
<td>53</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>108</td>
<td>18</td>
</tr>
</tbody>
</table>

The dominance of strategic issues and the under-representation of marketing are also reflected in research topics. Figure 2:1 summarises common themes according to the literature search (see Öberg 2004 for details). As indicated by Figure 2:1, pre- and post-M&A oriented articles dominate, as do quantitative cause-and-effect studies (see also the limited number of articles taking the entire M&A process into account), where much data is collected via databases on M&As or questionnaires. In the following sections, the various themes outlined in Figure 2:1 are presented in more detail.

Figure 2:1 Division of themes in M&A literature reviewed (126 articles in total).

1 The classification of journals is built on Anderson, Havila and Holtström (2003) and on descriptions according to each journal’s websites and title, but the journals may certainly overlap in content.

2 The literature search included articles published between 1990 and 2004. Articles mentioning “merger” or “acquisition” as a keyword, in the abstract or title were included, based on information found in the EBSCO Host database. A total of 126 articles were found.
Pre-M&A and motives

The pre-M&A and motive literature could be divided between (i) literature concerned with the various ways to co-ordinate activities, and (ii) M&A motives. In the case of the former, much of the literature concerns M&As as one of several ways to internationalise business (e.g., Buckley and Casson 1996). M&As often seem to be less successful than joint ventures; the importance of flexibility is stressed and ownership seems to conserve rather than to develop companies. In research on innovative firms, M&As are considered to restrict future innovativeness (cf. the literature review in Öberg and Grundström 2007). The pre-M&A literature thus strongly connects the choice of co-ordination mode (joint ventures, strategic alliances, etc.) with outcome; M&As are believed to be less successful than other co-ordination modes. Much of this literature seems to equate M&As with complete integration; it is not the fact that one company comes to own another company, but the integration between the companies that make them less successful.

The literature about M&A motives presents various motive taxonomies (see e.g., Trautwein 1990; Walter and Barney 1990) or discusses motives and their impact on outcome. M&A motives commonly target cost synergism or revenue enhancement (Ansoff 1984; Walter and Barney 1990; Porter 1998; Schmitz and Slwka 2001; Sevenius 2003). Examples of synergy motives are economies of scale, operational synergies, efficiency, financial synergies, and managerial synergies (Trautwein 1990; Walter and Barney 1990; Larsson and Finkelstein 1999). Revenue enhancing includes the expansion of markets and product lines, strengthened market positions and monopoly (Rydén 1972; Trautwein 1990; Walter and Barney 1990), and may aim to expand a company’s product or geographical market or make the company a more powerful actor. These motives all present M&As as a means to realise strategies of the merging or acquiring parties; it is the acquirer’s intent that is focused on.

Other perspectives on M&A motives add dimensions for why M&As occur. Hubris (Roll 1986; Berkovich and Narayanan 1993; Gupta, LeCompte and Misra 1997; Seth, Song and Pettit 2000; Weston and Weaver 2001) and empire building (Trautwein 1990) indicate that the rationality of M&As reaches beyond synergism and revenue enhancing on a company level; M&As occur to meet objectives on a personal level, where business rationales may be set aside for personal gains. As in the case with growth and synergy-related motives, hubris and empire building indicate that it is the merging or acquiring parties, or managers of these firms, that steer the actions.

Motives referring to control and risk management (Goldberg 1983), and research approaching M&As via a resource dependence view (Pfeffer 1972; Finkelstein 1997), recognise M&As as activities in a context. However, this literature mainly focuses on interdependence between the M&A parties, that is, through acquiring the other party, uncertainty is reduced. Contextual reasons in a wider sense are recognised in few instances and mainly target
changes in tax and competition legislation (Rydén 1972; Erixon 1988), or deregulation.

The choice of data seems to affect what motives are found and predefined motives often steer the analysis. Walter and Barney (1990) for instance approached M&A intermediaries, who were asked to rank given M&A motives. Seth, Song and Pettit (2000) classified motives into synergism, hubris and managerial motives based on M&A gains, that is, the point of departure was the M&A outcome (measured as stock exchange value) and it was stipulated for instance that if synergy was the motive, the M&A would show gains, whereas hubris would not result in any gains.

To summarise the pre-M&A and motive literature, this largely deals with:

- M&As as a choice to co-ordinate activities related, for instance, to internationalisation, where M&As often seem to underperform compared with other co-ordination modes.
- M&As as a means to decrease costs or enhance revenues. Geographical and product markets are central concepts for the latter.
- M&As as personal strategies, where business rationale is set aside for personal gains.
- The less frequent: M&As as results of the merging or acquiring parties’ positions vis-à-vis other companies, where interdependence and reduction of uncertainty become driving forces for M&As, and M&As as contextually driven, for instance, by changes in legislation.

The literature on choices between the various ways to co-ordinate activities and on M&A motives thus leans strongly on the merging or acquiring parties; M&As become modes for realising strategies of growth including internationalisation, or efficiency gains. When, for example, hubris is researched, the focus is on the acquiring party, although on a personal rather than a company level. The literature referring to M&As as driven by interdependence or contextual changes resembles M&As as dealt with in this thesis. Differences lie in that in this thesis a wider context than interdependence on the acquired party is considered, and that contextual reasons are discussed referring specifically to other actors – customers –, not to environmental phenomena, such as changes in legislation and deregulation.

**Integration**

Research into integration focuses on the problems related to the integration of companies; managers and employee (Schweiger and Denisi 1991; Risberg 1999) or cultural issues (Calori, Lubatkin and Very 1994; Olie 1994; Very, Lubatkin and Calori 1996; Gertsen, Söderberg and Torp 1998; Bjursell 2007), on various integration typologies (e.g., Haspeslagh
and Jemison 1991; James, Georghiou and Metcalfe 1998; Slowinski et al. 2002) and on the transfer of various assets (Bresman, Birkinshaw and Nobel 1999; Capron and Hulland 1999). This means that integration does not only concern what is integrated and to what extent, but further, to what is transferred and in which direction (from acquirer to acquired or the reverse) and thirdly, what effects integration has on the M&A organisations or persons therein.

Typologies on integration commonly target how well the companies fit strategically or organisationally, or as in Haspeslagh and Jemison (1991) their need for organisational autonomy and strategic interdependence. These typologies imply that companies may well resist integration (holding or preservation) or be completely integrated (absorption), whereas the literature dealing with integration problems commonly refers to situations of complete integration.

With regard to the transfer of resources, Bresman, Birkinshaw and Nobel (1999) for instance, describe patterns of technological knowledge transfer in international M&As, and indicate the importance of communication in integration. Capron and Hulland (1999) describe patterns of brand, sales force and general marketing expertise transfer between M&A parties. They conclude that the transfer of general marketing expertise positively impacts profitability and market share regardless of direction, whereas the transfer of the sales force from acquired to acquirer has negative effects on profitability, and the transfer of brands from acquired to acquirer negatively impacts geographical coverage and market share, while brands transferred from the acquirer have positive effects on quality and geographical coverage.

As for integration effects on M&A parties or staff, outcomes such as management turnover (Walsh 1989; Krug and Hegarty 1997; Choi 2001) and distressed staff (Slowinski et al. 2002) seem to be inevitable, and integration brings cultural differences to the surface. Risberg (2001) describes ambiguity among staff following M&As, and Calori, Lubatkin and Very (1994), and Gertsen, Söderberg and Torp (1998) describe cultural problems in M&As.

The positive side of integration would be that M&As enable flows of knowledge and a redeployment of assets. The downside is that integration comes at a cost; it is often difficult to integrate without losing employees or managers. Due to these losses, it is not certain that what was acquired actually is what the acquiring party comes to own; many of the skills of the acquired party may be lost in the process of integration. Furthermore, in the short run, integration may take focus away from day-to-day activities. The literature diverges about whether integration is better as an immediate or delayed activity (e.g., Angwin 2004). It seems that those gaining the most from M&As are those not involved in the M&As, that is, competitors to the M&A parties.
The integration literature consequently deals with;

- Typologies of integration, where these may take their point of departure in how the M&As parties fit organisationally or strategically.

- Integration as a means to transfer knowledge and resources between the M&A parties.

- Problems related to integration, where the focus is often on individuals from the M&A organisations or M&A outcome.

Whereas the pre-M&A and motive literature strongly focuses on the acquiring party, the integration literature views both parties involved; the acquirer and the acquired party. Integration difficulties between these companies are a key concern, and the focus is often on individuals within these organisations (managers or employees).

When the redeployment of assets is discussed, this indirectly acknowledges external parties; brands and the like indicate an orientation towards customers. Furthermore, the lost focus on day-to-day activities (including sales), and competitors as beneficiaries show that M&As also impact external actors. Based on the literature review, these actors may be affected by the results of the integration, but are not considered as drivers of integration and are not expected to react to the M&A. In this thesis, customers are seen both as possibly affected by integration and as actors influencing integration.

**Post-M&A**

The post-M&A literature largely deals with M&A outcome, often illustrating high failure rates, or discusses how M&As may result in management turnover for instance. Although research may focus on how to create value in M&As, the high failure rate of M&As remains a recurrent theme. Half or two-thirds of all M&As are doomed to fail according to the literature (Hunt 2008).

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1 Schriber (2008) describes how external activities affect integration, but these activities are commonly not results of integration. Prime focus is on effects on speed of integration, not on integration as such.

4 To exemplify this literature, Seth (1990) deals with value creation in related vis-à-vis unrelated M&As, Datta (1991) researches how organisational differences impact performance, and Capron (1999) investigates how resource redeployment and asset divestment impact long-term performance. Markides and Ittner (1994) show that international M&As positively impact the stock exchange value of the acquiring party. Morosini, Shane and Singh (1998) demonstrate that national cultural distance between companies positively impacts performance, relating the discussion on learning, integration and culture to performance. The results in Markides and Ittner (1994) and Morosini, Shane and Singh (1998) may seem a little surprising, they could well be explained by that integration is resisted when distances between firms are large, also implying that risks for failure are larger when companies are strongly integrated.
LITERATURE REVIEW

The performance measurements are mainly based on accounting data (revenues or results) or stock exchange rates. Whereas accounting data may include effects of lost sales, unsuccessful integration via non-realised synergies, and so on, the stock exchange rates reflect how investors value the M&A parties before and after the M&A. Based on calculations using stock exchange data, it is concluded that the shareholders of the acquired party are those that gain the most from an M&A.

To summarise, the post-M&A literature deals with;

- Measurements of performance, either describing a high failure rate, or explaining how success or failure is accomplished.
- Other consequences of M&As including management turnover.

In the case of customers, if they are part of the evaluation scheme, they are mostly used as an aggregate expressed through company revenue growth (e.g., Singh 1990; Datta 1991; Wiersema and Liebeskind 1995; Wright, Kroll and Elenkov 2002). In the discussions, customer reactions are not a key concern, but instead revenues are a tool to compare ex-ante and ex-post size of the M&A parties. Overall, M&A effects on other parties are rarely recognised. A study by Choi and Zéghal (1999) study on accounting firms’ M&As and their effect on international accounting services is one exception.

It is of key importance not only what data is used when measuring outcome, but also what it is compared to. Also when data is collected and for what periods highly affect the outcome. Periods of time may vary from a few weeks (Seth, Song and Pettit 2000) to several years (Capron 1999), but short-term measures dominate. As multi-observation datasets based on specific time lapses are commonly analysed, no concern is paid to variations between the studied M&As. Many evaluations relate an ex-ante with an ex-post situation, where both these measure dates are set by the researcher on an overall level without considering, for instance, ongoing integration in individual M&As. The M&A history of companies provides several examples of initially successful M&As that later turn out to be classified as failures, and of failures which take a turn for the better.

A critique that could also be directed towards these studies is that they seldom take the particular reasons for the M&A into account, that is, outcome is seldom related to motives. Through connecting performance mainly to pre-M&A circumstances such as relatedness vis-à-vis unrelatedness between the M&A parties, the post-M&A literature seems to consider the M&A as predestined once the contract is signed. This way of approaching M&As means that subsequent adjustments are disregarded. If a perspective where customers are acting on their suppliers’ M&A activities is taken, these actions would potentially recompose initial conditions and trigger adjustments of M&A strategies. This means that it would be preferable to consider such adjustments. In this thesis, such adjustments are
illustrated and rather than focusing on the overall outcome of an M&A, the thesis questions statements about M&A success or failure.

**Process**

According to the literature reviewed, a process perspective on M&As is rarely taken; focus remains on explaining specific phenomena based on cause-and-effect analyses. Some exceptions could however be found; Tschoegl (2002) describes development in the banking sector, and Wright and Robbie (1994) study management buy-outs. Although Wright and Robbie (1994) partly build their study on quantitative data, they do combine it with cases. The underrepresentation of process studies may find its explanation in method choices; case studies remain underrepresented which may explain a more static ex-ante/ex-post analysis of M&As. Studies built on case studies tend to more often describe the process of an M&A, where this either includes the entire journey of an M&A, from pre-M&A considerations to integration realisation, or for instance describes integration as a process. This thesis presents M&As at the acquisition point and at integration, and these steps are referred to as events, possibly interfering with other events, and where the individuality of studied M&As' time frames and motives are considered.

**Other themes**

Studies that could be classified as “other themes” include research on antitrust legislation and its impact on M&As (Sundaramurthy 1996), and methodological research (Larsson 1993b). In some of these studies, the M&A is not the main concern.

**Customers and M&As in literature**

With a heavy research focus on either the M&A parties or the acquirer, little research takes the perspective of parties not belonging to the M&A organisations into account. Furthermore, only in a few cases (e.g., Choi and Zéghal 1999) are M&A effects on other companies studied, and interdependence is only rarely recognised (Pfeffer 1972; Finkelstein 1997). In Choi and Zéghal (1999) the effects studied concern companies belonging to the same sector as the M&A parties, meaning that competition rather than relationships with business partners, including customers, are in focus.

But, whereas the main body of research does not take a customer perspective, customers could be expected to be included in strategic considerations from the acquiring party’s perspective. Markets as motives implicitly include customers, for example. Two different word counts, one presented in Öberg (2004), the other in Anderson et al. (working paper) produce

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5 This is according to the literature review. Several (Nordic) theses take a process view on M&As (e.g., Nupponen 1995; Bjursell 2007; Schriber 2008).
similar results of the reviewed articles, customers or customer related phrases are found in roughly 40 percent of the articles.

To position this thesis vis-à-vis previous research, three areas are considered as key important:

- Research in the strategy area on customers in M&As,
- Research on M&As in marketing, and within that area,
- Research on M&As according to the network approach.

The presentation below is based on three literature searches performed in 2007:
- (i) a literature search on M&As and customer phrases in strategy literature,
- (ii) a literature review on M&As in marketing literature, and
- (iii) a literature review on M&As in IMP Conference papers aimed to capture research on M&As according to the network approach.

**Strategy – Customers in M&As**

Öberg (2004) found various customer related phrases and addressed the M&A literature with a word count. If the word count in Öberg (2004) is readdressed with the representation of customer related phrases in strategy literature, the following is found:

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6 In Öberg (2004), 54 of 126 researched articles referred to market, customer, consumer, stakeholder, buyer, sales, revenue, demand, network/partner/relationship, client or retailer in title, keywords or abstract. In Anderson et al. (working paper), 95 of 222 articles referred to customer in entire texts.

7 Compared to the literature search summarised in Table 2.1, publications in organisation journals are not included in the following sections. References to customers are few in those articles as the intra-M&A focus is on aspects such as integration difficulties on a person-to-person level. The literature reviews were complemented with the IMP Conference paper search and were also prolonged in time.

8 The strategy literature was chosen based on its comparably high frequency of M&A articles and that it deals with issues on a company-to-company level.

9 It should be noted that the texts below on research into M&As in marketing and according to the network approach are not delimited to research referring to customers and M&As. In marketing and in the network approach, customers would be expected to be part of the scenery, whereas in M&A research it is more exceptional. In strategy literature, research including customers and M&As are taken as a point of departure as these may not coincide in so much strategy literature.

10 This is built on an updated word count, comprising publications from 1990 to March 2007. The word count is produced using Business Source Premier and takes articles referring to customer related words in titles or abstracts into account. The articles chosen are results of a literature review on mergers and acquisitions (articles referring to “merger”, “acquisition” or “takeover” in title or as keyword).
TABLE 2:2 MENTIONING OF CUSTOMERS AND THE LIKE – RESULT OF WORD COUNT

<table>
<thead>
<tr>
<th>No. of articles</th>
<th>Academy of Management Review</th>
<th>Academy of Management Journal</th>
<th>Journal of International Business Studies</th>
<th>Strategic Management Journal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>Customer</td>
<td>-</td>
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<td>1</td>
</tr>
<tr>
<td>Consumer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Buyer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Demand</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Network/partner/relationship</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Client</td>
<td>-</td>
<td>-</td>
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<td>1</td>
</tr>
<tr>
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<tr>
<td>Total</td>
<td>-</td>
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<td>31</td>
<td>35</td>
</tr>
</tbody>
</table>

Below, the results presented in Table 2:2 are described more in detail under three headings: (i) customers as markets, which according to the word count seems to be the most frequent way to refer to customers in the strategy literature, (ii) other customer phrases, and (iii) contextual aspects of M&As.

Customers as markets
At a glance, Table 2:2 tells us that customers are acknowledged basically and mostly in terms of markets. There are but few instances where other phrases are used. To exemplify the use of markets, Chatterjee (1991) describes fragmented vis-à-vis concentrated markets as predictors of performance, Reuer, Shenkar and Ragozzino (2004), Tschoegl (2002), and Meyer and Estrin (2001) refer to markets in internationalisation, thus incorporating a geographical perspective on markets, and Walter and Barney (1990) refer to market power as a key motive for M&As. Fragmented and concentrated markets describe markets where the M&A parties act, and the internationalisation M&A literature refers to markets where the acquired party acts. In this latter, market describes a presence on a market, which also would include customers. Market power would imply that the M&A parties strengthen their position vis-à-vis customers or vis-à-vis competitors and the terms fragmented vis-à-vis concentrated markets seem to refer to markets as exchange arenas.

11 The table refers to the number of articles mentioning each word, not the number of times the words are mentioned in the article.

12 Partnership (e.g., Buckley and Casson 1996) may refer to alternative co-ordination forms to M&As and thereby solely target the M&A parties.

13 As several of the articles use more than one phrase, the table does not sum up. Instead, the total-number row refers to number of articles mentioning at least one of the words.
Without putting too much emphasis on the phrases, markets indicate an aggregated treatment of customers, and authors regarding customers as something “out there” with individual customers not being the key concern. Markets could also be understood as an exchange arena of which the M&A parties are a part. It is thus not always certain that the market concept targets customers, which also means that the word count overestimates the references to customers. The ways of describing markets further imply that markets become accessible following an M&A, in terms of the acquirer reaching an additional exchange arena or additional customers via the M&A. Problems related to controlling or transferring customer relationships are almost entirely absent, as are discussions on how activities of customers would affect M&As.

Customers, buyers, clients … A mass marketing view on M&As

A second group of articles within the strategy literature are those few articles explicitly referring to customers in various ways. Dranove and Shanley (1995) refer to how M&As may lower consumer transaction and search costs, something that in turn would benefit the M&A parties in terms of improved reputation and the possibility to raise prices. Along with Capron, Dussauge and Mitchell (1998) and Anand and Singh (1997) who focus on redeployment of brands and the like, Dranove and Shanley (1995) construct a group of articles using segmentation, brand management and an overall mass-marketing like approach to M&As; heterogeneity is acknowledged, and ways for M&A parties to compete are via brand identities, broadened product ranges and offerings directed to various customer segments. This is also a prevailing view in most of the research in marketing literature on M&As (read more in the section “Marketing – M&As in marketing research”), partly represented by the same authors. The literature clearly takes the perspective of the acquiring party, and customer reactions could only be understood implicitly in terms of expected behaviour regarding brands and so on, while problems related to such reactions are not discussed.

Contextual considerations?

There are examples of M&As influencing or being influenced by their contexts. Generally, the influences are unilateral and customers are usually not explicitly referred to. What makes this group of literature interesting for the thesis is that it deals with the embeddedness (cf. Granovetter 1985) of M&As. To exemplify M&A effects on external actors, Krishnan, Joshi and Krishnan (2004) briefly discuss effects on patients. As for M&As being influenced by their context, Hayward (2003) researches into the use of investment banks and how these may affect acquisition tendency and performance. In its background discussion, Very, Lubatkin, Calori and Veiga (1997) refer to European M&As as a means to match US and Japanese firms’ relative economies-of-scale advantages, while the main scope of the article is to explain performance related to perceived cultural distance. Folta (1998) refers in passing to acquiring parties’ network experience as positively affecting the acquired party in cases of newly established firms, and further, how such experience may simplify capability transfer. Finkelstein (1997)
elaborates on Pfeffer’s (1972) result of how resource dependence explains M&A patterns. As described previously, whereas interdependence among companies is recognised, the research mainly targets interdependence between the acquiring and the acquired parties.

Apart from Folta (1998), these authors dealing with contextual considerations explicitly recognise influences on or of other companies. Instances can also be found of influences on individuals; Singh (1990) deals with individuals when researching into shifts in stakeholders following management buy-outs. These stakeholders are primarily owners and board representatives. In these articles, contexts are given somewhat different meanings and are often not the key concern. But for Krishnan, Joshi and Krishnan (2004), no explicit references are made to customers.

In sum, when context is considered, this is done in terms of:


This means that the literature shows that M&As may affect the context, but also that context may affect M&A tendencies. The context may however refer to the acquired party or to individuals such as owners. The article by Krishnan, Joshi and Krishnan (2004) is the only one that discusses effects on customers and none of the articles describes customers as driving M&As. So, whereas the strategy literature dealing with contextual considerations acknowledge contextual effects and influences, it usually does not explicitly refer to customers, and it refers to context as either influencing M&As or M&As influencing the context. No examples are found of M&A parties adjusting to external actors once the M&A is initiated and no author discusses M&As as both impacting and being impacted by such actors. As described, the context is often not the key concern in the article and none of the publications refer to M&As through the eyes of external parties.

Customers in strategy literature on M&As – In sum

Taken together, articles that include customer-related phrases account for somewhat more than 30 percent¹⁴ of the reviewed strategy articles. When references are made to customers, these are foremost described as markets, and limited attention is given to connectivity between actors. In most of the articles, customers are not the key focus, but instead, they are part of motive taxonomies, which also include for instance cost reductions, or they are

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¹⁴ Thirty-five of 111 articles.
possibly part of what is referred to as context. Those articles most explicitly dealing with customer-related issues do so from a mass-marketing perspective, and closely relate to publications on M&As in marketing journals. None of the articles takes a customer or even a contextual perspective of M&As. Instead, the acquiring party’s perspective prevails.

**Marketing – M&As in marketing research**


Some of these articles merely mention M&As in passing. However, there are articles that clearly aim at integrating marketing into M&A thinking. Weber and Dholakia (2000) draw attention to marketing synergies, and Homburg and Bucerius (2005) research into how marketing integration may affect performance. Table 2:3 summarises the marketing articles on M&As.

As can be seen from Table 2:3, some themes are recurrent in this literature;

- Branding, where the M&A is performed to reach additional brands, or where brand management (possibly merging brands or brand transfer) is related to integration.
- Internationalisation, where the M&A is a means to reach new geographical markets.
- Co-operation, where M&As is mainly pictured as an alternative to other co-operation arrangements.

But for the few publications taking a network related approach to M&As (Zineldin 1998; Havila and Salmi 2000; Anderson, Havila and Salmi 2001; Goodman and Dion 2001)¹⁶, most M&A research in the field of marketing deals with consumer marketing and several articles deal with retail internationalisation (e.g., Hallsworth 1992; Sparks 2000; Wrigley 2000). If markets as exchange arenas or as aggregates of homogenous customers can be said to be the customer view dominating the strategy literature on M&As, the marketing research on M&As is dominated by issues of segmentations and brands. Warnaby (1999), for instance, describes how different market positions led to separate sales channels for IKEA and Habitat, and Capron and Hulland (1999) investigate redeployment patterns of brands, sales forces and marketing.

¹⁵ The search was performed in 2007 and was built on the literature review in Öberg (2004) as regards the choice of journals.

### Table 2: M&As in Marketing Journals – Results of Review

<table>
<thead>
<tr>
<th>Journal</th>
<th>Article</th>
<th>Method</th>
<th>Focus and how the article relates to M&amp;As</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Journal of Marketing</td>
<td>Muzellec and Lambkin (2006)</td>
<td>Quantitative and two cases</td>
<td>Rebranding, in which M&amp;As are reasons to rebrand.</td>
</tr>
<tr>
<td></td>
<td>Wrigley (2000)</td>
<td>Case</td>
<td>Internationalization, where strategic fit and performance relate to M&amp;As.</td>
</tr>
<tr>
<td></td>
<td>Zineldin (1998)</td>
<td>Conceptual</td>
<td>Co-operation, where external parties should be included in e.g., M&amp;A decisions.</td>
</tr>
<tr>
<td></td>
<td>Hallsworth (1992)</td>
<td>Conceptual</td>
<td>Retail internationalisation (including M&amp;As) and context impacts.</td>
</tr>
<tr>
<td></td>
<td>Goodman and Dion (2001)</td>
<td>Survey</td>
<td>Commitment and trust in distribution; M&amp;As leading to larger and more powerful distributors.</td>
</tr>
<tr>
<td></td>
<td>Sparks (2000)</td>
<td>Case</td>
<td>Changes following retail internationalisation via M&amp;A.</td>
</tr>
<tr>
<td></td>
<td>Warnaby (1999)</td>
<td>Case</td>
<td>Strategic consequences of M&amp;As, where separate sales channels are one result.</td>
</tr>
<tr>
<td></td>
<td>Robson and Dunk (1999)</td>
<td>Case</td>
<td>Co-operation process.</td>
</tr>
<tr>
<td></td>
<td>Capron and Hulland (1999)</td>
<td>Cases and quantitative (survey)</td>
<td>Redeployment of brands, sales forces and marketing management following M&amp;As.</td>
</tr>
<tr>
<td></td>
<td>Sargeant and Kaplan (2004)</td>
<td>Cases</td>
<td>Electronic commerce, where M&amp;As are a means to acquire capability.</td>
</tr>
</tbody>
</table>

### Contextual Considerations?

The embeddedness of M&A activities are considered only in a few instances; Wrigley (2000) for example, refers to how Sainsbury’s acquisition of Star Market occurred during a consolidation wave in US food retailing. Hallsworth (1992) argues that context may drive M&As, where contextual drivers refer to financiers, whose actions in turn are steered by economic movements (deregulation, recession, etc.), and Sargeant and Jay (2002) investigate how funders may affect M&A tendencies. These three examples refer to M&As as outcomes; context affects M&A tendencies. While marketing literature could be expected to include customers, none of the articles refer to customers as M&A drivers, and M&A effects on customers are...
largely absent. Closest to this are the articles taking a network approach on M&As and describing effects on business partners (Havila and Salmi 2000; Anderson, Havila and Salmi 2001).\(^{17}\)

**M&As in marketing research – In sum**

Taken together, when M&As are made part of the marketing arena, research extensively focuses on customers from a mass-marketing view. This means that the acquiring party’s perspective prevails. Based on the literature search, there is a greater variation in research methods compared to strategy research on M&As. Wrigley (2000), Sparks (2000) and Warnaby (1999), for instance, base their findings on case studies. This means that the search for cause-and-effect patterns is partly exchanged for case specific discussions. Whereas some articles acknowledge external actors as drivers for M&As, these articles do not refer explicitly to customers, and whereas this is perhaps implicitly incorporated into discussions on redeployment of brands and marketing integration, effects on customer relationships are not the main focus in marketing research on M&As. Worth noting is also the limited number of publications on M&As in marketing (cf. Homburg and Bucerius 2005). Considering that customer related motives are common, and that according to Mazur (2001) revenue enhancing more extensively impacts M&A performance than do cost reductions, the underrepresentation of M&A research related to marketing is surprising.

**Networks – M&As in network studies**

Network research according to the IMP (Industrial Marketing and Purchasing) tradition, early acknowledged M&As as a means to increase competitiveness (Hägg and Johanson 1982), meaning that M&As were treated in a similar manner as they were in strategy research. More recently, the complexity of M&As has been focused on; how M&As may spread and affect other actors, and the risk of jeopardising business relationships following an M&A. Whereas IMP research has been increasingly directed towards networks and dynamics, where M&As may well constitute an important activity in terms of M&As being a frequent phenomenon in business life and in terms of potential network effects, M&A research according to the network approach is still limited. To get a grasp of previous research, research papers presented at the yearly IMP Conference, and other papers published on the IMP website were analysed.

Out of 966 papers with publication dates from 1994 to 2005\(^{18}\), nineteen referred to mergers and/or acquisitions in titles or abstracts (see Table 2:4 for details on the papers).\(^{19}\)

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\(^{17}\) Read more in the section about M&As in network studies.

\(^{18}\) It should be noted that the bulk of available papers are from 2000 to 2005.
**Table 2: M&As in IMP papers – results of review**

<table>
<thead>
<tr>
<th>Paper/Article</th>
<th>Method</th>
<th>Focus</th>
<th>Type of actors</th>
<th>Central concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anderson, Havila and Salmi (2013)</td>
<td>Single case study (Graphic industry)</td>
<td>Effects on relationships.</td>
<td>Customers and suppliers</td>
<td>Intended and unexpected effects</td>
</tr>
<tr>
<td>Anderson, Holtström and Öberg (2003)</td>
<td>450 competition authority decisions</td>
<td>Whether business relationships are considered by competition authorities</td>
<td>Customers, suppliers and competitors</td>
<td></td>
</tr>
<tr>
<td>Dahlén, Havila and Thilenius (2003)</td>
<td>Statistics on companies in the IT-sector</td>
<td>Dissolutions as result of changes (M&amp;As and bankruptcies) in the IT-sector.</td>
<td>Acquiring/acquired parties and customers.</td>
<td>Radical change</td>
</tr>
<tr>
<td>Dembrower, Hertz and Mattsson (2004)</td>
<td>Interviews and secondary data on 24 airline operators</td>
<td>Acquisition as part of the development among airline operators (acquisitions as means to grow).</td>
<td>Acquiring and acquired parties.</td>
<td></td>
</tr>
<tr>
<td>Fletcher and Barnett (2001)</td>
<td>Single case study (James N. Kirby)</td>
<td>Internationalisation network embeddedness of acquired party to explain the acquisition.</td>
<td>Acquired and network</td>
<td></td>
</tr>
<tr>
<td>Herring and Bottom (2004)</td>
<td>Single case study (Graphic industry)</td>
<td>M&amp;A as trigger to radical network changes.</td>
<td>M&amp;A and network parties</td>
<td>Radical change</td>
</tr>
<tr>
<td>Hingley and Hollingsworth (2001)</td>
<td>Research proposal</td>
<td>Competitiveness in UK food industry; M&amp;A as part of development.</td>
<td>Supplier and retailer relationships.</td>
<td></td>
</tr>
<tr>
<td>Johnston, Most and Molloy (2002)</td>
<td>Three cases</td>
<td>Marketing strategies of M&amp;A parties and in alliances</td>
<td>M&amp;A parties</td>
<td></td>
</tr>
<tr>
<td>Jørgensen (2003)</td>
<td>Survey</td>
<td>Identities, where M&amp;A are one reason for dissolutions.</td>
<td>Network parties</td>
<td></td>
</tr>
<tr>
<td>Randk (2003)</td>
<td>Case study</td>
<td>Changes in paper industry, whereof M&amp;A is one change; these changes are contextually driven.</td>
<td>(M&amp;A party)</td>
<td></td>
</tr>
<tr>
<td>Sanna and Broctomolli (2013)</td>
<td>12 cases</td>
<td>Integration and performance.</td>
<td>Customers and suppliers</td>
<td>Distance in governance style and strategic focus</td>
</tr>
<tr>
<td>Öberg, Gudmundsson and Holmstrom (2004)</td>
<td>Single case study (innovative firms)</td>
<td>M&amp;A effects on customer access to innovation firms.</td>
<td>Acquirers and customers</td>
<td></td>
</tr>
</tbody>
</table>

19 It should be stressed that the network approach does not only concern customers, and which will be seen from the review; some of the papers do not include customers, while others include them together with other business partners.

20 Only abstract available.

21 Only abstract available.
The research into M&As is mainly concentrated to a few researchers. Perhaps worth noting is that I co-authored three, and am currently part of the re-work of a forth of the above papers (Anderson, Havila and Holmström 2003). If these co-authored papers disregarded\textsuperscript{22}, but for Tunisini and Bocconcelli (2005) the empirical research proves to be concentrated to a few cases dominated by the Graphic industry case presented in Anderson, Havila and Salmi (2001), Havila and Salmi (2000) and part of Anderson et al. (2003), and the James N. Kirby case in Barrett and Fletcher (2000) and Fletcher and Barrett (2001).

If detailing on the IMP papers on M&As, firstly not all of them have M&As as their core focus. Instead, M&As may be part of a company’s (e.g., Barrett and Fletcher 2000) or industry’s (e.g., Hingley and Hollingsworth 2003; Rundh 2003) development, or M&As may be one of several reasons for business relationship dissolutions (Dahlin, Havila and Thilenius 2003; Jörgensen 2003). In all, nine papers have M&As as their core focus (see Table 2:5 for details).

Secondly, some of the papers refer to M&As in a manner similar to that of strategy literature; terminology as market shares and branding are used (Johnston, Mosli and Mosly 2002; Rundh 2003) or the M&A is described without relating it to business relationships or networks. When networks are considered in combination with M&As, M&As are either seen as an outcome, but more commonly, as a cause for network changes.

**M&As as outcome**

Mattsson (2000) and (2002) focuses on international M&As and describes that M&As lead to changed network structures and that an M&A may cause additional M&As. Traces of M&As leading to additional M&As can also be found in Rundh (2003) and Hingley and Hollingsworth (2003). In Mattsson (2000), Mattsson (2002), Hingley and Hollingsworth (2003) and Rundh (2003) the M&As are described as general environmental trends or incorporate M&As, for instance, among competitors. Apart from Mattsson (2000) these papers include M&As as part the description, but not as the key focus.

**M&As as cause**

The research in Anderson, Andersson, Havila and Salmi (2000), Anderson et al. (2003), Anderson, Havila and Salmi (2001), Havila and Salmi (2000) and Tunisini and Bocconcelli (2005) concern effects of M&As\textsuperscript{23}. These papers incorporate discussions about reaction and outcomes as regard effects on relationships, but do not refer to M&A parties as adjusting to, or being in themselves affected by these reactions, meaning that M&A activities and

\textsuperscript{22} Papers which I have co-authored are disregarded in the reasoning below.

\textsuperscript{23} Similarly, Holmström (Work in progress) describes effects of M&As, where he refers to them as synergies.
reactions are unilateral in direction of consequences. No adjusting activities from the M&A parties’ side are described and radical changes are expected based on business partners’ reactions. Few examples are found of what drives reactions; one exception is Anderson et al. (2000) where the perception of the acquirer as an undesirable partner is referred to. Commonly however the M&A as such is considered to be the driving force.

As for reactions, Anderson, Havila and Salmi (2001) and Havila and Salmi (2000) exemplify reactions such as business partners refusing to do business with an acquirer, lost confidence in terms of priority and a customer changing its buying based on the customer being acquired by another party. Overall however, few reaction examples are found. Instead, presentations are hypothetical rather than exemplifying. Reactions are unilateral, meaning that business partners react and these reactions affect business relationships, but are not met with adjustments by M&A parties.

Common for the descriptions in Anderson et al. (2000), Anderson et al. (2003), Anderson, Havila and Salmi (2001) and Havila and Salmi (2000) is that they target radical changes; dissolutions of relationships based on M&As. The anticipated radical changes could also be found in Dahlin, Havila and Thilenius (2003) and Jörgensen (2003). In Tunisini and Bocconcelli (2005), three outcomes are predicted: terminated, living and new relationships, which also means that continuity could be expected.

M&As in network studies – In sum

Table 2.5 summarises the studies on M&As according to the network approach. The research is extensively focused on conceptualisation and on marking the field as a new research area. None of the studies explicitly focuses on customers related to M&As, but refers to business partners in general terms, or includes both customers and suppliers. In addition, it is only the Graphic industry case that includes interviews with business partners to the M&A parties, while the others rely on the M&A parties’ views or are entirely theoretical/conceptual. Some studies (e.g., Johnston, Mosli and Mosly 2002; Dembrower, Hertz and Mattsson 2004) take a more ‘traditional’ view on M&As, referring them to part of development in specific industries, or focusing on the M&A parties alone.

If looking at the research questions and results of those studies which include business partners, most works concern how M&As may affect business partners or business relationships, that is, M&As are referred to as a trigger to change. The effect that customers’ and suppliers’ activities may have on the M&A parties is delimited to how their reactions may potentially affect relationships and thereby outcome. With the exceptions of Barrett and Fletcher (2000), Mattsson (2000), Rundh (2003) and Fletcher and Barrett (2001), none of the papers mentions M&As as being contextually driven. In these exceptions, customers are not specifically incorporated and but for Mattsson (2000), M&As as an outcome is not a core message of the papers. Moreover, none of the papers recognise a continuous adjustment to customers throughout the M&A.
TABLE 2:5 FOCI IN IMP CONFERENCE PAPERS

<table>
<thead>
<tr>
<th>Paper/Article</th>
<th>Company</th>
<th>Industry</th>
<th>M&amp;A cont. focus</th>
<th>M&amp;A effects</th>
<th>M&amp;A as outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anderson, Havila and Salmi (2001)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barrett and Fletcher (2000)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dalin, Havila and Thelenius (2003)</td>
<td>X</td>
<td>(X)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fletcher and Barrett (2001)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Havila and Salmi (2003)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hinglery and H LINGworth (2003)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johnston, Moi and Moi (2002)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jørgensen (2003)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mattsson (2000)</td>
<td>(X)</td>
<td>X</td>
<td>(X)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mattsson (2002)</td>
<td>(X)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramut (2003)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tunisini and Broconcelli (2005)</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summarising the literature reviews

If the literature reviews on (i) research on customers in M&As in the strategy area, (ii) research on M&As in marketing, and within that area, (iii) research on M&As according to the network approach are summarised, the following can be seen;

- The strategy literature mainly takes the acquirer’s perspective and often refers to customers as markets. Contexts may be considered but rarely refer to business partners.

- The marketing literature on M&As largely uses a mass marketing view, and discusses themes such as brands, or refers to M&As as a mode for internationalisation. Publications describe the acquirer’s perspective, and customer considerations are only understood indirectly. The number of publications are few and some recent ones refer to the lack of M&A research related to marketing.

- The network literature on M&As either focuses on the M&A parties, or refers to M&A effects on business partners. Examples of M&As as contextually driven can be found mainly in descriptions of company or industry developments including internationalisation. Also in some of these papers, M&As are not the key issue, but are one example of change. Several papers are conceptual, arguing that M&A effects on business relationships is an unexplored area.

In the strategy literature, quantitative cause-and-effect studies prevail, whereas the network approach is dominated by case studies. The marketing research includes both case studies and surveys. As for data sources, all the reviewed papers and articles rely heavily on the acquiring and possibly the acquired party. External business partners are seldom used as data sources.
Pointing at gaps

If referring the discussion above on customers in strategy M&A literature and on M&As in marketing and network studies according to the categories described in the beginning of this chapter (pre-M&A and motives, integration, post-M&A, process and other themes), the following can be proposed (see Table 2:6):

**TABLE 2:6 CUSTOMERS IN REVIEWED LITERATURE**

<table>
<thead>
<tr>
<th>Pre-M&amp;A and motives</th>
<th>Strategy literature referring to customers</th>
<th>Marketing literature on M&amp;As</th>
<th>M&amp;As according to a network approach</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customers mainly expressed as markets.</td>
<td>(Customers expressed as markets; shares, growth and positions.)</td>
<td>(In internationalisation and industry development; M&amp;A as ‘outcome’)</td>
</tr>
<tr>
<td>Integration</td>
<td>Redeployment of brands, sales forces and joint marketing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Implicitly in outcome through calculations using revenues or sales</td>
<td>Outcome becomes inconclusive, as e.g., customers react to the M&amp;A</td>
<td></td>
</tr>
<tr>
<td>Process (and others)</td>
<td>Few case study examples focusing on process.</td>
<td>Publications on e.g., temporality and process or on describing development of company or industry.</td>
<td></td>
</tr>
</tbody>
</table>

To highlight the main findings in Table 2:6, the traditional M&A literature provides understanding about why M&As occur (motives), where customers, expressed as markets, are frequently mentioned. In the evaluation of M&As, revenues may be used as a means to measure growth. Customers are considered indirectly in the literature on integration in the marketing literature dealing with brands and such like, which implies that customers may have different preferences, but the intra-M&A perspective dominates. In the network approach, research has focused on how business relationships affect outcome; this is described both in terms of spread of change, and in terms of how business partners’ reactions impact outcome. The difficulties of transferring relationships could be seen as a proof of a relationship focus in integration, but research remains limited on aspects of how relationships actually impact integration considerations. Furthermore, the risk of losing business partners is not described as a consequence of the integration mode, but seems to be a possible outcome regardless of whether resources or relationships are transferred between M&A parties, or not. Some examples can be found of how M&As drive new M&As, especially related to internationalisation.

The literature reviews also reveal some gaps. Related to the three fields, strategy literature does not seem to address customers as actors and misses customer consequences of M&As. Little is also known about integration related to customers, which instead is a main focus in marketing literature on M&As, but also in the marketing literature the impacts of and on cus-
customers are not addressed. In literature on M&As according to the network approach, effort is directed towards M&As affecting relationships, but these effects are largely a result of business partners’ reactions, not a question of mutual concern. Furthermore, customers are commonly not considered separately and few actual reactions or driving forces to reactions are exemplified; nuances regarding motives, degrees and modes of integration, types of driving forces and reactions are not elaborated extensively. The M&A as such is referred to as the driving force and radical changes are the most prominent outcome.

This thesis refers to M&As as consisting of two steps; the acquisition point and integration. Although these steps are interrelated, and sometimes simultaneous, the reason for studying these one at the time is how they construct expressions of two different phenomena; ownership vis-à-vis business integration (cf. Mattsson 2000). The steps, as is seen in the empirical part of this thesis, would address customer actions and reactions, and further, customer considerations may affect the path taken by the M&A parties. Through customer actions and reaction, but also depending on the activities of the M&A parties, customers affect outcome. In contrast to the literature on M&As according to the network approach, this means fine-tuning M&As as regards driving forces for reactions and what actions and reactions are seen. It means acknowledging mutuality in concern. And, it means explicitly focusing on customers and also hearing the voice of customers, while most of the publications on M&As according to the network approach are only built on interviews with the M&A parties.
The network approach

In previous chapters, I have made quite a few references to or comments about “networks” or the “network approach”, but what is meant with networks and the network approach? This chapter outlines some of the basic ideas of the network approach, and discusses the network approach as a way of looking at M&As and customers.

Networks are widely used in the marketing discipline and beyond¹ and may be seen as groups of companies or individuals, in certain cases organised as a means to compete with other networks (see e.g., Achrol and Kotler 1999)². Such networks would have more or less distinct borders, whereas networks as described in this thesis are borderless; they are not constructed or arranged by individuals, but are an outcome of how companies choose to interact. The nodes in the networks are companies (Håkansson and Ford 2002), not clusters of organisations, nor individuals. The person-to-person level however constructs a link, commonly referred to as social ties or actor links (e.g., Hammarkvist, Håkansson and Mattsson 1982; Håkansson and Snehota 1995), between organisations. Connections between companies are intangible and the network is merely a metaphor and analytical tool to describe linkages between companies³. Contracts may underpin individual

¹ See e.g., Castells (2001); the network society.

² For a classification of various network approaches, see Araujo and Easton (1996).

³ It should be noted that connections between companies are sometimes referred to as positive and negative, where positive connections relate to business relationships and negative to competition (Hertz and Mattsson 2004). In this thesis, unless directly referring to authors’ descriptions of positive and negative connections, only business relationship (“positive connections”) are referred to as relationships between companies.
linkages between companies, but it is how companies are interrelated also in other senses, that constructs the network. This way of dealing with networks could be summarised as the network approach\(^4\), according to the IMP tradition.\(^5\)

**Some basic assumptions...**

The network approach according to the IMP tradition, sometimes referred to as the *Uppsala School of marketing*, relies on ideas to explain why companies interact in business-to-business settings. Longevity of relationships is acknowledged, as is how companies may adjust to each other over time (e.g., Hallén, Johanson and Seyed-Mohamed 1991; Easton and Håkansson 1996; Turnbull, Ford and Cunningham 1996; Hertz and Mattsson 2004). This fundamentally means *observing* the same phenomena as, for instance, Webster and Wind (1972), Williamson (1979) and Pfeffer and Salancik (1978), but using somewhat different explanations thereto and approaching the phenomena differently.

At the time of its early development, the network approach came to challenge current states of marketing (and economics)\(^6\), through claiming that (i) exchanges in business markets were not isolated events, but constructed episodes within long-term relationships, (ii) marketing was not a unilateral, independent attempt to persuade passive customers to buy, but meant interaction between actors (see also Turnbull, Ford and Cunningham 1996), (iii) customers and suppliers were not homogeneous or atomistic (see also Easton and Araujo 1994), but interacted in relatively stable groups of heterogeneous actors and relationships, and (iv) the division between marketing and purchasing as disciplines was misleading, as these tasks were similar and engaged both parties (Håkansson 1982; Ford and Håkansson 2006b). In line with this, counterparts in exchanges and relationships described were identified actors (Håkansson and Snehota 1989), not “faceless” markets. Table 3:1 summarises some of the basic ideas behind the

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\(^4\) The labelling “approach” has been widely used within the field (e.g., Johanson and Mattsson 1985; Mattsson and Naert 1985; Easton and Araujo 1994), but more recently the label “network theory”\(^6\) is also used. In all, the approach (or theory) implies that interaction is considered in a wider context. To further complicate the matter, “network theory”\(^6\) is also used to describe how a party perceives its network; it becomes the party’s network theory (Hertz and Mattsson 2004).

\(^5\) It should be said that the IMP group in itself links to other schools of thoughts, that is, as a knowledge base, could be described as part of a wider network of thoughts and ideas, and that IMP does not construct a completely homogeneous bulk of knowledge – but undoubtedly, there are some central nodes of ideas commonly shared by and referred to as the IMP tradition.

\(^6\) These challenges still underpin the fundamental ideas of the network approach, but the theory it challenged has developed since and relationships are today widely discussed in the marketing domain the network approach once challenged.
network approach and compares it with a more atomistic market view (taken from Ford and Håkansson 2006b).

**Table 3.1 The characteristics of two worlds**

<table>
<thead>
<tr>
<th>The world of market and action</th>
<th>The world of network and interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure and process</td>
<td>Structure and process</td>
</tr>
<tr>
<td>Defined by a product</td>
<td>Defined by the threads between nodes</td>
</tr>
<tr>
<td>Anonymous</td>
<td>Individually identifiable members</td>
</tr>
<tr>
<td>Heterogeneity inside units</td>
<td>Heterogeneity also between units</td>
</tr>
<tr>
<td>Competitive</td>
<td>Conflictual and co-operative</td>
</tr>
<tr>
<td>Competition between independent companies</td>
<td>Relationships between inter-dependent companies</td>
</tr>
<tr>
<td>Clear separation between vendors and customers</td>
<td>Companies having multiple and unclear roles</td>
</tr>
<tr>
<td>Stable (except in terms of counterparts)</td>
<td>Changing (except in counterparts)</td>
</tr>
<tr>
<td>Change emanating from external sources</td>
<td>Different short- and long-term trends and changes; internal as well as external sources but all influencing through relationships</td>
</tr>
<tr>
<td>Product life cycles within market</td>
<td>Actions</td>
</tr>
<tr>
<td></td>
<td>Based on the actions of single actors</td>
</tr>
<tr>
<td></td>
<td>Structure creates common modes of behaviour</td>
</tr>
<tr>
<td></td>
<td>Actions a result of individual company strategy</td>
</tr>
<tr>
<td></td>
<td>Homogeneous products for multiple customers</td>
</tr>
<tr>
<td></td>
<td>Single supplier controls marketing mix</td>
</tr>
<tr>
<td></td>
<td>Distribution managed by producer</td>
</tr>
<tr>
<td></td>
<td>Market is demand-driven</td>
</tr>
<tr>
<td></td>
<td>Different activities for suppliers and customers</td>
</tr>
</tbody>
</table>

*Source: Ford and Håkansson (2006b, p.255)*

... and some explanations of these

While the assumptions about industrial actors were widely generated from empirical studies (e.g., Johansson 1966, Håkansson, Wootz, Andersson and Hangård 1979), explanations thereto found their basis for instance in social exchange and power dependence theory (e.g., Blau and Scott 1962, Emerson 1962). This meant that trust and power came to be explanations for longevity in relationships; trust, commitment, interdependence, heterogeneity and adaptation are frequently mentioned as theoretical explanations or outcomes of long-term relationships, in which the causality connections seemingly differ between various authors.

Do commitment and trust mean that financial goals are disregarded? Criticism has been directed towards the network approach for not taking the interests of individual firms into account. However, value constructs a...

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7 To exemplify: Hägg and Johanson (1982) refer to heterogeneity of actors resulting in that no actor had complete information about any other actor, which required that they trusted each other. Easton and Araujo (1994) instead describe trust and reduced risks as outcomes of stability and expected continuity of relationships. Turnbull, Ford and Cunningham (1996) assert that co-ordination creates interdependence, and that mutuality is important to explain such interdependence (Blankenburg Holm, Eriksson and Johanson 1999). Taken together, this means that authors may refer to trust and to dependence as both causes and effects.
fundament for interaction (Blankenburg Holm, Eriksson and Johanson 1999; Ford and McDowell 1999); no actor would presumably continue in a relationship unless it brought back over-time value;

Stability in a relationship does not mean that the buying firm is “kind” to the seller.

Håkansson (1980, p.366)

The firms’ activities in industrial markets are cumulative processes by which relationships all the time are established, maintained, developed or disrupted with the aim of achieving economic returns, development and survival of the individual firm.

Johansson and Mattsson (1985, p.188)

**Relationships, interaction and networks**

Early research focused extensively on interaction between firms on dyadic levels (Håkansson 1982) or even on the marketing function (Håkansson and Ostberg 1975; Håkansson et al. 1979; Håkansson 1980). Håkansson (1982) outlined a model of interaction consisting of (i) parties involved, (ii) the elements and process of interaction, (iii) the atmosphere, and (iv) the environment (see Figure 3:1). The parties involved target the companies which together construct a dyadic relationship. The elements and process of interaction refer to episodes of exchange, and to relationships, which reach beyond individual transaction episodes and create a long-term bond between companies. The environment (cf. Hallén and Johanson 1985) describes the context in which the interaction takes place, while atmosphere targets characteristics of the relationship. The atmosphere characteristics refer to power-dependence, state of conflict or co-operation (see also Gadde, Humer and Håkansson 2003; Vaaland and Håkansson 2003), closeness or distance, and mutual expectations on the relationship (Håkansson 1982), which drives strongly on a power/resource dependence view (cf. Emerson 1962, Pfeffer and Salancik 1978).

![Figure 3:1 The interaction model. Source: Håkansson (1982).](image)

Other ways of describing relationships or interaction also developed. Hammarkvist, Håkansson and Mattsson (1982) described relationships in terms of ties; ties of technology, knowledge, social relations, administrative routines, and systems and legal ties (cf. Håkansson and Snehota 1995). Compared to Håkansson (1982), these ties describe the relationship dimension in a more detailed manner. Single episodes could be understood through the model, whereas environmental dimensions, including the atmosphere become less obvious.

A more recent, but also more widely used way of describing relationships is in terms of activity links, resource ties and actor bonds (Håkansson and Johanson 1992; Håkansson and Snehota 1995; Ford, Berthon, Brown, Gadde, Håkansson, Naudé, Ritter and Snehota 2003; Gadde, Huemer and Håkansson 2003). This so-called ARA (activities, resources, actors) model describes the links and division of resources and activities (which could be seen in dimensions such as technology, knowledge, and administrative routines, cf. Hammarkvist, Håkansson and Mattsson 1982 above) between the interacting parties, and how they connect through social ties.

Adaptation is stressed (cf. Hallén, Johanson and Seyed-Mohamed 1991), meaning that a relationship may affect and cause changes in activities, organisational structures and resources for each of the involved parties. With the ARA model, the time dimension, in terms of the dynamism of relationships, are at the forefront. Furthermore, the interconnectivity with other parties beyond the dyad, and how one relationship may affect the
other, is stressed. With this also comes a shift of focus, from individual relationships towards networks. Ford, Håkansson and Johansson (2002), for instance, describe the economic, technical and social dimension of networks and, Gadde and Mattsson (1987) were early to show the need to include the network in the analysis in order to fully understand a relationship (see also e.g., Blankenburg Holm, Eriksson and Johanson 1996; Ford 2004). Thus, embeddedness (cf. Granovetter 1985) became increasingly stressed in a connectivity dimension. What Håkansson (1982) described as ‘the environment’ consequently became described as other companies or the network context (see e.g., Anderson, Håkansson and Johanson 1994), characterised as “a set of other active organisations” (Håkansson and Snehota 1989, p.260). The paraphrasing could be seen as a critique towards the context as something faceless, instead indicating that companies were connected and affected via other companies rather than through an environment. The environment dimension however appears in later works also; by authors introducing a relative perspective built on perception, the environment came to be what was beyond direct and connected exchange relationships (Anderson, Håkansson and Johanson 1994).

The network approach can be said to have undergone several shifts in its development; shifts that did not however mean that previous standpoints were abandoned. One such shift is the shift from individual relationships, or dyads, to networks. With this shift followed a more aggregated view of relationships. Whereas relationships are a key fundament in networks, apart from the ARA-model on a network level, they are rarely described at their elements. The move from studying interaction between dyads to studying networks means that the level of abstraction is raised from what made individual firms interact, to more generalised connections and disconnections.

A second shift is that from a focus on stability to one on dynamism (read more below); whereas stability in terms of longevity remains a key pillar of relationships, it is how relationships evolve and how actors adapt to each other that attract increased research attention.

Thirdly, the early models present relationships and networks as structures; a bird’s eyes view is taken. The elements of relationships are largely described as if they were actual links; technological, legal, activity links, and so on. More recently, perception has been stressed; networks are described from a focal company’s perspective and how this company perceives its network also determines the company’s activities. Networks may be seen as pictures in the minds of each actor (e.g., Hertz and Mattsson 2004; Ford and Redwood 2005; Henneberg, Mouzas and Naudé 2006), where each actor has its own perception of the network and where it “ends” (cf. network horizon, Anderson, Håkansson and Johanson 1994; Holmen and Pedersen 2003). Identities, roles, and network horizons all stress networks as relative rather than absolute phenomena, and it would be expected that various actors perceive the network differently.
Fourthly, whereas networks remain a construct or analytical tool, the picturing of networks and network structures are complemented with ideas on how to manage in networks. With a focus on perception and relationship management, individual companies are in focus, and the development from dyads to networks to companies reaches a new end, which at the same time carries resemblances to the early work by Håkansson and Östberg (1975) for instance, dealing with perception and organisation of marketing.

Table 3:2 summarises the dimensions of the network approach described above.

**Table 3:2 Dimensions of network studies**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Company, dyad, network</td>
</tr>
<tr>
<td>Perspective</td>
<td>Structural, focal, picture/perception</td>
</tr>
<tr>
<td>Change</td>
<td>Stability versus dynamics</td>
</tr>
<tr>
<td>Aims</td>
<td>Descriptive versus how to manage</td>
</tr>
</tbody>
</table>

In short, the network approach deals with relationships between companies in business-to-business settings, where exchanges are not atomistic, but embedded in long-term relationships between exchange actors, which also give the exchanges a timely embeddedness, and further in the parties’ relationships with other companies, which constructs a network embeddedness. Social dimensions are part of the links between companies, but do not in themselves explain why exchanges occur; value creation underpins relationships. Links to other parties create development opportunities for a company, but also constrains possible development steps.

**Dynamics**

In the early works (e.g., Håkansson 1982) the stability of relationships was emphasised. This was a means to contrast the network approach from an atomistic market view, but did not mean that relationships were considered static (Håkansson and Wootz 1975; Hägg and Johanson 1982); adaptation meant an ongoing change in relationships. Håkansson and Snehota (1995) refer to continuity rather than stability as a characteristic of relationships, which implies that while relationships are stable in the sense that they exist over long periods of time, they change within. The dynamics of networks is increasingly in focus, where network dynamics, and dynamics in relationships, deals foremost with evolutionary changes in relationships, often adaptation in ongoing relationships.

Recently, the dissolution of relationships has been given increased attention. This research deals with changes of relationships, or so-called radical changes (Havila and Salmi 2000; Havila and Salmi 2002). Changes may thus be either incremental changes in relationships or radical changes of relationships (cf. Ford and McDowell 1999 on effects in and on relationships, portfolios and network).
Dynamics may be built on individual companies’ activities, mutual development or adjustments to other actors’ activities. Initial changes may spread and lead to new changes. A paradox related to stability and change is that if a company tries to maintain stability, the network will still change, and if a company tries to achieve changes within an existing network, the network will change and strategies based on how the network was originally may not be accomplished.

Even if a business tries to remain static within its network, the network itself is continuously evolving and changing all the companies within it. Conversely, they observe that when actors choose to make a number of small positional moves, it does not take long before the whole network may look substantially different.

Ford and Redwood (2005, p.649)

In a similar manner, the network enables, but also constrains what a company can and cannot do (Håkansson and Ford 2002)\(^9\). While adaptation refers to how parties adjust to each other, a company acting on its own may cause changes in an action/reaction manner, where reactions may aim at adjusting or in turn change relationship structures. Both adaptation and actions/reactions may be driven by development ideas, but it is only in actions/reactions that radical changes would occur.

### Mutual and unilateral adaptation

Adaptation (e.g., Hallén and Johanson 1985; Hallén, Johanson and Seyed-Mohamed 1991) can be seen as a result of longevity and commitment, but also constructs a prerequisite for such longevity and commitment. Adaptation would be a deliberate way to respond to changes, and is in that sense a proof of a company’s commitment to the other party. Companies choose for instance to adjust their production facilities to match a customer’s needs. When development becomes part of the picture, continuous adjustment on a dyadic level would be an expected outcome. While development could be a network effect, adaptation would be expected on a relational rather than on a network level, and may occur during various stages of a relationship;

In addition, adaptation can be assumed to be a significant feature in the dynamics of business relationships. One or both of the parties may make adaptations to bring about initial fit between their needs and capabilities, but adaptation also may be necessary in an ongoing relationship as the exchanging parties are exposed to changing business conditions. Moreover, within such ongoing relationships, the adaptations already made provide part of a framework for further business expansion.

Hallén, Johanson and Seyed-Mohamed (1991, p.30)

Mutual adaptation (Håkansson and Östberg 1975) refers to how two parties adjust to each other, but adaptation could also be unilateral. Hallén, Johanson and Seyed-Mohamed (1991) claim that mutual adaptation is a result of trust, while unilateral adaptation is a consequence of imbalance in dependence.

**Action/reaction**

Is there a difference between dynamics and adaptation? Whereas adaptation means a deliberate adjustment (unilateral or mutual) to another company, dynamics may well describe movements which have no such intentions. Dynamics would in addition to adaptation be the result of parties changing due to adjustments in other relationships or be the result of individual companies trying to change their positions, and so forth. Action/reaction implies that a company acts on its own (at least in the eyes of a business partner), but as seen previously, because of the network, may not be successful in doing so. Actions may cause reactions, which may not necessarily aim at keeping a relationship together.

In all, change on a dyadic level can lead to, and be led by, a variety of different actions: mutual and unilateral adaptation, and action/reaction. Table 3:3 summarises the three variants of dynamics described above.

<table>
<thead>
<tr>
<th>Type of dynamics</th>
<th>Description</th>
<th>Type of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual adaptation</td>
<td>Companies develop and adjust together or to each other.</td>
<td>Incremental</td>
</tr>
<tr>
<td>Unilateral adaptation</td>
<td>Single-way adjustment to the other party.</td>
<td>Incremental</td>
</tr>
<tr>
<td>Action – reaction</td>
<td>Unilateral activity without the prime intent necessarily being to develop a specific relationship, and which may possibly aim at, or result in, the companies steering away from each other.</td>
<td>Incremental/radical</td>
</tr>
</tbody>
</table>

If comparing the above with Table 3:1, which described characteristics of the ‘network world’, mutual adaptation is the only one of these three types of change that completely fulfils the description of interaction in development and also stresses interdependence, while unilateral adaptation seems to rely on dependence. Actions and reactions may be the result of how a company perceives its network, result from adaptation in other dyads or result from activities that do not comply with acting in a network; parties trying to act without considering the network consequences, the pursuing of a strategy that is not developed from present network opportunities, or a party aiming at changing network structures.

**The network approach as way of looking at M&As and customers**

Acknowledging customers as actors and longevity of relationships means that some of the starting points of this thesis are set by the network approach, or rather; the network approach becomes a means to relate to
customers as active parties engaged in long-term interaction. Much of the points of departures for the network approach as a way to look at customers and M&As in this thesis can be found in the declaration of challenges in Håkansson (1982)\textsuperscript{10}; companies are described as actors, and these actors interact and build long-term relationships between them. Connections for instance consist of the use of the other party’s product over time, co-ordinated activities and social links. Both sides of the interaction are identified by the other party; there is not a faceless market that meets the supplier, instead it is certain, identified customers they interact with\textsuperscript{11}.

Yet, in this thesis, the network approach is not used as theory, but instead as a way to look at customers related to M&As. Why so? Firstly, the inductive approach of this thesis means not simply building on existing research on M&As and business partners, but through empirical findings learn about M&As and customers without the constraints of such previous research. Secondly, it means using reasoning from the network approach without doing a complete network analysis, and without necessarily advocating the network approach in all its fundaments. Thirdly, theory is first related to once empirical findings have been categorised and patterns have been found, and is not used as a starting point for identifying categories and patterns.

But, what distinguishes a viewpoint from a theory? A viewpoint means that a field is approached using predefined glasses, but not with the aim of testing a theory. The viewpoint resembles methodological considerations (ontology, epistemology) in that it refers to how to look at things (or how things have been looked at), rather than what to look for. The network approach, referred to by some as network theory (e.g., Easton and Håkansson 1996), could be seen as an analytical tool, which would imply that it is not a theory in itself, but rather a way to sort and depict relationships and networks. This means that the dividing line between networks as viewpoint and as analytical tool should perhaps not be overemphasised. Still, the aim is neither to verify the network approach nor to structure empirical findings in accordance with the approach, but to discuss and support findings via the network approach.

The rest of this chapter describes the network approach in terms of analysis levels of relationships/networks and change, and in terms of perspectives. Lastly, the chapter relates these to this thesis and discusses events and perspectives.

\textsuperscript{10} Later repeated in e.g., Ford and Håkansson (2006b).

\textsuperscript{11} It should be noted that it is not certain that the M&A parties see it this way. References to markets etc., occur in their descriptions (and therefore also in empirical descriptions). The thesis however analyses customers as actors.
Levels of relationship analyses

A network or relationship analysis can be performed at various aggregation levels. Iacobucci and Zerrillo (1996) distinguish between actors, dyads, groups and networks. Easton and Håkansson (1996) describe the individual actor, the dyad, the network phenomena and at the highest level complete exchange networks, as levels. And the ARA-model could be described on a company, relational or network level (Håkansson and Snehota 1995). However, a relationship (or network) may also be analysed in terms of relationship components. Ties of technology, knowledge, social relations, administrative routines, systems and legal ties (Hammarkvist, Håkansson and Mattsson 1982), actors, resources and activities (Håkansson and Snehota 1995), or episodes, atmosphere and so on (Håkansson 1982) are ways which can be used to break down individual relationships or parts of networks.

Components, companies, dyads and networks can be described as various layers of a network (or relationship) as it would be expected that these different layers are found in all networks. What to focus on would be decided from the level of analysis. With all layers being present in a relationship or network, this enables incorporating several layers in a network description.

Moreover, when a relationship or network is analysed, the focus may be on the actors involved, or relationships between them, that is, the focus may be the nodes in the network, or the ties connecting such nodes.

Levels of change

In the same way as relationships and networks may be depicted in terms of various layers, change may be described at different levels, which relate both to their spread and magnitude. Halinen, Salmi and Havila (1999) distinguish between confined and connected change to describe the spread of change (see also e.g., Havila and Salmi 2000; Dahlin, Fors, Havila and Thilenius 2005; Fors 2005) while incremental or radical change (e.g., Ford 1980; Havila and Wilkinson 2002) refer to the magnitude of change in terms of how it intervenes with relationship continuity.

As described, most studies on dynamics and change refer to incremental change in, for instance, activities, actors, or ties (relationship components), where the company-to-company relationship continues. Beyond this, relationships could also be anticipated to change incrementally in terms of changes in their characters, while ties, or relationship components, remain the same. In Håkansson (1982) characteristics of relationships in terms of power-dependence, state of conflict or co-operation, closeness or distance, and mutual expectations on the relationship are described as atmosphere (see also e.g., Sutton-Brady 2001). These characteristics may be observable for external parties or only be perceived by actors, or even one of the actors, involved. Incremental change means that the prerequisite of long-term relationships is kept, while at the same time, the relationship develops. As
described in the section on dynamics, incremental change may occur in relation to adaptation, as well as be built on actions/reactions.

Radical change would mean the creation of new relationships or the dissolution of ongoing relationships, when all ties are broken off and the companies are not expected to interact beyond the dissolution. Rather than adaptation, radical change would occur based on actions/reactions where parties do not act, intentionally or based on limited understanding of consequences, with the prime intention to adjust to the other party.

If change is both a matter of magnitude and of spread, various “types” of change would be relevant for different relationship or network layers. Connected change, for instance, would require a network analysis beyond a dyadic level. At the same time, with the ability to move between layers of relationships and networks, it is possible to focus on for instance incremental changes in broad network analyses also. With the above said, change could appear as radical or incremental change, and on a company, component, dyadic or network level, where change may remain on that particular level or spread to additional companies, relationships, and so on. Table 3-4 summarises and exemplifies levels of change at various relationship or network layers.

**Table 3-4 Layers of Relationships/Networks and Levels of Change**

<table>
<thead>
<tr>
<th>Level of change</th>
<th>Incremental change</th>
<th>Radical change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components in relationship</td>
<td>Change e.g. in components, stability in relationship. Possibly result of adaptation.</td>
<td>All ties are broken off (or established).</td>
</tr>
<tr>
<td>Company</td>
<td>[U]nilateral</td>
<td>adaptation or action that may lead to reaction. Change aiming at building new structures or change initiation disregarding network consequences.</td>
</tr>
<tr>
<td>Relationship (dyad)</td>
<td>Adaptation or action/reaction. Confined change.</td>
<td>Action/reaction. Confined change</td>
</tr>
<tr>
<td>Network decided by researcher or interacting parties (cf. network horizon)</td>
<td>Adaptation or action/reaction. Confined change.</td>
<td>Action/reaction. Connected change/spread of change.</td>
</tr>
<tr>
<td>Complete network</td>
<td>Structural changes</td>
<td></td>
</tr>
</tbody>
</table>

Research has shown that whereas dissolution may be an outcome in a relationship, social links may persist beyond the dissolution and lead to new company-to-company links further on (Havila and Wilkinson 2002). This indicates that various layers of relationships may have to be taken into account, something that becomes even more evident when describing incremental change; radical changes may leave traces of connections between companies, and incremental changes most certainly do. By analysing relationships as consisting of several components that may change, a deeper understanding of relationship changes and adaptation is given.

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12 Research has shown that whereas dissolution may be an outcome in a relationship, social links may persist beyond the dissolution and lead to new company-to-company links further on (Havila and Wilkinson 2002). This indicates that various layers of relationships may have to be taken into account, something that becomes even more evident when describing incremental change; radical changes may leave traces of connections between companies, and incremental changes most certainly do. By analysing relationships as consisting of several components that may change, a deeper understanding of relationship changes and adaptation is given.
Perspectives on companies, relationships and networks

While relationship and network analyses can be pursued at various aggregation levels, they may also take various perspectives on relationships and networks\(^\text{13}\). A relationship or network may be described from an individual company’s perspective, through the eyes of several companies, with a bird’s eyes view, or in the eyes of individuals within organisations. Network pictures clearly focus on networks based on subjective beliefs, while network structure studies (e.g., Dahlin 2007) attempt to describe networks as connections indisputably present regardless of who describes the network.

Customers and M&A parties – The setting described as relationship layers and levels of change\(^\text{14}\)

Relationships and networks can thus be analysed in various layers and with different viewpoints of the parties therein. Change may appear at various levels and incorporate individual relationships or spread to surrounding ones. This has all been said to show the complexity of networks as viewpoints, but also to frame the way to relate to the network approach in this thesis. Next, relationship layers, change and perspective as depicted in this thesis are described.

Relationships as focus...

In this thesis, the relationship between M&A parties and customers is a prerequisite; customers interact with M&A parties prior to the M&A or connect to these following the M&A. These customer relationships are the relationships focused on. This means that a dyadic focus is taken. Certainly each M&A in turn consists of two companies, the acquirer and the acquired party, which means that in the case of an M&A related to customers, at least three parties are involved; the acquiring and acquired parties (or the merging parties in the case of a merger), and one customer. For each individual customer this is the setting that meets the customer when a supplier is involved in an M&A; from the customer’s perspective, the customer may have a relationship with none, one or both M&A parties prior to, and may have a relationship with none, one or both parties following the M&A.

\(^{13}\) These different ways of treating companies, relationships and networks also indicate somewhat different viewpoints on the network concept, either as something actually present, or as a way to describe perceptions.

\(^{14}\) It should be mentioned that this section, along the rest of this chapter was written after analysing the empirical data, which means that some of the frames presented in this chapter are actually results of empirical findings.
Furthermore, M&A parties may be integrated or seen as separate units following the M&A.

The M&A parties may form a dyad prior to the M&A, or not be connected\textsuperscript{15}. This thesis does not focus on change in or of the M&A parties possible pre-M&A relationship as long as such changes do not prove to be important for customer relationships. Each of the M&A parties would have relationships with customers, which are either separate for the M&A parties, or overlapping.

In terms of nodes or ties, ties becomes a way to envisage how M&A parties and customers are connected, while the focus is on the nodes, the companies, and how the other party (a customer vis-à-vis an M&A party) acts and reacts to the activities of and expectations on the first party. Such actions and reactions could affect the relationship and this is referred to as a relationship outcome, but the main concern remains on actions and reactions and what drives these.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{relationships.png}
\caption{Relationships prior to the M&A. Actors in focus in this thesis in shaded area.}
\end{figure}

\textsuperscript{15} According to Hertz (1996), acquisitions are often forerun by co-operation between the M&A parties. In this thesis this appears in three of eight M&As.
... in a network context
Interconnectivity between actors is a prerequisite for a network and these connections are either direct or indirect. “No business is an island” (Håkansson and Snehota 1989) means that each actor has connections with other actors. Although this thesis focuses on M&As and customer relationships, the M&As appear in a wider context; customers influence and are influenced by other customers and suppliers for instance, and the M&A parties are equally connected to other companies. The embeddedness of companies and activities appears to be important in certain discussions, which are also directly related to customers; customers, for example, may be understood through the activities of competitors. But whereas embedded in networks of relationships, the thesis focuses on direct customers to the M&A parties, see Figure 3:4 and 3:5.

Change as cause, change as outcome
An M&A can both be seen as a result of change and a trigger to change. As described in chapter two, most network studies on M&As refer to M&As as a trigger to change, but fundamentally, an M&A could also be a way to adapt to new circumstances, while at the same time be a reason for others to adapt to a new post-M&A situation.
An M&A could be seen as an activity in a network (cf. activity links, Håkansson and Snehota 1995) but on another layer. It is not part of day-to-day exchange, but comprises an activity between the M&A parties that may affect not only their possible pre-M&A exchange but also their exchange with others. And although the M&A may be a means to adapt to customers for instance, it is an activity collectively incorporating all customers of the M&A parties. This makes an M&A more complicated in the matter of adaptation. Although it might be accomplished to adapt, for instance, to a specific customer’s activities, it also inevitably becomes a source of change for other actors; the acquired party and other customers of both M&A parties. What for one customer may be seen as adaptation, may for someone else be regarded as an extraordinary activity with no connection to the ongoing interaction, which may in turn, cause action/reaction changes.

**Perspectives**

What drives actions and reactions are central in this thesis and to understand this, individual actors’ views need to be considered. In contrast to network pictures, the network boundaries are not set by the individual actors, but are framed by the aim of the thesis; customers and M&A parties. Via focusing on how parties perceive each others’ activities and on expectations of the other party, driving forces may be connected to adaptation, reactions and actions.

In sum, this thesis focuses on M&A parties and customers that are connected via relationships, but where the M&A may be results or consequences of activities by individual parties (rather than adaptation). Central in the thesis is how the parties (customers vis-à-vis M&A parties) view each others’ actions (and what expectations are raised on the other party’s actions) and what (re)actions these bring about. Table 3:5 repeats the dimensions of network studies presented in Table 3:2 by describing these dimensions as they are used in this thesis.

**Events and perspectives**

As described previously, an M&A could be understood as an activity, but may also be broken down into the sub-activities of M&A announcement and integration16. These could be treated as phases of an M&A, but also as

---

16 Reasons for dividing the M&A into parts is empirically derived. From collected data it e.g., turned out that customers acted differently at the acquisition point and at integration.
events as part of an M&A. An event (see e.g., Normann 1991; Schneider and Dunbar 1992; Andersson 1996; Halinen, Salmi and Havila 1999; Holmlund and Strandvik 1999) refers to a single activity17 and the prime focus in this study is its occurrence and the actions it brings about. Announcement would be connected to ownership integration, while integration deals with business integration (see Mattsson 2000). To also capture the customer side, these are referred to as acquisition point and integration. The acquisition point entails the announcement of the M&A and what triggered the M&A. Integration deals with to what extent parties are brought together in terms of integration of certain functions (Homburg and Bucerius 2005; Andersson and Mattsson 2007), direction of transfer of assets (cf. Capron and Hulland 1999) and overall capacity of integration.

The second dimension is that of perspectives. The thesis views M&As from the viewpoint of M&A parties and customers and works with a dualistic perspective.

Taken together, this results in four building blocks in this thesis; (i) the acquisition point from the M&A parties’ view, (ii) the acquisition point from customers’ view, (iii) integration from the M&A parties’ view, and (iv) integration from customers’ view, where it is not certain that both M&A parties or that all customers perceive and act in the same manner. The empirical presentation is grouped into the four groups, see Table 3.6. The table also repeats the sub-questions presented in chapter one.

### TABLE 3.6 EVENTS AND PERSPECTIVES IN THIS THESIS

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Event</th>
<th>Acquisition point</th>
<th>Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A parties’ view</td>
<td>How are customers included in M&amp;A motives and what expectations on customers underpin these motives?</td>
<td>How do expectations on customers drive integration and in what capacity is integration influenced by customer actions?</td>
<td></td>
</tr>
<tr>
<td>Customers’ view</td>
<td>How do customers react at the acquisition point and what drives these reactions?</td>
<td>How do customers react to the integration and what drives these actions?</td>
<td></td>
</tr>
</tbody>
</table>

17 Events may be regarded as something that occurs, while activities refers to something someone does. For customers, the M&A announcement and integration may well be considered as something that just happens, while for at least the acquirer these are activities. Since I use activities to detail on what each party, M&A parties and customers, does related to the acquisition point and integration I refer to the acquisition point and integration as events.
Methodology

This chapter deals with the “hows” and “whys” of the study: How was the study conducted? And why did I choose this method or approach? Literature reviews and primary data collections are described under separate headings.

Researching customers and M&As – Initial choices made

Choice of subject
This is a thesis about how customers impact and are impacted by M&As. As I decided to become a PhD student, I learnt about and applied to a research project that was the direct results of some of the heavy cited research in this thesis – the research on M&As affecting business partners (e.g., Anderson, Havila and Holtström 2001; Anderson, Havila and Salmi 2001). The subject of this thesis spurred from that research and I found it of key importance to build my own understanding of the topic, and not to lean only on the research performed in that group. My own domain was created by focusing on customers related to M&As, and these two words “customers” and “M&As” guided me in my research. Aside from this and the idea about studying M&As in business-to-business settings, the results in this thesis are inductively derived.

An inductive approach
The inductive approach means that the thesis does not test theory, rather it aims at building theory (Eisenhardt 1989; Woodside and Wilson 2003; Saunders, Lewis and Thornhill 2007). It also means that decisions about what the thesis would really be about (apart from M&As and customers) were taken after the collection of the data; it was for instance the data that showed that M&A parties adjusted to customers, it was the data that provided examples of reactions, and so on. This means that categories and patterns were built from collected data and also that the idea to separate the
acquisition point from integration was a result of the collected data. Much of the efforts with this thesis lie in structuring, identifying categories and patterns of, the empirical data. Therefore, the presentation of categories, where these are built from empirical observations, grouped into categories and further described as patterns, are central in this thesis and the empirical descriptions are oriented round these.

Why an inductive approach? Basically this is the result of limited research in the area of customers’ impact related to M&As. Since traditional M&A research focuses extensively on the M&A parties and do not provide studies taking external parties’ perspective on M&As, previous M&A theory was not applicable as a frame of reference. The research on M&As in marketing is overall limited (Homburg and Bucerius 2005), and though it provides conclusions about changes in and of business relationships, most of the studies on M&As according to the network approach (e.g., Anderson, Havila and Salmi 2001) aim at showing a research gap. Furthermore, none of these studies explicitly focused on customers. This all meant that there was no theory directly out there to be tested. The inductive approach meant that customers and M&As could be approached more freely, and also allowed for exploring the data more fully. Therefore, an inductive approach.

Researching is one thing – Writing another

Induction implies that first come empirical findings, then theory. This corresponds with how research was performed for this thesis, but not to how it is presented. It is true that the results were reflected through theory first since the categories and patterns had been established, while literature reviews were conducted prior to, during and after the data collection. These literature reviews, which are found in chapter two, had one foremost purpose; to position the thesis and reveal gaps. These literature reviews consequently did not intervene with analysing the data. Still, they frame the thesis in the sense that they point out unexplored areas, and therefore they are presented prior to the empirical findings.

The chapter on the network approach is written at a late stage, which means that discussions on relationship layers, change levels and perspectives are (partly) results of findings, at the same time as they become ways to describe the network approach as a viewpoint.

With all this said, though inductive in its approach, the thesis has the format where theory is placed before empirical findings, yet at the same time, the theoretical chapters (two and three) do not build or present theory to be tested.

The role as researcher

One of the fundamental bases of this thesis is that it deals with perspectives, customers’ and M&A parties’ views, where the perceptions of the M&A may differ between actors. I think it is inevitable that not only the researcher, but also the reader and the interviewee will make his or her own interpretation of a story; perspectives, experiences and presumptions colour the picture.
As a researcher you make imprints through choices made; what questions to ask, what emphasis to make, and so on.

Despite the above, I do believe in a reality “out there” (cf. Bhaskar 1978; Healy and Perry 2000; Easton 2004). Regardless of stand point, M&A parties and customers, or researchers, interviewees and readers, would probably agree on things that are happening, objects seen, and so on, but would not necessarily agree on how it felt, what it meant or whether and how it affected them, and such interpretation affects outcome.

The role as a researcher, as I see it, is a combination of making findings readable and in the case of inductive research, building theory which may be applicable in a wider context. It is a role of building arguments to promote an idea, but also important; it is about trustworthiness, both towards the data, and towards those reading the findings. Categories and patterns is one way of making findings readable, and a way to deal with the complexity of the reality, while including detailed descriptions and checking data with interviewees are ways to deal with trustworthiness (cf. Lincoln and Guba 1985; Bryman and Bell 2003).

Literature reviews

Chapter two is basically based on three literature reviews. Their common aim is to find out what research has previously been done on customers and M&As in conjunction, and via this to point out gaps and position this thesis.

The 2004 review on M&A literature


A data base search was performed using Business Source Elite to find articles referring to “merger”, “acquisition”, or “takeover” as keywords or in the title. In total 126 articles were found to be relevant and these were read in order to arrive at an understanding of whether and how customers were

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1 This section describes the literature reviews conducted for chapter two. For chapter three and when references are made to theory in other chapters, additional literature is included. Also in chapter two references are made to other literature.
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dealt with in the literature on M&As. Furthermore, each article was categorized as to which phase of an M&A process was its primary focus. The articles were also analysed with a word count, where the searched for customer related phrasings were derived from the literature review itself.2

The re-review on customers in M&A literature
For this thesis, the literature review conducted in 2004 was updated to include publications up to March 2007. This time more attention was given to the theoretical fields represented. Based on the frequency of occurrence according to the 2004 review and the customer focus of this thesis, attention came to be directed towards strategy and marketing literature. Certainly there is some overlapping between these fields, not only in terms of theoretical foundations, but also as to publishing similar works. Capron, for instance, appears in both strategy and marketing (Capron, Dussauge and Mitchell 1998; Capron and Hulland 1999).

Strategy – Customers in M&A research
The four journals classified as strategy literature, Academy of Management Journal, Academy of Management Review, Journal of International Business Studies, and Strategic Management Journal, were readdressed with a word count based on phrasings found in the 2004 review. The word count included all articles, and attention was directed to customer related phrasings in abstracts or title. Business Source Premier was used as a source. Articles were also read and those included in the 2004 review were reread to enable a more descriptive analysis of the articles, where specifically their way of dealing with customers and contexts were analysed.

Marketing – M&As in marketing research
The review of marketing articles included the following journals: European Journal of Marketing, Industrial Marketing Management, International Marketing Review, Journal of Marketing, Journal of Marketing Management and Journal of Strategic Marketing (that is, the same journals were reviewed as in the 2004 review). Since the articles would be expected to deal with marketing or customers due to their publication channel, all articles referring to “merger” or “acquisition” as keyword or title (source: Business Source Premier) were included. A total of eighteen publications were found. Those were read so as to map out method used, ascertain the primary focus, and see how the articles related to M&As. Results are presented in Table 2:3 in chapter two.

The IMP literature review
As this thesis uses the network approach according to the IMP tradition (see chapter three) as a viewpoint, specific attention was directed towards previous M&A related research according to that approach. To grasp the community of IMP research, conference papers presented at annual IMP conferences were taken as starting point. This means that selection was

2 For further details on the literature review, see Öberg (2004).
based on researchers relating themselves to IMP ideas, rather than based on certain referencing or theoretical bases. The paper search was based on papers presented on the IMP webpage www.impgroup.org, and resulted in 966 papers presented between 1994 and 2005. Some of these papers have later appeared in journals, and some journal articles are included on the webpage.

Of the 966 papers, nineteen included “merger”, “merge”, “acquisition” or “acquire” in the title or abstract. These nineteen papers were read in detail to find out the method used, focus of the paper, actors included and possible central concepts related to M&As. The results are presented in Table 2:4 in chapter two.

In all, the literature reviews revealed that customers are often mentioned in M&A research, but are commonly referred to indirectly, and they are not seen as parties being affected by and affecting M&As. Empirical studies including the customer perspective is noticeably absent as is an explicit focus on relationships with customers.

Is there a risk that the choice of literature coloured these findings? Certainly, results presented in chapter two are only results from those performed reviews. However, several journals of importance to the fields of strategy and marketing are included. And as for the lack of previous research on external parties, this is supported by for instance Schriber (2008), who has studied Nordic dissertations on M&As (see Hellgren and Schriber 2003).

**Empirical data – Research design**

The empirical parts of this thesis are built on multiple case studies based on interviews with M&A parties and customers, complemented with newspaper reviews. In the following, the research design considerations for the empirical studies in this thesis are presented. Data collection, analysis and evaluation of the study are described separately thereafter.

**Case studies**

**Why case studies?**

Studies on business relationships often aim to research companies or activities embedded in a context. This calls for research methods that enable
the capturing of nuances of companies, activities and their connectivity in space and time, or as expressed by Holmlund (2004):

What thus makes the study of business relationships a challenging research area is the multifaceted character of the relationships: the temporal dimension and the complex structure of relationships.

Holmlund (2004, p.280)

Case studies are often used in studies on business relationships or networks for their ability to seize a detailed view on the interrelatedness of activities and actors (see e.g., Easton and Håkansson 1996; Halinen and Törnroos 2005; Dahlin, Fors and Öberg 2006). The studies aim to depict connectivity rather than study a phenomenon in isolation (cf. Bonoma 1985; Yin 1994; Dul and Hak 2008):

Case study research consists of a detailed investigation that attempts to provide an analysis of the context and processes involved in the phenomenon under study. No attempt is made to isolate the phenomenon from its context, but instead, the phenomenon is of interest precisely because of its relation to its context.

Johnston, Leach and Liu (1999, p.203)

For this reason, with the aim of this study being to identify categories and patterns on how customers impact and are impacted by M&As, the case study approach seemed appropriate. This enabled studying M&As in a context, although the context was set to direct customers, but where activities occurred in a wider context, for instance seen as external activities impacting actions at the integration point. The case study approach made it possible to be explorative in data collection, this in turn constructing a basis for identifying patterns and categories. Additionally, it enabled capturing details and complexities, connections between activities and drivers, and perspectives as a bulk of data describes M&A parties’ and customers’ perspectives on the issue.

What is a case anyway? A first distinction from traditional M&A research

“I’m conducting case studies” is often used without further defining what is meant by a case. Much quantitative and qualitative studies could be described in terms of cases; the case of BT Industries’ acquisition of Raymond, the case of Sweden, and so on. However, what a case is differs fundamentally, as does the methodological foci. Reference to case studies as research method often pinpoints in-depth studies where details are (at least partly) traded for generalisations (Jensen and Rodgers 2001). The data capturing method is heavily built on interviews (Welch 2000; Dahlin, Fors and Öberg 2006) and, as described above, the studies aim at describing phenomena in their contexts.
Traditional M&A research drives strongly on quantitative studies. Cases as approach? Certainly, but where research aims to find correlative patterns and where cases target studies of specific elements and refer to extensive samples rather than a limited number of cases studied in a real life context. What is won in generalisation is lost in details, and the level of analysis is on aggregates rather than specific cases.

Business relationships are difficult to capture via secondary data or questionnaires, potentially undermining the impact of relationships in M&As research (cf. Anderson, Holström and Öberg working paper). The “I’m conducting case studies” of this thesis refers to the research tradition of in-dept studies (cf. Halinen and Törnroos 2005). Through studying M&As via in-depth qualitative studies, this thesis complements more quantitatively oriented M&A research; the research approach enables the capturing of customer relational aspects of M&As and how activities are interrelated. Targeting activities rather than final outcomes could be seen as an alternative to traditional M&A research, where outcome and predictability are pinpointed.

Real-life interactions do not follow one another as neatly as they do in the interaction-level figure nor do they always take place with a clear beginning and clear end.

Holmlund (2004, p. 282)

This is also in line with a focus on the possible connection between drivers and activities, and tendencies of activities (cf. causal powers, Sayer 1992; Easton 2002; Easton 2004) rather than clear-cut cause-and-effect patterns, and with viewing M&A parties and customers as actors. The M&A becomes an activity embedded in other activities, where these activities (including the M&A) are interrelated to various extents.

Multiple case studies
This thesis uses multiple case studies. M&As are activities that may be performed for many reasons, and may also mean various degrees of integration, for example. Multiple case studies may be a means to make comparative studies (Bryman and Bell 2003), ways to replicate and thereby validate results (Yin 1994; Saunders, Lewis and Thornhill 2007), or aim to capture additional nuances of a studied phenomenon. The main focus is not to compare individual cases, but to find categories and patterns. Via multiple cases various aspects of customers in M&As are highlighted. The reason for choosing a multiple case study approach is to depict a wider spectrum of drivers and activities related to customers, that is, to capture additional nuances. The cases were partially chosen as they illustrated various degrees of integration, but they also differ in other dimensions. Still, it is the various findings in terms of categories that are of foremost interest. Similar findings are found in different M&As and relationships, which help in creating categories and add on transferability assumptions of results. Comparisons
are not made between M&As on a case-to-case level, rather categories are created by similar observations in the same or different M&As.

Choice of cases
The empirical part of this thesis includes eight M&As, which are described from the M&A parties’ and customers’ perspectives. The M&As represent various motives and address various modes of integration, and realised, as well as not accomplished, integration. They also include customers of either the acquirer or the acquired party, or both parties. The individual M&As are related to each other representing three sequences of M&As;

- acquisitions including BT Industries,
- acquisitions of the company that came to be Momentum Doc and eventually part of BasWare, and
- M&As of Verimation.

The M&As are treated separately in the thesis, yet they are related in terms of actors involved, both among the M&A parties and among customers. In part two however, the M&As are described as part of the focused on companies’ development. Table 4:1 describes the cases in terms of acquirer and acquired party, and relates these to the descriptions in part two.

### Table 4:1 Cases in the Thesis

<table>
<thead>
<tr>
<th>M&amp;As in part one (acquirer – acquired party)</th>
<th>Described in part two as part of</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT – Raymond</td>
<td>BT Industries</td>
</tr>
<tr>
<td>BT – Cesab</td>
<td>BT Industries</td>
</tr>
<tr>
<td>Toyota – BT</td>
<td>BT Industries</td>
</tr>
<tr>
<td>Momentum – Structurit</td>
<td>Momentum Doc</td>
</tr>
<tr>
<td>BasWare – Momentum Doc</td>
<td>Momentum Doc</td>
</tr>
<tr>
<td>ADB Gruppen Mandator – Verimation</td>
<td>Verimation</td>
</tr>
<tr>
<td>NetSys – Verimation</td>
<td>Verimation</td>
</tr>
<tr>
<td>Nexus – Verimation</td>
<td>Verimation</td>
</tr>
</tbody>
</table>

The choice of the specific cases was partly influenced by related research interests. BT Industries aimed at grasping how cross-border M&As would affect ‘local’ customers (see Holström and Öberg 2003), and Verimation was the result of a co-project looking at dissolution in the IT-sector (see e.g., Dahlin, Havila and Thilenius 2003; Dahlin 2007). Momentum Doc aimed at covering product replacement, as the previously collected data only partly illustrated this dimension. Each of the data collections took its starting point in a specific M&A or company (Toyota’s acquisition of BT Industries, Nexus as an actor involved in IT-related acquisitions, and BasWare’s acquisition of Momentum Doc). The other five M&As came to be selected as the M&A histories of the companies were discussed at early contacts with the companies. The choice of cases is thus a combination of specific interests (international M&As, IT-companies and product replacement) and a snowball sample, since additional M&As were researched as consequences of initial contacts.
While comprising various motives and integrations, none of the cases were chosen as it had a strong customer focus. In terms of customer orientation the cases would be expected to be representative as M&A cases, rather than extreme cases.

**Data collection methods**

For the cases, data was collected using interviews and newspaper reviews.

**Newspaper reviews**

The newspaper reviews take a census approach including all newspaper items found on the company, the M&A, or the customer company where an interview was conducted; to exemplify this, in the BT Industries case, the newspaper review included all items published mentioning BT in combination with the other M&A party (Raymond, Cesab or Toyota), or each of the customers. The newspaper review for the Momentum Doc case included items on Structurit, Momentum, BasWare, and directed searches on customer companies. In the case of Verimation, the newspaper review included everything published on Verimation, Memo (Verimation’s product), or the other parties (ADB Gruppen Mandator, NetSys and Nexus). Separate data searches were equally performed for the customer companies.

The items were collected from **Affärsdata**, a newspaper database, and took a longitudinal approach (e.g., in the case of Verimation, items from early 1980s to 2003 were read). Through combining newspaper reviews with interviews, a triangulation of data was performed (cf. Denzin 1970; Patton 1990; Yin 1994; Chandy 2003; Woodside and Wilson 2003). One of the objectives of using newspaper reviews was to deal with rationalisation and memory gap effects (cf. Dahlin, Fors and Öberg 2006). Through the newspaper reviews, activities as reported on at the time of their occurrence could be captured. The newspaper articles became a means to date activities, and fill-in information on customers not interviewed (e.g., the severity of the loss of customers for Verimation), and to confirm statements made by interviewees. The newspaper reviews are most visible in the part two descriptions, while the main data sources for the thesis are interviews.

**Interviews**

Data in the field was mainly collected between 2003 and 2006. The interviews were primarily done with senior managers including CEOs, sales, market and purchase managers, representing both the M&A party and its customers. Representatives of product users and sellers are also included among the interviewees, which means that both a top management and an operational focus are captured. Some additional interviews were made with other companies. The choice of interviewees could be referred to as a snowball sampling (Sarantakos 1998; Johnston, Leach and Liu 1999; Saunders, Lewis and Thornhill 2007); interviewees were chosen from recommendations by other interviewees. This applies to finding additional interviewees within the M&A organisations and also to finding customer
representatives. As for the customer side, the following customer companies were interviewed (see Table 4.2).

**Table 4.2 Interviewed Customers**

<table>
<thead>
<tr>
<th>M&amp;A (acquirer – acquired party)</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT – Raymond</td>
<td>Beslag &amp; Mänt, Comet, DFDS Transport, DHL, FläktWoods, Saab, Servera, Volvo Group</td>
</tr>
<tr>
<td>BT – Cesab</td>
<td></td>
</tr>
<tr>
<td>Toyota – BT</td>
<td></td>
</tr>
<tr>
<td>Momentum – Structurit</td>
<td>Fakturatjänst, HSB, Kopparstaden, Saab, Scania, Örebrobostäder</td>
</tr>
<tr>
<td>BasWare – Momentum Doc</td>
<td></td>
</tr>
<tr>
<td>ADR Gruppen Mandator – Verimation</td>
<td>Ericsson, IKEA, InfoData</td>
</tr>
<tr>
<td>NetSys – Verimation</td>
<td></td>
</tr>
<tr>
<td>Nexa – Verimation</td>
<td></td>
</tr>
</tbody>
</table>

The customers consist of both previous customers that do not buy from the M&A parties anymore, present customers, and customers that have started buying from the M&A parties since the M&A.

Aside from the interviews with M&A parties and customers, interviews were also done with a representative of a market research organisation (Inspectum related to Momentum Doc), an interest group related to customers (Sabo related to public real estate customers of Structurit and Momentum), and suppliers (Danaher Motion as supplier to BT Industries and ReadSoft connected to Momentum Doc and BasWare). In the case of Momentum Doc, the market researcher and the interviewee at the supplier organisation had both worked with the M&A parties (BasWare and Structurit/Momentum Doc, respectively).

Each interview lasted between one and three hours, but for shorter (half-an-hour) telephone interviews performed for practical reasons. Telephone contacts and mail correspondence aimed to confirm data and also aimed to capture an updated version on relationship status, were performed in 2007.

Most interviews were conducted at the interviewees working places. Eighteen of the interviews related to BT Industries were performed together with PhD student Johan Holtström, Linköping University (see also Holtström Work in progress), and at three of these interviews Professor Helén Anderson, Jönköping International Business School, also participated. All other interviews were conducted by me alone.

Apart from one, each interviewee was interviewed individually. All interviews were performed in Swedish, which also means that all quotations from interviews have been translated. In total 68 interviews (including telephone interviews and mail correspondence) were done (see Table 4.3).

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5 During part of the interview with Daniel Ellison (BT Industries), Håkan Dahllöf also participated.
As for the division of interviews between acquirer and acquired parties, all interviews in the BT Industries case were conducted with BT people (none with Raymond, Cesab or Toyota\textsuperscript{6}). This means that the acquirer’s perspective was taken in the Raymond and Cesab acquisitions, and the acquired party’s perspective was taken in the Toyota acquisition. In Momentum Doc, three representatives from Structurit (and Momentum Doc), including Fältman (now working for the supplier ReadSoft) were interviewed, and two representing BasWare (including Frick now working with marketing research) were interviewed. In the Verimation case, one interview was performed with a representative of Verimation, and one representing the current owner Nexus. In addition, the interview with Fagerström, Ericsson, illustrated the previous owner of Verimation’s perspective. Table 4:4 presents represented perspectives. There are indeed some perspectives not represented; (i) Raymond, Cesab and Toyota related to BT Industries, (ii) Momentum related to Momentum Doc, and (iii) ADB Gruppen Mandator and NetSys related to Verimation. Attempts were made

\textsuperscript{6} At the time of the interview, Carl-Erik Ridderstråle worked for Toyota, but the interview reflected BT’s perspective.
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to do interviews with Momentum and NetSys, but no contacts were established. Undoubtedly, this may have affected how the M&As are presented; a slight overestimation of the own party as active rather than as “victim” seems to apply to both interviewees in M&A companies and among customers; their own activities are emphasised.

TABLE 4.4 INTERVIEWS REPRESENTING VARIOUS PARTIES’ VIEWS

<table>
<thead>
<tr>
<th>M&amp;A</th>
<th>Acquirer’s perspective</th>
<th>Acquired party’s perspective</th>
<th>Acquirer’s customer</th>
<th>Acquired party’s customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT – Raymond</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>BT – Cesab</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Toyota – BT</td>
<td>X</td>
<td>(X)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Momentum – Structurit</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>BasWare – Momentum Doc</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>ABB Gruppen – Verimation</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>NetSys – Verimation</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Nexus – Verimation</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

The interviewees were encouraged to tell their individual “story” of the M&As, rather than answer predefined questions. An interview guide was created and adjusted for the various interviews, but the interviews were largely non-standardised and informal (Starrin and Renck 1996; Saunders, Lewis and Thornhill 2007). The reasons for conducting non-standardised interviews were to capture nuances of M&As and customers, and minimise steered answers and overestimations of customer focus.

But for some few exceptions, interviews were taped and transcribed, either in entirely or as notes. Notes and transcriptions created an input for data analyses. To lower the risk of misunderstandings and to add credibility of case descriptions, interviewees have been able to comment on notes, transcriptions, extracts of case descriptions and/or entire case descriptions.

Data analysis

This section describes the analysis procedure and discusses unit, level and perspective of analysis.

Unit of analysis

“A case is case of something” (Easton 2004, p.2) and this is what creates the unit of analysis, or entity of study (Jensen and Rodgers 2001). The focus in this thesis is customers related to M&As, where each M&A is treated separately. Each M&A is in turn divided into two events (the acquisition point and integration) and two perspectives (M&A parties’ view and customers’ view), and the various M&As are followed through these events and perspectives. Focusing on the individual M&As means that interconnections between sequential M&As are given less attention, as is possible

7 Customers refer to relationships prior to the M&A. In some cases an acquirer’s customer became a customer to the acquired party, and reverse, following the M&A.
learnings from previous M&A experiences. But, focusing on the individual M&As means that each M&A is given more attention, and contextual considerations are made if these are connected with customers. Furthermore, the focus is on impacts of and on customers, where sequential M&As would only possibly indirectly relate to this. Based on this, the focus is on individual M&As and how these relate to customers. Entire M&A processes are not considered, rather they are divided into events, where M&A parties and customers’ activities and expectations related to the M&A and to customers become the unit of analysis.

**Level of analysis**
The abstraction level is set to a company-to-company level. Individuals or groups of individuals are only considered when they represent divergent activities to the company’s activities; representatives of acquired parties not willing to act according to the acquirer’s intentions is one example.

As for customers, the aim is not to capture the whole customer base (cf. Holmlund 2004), but to give examples of customer relationships. The level of analysis is a company-to-company level, where components of relationships are used to describe initiated change by the M&A parties (e.g., transfer of relationships, replacements of products), and where actions and reactions on a company level are broken down into driving forces and activities.

**Perspective of analysis**
As described earlier in this chapter, this thesis deals with perspectives; M&A parties’ and customers’ perspectives at the acquisition point and on integration.

The analysis emphasises these perspectives. As a researcher it is possible to capture a pluralistic view on a phenomenon, meaning that I would not put myself into the shoes of the M&A parties or the customers, but view their activities and search for drivers explaining them for each party at a time. My perspective is somewhat taken from above (or from the side) in identifying patterns between perspectives and events, while focusing on the individual party’s perspective in categorising.

**Analysis procedure**

**Categories**
Framed by the guiding words (customers and M&As), the analysis procedure was empirically driven. In the analysis procedure, categorisation and recombination of data was performed (cf. Glaser and Strauss 1967; Strauss and Corbin 1998). As a researcher, categorising becomes a way to deal with reality, where categories is a way to paint a picture reflecting reality (cf. Bhaskar 1978). The categories outlined in the result chapters (chapters six to nine) are generated from the empirical data. The data processing first aimed at sorting data as to whether it dealt with the acquisition point or integration. The data sources (interviewees belonging to the M&A or
customer parties) further directed whose perspective the data illustrated. In the data processing procedure, data from interviews and newspaper items were categorised using labels to describe various observations in the data material. Based on initial categorisation, cases of similar observations were grouped together. These groups were in turn compared and regrouped. As such, the analysis procedure carries resemblances with coding and categorising according to Glaser and Strauss (1967). Differences concern the predefinition of the research field, resulting in selective coding (Glaser 1992), and that the coding process at its micro level was oriented around described activities, including a contextual dimension, not coding of single words or phrases.

Patterns
As for patterns, causality may not be observable (cf. Marsh and Furlong 2002; Jessop 2005) in an “if-A-then-B” sense, rather, causal powers (Easton 2004) which may or may not lead to a certain reaction becomes a key concern, as does tendencies (Jessop 2005) rather than given outcomes. In this thesis this is, for instance, illustrated through various customers acting and reacting in different ways to a given activity (e.g., an M&A announcement). Case studies seemed appropriate for the purpose of capturing such complexities of powers, at the same time as simplifications need to be made.

Exemplifying category and pattern identification
The two quotations below can be used to illustrate the coding procedure.

It actually felt quite good, because they would have rules and strength from Momentum. Structurit was the small company … and that is somewhat scary. … True, the software was developed in Lotus and since I am familiar with programming I would had been able to handle things, but did not have those kinds of ambitions. It felt good that Momentum made that acquisition.

Kenneth Haglert, Örebrobostäder

They sent out some information. … I remember it, and we said: “Why do you want to introduce those Italian mopeds here?”

Jan Söderlund, Volvo NAP

These quotations illustrate the customer view. They also illustrate the acquisition point; the quotations reflect ideas about the acquirer and the acquired party (Momentum and Cesab) as such, not integration attempts. At its highest levels, the quotations could thus be ascribed customers’ view at the acquisition point. They deal with ideas about an M&A party based on some pre-conception or picture of that party. At its lowest level of categorisation, the quotation from Örebrobostäder would be labelled “positive ideas about the acquirer”, and the Volvo NAP quotation would be labelled “negative ideas about the acquired party”. With these ideas being built on a picture of the M&A party, this could be referred to as “reputation”, where the Örebrobostäder quotation represents a positive
reputation, while the Volvo NAP quotation implies a negative reputation. Once put under the headline “reputation” it is also obvious that the quotations describe driving forces for possible actions rather than actions as such. These driving forces have nothing to do with what the M&A party has actually done related to the M&A, but with the M&A party as such. Together with driving forces as impossible relationships, reputation is consequently labelled “actor aspects”.

To connect this driving force with reactions, the very examples of Örebrobstäder and Volvo NAP related to Momentums’ acquisition of Structurit and BT’s acquisition of Cesab are approached again to see whether and how customers reacted. It is concluded that none of the customers changed their buying patterns as a result of this and “reputation” is thus (together with other similar examples) connected with non-reaction, later to represent a connection between actor aspects and non-reactions.

**Presenting results**

In the presentation of empirical findings, the starting points are taken from the derived categories and patterns that emerge from the data analysis. This is what is found in chapters six to nine and further reflected on in chapter ten. To guide the presentation on M&As and relationships, a symbolic picture of M&A parties and customers are used extensively in the presentations. When using the picture, each party is not named in it, but follows the same order. Figure 4:1 shows the representations of actors and connections in the picture.

![Figure 4:1 Schematic picture of M&A and relationships.](image)

As can be seen from Figure 4:1, it illustrates connections between parties, the parties and the M&A. The “relationship between M&A parties” line is in some cases exchanged for an arrow, which shows directions of transfer.
How about the results? Evaluation of the study

Borrowed from Hirschman (1986), the results of the study could be discussed in terms of credibility, transferability, dependability, and confirmability (see also Guba and Lincoln 1989).

(i) **Credibility** deals with understanding the interviewees correctly. This was tested twofold, first in conjunction with the interviews, where the interviewee was asked to reflect and correct a summary of what was said during the interview, and secondly as the transcripts or case studies were approved by the interviewees. No major changes were made based on this and the case presentations would therefore be expected to present an accurate picture in regard to how the interviewees perceived the M&As and activities connected to these.

(ii) **Transferability** concerns whether and how results can be applicable in other cases. As pointed out by Easton (2004), the results of one case study may well provide insights that can prove to be applicable for a wider context. This is also seen in the cases and the complementary material together building the empirical parts of this thesis; observations create categories of similarities. The results would be expected to be applicable to other M&As, and possibly to other activities performed by one party in a dyadic relationship. This does not, however, mean that additional categories or patterns would not be found if doing more research, but categories and patterns identified in this thesis would expectedly be applicable outside the studied M&As. To justify this, some of the categories describing how customers react at the acquisition point could be found in a study on an innovative firm (see Öberg, Grundström and Jönsson 2005).

(iii) **Dependability** concerns enabling others to draw and check conclusions. This is largely treated via publishing the cases in part two, which enables the reader to make and evaluate conclusions. In the presentation of the cases, when various interviewees gave divergent answers or answers not complying with newspaper articles, these are either treated as various opinions related to the interviewees’ perspective, or when dealing with facts and figures (date of activity, order of occurrence, etc.), the newspaper version is seen as prevailing.

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8 A previous version of description of BT Industries has also been used as case in a student case competition (*TIMES 2007*) and the case was controlled by several parties at BT Industries before the competition.
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(iv) **Confirmability**, lastly, deals with conclusions being logic and non-prejudiced (Hirschman 1986). Confirmability is predominately attained in the interaction with research colleagues, where empirical data has been analysed for co-authored conference papers (e.g., Holtström and Öberg 2003; Öberg, Henneberg and Mouzas 2007b), and via discussions over common empirical data such as in the BT Industries case. No controversies have been found during such discussions, which would imply that the study fulfils the criterion of confirmability. At the same time, it is not impossible that another researcher would structure the data somewhat differently and find additional (or less) categories or patterns.
Introducing the M&As

The following chapters present findings from the acquisition point and integration from M&A and customer parties’ perspectives. In this chapter, a short version of each M&A is given to provide background for the following chapters. Longer versions are found in part two of the thesis.

BT Industries’ acquisition of Raymond

In 1997, BT Industries acquired Raymond. BT Industries and Raymond were manufacturers of warehouse trucks, but with different geographical foci; BT Industries predominately acted on the European market, Raymond in the US, meaning that few customers overlapped between the companies. Prior to BT Industries’ acquisition, Raymond and BT had co-operated for several years; this co-operation was limited and had ceased some years before the acquisition.

Acquisition point

M&A parties

As several BT customer companies had established or acquired businesses in North America, BT Industries searched for alternatives to create a strong position in the US market. It was expected that customers internationalising their businesses would lead to increased focus on handling material, and further that customers would choose a supplier that could deliver trucks to all the customers’ destinations. The development among customers would potentially lead to increased overlaps of customers between geographic markets. Customers had also centralised their purchasing.

When Raymond was exposed to a company raid, BT grasped the opportunity and acquired Raymond. But for adjusting to customers’ internationalisation...
and centralised purchasing, and creating a strong actor, the motives entailed dimensions of cost synergies in production.

Customers
Although the acquisition largely aimed at adjusting to customers’ internationalisation, information about the acquisition was scarce. Largely, the information focused on BT Industries as a strong world-market actor. Few customers saw the acquisition as anything more than a single event that did not impact the relationship with BT, and many did not even know about the acquisition. Customers did not initially sign international deals with BT including Raymond.

Integration
M&A parties
While using this improved positioning as a way to market the company, little efforts were placed on actually integrating the two companies. Raymond wanted to manifest its independence and the decision not to integrate manufacturing and construction with Raymond was driven by a perceived difference in customer preferences.

Customers
BT Industries managed to win a deal with a global customer, Home Depot, but most Raymond and BT Industries customers did not notice any changes with their suppliers and few truly global agreements were signed since. Through the non-integration strategy, Raymond largely remained an independent company in the group. Customers interested in international agreements perceived that BT Industries had difficulties steering its US subsidiary and that Raymond placed low emphasis on marketing products to American customers included in general agreements, although Raymond was part of these agreements. Local customers of BT Industries and Raymond did not notice any differences, and the ownership structure largely remained unknown to them.

Changes in relationships
The BT/Raymond acquisition illustrates an acquisition which was preceded by co-operation between the parties, while their customers were largely separate.

Figure 5:1 BT Industries’ acquisition of Raymond, relationships before (left), expectations built on motives (middle) and actual integration (right).
The acquisition was driven by customers’ internationalisation and a wish to serve these international customers through a geographical expansion. As Raymond remained reluctant to integrate and to participate actively in international deals, the acquirer and the acquired party largely came to serve its separate customers even following the acquisition.

**BT Industries’ acquisition of Cesab**

When BT Industries was founded, the company was a reseller of counterbalanced trucks. Since then, the company developed to become a manufacturer of warehouse trucks, while the counterbalanced truck business faded away. On certain markets, the company still sold counterbalanced trucks, but not under its own brand name, and on most markets, BT only provided warehouse trucks.

Since 1994, BT Industries had co-operated with Cesab, an Italian manufacturer of counterbalanced trucks, on the Italian market. The co-operation was limited to sales on that market, and customers only overlapped there, where BT and Cesab also acted as a single actor; BTCESAB.

**Acquisition point**

**M&A parties**

A preference for customers to sign general agreements, whilst there was also a consolidation wave among competitors, attracted attention to a development towards one stop shopping. Several of BT’s competitors had acquired companies and offered both warehouse and counterbalanced trucks. The warehouse and counterbalanced truck customers only overlap slightly, meaning that most customers use either warehouse or counterbalanced trucks, and may complement their core use with trucks of the other type. BT Industries’ sales staff perceived that they lost deals to competitors as BT could not offer counterbalanced trucks. The search for ways to reach counterbalanced trucks began, and co-operation discussions were held with Toyota Industries and other actors in the counterbalanced truck segment, but failed. BT Industries could not create relationships with any counterbalanced truck producer that was willing to provide BT with BT branded counterbalanced trucks.

Simultaneously, BT experienced that its co-operation partner on the Italian market, Cesab, risked being acquired and as to not jeopardise BT’s position on the Italian market, BT acquired Cesab. BT's aim of the acquisition was to (via Cesab) reach counterbalanced trucks that would be branded BT and sold primarily to BT’s existing customers in Europe.

**Customers**

As customers were informed about the acquisition of Cesab they largely remained ignorant; many of them had provided themselves with counterbalanced trucks elsewhere, did not see the need for it or questioned the unfamiliar Italian manufacturer.
Integration

M&A parties
The idea of Cesab manufacturing BT branded counterbalanced trucks was soon materialised; trucks were introduced on the European market following the acquisition. Integration of products and production remained limited.

Cesab had previously sold counterbalanced trucks through independent dealers on the European market, and as this continued, BT and Cesab sometimes came to compete for the same counterbalanced truck customers.

Customers
Although BT now provided counterbalanced and warehouse trucks, among interviewed customers, no one came to buy BT branded counterbalanced trucks. The suspicion towards the Italian manufacturer remained and those needing counterbalanced trucks provided for themselves elsewhere.

On markets where BT had already sold counterbalanced trucks, depending on which brand BT represented at the time, customers either thought that Cesab was a poorer option, or did not see it as good enough to shift from another supplier.

Furthermore, customers were affected by a new event involving BT Industries, Toyota’s acquisition of BT Industries. When BT continued to introduce BT branded Cesab trucks (although now owned by Toyota), customers perceived the situation as turbulent and bided their time. When this turbulence coincided with customers signing deals, as exemplified with Saab, the deal might have slipped out of BT Industries’ hands.

Changes in relationships
The BT/Cesab acquisition was preceded by co-operation between the acquirer and the acquired party on the Italian market. The motive behind the acquisition was to provide Cesab’s product (counterbalanced trucks) to BT’s customers channelled through BT. The intentions were realised although many customers remained reluctant to the unfamiliar Italian manufacturer.

![Diagram showing changes in relationships before, expectations built on motives, and actual integration. The arrow between the acquired party and the acquirer refers to the provision of products which were channelled through the acquirer.](image-url)
Toyota’s acquisition of BT Industries

Toyota Industries was the world’s largest actor on counterbalanced trucks, and BT Industries held the number one position for warehouse trucks as BT approached Toyota asking Toyota to provide BT with BT branded counterbalanced trucks. In exchange BT would manufacture Toyota branded warehouse truck for Toyota. Toyota Industries sold counterbalanced trucks through independent dealers that strongly opposed any delivery of counterbalanced trucks to BT Industries. The result of the discussion with Toyota Industries was that BT Industries started providing Toyota Industries with warehouse trucks, while BT Industries was not provided with counterbalanced trucks from Toyota Industries.

In terms of customers, they overlapped slightly; the strong positions of BT and Toyota meant that they were often chosen as suppliers, even though their products largely attracted different customers and were sold by separate suppliers.

Acquisition point

M&A parties
As BT’s previous owner KF decided to concentrate on its core business, BT realised that it would be divested and contacted Toyota. BT saw the risk of being acquired by one of its main European competitors. Toyota in turn was interested in becoming a world-leading actor on trucks, and also saw the opportunity to become a full range supplier, as customers’ procurement patterns increasingly stressed this.

Customers
BT strongly emphasised that the company was owned by Toyota, and customers reacted positively to the news, although they did not immediately change their buying patterns. It was anticipated that BT would introduce Toyota trucks, but as this did not happen, the confusion established during the Cesab acquisition continued.

Atlet, Toyota’s dealer on the Swedish market, however reacted instantly. The fierce competition between Atlet and BT made Atlet decide to dissolve its relationship with Toyota and instead establish one with Caterpillar.

Integration

M&A parties
With some exceptions, Toyota continuously refused to provide BT Industries with counterbalanced trucks even after the acquisition. A strategy of ‘two brands, two channels’ was developed, and integration focused on purchasing, but was overall quite limited. Toyota Industries’ perception of customers being reluctant to change underpinned this strategy. The ‘two brands, two channels’ strategy meant that Toyota and BT came to compete with each other, and although the companies’ products largely targeted different
customers, as Toyota’s dealers were independent it became difficult to steer them away from placing competing offerings at warehouse truck customers.

In Sweden, following Atlet’s decision to dissolve the relationship with Toyota, BT was eventually chosen as the dealer for Toyota trucks.

**Customers**

For many customers, the introduction of Toyota trucks meant a regained stability following the times of turbulence. However, customers had also expected more, and moreover, the ‘two brands, two channels’ strategy caused irritation especially among customers that met both the Swedish ‘one channel’ and this two channel strategy when making international deals. The two channels strategy meant that separate deals were needed with BT (including Cesab, Raymond, and for Sweden and some other countries, Toyota), and Toyota.

Customers tried to play Toyota and BT against each other, and also attempted to make BT and Toyota deviate from the two channel strategy.

**Changes in relationships**

The Toyota/BT acquisition was preceded by co-operation between the acquirer and the acquired party, where the acquired party (BT) provided Toyota customers with warehouse trucks though channelled through and branded Toyota. BT thought the acquisition would lead to cross-supply, that is, that Toyota would provide BT with counterbalanced trucks following the acquisition, but Toyota continuously refused to do so (but for on certain markets). The integration did not separate itself much from the pre-acquisition set-up.

![Figure 5.3 Toyota's acquisition of BT Industries, relationships before (left), BT Industries' expectations (middle) and actual integration (right). The arrows between acquired party and acquirer refer to provision of products, which these were channelled through existing relationships to customers.](image)

**Momentum’s acquisition of Structurit**

Structurit was a forerunner of electronic invoice processing and had established close relationships with some early customers mainly from the real estate sector.

Momentum had acquired companies dealing with real estate systems, and several customers overlapped between Structurit and Momentum. Personal
relationships between Structurit and Momentum existed prior to the acquisition.

**Acquisition point**

**M&A parties**
In 1999, Structurit was acquired by Momentum. Structurit needed money to continue its expansion and Momentum saw the potential of selling Structurit's product to Momentums' customers.

**Customers**
For customers that had both Structurit and Momentum as suppliers the acquisition was considered positive. Equally so, for Structurit's customers the acquisition was a guarantee for long-term survival and expansion of Structurit.

**Integration**

**M&A parties**
Structurit was renamed Momentum Doc following the acquisition, but remained an independent company in the Momentum group. Sales of Momentum’s and Momentum Doc’s products were performed through separate sales persons, and previous contacts were kept. Sales representatives told the other party about customers that could be interested in the other party’s product, rather than selling the product themselves. The financial resources gained through the acquisition meant that Momentum Doc was able to expand.

Following the acquisition of Structurit, Momentum started acquiring other companies at a rapid pace, leading to a financial crisis and liquidation of Momentum. This crisis, as well as questionable management methods of Momentum, meant that Momentum Doc employees increasingly allied themselves with customers and alienated themselves from the owner Momentum.

**Customers**
Few customers initially saw the acquisition as anything more than a change of company names. As for cross-selling, although this was the original plan of the acquisition, much fewer of Momentum’s customers bought Momentum Doc's product than was initially expected. Momentum Doc did expand, but the financial resources would be seen as more important than the actual customer contacts.

Although the initial expansion was considered positive by Momentum Doc’s customers, as the growth of the company accelerated, several customers experienced decreased attention and quality of work. Some of the flexibility of the small company was lost, and the situation worsened following Momentum’s intense acquisition activities. Customers perceived this as turbulent, which made them awaiting. At the time of the liquidation
customers experienced a standstill, but most of them realised that Momentum Doc held a healthy customer base and therefore the business of the company would continue one way or the other.

**Changes in relationships**
Personal relationships existed between Momentum and Structurit, but no business relationships existed before Momentum acquired Structurit. With an orientation towards real estate customers, customers overlapped although Structurit also targeted customers outside the real estate sector. The acquisition motive was to sell Structurit's product to Momentum's customers. Relationships were indeed established between Structurit and Momentum's customers, but not to the expected degree. As Momentum started practicing an ambivalent management style and acquired a number of companies which caused a financial crisis, Structurit alienated themselves from the acquirer.

![Figure 5.4 Momentum's acquisition of Structurit, relationships before (left), expectations built on motives (middle) and actual integration (right).](image)

**BasWare's acquisition of Momentum Doc**
While Momentum Doc held a strong position as market leader on the Swedish market, BasWare was its Finnish equivalent, though different in terms of how its product was outlined; Momentum Doc's product was customised, while BasWare's was standardised. Initially acting on different geographical markets meant that even though the companies aimed at the same type of customers, customers did not overlap. BasWare established itself on the Swedish market in 2000 and since then, Momentum Doc and BasWare had competed for the same customers. The product as such though meant that no customers had both companies as suppliers.

**Acquisition point**

**M&A parties**
As Momentum Doc was liquidated, BasWare saw the opportunity to acquire the assets of its foremost competitor on the Swedish market. The main motive was to create a strong position in Sweden, but also to avoid another company acquiring Momentum Doc and creating a strong actor. Prospective customers that the companies competed for at the time of the acquisition were also important; the acquisition was a means to ascertain these deals.
Customers
At the time of the acquisition of Momentum Doc, few of Momentum Doc’s customers knew about BasWare as a company; BasWare had only recently attained a strong position in Sweden through deals with some large customers, and customers commonly did not shift systems, which made it less important to keep track of potential suppliers. As Momentum Doc was liquidated, BasWare was considered as its salvation; continuity was ascertained. Since personal contacts were kept and as customers continued to use Momentum Doc’s product, no actual changes were seen.

Some prospective customers that evaluated both Momentum Doc and BasWare were inclined to invite a third party, meaning that the aim to reach these were not completely reached; while Scania, for instance, shifted to BasWare without further evaluation; SAS was lost that way.

Integration
M&A parties
Following the acquisition, the difference between the companies’ management styles became evident; Momentum Doc’s employees were forced to undertake tough sales goals, and many more decisions were taken centrally. The difficulty of integrating BasWare’s Swedish office with Momentum Doc also became evident.

Half a year after the acquisition point it was announced that Momentum Doc’s product would be replaced with BasWare’s, leading to some sales and development staff leaving.

Customers
When BasWare announced that Momentum Doc’s product would be replaced with a BasWare product, this affected the relationships with Momentum Doc’s customers through the staff leaving Momentum Doc (as part of BasWare), and this also meant that customers started investigating alternatives to BasWare. Even though the product replacement was launched as an upgrade, customers saw BasWare as a new offer and all interviewed customers did evaluate other alternatives. Based on these evaluations, some customers decided to leave Momentum Doc and BasWare (e.g., Kopparstaden), while others settled for BasWare (e.g., Fakturatjänst), and some bided their time before deciding.

Changes in relationships
BasWare and Momentum Doc were competitors before the acquisitions, where they fought for the same customers but never established relationships with the same customers. Initially, when it seemed that Momentum Doc’s product would continue, the structure of serving customers separately seemed to apply. The integration including product replacement meant that BasWare/Momentum Doc appeared as a single actor serving BasWare’s and Momentum Doc’s remaining customers with BasWare’s product.
ADB Gruppen Mandator’s acquisition of Verimation

Verimation was a forerunner of e-mail solutions. The company was founded as a sales company to a product originally developed by Volvo Data. Ericsson and Volvo came to co-own the company at its foundation and were also the first to use Verimation’s product Memo. The product spread to other large companies in Sweden and later abroad, and Verimation came to have a majority of the 100 largest companies in the Nordic countries as customers.

ADB Gruppen Mandator was an IT-consultancy company that had recently grown through a number of acquisitions. Historically, ADB Gruppen had a majority of its customers in public organisations, meaning that there were few overlaps in customer relationships between ADB Gruppen and Verimation.

Acquisition point

M&A parties
In 1992, ADB Gruppen acquired 75 percent of the shares in Verimation; Volvo held the rest, whereas Ericsson had divested its holding. The motive was to exploit Verimation’s customer base and bundle ADB Gruppen’s consultancy services with Verimation’s product, meaning that ADB Gruppen wanted to direct its services towards Verimation’s customers.

Customers
Customers did not notice any major change with ADB Gruppen as owner, but also, did not start using ADB Gruppen’s consultancy services.

Integration

M&A parties
ADB Gruppen’s cross-selling of products to Verimation’s customers largely failed. Firstly, customers did not respond to the offer as expected and further, new events occurred, leading to ADB Gruppen soon divesting its shares in Verimation. ADB Gruppen faced profitability problems and it was decided that Verimation should be introduced on the stock exchange, meaning that ADB Gruppen largely disengaged from the company. So,
although cross-selling might have been accomplished, this was interrupted by ADB Gruppen’s divesture.

Customers
Customers did not respond as expected to ADB Gruppen’s offerings of consultancy, and in the minds of customers, the two companies remained two separate actors. Furthermore, as competition on e-mail solutions grew fierce, and as Memo was developed in a mainframe solution, during the times of PCs, the product started lagging behind. Customers started using other options. Following the introduction on the stock exchange, these issues became even more evident. A lessened focus on product development and with e-mail solutions moving towards a standard, several customers decided to concentrate on one single e-mail system for their entire companies, where Memo was no longer considered the first option, and several companies, including the previous owners Volvo and Ericsson, left Memo in the second-half of the 1990s.

Changes in relationships
Before the acquisition, ADB Gruppen Mandator and Verimation largely served separate customers. The intention with the acquisition was for ADB Gruppen to sell consultancy services to Verimation’s customers, thus establishing customer relationships with the acquired party’s customers. This was however not materialised as Verimation’s customers did not establish relationships with ADB Gruppen and as ADB Gruppen divested Verimation.

NetSys’ acquisition of (and merger with) Verimation
Following customer losses, with a degraded product that had lagged behind in product development, and with a company showing losses, Verimation was not considered big enough to remain an independent company, and a search for new partners resulted in NetSys’ acquisition of Verimation in 1998.

NetSys was a general agent for a piece of software for Internet solutions. With a CEO with grandiose plans, the company aimed at expanding to become a world-leading actor on Internet solutions. No previous relationship was established between NetSys and Verimation, and customers did not
overlap; neither were the companies’ products directed to the same customers nor did they fulfil the same needs.

**Acquisition point**

**M&A parties**
NetSys was interested in Verimation’s customer base and international distribution net, and these were the key motives for acquiring Verimation.

**Customers**
Initially, customers saw NetSys as a company that would help Memo to develop further; NetSys was in a similar business area as was Verimation and after years of disregarded product development, NetSys was seen as something of a salvation.

**Integration**

**M&A parties**
Following the acquisition, Verimation was merged with NetSys. NetSys also started realising its plan of becoming a world-dominating Internet-actor. The company decided to replace Memo with its own product, and via marketing its product (which the company was only licensee for on the Nordic market) through Verimation’s international distribution net, NetSys violated its rights. Furthermore, the company directed a summons towards the licensor in order to make the share price of the licensor drop to enable a take-over of the licensor. As NetSys lost in court, it also lost the right to sell its previous product and to come to term with a deficit in the accounts, the maintenance tariff on Memo was tripled.

The staff of the original Verimation alienated themselves from NetSys, thus creating a sub-organisation within NetSys. As for the customers, in which the Verimation staff found their allies, the staff strongly underlined that they had nothing to do with NetSys’ whereabouts. Still, product development, and also the marketing of Memo were disregarded, as the focus was on replacement.

The situation was indefensible, and NetSys (including previous Verimation) was declared bankrupt.

**Customers**
Customers did not see any benefit in replacing Memo with NetSys’ product, as these products did not fulfil the same needs. As NetSys’ staff visited customers to offer its product, customers not only turned the offer down, but also required the staff of previous Verimation to ascertain that the customers would not be visited by NetSys’ people in the future. Due to customers’ reactions towards the replacement, replacement failed and Memo remained on the market.

With a lack of product development and new alternatives appearing on the market, many customers left Memo during this time. From the introduction on
the stock exchange up till including NetSys’ ownership, two thirds of Verimation’s customers left the company. For those that remained, the bankruptcy became a new event which was perceived as turbulent and which meant that customers came to question their relationships with Verimation. Yet again, other customers vouched for continuity of the company.

**Changes in relationships**

Prior to the acquisition, Verimation and NetSys largely served different customers. The initial motives pointed at NetSys aiming for Verimation’s customer relationships. NetSys however took this further and attempted to replace Verimation’s product and create a single unit. This was strongly opposed by the staff of Verimation and Verimation’s customers, which did not see the benefit of NetSys’ product. What happened was that Verimation alienated itself from NetSys, no customer relationships were built between NetSys and Verimation’s customers and following NetSys’ activities, NetSys lost its own customers.

![Figure 5.7 NetSys’ acquisition of Verimation, relationships before (left), Verimation’s expectations (middle-left), NetSys’ intentions (middle-right) and actual integration (right).](image)

**Nexus’ acquisition of ‘Verimation’**

Verimation was (following NetSys’ bankruptcy) part of a bankrupt estate. Although questioned by customers, some of these had remained with the company.

Nexus was an IT-company focusing on IT-security. The company had grown through a number of acquisitions. With a customer base consisting of both large and small customers, the customer focus was somewhat different from Verimation’s. As the CEO of Nexus had been on the board of Verimation, there was a person-to-company link between the companies, but no business relationships existed. Nexus had also considered acquiring Verimation prior to NetSys’ acquisition and merger.

**Acquisition point**

M&A parties

When NetSys was declared bankrupt, the staff of the previous Verimation drew Nexus’ attention to the acquisition opportunity. Nexus was interested in the customer base and international coverage of Verimation and acquired the assets belonging to what previously was Verimation. Cross-selling, where the
aim was mainly to reach Verimation’s customers with Nexus’ products, was the core idea. Another motive was to integrate security solutions in Memo.

Customers
With NetSys and the bankruptcy close in mind, customers remained hesitant following the announcement of Nexus’ acquisition; the new owner would have to prove itself. But this hesitation was also coloured by hope; customers hoped that Nexus would see the value of Verimation.

Integration

M&A parties
Even though soon integrated in administrative routines, the previous Verimation largely remained a separate unit of Nexus. Integration of products was very limited and the previous Verimation came to concentrate on maintaining its existing customer relationships.

Customers
While perhaps as much a consequence of Nexus’ activities, cross-selling of the products largely failed. Verimation customers did not come to buy any of Nexus’ products (had they not done so prior to the acquisition).

Customers’ actions were also coloured by the signs of the times. Nexus’ acquisition occurred simultaneously with the burst of the IT-bubble. This affected customers’ overall perception of IT-companies strongly; from the IT-companies setting the rules to that of customers being in charge. As Nexus started showing losses, with the memories of NetSys and with the IT-bubble bursting, Verimation’s survival was questioned again by customers.

Companies continued to leave Memo (and Verimation), partly as a consequence of decisions taken earlier, partly as the result of other systems on the market, and partly as an effect of events of customers. To exemplify this, InfoData left Memo as a result of InfoData being acquired.

Changes in relationships
Prior to Nexus’ acquisition there was a person-to-company tie between the CEO of Nexus and Verimation. No business relationships existed however and the companies largely served different customers.
The acquisition aimed at building relationships between Nexus and Verimation’s customers to sell Nexus’ product to these customers. As customers did not see the benefit of this and as integration was not fully accomplished, Verimation and Nexus came to serve separate customers even following the acquisition.

**Summing up the M&As**

The empirical findings in this thesis are derived from these eight M&As. They represent acquisitions of companies as well as of assets (BasWare’s acquisition of Momentum Doc’s assets and Nexus’ acquisition of the Verimation estate), and a merger (NetSys’ merger with Verimation). Prior to the M&As, relationships between the acquirer and acquired party were established in the BT/Raymond, the BT/Cesab, and the Toyota/BT acquisitions. On a person-to-company or person-to-person level, Momentum and Structurit, and Nexus and Verimation had relationships prior to the acquisitions. The BasWare/Momentum Doc acquisition is the single acquisition where the acquirer and the acquired party were straight-on competitors before the acquisition; the other M&As represent various degrees of complementary of products or geographical markets.

In terms of customers, Momentum and Structurit had the most overlaps in customers, meaning that prior to the acquisition, several customers had relationships with both the acquirer and the acquired party. Instances of overlapping customers are found between Toyota and BT Industries, whereas BasWare and Momentum Doc competed for the same customers, but due to the product, never had relationships with the same customers.

Three different types of customer related motives apply. The M&As involving Verimation and BasWare’s acquisition of Momentum Doc were all directed towards acquiring customer relationships; the acquirer wanted to establish relationships with the acquired party’s customers, either to cross-sell products (ADB Gruppen/Verimation and Nexus/Verimation) or to replace the product with the acquirer’s (BasWare/Momentum Doc and NetSys/Verimation). In BT’s acquisition of Raymond, BT’s acquisition of Cesab, and Momentum’s acquisition of Structurit, the key interest was instead the acquirer’s customer relationships; to sell the acquired party’s product to the own customers (BT/Cesab and Momentum/Structurit), or to provide products on new locations (BT/Raymond). In the BT/Raymond and BT/Cesab acquisitions, this was foregone by perceived changes in customers buying patterns or activities among customers. In the Momentum/Structurit acquisition, it was more seen as an opportunity from the acquirer’s perspective. The third motive category refers to customers as markets; either in terms of geographical or product markets to enter, or in terms of creating a strong market position; motives are not specified as the acquirer’s or acquired party’s customers, but the M&A parties aim at reaching a position or establishing themselves in a new market.
As for integration, several of the M&As largely resulted in non-integration (BT/Raymond, Toyota/BT (with some exceptions), ADB Gruppen/Verimation, NetSys/Verimation and Nexus/Verimation) towards customers. The Momentum/Structurit acquisition exemplifies transfer of customers from acquirer to acquired party, although the expected level was not reached. BT/Cesab could also be seen as a transfer of customers, but as BT was the company meeting customers, I would categorise it as transfer of products; Cesab trucks became available for BT’s customers. The BasWare/Momentum Doc acquisition and the attempts of NetSys following its merger with Verimation represent product replacements; the acquired party’s product was (or aimed at being) replaced by the acquirer’s.

Table 5:1 summarises various dimensions of the presented M&As.

<table>
<thead>
<tr>
<th>M&amp;A</th>
<th>Merger or acquisition</th>
<th>Pre-M&amp;A</th>
<th>Motive</th>
<th>Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT/Raymond</td>
<td>Acquisition</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>BT/Cesab</td>
<td>Acquisition</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Toyota/BT</td>
<td>Acquisition</td>
<td>X (X)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>Acquisition</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>BasWare/Momentum Doc</td>
<td>Acquisition of assets</td>
<td>X</td>
<td>X</td>
<td>(X) X</td>
</tr>
<tr>
<td>ADB Gruppen/Verimation</td>
<td>Partial acquisition (75%)</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>NetSys/Verimation</td>
<td>Acquisition, later merger</td>
<td>X</td>
<td>(X)</td>
<td>X</td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>Acquisition of assets</td>
<td>X</td>
<td>X</td>
<td>(X)</td>
</tr>
</tbody>
</table>

If elaborating on the M&As in terms of the acquisition point and integration, from the M&A parties’ and customers’ perspectives, the following can be seen;

- The acquisition point is marked by customer concerns to various degrees; the M&A could both be seen as a reactive step taken by the M&A parties with the aim to adjust to customers (see e.g., BT Industries’ acquisition of Raymond), and an activities driven by, or justified via, customer preferences, or a wish to attain a customer base.

- The acquisition announcement was met with reactions concerning the new owners, where these challenged previous competition (see e.g., Atlet as previous dealer to Toyota). In the short-term perspective, uncertainty of what would follow disrupted ongoing businesses, but in most cases, no major changes were perceived initially and few relationships were dissolved or created.
Integration was coloured by ideas about customers; how they would act affected whether and how businesses were integrated. In some M&As, this meant a lower degree of integration than initial motives had indicated. At large, three integration modes are illustrated via the presented M&As; non-integration towards customers, cross-selling, and product replacement. Examples of customers, and also the acquired party, interfering with integration and precluding integration realisation are found.

The bait of cross-selling or product replacement was not always considered advantageous by customers. Instead, customer actions meant that customers continued to buy only from one party, or, when product replacement was applied, the new product was re-evaluated as a new offer. Non-integration resulted in the least actions by customers, but caused some concern in cases where both M&A parties were (potential) suppliers to customers. Based on activities of the acquirer, the relationships were in some instances questioned or reconsidered.

In the following chapters, M&A parties’ and customers’ views on the acquisition point and integration are described more in detail. The presentation is built up by categories from the empirical studies.
Acquisition point
– M&A parties’ view

Customers play a critical part in more than one sense in M&As. This chapter focuses on the acquisition point related to customers from the M&A parties’ perspective. It categorises various types of customer related motives and what assumptions they are built on. The chapter is structured in the following way; description of (i) motives in the eight M&As, (ii) which customers the M&A motives address, and (iii) how expectations and activities of customers underpinned various motives.

Customers as motive

The motives behind the eight M&As presented in this thesis all included a customer component. In some M&As this was combined with cost synergies, while in others, customers alone were the reason for the M&A. In BT’s acquisition of Raymond, the acquisition aimed at creating a strong party, the number one world-wide actor on warehouse trucks, but was in addition an attempt to meet a trend of internationalisation among customers. Added to the picture were expectations of product development and production synergies. When BT acquired Cesab, BT wanted to become a full range supplier of trucks, which was driven by notions about customers’ procurement patterns. Toyota’s acquisition of BT was first and foremost directed at becoming a strong actor, but was also a consequence of the full range supplier idea. In Momentum’s acquisition of Structurit, the provision of Structurit’s product to Momentum’s customers was the key motive. This motive is in a sense similar to the idea of full range supply behind the BT/Cesab and Toyota/ BT acquisitions. However, Structurit would connect directly with Momentum’s customers, whereas in the BT/Cesab acquisition, Cesab’s product should be channelled through BT. In BasWare’s acquisition of Momentum Doc, the acquirer aimed to reduce competition and become a
strong actor, which meant that the customer relationships of the acquired party and prospective customers were of key importance. When ADB Gruppen acquired Verimation, the acquirer aimed at establishing itself in the software niche and reaching Verimation’s customers for cross-selling of consultancy. NetSys wanted to reach Verimation’s customers and international distribution net, and in this Verimation’s customers were of key interest. Equally in Nexus’ acquisition of what had earlier been Verimation, customers of the acquired party were the foremost motive and cross-supplying the acquirer’s product was the acquirer’s intent. Table 6:1 summaries the motives and the customer components of the motives in the studied M&As.

**Table 6:1 M&A motives**

<table>
<thead>
<tr>
<th>M&amp;A</th>
<th>Motives</th>
<th>Customers as addresses</th>
<th>Type of customer motive</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT Industries/Cesab</td>
<td>Customers preferring one-stop shopping.</td>
<td>Acquirer's customers.</td>
<td>Perceived change in customers' buying patterns.</td>
</tr>
<tr>
<td>Toyota/</td>
<td>Creating a world market leader. (One-stop shopping.)</td>
<td>Market position. (Acquirer's customers.)</td>
<td>(Perceived change in customers' buying patterns.)</td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>Structurit's product of interest for Momentum's customers.</td>
<td>Acquirer's customers.</td>
<td>Existing customers of acquiring party would benefit from additional product (transfer customer base).</td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>Verimation’s customer base (notion: they wanted to benefit from cross-selling).</td>
<td>Acquired party's customers.</td>
<td>Customer base of acquired party (transfer customer base).</td>
</tr>
</tbody>
</table>

As can be seen from the table, several of the M&As were argued with more than one motive, but customer aspects remained important. Customer related motives are by no means unique; the introduction chapter claimed that the referencing to customers or markets is frequent in M&A motives. The press release review presented in Öberg (2004) indicated that among those press releases reviewed, revenue enhancing motives were much more common than those referring to cost synergism. Studies such as those by Sevenius (2003) and Kelly, Cook and Spitzer (2003) showed that market shares and geographic markets are common as motives. However, the cases in this thesis indicate dimensions beyond markets and position as customer-related motives. The table above shows three types of customers that the M&A is meant to address;
(i) the acquirer’s customers,

(ii) the acquired party’s customers, and

(iii) markets or positions.

While the acquirer’s and the acquired party’s customers refer to specified groups of customers, markets and positions describe customers as an unidentified group, potentially including new customers. Position could further imply a change in power either towards competitors or compared to customers (cf. power-dependence as dimension of relationship atmosphere Håkansson 1982). Position could also be understood as the acquirer becoming a more central or peripheral actor, which might imply that through becoming larger in size or becoming established on more geographical markets, centralisation is accomplished. However, the centralisation only has meaning if someone else acknowledges it. It is only through a customer preferring a supplier that is now larger in size or placed on several geographical markets that the position is actually strengthened,1 for instance. This reasoning shows a second dimension to motives, namely what expectations they are built on. Observed or anticipated actions? Assumptions that everything will remain as before, or assumed changes? In that sense also, customer related motives represent three groups;

(i) customer activities as a driving force for the M&A,

(ii) speculations about customers’ future activities2, and

(iii) expectations of customers’ unchanged behaviour.

The rest of this chapter describes and discusses the types of customers addressed and drivers in terms of activities of, speculations about and expectations on customers.

Customers as addressees
As described above, the M&As give examples of three types of customers the M&A motives address; (i) the acquirer’s customers, (ii) the acquired party’s customers, and (iii) markets or positions.

Acquirer’s customers
Three of the researched acquisitions were directed towards the acquirer’s customers; BT’s acquisition of Raymond, BT’s acquisition of Cesab and

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1 Compared to a “1+1=2”-outcome.

2 Speculations means that changed buying behaviour is expected, while this has not been seen from customers’ previous activities. When describing driving forces as activities or expectations, speculations about future activities are classified as “expectations”.

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Momentum’s acquisition of Structurit. In these acquisitions, the acquirer saw the potential of either selling additional products to its customers, or of meeting them on new geographical markets. In Momentum’s acquisition of Structurit this was expressed the following way:

They wanted to expand further and thought that we were interesting since we had several real estate customers. … It was a way to find a product for added sales. They knew that we had sold StairWay to several real estate companies; “since we have a customer base of eighty, we can hopefully sell to all of them as well.” That was their idea.

Mats Norbäck, Structurit/BasWare

Momentum aimed to sell Structurit’s product to Momentum’s customers. The idea behind such a motive is that existing customer relationships could be used for added sales, and the idea may in turn be driven by experienced customer behaviour or by expectations that customers would change their buying behaviour. Three different relationships set-ups apply to motives related to the acquirer’s customers (see Figure 6:1);

(i) the acquirer remains the party that “owns” the relationships and the acquired merely becomes a party that provides resources through the acquirer,

(ii) the acquired party inherits relationships of the acquirer, meaning that links are built between the acquirer’s customers and the acquired party, or

(iii) the acquirer and the acquired party are integrated to meet the acquirer’s customers as one common unit.

Figure 6:1 Alternative relationship set-ups when acquirer’s customers are in focus. Left: the acquired party supplies resources to the acquirer. Middle: the acquired party ‘inherits’ the acquirer’s customer relationships. Right: the acquirer and the acquired party meet the acquirer’s customers as a common unit.

3 Implicitly, Toyota’s acquisition of BT also refers to the acquirer’s customers, but their emphasis was on the creation of a strong actor and a focus on the acquirer’s customers is first seen in integration.
The situation where the acquirer remains the sole connection to its customers was seen in BT’s acquisition of Cesab and shows resemblance to how innovative firms are often treated following an M&A (see Öberg and Grundström 2007); the acquired is seen as a resource base.

When the acquired party is meant to connect to the acquirer’s customers, transferability of relationships is expected, and it is assumed that the acquirer’s customers also want to build relationships with the acquired party. For this to happen, the following would be needed; customers benefit from the acquired party’s products, and/or the acquirer constructs a bridge to make customers choose the acquired party as supplier. The second expectation bears resemblances to network identity (see Anderson, Håkansson and Johanson 1994); how a firm is seen by others is coloured by its relationships with others. Anderson, Håkansson and Johanson (1994) describe this in terms of attraction and repulsion. Expectations would be that the connection to the acquirer rubs off on customers’ views of the acquired party. Momentum aimed at building relationships between Structurit and its own customers, using existing relationships between Momentum and customers as gatekeeper. The third option is that of the acquirer and the acquired party meeting the acquirer’s customers as a unified company. BT’s acquisition of Raymond led to such expectations; BT wanted to create a worldwide actor on warehouse trucks to meet BT customers’ internationalisation. It was anticipated that customers would want to close international deals and being represented at customers’ new locations were important. In such a setting, transferability and the creations of new relationship connections would primarily concern personal bonding; representatives at new locations would need to connect.

**Acquired party’s customers**

In BasWare’s acquisition of Momentum Doc and ADB Gruppen’s, NetSys’ and Nexus’ acquisitions of Verimation, the acquirer was interested in the customer relationships of the acquired party. In none of these acquisitions, the acquired party had business relationships with the acquirer prior to the acquisition. With its focus on the acquired party’s customers, the M&A could be seen as a means to bridge a structural hole (cf. Burt 1992); the acquired party would represent an important connection to new customers. The aims of the M&A either meant that the acquirer wanted to sell its products to these customers, while the acquired party would continue to sell its own product, or that the acquired party’s product would be replaced by the acquirer’s. At the acquisition point, all these acquisitions indicated cross-selling to various extents; for BasWare the acquisition would enable sales of other products, ADB Gruppen expected its consultancy to be sold to Verimation’s customers, for NetSys customers would reach a complementary product and for Nexus it was an opportunity to include security in the offering.

“At the same time, BasWare’s market position is considerably strengthened, which opens up opportunities for us to launch our other e-business products on the Swedish market” says Hannu Vaajonesu, CEO BasWare.

BasWare Corporation (2002a)
Memo is a way for the entire Group to reach new customers. By our ability to develop the system at the users’ locations, so as to match their needs, we can additionally offer consulting. Europe is a rapidly expanding market with great potential for us, not least with the eastern parts now being opened.

Göran Mårtenson, CEO, ADB Gruppen Mandator, in Alberius (1992)

Verimation fits us like a glove, and for us the acquisition means both financial and industrial synergies. … Our products complement each other well, and through using Verimation’s 2.5 million customers, we will become an effective international group in the software market.


They work with e-mail and message handling. One of the major areas where security needs to become better is the area of e-mail and e-mail handling, otherwise you will not dare to use e-mail. Above this, they work in an old-technology environment. The case is, that if we can combine our product offerings into one product and add security, then we can attain a new, somewhat unique position in the European market.

Mikael Jacobsson, Nexus

This is also seen in Nexus’ overall M&A strategy underpinned by the assumption that it is easier to acquire existing customer relationships than to build new ones.

In all, motives including the acquired party’s customers would expectedly lead to customer relationships being transferred to the acquirer, at the same time as they either remained with the acquired party or were replaced by relationships solely with the acquirer, products being supplied from the acquirer to the acquired party while the acquired party would be the only one to connect with its customers, or the acquirer and the acquired party meeting the acquired party’s customers as a common unit.

As in the case with the acquirer’s customers, replacing the acquired party’s customer relationships with connections to the acquirer or building relationships between the acquirer and the acquired party’s customers entail customer transferability. Existing relationships with the acquired party or a
need for the acquirer's product would be believed to enable such transferability and the challenges are the same as those encountered when transferring customer relationships from the acquirer to the acquired party.

**Markets and position**

In some of the acquisitions, motives that concern either party’s customers are complemented with aims to reach a strong market position. This can be seen in BT’s acquisition of Raymond, BasWare’s acquisition of Momentum Doc and NetSys’ acquisition of Verimation. In Toyota’s acquisition of BT Industries this appeared as a primary motive;

> BT Industries has a competitive edge in warehouse equipment. Developing its business on a global scale, BT Industries has established firm bases, particularly in Europe and North America. Toyoda and BT Industries complement each other in market and product lineup. With a view to becoming the world’s leading forklift manufacturer, this is a perfect match of strategic importance.

Toyoda Automatic Loom Works Ltd (2000, p.10)

In the Toyota quotation the position aimed for was to be created through the combined companies, while in BasWare’s acquisition of Momentum Doc and NetSys’ acquisition of Verimation, the position is basically created through the acquired party. Describing motives in terms of position, but also of markets, as can be seen in BT Industries’ acquisition of Raymond, abstracts customers. This way of dealing with customers resembles how customers are dealt with in most M&A literature (cf. chapter two). When referring to positions in motives it is not clear whether the focus is on existing customers, or new customers, and whether emphasis is placed on a position vis-à-vis customers or vis-à-vis competitors. Implicitly, it would be expected however that customer relationships remain unchanged, or are replaced with at least equal amounts of sales, otherwise the position deteriorates. Position in a network perspective could be understood for instance as centrality and peripherality. Commonly, such an analysis would take a structural rather than an individual actor’s approach to network connections; an actor is depicted as central if several other actors connect to it and peripheral if connections are few (cf. Johansson and Mattsson 1992). For individual actors, periphery and centrality would refer to the counterpart becoming increasingly or less important (cf. closeness and distance, Håkansson 1982).

**Customers as individuals and as aggregates**

Whereas positions and markets perhaps most strongly emphasise customers as aggregates; customers as markets rather than as individual companies, also when referring to the acquirer’s or the acquired party’s customers, individual customer relationships are often not singled out, instead they are referred to as customer bases, and the like. Two exceptions can be found; in BT’s acquisitions of Raymond customers’ internationalisation was exemplified with certain actors, and in BasWare’s acquisition of Momentum Doc, specific customer relationships of the acquired party were mentioned;
We experienced globalisation, meaning that some customers started crossing the Atlantic – whether it was Wal-Mart/Home Depot moving outside the US, or IKEA to North America or Ahold to South America. Here we experienced trends that would make a global presence an advantage.

Håkan Dahllöf, BT Industries

They had HSB as an early customer and some other real estate companies. … But they also had a number of larger customers – Saab, SKF. So we hunted for the same customers, BasWare and Momentum Doc chased the same customers and were aggressive competitors.

Anders Sahlgren, BasWare

Nonetheless, the M&As encompassed all customers; both the acquirer’s and the acquired party’s. In the interface towards customers their supplier was involved in an M&A, regardless of whether the M&A was motivated by that customer or not. In information to customers, the acquirer may attempt to single out individual customers. BT for instance did not promote its acquisition of Raymond or Cesab much to those customers that were not expected to directly benefit from the M&A. It was considered unnecessary to worry them; implicitly, the M&As as such were not expected to be considered attractive for those customers.

Drivers for customer-related motives

Regardless of whether or not the acquisition addresses the acquirer’s customers, the acquired party’s customers or the creation of positions or strong actors, expectations on customers or their activities drive the motives. Based on the eight M&As, three groups of drivers can be found; the motives are built on: (i) customer activities as driving force for the M&A, (ii) speculations about customers’ future activities, and (iii) expectations on customers’ unchanged behaviour.

Responsive activities

The empirical data give several examples of how customers’ activities steer M&As. The main reason behind BT Industries’ acquisition of Cesab exemplifies this. It was a perceived shift towards customers preferring to buy all their trucks from one supplier, one-stop shopping, that drove the acquisition. Prior to the acquisition, the risk of losing customers to competitors had become evident for BT Industries;

They [the sales companies of BT] experienced lost deals. They were not considered when one or two counterbalanced trucks were included in the deal. And our competitors had provided for themselves: Jungheinrich had acquired Steinbock, and Linde – which had counterbalanced trucks from before – had developed its warehouse truck range. So there were two main competitors that had the full product breadth, and we did not.

Håkan Dahllöf, BT Industries
Similarly, Toyota’s acquisition of BT Industries was partly justified through customers’ preferences for one-stop shopping. As in BT Industries’ acquisition of Cesab, Toyota’s acquisition of BT Industries meant that the acquirer and acquired party together represented both warehouse and counter-balanced trucks. Since BT had only limited experience of actually providing a full-range supply of trucks, one-stop shopping could only be anticipated through lost deals and via competitors acquiring companies. Customers had however not directly approached BT asking for the full-range supply.

Other acquisitions are more explicit responses to customers’ activities. To exemplify, BT Industries’ acquisition of Raymond in the US aimed to match a globalisation trend among customers. BT Industries experienced how customers established businesses in America, and this drew BT Industries’ attention to follow these activities. The globalisation was expected to put an increased focus on material handling, but further, if customers established businesses, for instance, in the US, BT Industries wanted to provide its customers with trucks also in their new locations (BT Industries 2003). The globalisation trend among customers involved several M&As, meaning that BT Industries’ acquisition of Raymond became a parallel M&A (cf. Öberg and Holmström 2006).

This way of following customers can also be found in BasWare’s international expansion. When customers established themselves on new locations, BasWare followed them there. Equally Nexus’ overall M&A strategy gives examples of how customers’ M&As created a need for Nexus to acquire companies. When customers merged, their IT projects grew in size. The larger project required larger capacities from the suppliers and one way to solve this was for suppliers to merge or acquire to add capacity.

This is based on projects growing larger. It is no longer an IT-manager heading a major project, it is headed from the entire management. Information technology and technique have become part of management, and so on. And with this, the projects increase in size. And the customers consolidate as well, and grow larger and larger. … Customers want to buy more from fewer and larger suppliers.

Mikael Jacobsson, Nexus

This consequently shows that M&As may well be responses to other M&As, indicating a spread of M&As from customers to suppliers. M&As as responsive activities indicate that M&As are a means to adapt to customers’ activities. Hallén, Johanson and Seyed-Mohamed (1991) refer to adaptation as trust-building and as a means to deal with imbalance in dependence. M&As as responsive activities could indeed be seen as a means to come to turns with imbalance; the M&A would be performed as a result of the supplier being dependent on the customers performing parallel activities. Beverland (2005) describes adaptation at two levels; relational adaptation and adaptation to the external environment. When BT became a full range supplier through the acquisition of Cesab, this could be seen as an adaptation to the external environment; the need for full-range supply was reflected through
competitors; the M&A was pro-active vis-à-vis customers and reactive vis-à-vis competitors. The acquisition of Raymond was more direct in that those customers internationalising their businesses were BT’s own customers and the acquisition addressed these customers. Adaptation becomes a relationship feature leading to continuous dynamism in relationships, which also indicates that focus is on existing relationships rather than creations or dissolutions of relationships. In the case of M&As, this means that M&As as responsive activities are commonly connected to motives which include existing customer relationships. Furthermore, if the acquirer initiates the M&A, responsive activities would be connected to the acquirer’s customers.

**Speculations about customers’ future activities**

Whereas BT Industries and Toyota experienced a trend whereby customers moved to competitors to attain a product range consisting of both warehouse and counterbalanced trucks, other acquisitions referring to customer preferences are built more on speculations about customers’ future activities. Momentum’s acquisition of Structurit, BasWare’s acquisition of Momentum Doc and ADB Gruppen’s, NetSys’ and Nexus’ acquisitions of Verimation aimed at cross-supplying products. An assumption would be that customers were actually interested in buying the other party’s products, that is, in the future, the customer would change its buying behaviour to include the other party’s product.

Cross-supplying indicates that customers would be interested in the additional products provided or at least that through existing customer relationships the introduction of the other party’s product would be simplified. It would either be possible to convince customers to buy the other party’s product, or the other party’s product would fit existing needs. The M&A that perhaps takes the speculations about customers the furthest is NetSys’ acquisition of Verimation. This acquisition was strongly driven by the idea that Verimation’s customers devalued the existing product and needed something new;

> We need an international sales channel. At the same time Verimation needs a product complement. Memo has 2.5 million users who need to upgrade.


Motives accounting for customers changing their buying behaviour indicate more or less explicit speculations about customers. It is not read from previous activities of customers, nor of other parties, how customers will act. That customers actually need both the acquirer’s and the acquired party’s products or want to replace its previous product is only speculative.

**Expectations on customers’ unchanged buying behaviour**

Whereas speculations and responses to customers’ activities refer to changes from the customers’ side, position and market may at the least imply that customers will continue to buy as before. When Toyota acquired BT to
become a world leading actor on trucks, this would be accomplished only through owning BT; Toyota was the number one on counterbalanced trucks and BT on warehouse trucks. If customers would continue to buy from their previous suppliers, the world-leading-actor goal would be reached. This means that the connection between the acquirer and the acquired party could not have repulsive effects on customer relationships, but needed not necessarily attract additional customers.

However, when referring to the creation of a strong actor or position, expectations may well be that this will attract new customers. NetSys needed Verimation to become a strong actor, but the acquisition of Verimation did by no means mean that NetSys became a dominant actor on Internet. Equally so, BasWare’s acquisition of Momentum Doc entailed dimensions of creating a strong actor. Although this was accomplished through the acquisition, the motive was underpinned by ideas of that being a strong actor would also make it easier for the combined company to become a preferred supplier.

**Acquisition point, M&A parties’ view – Summing up**

If the dimensions of what customers are addressed and drivers in terms of customer activities and expectations on customers for the studied M&As are combined, the following is seen (see Table 6.2);

**Table 6.2 Customers as addressees and drivers in the studied M&As**

<table>
<thead>
<tr>
<th>Driver</th>
<th>Addressee</th>
<th>Acquirer’s customers</th>
<th>Acquired party’s customers</th>
<th>Market and position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsive activity</td>
<td>BT/Raymond BT/Cesab</td>
<td>BT/Raymond BT/Cesab</td>
<td>BasWare/Momentum Doc</td>
<td>(BasWare/Momentum Doc)</td>
</tr>
<tr>
<td>Speculations about future activities</td>
<td>Momentum/Structurit</td>
<td>Momentum/Structurit</td>
<td>ADB Gruppen/Momentum Doc</td>
<td>(NetSys/Verimation)</td>
</tr>
<tr>
<td></td>
<td>NetSys/Verimation</td>
<td>NetSys/Verimation</td>
<td>Nexus/Verimation</td>
<td></td>
</tr>
<tr>
<td>Expectations on unchanged behaviour</td>
<td>Toyota/IIF</td>
<td>Toyota/IIF</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the M&As studied, many of the acquisitions were motivated by speculations about customers and also directed towards the acquired party’s customer relationships. Expectedly motives comprising the acquired party’s customers would involve transfer of relationships to greater extents than those involving the acquirer’s customer relationships. Motives of markets or positions more often implicitly include expectations of that customers will continue to buy as before (or possibly, new customers will be attracted by the combined company’s strength), whereas motives involving the acquirer’s or the acquired party’s customers are related to changes in buying behaviour, may these be future activities or activities that have already been noticed. M&As as responsive activities would be most common.
if the M&A aims at the acquirer’s customers, whereas future activities in terms of transferability are expected if the M&A targets the acquired party’s customers. Table 6:3 summarises customers as addressees and drivers in terms of activities and expectations on customers.

**Table 6:3 Patterns of addresses and activities/expectations**

<table>
<thead>
<tr>
<th>Activities and expectations</th>
<th>Responsive activities</th>
<th>Future activities</th>
<th>Unchanged behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquirer’s customers</td>
<td>X</td>
<td>[X]</td>
<td></td>
</tr>
<tr>
<td>Acquired party’s customers</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market and position</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

To conclude, motives referring to customers target;

(i) the acquirer’s customers and aims to meet changes experienced in their buying behaviour, or expectations on them being attracted by a broadened product portfolio,

(ii) the acquired party’s customers, commonly with speculations on them shifting or broadening their buying to include the acquiring party’s product, or

(iii) positions and markets, where customers are expected to continue to buy as previously or where the combined company is expected to attract additional customers.

However, it should be noted that the division into activities, speculations and expectations is not entirely excluding, but overlaps. To exemplify; those M&As that were preceded by actual customer activities become less speculative; a shift in customers’ activities had already been witnessed. Still, this does not by default mean that customers will benefit from the very M&A. They may, for instance, already have provided for themselves elsewhere. In addition, that a customer has acted a certain way in the past does not mean that the customer will continue to act that way in the future.
Acquisition point – Customers’ view

Following an M&A announcement, what customer reactions could be found? This chapter focuses on customers’ reactions at the acquisition point, categorises driving forces for these and what possible activities these led to. The chapter is structured in the following way; (i) a general description of change related to customer relationships, (ii) what drives customer reactions, (iii) what reactions were seen, and (iv) relationship outcomes based on customer reactions.

So a supplier has just announced its M&A, how would you react? And would you? Is it business as usual, or will ongoing discussions, deals or relationships be disrupted by the M&A? The eight M&As announcements were met with various levels of non-reactions, incremental reactions and, in few cases, disruptions. Customers’ reactions were not only the result of the specificity of the M&A, but also results of previous experience, challenges in ongoing relationships and uncertainty.

Customer relationships and change

Prior to the M&A, a customer would relate to either of the acquirer and the acquired party, both or none of them. Figure 7:1 presents possible customer relationships to the M&A parties before the M&A, and Table 7:1 sorts the interviewed customers accordingly.

Among the customers interviewed, many had relationships with either the acquirer or the acquired party prior to the M&A, while only a few had connections with both. The relationships to the acquirer or the acquired party is a result of selection of cases (see chapter four); as all M&A companies were established organisations, both parties had customer relationships of their own before the M&A.
**Motives from a customer perspective**

As seen from chapter six, motives may include establishing new relationships or ‘thickening’ existing ones through, for instance, the provision of additional products, where no direct relationships were intended between the manufacturer of added products and the customer. Figure 7.2 describes possible relationships according to motives from a customer’s perspective. The non-relationship alternative would not be expected to be common, although Anderson, Havila and Salmi (2001) include business relationship dissolution as an intended effect of M&As. Basically, the possible relationships based on motives are the same as those prior to the M&A, but not necessarily in the

---

**Table 7.1 Customer relationships before the M&As – Classification of interviewed customers**

<table>
<thead>
<tr>
<th>Customer to acquirer</th>
<th>Customer to acquired party</th>
<th>Customer to acquirer and acquired party</th>
<th>No ongoing customer relationship with M&amp;A parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT/Raymond</td>
<td>Beslag &amp; Metall;</td>
<td>Delegation;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comau (Saab Auto);</td>
<td>DFDS; DHL;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FläktWoods; Saab;</td>
<td>Servera; Volvo Group</td>
<td></td>
</tr>
<tr>
<td>BT/Cessah</td>
<td>Beslag &amp; Metall;</td>
<td>Delegation;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comau (Saab Auto);</td>
<td>DFDS; DHL;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FläktWoods; Saab;</td>
<td>Servera; Volvo Group</td>
<td></td>
</tr>
<tr>
<td>Toyota/RT</td>
<td>Delegation;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DFDS; DHL;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FläktWoods; Saab;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>HSB</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kopparstaden;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ochroboöstrader</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BuxWare/Momentum</td>
<td>Fakturaajist; HSB;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kopparstaden; Saab;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ochroboöstrader</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAD/Gruppen/Vetination</td>
<td>Ericsson; IKEA;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Infodata</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nexts/Vetination</td>
<td>Ericsson; IKEA;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Infodata</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nexus/Vetination</td>
<td>IKEA; Infodata</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
same M&A. In that way, relationships prior to the M&A and relationships according to motives, creates a four-times-four matrix (see the width and height dimensions of Figure 7:4 below).

**Figure 7:2 Possible customer relationships based on motives from a customer perspective.**

**Customer reactions**
Customers’ reactions in turn may be convergent or divergent from the M&A parties’ motives and thereby enable or disable the realisation of such motives. This means that following the M&A announcement, customers may choose to establish or thicken relationships, not change according the intentions, or dissolve existing relationships to the M&A parties. Figure 7:3 shows possible relationships built on customer reactions. Once again, these may be the same as prior to the M&A, be changed according to motives or be divergent from them.

**Figure 7:3 Customer relationships based on customer reactions.**

**An asymmetry of change**
M&A parties may attempt to create change in customer relationships following the M&A. As can be seen from chapter six, the aim of several of the studied M&As was to transfer customer relationships to the acquirer. For this to happen, customers need to comply with these intentions. But customers may react in a manner that is divergent from these intentions and still cause change of relationships, although in direction other than that intended by the M&A parties. So although an acquirer may acquire a company in the aim of changing customer relationships, but for intended but unlikely dissolutions, it cannot accomplish such a change alone, while customer reactions to the M&A may instantly cause a change. In that sense, the parties’ input to change is asymmetric; M&A parties alone cannot cause relationship change, whereas customers as reactors can. Figure 7:4 shows the dimensions of change, where change only occurs in the depth dimension.
ACQUISITION POINT, CUSTOMERS’ VIEW

Figure 7.4 Dimensions of change.

Change, non-change and in-betweens

Halinen, Salmi and Havila (1999) emphasise M&As as triggers for radical changes and in literature on relationship dissolutions, M&As are referred to as a reason to dissolve relationships (e.g., Tähtinen, Matear and Gray 2000). Reactions are however not merely a quest of establishing or dissolving relationships (cf. radical change, Ford 1980; Halinen, Salmi and Havila 1999; Dahlin, Havila and Thilenius 2003). The customer companies in this thesis show that following the M&A announcement, most customers did not establish or dissolve ongoing relationships to the M&A parties.

Incremental change means that relationships remain but may change in terms of closeness and distance (Håkansson 1982), frequency or content, for instance. Motives where no new relationships were intended but products aimed to be added exemplify this. For customers, incremental change for instance includes buying more or less from an existing supplier, or buying with higher or lower frequency. Adding or excluding suppliers outside the M&A parties are hybrids of incremental change; an incremental change is seen as M&A parties become more or less important, while radical change is seen in the case of new or excluded parties. If for instance an existing supplier becomes a preferred supplier outperforming other suppliers, this is an incremental change in the relationship towards the existing supplier, but is radical towards those outperformed. Based on reactions, four outcomes are seen;

(i) a non-change of relationships,
(ii) a change in relationships,
(iii) a disruption of relationships, and
(iv) an establishment of new relationships.
In all, these outcomes occur on a dyadic level. This also means that whereas the M&A parties may approach their customers as a market or customer base when planning the M&A, from the customer reaction perspective, it is the individual relationship that counts. Customers may be influenced by other customers, but reactions are dyadic.

Driving forces for customer reactions
According to the empirical findings, customers’ reactions may either be;

(i) driven by the M&A as an activity, or
(ii) connected to the actors in the M&A.

Within these two groups (M&A activity and actor aspects), various driving forces may cause the customer reaction.

M&A activities as driver for customer reactions
The M&A activity as a driver for reactions refers to whether and how the M&A as such caused reactions. Three reasons for customers to react to the M&A activity could be found;

(i) customers not seeing the benefit of the M&A,
(ii) uncertainty, and
(iii) turbulence.

Customers not seeing the benefit of the M&A
Whereas the M&A announcements indicated the M&A parties’ intentions, and were often supported by additional information to customers, customers did not see a reason to adjust to the new setting. It was common that they did see the instant benefit, for instance, of the provision of additional products, as following ADB Gruppen’s acquisition of Verimation, or that they did not understand what the outcome would be, as the M&A parties did not start acting in accordance with motives. To exemplify; in BT’s acquisition of Raymond, the M&A parties did not start integrating their organisations, and customers also did not act as if the M&A companies were an international actor.

Thus, when customers were not directed by M&A parties activities in terms of integration, they did not start acting according to the M&A intentions. This is also seen in most other M&As studied; customers continued as prior to the acquisition, buying from the same companies as before and not opening up for the M&A parties’ intentions.

Uncertainty
Closely related to not seeing the benefit of the M&A, either through the customer’s own experience of what would be beneficial, or due to a lack of direction from the M&A parties, is uncertainty. Uncertainty indicates that
the customer thinks that something will happen following the M&A, but is not sure of its outcome. As will be seen in the reaction section, uncertainty leads to speculations and in some instances customers prepare alternative action plans.

Turbulence
Turbulence is a driving force connected to perceived change and instability. Turbulence was perhaps most evident following Toyota’s acquisition of BT. In Sweden, BT’s recent acquisition of Cesab meant a shift from Clark to BT branded counterbalanced trucks. More or less simultaneous with the introduction of BT branded counterbalanced trucks, BT Industries was acquired by Toyota. Several customers expected an instant change to Toyota trucks, but BT Industries continued its introduction of BT-branded Cesab trucks. The changes of ownership parallel with the introduction of new trucks made customers confused; the situation was seen as turbulent.

It was somewhat turbulent back then, you wondered what would happen. Speculations and I think many customers bided their time. … We heard that Toyota had acquired BT and BT did not know what would happen. It was a vacuum there. But it has not affected our decisions. We did not have any need at the time.

Allan Jonsson, FläktWoods

When Toyota took over, it was very turbulent. They did not know who would sell what.

Egon Thoresson, Beslag & Metall

It was turbulent. It was about then we bought the Linde trucks. And then it was Kalmar, since they had the deal, they were invited to calculate on this. They were to take over the agency for the Italian company. … Without giving the show away about that BT was to acquire it. Then suddenly, over a night, they told us that BT had acquired Cesab and Kalmar did not have any counterbalanced trucks as they did not produce their own trucks anymore and they were negotiating to take over Toyota from Adet. It was just about then that we were about to buy trucks.

Anders Westerling, Saab

To summarise the M&A activity driving forces, these concern whether customers saw the benefit of the M&A, and customers dealing with perceived uncertainty and turbulence. Turbulence in turn relates to perceived change, whereas uncertainty may well be connected to a standstill triggering the customer’s interpretation of the M&A.

Actor aspects
Actor aspects leading to customer reactions are primarily related to the M&A party the customer did not have a relationship with before the M&A, but also previous owners of the company. It refers to driving forces related to a party (an M&A party, a previous owner, etc.) as such, rather than to
activities related to the M&A. Change in competition structures is a central theme, but there are also other aspect which may affect outcome such as the reputation of the other party and the experience from other actors. Four driving forces are described below;

(i) impossible relationships,

(ii) enabled relationships,

(iii) reputation, and

(iv) earlier experience.

Impossible relationships
A situation that brings matters to a head is when a customer's competitors are a party in the M&A. The remodelling of the business landscape following the M&A introduces “impossible relationships”, which may call for direct actions by customers. An impossible relationship targets the situation of a customer dissolving a previous relationship because the customer considers the acquirer or the acquired party a competitor.

In the case of Toyota’s acquisition of BT Industries, an “impossible relationship” was created in Sweden. Prior to the acquisition, Atlet, a manufacturer of warehouse trucks and BT Industries foremost competitor on the Swedish market, was general agent for, and thereby customer to, Toyota. When Toyota’s acquisition of BT Industries was announced, Atlet broke off the deal with Toyota. It was thus the competing relationship between BT Industries and Atlet that meant that Toyota had to look for a new general agent in Sweden, and further, that Atlet shifted to Caterpillar counter-balanced trucks.

Atlet was the Toyota dealer for counterbalanced trucks in Sweden for many years, when the Japanese giant acquired one of its major competitors. As a consequence, Atlet had to start looking for new suppliers of counterbalance trucks, as many customer request a complete range of products. Eventually, Atlet allied with Caterpillar, thus securing its market share.

Hall (2003, p.163)

With regard to customers that had previously bought Toyota trucks from Atlet, Toyota indirectly lost end-users, as several of these customers continued with their relationship with Atlet.

Enabled relationships
Whereas impossible relationships constrain the customer relationships of the M&A parties, an M&A may also enable customer relationships when previously impossible relationships are broken off. In as much as an M&A creates ownership bonds between companies, it also dissolves ownership bonds; returning to the definition of M&As, only one company can have
ownership control over another party and thus the transfer of such control is inevitable.

BT Industries’ history goes back to the 1940s, when the company was founded by HSB and KF. Subsequently KF came to be the sole owner. KF is one of three dominating food retailer chains in Sweden, and KF’s ownership potentially restricted BT Industries’ possibilities to provide trucks to the other two food retailer chains. With a truck programme oriented towards daily goods, KF’s ownership strongly constrained BT Industries’ chances to establish customer relationships. KF’s subsequent divesture of BT Industries opened new opportunities for BT Industries, and with Toyota as new owner in 2000, the former constraints were completely removed.

On the other hand, KF’s divesture of BT Industries also weakened the ties between BT Industries and KF companies. From having been tied “arm-to-arm”, the former owner and BT Industries were placed at arm’s length. During KF’s financial crisis in the 1990s, several divestures were conducted, leading to a remodelling of relationships. Servera is a company owned by the Axel Johnson group, and is the result of a merger between Promus Storkök and Dagab Restaurang & Storkök in 1994. Promus was originally owned by KF, making Promus a sister company to BT Industries at the time. This also meant that all the trucks for the Servera plants that used to be owned by KF were purchased from BT Industries up till 1997. These plants still use BT trucks to a large extent, which also indicates that whereas the ownership may have changed, reactions may not be immediate; previous ownership constellations may colour bonds of relationships for long time.

Reputation
Reputation would be expected to colour the M&A parties and customers’ perception of them. A good reputation of an acquirer may, as in the Toyota/BT acquisition, be strongly emphasised by the M&A parties. Customers also saw this as positive;

> It is a large truck manufacturer and BT is large. It was only positive.

Allan Jonsson, FläktWoods

> Toyota is a good car, Japanese trucks are good, quality, holds forever. That is my experience as engineer and repairman way back. We used to have Japanese trucks sold by Ana machinery that Saab owned. They were splendid. My spontaneous reaction is that Toyota trucks are durable and safe. Now I do not have any real experience, since we do not have any such trucks, but that is my spontaneous reaction.

Hans Olsson, Comau

However, it did not lead to any immediate actions from the customers’ side. Equally, Momentum’s acquisition of Structurit was considered to be positive by customers familiar to Momentum, among which Örebrobostäder thought Momentum would give Structurit a needed stability;
It actually felt quite good, because they would have rules and strength from Momentum. Structurit was the small company ... and that is somewhat scary. ... True, the software was developed in Lotus and since I am familiar with programming I would have been able to handle things, but did not have those kinds of ambitions. It felt good that Momentum made that acquisition.

Kenneth Haglert, Örebrobostäder

Reputation may however also be negative. Following BT’s acquisition of Cesab, several customers expressed their distrust in the acquired company and how the acquisition would not benefit them although BT branded counterbalanced trucks could be introduced following the acquisition;

They sent out some information. … I remember it, and we said: “Why do you want to introduce those Italian mopeds here?”

Jan Söderlund, Volvo NAP

In the Cesab acquisition it was the acquired party whose reputation was an issue for the acquirer’s customers, whereas in the Toyota/BT and the Momentum/Structurit acquisitions it was the acquirer’s. Expectations seem to be that the acquirer may affect the acquired party more than the other way around; the negative statements about Cesab only concern Cesab, not the acquirer BT.

Earlier experience
From the experience of previous owners, customers may have built up a suspicion towards acquirers. This was especially clear following Nexus’ acquisition of Verimation. Verimation’s customers had NetSys close in mind and the problems which ended up in bankruptcy. This made customers questioning the long-term survival of the new owner. Earlier experience may also make customers think of the new owner as a salvation. This, for instance, was seen following BasWare’s acquisition of the estate of Momentum Doc and initially following NetSys’ acquisition of Verimation.

To summarise driving forces related to actors, these concern how the new party relates to existing customers in terms of it enabling or disabling relationships, its reputation, but also customers’ earlier experience. Enabled relationships and earlier experience connect to previous owners, impossible relationships and reputation relate to current M&A parties. Driving forces for customers’ reactions at the acquisition point are summarised in Table 7.2.

Based on described driving forces, most reactions are driven by other forces than what the M&A parties had intended. It is not announcements about added products, for instance, that drive customer reactions. Reactions meant different outcomes than those expected by the M&A parties. The customer reactions related to the M&A as an activity often
meant that the outcome was less radical than intended, while actor aspects caused unforeseeable break-offs. More about reactions below.

**Table 7:2 Driving forces**

<table>
<thead>
<tr>
<th>Type of driving force</th>
<th>Driving forces for customer reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A activity</td>
<td>Customers not seeing the benefit of the M&amp;A</td>
</tr>
<tr>
<td></td>
<td>Uncertainty</td>
</tr>
<tr>
<td></td>
<td>Turbulence</td>
</tr>
<tr>
<td>Actor aspect</td>
<td>Impossible relationship</td>
</tr>
<tr>
<td></td>
<td>Enabled relationship</td>
</tr>
<tr>
<td></td>
<td>Reputation</td>
</tr>
<tr>
<td></td>
<td>Earlier experience</td>
</tr>
</tbody>
</table>

**Types of reactions**

Based on interviews with customers, most of the M&As studied did not lead to any immediate reactions. The other side of that coin is that customers usually did not see any instant benefits from the M&A. They did not initiate relationships with the M&A party they had not had relationships with before. Equally so, motives targeting adding products were not realised following the M&A announcement. This relates closely to customers not seeing the benefit of the M&A.

**Table 7:3 M&A parties’ intentions and customer reactions**

<table>
<thead>
<tr>
<th>M&amp;A parties’ intentions (and outcome)</th>
<th>Customer reactions (and outcome)</th>
<th>Non-reaction</th>
<th>Incremental reaction</th>
<th>Radical reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change of relationships</td>
<td>BasWare; Momentum Doc</td>
<td>Fakturatjänst; HSB; Schwadden; Saab; Orthrohostäder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental change (additional products)</td>
<td>BT/Raymondal; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servers; Volvo Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental change (building new relationships)</td>
<td>Toyota/FT</td>
<td>BasWed &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servers; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radical change</td>
<td>Momentum/Structurit</td>
<td>HSB; Schwadden; Orthrohostäder</td>
<td></td>
<td>Saab</td>
</tr>
<tr>
<td></td>
<td>ADB Groppen/Verimation</td>
<td>Ericsson; IKEA;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nexus/Verimation</td>
<td>Ericsson; IKEA;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

112
Table 7.3 describes M&A parties’ intentions and customer reactions. As can be read from the table, larger changes were expected by the M&A parties than occurred due to customers. Customers not understanding the intentions of the M&A led to them speculating about what would happen, in some cases customers prepared alternatives (action readiness) or bided their time awaiting clarification. These are examples of non-reactions or incremental reactions. Following an M&A radical reactions in terms of relationship dissolution or establishment can also be expected. Below these three types of reactions are described.

Non-reactions
Whereas most of the M&As studied aimed at changes connected to customers; the construct of new relationships or provision of additional products to customers, no such immediate changes were seen. Customers continued to buy the same products from the same companies as before. Intended M&A outcomes were not realised. This meant that the M&A party the customer had not had relationship with prior to the M&A was not invited onto the stage. To exemplify this, following BT’s acquisition of Cesab, customers did not react to the announcement, although the acquisition would mean that BT branded counterbalanced trucks would be reached.

I am certain I have read about it, but it was not very important.

Jan Nilsson, DHL Solutions

I only have a few counterbalanced trucks, so I did receive the information, read it, but did not pay much attention to it, I was not that interested.

Esbjörn Haraldsson, Servera

At the same time, customers usually did not change their buying from the party they had relationships with before the M&A. BT’s acquisition of Raymond was considered a single event that was not expected to impact ongoing relationships. Whereas BT Industries was eager to be acknowledged as a global actor, customers considered BT Industries as being the same company as before the acquisition, where activities were conducted as previously. This further meant that no relationships were built between the acquired party and the acquirer’s customers, or between the acquirer and the acquired party’s customers, that is, no cross-fertilisation of relationships occurred.

But such acquisitions do not affect us, not at all. On the other hand, when Toyota entered, BT got a strong range to sell. That affected us a little more.

Jan Nilsson, DHL Solutions

There are also other examples that support the idea that customers continued to buy as they had done prior to the acquisition. FläktWoods describe this in the following way after Toyota’s acquisition of BT;
Of course they change [ownership], as does everyone else. Whether this has affected us positively or negatively? I do not believe that it has impacted us greatly. A good product is what matters. What their organisation looks like is secondary. It is important that we reach the people that we need to have contact with. … Then we do not care about who owns them.

Allan Jonsson, FläktWoods

This also indicates that whereas a good reputation of the acquirer was acknowledged, it did not bring about any changes.

Following Momentum’s acquisition of Structurit and BasWare’s acquisition of Momentum Doc, initially, customers did not expect any changes and continued to work with Structurit’s/Momentum Doc’s product and staff. ADB Gruppen’s, NetSys’ and Nexus’ acquisitions of Verimation provide similar patterns. It seems that as long as no changes were initiated or customers did not feel that intended changes would benefit them, but also as long as the acquirer was perceived to be a solvent and trustworthy party, the acquisition did not bring about any changes with regard to customers’ activities. Non-reaction is a consequence of M&A parties not initially realising its intentions, these intentions not being understood by customers or customers not seeing the benefit of them. This would mean that unclear, or a lack of, information could lead to non-reactions, but as will be seen below; also speculations about what will happen.

Speculations

Uncertainty as driving force is related to speculations. This is exemplified by DHL following Toyota’s acquisition of BT and by IKEA following Nexus’ acquisition of Verimation.

As with all companies; what is going on in Sweden? Will BT move to Japan now? This is the way it is; it seems as good things are acquired from Sweden and moved abroad.

Lars Svedlund, DHL Express

My first thought was that I hope they let Verimation continue to develop. But I also thought there was a value for Nexus with its products to in time do something together as they are good at security. … There ought to be synergies.

Tord Åkesson, IKEA

These speculations seemed to arise because customers did not know what to expect following the M&A. In the IKEA case, this was also coloured by earlier experience. Speculations could also be in line with motives as in BT’s acquisition of Raymond. These motives indicated that there would be a co-ordination of production and Saab speculated about what this would mean;
What I thought of it? More production in Mjölby, then I can buy cheaper trucks.

Anders Westerling, Saab

These speculations did not lead to any actions; customers continued to buy as previously. However, customers might prepare for upcoming changes, meaning that speculations about what might happen led up to action readiness.

**Action readiness**
The very risk of change may lead, if not actions, to action readiness. This means that even though no changes were initiated, customers made sure that they would be prepared if changes should occur later. IKEA describes this following Nexus’ acquisition of Verimation;

I have not had any direct concern. If Nexus did not want to keep the Verimation team – they are quite a small team, Peter and his lads – then we would sit down and think about how we could buy time necessary to exchange the product.

Tord Åkesson, IKEA

In this case, contracts including the right to the programme code would mean that the customer could continue to use the product should something happen with the supplier. This action readiness may not lead to any actual actions, or may lead to actions of a different character. Nexus continued with Memo, and therefore there was no need to provide IKEA with the code. However, the readiness shows that customers are not always waiting for things to happen, and this indicates that M&As are embedded in other activities, or potential activities. In the case of IKEA’s action readiness to Nexus’ acquisition of Verimation, this was built on earlier experience. Previous owners of Verimation had made IKEA consider issues such as continuity of Verimation and its owner.

**Incremental reactions**
As described previously, incremental change means changes in relationships. M&As aiming at providing additional products through existing sales relationships would expectedly lead to incremental changes. At the acquisition point, no such changes were seen. Incremental change was only observed as change in frequency of purchasing or a temporary stop in buying.

**Biding time**
It is not uncommon that M&As drive attention away from the day-to-day business activities, and directs focus onto intra-group issues (e.g., Lengnick-Hall 1992), rather than on interaction with customers, for example. In literature, this is given as one reason for prompt integration; the time of potential confusion and standstill in the company group is to be reduced. It could be expected that confusion and standstill would affect sales activities.
negatively and result in a decreased number of products sold; sales staff become more concerned with the new ownership and what to expect, than with interacting with customers. But, the cases in this thesis also give examples of customers biding their time, not solely as a consequence of decreased customer attention, but also as a result of confusion about the M&A; customers bided their time, awaiting a clarification of direction from the M&A parties.

Following Toyota’s acquisition of BT, many customers bided their time as the situation was perceived to be turbulent. The sales organisation of BT Svenska experienced a cut in sales. To exemplify this, turbulence coincided with Saab negotiating about purchasing counterbalanced trucks. An evaluation of several brands was performed. Also other actors were part of the scene and BT Industries initially offered Clark trucks. Kalmar LMV announced they would take over the agency for Cesab and Toyota from Atlet:

We want only few suppliers. We do not want a great variety of suppliers and deals, we want fewer real deals with good contents and co-operation agreements. We do not sign deals with suppliers to have them come here and deliver, they should undertake to develop the deal and help us reduce costs. I think it goes without saying, that if you reach a deal for one million SEK, then you have to work to keep the deal. BT met our demands, but Clark did not meet what we required for counterbalanced trucks. It was very turbulent at the time. Toyota had Atlet at the time, Kalmar was knocking on the door saying that they would become agents for Toyota, but it was not official.

Anders Westerling, Saab

Saab was hesitant about Kalmar LMV’s long term survival, and Toyota did not become an option in the deal. Clark was perceived as stable, but as the acquisition of Cesab was announced, the stability was considered broken.

Now the market has stabilised. Back then, companies were continuously married off.

Anders Westerling, Saab

These ‘marriages’ included Toyota’s acquisition of BT Industries, and as this did not lead to any immediate change with BT Industries, the perceived turbulence continued:

At the time, they [BT Industries] had The Italian [Cesab]. BT did not talk about Toyota at all, they did not know about it either. And we saw the stability of Linde.

Anders Westerling, Saab

Saab chose Linde counterbalanced trucks over Clark, although Saab was interested in making an agreement with BT Industries to also gain access to
the warehouse trucks. Indirectly, the perceived turbulence spilled over to BT Industries’ warehouse trucks. The turbulence meant that less focus was placed on attracting new customers or new customers were less inclined to buy trucks from BT Industries. The example from Saab, where Saab was interested in BT Industries’ warehouse trucks but following the perceived turbulence chose Linde, supports this explanation.

Being about to make a deal with an acquired party does not always mean an interruption. Scania was about to close a deal with Momentum Doc at the time when Momentum Doc was acquired by BasWare. BasWare, which had been listed as the second best option by Scania, replaced Momentum Doc easily in the final contract. SAS on the other hand chose to reconsider its options and invited a new party, which became the chosen one.

Turbulence carries resemblances with employee reactions following an M&A (see e.g., Ivancevich, Schweiger and Power; Newman and Krzynofik 1993; Risberg 1999; Nikandrou, Papalexandris and Bourantas 2000). Much of this literature however concerns the integration of companies. Several authors researching the employee dimension indicate that reaction vary among individuals (e.g., Ivancevich, Schweiger and Power; Shirley 1973; Risberg 2001). This supports how various customers acted differently on the BT/Cesab turbulence and on deal closing when BasWare announced its acquisition of Momentum Doc, for example.

Those instances most clearly leading to customers biding their time are those following the owner experiencing profitability problems, as in the NetSys and Momentum acquisitions. In these cases, new M&As became salvations.

It was at the time when Momentum had massive profitability problems. It was only a matter of time when the enforcement service would provide the information that the company was bankrupt. But then the message came that they had sold to BasWare. We thought that was good, they would live on, and I would not have to bother about it.

Kenneth Haglert, Örebrobostäder

**Radical reactions**

Radical reactions mean that business relationships are either created or dissolved. Creations of business relationships may be the intent when a company is acquired because of its customer relationships (see BasWare’s acquisition of Momentum Doc, and ADB Gruppen’s, NetSys’ and Nexus’ acquisitions of Verimation) or possibly as in Toyota’s acquisition of BT, when markets or positions are aimed for. Acquisitions targeting customer relationships of the other party means expected creations of relationships with customers connected to that party, while markets and positions may aim at customer relationships new to both parties. According to the customers interviewed, no new business relationships were created at the acquisition point.
Radical reactions also entail the dissolution of relationships, and whereas these were few in number, an impossible relationship would create such instant dissolutions. To summarise the reactions, these are of three kinds; (i) non-reactions, (ii) incremental reactions, and (iii) radical reactions. Table 7:4 summarises customers’ reactions at the acquisition point.

**Table 7:4 Customer reactions**

<table>
<thead>
<tr>
<th>Type of reaction</th>
<th>Reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-reaction</td>
<td>Non-reaction</td>
</tr>
<tr>
<td>Speculation</td>
<td>Action readiness</td>
</tr>
<tr>
<td>Incremental</td>
<td>Bidding time</td>
</tr>
<tr>
<td>Radical reaction</td>
<td>Dissolution</td>
</tr>
<tr>
<td>(Creation of relationship)</td>
<td></td>
</tr>
</tbody>
</table>

The reactions also relate to the driving forces described previously in various ways. Table 7:5 summarises these connections;

**Table 7:5 Driving forces and reactions**

<table>
<thead>
<tr>
<th>Driver for customer reactions</th>
<th>Reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers not seeing the benefit of the M&amp;A &amp; Reputation</td>
<td>Non-reaction</td>
</tr>
<tr>
<td>Uncertainty &amp; Earlier experience</td>
<td>Speculations &amp; Action readiness</td>
</tr>
<tr>
<td>Turbulence</td>
<td>Bidding time</td>
</tr>
<tr>
<td>Impossible relationship</td>
<td>Dissolution of relationship</td>
</tr>
<tr>
<td>Enabled relationship</td>
<td>Creation of relationships</td>
</tr>
</tbody>
</table>

Whereas it does not present a clear-cut pattern, the activity related driving forces (customers not seeing the benefit of the M&A, uncertainty and turbulence) seem to result in non-reaction or incremental reaction, while actor aspects more often lead to radical reactions. The actor aspects were thus those which caused the strongest and most immediate reactions, whereas M&A activity aspects merely meant a possible (temporary) slack when intentions were not understood by customers. But what is most conspicuous in the comparison is that customers did not perceive the M&As as instantly beneficial, although the main intentions of the M&As were directed towards attracting and serving customers. Table 7:6 schematically shows the connection between activities and actors as driving forces, and the three types of reactions.

**Table 7:6 Types of driving forces and types of reactions**

<table>
<thead>
<tr>
<th>Type of driving force</th>
<th>Type of reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A activity aspect</td>
<td>Non-reaction</td>
</tr>
<tr>
<td>Incremental reaction</td>
<td></td>
</tr>
<tr>
<td>Actor aspects</td>
<td>Radical reaction</td>
</tr>
<tr>
<td>(Non-reaction)</td>
<td></td>
</tr>
<tr>
<td>(Incremental reaction)</td>
<td></td>
</tr>
</tbody>
</table>
Relationship outcomes

The M&A related reactions described in this chapter are foremost connected to possible changes in relationships. They do not disrupt ongoing relationships, nor do they introduce new ones. Table 7:7 describes customer relationships following the acquisition point for each M&A.

**Table 7:7 Customer relationships following the acquisition point**

<table>
<thead>
<tr>
<th>Customer to acquirer</th>
<th>Customer to acquired party</th>
<th>Customer to acquirer and acquired party</th>
<th>No ongoing customer relationship with M&amp;A parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT/Raymond</td>
<td>BT/Raymond</td>
<td>BT/Raymond</td>
<td>No ongoing relationship with M&amp;A parties</td>
</tr>
<tr>
<td></td>
<td>Beisig &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td>Beisig &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>BT/Cesab</td>
<td>BT/Cesab</td>
<td>BT/Cesab</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td></td>
<td>Beisig &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td>Beisig &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>Toyota/BT</td>
<td>Toyota/BT</td>
<td>Toyota/BT</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>Momentum/Structurit</td>
<td>Momentum/Structurit</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>BasWare/Momentum</td>
<td>BasWare/Momentum</td>
<td>BasWare/Momentum</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>Doc</td>
<td>Doc</td>
<td>Doc</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>ADB</td>
<td>ADB</td>
<td>ADB</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>NetSys/Verimation</td>
<td>NetSys/Verimation</td>
<td>NetSys/Verimation</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>Nexus/Verimation</td>
<td>Nexus/Verimation</td>
<td>No ongoing customer relationship with M&amp;A parties</td>
</tr>
</tbody>
</table>

The by far most common reaction mode is that of non-reaction. Non-reaction includes no relationships being established or broken. On the surface, action readiness and speculation do not manifest themselves in any actions in relations to M&A parties. Biding time only changes frequency of exchange; an incremental change. Over time, non-reaction may result in disrupted relationships, new relationships being established or the content in ongoing relationships being changed.

Whereas M&A activity driven reactions most commonly seem to result in changes in relationships, actor aspects mostly seem to result in changes of relationships. There is a distinct link between impossible relationships and disruption, and enabled relationships and the establishing of new relationships. In the section about asymmetry of change it was stated that...
customers as reactors were those affecting the relational outcome. The M&A parties may provide the opportunities for change, where customers may act accordingly or choose another path; manifesting or changing previous relationships. Based on the customer cases, with few exceptions and although the M&A parties aimed for changes, customers sealed existing relationships.

**Direct actions and delayed reactions**

This chapter has mainly concerned the direct reactions following the M&A announcement. There may however also be reactions that become evident first later without being connected to integration. The Servera customer case gave some examples of how previous KF plants continued to rely heavily on BT Industries as truck supplier, this also long time after KF had left BT Industries as owner. However, there seems to be a connection between impossible relationships and direct reactions. The Atlet customer case indicates that the customer instantly re-evaluated its relationships following the M&A announcement.

It could be expected, for instance, that personal relationships weaken over time as staff retire or are replaced. Equally so, contracts and the use of previously procured products put a time lapse on actions. Taken together, this makes the evaluation of an M&A much more tricky and vulnerable to when the M&A is evaluated.
Integration – M&A parties’ view

Company integration is often referred to as a critical part of an M&A. Cultural clashes, management and employee turnover are but few of the possible outcomes of integration. Whereas integration may instantly follow the M&A announcement, it could also be a drawn out process starting after, or running over, several years. In this chapter, the perspective of the M&A parties on integration towards customers is taken, and the focus is placed on type of integration, whether integration intentions deviated from motives, and whether realisation in turn deviated from intentions. The chapter is structured the following way (i) a description of various integration modes towards customers and what drives these, (ii) a comparison between integration and motives, and (iii) a discussion of how expectations on customers and customer actions affect integration realisation.

Integration towards customers

Integration deals with to what extent the M&A parties are turned into a single unit, ranging from autonomy to complete integration (e.g., Haspeslagh and Jemison 1991). Integration may also vary both in terms of how the companies are integrated, and what is integrated. With regard to how companies are integrated, this describes whether the acquirer replaces functions of the acquired party, the acquired party replaces functions of the acquirer, or if an integration of equals within each function is pursued. What is integrated instead deals with what functions are brought together (cf. Andersson and Mattsson 2007), where Homburg and Bucerius (2005) focus on integration of the marketing function, including achieved similarities in marketing.
systems, structures, activities and processes. This chapter describes integration towards customers, which here includes possible changes in sales organisations, products sold and brand representation, and how these are integrated. In contrast to Homburg and Bucerius (2005), the focus is thus on change towards customer rather than on achieved similarities between M&A parties. If looking at the M&As presented in this thesis, these vary from non-integration in all aspects, to complete integration of products. Table 8:1 summarises what is integrated and how related to customers in the eight M&As.

**Table 8:1 Integration towards customers**

<table>
<thead>
<tr>
<th>M&amp;A</th>
<th>What was integrated?</th>
<th>How?</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT Industries/Cesab</td>
<td>Cross-selling; sales channels were kept, products were sold via both sales channels.</td>
<td>Primary Cesab produced tracks were sold via BT Industries' sales organisation.</td>
</tr>
<tr>
<td>Toyota/Industries</td>
<td>Cross-selling; two brands, two channels; sales channels were kept, products were sold via both sales channels.</td>
<td>On some markets, BT Industries sold Toyota trucks, but primarily Toyota sold BT Industries' trucks (branded Toyota) via its sales channels.</td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>Cross-selling; sales channels were kept, products were sold via both sales channels.</td>
<td>Primarily Structurit's product was sold by Momentum's sales organisation, not the other way around. A high degree of autonomy was kept in sales.</td>
</tr>
<tr>
<td>BasWare/Momentum Doc</td>
<td>Replacing product, sales people were kept.</td>
<td>Momentum Doc's product was replaced with BasWare's. Sales people were kept, but all represented BasWare.</td>
</tr>
<tr>
<td>ADB Gruppen/Verimation</td>
<td>Cross-selling intended; sales channels were kept/Non-integration.</td>
<td>A high degree of autonomy in sales organisation, and product; less focus on product development of Verimation's product.</td>
</tr>
<tr>
<td>NetSys/Verimation</td>
<td>Replacing product, sales organisations were kept.</td>
<td>Verimation's product was to be replaced by NetSys'. Verimation's distribution net was the prime focus.</td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>Cross-selling intended, sales channels were kept/Non-integration.</td>
<td>Products and sales organisations were kept. Intended cross-fertilisation between products and in sales, but a high degree of autonomy was kept.</td>
</tr>
</tbody>
</table>

The M&As presented in this thesis exemplify three different integration strategies on the marketing side (see also Table 8:2);

(i) non-integration,

(ii) cross-selling, and

(iii) product replacement.

As can be seen from the table, the integration strategies differ in what is changed (actors and/or resources) and whether change is a complement (change in) or a replacement (change of) in these dimensions. It should be
noted though that for change to be radical on a relationship level, there
must be a change of the relationship on that level; as long as only one
dimension (actors or resources) is changed, the relationship change remains
incremental. Among the M&As presented, cross-selling appears to be the
most common integration strategy.

**Table 8.2: Integration Strategies**

<table>
<thead>
<tr>
<th>Integration Strategy</th>
<th>Characteristics</th>
<th>Initiated changes according to the ARA-model</th>
<th>M&amp;As</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-integration</td>
<td>Sales channels, brands and products kept without either of these including the other M&amp;A party.</td>
<td>None.</td>
<td>BT/Raymond</td>
</tr>
<tr>
<td>Cross-selling</td>
<td>Transfer of relationships and/or products.</td>
<td>Changes in resources provided and/or of actors.</td>
<td>BT/Cesab, Toyota/BT, Momentum/Structurit, ADB Gruppen/Verimation, Nexus/Verimation</td>
</tr>
<tr>
<td>Product replacement</td>
<td>Products being replaced and sales organisations/companies possibly merged into a single unit.</td>
<td>Changes of resources provided and possibly of actors.</td>
<td>BasWare/Momentum, Doc, NetSys/Verimation</td>
</tr>
</tbody>
</table>

Different integration strategies express expectations on customers and synergies on various levels. The non-integration strategy aims at keeping things as before, reaches a low degree of synergies, and would have the least impact on customer relationships; the M&A parties do not intend to activate a relationship change. Cross-selling aims at reaching synergies in sales, and would be driven by expectations about customers benefiting from a broader product range. In terms of customer relationships, cross-selling aims at thickening existing relationships or building new ones. Lastly, product replacement could be expected to generate the most cost savings, but if not driven by customers’ preferences or needs for the new product, would also be expected to cause the most disruption among customers. Also from the M&A parties’ side, product replacement initiates change; as resources are replaced, incremental change in customer relationships is inevitable. Whereas non-integration aims at not changing customer relationships, cross-selling invites to incremental change (and possibly radical change through the establishment of new relationships), and product replacement forces such change. This also means that the integration strategies, apart from cross-selling including establishing new relationships between M&A parties and their customers, are primarily directed towards existing relationships.

As can be seen from Table 8.1, in some M&As the integration towards customers was only intended, but never realised. Deviation from intentions and reasons will therefore be discussed in the last part of this chapter and in chapter nine. Next however, the three integration strategies outlined in Table 8.2 are described in further detail.
Non-integration

Non-integration means that the M&A parties are kept apart. Using Haspeslagh and Jemison’s (1991) terminology this is called holding or preservation, and using James, Georgiou and Metcalfe’s (1998) terminology conglomerate or autonomy. Towards customers, non-integration means that the M&A parties approach customers as individual companies; brands will be kept, as will sales channels and no cross-representation of products will occur (see Figure 8:1).

This strategy is most evident following BT’s acquisition of Raymond. Whereas some limited integration was initially attempted in terms of product development and also later in purchasing, BT and Raymond acted independently towards customers;

We have acquired Raymond, but for me, from the sidelines, it feels more like an equity investment than the active management of the business. Now it has turned out well. Raymond earn a lot of money and it is a sound business, but we have not actively put the BT imprint on it as I see it.

Thomas Persson, BT Products

This meant that in the US, warehouse trucks were manufactured by Raymond, and branded Raymond, while in Europe, BT manufactured BT branded warehouse trucks. Integration was pursued in the US between BT’s previous representatives there, Prime Mover, and Raymond, but also the Prime Mover brand was kept. Differences in customer preferences, Raymond being profitable and also as a consequence of Raymond working for its independence, meant that BT Industries and Raymond were not integrated but instead continued to act as separate companies;

Synergies were achieved mainly in administrative areas, where it was possible to make quick gains without affecting so many people. It was not difficult to reach agreement on these matters. But when entering areas such as the right to manage product development, or how customer relationships are treated, or even purchasing – where inches or centimetres should be applied, and such matters – then it instantly becomes more difficult.

Håkan Dahllöf, BT Industries

The non-integration was strongly driven by the idea of not disturbing the original companies, their employees or their relationships to others (as long
as the companies were profitable), which also implies that integration was expected to negatively impact these. The M&A parties would expect that customers continued to buy as before and even more so; that customers were change avoidant.

**Transfer of products and/or relationships**

Most of the M&As studied aimed at cross-selling; either through selling the acquired party's product to the acquirer's customers, as was the case in Momentum’s acquisition of Structurit, BT's acquisition of Cesab and Toyota's acquisition of BT, or through selling the acquirer's product to the acquired party's customers, as were the intentions in ADB Gruppen’s and Nexus’ acquisitions of Verimation. In the Toyota/BT acquisition, Toyota also provided trucks to BT on certain geographical markets, meaning that cross-selling was performed both ways.

Cross-selling would either mean initiating new relationships towards the other party's customers, or that the other party’s product would be sold via existing channels, that is, the product would be transferred to the first party, which in turn sold it to its existing customers. Table 8.3 summarises these dimensions for the studied M&As, and Figure 8.2 shows various ways of cross-selling.

**Table 8.3 Dimensions of cross-selling**

<table>
<thead>
<tr>
<th>Using existing sales channels</th>
<th>Acquired party's product to acquirer's customers</th>
<th>Acquirer's product to acquired party's customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building relationships between the product provider and the other party's customers</td>
<td>Momentum/Structurit</td>
<td>ADB Gruppen/Verimation</td>
</tr>
<tr>
<td></td>
<td>BT/Cesab</td>
<td>(Toyota/BT)</td>
</tr>
<tr>
<td></td>
<td>Toyota/BT</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 8.2 Cross-selling – Transfer of products and/or relationships.** Illustrations I to III indicate that products are transferring between M&A parties, but that no new customer connections are intended. Illustrations IV to VI show how an M&A party aims to establish customer relationships with the other M&A party's customers.
Integration, M&A Parties' View

Those instances where cross-selling would be pursued through connecting the product provider with the other party's customers (see Illustrations IV to VI in Figure 8:2), mean that the integration aimed at transferring relationships. Provision of products from one party to the other and selling them through previously established channels (Illustrations I to III in Figure 8:2) only mean that additional products are added within existing relationships. In terms of change, transferring relationships implies an intended radical change through establishing new relationships, while provision of products implies an intended incremental change through offering additional products.

Product transfer

The integration following BT's acquisition of Cesab and Toyota's acquisition of BT aimed at transferring products and the prime focus was the acquirer's customers. In the Toyota/BT acquisition, such product transfer had been accomplished even prior to the acquisition, which meant that the integration did not bring about any direct changes in the interface towards customers (but for on those geographical markets, where Toyota trucks were sold by BT following the acquisition). Becoming a full-range supplier was what drove integration in these acquisitions, while synergies were expected to be limited;

Now we can offer customers a complete product range. We now stand on two legs, and can fight for those customers that want a single truck supplier for the entire logistic chain.

Carl-Erik Rödnerstråle, CEO, BT Industries in Wängelin (1999b)

TICO's acquisition of BT was perhaps not primarily driven by achieving synergies, but by achieving complementary strengths. And then the goal as such was not to rationalise. The goals were to become a full-range supplier able to offer a complete programme to customers, to secure a warehouse business they did not have themselves, to secure presence in certain markets where they were not represented. The effect is consequently more to what degree we are more global today, to what degree we are considered to be a full-range supplier by customers, and how this has affected the market share.

Håkan Dahllöf, BT Industries

As in the case of non-integration, integration towards customers and winding up brands were considered risky, as this would disturb ongoing customer relationships. Instead however other issues arose; the acquired party manufactured products with the acquirer's brand name, while at the same time, the acquired party continued to sell its own product. Since both parties remained on the market this might lead to the acquirer and the acquired party competing for the same customers;

So I may end up fighting with Cesab. I may lose a deal to a Cesab machine. And then I can tell the customer: “This is good, this works our way anyway”.

Stefan Orrgren, BT Svenska
They [large customers] can turn to both BT and Toyota asking for the same offer, and then try to compare the prices, service offered, and so on, from both of us. They know that the warehouse truck they receive from Toyota is actually a BT truck dressed in other colours, and the reverse. They try to put themselves above the rules of BT and Toyota.

Per Zaunders, BT Industries

Differentiation of products became a main concern following Toyota’s acquisition of BT Industries. Whereas keeping sales channels and brands resembles the expectations on customers’ unchanged buying behaviour discussed in chapter six, the need to differentiate implies that customers are open for changes. Transferring products would be built on ideas that customers would benefit from the added products and would change their buying behaviour accordingly.

**Relationship transfer**

Relationship transfer refers to M&As in which new relationships with customers are intended in terms of connecting the acquired party to the acquirer’s customers, or the other way around. Following Momentum’s acquisition of Structurit, with the help of the acquirer’s sales representatives, Structurit could contact Momentum’s customers;

> There were some established customer contacts, our salesmen directly got the opportunity to run on these contacts. We knew the customer and via the seller of real estate systems we were introduced.

Peter Sjöberg, Structurit/BasWare

The intentions following ADB Gruppen’s acquisition of Verimation were that consultancy from ADB Gruppen should be sold to Verimation’s customers, and following Nexus’ acquisition of Verimation, the aim was to reach Verimation’s customers for added sales. Momentum’s acquisition of Structurit is similar to BT’s acquisition of Cesab and Toyota’s acquisition of BT in that the acquisition aimed at providing additional products for the acquired party’s customers, while ADB Gruppen’s and Nexus’ acquisitions of Verimation were directed towards acquiring a customer base; the acquired party’s customers. Regardless of direction, transfer of relationships means that customers are expected to change their buying behaviour. The M&A parties expect that there is a value in existing relationships, and that these may guide the customer in reaching a decision. Ownership connections are assumed to help accessing these customers.

Whereas some relationship transfer was achieved following Momentum’s acquisition of Structurit, ADB Gruppen and Nexus were less successful. In these acquisitions, no cross-selling was achieved. Difficulties in transferring relationships are related to customers’ willingness and benefit of establishing these additional relationships;
It is difficult to achieve synergies, I have seen that in other companies as well. One salesman sold real estate systems and we sold electronic invoice systems. There were ideas about selling each others’ products, which were very difficult. It became more of giving each other tips; you found out that this customer was interested in invoice processing and then I could go there and talk. … It was mainly when presenting the company that we referred to the various parts.

Patrik Fältman, Structurit/ReadSoft

**Absorption or replacement**

In two of the studied M&As, integration meant that products were to be replaced. This occurred following NetSys’ merger with Verimation and following BasWare’s acquisition of the estate of Momentum Doc. If using Haspeslagh and Jemison’s (1991) terminology these M&As would in their integration intentions be named *absorption*. Towards customers, such an approach would commonly mean that customers meet the M&A parties as a single unit, where the parties are brought together on equal terms, or that one party is absorbed by the other (see Figure 8:3).

![Figure 8:3 Product replacement or absorption.](image)

In both the NetSys/Verimation and the BasWare/Momentum Doc M&As, the acquirer was interested in the acquired party’s customers, and in both these M&As, the acquired party’s product would be replaced by the acquirer’s. To smoothen what to the acquired party’s customers would be a shift of products, this was referred to as an *upgrade* in both M&As;

We need an international sales channel. At the same time Verimation needs a product complement. Memo has 2.5 million users who need to upgrade.


Although we say that the products are merged together to customers, the Momentum Doc product is dead and we look at what functionality is interesting and try to develop that functionality for the BasWare product.

Anders Sahlgren, BasWare

Furthermore, sales contacts on a person-to-person level were kept, while now representing the acquirer’s firm. Transfer of products and/or relation-
ships mean that customers can voluntarily choose to connect to the other party, let alone start using the other party’s products. Product replacement is a forced activity, meaning that the customer cannot choose to continue with its initial product. In that sense, product replacement requires the strongest change for customers and would be underpinned by ideas about that the customer will benefit from the product change, or that it is possible to steer the customer to buy the other party’s product. At the same time, the acquirers in the M&As mentioned seemed to safeguard themselves through keeping sales representatives, and also through launching their products as an upgrade. As with non-integration and transfer as integration strategy, although change was introduced, there seemed to be a belief that customers were change avoidant.

Customer and relationship expectations

Chapter six described how expectations on customers underpinned motives, where three groups were found (i) responsive activities, (ii) speculations about future activities, and (iii) expectations on unchanged behaviour. Integration strategies could also be understood as being underpinned by expectations on customers, and further, on relational outcomes. As with motives, integration could be understood as a responsive activity; something which would be the case if integration meant adjusting to previous activities of customers (e.g., them actually buying from the acquirer and the acquired party prior to the M&A, which was the situation for some customers prior to Momentum’s acquisition of Structurit, but also adjustments to activities of internationalisation or one-stop shopping). Apart from such adjustments, much of the integration strategies seem to imply that customers are change avoidant. This is most evident when M&A parties are not integrated at all, but can also be seen in that brands or products are kept in cases of cross-selling, and that person-to-person relationships are kept in product transfer and product replacement. Cross-selling expects that customers will benefit from additional products being provided, and when relationship transfer is part of the integration it is expected that existing relationships and bonds of ownership will make customers want to connect to the other party. Product replacement is the only integration strategy where customers must change; whereas cross-selling may lead to customers starting to buy new products, product replacement forces such a change. Ideas underpinning product replacement include that customers will benefit from a product shift, or that M&A parties are able to steer customers in such a direction.

With regard to relationship outcomes, non-integration is strongly driven by continuity in existing relationships, cross-selling aims at incremental change through adding products to existing customers, and radical change means connecting previously unconnected customers and M&A parties. Product replacement would mean expected incremental change when products are replaced but are provided through previous sales channels, and is possibly radical for customers belonging to a party that is absorbed by the other following the M&A, should personal relationships be broken off.
Table 8:4 summarises expectations on customers related to the various integration strategies and what relational changes the M&A parties expected based on these strategies.

**TABLE 8:4 CUSTOMER AND RELATIONSHIP EXPECTATIONS BASED ON INTEGRATION STRATEGIES**

<table>
<thead>
<tr>
<th>Integration strategy</th>
<th>Expectations on customers</th>
<th>Expectations on relationship change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-integration</td>
<td>Expectations on unchanged behaviour. Customer change avoidant.</td>
<td>None.</td>
</tr>
<tr>
<td>Cross-selling</td>
<td>Speculations about future activities; customers benefit from added product. Customer change avoidant as regards brands and person-to-person relationships.</td>
<td>Incremental change through additional products.</td>
</tr>
<tr>
<td>Relationship transfer</td>
<td>Speculations about future activities; exploration of existing relationships, where ownership bonds enables additional relationship building. Customers benefit from added relationships and products, or are possible to steer.</td>
<td>Radical change through establish relationships between one party and the other party’s customers.</td>
</tr>
<tr>
<td>Product replacement</td>
<td>Speculations about future activities; customers benefit from product replacement or could be steered. Existing relationships vouch for continuity.</td>
<td>Incremental change through product replacement. (Radical if an M&amp;A party is absorbed and person-to-person relationships are broken off.)</td>
</tr>
</tbody>
</table>

Customers affect the integration strategies as they seem to restrict the degree of integration and colour the integration solutions; while integration aims at changes in the customer interfaces, they are commonly backed-up by continuity in one or more dimensions (brands, sales staff, companies). Should customers not be considered when planning integration there would be no reason not to integrate the companies completely towards customers. But, this is not done in any of the studied M&As; there is always at least one dimension of continuity.

**Integration based on motives**

Why are then companies integrated? There would be expected to be a positive relationship between cost synergies and integration. Theoretically spoken, the degree of integration may vary with, for instance, the need for strategic interdependence and organisational autonomy (Haspeslagh and Jemison 1991), the capability acquired (Chaudhuri and Tabrizi 1999), strategic and organisational fit (Datta 1991), and redeployment intentions (Capron, Dussauge and Mitchell 1998). What would further be expected is that integration would match the motives of the M&A; if for instance synergies are a key motive, a higher degree of integration would be expected, than if the aim is to reach cash flow or revenues from an existing business. And if the acquisition aimed at reaching customer relationships, it would be expected that the acquirer would attempt at bonding with customers of the acquired party. But is this necessarily the case?
If looking at the motives of the M&As described in this thesis, this does not fully apply. The M&As presented exemplify instances of integration matching motives, but also illustrate M&As where the course was altered. Table 8:5 compares motives and integration in the eight M&As.

### Table 8:5 Intentions at the Acquisition Point and Integration

<table>
<thead>
<tr>
<th>M&amp;A</th>
<th>Acquisition point</th>
<th>Integration</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT Industries/Cesab</td>
<td>Customers preferring one-stop shopping.</td>
<td>Cross-selling; sales channels were kept, products were sold via both sales channels.</td>
<td>Integration corresponding to motives.</td>
</tr>
<tr>
<td>Toyota/BT Industries</td>
<td>Creating a world market leader. (One-stop shopping.)</td>
<td>Cross-selling; two brands, two channels, sales channels were kept, products were sold via both sales channels</td>
<td>World market leadership could be interpreted as aiming at creating a single strong actor; synergies were however not in focus.</td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>Structurit’s product of interest for Momentum’s customers.</td>
<td>Cross-selling; sales channels were kept, products were sold via both sales channels.</td>
<td>Integration corresponding to motives.</td>
</tr>
<tr>
<td>BusWare/Momentum Doc</td>
<td>Customer base; reduce competition. Strong position in Sweden.</td>
<td>Replacing product, sales people were kept.</td>
<td>Initially it was believed that products would be kept, but integration corresponding to motives.</td>
</tr>
<tr>
<td>ADB Gruppen/Verimation</td>
<td>Verimation’s customer base (notion: they would benefit from cross-selling).</td>
<td>Cross-selling intended; sales channels were kept/Non-integration.</td>
<td>Cross-selling was not realised; Verimation was divested.</td>
</tr>
<tr>
<td>NetSys/Verimation</td>
<td>Verimation’s customer base (notion: they needed to upgrade). Strong actor.</td>
<td>Replacing product, sales organisations were kept.</td>
<td>Due to activities of both Verimation and customers, Verimation’s product was not replaced.</td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>Verimation’s customer base (notion: they would benefit from cross-selling).</td>
<td>Cross-selling intended; sales channels were kept/Non-integration.</td>
<td>Cross-selling was never realised.</td>
</tr>
</tbody>
</table>

As can bee seen from the table, motives either correspond to, or deviate from, motives (see Table 8:6).

### Table 8:6 Integration vis-à-vis Motives

<table>
<thead>
<tr>
<th>Integration vis-à-vis motives</th>
<th>M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corresponding to motives</td>
<td>BT Industries/Cesab</td>
</tr>
<tr>
<td></td>
<td>Momentum/Structurit</td>
</tr>
<tr>
<td></td>
<td>BusWare/Momentum Doc</td>
</tr>
<tr>
<td>Deviated from motives</td>
<td>BT Industries/Raymond</td>
</tr>
<tr>
<td></td>
<td>Toyota/BT Industries</td>
</tr>
<tr>
<td></td>
<td>ADB Gruppen/Verimation</td>
</tr>
<tr>
<td></td>
<td>NetSys/Verimation</td>
</tr>
<tr>
<td></td>
<td>Nexus/Verimation</td>
</tr>
</tbody>
</table>
Integration corresponding to motives
Following BT’s acquisition of Cesab, Momentum’s acquisition of Structurit and BasWare’s acquisition of Momentum Doc, integration was in line with the motives. While it was not clear from the motives whether only products or also relationships would be transferred in the BT/Cesab and Momentum/Structurit motives, they clearly indicated that added products would be supplied to the acquirer’s customers. BasWare’s acquisition of Momentum Doc aimed at creating a strong actor and reaching Momentum Doc’s customers as well as prospective customers which BasWare and Momentum Doc were competing for at the time of the acquisition. These acquisition motives opens up for various integration strategies, where the strong actor dimension implies a complete integration, which also was what BasWare introduced.

Levels of realisation
Whereas BT/Cesab, Momentum/Structurit and BasWare/Momentum Doc managed to pursue integration in line with their respective motives, motives were not fully realised. BT did manage to sell BT branded Cesab trucks to its customers, but some customers remained sceptical towards Cesab and instead tried to reach other trucks. Equally, following Momentum’s acquisition of Structurit, cross-selling was only accomplished at more limited levels than what had initially been implied;

I cannot say that it meant any major changes. We were not that good at grasping the opportunity as we became a sovereign business unit in Momentum. We continued as we had planned for before. It was not only real estate companies, we also delivered to other sectors. So one cannot claim that the real estate companies we sold to after becoming part of Momentum would not have been there otherwise. It was HSB and such… And there was no cross-selling in the other direction either. … We worked in different business areas and ours was invoice processing. There were no overall strategies or co-ordination.

Mats Norbäck, Structurit/BasWare

And following BasWare’s integration of Momentum Doc and the replacement of Momentum Doc’s products, customers came to evaluate alternatives and some left BasWare/Momentum Doc for other options. Customers impacting integration outcome will be discussed further in the last section of this chapter and in chapter nine. For now, the synthesis is that although integration may be in correspondence with motives, it is not certain that it reaches the level indicated by motives, but instead is only partly realised.

Integration deviating from motives
In BT’s acquisition of Raymond, motives concerned meeting a globalisation trend among customers and creating a strong world-wide actor on warehouse trucks. Such motives would imply an integration comparable to BasWare’s integration of Momentum Doc; the construction of a common actor to meet customers on various geographical markets. This was however not what happened. Instead BT Industries and Raymond remained two separate com-
panies. While some limited integration projects were started, but never fulfilled, and while procurement projects were pursued to reach cost synergies, the companies never attempted to integrate in the interface towards customers. The companies explained this by referring to differences in customer preferences between the companies’ respective markets (Lindstrand 1997);

American products are large, heavy, clumsy, with a rather low technical level.

Jan Munde, BT Europe

Also in Toyota’s acquisition of BT Industries, motives indicated the creation of a single actor, but this was not what happened. Instead, the companies continued to act as separate companies, while at the same time BT provided Toyota branded warehouse trucks to Toyota, and on some geographical markets sold Toyota counterbalanced trucks1. The ‘two brands, two channels’ strategy applied, and closer integration was not introduced.

Equally following ADB Gruppen’s acquisition of Verimation and Nexus’ acquisition of Verimation, intended cross-selling was not accomplished. And following NetSys’ merger with Verimation, although the companies were merged into a single unit, Verimation’s product was not replaced by NetSys’, despite this being the integration intentions. These three M&As differ from the BT/Raymond and the Toyota/BT acquisitions as in the BT/Raymond and Toyota/BT acquisitions the integration intentions implied in motives were not put into practice, while the acquisitions of Verimation included integration attempts that were not realised due to external circumstances, but which were attempted by the M&A parties. Customers played a critical part in these integration attempts not being realised, but there were also other aspects that made integration realisation a difficult task. If comparing the BT/Raymond and Toyota/BT reasons for integration deviating from motives, with the ADB Gruppen/Verimation, NetSys/Verimation and Nexus/Verimation reasons, the former adjusts to an idea of customers being change avoidant prior to integration being put into practise, while the latter realised that customers did not see the benefit of cross-selling or product replacement first since these ideas were introduced through integration. Table 8.7 summarises these two ways for customers to affect integration deviating from motives.

<table>
<thead>
<tr>
<th>TABLE 8.7 CUSTOMERS’ ROLE IN INTEGRATION DEVIATING FROM MOTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers’ role in integration deviating from motives</td>
</tr>
<tr>
<td>Pre-integration reconsiderations</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Post-integration realisation difficulties</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

1 Since the study was made, BT and Toyota have been more closely integrated.
INTEGRATION, M&A PARTIES’ VIEW

The post-integration realisation difficulties are similar to those M&As where integration corresponded to motives yet was not fully accomplished (see the “levels of realisation”-section above). Integration was put into practice, but customers interfered with its realisation. As for the acquisitions where pre-integration considerations meant that integration in correspondence with motives was not attempted, these may also mean that the view on customers shifted from the acquisition point to the integration. In BT’s acquisition of Raymond, the acquisition was driven by customers' internationalisation, that is, the acquisition was a responsive activity. At the integration point, the belief instead seemed to be that customers would continue to buy as they had done before; the same trucks from the same suppliers rather than globally centralising their truck purchases. The change of view on customers is less clear in the Toyota/BT acquisition. The M&A emphasised the creation of a strong actor, which would imply the creation of a single unit. With Toyota and BT being the world-market leaders in their respective niche; counterbalanced and warehouse trucks, the sum of parts would be enough to create such an actor, given that customers would not change their buying patterns. The acquisition motives however also included the mentioning of one-stop shopping, which made the acquisition a responsive activity. Integration meant cross-selling, which in the case of BT providing trucks to Toyota was the same as before the acquisition; by definition customers were not expected to change their buying behaviour, whereas BT’s provision of Toyota trucks to customers indicated that customers would benefit from such a bundling of products. At large, the ‘elephant in a china shop’ metaphor applied to Toyota’s integration strategy;

The world of Toyota is the world of cars. To give a simplified picture, there were people in the management of Toyota saying, “Look what Daimler did with Chrysler. Look what BMW did with Rover. We will not do that to BT, we will not go there and think that we can conquer a business that we do not know. We know that there is a synergy potential in size, but too great a desire to realise these synergies could mean risking the entire value. We will not enter the company like an elephant in a china shop. We prefer to realise synergies later rather than be too eager.”

Carl-Erik Ridderstråle, previously BT Industries

Customers and integration realisation

The sections about levels of realisation and integration deviating from motives indicate that customers affect integration realisation, either through their reactions, which will be discussed in next chapter, or through M&A parties (re)considering customers before integration is put into practice. Furthermore, customers may have limited integration as such, based on that the M&A parties viewed customers as change avoidant, and so forth.

Integration realisation may however be influenced by forces other than customers. The NetSys’ merger with Verimation showed that the acquired party alienated from the acquirer and that this disabled integration. In this particular case, Verimation staff allied with customers and created a sub-unit
within NetSys. Such alienation and allying also occurred when Momentum faced liquidation, as the Momentum Doc staff realised that Momentum Doc’s value was found in its customer relationships. Following BT’s acquisition of Raymond, Raymond, as the acquired party, fought for its independence. This became evident during the development projects that were started but not completed, and also in how Raymond showed low interest in actively participating in international deals. Explanations for keeping BT and Raymond as separate companies referred to differences in customers’ preferences, but such an explanation was well in line with Raymond’s wish to remain independent. Although it was not as evident, a similar situation occurred following Toyota’s acquisition of BT; Toyota dealers (i.e., customers to the acquirer) worked to keep the companies separate with regard to whether Toyota would provide BT with counterbalanced trucks. It was also in the interest of the acquired party, BT Industries, to remain an independent actor, something, which was seen not least in BT’s decision to turn to Toyota when it became evident that BT was up for sales;

There were far-reaching discussions with a number of bidders, also competitors, interested in acquiring BT. … We [BT management] had very clear preferences as to who we wanted to be the future owner of BT. … We made our Japanese friends [Toyota] understand that time was running out, otherwise BT would be in other hands. BT was of course aware that Toyota was among the interested bidders, since there were business relations between BT and Toyota.

Carl-Erik Ridderstråle, previously BT Industries

BT Industries wanted to avoid that Jungheinrich or Linde (BT’s German competitors) would acquire the company, as this would threaten continuous independence of BT Industries.

Another component also affecting integration realisation was that of new events. ADB Gruppen’s integration intentions were interrupted as ADB Gruppen ran into profitability problems and decided to divest Verimation. Similarly, BT’s acquisitions of Raymond and Cesab were followed by Toyota’s acquisition of BT and an alteration of direction.

But whereas forces such as the acquired party and new events affected integration realisation, they often did so in conjunction with customers affecting integration realisation. Below, customers’ impact on integration realisation is outlined (see Table 8:8), in terms of;

(i) customers limiting integration intentions,
(ii) pre-integration reconsiderations,
(iii) independence being argued through customers,
(iv) customers not acting according to integration intentions, and
(v) customers actively working against integration.
The first two (i-ii) mean restricting integration from the M&A parties’ perspective, the last two (iv-v) refer to how customers as actors affect integration realisation, and the middle alternative, independence being argued through customers, may include both M&A parties (the acquired party) and customers. The five categories are not fully exclusive, but overlap to various extents.

**Table 8.8 Customers affecting integration realisation**

<table>
<thead>
<tr>
<th>Customers affecting integration realisation</th>
<th>Explanation and examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers limiting integration intentions</td>
<td>Ideas about customers limit M&amp;A parties’ integration strategies (e.g., through keeping brands or sales channels).</td>
</tr>
<tr>
<td>Pre-integration reconsiderations</td>
<td>M&amp;A parties not putting integration in accordance with motives into practice as these would challenge existing relationships.</td>
</tr>
<tr>
<td>Independence being argued through customers</td>
<td>Acquired party allies with customers or point out customer differences to argue non-integration.</td>
</tr>
<tr>
<td>Customers not acting according to integration intentions</td>
<td>Customers not seeing the benefit of for instance bundling of products, connecting to the other party or product replacement.</td>
</tr>
<tr>
<td>Customers actively working against integration</td>
<td>Customers objecting to integration through for instance searching for allies among the acquired parties.</td>
</tr>
</tbody>
</table>

**Customers limiting integration intentions**

All the M&As studied showed that integration was delimited in at least one dimension. Non-integration meant that the M&A parties did not initiate any relational change. Cross-selling meant that brands, products and sales channels remained, but were complemented with additional products and/or relationships. Per definition, cross-selling means that previous relationships remained unchanged (e.g., Momentum continued to sell its product to its existing customers, as did Structurit to its), while products were added or new relationships were attempted. Also cases of product replacement were strongly driven by ideas about keeping person-to-person relationships. On the whole, customers as change avoidant seemed to restrict integration on various levels.

**Pre-integration reconsiderations**

In cases where integration intentions deviated from motives, customers played a role in the change of direction. This could be seen as a specific case of customers limiting integration intentions, where the specificity lies in that the M&A parties reconsidered their initial view on customers. Furthermore, in those cases where this applied, there was a time lapse between the acquisition point and integration. This means that customers through their initial (re)actions or through customer activities not specifically related to the M&A may have influenced these reconsiderations.

**Independence being argued through customers**

As described in the beginning of this section, acquired parties fought for their independence in some of the M&As. This was either driven by a wish...
to remain an independent party (Raymond following BT’s acquisition; BT in Toyota’s acquisition) or a result of the acquirer mistreating the acquired party, its customers or the combined company in the eyes of the acquired party (see Momentum Doc when Momentum was to be liquidated, and Verimation following NetSys’ integration attempts). In aim to remain independent customers may be used as an argument; either through referring to that there were no synergic relationships between customers; the acquirer’s and the acquired party’s customers were different in their preferences, or through pointing at that the acquirer’s intentions would harm the acquired party’s customer relationships. These arguments were either pro-active leading to the integration intentions not being put into practise, or re-active as the acquired party did not act according to the acquirer’s intentions and allied with customers.

Customers not acting according to integration intentions

When integration was not realised, at all or in part, based on customers not acting accordingly, this meant that integration intentions were not fully accomplished. This was seen when customers did not start buying products their suppliers had added to their portfolio, did not connect to the other party, or chose not to buy a product that replaced the customer’s initial choice. Customer reactions and reasons therefore will be discussed in further detail in the next chapter.

Customers actively working against integration

In some instances, the customer chose to actively work against the integration, either through questioning it, or through allying with the acquired party in keeping the acquired party independent. Such actions will be discussed further in next chapter.
Integration – Customers’ view

The acquisition point raised questions about what would happen and integration may at least partly answer these questions, while at the same time, new issues may arise. In this chapter, the customers’ view of integration is in focus. The chapter is structured in the following way: (i) a general discussion on integration from a customer perspective, (ii) what drives customer actions related to integration, (iii) types of customer actions, and (iv) relationship outcomes based on customer actions and M&A parties’ integration.

Integration from a customer perspective

Chapter seven described customer relationship and change related to the acquisition point. Four scenarios of relations applied; (i) the customer having a relationship with the acquirer, (ii) the customer having a relationship with the acquired party, (iii) the customer having a relationship with the acquirer and the acquired party, or (iv) the customer not having any relationships with any of the M&A parties. In the same way, integration will promote these relational outcomes, with two added possibilities; a connection to, or disconnection from, a merged supplier (see Illustrations IV and VI in Figure 9:1).

Customer connections to M&A parties may entail dimensions of change compared both to the pre-M&A relationships and to relationships following the acquisition point. As outlined in chapter seven (Figure 7:4), shifts may include connecting to and disconnecting from M&A parties; a relationship with one of the parties may be accompanied by a relationship with the other M&A party, exchanged for such a relationship, or dissolved. The situation however may also remain as before.
Table 9.1 repeats relationships between the M&A parties and interviewed customers following the acquisition point (see also Table 7.7, chapter seven) and acts as a starting point for discussions on change in this chapter.

### Table 9.1 Customer relationships following the acquisition point

<table>
<thead>
<tr>
<th>Customer to acquirer</th>
<th>Customer to acquired party</th>
<th>Customer to acquirer and acquired party</th>
<th>No ongoing customer relationship with M&amp;A parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT/Raymond</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BT/Cesab</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toyota/BT</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>HSB; Saab</td>
<td>Kopparsstaden; Örebrobstäder</td>
<td></td>
</tr>
<tr>
<td>BuWare/Momentum</td>
<td>Scania; Fakturanjämn; HSB; Kopparsstaden; Saab; Örebrobstäder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADR/Gruppen/Verimation</td>
<td>Ericsson, IKEA, InfoData</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nexis/Verimation</td>
<td>Ericsson, IKEA, InfoData</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>IKEA, InfoData</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
If looking at the customers interviewed following the acquisition point, the customers were largely connected to the same M&A parties as prior to the M&As. At the acquisition point, some incremental reactions appeared primarily connected to turbulence, which resulted in customers biding time, that is, it led to an incremental reaction of frequency.

**Integration and change**

Outcomes may be a situation of non-change, an incremental change where relationships remain but are changed in their contents, or radical, that is, relationships are broken off or established. Chapter eight showed that M&A parties tended to restrict integration based on customer concern or based on customer actions, and that radical changes were only expected in terms of new relationships being built between customers and the M&A party these customers did not already have an ongoing relationship with. These new relationships would either be accomplished through transferring relationships, or replacing relationships, where the studied M&As did not aim to replace relationships; personal contacts were commonly kept.

Whereas the acquisition point is a clear demarcation in time, integration may start directly after the acquisition point, array over several years or be a sequence of integration events. This enables customers to intervene with integration, but also to act and react before and following integration; it is not merely a question of **reactions**, but also of **pro-actions**. For this reason, customers’ actions to integration are referred to as “actions” rather than “reactions”.

**Driving forces for customer actions**

In terms of integration, the cases in this thesis represent three different integration strategies towards customers: non-integration, cross-selling and replacing products. Following these integrations, customers responded in terms of continuing to buy as previously, starting buying also from the other party in the M&A, looking for alternatives, dissolving relationships, or by requesting changes by the present supplier. Whereas reactions at the acquisition point where driven by **actor aspects** or the **M&A activity**, actions following integration were primarily M&A activity driven (driven by the integration) or driven by other activities of the M&A parties or customers; actor aspects were already sorted out at the acquisition point. The presentation of driving forces for customer actions to integration deals with the following two groups of drivers; **integration activities** as a driver for customer actions, and **other activities** leading to customer actions.

**Integration activities as drivers for customer actions**

Through non-integration, cross-selling or product replacement, the M&A parties showed what changes they were aiming for; customers would be expected to continue to buy as previously, start buying the other M&A party’s products also, or want to change their product of use (‘upgrade’). What is apparent is that customers at the integration point responded more closely to what the M&A parties aimed at achieving than they did at the acquisition
INTEGRATION, CUSTOMERS' VIEW

point. At the acquisition point much M&A activity reactions dealt with uncertainty or confusion, following integration, customers more closely followed the M&A parties’ integration intentions. This did not mean however that customer activities corresponded with the M&A parties’ integration intentions (that is, for example, that customers actually connected to the other party when M&A parties expected cross-selling), only that the driving forces spurred from the parties’ actual activities. Less actions concerned uncertainty or confusion. Integration activities leading up to customer actions could be divided according to integration strategies of the M&A parties;

(i) non-integration,
(ii) cross-selling,
(iii) replacement,

but also to;

(iv) changes in personal relationships, and
(v) changes compared to what customers had expected at the acquisition point.

Non-integration
When M&A parties decided not to integrate companies, customers mostly also continued to buy as previously. Non-integration was primarily seen following BT’s acquisition of Raymond, where the M&A parties continued to act independently of each other. Other M&As also saw partial non-integration. For customers belonging to the acquired party following BT’s acquisition of Cesab, to some extent following Toyota’s acquisition of BT, and for non-real estate customers of Structurit following Momentum’s acquisition, the acquired party continued to act as previously without adding products or relationships. Similar situations occurred for acquiring parties’ customers when the acquirer aimed at adding relationships to itself or transferring products to the acquired party, as was seen following ADB Gruppen’s and Nexus’ acquisitions of Verimation. Where cross-selling was performed but not expected to impact the acquired party’s or the acquiring party’s customers, issues of competition, lessened focus, and so on, could however work as a driving force for customers.

Cross-selling
Cross-selling either meant that new relationships were aimed at through connecting the customer to the other M&A party, or that the M&A party the customer already had a relationship with added products to its offering. For customers of BT following the acquisition of Cesab, the integration meant that additional products were offered. For Verimation’s customers following ADB Gruppen’s and Nexus’ acquisitions and for Momentum’s customers following the acquisition of Structurit, additional relationships were attempted. Compared to non-integration, cross-selling invited change, but did
not force any change. It only opened up opportunities for cross-buying. Results may either be in compliance with M&A parties’ intentions, or diverge from these, depending on whether customers saw the integration as something that would benefit them or not (cf. customers not seeing the benefit of the M&A as driving force following the acquisition point, see chapter seven).

**Replacement – Integration as forced change**

A third driving force related to M&A parties’ integration was that of product replacement. This was seen in the BasWare/Momentum Doc and the NetSys/Verimation M&As. As the acquired party’s product was to be exchanged with the acquirer’s, the customers did not have the option to continue as previously. Did this mean that customers acted in compliance with M&A parties’ intentions? Not necessarily. The NetSys/Verimation merger showed that customers disabled product replacement, while the BasWare/Momentum Doc acquisition led to customers re-evaluating their choice of product and in some cases dissolving their relationships.

**Changes on a person-to-person level**

Whereas non-integration, cross-supplying and product replacement brought about changes directly related to the M&A parties’ integration intentions, staff leaving the M&A parties and the dissolutions of personal ties were consequences of these integration strategies, which also worked as driving forces for customer actions. This further means that various driving forces could interact. To exemplify this, the decision to replace Momentum Doc’s product with BasWare’s meant that some people who had worked with an upgraded version of Momentum Doc’s products left the company. This dissolved personal business relationships between representatives of customer companies and Momentum Doc, and meant a further incentive to change suppliers;

As Momentum dissolved, one of their development managers, Stefan Wallin, and some other people left. … It was fewer and fewer that knew the StairWay product. This we experienced successively and it certainly was a setback for us when Stefan Wallin left, since much was built on his knowledge about StairWay – our installation and our customisations.

Lars Gullqvist, Saab

At the same time, continuity on a person-to-person level may function as a stabiliser when other changes were initiated. This was seen both in the integration strategies, where sales staff were normally not exchanged regardless of integration intentions, but also, for instance, in the NetSys/Verimation merger. The staff of Verimation were important for customers as IKEA to continue using Verimation as supplier. And following BasWare’s decision to replace Momentum Doc’s product, personal relationships worked as stabilisers.

**Changed integration compared to expectations**

When the acquisition announcement brought about uncertainty, integration may well clarify the M&A parties’ intentions, but could also be seen as a new event driving new actions. As seen in chapter eight, integration was not
always in compliance with motives; in BT's acquisition of Raymond, Toyota's of BT, ADB Gruppen's of Verimation, NetSys' merger with Verimation and Nexus' acquisition of Verimation, integration deviated from what motives had implied. Whereas deviations in integration in the Verimation M&As were results of customer actions, the BT/Raymond and Toyota/BT acquisitions meant that adjustments were made beforehand. These changes functioned as driving force for customer actions, as customers would have expected more than what was realised. In the same way, when direction was altered from what could be anticipated from initial activities, this may cause a customer action. Although motives suggested a complete integration in the BasWare/Momentum Doc acquisition, customers initially thought the companies would remain separate, but it later turned out that Momentum Doc's product was to be replaced.

‘M&A-external’ activities as drivers for customer actions

M&A parties’ activities
As integration may occur several years after the acquisition point and be a series of events, it intervenes with other activities, which may also cause customer actions. Examples of these are NetSys' summons and the financial problems of Momentum which led to liquidation. These activities made the acquired party's customers question the acquirer. In some sense, these are similar to reputation as driving force for reaction at the acquisition point. The difference however lies in that it is how customers experienced the M&A party based on its activities that drove action at the integration point, whereas reputation at the acquisition point was more connected to hearsay or traditional goodwill.

Customer activities
Customers were also naturally involved in other activities during integration. Örebrobostäder, as customer to Momentum Doc, for example decided to change its accounting system and following this, also to change its system for electronic invoice processing. InfoData was acquired by Schlumberger, leading to new directives for e-mail systems. Volvo Group worked with a global procurement deal for trucks, and several other customers also aimed at reducing their number of suppliers. These customer activities either strengthened actions or worked opposite to radical changes of dissolution.

Furthermore customers were affected by other customers' activities. Actions of other customers may well strengthen or counteract a driving force for action by a single customer. Various HSB associations came to make the same decision regarding BasWare based on their combined strength.

The customer base vouched for continuity when financial problems arose for Momentum and NetSys. At the same time, customers leaving a company may lead to additional customers deciding to dissolve their relationships with the supplier. This was evident in the acquisition history of Verimation.
The lay off of staff and at the same time many of the large companies in Sweden left Verimation. It was Ericsson and Volvo, and others. The discussions started again here. This was one of the reasons for things not going well for them. Many others converted to other systems.

Tord Åkesson, IKEA

Table 9:2 summarises the various driving forces related to integration. Some relate directly to the M&A parties' integration activities, while others may reinforce or counterforce actions at integration, let alone drive actions on their own; driving forces as change on a person-to-person level may in turn be results of integration activities.

**TABLE 9:2 DRIVING FORCES FOR CUSTOMER ACTIONS**

<table>
<thead>
<tr>
<th>Type of driving force</th>
<th>Driving force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration activity</td>
<td>Non-integration</td>
</tr>
<tr>
<td></td>
<td>Cross-selling</td>
</tr>
<tr>
<td></td>
<td>Replacement</td>
</tr>
<tr>
<td></td>
<td>Change on a person-to-person level</td>
</tr>
<tr>
<td></td>
<td>Change compared to expectations</td>
</tr>
<tr>
<td>External activities</td>
<td>M&amp;A parties’ activities</td>
</tr>
<tr>
<td></td>
<td>Customer activities</td>
</tr>
</tbody>
</table>

Based on their connection to integration, three groups of driving forces can be seen; (i) integration as driving force, (ii) destabilising, and (iii) stabilising driving forces.

Non-integration, cross-selling and replacement would be classified as integration as driving force, while the other driving forces in Table 9:2 may be direct, destabilising or stabilising. For destabilising and stabilising driving forces Table 9:3 provides some examples.

**TABLE 9:3 STABILISING AND DESTABILISING DRIVING FORCES**

<table>
<thead>
<tr>
<th></th>
<th>Destabilising</th>
<th>Stabilising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change on a person-to-person level</td>
<td>Staff leaving the M&amp;A party</td>
<td>Continuity of staff</td>
</tr>
<tr>
<td>Change compared to expectations</td>
<td>Integration as new event, integration deviating from motives</td>
<td>Clarification of direction</td>
</tr>
<tr>
<td>M&amp;A parties’ activities</td>
<td>Financial problems of acquirer</td>
<td></td>
</tr>
<tr>
<td>Customer activities</td>
<td>Other customers leaving</td>
<td>Customers remaining by the M&amp;A parties</td>
</tr>
</tbody>
</table>

**Types of actions**

With integration and external activities acting as driving forces, what customer actions could be expected? This section describes non-action, disappointment, relief, adding products, connecting to the other party, re-evaluation and dissolution, and actively objecting integration, as customer actions.
**Non-actions**

In several of the M&As presented, nothing happened following integration; it was business as usual between customers and suppliers. Whereas in some instances this was what the M&A parties aimed at, in others, this meant that intended integration was not reached. This was seen following BT’s introduction of Cesab trucks; customers did not start buying Cesab trucks although these were branded BT and offered via BT’s sales channels;

> Cesab was never an option, the little that we saw of it. … It looked plastic, it did not look like a truck.

Lars Svedlund, DHL Express

A similar situation occurred on individual customer relationship levels following the attempted cross-selling between Momentum and Momentum Doc and following ADB Gruppen’s, NetSys’ and Nexus’ acquisitions of Verimation, customers did normally not start buying from the other M&A party. To exemplify, Ericsson was approached with NetSys’ product but was not interested in buying it;

> They entered with a somewhat different product portfolio, which they naturally tried to sell. … But I do not think that they managed to sell anything.

Jan Fagerström, Ericsson

This complies with integration deviating from motives, or un-reached levels of integration realisation as described in chapter eight, and results from customers not seeing the benefit of the other party’s product. Compared to expectations raised at the acquisition point, non-actions could entail dimensions of disappointment, but also relief.

**Disappointment**

In some cases, customers had expected more from the M&A than the actual integration managed to deliver. To exemplify, in BT Industries’ acquisition of Raymond, few customers saw any change. US customers continued to buy products from Raymond, and European customers continued to buy trucks from BT Industries. With the exception of Home Depot, few global deals were signed, and some customers acting globally perceived that BT Industries had difficulties steering its newly acquired US subsidiary;

> But Raymond has not done that much. Raymond does not feel as if it is part of BT. That is not good, not good for BT.

Jan Söderlund, Volvo NAP

In the case of Volvo Group, this meant that while Raymond was part of the contract signed between Volvo Group and BT, no actual truck deals were made with Raymond in the US.
Similarly, following Toyota’s acquisition of BT Industries, some customers had expected more than what was achieved. This was especially the case when customers were interested in attaining Toyota trucks, but were hindered as BT Industries continued to deliver Cesab trucks (in Sweden this was only done temporary, whereas for the Western European market this was the solution).

Irritation also occurs over that BT and Toyota set the rules for which trucks are available in which countries. They should give us the best product offers they have to the right price, then we will buy. But we do not want them to compete with each other with different variants. That is also irritating.

Jan Söderland, Volvo NAP

BT lives its own life, despite it being part of the Toyota group. Toyota lives its life. … There ought to be more exchange between them, they ought to learn from each other.

Anders Westerling, Saab

With the cross-selling arrangement of Toyota branded BT trucks sold via Toyota’s dealers only entailing a limited range of warehouse trucks, some customers tried to smarter this system, asking for a complete product range. Furthermore, the construct of ‘two brands, two channels’ meant that separate deals needed to be signed with BT Industries and Toyota. For Volvo NAP, for instance, in its negotiation for a global deal, the company met different set-ups on different geographical markets. Separate deals were signed with BT Industries, including Raymond and Cesab, and with Toyota, where the deal with BT Industries included Toyota in Sweden, as an example.

In the beginning we said it was nice to have a deal with Toyota that covers both BT and Toyota. But we have a deal with BT where Toyota is part of the deal for Sweden. And then we have a deal with Toyota for the rest of the world, and their BT’s products are part of the deal. It is the same prices, but it takes a long time to make a deal with Toyota. They do not have the same control over their dealers as BT. … Cesab is sold in Europe, but not in Sweden, but that is also a reason for irritation. You can forget about the US; Raymond does not sell anything there.

Jan Söderland, Volvo NAP

This situation was most evident for large customers and was most complicated where various market set-ups were met by the customer. Local customers on the Swedish market did, for instance, not come into contact with the market set-ups issues. Equally, local actors as part of multinational organisations did not perceive any major changes. It was business as usual, where trucks were bought from the same sales representatives as previously. Disappointment in terms of expecting more, was in the Toyota/BT acquisition mainly perceived by central procurement divisions of international organisations.
Relief
Where the acquisition point meant turbulence, integration might bring relief. This did not necessarily cause any changes compared to the situation before the M&A, but made customers that bided their time at the acquisition point go back to buying as previously. In Nexus’ acquisition of Verimation, the acquisition meant that some questions about ownership and continuity were solved.

One effect is that the uncertainty has disappeared, and focus can be placed on developing the mail product. We can focus on other things instead of looking for alternatives. This has not resulted in any direct product effects.

Tord Åkesson, IKEA

Adding products
Several of the M&As aimed at cross-selling products; BT Industries’ acquisition of Cesab, Toyota’s acquisition of BT Industries, Momentum’s acquisition of Structurit, ADB Gruppen’s acquisition of Verimation, and Nexus’ acquisition of Verimation. Among these, it was only in the BT/Cesab and the Toyota/BT acquisitions that products were to be transferred via the existing relationships; in the other M&As the aim was to establish new relationships. On a European level, BT managed to sell Cesab trucks to its customers, whereas in Sweden this was not accomplished due to the shift to, and turbulence around, Toyota. Toyota managed to sell BT trucks to its customers, but this had been accomplished already prior to the acquisition. With the set-up on the Swedish market, where BT provided Toyota counterbalanced trucks, cross-buying did also take place.

BT has increased its share. They have received a number of large orders. ...
We bought a lot of Toyota, so they should be satisfied.

Jan Söderlund, Volvo NAP

I do not think Toyota was that big on the Swedish market. Toyota trucks were sold for several years of course, but they are more visible now with BT, since BT is big and sells a lot. You see a great deal of Toyota now.

Bo Sköldebring, Volvo Bus Corporation

Connecting to the other party
Momentum’s acquisition of Structurit, ADB Gruppen’s acquisition of Verimation and Nexus’ acquisition of Verimation aimed at cross-selling through the establishment of new relationships. While ADB Gruppen and Nexus did not manage, due to the acquired party’s customers not connecting to the acquirer, such cross-selling, in Momentum’s acquisition of Structurit, cross-selling of products did take place. It was mainly Momentum’s original customers that also bought Structurit’s product, and according to representatives of Structurit, most of these customers would still have been reached without Momentum as acquiring party. For Structurit’s customers no major
changes were perceived. What the acquisition did, however, was to equip Structurit with financial resources, and indirectly, this would have contributed to adding new customers to Structurit’s portfolio.

In all the examples which include attempted, or realised, cross-selling, products and sales staff were kept intact. This meant that whereas the cross-selling may not have been successful, customers at least continued to buy from their previous suppliers. Thus customers’ responses to cross-selling range from a non-action to possible cross-buying.

Re-evaluation and dissolution
Those acquisitions causing the strongest actions among customers were those where products were to be replaced. This happened following BasWare’s acquisition of Momentum Doc, and following NetSys’ merger with Verimation. In the former, BasWare’s product was a competing product to Momentum Doc’s, in the case of NetSys, the two products did not fulfil the same needs. However, despite that the product replacing Momentum Doc’s encompassed the same needs as Momentum Doc’s, both these M&As resulted in customers re-evaluating their suppliers.

To exemplify, Fakturatjänst, HSB, Kopparstaden and Saab saw BasWare’s product as a new offer, and turned to various suppliers to compare products:

We did not know anything about BasWare from before. … When we were to change to BasWare, we started looking at other options as well. … Palette was our main alternative. … There were two others as well, but we disregarded those quite early. It was Palette and BasWare that remained the interesting choices.

Eva Brask, Fakturatjänst

It was not at all certain that BasWare acquired market. They replaced the system and they paid for the customer base, but they could have lost HSB.

Lars Arktedius, HSB

StairWay was not developed further and we were forced into BasWare, although we were not at all satisfied with BasWare as they presented it. So we thought we would look at other options. We looked at Palette with Balzar in Nacka and it looked very good. And we looked at Agresso again, but it was not at all interesting.

Margareta Bengtsson, HSB Stockholm

Initially we thought, and got the information, that they would continue with StairWay, use it and develop it. Then we got information that they would transfer the customers to BasWare’s own system and discontinue with StairWay. And we realised that we should check the market for options.

Pär Nyberg, Kopparstaden
We looked at some alternatives, of which one was a local company from Linköping, a small company that had entered the market, and one German company that had a product which was integrated with SAP. … Those were our main options apart from upgrading. In addition we looked at some other options as well.

Lars Gullqvist, Saab

Whereas Fakturatjänst, HSB and Saab decided to shift to BasWare’s products, other customers turned elsewhere. For instance, Kopparstaden, which had been a customer to Structurit since the development phase, decided not to upgrade to BasWare’s product, and replaced Momentum Doc’s product with XOR. Calculations made by Momentum Doc indicate that sixty percent of customers did shift to BasWare, twenty replaced StairWay with an external party’s product, and at the time of the interviews, twenty percent had not yet decided. In all, it meant that during the years that followed the acquisition, BasWare lost customers and market shares, while the competitor Palette was considered the winner. For some customers, the decision to shift away from Momentum Doc/BasWare had its explanation in ongoing activities by the customer. Tele2’s decision, for instance, was affected by an M&A in the own company group; a company producing products for electronic invoice processing had been acquired, and this prompted a shift to that product. Örebrobostäder replaced Momentum Doc’s product with XOR driven by a shift to XOR as accounting system. The decision was however speeded up by BasWare replacing Momentum Doc’s product.

It was at the same time as we were changing supplier for the accounting system. And since we changed the accounting system, we also changed the invoice processing system so they would fit. We bought XOR and have them also for invoice processing.

Kenneth Haglert, Örebrobostäder

In NetSys’ merger with Verimation, the consequences in terms of dissolved relationships were even more severe. At a rough estimate, sixty to seventy percent of Verimation’s customers dissolved their previous relationship with Verimation from the introduction on the stock exchange till and following NetSys’ ownership. Ericsson was one of those which left, as was Volvo;

Volvo changes e-mail system for 60,000 users and plans to earn money on helping others to replace Memo with Microsoft. This is a slap in the face for Memo’s owner – the Mölndal company NetSys. First Memo was abandoned by Ericsson, and now also by Volvo, the company that made Memo important in the world. Above all, Volvo is participating in a project to quickly kill its old darling. In an alliance with the IT-consultant Guide and Microsoft. … Volvo has evaluated NetSys’ products but the Mölndal company was never a serious challenger for the million contract valid for both companies in AB Volvo and Volvo Cars.

Genborg (1999c)
The dissatisfaction with the new owner was clearly articulated by customers, but this also meant that Verimation’s product never was replaced. Instead, it was among other things the product lagging behind, due to efforts being placed on replacement rather than development, that caused these dissolutions. Further, the development among competitors, where competition had grown keen over the years, and where new standards were set, made Verimation’s product an aging alternative.

For customers remaining with BasWare and NetSys, continuity of staff and other customers remaining with the companies functioned as stabilisers. To exemplify, HSB Stockholm saw the contact with staff of Momentum Doc and also that other HSB associations chose to shift to BasWare as reason for following their decision.

BasWare won as we felt safe with the same people that had been at Momentum Doc. We would obtain the same project management, the same engineers that know these things. They had installed systems for us before and knew our needs. Much spoke for BasWare, so BasWare it was.

Margareta Bengtsson, HSB Stockholm

Similar reasoning can be found for Saab in the case of BasWare and for IKEA in the case of Verimation/NetSys; continuity on a person-to-person level and other customers vouched for stability. Following NetSys’ merger with Verimation, the acquired party and customers created bonds of stability as NetSys did not manage to deliver this. Personal relationships between the staff of Verimation and customers, as well as Verimation’s customer base were seen as guarantees for customers.

**Actively objecting integration**

Not starting to buy additional products or turning away from the company as the original product is replaced are actions to introduced integration. However, customers also acted proactively, for instance through approaching the M&A parties and objecting to the integration; verbally or in action.

Following BasWare’s acquisition of Momentum Doc, Kopparstaden approached Momentum Doc questioning the replacement of products;

We contacted Mats Norbäck, and as I remember it, we said that we thought it was the wrong decision to discontinue with StairWay. We were informed that the decision had already been taken, and he tried to sell BasWare to us instead.

Pär Nyberg, Kopparstaden

This was also seen as a result of M&A parties’ other activities. Following Momentum’s acquisition raids, customers turned to Momentum;
It was evident. It was very difficult to materialise changes. They were fully occupied with people in Stockholm, Falun and Ängelholm. The company was spread all over the country, and was not controllable. This meant that you could not get any changes done with anything. It was truly frustrating. Plenty of us were irritated at them and we had meetings to put our feet down, saying what needed to be done.

Kenneth Haglert, Örebrobostäder

The NetSys merger was perhaps the M&A that led to the strongest actions among customers. Some customers openly refused further contact with the acquirer, NetSys, and allied with the acquired party. IKEA as customer to Verimation turned to its contact persons at Verimation saying that they did not want to be contacted by NetSys’ staff, only by Verimation’s. The customer consequently requested the M&A parties to act in ways other than those intended.

To summarise, this section described actions of non-action, disappointment, relief, adding products, connecting to the other party, dissolution and actively objecting integration. Table 9:4 classifies the actions described according to whether they could be seen as non-actions, incremental or radical actions.

<table>
<thead>
<tr>
<th>Type of action</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-action</td>
<td>Non-action</td>
</tr>
<tr>
<td></td>
<td>Disappointment</td>
</tr>
<tr>
<td></td>
<td>Relief</td>
</tr>
<tr>
<td></td>
<td>Actively objecting integration</td>
</tr>
<tr>
<td>Incremental action</td>
<td>Adding products</td>
</tr>
<tr>
<td>Radial action</td>
<td>Connecting to the other party</td>
</tr>
<tr>
<td></td>
<td>Dissolution</td>
</tr>
</tbody>
</table>

As can be seen from Table 9:4 also activities such as refusing contacts with the other party would mean non-change; they manifest relationships as prior to the M&A. In all, at the acquisition point, customers often did not act at all. Whereas perceived turbulence may have caused a temporary interruption, few radical reactions were seen at the acquisition point. In that sense, integration resulted in stronger actions, varying from non-actions to dissolutions of relationships. This was the case although in several instances integration meant less changes on the part of the M&A parties than what could be expected based on motives (cf. chapter eight). Still, customer actions at the integration point commonly meant that less changes were achieved than the M&A parties aimed for. Table 9:5 summarises M&A parties’ integration intentions and the interviewed customers’ actions.

The table shows that most of the M&As studied did not cause any actions which changed relationships incrementally or radically. Furthermore, it is the customers’ actions rather than the M&A parties’ intentions that steer the
outcome (cf. asymmetry of change in chapter seven). However, the M&A parties’ intentions commonly set the boundaries for change; customers did not connect to the other M&A party unless this was part of the M&A parties’ intentions or did not choose to change to the other M&A party’s products unless the M&A parties promoted such a change.

### Table 9.5 M&A Parties’ Intentions and Customer Actions

<table>
<thead>
<tr>
<th>M&amp;A parties’ intentions</th>
<th>Customer actions (and outcome)</th>
<th>Non-action</th>
<th>Incremental action</th>
<th>Radical action (building or dissolving relationships)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change of relationships</td>
<td>BT/Raymond</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Stade; Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental change (adding products)</td>
<td>BT/Cesab</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Stade; Servera; Volvo Group</td>
<td></td>
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<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Toyota/BT</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; (Saab); Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radical change (building new relationships)</td>
<td>Momentum/Structurit</td>
<td>HSB; Kopparstaden; STAB; Örebrobostäder</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BasWare/Momentum Doc</td>
<td>Fakturajärjestä; HSB; Stade; Seania</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ABB Groppen/Verimation</td>
<td>Ericsson; IKEA; InfoData</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>NetSys/Verimation</td>
<td>IKEA; InfoData</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nexus/Verimation</td>
<td>Ericsson; IKEA; (Ericsson)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In general, this means that customers’ actions manifest prior relationships on the expense of new relationships. With M&A parties’ intentions setting the boundaries there is a correlation between intentions and customer actions; the more radical the M&A intent, the more radical the customer action. This does not mean however that customer actions follow M&A intentions, only that the more radical the change proposed by the M&A parties, the larger the risk is of a radical change from the customer side. This radical action may however cause dissolution rather than establishments of new relationships. Customer responses to various degrees of integration seem to imply that the higher the degree of integration, the larger the risk of losing customers. Table 9.6 summarises M&A parties’ integration strategies and customer actions connected to these.

Customer actions virtually become a question of whether the M&A entailed any forced on change. Introducing cross-selling by keeping products and sales...
channels becomes a voluntary activity that customers may or may not act to. That is, they may or may not choose to buy the other M&A party’s products. Replacing products constitutes a forced change. The customer cannot choose to continue with its present product, and shifting products become inevitable. Shifting products may be smoothed by the M&A parties; following BasWare’s acquisition of Momentum Doc, the shift of products was referred to as “an upgrade”. Still, customers saw BasWare’s product as a new offer, leading to them re-evaluating the product. Re-evaluation may in turn result in dissolution of relationships, as other products may be considered more attractive. Where the M&A parties remained separate business units towards customers no major customer actions followed. Those actions that occurred generally concerned disappointment, as more was expected following the M&A, while the result in terms of dissolved relationships was minor. On the other hand, when products were replaced, something which would potentially create synergies between the acquiring and acquired party, M&A parties risked losing customers. Consequently, there is a balancing act between reaching for synergies in terms of cutting costs, but also possibly via increased revenues through the exploration of the other party’s customer base, and keeping customers through non-integration.

**Table 9:6 Integration Strategies vis-à-vis Customer Actions**

<table>
<thead>
<tr>
<th>Integration strategy</th>
<th>Customer action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-integration</td>
<td>Non-action</td>
</tr>
<tr>
<td>Cross-selling – product transfer</td>
<td>Non-action</td>
</tr>
<tr>
<td>Cross-selling – relationship transfer</td>
<td>Non-action</td>
</tr>
<tr>
<td>Product replacement</td>
<td>Connecting to the other party</td>
</tr>
</tbody>
</table>

Table 9:6 only shows M&A parties’ integration strategies and customer actions connected to these. The section on driving forces for customer actions however showed that other issues also interfered with or affected how customers acted; (i) change on person-to-person levels, (ii) change compared to expectations, (iii) M&A parties’ other activities, and (iv) customer activities. Table 9:7 connects the driving forces presented previously with the customer actions.

**Table 9:7 Customer Actions and Driving Forces**

<table>
<thead>
<tr>
<th>Driving force</th>
<th>Action</th>
<th>Non-action</th>
<th>Disappointment</th>
<th>Relief</th>
<th>Actively objecting integration</th>
<th>Adding products</th>
<th>Connecting to the other party</th>
<th>Dissolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-integration</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replacement</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change compared to expectations</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change on person-to-person level</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M&amp;A activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer activities</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Those driving forces that were not directly connected to integration strategies may stabilise or destabilise relationships (cf. Table 9:3).

To exemplify person-to-person levels of relationships, the cases of NetSys’ merger with Verimation, Momentum’s acquisition of Structurit, and BasWare’s acquisition of Momentum Doc, indicate the importance of personal ties. In NetSys’ merger and Momentum’s acquisition, personal ties constructed bonds of stability as the acquirer did not manage to provide stability. In BasWare’s acquisition, the loss of development staff at Momentum Doc meant a further challenge in keeping customers. In a similar manner, other customers choosing to leave the M&A parties, or stay on, would act as stabilising or destabilising activities. Staff and others customers staying or leaving seem to act in the same direction as customers’ actions. It is less probable that a customer will dissolve a relationship if staff remains the same as prior to the integration, and if other customers decide to stay with the company.

In several of the M&As, integration did not cause any new actions, it either meant that expectations were met, or that customers did not view them as a new event causing a different kind of actions than those at the acquisition point. In others, integration was perceived as something new, for better or worse. When integration introduced changes more severe than what was originally expected, the actions in terms of re-evaluation and possible dissolution were most evident. Change compared to expectations included integration intentions introduced by the M&A parties, but also relate to events shedding new light on the acquirer (financial dilemmas as example from Momentum’s acquisition of Structurit), that is, M&A parties’ other activities. Table 9:8 summarises customer actions connected to various changes in integration.

<table>
<thead>
<tr>
<th>Changes in integration</th>
<th>Customer action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration not realized</td>
<td>No action</td>
</tr>
<tr>
<td>Integration as predicted/hoped for at acquisition point</td>
<td>No action</td>
</tr>
<tr>
<td>Integration divergent from acquisition point</td>
<td>Disappointment</td>
</tr>
<tr>
<td>Integration as new event</td>
<td>Re-evaluation</td>
</tr>
<tr>
<td></td>
<td>Dissolution</td>
</tr>
</tbody>
</table>

**Relationship outcomes**

Following integration and customers’ actions, several customer relationships continued, but some new ones were established and others were broken off. Table 9:9 summarises the customer relationships of interviewed customers following integration.

The examples provided in this and the previous chapter show that customer actions influence not only to what degree the integration intentions are realised, but also may change the direction of integration (see the NetSys
and Momentum cases). This implies that customers take an active part in the integration, making them actors rather than just reactors.

**Table 9.9 Customer relationships following integration**

<table>
<thead>
<tr>
<th>Customer to acquirer</th>
<th>Customer to acquired party</th>
<th>Customer to acquirer and acquired party</th>
<th>No ongoing customer relationship with M&amp;A parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT/Raymond</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BT/Cesab</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera; Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toyota/BT</td>
<td>Beslag &amp; Metall; Comau (Saab Auto); DFDS; DHL; FläktWoods; Saab; Servera Volvo Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Momentum/Structurit</td>
<td>HSB; Saab</td>
<td>Kopparsstaden; Orebrohostader</td>
<td></td>
</tr>
<tr>
<td>BusWare/Momentum Doc</td>
<td>Scania</td>
<td>Fakturajärjest; HSB; Saab</td>
<td>Kopparsstaden; Orebrohostader</td>
</tr>
<tr>
<td>ADB Gruppen/Verimation</td>
<td>Ericsson; IKEA; InfoData</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>IKEA; InfoData</td>
<td>Ericsson</td>
<td></td>
</tr>
<tr>
<td>Nexus/Verimation</td>
<td>IKEA; InfoData</td>
<td>(Ericsson)</td>
<td></td>
</tr>
</tbody>
</table>

Integration either meant that initial intentions were put into practice, or required an adjustment to customers; through pre-integration reconsiderations or through integration realisation difficulties. There was a partial discrepancy between the motives of the M&As and how these were formed into integration intentions, and the changes of directions was largely explained by concern for the customers. Customer activities and expectations on customers thus played a crucial role for integration.

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1 Only direct contacts considered; some of these customers did use Toyota trucks, but bought these from BT Industries.
Empirical patterns

The preceding chapters presented the acquisition point and integration from the M&A parties’ and customers’ perspectives. Each of these chapters resulted in the formation of a number of categories on drivers (activities and expectations) and (re)actions. This chapter takes its starting point from these categories and discusses patterns in and between events and perspectives. It further links empirical categories to previous research on M&As and to the network approach. This chapter describes (i) the acquisition point from the M&A parties’ perspective, (ii) the acquisition point from customers’ perspective, (iii) integration from the M&A parties’ perspective, and (iv) integration from customers’ perspective. These perspectives and events are related to each other and to theory.

On drivers and activities

Chapters six to nine have described M&A parties’ and customers’ activities and what drive these. These drivers may be either other activities or expectations on how the other party will act. Customers’ action readiness, M&A parties’ motives built on speculations about future activities, integration assumptions that customers will start cross-buying are examples of expectations. While these underpin actions and reactions, they do not refer to activities that have occurred prior to the action or reaction. Yet they connect to these actions.

Activities as drivers for actions/reactions instead imply that something has happened before the actions/reactions. Commonly this refers to an activity of the other party; it offering cross-selling, it requesting one-stop shopping by competitors, and so forth.
Together activities and expectations build drivers for M&A parties’ and customers’ activities, where specific drivers connect to certain activities, and thereby create patterns of tendencies.

**Acquisition point, M&A parties view**

The acquisition point from the M&A parties’ perspective produced three groups of motives addressing customers; motives addressing (i) the acquirer’s customers, (ii) the acquired party’s customers, and (iii) markets and positions. These groups of motives were in turn built on various expectations on customers’ activities; (i) the M&A as a responsive activity, (ii) future activities of customers, and (iii) customers’ unchanged behaviour. As shown in Table 6:3 in chapter six, and in Figure 10:1 below, there were connections between which customers were addressed and how customers drove the M&A.

![Figure 10:1 Customers in M&A motives.](image)

Based on M&A parties’ expectations on customers and what customers the M&A addresses, the following can be concluded;

- **Responsive activities** signify that the M&A was a means for M&A parties to adjust to customers’ behaviour. For the M&A to be a responsive activity, the acquirer needed to know the customer’s activities. Responsive activities therefore only appear related to the *acquirer’s customers*. While future activities and unchanged behaviour refer to expectations of customers’ behaviour following an M&A, responsive activities are drivers observed prior to the M&A. This also means that while the M&A is a response to customers’ activities, M&A parties expect that customers will continue to act the same way following the M&A, but also that these activities would include the M&A parties.

- When the *acquired party’s customers* were aimed at, in the studied M&As, the aim was not only to receive revenues from the acquired party, but to enable sales of the acquirer’s product to the acquired party’s customers. This means that M&A parties expected future activities of customers. Future activities refer to a change in customers’ buying behaviour which had *not* been observed before the
M&A. Future activities would in turn be underpinned by expectations of (i) customers benefiting from buying (also) the acquirer’s products, or (ii) customers being possible to convince, being steerable or transferable.

- Markets or positions as customer-related motive were either directed at acquiring market shares or presence on a (geographical) market. These motives would be accomplished as long as customers continued as previously; unchanged behaviour. If the market share or position could not be reached simply based on combining market shares or relationships of the two M&A parties, future activities would also be expected in this case.

In the next section the categories addressees, and activities/expectations are related to theory.

**Relating M&A parties’ view at the acquisition point to theory**

The M&A parties’ view at the acquisition point generated two groups of categories, customers as addressees (acquirer’s customers, acquired party’s customers, or markets and position), and activities and expectations on customers (responsive activities, future activities or unchanged behaviour). How do these categories relate to theory?

**Customers as addressees**

Acquirer’s customers, acquired party’s customers, or markets and position, which of these “motives” can be found in traditional M&A literature? In motive taxonomies, markets and positions are the ways to address customers. Walter and Barney (1990), for instance, refer to expanding current market (or product) line as an M&A motive, and Rydén (1971) describes strengthening a market position as a reason for M&As. Does this mean that M&A literature disregards acquirers’ or acquired parties’ customers? More likely, it is a matter of phrasing. Motives such as market and product lines could aim at cross-selling, that is, the other party’s product is to be transferred to own customers, or the own products are to be transferred to acquired parties’ customers. But, motives are commonly not described as the acquirer’s or acquired party’s customers. Equally so in studies on M&As according to the network approach, various types of customers are not discussed. However, main focus would be existing customers of M&A parties, that is, acquirer’s or acquired party’s customers.

How can the various addressees be understood through the network approach? Reaching the acquired party’s customers (for cross-selling or for product replacement) where the acquirer did not have any relationships with these customers prior to the M&A, would make the M&A a means to bridge a structural hole (Burt 1992) in order to reach new customers. According to the network approach, this could be difficult to accomplish, if it does not correspond with customers’ will (cf. manage networks, Ford, Håkansson and Johansson 2002).
When the M&A aims to broaden a product line to *own* (i.e., the acquirer’s) *customers*, this could mean that the acquirer either attempts to steer the relationship (and will, according to the network approach, presumably not be successful in doing so, Ford, Gadde, Håkansson and Snehota 2003) or that the acquirer adapts to the customer (i.e., an responsive activity).

In the network approach, *position* is a central concept (e.g., Johanson and Mattsson 1985; Easton and Araujo 1994; Turnbull, Ford and Cunningham 1996; Anderson, Havila, Andersen and Halinen 1998; Gadde, Huemer and Håkansson 2003). It refers to a company's centrality in a network, or a company’s relationships with other parties and what resources become accessible for the company through these relationships. A position could be regarded as a resource of the company, but also as a feature which determines future actions. The network paradox (Håkansson and Ford 2002) of the network enabling but also constraining a company’s actions could be understood from its position.

Would it be possible for a company to change its position based on an M&A? Before answering that, it seems that position, according to the network approach, bears a different meaning than positions as referred to in M&A motives. M&A motives may imply that a company can build a new position (possibly on a new geographic market), while at the same time keep its present position. Attempts to change positions in a network indicate that the company moves its own position. If a position in a network is understood as relationships with other parties, an M&A would at its very least build ownership relations to the other M&A party. This could lead to changes in or of relationships with customers, for instance. This in turn means that, “yes”, a company’s position can change based on an M&A, but if relating to the 'spread of change'-ideas (Havila and Salmi 2000), the company may not be able to steer the direction of such a change in position.

To sum up, traditional M&A research refers to markets and positions as motives, while acquirer’s and acquired party’s customers could only be understood implicitly as addressees. The network approach could be used to analyse motives, whereby difficulties of transferring relationships become evident.

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1 As for *markets*, the network approach challenged a marketing view where customers were seen as a homogenous group of unidentified companies, such as markets. Some researchers would even argue that “market” is a word that does not belong in the network terminology, while others call the network approach for “the market-as-a-network approach”. Markets would refer to where suppliers and customers meet, not to customers alone.

2 Position as centrality indicates that networks are researched from a bird’s eye perspective. Positions as relationships with other parties could instead be described from a focal company’s perspective.
Activities and expectations as drivers

In traditional M&A literature, the underlying intentions of M&As are rarely discussed. The only such discussions are about the M&A being driven by a company rationale or a rationale of individuals within these companies; hubris and the like (cf. Roll 1986; Hayward and Hambrick 1997; Seth, Song and Pettit 2000). Secondly, M&As as responsive activities could be seen when legislative changes and deregulation drives M&As (e.g., Rydén 1971). In these instances the M&A is not about adjustments to other actors, but about the environment offering opportunities for M&As. Implicitly, most motives would indicate that unchanged behaviour or future activities are expected. Market share as a motive indicates that customers are expected to continue to buy as previously, that a stronger actor will attract additional customers or that existing customers will buy more.

How can these drivers be explained by the network approach? Responsive activities could be seen as M&A parties adjusting to their customers. This resembles unilateral adaptation; adaptation as a result of imbalance in dependence (cf. Hallén, Johanson and Seyed-Mohamed 1991). In M&As according to the network approach, Mattsson (2000) refers to M&As as being driven by internationalisation, and this thesis shows that also other activities of customers may drive M&As, such as customers’ demand for larger capacities among suppliers, or requests for one-stop shopping. Unchanged behaviour implies that customers continue to buy as previously. Stability in relationships would underpin such ideas. This is similar to how motives are seen in traditional M&A research; it is expected that M&As will not disturb ongoing relationships. At the same time, previous studies on M&As according to the network approach have shown that M&As may be triggers to change (Halinen, Salmi and Havila 1999; Havila and Salmi 2000). Future activities imply that networks can be transferred or controlled, or that customers will benefit from, for instance, broader product ranges or replaced products. Future activities are separated from responsive activities in this thesis, which also means that M&A parties had not seen customers changing their behaviour in ways that would be in accordance with expected future activities. One network paradox developed in Håkansson and Ford (2002) is that networks cannot be controlled, and Johanson and Mattsson (1985) point out that it might be difficult to transfer intangible assets, such as customers. The network approach would thus imply that future activities in motives would be difficult to achieve.

Taken together, customers as drivers are not discussed in traditional research, but motives implicitly indicate unchanged behaviour or future activities. If interpreting unchanged behaviour, future activities and responsive activities with a network approach, it becomes clear that future activities could be difficult to accomplish, as future activities could mean that customers are expected to act in ways decided by the M&A parties.

The acquisition point from M&A parties’ view described addressees and activities and expectations on customers. Table 10:1a-b summarises theory related to these.
Table 10:1a-b The acquisition point, M&A parties’ view and theory

<table>
<thead>
<tr>
<th>Category</th>
<th>M&amp;A literature</th>
<th>M&amp;A in network literature</th>
<th>The network approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquirer’s customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquired party’s customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market/position</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 10:1a-b shows that traditional M&A research refers to customers as markets and positions in motives, where such motives implicitly expect future activities or unchanged behaviour. In M&As according to the network approach, motives are rarely discussed, but examples of how, for instance, internationalisation drives M&As can be found. The network approach helps in understanding that it may be difficult to realise motives that anticipate that customers will change their behaviour.

The empirical data of this thesis and traditional M&A literature show that customers are emphasised in motives. Although the value of relationships is definitively present, assumptions about customers as actors do not seem to apply and customer reactions do not seem to be considered at the acquisition point. Compared to traditional M&A research, this thesis shows that M&A motives may be directed towards the acquirer’s or the acquired party’s customers, which stresses that motives concern existing customer relationships. By describing drivers underpinning customer motives, it becomes clear what expectations are put on customers. And if these in turn are viewed according the network approach, indicators for what motives would be difficult to accomplish are revealed.

Acquisition point, customers’ view

Following the acquisition announcement, customers responded in various ways. Their responses were driven by;

- the M&A as such (activity aspects), or
- individual customer relationships that possibly became untenable or enabled (actor aspects) as a result of the M&A. These include that a competitor to customers was one of the M&A parties, for example.
Aside from actor aspects challenging existing relationships, customers’ reactions were minor. Non-reactions or incremental reactions in terms of lessened frequency of buying were the most common reactions. Actor aspects on the other hand could mean that relationships were dissolved or enabled. There is consequently a connection between actor aspects and radical reactions, and between M&A activities and non-reactions or incremental reactions (see Figure 10:2).

![Figure 10.2 Connections between type of driving force and type of reaction at the acquisition point.](image)

These connections are not entirely exclusive. Actor aspects may cause non-reactions or incremental changes, but the driving forces for these changes are reputation and earlier experience, whereas impossible relationships would lead to instant dissolutions. Whether the M&A activity led to non-reactions or incremental reactions, was mostly a result of whether the customers experienced uncertainty or turbulence related to the M&A and what it would lead to.

Before turning to how customer reactions at the acquisition point relate to M&A parties’ view at the acquisition point, driving forces and reactions will be related to theory.

**Relating customers’ view at the acquisition point to theory**

Chapter seven presented customers’ reactions and driving forces for these. Starting off with driving forces, this section relates categories developed in chapter seven to theory.

**Driving forces for customer reactions**

What does previous M&A research tell about driving forces for customer reactions? Not much, as;

- Customer reactions are virtually absent in traditional M&A literature.
- In network literature on M&As, various driving forces are not widely considered. Moreover, the M&A is seen as the one trigger to change and is not divided into events such as the acquisition point and integration, meaning that it is the M&A as such that triggers change.

Still, some examples can be found in research on M&As according to the network approach which could be related to customers’ view at the acquisition point.
EMPIRICAL PATTERNS

Anderson et al. (2000) exemplify business partners’ reactions through pointing out that “the acquiring firm is not perceived as a desirable partner” (p.5), which resembles reputation as actor aspects. It is, however, not clear wherein the undesirability lies and although Anderson et al. (2000) target radical rather than incremental changes, the description is less strong than impossible relationships. Mattsson (2000) describes how a positive connection between companies may change to a negative one, which indicates that a business relationship is exchanged for competition, and points out how this will lead to a company searching for alternatives.

… actors who experience that an important positive connection is changed to a negative, e.g. due to a partner merging with a competitor will react to this by efforts to find a suitable replacement.

Mattsson (2000, p.7)

Mattsson (2000) thus describes a situation of impossible relationships. But as stated above, examples of what drives actions and reactions are few in network research.

How can customers’ driving forces at the acquisition point be explained by the network approach in general? An activity by suppliers could be expected to lead to reactions among customers, while at the same time, much of the literature about change on a relationship level refers to interaction and mutuality; customers and suppliers interacting, rather than acting and reacting. All in all, whereas network research deals extensively with dynamics, and puts out a lot of warning signs against trying to implement strategies without consulting the present network situation, less is known about what drives actors’ reactions.

In sum, driving forces for customer reactions are seldom discussed, either related to M&As or to the network approach. Instead, examples can be found in empirical works, but focus is not commonly placed on the driving forces.

Types of reactions
What types of reactions could be found in the literature? The following can be pointed out;

If looking at the various driving forces of M&A activities as drivers for customer reactions, both uncertainty and turbulence are frequent concepts in networks. Uncertainty was one of the key pillars for customers to commit to long-term relationships according to Håkansson and Östberg (1975) and Håkansson, Johanson and Wooy (1977) and is also an explanation according to resource dependence view (Pfeffer and Salancik 1978). In these circumstances, uncertainty led to long-term relationships, whereas in the studied situations in this thesis, uncertainty creates questioning of the relationship. Turbulence (e.g., Dahlin 2007) refers to network changes and is based on structure bird’s eye-analyses rather than how single actors perceive a situation. This means that although the concepts could be found in the network approach, they do not describe situations such as those described in this thesis.
Since traditional M&A literature does not describe customer reactions, it would be anticipated that non-reactions, or changes in line with the M&A parties’ intentions, are expected.

M&As according to the network approach uses M&As (but without considering acquisition points and integrations separately) to describe (foremost) radical changes.

How could reactions be described with the network approach? Incremental and radical reactions are borrowed directly from the network approach. As described above, the network approach extensively concern incremental change based on adaptation. While this thesis shows that non-reactions or incremental reactions are most common at the acquisition point, which complies well with the network approach, much of the literature on incremental change according to the network approach deals with adaptation. In chapter three I made a distinction between adaptation and actions/reactions. Customer reactions at the acquisition point are not a matter of adaptation. Rather they describe how customers react to actions pursued by the M&A parties.

### TABLE 10:2A-B THE ACQUISITION POINT, CUSTOMERS’ VIEW AND THEORY

<table>
<thead>
<tr>
<th>Category</th>
<th>M&amp;A literature</th>
<th>M&amp;A in network literature</th>
<th>The network approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
<td>Absent.</td>
<td>Reactions to entire M&amp;A, not events, various driving forces not considered.</td>
<td>Action-reaction</td>
</tr>
<tr>
<td>Actor</td>
<td></td>
<td>Empirical examples related to reputation (Anderson et al. 2000), for example.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>M&amp;A literature</th>
<th>M&amp;A in network literature</th>
<th>The network approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-reaction</td>
<td>Customer reactions not considered, but implicitly this could be understood as they react according to M&amp;A parties’ intentions (or not at all).</td>
<td>Stability.</td>
<td></td>
</tr>
<tr>
<td>Incremental</td>
<td>Main focus in network research, while at the same time stability is emphasised.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radical</td>
<td>Main focus, but when triggered by the M&amp;A as a whole.</td>
<td>E.g., dissolution literature.</td>
<td></td>
</tr>
</tbody>
</table>

Taken together, customer reactions are (largely) absent in M&A literature, and literature on M&As according to the network approach does not consider the acquisition point, or customer reactions, separately. The network approach helps in classifying reactions. Compared to the network approach non-reactions and incremental reactions are results of suppliers and customers acting separately; not a result of adaptation and compared to M&A research according to the network approach, reactions are less radical.

In sum, driving forces and reactions at the acquisition point stresses what makes customer react and how they react at the acquisition point. It indicates that customers’ reactions are the results of the M&A announcement.
or actors involved in the M&A. Little of this is seen in previous M&A research. Table 10:2a-b summarises customers’ view on the acquisition point related to theory.

**Relating customers’ view to M&A parties’ view at the acquisition point**

Thus far customers view at the acquisition point has been described as driving forces and reactions, but what happens if this is compared to M&A parties’ view at the acquisition point? The following can be concluded;

- While one type of driving forces for customer reactions was actor aspects, meaning that for instance competitors were included as M&A parties, actor aspects was not directly included among motives.

- Instead, relationships were considered as the ‘use’ of existing relationships of the M&A parties for further sales, while the M&A challenging existing relationships was not considered. Usually, individual customers were not referred to, rather the entire customer relationship portfolio of an acquired party was aimed at.

- As for reactions, it is the M&A activities that connects customer reactions with M&A parties at the acquisition point. Still, and important, reactions did not concern the M&A parties’ intentions, only the M&A as such and whether customers understood what the M&A parties aimed at.

Taken together, it seems that M&A parties and customers had different foci at the acquisition point. M&A parties did consider customers as important M&A motives, but did not see the difficulties of, for instance, transferring relationships. Nor did they account for reactions among customers. M&A parties’ way of dealing with the acquisition point thus carry several similarities with how M&As are dealt with in traditional M&A research. The difference being that the cases in this thesis stress *existing* customer relationships as motives.

Customers’ reactions at the acquisition point mainly concerned two aspects; whether and how the M&A challenged existing relationships, and whether and how customers understood what the M&A would lead to. The discrepancy in main concerns are summarised in Table 10:3.

**Table 10:3 Main foci at the acquisition point**

<table>
<thead>
<tr>
<th>M&amp;A parties</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous or added sales through the use of M&amp;A parties’ existing customer relationships.</td>
<td>Do the M&amp;A parties interfere with existing relationships?</td>
</tr>
<tr>
<td></td>
<td>Do we understand what will happen?</td>
</tr>
</tbody>
</table>
Integration, M&A parties view

In this section integration is described from the M&A parties’ view. The section starts off with various ways of integrating and expectations underpinning integration intentions. Thereafter integration is compared to M&A parties’ view at the acquisition point, which also indicates how customers impact differences between the acquisition point and integration. Integration and changes compared to the acquisition point are then related to theory.

Integration – Types of integration and ideas underpinning integration

Integration was represented by three types of integration towards customers; (i) non-integration, (ii) cross-selling, and (iii) product replacement. Cross-selling could further be divided between transferring products and selling them through existing sales channels (customer relationships), and transferring relationships through attempting to establish relationships between one M&A party and customers of the other M&A party. As with motives, expectations on customers could be connected to the choice of integration. Expectations on (i) unchanged behaviour, or (ii) future activities underpinned the integration ideas. Figure 10:3 shows the connections between integration and ideas about customers.

Non-integration would mean that customers are expected to continue to buy as previously, while cross-selling and product replacement expect that customers add and change products, or through the connection between the M&A parties; add relationships. If cross-selling only goes one way (that is, it is only the acquired party’s or the acquirer’s customers that will start buying additional products or connect to the other M&A party), cross-selling also entails expectations on unchanged behaviour for the M&A party’s customers that will not be approached with additional products or contacts.

Added to this is an idea of customers as change avoidant, which seems to underpin all integration strategies. There is a value seen in relationships to the customers which means (i) that they could be used for further exploitation (in terms of cross-selling or product replacement), and (ii) that these relationships need to be upheld, through personal contacts, existing...
products, and so on; they cannot be fully replaced. All the M&As in this thesis entailed such upheld dimensions of relationships.

**Relating M&A parties’ view at integration to the acquisition point**

If returning to the expectations on customers underpinning integration and comparing these to the acquisition point it becomes obvious that:

- There is a connection between motives addressing the *acquired party’s customers* and cross-selling or product replacement. They are built on speculations about future activities.

- Equally when future activities were expected from the *acquirer’s customers*, cross-selling would be expected.

- *Markets* could imply non-integration, whereas *position* would imply complete integration, depending on if the sum of all parts creates such a position, or if added sales are needed.

Connections between addressees in motives and integration are depicted in Figure 10:4.

![Figure 10:4 Connecting motives and integration.](image)

In several of the M&As, integration meant a change of direction compared to what could be expected from motives. This was discussed in chapter eight and if summarising these thoughts, integration would

(i) correspond to motives,

(ii) deviate from motives based on pre-integration reconsiderations, or

(iii) deviate from motives based on post-integration realisation.

Figure 10:5 illustrates these.
Changes between the acquisition point (motives) and integration was partly a result of a time lapse between these, which made it possible for parties to reconsider and for customers and acquired parties to intervene. Customers play crucial roles in integration realisation by how they act on integration, but also in that M&A parties may reconsider integration. The examples in this thesis show that the M&A parties attempt to keep things as they were before the M&A, while at the same time possibly achieve gains through integration. Compared to motives, lower degrees of integration are achieved, either as a consequence of other actors’ activities, or a result of a wish to not disturb ongoing relationships, that is, as pre-integration reconsideration.

Taken together, compared to motives, integration considers customer actions, either as these become evident for integration to be realised, or through M&A parties reconsidering their initial intentions.

**Relating M&A parties’ view on integration to theory**

How could the categories on types of integration, and expectations underpinning these be understood through theory? And what does previous research say about changes between motives and integration? The following sections describe this.

**Types of integration**

How do various types of integration directed towards customers and expectations underpinning such integrations relate to theory? In traditional M&A research, most M&A literature on integration deals with degrees or problems of integration. In most integration literature, integration of various company functions is often not considered, nor is direction of integration (from or to the acquirer), and the literature dealing with problems related to integration seems to assume situations of complete integration.
There are however studies focusing on transfer of resources related to customers, where direction of transfer is central. Capron and Hulland (1999) describe redeployment of brands, sales forces and general marketing expertise. At large, they show that transfer may be more easily accomplished to customers the acquirer knew before the M&A.

In research on M&As according to the network approach, empirical examples of maintaining existing relationships can be found (Anderson, Havila and Salmi 2001), while integration is rarely discussed separately. Instead it is the M&A as such that is seen as the trigger to change, but much of the reasoning could be understood as integration. Research discusses the difficulties of transferring relationships, for instance, see also Johanson and Mattsson (1985);

But important intangible assets might not be transferred e.g., if key persons leave the firm. The transferability of market assets is an important issue in decisions about acquisitions, mergers and joint-ventures. Since the market assets are intangible and not owned by the firm, the transferability is probably often rather limited.

Johansson and Mattsson (1985, p.191)

Transferring relationships are (partly) similar to redeployment as described by Capron and Hulland (1999). Capron and Hulland (1999) are more precise in their descriptions as they discuss directions of transfer. On the other hand, they do not discuss reasons for these difficulties. As described in the section relating the acquisition point to theory, expectations on customers are not described; not in traditional M&A literature, and not in M&A literature according to the network approach.

Could the network approach help in understanding types of integration? While types of integration could be seen as strategies, expectations on customers underpinning these could well help in understanding the integrations. As described previously, unchanged behaviour, and also customers as change avoidant, emphasise stability in relationships. Future activities would mean that customers will either benefit from the integration, or that relationships are controllable or transferable. They also relate to problems by inducing changes (see e.g., Håkansson and Ford 2002). Seen that way, integration anticipating future activities could be difficult to accomplish, unless these are in line with customers’ will. Therefore, these would be easier to realise if the M&A parties had some indications on that customers had asked for, for instance, broader product ranges.

Taken together, M&A literature details the problems related to integration, while this is seldom discussed connected to customers. Some examples of transfer of marketing capabilities are found, but these do not directly discuss

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4 See also Hertz and Mattsson (2004).
how customers impact outcome. In M&A research according to the network approach, the difficulties of transferring relationships are a key message. Relationship transfer is however not discussed as a type of integration, rather it seems such transfers are expected in all M&As. This thesis shows that integration is built on expectations on customers, and further, that these may change during the M&A.

**Changes compared to initial intentions**

As described, M&A parties may change integration compared to how it is described in motives. What does previous research say on the matter?

- In traditional M&A literature changes between the acquisition point and integration is not widely discussed. Implicitly, no such reconsiderations would be expected.

- In literature on M&As according to the network approach, adjustments compared to the acquisition point are not discussed, one explanation being that M&As are seen as one event (or a process).

How could changes compared to initial intentions be understood through the network approach? As networks are evolving, adjustments would be needed. Time lapses would mean that a company meets new situations. M&A parties meet a network that looks different at the integration point than when the M&A was first announced. These changes may have been impacted by the M&A;

> Even if a business tries to remain static within its network, the network itself is continuously evolving and changing all the companies within it. Conversely, they observe that when actors choose to make a number of small positional moves, it does not take long before the whole network may look substantially different.

Ford and Redwood (2005, p. 649)

In this thesis, reconsiderations are not foremost results of changes in the network. Rather, it refers to M&A parties reconsidering their integration intentions, possibly based on a closer understanding for customers.

Integration realisation problems could be explained by difficulties of steering networks and underlines business partners as actors. Unless customers, and/or the acquired party, saw the benefits of integration, the acquirer would have difficulties realising its intentions. What seems to be the case, according to this thesis, is that acquired parties “need” customers to keep themselves autonomous. This means that the acquired party cannot act its independence unless supported by, or referring to, for instance, customers.

Taken together, changes compared to motives are not widely discussed in the M&A literature, or in the literature on M&As according to the network approach. Realisation problems, however, can be understood as difficulties in transferring relationships or controlling networks, or as adjustments to
new circumstances. Reconsiderations without changed circumstances are less researched. Table 10:4a-b summarises M&A parties' view on integration related to theory.

**Table 10:4a-b Integration, M&A parties’ view and theory**

<table>
<thead>
<tr>
<th>Category</th>
<th>M&amp;A literature</th>
<th>M&amp;A in network literature</th>
<th>The network approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-integration</td>
<td>Holding/preservation, but not widely discussed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-selling</td>
<td>Redeployment discussed in marketing literature on M&amp;A (e.g., Capron and Hulland 1999)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product replacement</td>
<td>Complete integration; common assumption in literature dealing with integration problems.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As indicated by Table 10:4a-b, various types of integration are discussed in M&A literature, while changes compared to motives are not. In M&A research according to the network approach, changes compared to motives are not discussed, nor are various types of integration referred to. The network approach in general helps in explaining changes compared to motives. Also the network approach leaves some gaps related to reconsideration, if such rethinking is not a result of the other parties' actions.

If summarising integration from the M&A parties' view, it deals with (i) how to integrate (non-integration, cross-selling and product replacement in the studied M&As), which in turn relates to various expectations on customers (future activities and unchanged behaviour), and (ii) whether and how integration means a change compared to motives. Relationships are emphasised in that components of relationships are kept intact in integration; personal relationships, brands, and so on, may be kept. This indicates that customers may be change avoidant. Table 10:5 summarises the central issues of M&A parties at integration.

Compared to the acquisition point, intentions may thus be reconsidered, or turn out to be difficult to realise. Relationships are stressed in a different way than at the acquisition point. At the acquisition point, relationships were seen as important in terms of how they would contribute to revenues. In integration, the main focus is on how to keep customer relationships, while at the same time possibly realise intentions.
TABLE 10:5 MAIN FOCI AT INTEGRATION – M&A PARTIES’ VIEW

<table>
<thead>
<tr>
<th>M&amp;A parties</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous or added sales through the use of M&amp;A parties’ existing customer relationships.</td>
<td>Do the M&amp;A parties interfere with existing relationships?</td>
</tr>
<tr>
<td>Do we understand what will happen?</td>
<td></td>
</tr>
<tr>
<td>Do we understand what will happen?</td>
<td></td>
</tr>
<tr>
<td>Dimensions of relationships need to be kept intact; customers are change avoidant.</td>
<td></td>
</tr>
<tr>
<td>Realising or reconsidering integration strategy?</td>
<td></td>
</tr>
</tbody>
</table>

In all, integration realisation marks that M&As occur in a network context, where it becomes impossible to achieve integration unless business partners are willing to adjust thereto. This may be a lesson learnt prior to integration, which explains pre-integration reconsiderations, or a result of integration attempts, where integration is not achieved based on customers (or the acquired party) not acting in accordance thereto, or actively objecting to integration. Integration realisation thus relates more closely to how customers’ view the integration. This will be discussed next.

**Integration, customers’ view**

Customers reacted, or acted proactively, to integration. These actions could be classified as (i) non-actions, (ii) incremental actions and (iii) radical actions. The driving forces for these actions range from

(i) integration of the M&A parties, over

(ii) actions as results of integration strategies, to

(iii) other activities intervening with integration, where both M&A parties’ and (the focused on and other) customers’ activities may be a driving force.

Actions as results of integration strategies and other activities may in turn act as driving force on their own, or stabilise or destabilise relationships (see Figure 10:6).

Stabilising activities refers to keeping person-to-person relationships, or that other customers continue to buy from the M&A parties, for instance. This means that change appears to be less radical than what would have been the case if the stabilising activity was not present. Destabilising activities, for instance, occur when staff leaves the M&A parties, when other customers dissolve their relationships with the M&A parties, or when the integration deviates from the motives resulting in stronger changes than was initially expected. Destabilising activities would expectedly lead to more radical actions from the customers’ side.
How does this relate to customers’ view at the acquisition point, and to M&A parties at integration? This is discussed next.

Relating customers’ view at integration to the acquisition point

Compared to customers’ reactions at the acquisition point, customers’ actions to integration;

(i) may be pro-active, whereas the acquisition point only entailed reactions,

(ii) through integration, perceived uncertainty or turbulence at the acquisition point would have been clarified, also meaning that temporary reactions are sorted out, and

(iii) may lead to stronger actions than was seen at the acquisition point.

Customers may thus impact integration not only through reacting once integration intentions are put into practice, but also through interfering with integration before M&A parties start to integrate. Customers actively objecting to integration is an example thereof. Compared to the acquisition point, where customer reactions were not results of M&A parties’ reasons for the M&A, actions to integration are at least partly driven by integration intentions. Apart from M&A parties’ integration, how other customers act on integration and how integration affects, for instance, continuity in person-to-person relationships impact customers at integration, but integration as such remains important.
Relating customers’ view to M&A parties’ view at integration

With integration functioning as clarification of M&A parties’ intentions, there are closer connections between M&A parties’ integration and customers’ actions to integration. At the acquisition point M&A parties’ intentions did not act as driving force to customer reactions, while at integration they do. But not only is it the case that integrations are driving forces for customer actions, there is also a pattern between the degree of integration and how radical customers’ actions are. The more radical the intended change from the M&A parties’ side, the more radical the action. Figure 10:7 describes connections between types of integration and customer actions.

As can be seen;

- non-integration would lead to non-actions,
- cross-selling may result in customers not acting accordingly (non-action), customers adjusting in terms of buying additional products (incremental action), or customers connecting to the M&A party they did not have relationships with before (radical action).
- product replacement forces change on customers, and may result in customers starting to use the other product (incremental action), or customers leaving the M&A parties (radical action).

The M&A parties’ integration strategies set the boundaries of the customers’ actions. In no case did the customer choose to go beyond what the M&A parties’ aimed for. Among the M&A parties’ integration, only product replacement is a forced activity, meaning that customers did not have the choice to continue with the original product. When customers had the opportunity to continue as previously, they often resisted change, which means that they did not start buying additional products or did not connect to the M&A party they did not have relationships with before the M&A. There is also a certain degree of “negativity” in customers’ actions. While the M&A parties may aim at building new relationships, customers’ actions
often either meant a status quo in terms of relationship connections, or that relationships were dissolved.

If returning to how integration related to M&A parties motives (integration in correspondence with motives, integration deviating from motives based on pre-integration reconsiderations and deviations based on post-integration realisation), customers play parts in integration realisation through (i) acting according to M&A parties’ intentions, (ii) impact the pre-integration reconsideration via action or communication, or (iii) disable integration realisation. Table 10.6 shows customers’ main concern related to integration.

### Table 10:6 Main Foci at Integration – Customers’ View

<table>
<thead>
<tr>
<th>M&amp;A parties</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Continuous or added sales through the use of M&amp;A parties’ existing customer relationships.</td>
<td>Do the M&amp;A parties interfere with existing relationships?</td>
</tr>
<tr>
<td>Dimensions of relationships need to be kept intact; customers are change avoidant.</td>
<td>Do we understand what will happen?</td>
</tr>
<tr>
<td>Realising or reconsidering integration strategy?</td>
<td>Integration as driving force for change; Stabilising and destabilising actions.</td>
</tr>
</tbody>
</table>

In sum, customers’ actions to integration are different from their reactions at the acquisition point. At integration they are results of integration, own and other parties’ activities and of actions which in turn are results of integration. Customers mostly continue to buy as previously, which also means that they do not follow M&A parties’ intentions with integration. Dissolution commonly only occurs when connected to forced change. In the next section, customers’ view at integration will be related to theory.

**Relating customers’ view at integration to theory**

How could customers’ view at integration be explained by theory? As described previously;

- Traditional M&A research rarely describes customer actions connected to M&As. Some customer actions can however be understood implicitly in discussions on redeployment of marketing resources (e.g., Capron, Dussauge and Mitchell 1998; Capron and Hulland 1999), for instance. The customers’ perspective on integration is, however, not taken.

- In research on M&As according to the network approach, the described reactions would anticipatively be results of integration. The literature expects radical changes of dissolved relationships (e.g., Havila and Salmi 2000; Dahlin, Havila and Thilenius 2003), while this thesis shows that much of this radical movement is avoided through the M&A parties’ adjustments and not always realising M&A intentions. The literature thus seems to miss out on the M&A
parties’ attentiveness to customers. The literature does not connect various levels of integration to customers’ actions, and further with radical changes being the focus, nuances such as relief and disappointment are missed.

How could literature on the network approach (in general) help in explaining customers’ actions at integration? Network literature either describes (i) dynamic changes, which are often evolutionary and incremental, or (ii) (less commonly) radical changes.

Evolutionary changes are in turn often connected to (mutual) adaptation. This means that these often refer to how companies develop together. Radical changes on the other hand mostly describe dissolutions, but also establishment of new relationships. Literature on dissolutions (for overview on dissolution literature, see Tähtinen, Matear and Gray 2000) connected to business relationships often use critical incidents or events to explain dissolutions (see e.g., Havila and Salmi 2000; Edvardsson and Roos 2001; Havila and Salmi 2002). M&As are mentioned as one such critical event or incident.

Besides incremental and radical changes, empirical data for this thesis illustrated that non-actions were common. Non-actions entailing dimensions of relief or disappointment could be interpreted as changes in how parties’ view the relationship or what expectations are placed on it for the future. This bears resemblances to expectations on relationships as part of relationship atmosphere (Håkansson 1982). What could be expected is though that relief and disappointment (and uncertainty at the acquisition point) are passing stages; they are feelings at the integration (or the acquisition point), but will not affect the relationship further on, unless they are reinforced by additional activities.

All in all, non-actions often emphasise the difficulties of transferring relationships. Where M&A parties had planned for cross-selling, for instance, customers continued to buy as before the M&A. This relates to the difficulties of controlling networks or the actors therein. According to this thesis, it seems that the easiest way to accomplish cross-selling to customers is when it involves customers the acquirer knew beforehand, where the needs of these customers drove the acquisition in the first place, and when such cross-selling was performed through the acquirer rather than through establishing new relationships.

As for product replacement, re-evaluation complies with how Ford (1980) describes how a decision to evaluate a potential new supplier may be the result of a particular episode in an existing relationship. However, it seems

5 For details on critical incident techniques, see Flanagan (1954). In much of the work on critical incident and events the criticality is to be decided by the party experiencing it, whereas in some of the research dealing with M&As as critical incidents, the researcher decides what is critical or not.
to take quite much for the customer to re-evaluate its choice of supplier related to M&A parties. Re-evaluation only seems to occur based on that the customer cannot continue to buy the same product as previously, which is much stronger than disturbances related to a single exchange episode. On the other hand, customers seem vulnerable to disturbances related to the acquirer in cases where customers had a relationship with the acquired party if early indications pointed out problems with the acquirer.

### Stabilising and destabilising activities

Customers’ actions to integration were impacted by stabilising and destabilising activities. Could similarities to these be found in M&A research?

- In traditional M&A research, problems related to employee anxiety, cultural differences and management turnover are often referred to (e.g., Walsh and Ellwood 1991; Risberg 1999; Vaara 1999; Risberg 2001). These do not only highlight the complexity of bringing companies together, they also discuss employee and managers’ reactions. Such reactions could be destabilising towards customers, but this is not discussed in that literature.

- In M&A literature according to the network approach, Anderson et al. (2000) describe the timely embeddedness of M&As, where other activities may amplify or become contradictory to the M&A. According to Anderson et al. (2000), these amplifying and contradicting processes are driven by the M&A parties and directed towards the reacting business partners, while this thesis shows that they may as well include activities of the customer or other customers.

If relating customer actions at integration to the network approach in general, stabilising and destabilising activities of social ties are evident. Håkansson et al. (1979) point at that social ties are especially important when a situation is uncertain;

> The social exchange is extremely important in situations with high uncertainty.

Håkansson et al. (1979, p.87)

Support can also be found in the dissolution literature where the present state of the relationship is referred to as an explanation for dissolution. This means that the literature acknowledges what in this thesis is referred to as stabilising or destabilising activities. But this thesis also shows that these may be the result of other actors than the company the customer has a relationship with.

In sum, customers’ view on integration is not researched separately. Yet, customer actions can be understood through whether and how M&A parties succeed in redeployment of marketing resources. And, in M&As according to the network approach, described reactions would be anticipated to result
from integration, while it is the M&A as such that is referred to as the trigger to change. However, that research focuses extensively on radical changes, whereas this thesis (and the network approach) shows that changes may be minor. Problems occur instead as those changes the M&A parties aimed at are not realised. Table 10:7a-b summarises integration from customers’ perspective related to theory.

**Table 10:7a-b Integration, customers’ view and theory**

<table>
<thead>
<tr>
<th>Category</th>
<th>M&amp;A literature</th>
<th>M&amp;A in network increase</th>
<th>The network approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration strategies</td>
<td>Implicitly understood through redeployment, but most literature do not consider customers as affecting integration.</td>
<td>Various integration modes not discussed.</td>
<td></td>
</tr>
<tr>
<td>Actions as results of</td>
<td>Employee related problems, but not considered as to whether these affect business partners.</td>
<td>Amplifying and contradicting (Anderson et al. 2000) though only M&amp;A parties’ activities.</td>
<td>Social ties, stability.</td>
</tr>
<tr>
<td>External activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-action</td>
<td>Customer actions not considered, but implicitly this could be understood as they act according to M&amp;A parties’ intentions.</td>
<td>Difficulties steering networks.</td>
<td>Adaptation continues.</td>
</tr>
<tr>
<td>Instrumental action</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radical action</td>
<td>Most focus, but where triggered by the M&amp;A as a whole.</td>
<td>E.g., dissolution lawsuits.</td>
<td></td>
</tr>
</tbody>
</table>

The table shows that traditional M&A research creates a preconceived understanding for integration intentions, while it does not take customers directly into account, and it does not refer to integration from the customers’ perspective. M&A research according to the network approach emphasises radical changes, while the empirical data of this thesis shows that changes are not as radical. Instead, one major problem is that customers do not act according to the M&A parties’ intentions. This relates directly to problems of controlling networks and transferring relationships.

Thus far, categories and patterns related to the acquisition point and integration from M&A parties’ and customers’ view have been described. These have also been related to each other and to theory. The rest of the chapter summarises patterns, and points out contribution to previous research per event and perspective.

**Empirical patterns – Summing up**

To summarise the patterns created above, it becomes apparent that;

(i) in M&A motives, customer relationships are important and seen as resources,
EMPIRICAL PATTERNS

(ii) conflicts in relationships are considered in customer reactions at the acquisition point as is the potential impact of the M&A, whereas the latter is commonly not acted upon at the time,

(iii) the continuity of relationships are stressed by M&A parties in integration, and

(iv) the more radical the change imposed by the M&A parties, the more radical are the customers’ actions towards integration, while other activities stabilise or destabilise customer actions. It is also apparent that the M&A parties’ intentions cannot be realised unless customers act accordingly, and that customers’ may act pro-actively to integration.

At the acquisition point and in integration, M&A parties do indeed consider customers, through expecting certain activities or through responding towards customers’ activities. And, customers do indeed respond to the M&A parties’ activities at integration, both pro-actively and reactively. Table 10:8 summarises the main concerns at the acquisition point and integration from the perspectives of M&A parties and customers.

TABLE 10:8 FOCI FOR M&A PARTIES AND CUSTOMERS AT ACQUISITION POINT AND INTEGRATION – SUMMING UP

<table>
<thead>
<tr>
<th>Acquisition point</th>
<th>M&amp;A parties</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous or added sales through the use of M&amp;A parties’ existing customer relationships.</td>
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<td></td>
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<table>
<thead>
<tr>
<th>Integration</th>
<th>M&amp;A parties</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realising or reconsidering integration strategy?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 10.8 also depicts differences between events and perspectives;

- At the acquisition point, the readability between M&A parties and customers are minor. But for responsive activities, M&A parties largely build motives on expectations about customers. Customers react to what companies are involved in the M&A, but do not adjust to M&A parties’ intentions. Reactions, rather, concern uncertainty and turbulence caused by the M&A.

- At integration, M&A parties adjust to customers and become more concerned with keeping relationships than exploiting them. Customers act to integration intentions, and integration realisation is only accomplished if customers act accordingly.
EMPIRICAL PATTERNS

- M&A parties’ view at the acquisition point and to integration changes from how to build relationships and add sales, to how to keep relationships and sales.

- Customers’ view at the acquisition point and to integration remains on continuing with relationships, unless these are challenged by (forced) changes. Integration answers the questions from the acquisition point.

It is apparent from the tables (Table 10:1a-b, Table 10:2a-b, Table 10:4a-b and Table 10:7a-b) reflecting the empirically derived categories with theories of M&As, M&As according to the network approach, and the network approach, that all categories are not easily encompassed with existing theory. Table 10:9 summarises these.

**Table 10:9 Categories not explained by theory**

<table>
<thead>
<tr>
<th>Event and perspective</th>
<th>Acquisition point, M&amp;A parties’ view</th>
<th>Acquisition point, customers’ view</th>
<th>Integration, M&amp;A parties’ view</th>
<th>Integration, customers’ view</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Various driving forces not considered.</td>
<td>- Driving forces for reactions not discussed.</td>
<td>- Recon consider not handled.</td>
<td>- External activities affecting integration realisation not discussed.</td>
</tr>
<tr>
<td></td>
<td>- Discussions on different motives related to identified customers absent.</td>
<td>- M&amp;A not divided into events (of e.g., acquisition point and integration) when discussing effects on business partners.</td>
<td>- Various types of integration not discussed in the network literature on M&amp;As.)</td>
<td>- Customers intervening with integration not described.</td>
</tr>
<tr>
<td></td>
<td>(Only the network approach explains that an activity can be responsive; made to adjust.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Compared to previous research, this thesis:

- focuses explicitly on customers, and researches M&As from theirs and M&A parties’ point of view,

- details the drivers for actions and reactions, and the types of actions and reactions, and

- shows that customers may intervene and that integration may be reconsidered.
Conclusions and reflections

Up until this point, the thesis has been concerned with various aspects of customers related to M&As. This chapter sums up these thoughts, answers the research questions and presents conclusions. Lastly, results are briefly discussed and managerial implications and future research are proposed.

Some initial words...

The introduction chapter entailed a discussion about M&As and control. Valuation of a prospective company to acquire may deviate tremendously from values presented in balance sheets of that company. How come? Customers of the acquired party may be one explanation; an explanation that assumes that customers would remain with the M&A parties after the M&A or that the combined company would attract additional customers. In contrast to this, the introduction examples, along with the empirical findings in this thesis, showed that customers could not be taken for granted following an M&A.

In this thesis, customer relationships are referred to as potentially long term, but more importantly; they are the construct of both parties', suppliers' and customers', voluntary participation. Customers as well as suppliers are actors, also meaning that one party cannot control the other. This reasoning leads to a first 'paradox' about M&As; while customers are common as motives for M&As, and while, for instance, market shares as motives become meaningful only if customers are believed to continue to buy from the M&A parties, M&As may make business partners reconsider their relationships with the M&A parties, and lead to changes in or of relationships (see e.g., Halinen, Salmi and Havila 1999; Havila and Salmi 2000; Anderson, Havila and Salmi 2001).
Based on the arguments in Homburg and Bucerius (2005) and Mazur (2001) it can be concluded that the marketing side of M&As are rarely researched. This is supported by earlier literature reviews (Öberg and Anderson 2002; Öberg 2004) and further confirmed by the literature review conducted for chapter two, which also showed that customers are usually only referred to indirectly in M&A literature. This in turn creates a basis for this thesis; customers are seldom the main theme in the M&A literature, but are common when motivating an M&A.

Compared to traditional M&A literature, this thesis’ focus extends beyond the M&A parties, and refers to M&As as affecting and being affected by customers, where customers become central rather than only referred to indirectly. The thesis puts forth categories and patterns of driving forces and (re)actions. Painted against this background, this thesis aimed at identifying categories and patterns of how customers impact and are impacted by an M&A, where the main contribution is directed towards traditional M&A research.

**Answering research questions...**

Chapter one raised the question “How is the view on M&As changed if customers are seen as actors impacting and being impacted by M&A activities?”, and further broke it down into questions concerning the acquisition point and integration, and the M&A parties’ and customers’ perspectives, to guide the presentation. This section starts off with those sub-questions, before returning to the overall question of this thesis.

**How are customers included in M&A motives and what expectations on customers underpin these motives?**

Earlier studies have shown that customers are important as M&A motives, and the empirical data for this thesis supports that. Motives may, for instance, include the creation of a strong market actor, the acquired party’s customer base, or may follow activities, such as one-stop shopping and globalisation, of customers. The motives target the acquirer’s or the acquired party’s customers, or aim for positions or markets. Markets or positions may be reached through the combined customers of the M&A parties, or through creating an actor that is assumed to attract additional customers. This, but also when motives address the acquirer’s or the acquired party’s customers, shows that motives are underpinned by expectations on customers; customers are expected to continue to buy as previously, change their buying behaviour in accordance with the M&A parties’ intentions, which could imply that customers are controllable or even transferable, or the M&A may be a responsive activity, where customers are expected to continue to act as indicated by those activities that drove the M&A in the first place.

In summary, customers are included in M&A motives in terms of motives addressing (i) the acquirer’s customers, (ii) the acquired party’s customers, or
(iii) aiming for a market or position. The motives are built on expectations and activities of customers; (i) the M&A is a responsive activity, where customers have taken on a behaviour that the M&A parties try to adjust to, (ii) expected future activities, where the M&A may aim to direct such activities, and (iii) unchanged customer behaviour, which could imply that the M&A as such does not affect customers.

**How do customers react at the acquisition point and what drives these reactions?**

Chapter seven described customer reactions to M&A announcements. As could be concluded, these reactions seldom met the intentions of the M&A parties. While the M&A, for instance, aimed at creating opportunities for cross-buying or even meant a responsive activity, customers did not change their buying behaviour in accordance with M&A parties’ intentions at the acquisition point. Reactions at the acquisition point arrayed from non-reaction to dissolution, where non-reactions, possibly including speculations or action readiness, dominated. Incremental reactions commonly meant a (temporary) change in frequency of buying, as customers bided their time awaiting clarification in times of turbulence. Radical reactions were results of how the M&A redrew network connections where business relationships were exchanged for competition through the ownership connections between the M&A parties.

Customer reactions at the acquisition point were driven by the M&A activity and actor aspects. M&A activity aspects included customers not seeing the benefit of the M&A, perceived uncertainty or turbulence, while actor aspects were the creation of impossible or enabled relationships, reputation and earlier experience. Those reactions leading to changes of relationships were mostly driven by actor aspects, whereas possible (temporary) changes in relationships were driven by M&A activity aspects.

In sum, customer reactions at the acquisition point were (i) non-reactions, (ii) incremental reactions and (iii) radical reactions. These were driven by (i) M&A activities or (ii) actor aspects.

**How do expectations on customers drive integration and in what capacity is integration influenced by customer actions?**

Chapter eight concerned integration from the M&A parties’ perspective. The ideas that underpinned integration strategies were driven by expectations on unchanged behaviour or future activities, which once again indicates that customers would be controllable or transferable or that they would see the benefit of the M&A and act accordingly. Integration modes driven by expectations on unchanged behaviour often resulted in non-integration, while cross-selling and product replacement were directed at expected future activities. An expectation also underpinning integration was that of customers as change avoidant, which from the M&A parties’ side meant that while attempting to, for instance, replace product, other relational components
(such as sales forces) were to be kept intact. This also underlines that M&A parties valued relationships and their continuity.

As seen from the cases, integration did not necessarily follow the intentions outlined when announcing the M&A. Often, lower degrees of integration than initially intended were the result. Customers played a critical role in these adjustments. Expectations on customers may make M&A parties resist integration, but customers may also actively object to integration or by not acting in accordance with M&A parties' intentions, make integration such as cross-selling unattainable.

In sum, the ideas about customers that drove integration were speculations and expectations on (i) future activities, and (ii) unchanged behaviour. Customers impacted integration realisation through (i) limiting integration intentions as M&A parties saw customers as change avoidant, (ii) M&A parties reconsidering integration as they saw the risk of losing customers, (iii) M&A parties (commonly the acquired party) arguing its independence via pointing out differences between the M&A parties' customers or through allying with customers, (iv) customers not acting in accordance with integration intentions, and (v) customers actively working against integration. Expectations thus concerned how customers would act as a result of integration, which partly meant that integration was resisted or which implied that customers could be managed. Integration was influenced by customers' actions when customers resisted to act in accordance with M&A parties' intentions or actively objected to integration. Customer activities were thus reasons for changes between intentions and integration realisations.

**How do customers act to the integration and what drives these actions?**

In chapter nine, customers' actions to integration were described. As with reactions at the acquisition point, these actions either meant changes in or of relationships; or changes that did not result in activities. Integration actions included non-action, disappointment, relief, adding products, connecting to the other party, re-evaluation, dissolution and actively objecting to integration. In all, actions to integration more closely followed the activities of the M&A parties; if integration was made to cross-sell products, cross-buying was a possible outcome. However, it was not certain that the M&A parties' intentions were actually materialised. If customers did not see the benefit of, for instance, cross-buying, no such attempts were realised. Although integration intentions may not result in the intended customer behaviour, a pattern emerges where customers' actions are more “severe”, the higher the degree of integration. Non-integration rarely resulted in dissolution, whereas product replacement well might have. The higher the integration level, the more synergy gains would be expected. But, a second M&A paradox emerges as higher degrees of integration may result in more severe customer losses. There seems to be a trade-off between synergism and customer relationships. There is also a connection between forced integration (where customers cannot choose to continue as previously) and
radical changes, while most voluntary integration (where customers can continue to buy as previously, while, for instance, additional products may be offered) does not lead to any (major) customer actions.

Aside from integration strategies as a trigger for customers’ actions to integration and activities that were results of integration, activities ‘external’ to the M&A, including other activities of the M&A parties, of the customer or of other customers, impacted customers’ actions. These, and the activities resulting from integration, may either stabilise or destabilise relationships, where they underline that customers may follow the activities of others; if other customers left the M&A parties, this reinforced change, as did staff leaving, while, if customers and staff stayed, customers more often tended to stay with the M&A parties.

In sum, customers act to integration in terms of (i) non-action, (ii) incremental actions, and (iii) radical actions. These actions are driven by (i) integration strategies, (ii) actions as results of integration, and (iii) activities ‘external’ to the M&A.

Categories and patterns of how customers impact and are impacted by an M&A

To summarise the events and perspectives, these are driven by activities or expectations, and result in various actions or reactions. Table 11:1 précises these. The table outlines the categories derived from the empirical data of this thesis, and the patterns within each event and perspective.

**Table 11:1 Drivers and (re)actions**

<table>
<thead>
<tr>
<th>Driver</th>
<th>(Re)action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition point, M&amp;A parties view</td>
<td>Responsive activity</td>
</tr>
<tr>
<td></td>
<td>Future activity</td>
</tr>
<tr>
<td></td>
<td>Unchanged behaviour</td>
</tr>
<tr>
<td></td>
<td>(to address acquiree’s or acquired party’s customers, or market/position)</td>
</tr>
<tr>
<td>Acquisition point, customers’ view</td>
<td>M&amp;A activity aspects</td>
</tr>
<tr>
<td></td>
<td>Actor aspects</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Integration, M&amp;A parties view</td>
<td>Unchanged behaviour</td>
</tr>
<tr>
<td></td>
<td>Future activity</td>
</tr>
<tr>
<td></td>
<td>Customers’ activities</td>
</tr>
<tr>
<td></td>
<td>Expectations on customers’ activities</td>
</tr>
<tr>
<td>Integration, customers’ view</td>
<td>Integration strategies</td>
</tr>
<tr>
<td></td>
<td>Actions as result of integration</td>
</tr>
<tr>
<td></td>
<td>‘External’ activities</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The categories also relate to each other between events and perspectives. M&A parties changed their intentions between the acquisition point and integration based on reconsiderations or customers' actions. Customers changed their view on the M&A between the acquisition point and integration impacted by clarification. Customer reactions at the acquisition point concerned the M&A parties and uncertainty as results of the M&A announcement, but did not connect with M&A parties’ motives. At integration, customers’ actions were more directly connected to M&A parties’ integration. Figure 11:1 outlines the main concerns from each perspective at each event, where the arrows indicate differences between perspectives and events.

To summarise these patterns between events and perspectives;

(i) M&A parties’ changed their actions between the acquisition point and integration based on customers’ actions and reconsiderations,

(ii) customers’ view at the acquisition point did not relate to M&A parties’ intentions,

(iii) customers’ changed their view as integration meant clarification, and

(iv) integration worked as driving force for customers’ actions at integration.

There are thus changes in distance in expectations between M&A parties and customers and distance in action of the parties at the acquisition point and integration. While partly driven by (own) customers’ activities, the acquisition point largely entailed speculations and expectations on customers which were not underpinned by knowledge about the customers. And customers’ reactions at the acquisition point did not relate to M&A parties’ intentions, but were more related to expectations, or not knowing what to expect. There was thus a distance in expectations at the acquisition point between M&A parties and customers. At integration, M&A parties put their intentions, or revised intentions, into practice in terms of introducing cross-
serving, replacing products, and so on. While these drove customers’ actions, customers’ actions did often not correspond to M&A parties intentions, which created a distance in actions. Attempts to create additional relationships resulted in non-actions or dissolutions, for instance.

What is also obvious is the move from what could be referred to as ’strategic actions without regarding network consequences’ in intentions, to integration realised on such consequences. These consequences became apparent through customers’ actions, but also through M&A parties pre-integration reconsiderations, which both commonly meant a lower degree of integration than first intended.

Figure 11:2 illustrates the described distances in expectations and in actions, and the shift from strategic intentions to network realisation.

![Figure 11:2 Distance in expectations and actions, strategic intentions and network realisation.](image)

**Impacts**

The aim of this study concerns how customers impact and are impacted by M&As. To sum up, two questions could be asked; (i) how do customers impact M&As? and (ii) how are customers impacted by M&As? Related to the categories described previously in this thesis; customers impact M&As through;

(i) being a reason to merge or acquire,
   a. where the M&A aims at acquirer’s or acquired party’s customers, or markets/positions, and expected activities of these, or
   b. where the M&A is a responsive activity to customers’ previous activities,

(ii) reactions to M&A initiation or changed buying behaviour,
CONCLUSIONS AND REFLECTIONS

(iii) M&A parties’ pre-integration reconsideration, and

(iv) post-integration difficulties, where customers impact integration realisation through,

a. not seeing the benefit of the M&A and thereby continue to buy as previously,

b. actively objecting to integration, or dissolve relationships.

This means that customers’ impact on M&As are both the results of their own activities, and of the M&A parties’ expectations on customers. The asymmetry of change means that it is the customers’ actions that decide the final outcome of the M&A; M&A parties cannot realise their M&A intentions unless the customers’ act accordingly.

As for how customers are impacted by M&As, and also built on asymmetry of change; customers are impacted by;

(i) the M&A as a possibility for change,

(ii) ownership changes, which may lead to changes in competition structures (actor aspects), and

(iii) forced integration.

Voluntary integration, such as cross-selling, where customers may choose or not choose to buy the other M&A party’s products could be seen as a possibility for change, but customers’ may well refuse such change. Forced integration and M&As introducing parties the customers do not wish to have relationships with, mean driving forces which inevitably impact customers. These are also the driving forces which are most probable to lead to dissolved relationships. It becomes obvious that impacts and activities do not necessarily lie at the same party, nor is it certain that it is a driver – (re)action pattern that emerges, in that the impact must lie at the other party.

Table 11:2 summarises how customers impact and are impacted by M&As, where the impacts are divided between the parties.

### Table 11:2 How customers impact and are impacted by M&As

<table>
<thead>
<tr>
<th>Actor</th>
<th>Customers impact M&amp;A</th>
<th>Customers impacted by M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition point</td>
<td>M&amp;A parties</td>
<td>Reason to merge or acquire.</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>(Reactions to M&amp;A initiation.)</td>
</tr>
<tr>
<td>Integration</td>
<td>M&amp;A parties</td>
<td>Pre-integration reconsiderations.</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>Post-integration difficulties.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Changed buying behaviour.</td>
</tr>
</tbody>
</table>

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In Table 11:2 reactions at the acquisition point and possibility for change are put in brackets. This is done since the reactions at the acquisition point did not impact the M&A as such, but may well have consequences for the relationship between the M&A parties and customers. The possibility for change is in brackets since it only meant that integration was presented for customers, but did not necessarily mean that customers adjusted to it.

The division between actors shows that when customers impact the M&A but this is done through M&A parties’ actions (see reasons to merge or acquire, and pre-integration reconsiderations), this means that customers act as driving forces for M&A parties’ activities. When M&A parties’ activities impact customers, these M&A party activities function as driving force for customers actions, while when customers are actors impacting the M&A these actions are outcomes which may not necessarily drive new activities. Apart from possibly customers’ impact on M&A parties’ activities, those described driving forces are in turn activities, while reasons to merge or acquire and pre-integration reconsiderations may be built on expectations.

**How is the view on M&As changed if customers are seen as actors impacting and being impacted by M&A activities?**

If returning to the overall question “How is the view on M&As changed if customers are seen as actors impacting and being impacted by M&A activities?”, the categories and patterns help to explain customer impact and how customers are impacted by M&As, but they do not by themselves answer how the view on M&As is changed if customers are seen as actors impacting and being impacted by an M&A. For that, the categories and patterns need to be reflected towards previous M&A research. This was partly done in chapter ten where categories and patterns were related to theory. The M&A literature represented whether and how the categories and patterns of this thesis could be explained by previous research. However, this only targeted the categories’ and patterns’ fit with existing research, not how the view put forth in this thesis contributed to the view on M&As as a whole. To enable such a comparison, the results of this thesis should be discussed towards a traditional view on M&As, and chapter two helps as a guide for this.

- First of all, M&As have been researched widely, but with a main focus on the M&A parties, or individuals (staff or managers) within the M&A organisations, while this thesis shows that also parties outside the M&A organisations affect, and are affected by the M&A. It should be said that the argument of business partners being affected by an M&A is not new as such; it is one of the key messages of previous research on M&As according to the network approach. However, the focus in those studies are on unilateral effects, which in turn impacts business relationships with the M&A parties, but which do not see M&A parties as adjusting to external business partners. This thesis shows that activities both impact and
are impacted by customers. This appears both as M&A actions lead customer actions, and vice versa, but also expectations on the other party impact (re)actions of M&A parties and customers.

- Secondly, M&A research is extensively performed via quantitative analyses, where the scope of data is indeed much, much larger than this thesis presents, but where patterns of drivers and actions cannot be easily captured. Using case studies in M&A research is not new as such, but the dualistic approach including M&A parties and external parties is definitively rare.

- Thirdly, M&As are commonly stressed as being a strategic action, where external parties as drivers seldom are acknowledged. Some examples of external driving forces to M&As can be found, primarily represented by legal changes, deregulation and internationalisation waves, but these are rare, and they seldom (but for internationalisation) refer to M&As as a means of matching or regaining balance in power. Matching or regaining power-balance implies that M&As may be a means to adjusting to customers; a responsive activity.

- Fourthly, while some studies refer to the process of M&As, adjustments to other parties at the acquisition point and at integration is rarely described. Such adjustments are clearly seen in the cases of this thesis; both as results of reactions of the other party and as reconsiderations before, for instance, integration strategies are put into practice.

- Fifthly, outcome calculations are common in the M&A literature, where these normally do not take the specifics (in terms of motives, time schedule and so forth) of each M&A into account, but further; they do not include that parties may adjust and change initial intentions during the M&A. With a focus on drivers and actions, this thesis focuses extensively on what drives activities of M&A parties and their customers. Intended outcome may consequently be difficult to reach, not only because parties react to the M&A, but also since the goal of the M&A may change from the acquisition point to integration, which is commonly not considered in previous M&A research.

- And lastly, customers are common as motives in M&As, and are indirectly referred to in some integration literature on brands and the like, but they are not seen as part of the M&A scenery. This thesis has shown that customers strongly impact M&As, both via their own actions and reactions, but also based on that M&A parties’ activities are built on expectations about customers and customers’ activities.
If customers are seen as actors impacting and being impacted by an M&A, it becomes evident that customers are important in M&As. The view on M&As changes in terms of that the M&A is no longer seen as a one-party activity with a direction decided from start. It helps in understanding why companies merge or acquire, why they may change direction throughout the process, why integration may be difficult, why context should not be disregarded when analysing M&As, and why outcomes becomes unforeseeable rather than unreachable. Continuous adjustments, forced versus voluntary integration, asymmetric change, and expectations and activities as driving forces for customers and M&A parties, become central themes in M&As which are results and triggers in a multi-actor setting.

Below some of the main results of this thesis are presented under the headings (i) categories and patterns, (ii) both parties matter, (iii) adjustments of intentions, (iv) activities and expectations, (v) (mis)interpretations, and (vi) M&A outcome is difficult.

Categories and patterns
This thesis is built around categories and patterns, which shows that M&As is not a single activity, but consists of several events both within and outside the M&A organisations. Categories of driving forces and activities are interconnected and create patterns, both for each individual actor, but also via connections between actors and events. Through viewing customers as actors impacting and being impacted by M&As, patterns of interrelatedness between activities are revealed.

Both parties matter
This thesis has shown that both M&A parties and customers matter in M&As. The M&A party cannot pursue its strategies without considering customers, and further, described as asymmetric change, it is actually the customers that have the last say in the matter. Integration on the marketing side can, for instance, only be realised via customers' approval. This brings new perspectives to M&A motives, integration and ultimately outcomes of M&As, and challenges M&As as the acquirer's activity alone.

Adjustments of intentions
Throughout the M&A, M&A parties, but also customers, may change their actions and intentions. These changes show that the M&A parties in their activities are interrelated with customers in theirs. These adjustments in intentions may be driven by actions of the other party, be results of activities between M&A parties, or be based on expectations on the other party.

Activities and expectations
This thesis has emphasised activities and expectations as driving forces for actions. Activities and expectations both show that M&A parties and customers are interconnected, but also that they may build their actions on assumptions about the other party, rather than just activities of that party. And further, these expectations need not always be founded in what the
other party will do, but may be speculative and assume that the other party is steerable.

(Mis)interpretations
In chapter three, dynamics in relationships were described as mutual and unilateral adaptation, and as actions/reactions. Adjustments of intentions could mean a unilateral adaptation, but most activities seem to fall into the category of action/reaction. This also means that whereas interrelated as activities, and whereas connected via relationship ties, customers and M&A parties mostly act on interpretations of the other party’s activities. And further, M&A parties often act on what they expect of customers; not only on what activities they have seen among customers. There is thus a risk of misinterpretation, which for instance is seen as discrepancies between how M&A parties and customers view an M&A and its benefits.

M&A outcome is difficult
In the introduction chapter, M&A failures were one of the starting points. This thesis has shown that it is difficult to succeed in M&As as it is not a one party activity, rather M&As impact and are impacted by other parties. At the same time, adjustments to other parties may make the M&A turn into something else than what was initially planned. M&As and other activities may drive upon each other, redrawing initial intentions and foci. This makes M&As difficult to evaluate; and there is also the quest whether M&As should be evaluated according to their fulfilment of initial motives, or actual outcomes.

Contributions to research
Table 10:9 in chapter ten indicated what new things had been seen related to events of acquisition point and integration, and to M&A parties’ and customers’ perspectives in this thesis. Whereas primarily aiming at adding to traditional M&A research, this thesis also launches new ideas to the research on M&As according to the network approach, and makes some suggestions to the network approach. These are summarised in Table 11:3 below.

Towards traditional M&A literature
The most important message of this thesis is that it has shown that M&As impact and are impacted by customers. This occurs both when M&A parties plan an M&A, but also during integration realisation, and based on customers’ actions and reactions. This shows that it is important to consider customers when analysing M&As. I will not repeat the categories derived from empirical data here, but only state that these create an understanding for various parts of an M&A and connects actions with driving forces. Previous research includes customers in motives, but this thesis discusses motives related to expectations on specific customers, refers to reconsiderations based on expectations and activities of others, and shows that customers’ actions affect M&As.
Towards the network approach
The contribution towards the network approach is, apart from what is written below on M&As according to the network approach, mostly concerned with how to analyse networks. The thesis shows that activities may occur at different levels; an M&A is not part of daily exchanges and further it is a collective activity which does not only occur towards a single actor, but towards all actors the M&A parties relate to. There further seems to be differences between adaptation and actions/reactions, where the former is based on keeping relationships, while actions/reactions may well aim at changing network structures. Actions/reactions may also more clearly entail dimensions of misinterpretations, as parties make decisions on their own, yet related to the other parties. The identification of categories and patterns and of expectations and activities may also work as a model to understand networks, rather than just describing them.

Towards M&As according to the network approach
This thesis has shown that M&As, and events within M&As, may trigger actions, but also be results of actions. Also within the process of an M&A, M&A parties adjust to customers, which in turn makes outcome less radical than previous research on M&As according to the network approach has suggested. The thesis focuses explicitly on customers, from the M&A parties’ and customers’ perspectives, and further fine-tunes actions and reactions, whereas previous research has not made any distinctions between various business partners and has simply referred to the M&A as a trigger to change. Previously, non-actions are not widely discussed, nor are various motives and integration modes considered. This thesis thus gives a more nuanced picture of M&As and business partners, and thereby contributes to research on M&As according to the network approach. Categories and patterns show the variety of driving forces and activities related to an M&A, and how these driving forces and activities may be connected.

<table>
<thead>
<tr>
<th>Research area</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towards traditional M&amp;A research</td>
<td>- Customers impacting and being impacted by M&amp;A; customers as actors &amp; relationships important for M&amp;A activities.</td>
</tr>
<tr>
<td></td>
<td>- Expectations and activities drive M&amp;A in intentions and realization.</td>
</tr>
<tr>
<td></td>
<td>- The categories and patterns as such.</td>
</tr>
<tr>
<td>The network approach</td>
<td>- Various levels of change; distinctions between adaptation and action-reaction.</td>
</tr>
<tr>
<td></td>
<td>- Activities occurring at various layers as ways to handle activities that are not directly the results of relationships.</td>
</tr>
<tr>
<td></td>
<td>- Categorisation and patterns to model what drives activities.</td>
</tr>
<tr>
<td>M&amp;A and networks</td>
<td>- M&amp;A both trigger and outcome.</td>
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<td></td>
<td>- Not as severe outcomes as depicted, which is a result of M&amp;A parties adjusting during the M&amp;A.</td>
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<td></td>
<td>- Categorisation and patterns.</td>
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<td>- Fine tuning (re)actions and drivers, connections between these and further that the M&amp;A can be broken down into various events.</td>
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Reflecting results

Causes, effects and the contextual reside

This thesis strongly focuses on categories and patterns of driving forces and activities. This could be interpreted as that one activity or expectation per default leads to a specific activity (or non-activity) according to a cause-and-effect pattern. As stated in the methodology chapter, causal powers (cf. Easton 2004), where a trigger may or may not lead to a certain (re)action are however a key concern, as are tendencies (Jessop 2005) rather than given causes-and-effect patterns. All actors did not act in the same way on a given activity, where present states of relationships, the embeddedness of actors and differences in expectations may help in explaining differences.

This means that while identifying patterns of driving forces and actions, a driving force cannot with certainty predict an action. This does not make the patterns meaningless, rather it means that they should be treated as tendencies and possible connections between driving forces and activities, where a driving force can expect certain activities without saying that these activities are given. This further stresses the importance of embeddedness of actors. By understanding the state of individual relationships, other activities that meet the party, and so on, the predictability of driving forces and actions would be sharpened.

Transferability of findings to other actors, situations and different market settings

This thesis describes relationships with customers in a business-to-business setting. Does this mean that results are only applicable for the given situation and relationships?

I would argue that M&A parties treat customers and suppliers differently following an M&A. Motives related to suppliers deal with cost reductions, not so much with adding relationships. Towards supplier, it becomes the M&A parties as customers that will decide over the continuity or discontinuity of relationships, whereas relationships with customers are different in that sense, both in terms of who makes the decisive decisions and in terms of M&A parties’ intentions with the M&A. This is also one of the reasons for this thesis focusing on customers rather than on overall business partners.

As for different market settings; business-to-consumer settings for instance would anticipatively deal with similar concerns and reactions as those described in this thesis. Possibly individual actors would not be devoted as much attention, but also in a business-to-business setting the results imply that M&A parties regard customers as aggregates. As for other situations, other strategic actions would expectedly lead to similar patterns, although M&As have some characteristics that may not be as common in other settings, whereof ownership connections may be the most prevalent.
Does this mean that the results of this thesis are applicable for all M&As? The thesis does not aim to predicting developments valid for all M&A situations. Rather it shows patterns that could be transferred to M&As also outside those studied M&As, and categories that may be ways of describing M&As related to customers. Expectedly, additional categories may be found in other M&As, but some of these may well be categorised into types of activities and driving forces as described in this thesis (actor aspects, activity aspects, non-change, incremental change, radical change, and so on). All categories would also not be present in a single M&A.

Level of openness
This thesis shows that the M&A and its integration are driven by expectations about customers and activities of customers. This is all based on statements by interviewees. However, referring to customers as driving forces may be a rhetoric trick. Customers would be a way to justify activities. Hubris and empire building may well be part of the M&A agenda. Doing what is best for customers seems less harmful than pursuing an M&A for personal reasons. Equally, choices not to integrate based on, for instance, perceived differences in customer preferences, could be a way for an acquired party to justify its independence in a company group, something that was also stated in chapter eight. So, M&A parties referring to customers as a reason for the M&A and integration may be somewhat overestimated. However, the interrelatedness of activities as such and customers abandoning highly integrating parties contradict these thoughts.

On the customer side, there seems to be some statements emphasising the own party’s activities as actions rather than reactions. Memory gaps and taking the starting point in the own organisation could be explanations therefore. It is not certain that the M&A was that central for the customer. Furthermore, once a decision was made, initial hesitations may well be forgotten.

Indeed this means that the results should be treated with some caution. However, similar statements being made by several actors, sometimes including the other exchange party, and data being backed up by written data sources, make the results more trustworthy.

Let’s get normative... – Some managerial implications
What practical implications could be made from this study? If summarising it in lessons, the following advice could be given;

Lesson I: Although customers are important as M&A motives and customers are accounted for as assets of the acquired party, M&As may lead to customer losses. Consequences: make sure your calculations prior to the M&A are based on realistic assumptions about customers. And more importantly; make sure you understand the customer relationships of the
acquired party (and your own customer relationships) in terms of longevity, critical links, and so on, and analyse possible impossible relationships and estimate their value.

**Lesson II:** The higher your synergy aims, the higher the risk for customer losses. Consequences: do not account for higher levels of integration than is realistic and consider the trade-offs between cost synergies and potential customer losses. Based on the studied M&As it seems that those being the closest to accomplishing their goals without losing customers are those focused on meeting actions of the acquirer’s customers. This stresses that M&As are better accomplished the more you know about the customers.

**Lesson III:** Separate expectations on customers from what you actually know about the customers. Consequences: Try to learn as much as possible about own and potentially acquired parties’ customers. And be critical towards your own expectations: How realistic are they? Do you expect changes from the customer side? Why? What do you base these expectations on?

**Future research**

This thesis has shown that customers impact and are impacted by M&As. Categories and patterns of actions, their driving forces and how these actions impact not only customers but also the M&A and its parties’ activities, has been seen. For future research, it would be interesting to study these further; their transferability to other M&As, but also to other activities in a relationship setting, explore their value for wider types of relationships (beyond direct customer relationships), and test them quantitatively. A quantitative study could aim at measuring the strength of connections between categories, how common individual categories are, and so on.

Each of the categories could also be studied more in-depth. Through focusing on a specific category, or a specific event, it would be possible to create a deeper understanding for it, and if doing this in a multi-case study, for example, comparisons in terms of the impact of present states of relationships, and so on, could be made.

Especially for the case of Toyota’s acquisition of BT Industries, it would be interesting to do a follow-up study to see how expectations and activities have changed since the new Toyota Material Handling Group organisation was launched. Also for the other M&As, follow-up studies would be of interest to see whether the M&As have meant continuous customer losses, for example. Also wider network studies including competitors and their M&As would be of interest to see the dynamics of M&As in a wider multi-actor setting.
BT Industries

BT Industries manufactures and sells material handling equipment. In the late 1990s, the company grew through acquisitions, among other things, to match customers’ demand for international suppliers and one-stop shopping. In 2000, the company was acquired by Toyota, thus becoming part of the world’s largest supplier of material handling equipment. Following these acquisitions, the brands and sales channels have largely remained unchanged; an exception being sales channels on the Swedish market, where BT came to sell Toyota trucks. Customer companies included in the case description are Beslag & Metall, Comau Ingest, FläktWoods, DFDS, DHL, Saab, Servera and Volvo Group. These customer companies act on the Swedish market, but some are part of international groups, and several of these customers have undergone changes related to acquisitions and the centralisation of purchasing parallel to BT Industries’ acquisitions.

BT Industries – A company background

BT Industries, or AB Bygg- och Transportekonomi as was the company’s original name (BT Products AB 2002; BT Industries 2003), was founded in

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1 A previous version of the company description was published in Öberg (2004) Customers were not included in that version and the company description is partly rewritten.

2 When founded, the company was called AB Byggnadsekonomi (Ellison and Gruszka 2004). It was shortly thereafter renamed AB Bygg- och Transportekonomi, which was in turn abbreviated as BT.
1946 as a company importing material-handling equipment for the construction and transport industries (Munde, interview 2004). At an early stage, the company became an agent for Clark counterbalanced trucks (Jarnehag, interview 2004), and these products were soon complemented by BT’s own production of hand pallet trucks. In the 1950s, the product portfolio began to broaden to include the manufacturing of electric warehouse trucks. The focus of the company has since been in the field of warehouse trucks. In 1953, a standard pallet, the so-called EUR pallet, was developed, which set the standard, and still does, for the European market (Braconier 1995).

**Geographical expansion**

From its origins as a company operating on the domestic market, BT Industries started its international journey in the 1960s. A European marketing organisation was formed, and the company expanded through acquisitions (e.g., Rolatruc in Great Britain) as well as organically with the establishment of companies in Denmark, Germany, and Belgium. The geographical expansion continued in the 1970s and extended outside Europe, and in the 1980s the companies Lift-Rite and Prime Mover (in Canada and the US, respectively) were acquired (Dagens Industri 1988; BT Industries 2002).

In the early 1990s, the company was struggling with inefficiency and a high-cost portfolio, resulting in the divestment of certain businesses (Braconier 1995). On some markets, BT Industries also had problems establishing its own distribution companies and joint ventures became an alternative (e.g., BTCESAB in Italy).

**Ownership changes and introduction on the stock exchange**

BT Industries was initially owned by the founders HSB (the National Association of Tenants’ Savings and Building Society) and KF (the Consumers’ Co-operative Society), and later, solely by KF. With KF as owner, the company came to have several KF companies as customers. One such example is Promus Storkök (later merged into Servera).

KF and BT had common ownership once. ... This building was constructed in 1964 and when you answered the phone you said “Konsum-BT”. BT had the top floor and everything was grown together. This is how it was during the entire time with KF. The first non-BT truck was bought 1998.  

Esbjörn Haraldsson, Servera

While KF opened doors to customers, it also made it difficult to reach certain customer groups; competitors to KF would choose other truck brands than BT Industries.

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3 In 1998, Servera was no longer owned by KF.
In the early 1990s, KF was struggling with a financial crisis and negative cash flow (Wrede 1994). This crisis was a result of several acquisitions performed by KF in the 1980s resulting in a diversified organisation and was a consequence of KF showing losses. In 1994, through its subsidiary group Nordico, previously KF Industrier, KF sold the majority of BT to Atle, Bure, and Nordic Capital, but kept a 47 percent interest (Föjer 1994; Wrede 1994). This remaining holding became part of KF Invest, an investment company (Wrede 1994). Discussions about introducing BT Industries to the Stockholm Stock Exchange soon followed (Dagens Industri 1995), with the aim of lowering KF Invest’s stake to about 20-25 percent.

In late 1995, BT Industries was introduced to the Stockholm Stock Exchange’s O list (Baconier 1995), and in 1996, the company was moved to the A list. The largest owner after the listing was KF Invest (Björklund 1996), which subsequently bought additional shares (Tapper 1996) until it came to own 25 percent. In 1999, KF Invest's shares in BT were transferred to the parent company, KF (Nyhetsbyrån Direkt 1999), and then to an investment fund, Nordico Invest, owned to one third each by KF, Bank of America Equity Partners, and a group of Swedish institutions; KP Pension & Försäkring, LRF, Lantmännen, FöreningsSparbanken, Sirius International and 4:e AP Fonden (Risk & försäkring 1999; Larsson 2001b). Following this change of KF’s organisational structure, BT changed from being a strategic asset to becoming more of a financial asset (Ridderstråle, interview 2003).

**Material handling equipment – An industry in transition**

Material-handling equipment can be divided into two product groups; warehouse and counterbalanced trucks (EEC Merger Procedure 2000). These two product groups largely attract different customers. Warehouse trucks are directed towards logistics firms and fast moving consumer goods-companies for instance, whereas counterbalanced trucks are commonly used in manufacturing industries. Some companies in the material-handling equipment industry specialise in one of the product groups, while others cover both fields. According to producers, although many customers mainly need one type of truck, they do use both types, so the importance of offering a range that includes both warehouse and counterbalanced trucks has been increasingly stressed (Ridderstråle, interview 2003; Fürst, interview 2003).

Although BT Industries originally was an importer of counterbalanced trucks, the company developed into becoming a manufacturer of warehouse trucks. Only on some few geographical markets, in Sweden and Great Britain for example, was the prime focus on warehouse trucks complemented by the company’s role as general agent for counterbalanced trucks produced by Clark. However, Clark had subsequently lagged behind in terms of product development. BT Industries, and also customers, were well aware of Clark’s shortcomings.
Customers – New buying patterns

For customers, centralised purchasing and preferred supplier deals have increased in importance.

I think contacts have become increasingly professional, more centralised.

Magnus Sandman, BT Svenska

Back then, it was handled locally. But he [Stefan Henriksson] deals with service agreements and other agreements, negotiations are now held down there [in Helsingborg], so negotiations are not made locally anymore.

Matt Fredriksson, DFDS

Centralised purchasing requires suppliers that meet capacity needs. This is especially the case for national or international customers, but even local, small- and medium-sized companies tend to prefer larger suppliers, or at least suppliers large enough to provide maintenance without interruption disputes (Thoresson, interview 2004). At the same time, small customers may feel neglected compared to their larger counterparts.

My experience is that we will make deals with larger suppliers that everyone will have to use, if it saves us money. Local deals with local suppliers that are not spread over Sweden are not interesting. You need to have national deals.

Anders Westerling, Saab

Volvo Group, DFDS and DHL are examples of customers that have centralised their purchasing of trucks. Through centralised purchasing, customers become a stronger party; and moreover, through the arrangement of preferred suppliers, some suppliers are completely shut out. Preferred supplier deals mean that deals are negotiated with a few suppliers on a central level, and that local customers are free to choose among these pre-negotiated trucks, but are not allowed to buy from anyone else.

Becoming a preferred supplier does not guarantee that any trucks will actually be sold, only that the supplier is among those the customer may choose from; pressure is put on the suppliers as they have to compete with other preferred suppliers for each order (Malmgren, interview 2003).

For the customer it is always an advantage to use one or two brands. As a rule, they have two brands to make them compete against each other. But I have found that fewer customers today use ten different brands. I mean, this becomes expensive for them: ten different service contracts, ten different fitters. So I think most have two, three brands … which they play off against each other.

Kenneth Jarnehag, BT Svenska
We want them to turn to each one of them so they cannot take anything for
granted, then they would relax. … Although they know that no other com-
petitors will be invited, they have the specification, but they have to work.

Jan Söderlund, Volvo NAP

Whereas preferred supplier deals would be expected to lead to more
stabilised relationships for those suppliers chosen, an increased focus on
price and trucks becoming more homogeneous mean that long-term
relationships lose in importance.

All trucks are quite similar today, this is how that industry works. It is no
secret that when Linde places a new truck here, BT and Atlet are here
taking photos of it. And if BT places a truck, the others are here. They also
buy each others trucks and take them to pieces.

Esbjörn Haraldsson, Servera

By means of the centralised purchasing agreements, old structures may be
broken off and personal relationships replaced.

So we can see that the customers have tended to become more and more
unfaithful, if I may put it that way. Relationships are not as important. So
once you discover that a customer that has been warm and kind for years
has reorganised, something else happens and a person appears who is
between 25 and 30 and good at spreadsheets – then we know something
has happened. Now they have decided that price is what matters.

Christer Högberg, BT Europe

Back then, we bought the most expensive trucks and we had them for
fifteen or twenty years. Today, these are twice as expensive as other trucks,
so you do not buy them anymore. … It is important that the truck does not
break down, and many trucks are fairly similar. But certainly, price matters
when you buy a lot of trucks.

Jan Nilsson, DHL Solutions

A German truck supplier, Jungheinrich, is often referred to as the winner in
the game for customers; by having a low price, the company has won several
deals in recent years. To meet the increased price focus and homogeneity of
trucks, rental and other service deals are being increasingly more offered.
The rental and service deals preserve relationships, making it less easy to
change suppliers;

When we have so much BT, it takes quite a lot for us to change to some-
thing else, due to service and spare parts. So if someone was to dump the
price, it would be completely insane; we do not buy on price, but on how
the long-term relationship will work. The price of the machinery is not the
main thing, but it is the price on spare parts and that it all works.

Allan Jonsson, FläktWoods
Whereas the supplier holding the maintenance deals often becomes the choice for customers’ truck purchases (e.g., Beslag & Metall), to decrease the power of the maintenance suppliers, a customer may choose to negotiate service and trucks separately. For example, Volvo Group chose to separate its global truck deal from service arrangements, and Saab Automobile also dealt with service and truck deals separately.

Service is service and trucks are trucks. So in the deals where BT has the service, they also have to service competing brands.

Jan Söderlund, Volvo NAP

With the large agreements like those with COOP and IKEA, service negotiations are held separately. Large companies such as Volvo, Scania and Saab have their own service companies. So, either you sell to them or to a partner, or they compete with the service in the agreement. For Saab, we take care of everything, but I know we are negotiating with Volvo now and there Celero is interested in taking care of that part. Scania has several service companies.

Magnus Sandman, BT Svenska

Consolidation in the industry

The industry for material handling equipment has been consolidating, and companies are both expanding their geographical markets and diversifying into other product segments. This ongoing consolidation represents not only the consolidation of companies, but also of the brands represented on the market;

A journey through the past fifteen years. … Lansing Bagnall in England was acquired by Linde, and came to be named Linde-Lansing for a while. Then the name Lansing was removed and now it is only Linde. Linde acquired the French company Fenwick, and it was called Linde-Fenwick till Fenwick was removed. Linde acquired Still, and that brand is still used in the Linde Group. Linde also acquired Wagner – a German brand, which lasted for some years but which I now think has been totally abandoned by the Linde Group. They have removed some brands, acquired smaller manufacturers, kept some brands, but they [the brands] have become fewer and fewer, and some factories in the group have been shut down.

Jungheinrich acquired Steinbock Boss from Bavaria. Jungheinrich is a German company, [based in] Hamburg, which acquired Steinbock Boss – a brand that disappeared two years later. … Jungheinrich has also divested some of its own sales companies. … They have removed other brands. They have a supplier that they acquired ten years ago in the US, “Baker”, that is scarcely alive.

As a whole, Nacco, which acquired Hyster and Yale, along with some Italian manufacturers, has gone through the same journey as the above – re-shaping, letting go of brands, streamlining both market organisation and production sites.

Sven Wirenhammar, BT Products
For customers, not only these acquisitions, but also a shift in suppliers’ brand representation, have caused some confusion and been considered turbulent. The transition of brands and companies has meant that deals have been cancelled and has led to renegotiations.

It has been an exchange beyond words. The market consists of X number of suppliers and X number of producers, and then they exchange products with each other, and that is not OK for us, especially if you sign fixed service deals. Then you have to cancel, renegotiate and sign new deals.

Anders Westerling, Saab

As will be seen, BT Industries is no exception; the acquisitions the company was involved in during the late 1990s and early 20000, meant a shift in brand representation. Unlike several other truck suppliers, BT Industries has chosen to keep acquired brand names.

Following the ongoing wave of acquisitions among truck suppliers, some world-wide actors dominate the material-handling equipment industry; these include Linde, Jungheinrich, Toyota, Crown, and Nacco, each of which commands a substantial share of the world market.

The consolidation wave in the industry has created several actors who are now acting as full-range suppliers, providing their customers with both warehouse and counterbalanced trucks:
Linde has had [since the mid 1980s] a full product range consisting of both counterbalanced trucks and warehouse trucks. Jungheinrich, being obsessed with what Linde does, copied Linde’s strategy and made acquisitions in Germany and the UK of Boss and Steinbock Boss, which provided them with counterbalanced trucks so they could become as full-ranged as Linde.

... We asked ourselves the overriding question: Should we become a full-range supplier, and a regional – European – player primarily, or should we become a global actor in our warehouse truck niche?

Ditlef Fürst, previously BT International

In the late 1990s, much of BT Industries’ strategic thoughts concerned which path to take; whether to become a global actor, or a full-range supplier on the European market.

An era of acquisitions

In the late 1990s, BT Industries had regained a sound economic footing (Fürst, interview 2003); BT operated in both Europe and America, and was the third largest manufacturer of warehouse trucks in Europe, and the fourth largest in the US (Braconier 1995).

![Figure A.2 Relationships between BT Industries and interviewed customers prior to the acquisitions. Co-operation existed to limited extents with Cesab and had existed with Raymond.](image-url)
As stated by the company (Ridderstråle, interview 2003; Fürst, interview 2003), BT was however having difficulties in reaching additional customers in the US; and the European market was dominated by two German competitors, Jungheinrich and Linde, each of which had a market share twice the size as that of BT Industries (Svensson 1995).

The strategic question whether to become a full-range supplier or a global actor was answered later, as the following years saw many acquisitions involving BT Industries. These acquisitions led to both a geographical and a product-range expansion of BT. This chapter focuses on three of these: BT Industries’ acquisition of Raymond Corporation in 1997, BT’s acquisition of Cesab Carelli Elevatori S.p.A. in 1999 and 2000, and Toyota Industries Corporation’s acquisition of BT in 2000. There were other acquisitions as well, including the acquisition in 1997/1998 of Material Handling Consultants (MHC), a British distribution company in the Eastern European market, and the acquisition of a majority of the shares of a Greece distribution company, SOUEL, in 1999. MHC had distributed BT trucks in Eastern Europe since 1992 (TT 1997a) producing half of MHC’s income and commanding 20 percent of the Eastern European market (Wäingelín 1997). The acquisition of MHC meant that BT Industries came to sell Hyster counterbalanced trucks on the East-European market.

**The acquisition of Raymond Corporation**

BT’s efforts in the US market began in the 1970s (Ridderstråle, interview 2003), and intensified during the 1980s;

> The management of BT therefore hopes to be running as a production unit in the US already within a year. “Then we would be considered as a national company and earnestly take up the fight with the American manufacturers, of which Crown and Raymond are the largest.” With a locked competition situation in Europe, BT is actually strongly dependent on the North-American market for its continuous expansion, an expansion that till now has been secured mainly through acquisitions of Swedish competitors.

Englund (1987)

The US company Prime Mover was acquired in the late 1980s, and though BT has been present in the US ever since, it has captured only a limited part of the market (Svensson 1995). At the time of the acquisition of Raymond, BT commanded a 5-6-percent share of the US market (Ridderstråle, interview 2003) through Prime Mover (Lindstrand 1997), and a few additional percentage via other sales co-operation arrangements, such as with Clark (Lindstrand 1997).

**Raymond Corporation**

The history of the Raymond Corporation goes back to the 1930s, when the company first started producing hydraulic hand pallet trucks. At the time of its acquisition by BT, Raymond Corporation had developed into one of the leading actors, or indeed *the* leading actor (Lindstrand 1997) in the US
BT industries market for warehouse trucks and also sold trucks in Central and South America, Europe, New Zealand, and Australia (TT 1997b). The products were branded Raymond and Dockstocker, and the company was also an original equipment manufacturer (OEM) of equipment marketed under various other brand names (BT Industries 1997a).

Pre-acquisition co-operation
BT and Raymond had co-operated for several years prior to the acquisition (Wikström 1997). Raymond began producing a combi-truck in 1992, and a joint project started in 1992-1993 to develop a European variant of an American truck. When Raymond started selling trucks to Jungheinrich, the co-operation between BT and Raymond ended, only to be restarted after BT Industries’ acquisition (Wirenhammar, interview 2004).

Acquisition process
Prior to BT’s acquisition, Raymond Corporation had been listed on NASDAQ. With the shares being traded at what was considered too low a price, a speculative raid was launched against the company. Wall street actors bought shares using various channels to avoid having to notify the public. They allied themselves with one of Raymond’s main shareholders, George Raymond Jr. and put pressure on Raymond, saying that they had a lot of shares and claiming a new owner of the company, as it was considered undervalued;

Raymond had been hunted by corporate raiders for some time and these presented the management with an ultimatum. The corporate raiders wanted to force a decision to sell Raymond. Together with George Raymond Jr., who had allied himself with the corporate raiders, the group controlled at least a quarter of the company’s shares.

Olsson (1997b)

The board of Raymond was left with no choice and the company was put up for sale. The actions of the corporate raiders also became evident to BT, as the share price of Raymond started fluctuating considerably. At this time, BT had a very high equity/assets ratio, and it was likely that they would have no debts at all by 1997. As BT was a listed company, being entirely internally financed was undesirable (Ridderstråle, interview 2003), so the company looked for ways to expand its business. Through a strategic analysis performed in 1996, BT had identified Raymond as the best acquisition target (Ridderstråle, interview 2003; Fürst interview 2003).

First, it was in the same segment [warehouse trucks]. Second, we were very weak in North America. Raymond was very strong in North America, but had hardly any business worth mentioning outside North America, with the exception of Australia. And we did see the big, big opportunity to become a global actor and world market leader in warehouse trucks. There were opportunities for technology sharing, opportunities for standardisation at certain levels.

Ditlef Fürst, previously BT International
Raymond had seemed unattainable, but following the speculative raid and the resulting share price fluctuation, BT reacted quickly (Ridderstråle, interview 2003).

This was one of the most intense experiences I have ever had. We sat at a management conference – a small group of five – in early February, far up north in a snowstorm. And then my secretary called me and told me that the finance department had concerns about Raymond stock – “It is acting really strangely.” We collected some additional information – this was the first week of February – and the deal was done by June 15. It went really fast. We signed it in New York on June 15, so it was a matter of four months, as the real action did not start until March.

Carl-Erik Ridderstråle, previously BT Industries

At least five bidders were interested in buying Raymond, including BT and Toyota.

**Acquisition motives**

The motive for acquiring Raymond was to expand geographically so as to become a strong actor on the world market;

The acquisition of Raymond is an important step in BT’s strategy to grow and develop within the field of warehouse trucks. Through merging two regional companies within the same line of business, a powerful actor in the world market is created.

Carl-Erik Ridderstråle, CEO, BT Industries in TT (1997b)

Economies of scale and the potential to expand into additional markets were stressed (BT Industries 1997b). Additional considerations were product development, common components, and the more flexible use of production capacity – BT’s plants could be used to produce part of Raymond’s product line (Wilke 1997). All of this indicated an effort to lower costs;

Through the acquisition, the management of BT counts on lowering costs of both product development and production.

TT (1997b)

Not only to allow the company to grow into a world-market actor and to cut costs, the acquisition of Raymond Corporation was also driven by the actions of customers;

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4 Ridderstråle was CEO at the time of the statement. Whenever a person is quoted from a written source, the title and company affiliation of that person at the time of the statement is provided. For the job titles of those interviewed for this thesis, see the list of interviews in the reference section.
We experienced globalisation, meaning that some customers started crossing the Atlantic – whether it was Wal-Mart/Home Depot moving outside the US, or IKEA to North America or Ahold to South America. Here we experienced trends that would make a global presence an advantage.

Håkan Dahllöf, BT Industries

These customer expansions entailed several M&As, and the growth in size of the customer companies was not only expected to lead to an increased focus on material flows, but to customers desire to retain their original suppliers, requesting them to deliver to the customers' new locations and to their newly targeted subsidiaries (BT Industries 2003). Centralised purchasing also made it important to be represented at the customers' locations. While the customers expanded their businesses, BT strove to keep pace with them; the acquisition of Raymond was one way to do so.

**Customer information about the acquisition**

Although many of the acquisition motives were customer-motivated, in terms of meeting customers' activities and in terms of expanding geographically, BT Industries' information towards customers was very limited. Small customers acting locally and local representatives of larger firms did not hear about the acquisition at all. Informing these customers about the acquisition was regarded as unnecessary; it was “unnecessary to make them feel anxious” (Jarnehag, interview 2004).

No, I have not heard about it [the acquisition of Raymond].

Egon Thoresson, Beslag & Metall

I did not hear anything about it.

Mats Fredriksson, DFDS

Large customers were informed about the acquisition, but the information as such mainly focused on how BT Industries now was number one in the world for warehouse trucks; BT and Raymond together held 20 percent of the world market (Wäingelin 1997) and a third of the North-American market (Hammar 1998) following the acquisition.

It is clearly an advantage to be able to tell employees and customers that we now are number 1 in the world. We were previously crestfallen and cringing at being number 3 in Europe and at being unable to grow from there.

Håkan Dahllöf, BT Industries

Those customer representatives that did not hear about the acquisition normally only met local representatives of BT Industries. Those that did receive information about the acquisition did so via press releases, seminars or information meetings involving, for instance, key account managers on a national level;
Both via press releases and information from them. BT is good at giving information. But such acquisitions do not affect us, not at all. On the other hand, when Toyota entered, BT got a strong range to sell. That affected us a little more.

Jan Nilsson, DHL Solutions

Apart from when I meet the sales men or participate in seminars, when they show figures which include Raymond, I have not noticed or heard about them.

Bo Sköldebring, Volvo Bus Corporation

I think they wrote that they had acquired Raymond and then I was at BT at an information meeting where they showed their spread in the US, the ideas behind acquiring Raymond, to get to the US market. But this is all I remember.

Anders Westerling, Saab

Customers’ initial perception
Among the customers interviewed, nobody claimed that BT Industries’ acquisition of Raymond had changed their view of BT Industries, nor did it affect their relationships with BT. Interviewed customers only saw Raymond as something BT Industries talked about when referring to the group’s geographical presence and position as world market leader on warehouse trucks. This also means that customers did not adjust their buying patterns to the new situation. With the information focusing on how BT Industries now had attained a considerable position on the US market, and less on BT Industries’ integration intentions, customers came to speculate about how the acquisition would possibly affect BT Industries;

What I thought of it? More production in Mjölby, then I can buy cheaper trucks. … They did not bring anything home from the US that was of any value for production or customers. … It was an isolated event that did not affect us.

Anders Westerling, Saab

As for Raymond’s customers, BT Industries and its acquisition of Raymond remained unknown and Raymond continued to act towards its customers as an independent company.

Integration
The integration of Raymond and BT Industries developed gradually over a number of years. Between the formal acquisition in 1997 and before the completion of the integration process, BT Industries became involved in other acquisitions; this obviously affected the degree and direction of integration with Raymond. Reviewing the official acquisition motives would lead one to expect extensive integration of the two companies; however, the final result was that both companies worked more or less in parallel;
We have acquired Raymond, but for me, from the sidelines, it feels more like an equity investment than the active management of the business. Now it has turned out well. Raymond earn a lot of money and it is a sound business, but we have not actively put the BT imprint on it as I see it.

Thomas Persson, BT Products

The management of BT approached Raymond courteously. Raymond earned more money than BT did, had a higher rate of growth, and under these conditions to try to take charge of Raymond was considered to be disadvantageous (Ridderstråle, interview 2003). The American management of Raymond was thus free to act on its own to a great extent.

What happened was that the European company acquired a company with 99 percent of its sales in North America, where BT had perhaps 3 or 5 percent of its sales previously. And moreover, it was two cultures meeting. So the strategy was not a strategy of integration, but a strategy of three business areas [BT Raymond, BT Europe and BT International].

Ditlef Fürst, previously BT International

Some efforts were made to bring the two companies closer together and create synergies, but none that aimed at reducing the autonomy of Raymond.

First, BT did have a North American business prior to acquiring Raymond: Prime Mover in the US and Lift Rite in Canada. Following the acquisition of Raymond, the management of BT’s US operations thought they would be managing the newly acquired company, Raymond. What happened was the opposite: Raymond was put in charge of BT’s US operations (Munde, interview 2004; Iversen, interview 2004). This caused an almost complete turn-over of the management of Prime Mover;

The management of our American company thought that as BT had acquired Raymond, they would be in charge of Raymond. And this is not what happened. Instead they became subordinated to Raymond. We had to replace the entire management of our old company. … This is a little exaggerated, as the manager who was from Europe returned to Europe and still works in the group. But you could not have them in the same room as the Raymond team.

Carl-Erik Ridderstråle, previously BT Industries

In terms of North American premises, three manufacturing plants and one spare-parts warehouse constitute the new Raymond after the acquisition (Iversen, interview 2004). Raymond and Prime Mover are still represented as brand names; Raymond, however, is considered the premium brand, while Prime Mover is sold to smaller companies. Prime Mover and Raymond have co-ordinated their purchasing, production, and product development, but act as two separate sales channels (Wirenhammar, interview 2004). Raymond has the clear governance of the operation.
Second, negotiations were held with suppliers to obtain better prices due to higher volumes, and BT and Raymond purchasing was co-ordinated. These price negotiations, mainly with existing suppliers, were conducted when contracts were due to be renegotiated (Nilsson, interview 2003), which also meant that the synergies in purchasing were to some extent reached several years after the acquisition.

Third, attempts were made to co-ordinate products and components, but were subsequently abandoned. For example, at the time of the acquisition, BT had been about to develop a truck. Since Raymond had already developed a similar product, it was decided to cancel the BT project and instead obtain the truck from Raymond;

The idea was that Raymond would deliver that product to us, a product that they almost had ready. But this was not what happened. The quick synergy was not realised, and there were no truck deliveries from them. This was not a good start. We shut down a very successful project with much weeping and gnashing of teeth. Everybody loves his or her own projects, and we were so close and everything would be so great. And then we shut it down and the outline was that their project was close to launch and meant lower costs and had better specifications. Thus, apparently at management level it seemed to be an industrially correct and very rational thing to do for the total company — shut down our project and get good and fast results from theirs instead. The decision was made and we, running the projects, freed up development resources and transferred them to other activities. … What was outlined was, however, not what was required according to our specifications, and they were not as ready as they had claimed. So the decision to shut down the project was made for unclear reasons, or at least we did not speak the same language.

Sven Wirenhammar, BT Products

It was later decided that BT would restart its own project, though the delay meant that ground had been lost to competitors. Other attempts to co-ordinate, and create co-operation platforms between BT Industries and Raymond were made and these highlighted Raymond’s struggle for independence;

After this, we started two development projects together with Raymond, which would produce some kind of synergy for the group. We realised on both sides that it was not feasible to share projects on a 50/50 basis and run them with personnel from both sides simultaneously. We did not at that time consider around-the-clock work, passing the relay baton between us, from Europe to the US. We were to do the next best thing: “You do one development project, and we do one, but we will consider your requirements in the specifications. So your requirements will be included in our project specifications.” Both projects would also make one base model and two variants. … It was supported by BT but it was hard to get through the first phase of detailing specifications and also what development routine/stage-gate model to follow. It was uphill from the start and difficult to make things happen at the line organisation level.

Sven Wirenhammar, BT Products
These two co-operation projects also faded away, in the absence of clear strategic and priority directions (Wirenhammar, interview 2004). As the development of the integration attempts implies, efforts to achieve synergies came to concentrate on purchasing (Persson, interview 2003), while synergies in areas such as products, product development, and global customers were more limited (Dahllöf, interview 2003).

You need to remember that time and time again we picked the low-hanging fruit. Let us state it simply: we took the easy and quick fixes and forgot the rest, as we did not want to integrate.

Ditlef Fürst, previously BT International

This was all in line with the view that integration was something that would disturb the original companies (while business was booming), their employees, and/or their relationships to others. In retrospect, synergies were referred to as not being the core M&A motive (Dahllöf, interview 2004), but rather a side effect of the acquisition;

[Synergies were achieved] mainly in administrative areas, where it was possible to make quick gains without affecting so many people. It was not difficult to reach agreement on these matters. But when entering areas such as the right to manage product development, or how customer relationships are treated, or even purchasing – where inches or centimetres should be applied, and such matters – then it instantly becomes more difficult.

Håkan Dahllöf, BT Industries

Exchange of products between the companies was decreased over the years, as have contacts in areas such as purchasing (Iversen, interview 2004). Some complementary Raymond products are taken to Europe, but not in large volumes (Högberg, interview 2003). Stories about problems with Raymond trucks, different regional preferences, and problems accessing spare parts were told by several interviewees (Jarnehag, interview 2004; Munde, interview 2004).

Though a low degree of integration was achieved, the acquisition of Raymond paid off rather quickly. BT paid SEK 2.9 billion, a price inflated by the speculation in the shares, to acquire a company similar in size to itself; BT had exposed itself financially, and was criticised for taking too big a risk. The American truck market, however, prospered in the years after the acquisition, and the investment quickly paid off (Dahllöf, interview 2003).

In terms of markets and customers, the integration idea was not to cross-market BT Industries’ and Raymond’s products, but to continue to sell Raymond trucks in the US and BT trucks in Europe, and to reach Asia with

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5 Canada is more Europe oriented, so products have gone from Europe to Canada (Högberg, interview 2003).
a portfolio of both American and European trucks (Ridderstråle, interview 2003). American and European trucks were considered as not easily transferable between the continents, as warehouse truck systems differ between the two companies’ main markets (Lindstrand 1997); “American products are large, heavy, clumsy, with a rather low technical level” (Munde, interview 2004). On the North American market, a range of brands could be found; Lift Rite manufactures products branded BT, Lift Rite, and Toyota, and also acts as an OEM producer for various private labels. Raymond produces Raymond and Prime Mover labelled trucks, and delivers Toyota branded trucks to Toyota (Munde, interview 2004).

Global deals
It was on the customer side that Raymond got its first positive impression of BT Industries. BT Industries and Raymond jointly won a deal with Home Depot (Dahllöf, interview 2003), where reference was made to BT/Raymond as being the sole supplier able to deliver on both sides of the Atlantic. However, the deal with Home Depot also led Raymond to regard its new owner with a feeling of insecurity. From having viewed BT as a small and harmless company, people at Raymond started to fear that their new owner indeed had capacity for action. Resistance and striving for independence consequently continued.

One of the driving forces behind BT Industries’ acquisition of Raymond was to meet customers’ demand for global supply. Global deals were rare however and the only truly global deal referred to is the one between Volvo Group, and BT Industries and Toyota, which was signed following Toyota’s acquisition of BT Industries. Although BT owning Raymond was a prerequisite for Volvo Group signing the global deal, Raymond did not work actively in the deal;

It was a prerequisite for them to be considered. But Raymond has not done that much. Raymond does not feel as if it is part of BT. That is not good, not good for BT.

Jan Söderlund, Volvo NAP

This further means that whereas BT holds a preferred supplier deal with Volvo Group, the other preferred suppliers (Nacco and Still) become the suppliers that actually provide trucks on the US market.

They present themselves as Raymond, but we had an implementation workshop where Raymond participated in the US. We met people. I met some people there, but since then I do not know if they have received any orders at all. Perhaps a few, but Toyota have received orders. They are more active in the US than is Raymond.

Jan Söderlund, Volvo NAP

The reason for this is that Raymond continuously acts as an independent company, and does not want to actively take part in deals together with BT;
There is a price list, but you feel that Raymond are self-righteous; that they are “that” good. But here they lose from being that way. They should approach Volvo and ask: “How can we get Volvo?” … I think that Raymond feel that they should take care of their own business. “This is what we do, we do not want any Swedes telling us.”

Jan Söderlund, Volvo NAP

**Changed customer perception?**

Most customers did not perceive any change following the acquisition or integration;

The acquisition of Raymond did not have any practical meaning to me.

Eshjörn Haraldsson, Servera

We never saw anything of if. They told us, and that is what we know. I do not think that we have any Raymond trucks.

Hans Olsson, Comau

As for Raymond customers, they did not consider Raymond as part of BT Industries.

Over there, they cannot spell “BT”. They [the customers] hardly know what BT is and the BT brand does not really exist in North America. The Americans are very insular, or bound to their own continent in general in how they view the world. And the Europeans have never seen the Raymond brand. And product exchanges are very limited, very, very limited as there are different conventions, technical solutions, where both continents are equally convinced that their solution is the right one.

Ditlef Fürst, previously BT International

In sum, following BT Industries’ acquisition of Raymond, BT could market itself as the largest warehouse manufacturer in the world, but most customers did not perceive any changes as the companies continued as separate units. Synergies were only realised to a limited level and the independence stressed especially by Raymond, made it difficult to actually act and achieve deals on a global level.

Following Toyota’s acquisition of BT Industries, the integration of BT Industries and Raymond got its second wind (Nilsson, interview 2003);

I think you could say that the tune between BT and Raymond has changed thanks to, or as a consequence of, Toyota entering the scene. I think Raymond was very much against being acquired by BT, but when yet another actor entered the stage, they relaxed how they talked, and relaxed in co-operation. But whether it was time, or it was Toyota, I do not know.

Thomas Persson, BT Products
But although the tune changed, global deals still remained rare and in such deals Raymond continued to act as if the company was not part of the deal.

The acquisition of Cesab Carelli Elevatori S.p.A.

Able to answer the latter part of the strategic question “Should we become a full-range supplier, and a regional, European player primarily, or should we become a global actor in our warehouse truck niche?” (Fürst, interview 2003) with a “yes”, BT Industries faced a new strategic challenge. With the material handling equipment industry developing towards manufacturers offering their customers a full product range including warehouse and counter-balanced trucks, BT began efforts to expand into the field of counter-balanced trucks.

You [the customer] may not want to make yourself dependent on one supplier. But those suppliers you decide to use should have a complete programme – service and all kinds of trucks. That is how it is, and I think it is the same in many other industry sectors as well. You want to be able to buy everything from those suppliers. But you may use two suppliers with a full product range.

Johan Malmgren, BT Europe
Of the interviewed customers, several companies indeed use both warehouse and counterbalanced trucks. Some of them chose to buy or rent all trucks from the same supplier, but many preferred to make deals with several suppliers;

I was at Saab and Saab\textsuperscript{6} owned their trucks, then I think it was good to have different suppliers. It is dangerous to only have one supplier. It is easier to turn them against each other if you have several suppliers, but you should not have too many; then it gets expensive.

Hans Olsson, Comau

Several of the customer companies have reduced their number of suppliers and through preferred supplier deals, purchasing has becoming more centralised. The procurement deal made by Volvo Group in 2001 is one such example. Saab’s wish to have its maintenance at its supplier of counterbalanced trucks, DFDS\textsuperscript{7} and DHL’s centralised purchasing are other examples of this.

**BT and counterbalanced trucks**

Although BT was a manufacturer of warehouse trucks, the company did distribute counterbalanced trucks on certain markets: Clark’s in Scandinavia and the UK, Dockstocker’s in the US (Hammar 1999), and Hyster’s in Eastern Europe following the acquisition of MHC (Fürst, interview 2003);

At the same time, we did sell a lot [of counterbalanced trucks under various brands]. We sold well over 500 units of Hyster in Eastern Europe after the acquisition of the Eastern European organisation, which we completed in 1998. We sold many Clark units through our own sales companies in the UK, Sweden, Norway, and Denmark. So we did sell rather a lot of counterbalanced trucks, and had the potential to sell many more.

Ditlef Fürst, previously BT International

Despite this, in many markets, BT Industries was not a full-range supplier. Moreover, with the problems encountered with the Clark trucks, the counterbalanced truck arrangement had proved unsatisfactory. With regard to Clark, it was said;

You could not sell the products by referring to them being number 1 in performance, or number 1 in quality and so on. You had to invent other sales arguments: The safety with BT.

Jimmy Svensson, BT Svenska

It was the brand Clark that was bad.

Mats Fredriksson, DFDS

\textsuperscript{6} In this quotation, Saab refers to Saab Automobile.
But Clark and their spare parts, it was a problem child, and BT knows that as well.

Allan Jonsson, FläktWoods

On the Swedish market, several of BT Industries’ customers had bought Clark trucks; FläktWoods, DFDS, Volvo Group, for example. Customers expressed their disappointment with Clark through considering other options. Saab Automobile chose Kalmar trucks rather than Clark (Olsson, interview 2004).

We still have some old Clark trucks, but they were not that good. … There might very well have been thoughts about testing something different, especially among the users. They were tired of the Clark trucks. There were always problems with them.

Bo Sköldebring, Volvo Bus Corporation

We used to have four, but we have sold two of them and will sell one more. We sell because we are not satisfied with them, there have been a lot of problems with them. And BT does not have Clark anymore, since Toyota entered. Spare parts are difficult, so we will try to sell the last Clark trucks as well. Perhaps we will make a rental deal with Toyota instead, we are waiting for an estimate right now. Clark used to be good, but something is wrong with these smaller sized, two-ton trucks.

Allan Jonsson, FläktWoods

BT Industries also wanted to sell counterbalanced trucks under its own brand name, not as previously under the Clark, Hyster, and Dockstocker names. BT’s primary idea to reach that goal was to co-operate with Toyota. When problems arose in this co-operation (read more below), BT turned instead to Cesab, which it acquired to secure access to counterbalanced trucks (Ridderstråle, interview 2003).

Cesab Carelli Elevatori S.p.A.

Cesab was founded in 1942, and prior to BT’s acquisition, Cesab was part of the family-owned Maccaferri Group (Wäingelin 1999b). The company was the second largest Italian manufacturer of counterbalanced trucks and was active mainly in the Italian market, which accounted for 70 percent of its sales (Wäingelin 1999b). Cesab was considered to be too small for long-term survival as an independent company in the truck industry (Fürst, interview 2003).

Pre-acquisition co-operation

Cesab and BT had started co-operating in 1994 through a joint venture, BTCESAB (Wäingelin 1999b). The joint venture was a result of BT’s attempts to establish a sales company in Italy. The establishment of BT Italia in 1990 was followed by a struggle with low margins and losses, at a time when BT Industries was having profitability problems of its own. BT therefore decided to seek an alternative to a fully owned distribution arrangement. Investigations into the Italian market proved that Cesab was a suitable
partner, and a joint venture was set up (Ridderstråle, interview 2003) to distribute trucks under BT’s and Cesab’s names in the Italian market;

We had this red-green combination, red BTs and green Cesabs. … Cesab was thus a co-operation partner through which we successfully created a strong position in the Italian market, and which simultaneously strengthened Cesab.

Ditlef Fürst, previously BT International

**Acquisition process**

Acquiring Cesab was not the only way BT could have realised its aim of becoming a full-range supplier. Various companies were approached to determine whether they would provide BT Industries with BT branded counter-balanced trucks through a co-operation deal. Among those companies were Toyota, and also Clark;

Clark was one of the companies we asked to supply us with [counter-balanced] trucks. … “We want you to supply us with such trucks branded BT, and then we will also expand to sell these in other countries.” So there was a potential here for let us say 2,500 trucks. What we asked them was to consider giving up orders for 1,000 trucks if someone else could fulfil our wishes, or gaining orders for an additional estimated 1,500 trucks. And this should be seen in the light of the fact that their total production was 4,000 trucks in Europe. … So when they said “no”, we thought they were crazy. They decided to let go of a quarter of their volume, when they could actually have gained almost 50 percent more volume. They did not dare, as their dealers said they would not accept anyone else accessing their trucks. Clark has practically vanished today.

Ditlef Fürst, previously BT International

As in the case with Raymond, the acquisition of Cesab started out with an interest in the company, or rather the business of the company; but also with the target company actually being put up for sale;

At the same time, the owners [of Cesab] had the insight that production needed to be taken over by somebody else. It was a thing that happened then. It meant there was an owner who wanted to sell the business. We had something else going on. In the meantime, before Toyota’s acquisition naturally, BT had approached almost every possible manufacturer in the world asking, “Are you interested in delivering counterbalanced trucks to us under our brand, as we want a full product range.” BT’s prime approach was that we would like a full product range without investing in in-house product sourcing, our own product development. We would rather do something together with someone else. … No one responded favourably. No one at all. So everybody knew that we wanted their stuff, but no one wanted to give it to us, and this became a little trying.

Ditlef Fürst, previously BT International

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7 The 1,000 trucks refer to Clark trucks sold to BT at the time. Should BT find another co-operation partner, BT would not buy trucks from Clark anymore.
With various suppliers of counterbalanced trucks turning down BT Industries’ request, and co-operation with Toyota not advancing, acquiring Cesab came to be regarded as an attractive alternative; Cesab was already looking for a new owner, so acquisition came to be the alternative chosen. Acquiring Cesab meant that BT Industries would access a manufacturer that could produce counterbalanced trucks under the BT brand. The idea of finding a co-operation partner was thus abandoned;

It was a little surprising in a way, because at another point I had talked with Calle Rödderstråle, our CEO, and we had talked about why we did not manufacture counterbalanced trucks, and about “those damned Clark trucks” – to speak plainly. But then the answer was; “No, we will never manufacture any counterbalanced trucks. It will be an entirely different set-up.” Therefore, we were truly surprised that they actually acquired Cesab.

Jimmy Svensson, BT Svenska

**Acquisition motives**

As stated previously, BT acquired Cesab to complete its product range, and this desire was in turn driven by developments in the truck industry as a whole (BT Industries 1999);

They [the sales companies of BT] experienced lost deals. They were not considered when one or two counterbalanced trucks were included in the deal. And our competitors had provided for themselves: Jungheinrich had acquired Steinbock, and Linde – which had counterbalanced trucks from before – had developed its warehouse truck range. So here were two main competitors that had the full product breadth, and we did not.

Håkan Dahllöf, BT Industries

By offering its customers counterbalanced trucks, BT reduced the risk that customers would turn to BT’s competitors for these products and by letting customers into competitors’ order books, risk losing the customers entirely. The focus was on the European market, and on introducing counterbalanced trucks via BT’s present distribution network under the BT brand name.

A second driving force behind the acquisition of Cesab was the risk of losing this previous co-operation partner in Italy to a competitor, thereby losing BT’s established position in the Italian market;

And at this same time, we realised that Cesab might slip through our fingers, as there were others striving for a similar goal: to consolidate and find a market for their products. And as I see it, if Cesab had been acquired by a competitor, we would have had to say good-bye to the beautiful Italian distribution position we had built, and would have returned to a very weak position.

Ditlef Fürst, previously BT International

Once the decision to acquire Cesab was made, the primary motive of becoming a full-range supplier was complemented with talk of synergies
related to Cesab. Synergies would be created through cutting costs at Cesab (Direkt 1999), and through increased volume in BT’s own business area, warehouse trucks, following the acquisition (Wäingelin 1999a);

The goal is to deepen the co-operation with existing customers, at the same time as entirely new customers can be approached.

Direkt (1999)

Customer information and initial thoughts
Whereas one of the main motives behind the acquisition of Cesab was to be able to provide a full range of trucks for customers, information given to customers remained limited;

We heard about it, but did not get any closer information as it did not concern us.

Allan Jonsson, FläktWoods

I am certain I have read about it, but it was not very important.

Jan Nilsson, DHL Solutions

I only have a few counterbalanced trucks, so I did receive the information, read it, but did not pay much attention to it, I was not that interested.

Esbjörn Haraldsson, Servera

This applied to customers that had previously only been using warehouse trucks, but also to those that had counterbalanced trucks. On the Swedish market, where Cesab trucks were replacing Clark trucks, the information about the acquisition was not received with complete optimism. Instead, customers expressed their concern about Cesab;

They sent out some information. … I remember it, and we said: “Why do you want to introduce those Italian mopeds here?”

Jan Söderlund, Volvo NAP

Integration
The acquisition of Cesab involved two steps: BT acquired 45 percent of Cesab in 1999 (Wäingelin 1999b), and the remaining 55 percent in 2000 (Direkt 2000);

The acquisition of Cesab was done in two steps, where step 1 was first announced – “We will buy 45 percent of Cesab” – in 1999, by which time step 2 was already prearranged.

Ditlef Fürst, previously BT International
The acquisition process ran smoothly, as it was easy to reach agreement with the Italians (Ridderstråle, interview 2003). Soon after the acquisition, BT introduced seven counterbalanced truck models to be offered for sale in Western Europe (BT Industries 1999). Following the acquisition of Cesab, the desire to become a full-range supplier could be said to have been fulfilled;

Now we can offer customers a complete product range. We now stand on two legs, and can fight for those customers that want a single truck supplier for the entire logistic chain.

Carl-Erik Ridderstråle, CEO, BT Industries in Wäingelin (1999b)

What might have been expected was a complete takeover of Cesab by BT Industries, but this is not what happened. Both BT and Cesab were kept as brands: the plan was that Cesab should produce counterbalanced trucks under the BT name, except on the Italian market. Besides being an OEM manufacturer for BT, Cesab trucks are sold under the Cesab name in Italy and in 12 additional countries (Munde, interview 2004). BT in turn provides Cesab with hand pallet trucks (Jarnehag, interview 2004). More recently, Raymond-branded Cesab trucks have also been exported to the US (Dahllöf, interview 2003; Munde, interview 2004). Coincidentally, as this was not part of an overall plan for Raymond or Cesab, Cesab provided the right product fit for the US market;

The funny thing is that the Italian view of counterbalanced trucks is in line with the needs of the American market.

Christer Höberg, BT Europe

Integration efforts primarily concentrated on purchasing, where a teaching perspective was taken, as Cesab was considered weak in purchasing;

The actual synergies between us, BT, and Cesab in operational purchasing are rather limited. … The differences in products make operational purchasing rather difficult. They [i.e. the synergies] exist more in terms of methodology and using each others’ experience and the like: developing the businesses, introducing professional purchasing methods.

Göran Nilsson, BT Products

In the area of purchasing, Cesab worked mainly with small, local suppliers and despite the comparatively small size of the company, the suppliers were numerous. An employee was sent from BT to Cesab to train Cesab in purchasing, but Cesab’s organisational structures meant that purchasing was in a weak position, so this effort was essentially wasted (Nilsson, interview 2004). Following the replacement of Cesab’s CEO and production manager, Cesab placed a stronger emphasis on purchasing-related issues.

From the market and customer perspective, the acquisition meant that BT branded counterbalanced trucks were introduced. Potentially this meant less
risk of losing existing customers to competitors, and that BT could reach additional customers. However, the main focus remained on serving customers in the warehouse truck niche.

So it has helped us to retain existing customers and to add to our share. As I said, we are still serving some segments that we would otherwise have had difficulty serving, and it has helped us to enter other segments that we would otherwise have had difficulty entering.

Christer Högberg, BT Europe

In terms of market growth, the party benefiting the most was Cesab;

Now this company is growing like mad. It was a deal of SEK 500 million when we acquired the company, or maybe less – SEK 350 million. And now it is worth over 1 billion, and it is growing and prospering, and they are enthusiastic and competent.

Carl-Erik Ridderstråle, previously BT Industries

With Cesab selling trucks under its own name in the European market via various independent distributors,\(^8\) both Cesab and BT-branded Cesab trucks (or Toyota trucks) can come to compete with each other for the same customers;

So I may end up fighting with Cesab. I may lose a deal to a Cesab machine. And then I can tell the customer: “This is good, this works our way anyway”.

Stefan Orrgren, BT Svenska

**Customer reactions and added sales?**

In some countries, Cesab replaced other counterbalanced trucks; Clark products in Sweden and some other countries\(^9\) and Hyster in Eastern Europe, whereas in the rest of Europe, Cesab was a new product completing BT’s product range. This entailed three different integration scenarios, each concerned with different main issues (e.g., in the short term, concerning the learning curve for implementing new products) and opportunities. Customers that had previously used Hyster trucks did not see the advantage of changing to Cesab, and whereas Clark was considered out-fashioned, Cesab was not embraced as the best solution; scepticism was directed towards the unfamiliar Italian manufacturer. Customers that had Clark as part of their truck fleet raised questions about what would happen with Clark;

\(^8\) In Sweden, for example, Cesab trucks are sold by Skånetruck (Orrgren, interview 2004).

\(^9\) Swedish distribution of Clark trucks was taken over by Ambjörnsson in Anderstorp (Jamehag, interview 2004). This also meant that BT had to compete with a brand previously marketed by BT itself.
We received the information, I do not remember exactly how, but we were promised that there were enough Clark trucks on the market, so there would not be any problem with service or anything.

Allan Jonsson, FläktWoods

On the Swedish market, the introduction of BT branded Cesab truck was no immediate success. The so-called BT Cargo trucks did not sell very well, partly as a consequence of customers not needing to buy trucks at the time;

At the time, we had so many ABB counterbalanced trucks, that we did not have a need.

Allan Jonsson, FläktWoods

Not more than that I have heard about it. … We got to see the truck, but nothing more. … We did not have a need for a truck at the time.

Lars Svedlund, DHL Express

We never had to think about it. At that time, we closed the deal with Still, so we started buying Still. Clark was not interesting any more. … We were requested to buy Still. Clark was never an option, unless there would have been an enormous financial difference.

Hans Olsson, Comau

In the case of FläktWoods, this company still had many ABB trucks, a result of the company previously being owned by ABB. For Saab Automobile (later Comau), the company was owned by GM and GM Europe had signed a deal with Still on counterbalanced trucks. So, while BT Industries now provided counterbalanced trucks under its own name, and while this introduction meant that Clark trucks, which had proved to be disappointing, were no longer sold, BT Industries did not manage to sell many new counterbalanced trucks on the Swedish market. Technically, Cesab was also considered somewhat insufficient;

Cesab was never an option, the little that we saw of it. … It looked plastic, it did not look like a truck.

Lars Svedlund, DHL Express

I have not evaluated it technically, but I have seen it. … I was not that impressed, if I may say. A truck driver might have liked it, I would not know.

Hans Olsson, Comau

The fact that customers were loath to buy Cesab trucks was also a consequence of them aiming at reducing the number of brands used; although branded BT, the Cesab trucks were considered a new brand;
They had those in Sweden, but we have not tried them. We do not want a lot of types, we want few and those that are the best. And we want them to tell us which ones are the best. We do not want to find this out in our production. Why would we want to have spare parts for both Cesab and Toyota?

Jan Söderlund, Volvo NAP

Perceived turbulence

The integration and introduction of Cesab was also affected by Toyota’s acquisition of BT (Tim, interview 2004), which took place between BT’s acquisition of the first 45 percent of Cesab and its acquisition of the remainder of the company. Following Toyota’s acquisition of BT Industries, the company continued to introduce Cesab trucks in Sweden (and the rest of Europe). To many customers, the situation did not seem durable, and customers awaited what would happen, rather than buy Cesab trucks;

It was somewhat turbulent back then, you wondered what would happen. Speculations and I think many customers bided their time. … We heard that Toyota had acquired BT and BT did not know what would happen. It was a vacuum there. But it has not affected our decisions. We did not have any need at the time.

Allan Jonsson, FläktWoods

When Toyota took over, it was very turbulent. They did not know who would sell what.

Egon Thoresson, Beslag & Metall

BT Cargo, but that was only for a short while. … I only heard it behind the screens, that Cesab belonged to BT and then there was a vacuum and shortly thereafter this thing with Toyota appeared. But since things settled with Toyota, things are more clear.

Bo Sköldebring, Volvo Bus Corporation

It was turbulent. It was about then we bought the Linde trucks. And then it was Kalmar, since they had the deal, they were invited to calculate on this. They were to take over the agency for the Italian company. … Without giving the show away about that BT was to acquire it. Then suddenly, over a night, they told us that BT had acquired Cesab and Kalmar did not have any counterbalanced trucks as they did not produce their own trucks anymore and they were negotiating to take over Toyota from Atlet. It was just about then that we were about to buy trucks.

Anders Westerling, Saab

For Saab, the experienced turbulence with BT, Cesab and Toyota resulted in Saab choosing to buy counterbalanced trucks from Linde instead. In that sense, the turbulence meant that BT Industries lost a deal that they would otherwise presumably have won. Saab would have preferred to buy counterbalanced trucks from BT Industries, since the company was very interested
in BT Industries’ warehouse trucks. Moreover, as Saab decided that the company that won the counterbalanced truck deal would also receive the maintenance deal on Saab’s trucks, BT Industries also lost that battle to Linde.

Figure A:4 Relationships between BT Industries and interviewed customers following the acquisition of Cesab. Co-operation with Toyota.

**Toyota’s acquisition of BT**

Several of the patterns which can be seen from BT’s acquisitions of Raymond and Cesab can also be seen in Toyota’s acquisition of BT. As in the case of Raymond, the acquisition meant geographical expansion, and as in the case of Cesab, the acquisition meant expansion into a new field of the truck business. A common feature of the acquisitions of both Raymond and Cesab was the fact that the acquired company was put up for sale itself was an acquisition trigger.

**Toyota Industry Corporation**

Toyota Industry Corporation (TICO, earlier Toyota Automatic Loom Works, TAL) was founded in 1926 (Johnsson 2000) as a manufacturer of loom equipment. In the 1930s the company started producing automobiles, and the automobile division was soon established as a separate company,
later named Toyota Motor Corporation, with TIC as its prime owner. The company continued to expand into new, related fields and from the search for new applications of internal-combustion engines came the idea of building trucks. Among other things, Toyota produces material-handling equipment and textile machinery, but the automobile sector remains its largest business area, accounting for more than 50 percent of the group’s net sales (Toyota Industries Corporation 2003). In the field of trucks, Toyota mainly focuses on counterbalanced trucks and has a 20 percent share of the world market for these products (Wäingelin 2000). Toyota is still partly owned by the family that founded it, the Toyodas; despite their ownership of only 1 or 2 percent of the company’s shares, they have a strong voice when it comes to making decisions for the company (Ridderstråle, interview 2003).

Pre-acquisition co-operation

The latter half of the 1990s saw an agreement between Raymond and Toyota regarding the American market. This led to Raymond producing Toyota-branded trucks (Dahllöf, interview 2003), which were marketed through Toyota’s sales distribution network (BT Industries 1998). An agreement was also negotiated for the European market between BT and Toyota. Its aim was to offer both Toyota’s and BT’s customers a full range of trucks: BT Industries would manufacture Toyota-branded warehouse trucks, and Toyota would provide BT with BT-branded counterbalanced trucks (all of this was prior to BT’s acquisition of Cesab). However, there was a risk involved in this agreement, namely that one company might establish its own position in the other’s market, thus becoming a competitor in the other company’s own field and market. Negotiations between the two companies failed, a failure at least partly explained by Toyota’s double organisation. While Toyota Industry Corporation produced all Toyota’s trucks, sales were handled by Toyota Motor Corporation. The co-operation discussions were held between BT and Toyota Motor Corporation, but as the sales company (i.e. Toyota Motor Corporation) turned to its supplier (Toyota Industry Corporation) the co-operation ideas were turned down. The upshot was that BT eventually started delivering only a limited range of products to Toyota, whereas Toyota deliveries to BT were not realised at all (Ridderstråle, interview 2003);

So it is 1997, and perhaps half a year after the negotiations collapsed. And we were all disappointed. I personally took the initiative, and did not have my colleagues entirely on my side. I said: “Damn it, we cannot let this go. I mean we make a deal with Toyota and deliver our products even though we might not get their products. … You need to get to know one another and become friends. If we do this, it will not cost us anything.” What I really said was that we should let this “crowbar” go and agree to deliver to Toyota, and then we would see if they came to terms with us and started to deliver to us later on. So we did, and then we reached an agreement in 1998 and started delivering in 1999.

Carl-Erik Ridderstråle, previously BT Industries
In 1999, BT warehouse trucks labelled Toyota were on sale in 20 European countries (Hammar 1999).

It can be stated that BT gained the advantage of broader geographical coverage. The agreement further contributed to BT in that it was better able to reach small and medium-sized customers for warehouse trucks that often also buy counterbalanced trucks.

Hammar (1999)

While actually delivering a competing product, the different customer focuses of Toyota and BT meant that delivering to Toyota would add customers that could otherwise not have been reached by BT. Another positive side to delivering warehouse trucks to Toyota was a stronger focus on quality. The tremendous focus on the quality of the trucks delivered to Toyota (Wallin, interview 2004) spilled over to BT’s own warehouse trucks:

The products for Toyota were not allowed to carry any defects. These trucks were forced to meet extra quality control standards. But this also affected the quality of the rest of the production.

Malin Wallin, BT Products

Delivering warehouse trucks to Toyota was however controversial, not only in terms of whether or not it should be done, but also in terms of what should be delivered. A main issue was how the trucks for Toyota should be distinguished from BT’s own warehouse trucks, something that has remained an issue ever since. Within BT Industries, various departments (finance, production, sales, etc.) have different opinions about the degree of differentiation. Some saw the potential of co-ordinated manufacturing, others the risk of competition if the trucks were too similar.

We started delivering trucks as an OEM supplier to Toyota prior to Toyota’s acquisition of BT. At that time what differed was colour, decals, a few radii, and a panel – and those are only cosmetics. Already at that point, I found it very wrong in principle. The basic principle might have been sacrificed to get to market quicker, which brought volume. And it brought a lot of volume, so with hindsight, what is right in the short term might be wrong in the long term, and theoretically even be opposite to what is right in the long term. We must have technical differentiation to protect the identity of each brand, but at as late a stage in production as possible so as not to increase production complexity. I do not want it in cutting metal … but as close to the quay as possible. … What differs should matter to the customer, and to the sales representative. He must have unique features that he can build his case around. “This is how it looks, that one does not have this.” Cosmetics – customers are not stupid, they see what it is, and what it is not. So technical differentiation – yes, absolutely. The first year with Toyota, we did not do that. Now we have it written into our development routines and have a clear strategy for doing it.

Sven Wirenhammar, BT Products
This all happened prior to Toyota’s acquisition of BT, which meant that at the time of the acquisition, BT was producing Toyota branded warehouse trucks, and had also acquired Cesab to meet BT’s own need for counterbalanced trucks.

Acquisition process
Returning to the ownership history of BT Industries as presented at the beginning of this chapter (see section “Ownership changes and introduction on the stock exchange”), BT was a listed company at the time it was acquired by Toyota. More specifically, and this was what started the acquisition process, KF Invest’s shares in BT had recently been transferred to KF, and in turn to the investment fund Nordico Invest. The transfer of shares to Nordico Invest\(^{10}\) meant that BT Industries was now regarded as a financial, rather than a strategic asset from KF’s point of view. This being the case, and one thing leading to another, BT was put up for sale in 2000. The BT management turned to Toyota, to make them understand that now was the time if they wanted to acquire BT (Ridderstråle, interview 2003);

There were far-reaching discussions with a number of bidders, also competitors, interested in acquiring BT. … We [BT management] had very clear preferences as to who we wanted to be the future owner of BT. … We made our Japanese friends [Toyota] understand that time was running out, otherwise BT would be in other hands. BT was of course aware that Toyota was among the interested bidders, since there were business relations between BT and Toyota.

Carl-Erik Ridderstråle, previously BT Industries

BT Industries wanted to avoid one of its German competitors acquiring the company as it was regarded a threat to BT’s continuing independence.

In April 2000, Toyota announced its acquisition of 25.1 percent of the shares of BT, the seller being Nordico Invest. Shortly thereafter, in May 2000, Toyota addressed the remaining shareholders, asking to buy their BT shares. With an acceptance rate of over 90 percent the acquisition was fulfilled.\(^{11}\) In July 2000, BT was delisted from the Stockholm Stock Exchange and became a wholly owned subsidiary of Toyota.

\(^{10}\) To follow up on Nordico Invest, in 2002 Nordico Invest was merged with Industrial Equity, a part of the 6:e AP Fonden, creating Nordico Equity (Wäingelin 2002), which in turn merged with Euroventures, creating Accent Equity Partners in 2003. The main investors in Accent Equity Partners are the 6:e AP Fonden and Dansk Kapitalanlæg, followed by the 4:e AP Fonden, KF, LRF, Lantmännen, and FöreningsSparbanken (Waymaker 2003a).

\(^{11}\) The divesture was objected to by one owner, Gustaf Douglas, through Latour (Björe 2000; Löfvendahl 2000).
Acquisition motives
With Toyota already accessing trucks from BT, what would be its motive for acquiring BT? Once again, the acquisition was driven by the fact that the acquired company was for sale, and the official motives simply targeted the advantages of the acquired company;

BT Industries has a competitive edge in warehouse equipment. Developing its business on a global scale, BT Industries has established firm bases, particularly in Europe and North America. Toyoda and BT Industries complement each other in market and product lineup. With a view to becoming the world’s leading forklift manufacturer, this is a perfect match of strategic importance.

Toyoda Automatic Loom Works Ltd (2000, p.10)

As with the motive for BT’s acquisition of Cesab, the goal of being able to offer customers a full product range was also stressed by Toyota. Diversifying into warehouse trucks was of special interest, as Toyota had previously had difficulties making its own range of warehouse trucks profitably (Ellison, interview 2004). The counterbalanced truck market was growing less than that of warehouse trucks, which resulted in the counterbalanced sector of the industry being less profitable. The acquisition of BT was also a way for Toyota to penetrate the European market.

The prime driving forces were thus to be found on the market side, with opportunities accruing primarily in marketing, distribution, and services (Wäingelin 2000). Additional resources for R&D were also stressed, while synergies in purchasing were regarded as limited, because of the different components needed for warehouse and counterbalanced trucks.

Besides emphasising the complementarity of BT Industries and Toyota, the above quotation also indicates the existence of another motive: to become a world leader in trucks. The world leadership and market share motives were also key objectives for Toyota;

One of Toyota’s prime objectives is market share, to create a [larger] market share. … A [larger] market share creates vitality, dominance, and the pre-requisites for long-term presence.

Sven Wirehammar, BT Products

Customer information and initial reactions
BT Industries were very keen on spreading the word that the company was now owned by Toyota;

When we meet, they are very keen on Toyota, as I always see it. Before, when they had Clark it was not the same. Toyota feels much more positive, also from their side.

Egon Thoresson, Beslag & Metall
Whereas the acquisition of Raymond and Cesab had largely passed unnoticed, BT decided to emphasise that the company was now part of the Toyota group. Larger customers were invited to a fair in Stockholm, where the message was clearly pointed out; BT is now owned by a Japanese firm;

The entire exhibition stand on the fair; all BT staff dressed in kimonos. All of it; the food was Japanese, something sushi-like, and so was the beverage.

Jan Nilsson, DHL Solutions

Many customers saw the advantage of having Toyota as an owner, Toyota was considered a strong brand of high qualitative trucks;

Toyota is a better truck than Clark. That we already knew; we tested Toyota via Kalmar. The Toyota was an alternative, but through a supplier that we did not know whether it would be around.

Anders Westerling, Saab

It is a large truck manufacturer and BT is large. It was only positive.

Allan Jonsson, FläktWoods

Toyota is a good car, Japanese trucks are good, quality, holds forever. That is my experience as engineer and repairman way back. We used to have Japanese trucks sold by Ana machinery that Saab owned. They were splendid. My spontaneous reaction is that Toyota trucks are durable and safe. Now I do not have any real experience, since we do not have any such trucks, but that is my spontaneous reaction.

Hans Olsson, Comau

Whereas BT stressed its new ownership, some customers regarded this as positive, whereas other remained uncaring;

Of course they change [ownership], as does everyone else. Whether this has affected us positively or negatively? I do not believe that it has impacted us greatly. A good product is what matters. What their organisation looks like is secondary. It is important that we reach the people that we need to have contact with. … Then we do not care about who owns them.

Allan Jonsson, FläktWoods

As BT did not know what would happen with Toyota as an owner, customers came to speculate about various outcomes;

As with all companies; what is going on in Sweden? Will BT move to Japan now? This is the way it is; it seems as good things are acquired from Sweden and moved abroad.

Lars Svedlund, DHL Express
Atlet – A Toyota dealer reacting

Prior to Toyota’s acquisition of BT, Toyota’s sales agent in Sweden was Atlet; BT’s foremost competitor in the Swedish market for warehouse trucks. When Toyota acquired BT, Atlet decided to leave Toyota (Svensson, interview 2004) and instead began to distribute counterbalanced trucks from Caterpillar.

Atlet was the Toyota dealer for counterbalanced trucks in Sweden for many years, when the Japanese giant acquired one of its major competitors. As a consequence, Atlet had to start looking for new suppliers of counterbalance trucks, as many customers request a complete range of products. Eventually, Atlet allied with Caterpillar, thus securing its market share.

Hall (2003, p.163)

The ownership relationship between Toyota and BT Industries thus resulted in Atlet breaking off the relationship with Toyota, whereas Toyota, a company that worked with independent dealers on various markets did not feel any immediate need to dissolve the relationship.

What was surprising was that it was Atlet that cancelled the deal.

Jimmy Svensson, BT Svenska

Atlet felt vulnerable towards Toyota’s possibly wanting to break off the relationship thereby leaving Atlet without any counterbalanced trucks, but first and foremost, Atlet did not want to provide the owner of its primary competitor with money (Svensson, interview 2004).

Integration

By the time of the acquisition, BT and Raymond delivered 5,000 hand trucks and 6,000 electric warehouse trucks to Toyota (Wäingelin 2000), so there was already a connection between the companies. The supply of products was not reciprocal however, as Toyota still was not making deliveries to BT Industries. Ties of ownership might have changed the situation, as the potential competitor was now part of the same company, but this was not what happened. Although the companies now had common ownership, the problems of co-operation still remained.

The problems of selling Toyota products under the BT brand name were explained by the internal organisational structure of Toyota. While top management was positive, middle management strongly opposed the strategy and worked against the proposition. They considered that selling Toyota products under the BT name would have a severely negative impact on Toyota’s own distribution channels, and as they had a strong respect for the dealers, this was considered especially troublesome (Ridderstråle, interview 2003). This meant that in terms of product exchange between the companies, the situation remained as prior to the acquisition.
On the supply side, programmes with the purpose of achieving synergies through co-ordination were started. From having focused on the overall co-ordination of supply in the acquisition of Raymond, focus was now placed on co-ordination per continent; North America, Europe, and Japan being treated separately. Initially, this meant identifying mutual suppliers, followed by identifying large-volume areas where co-ordination to mutual suppliers would be worthwhile (Wallin, interview 2004). A lead buyer system (Nilsson, interview 2003; Wallin, interview 2004; Fahlgren, interview 2004) was put into practice, whereby a team of purchasing representatives from the three companies (for Europe; BT Industries in Sweden, Toyota in France and Cesab in Italy) worked together to analyse suppliers for certain truck components. The leadership of each such team was held by one of the companies.

Products and components were also distributed between the companies in different patterns, for example, Toyota engines are now used in Cesab trucks (Ellison, interview 2004; Malmgren interview 2003; Nilsson interview 2003; Munde, interview 2004). Another aspect of the acquisition of BT is the cross sharing of knowledge: Toyota is learning about selling and after-sales from BT, while BT is learning about production technology and production systems from Toyota (Fürst, interview 2003). Although Toyota aimed for better practices and cost rationalisation, its main goal was never to achieve synergies, but to become a world market leader;

TICO’s acquisition of BT was perhaps not primarily driven by achieving synergies, but by achieving complementary strengths. And then the goal as such was not to rationalise. The goals were to become a full-range supplier able to offer a complete programme to customers, to secure a warehouse business they did not have themselves, to secure presence in certain markets where they were not represented. The effect is consequently more to what degree we are more global today, to what degree we are considered to be a full-range supplier by customers, and how this has affected the market share.

Håkan Dahllöf, BT Industries

On the market side, it was decided to keep both Toyota and BT as separate brands. It was considered too risky to integrate BT and Toyota, and therefore this was largely resisted;

The world of Toyota is the world of cars. To give a simplified picture, there were people in the management of Toyota saying, “Look what Daimler did with Chrysler. Look what BMW did with Rover. We will not do that to BT, we will not go there and think that we can conquer a business that we do not know. We know that there is a synergy potential in size, but too great a desire to realise these synergies could mean risking the entire value. We will not enter the company like an elephant in a china shop. We prefer to realise synergies later rather than be too eager.”

Carl-Erik Riddlerstråle, previously BT Industries
An internal “slogan” of “two brands, two channels” (Malmgren, interview 2003; Munde, interview 2004) picked up on the idea of continuing not only as separate brands, but also with separate distribution networks to maximise volume (Malmgren, interview 2003).

Then we met with Toyota management to create some type of all-embracing guidelines for the immediate future. We did not say “the immediate future”. You never do that in such circumstances. And then it was declared: Two channels, two brands. That is the basis.

Ditlef Fürst, previously BT International

This applied not only to the European market, but also in the US, where Raymond and Toyota were sold through separate channels. In Sweden, BT came to sell Toyota trucks meaning that whereas brands were kept, they were sold via one single sales channel.

The European market set-up

The ‘two brands, two channels’ strategy means that while Toyota sells, through its independent sales representatives, Toyota counterbalanced trucks completed with a range of BT warehouse trucks branded Toyota, BT sells BT warehouse trucks and Cesab counterbalanced trucks branded BT through its own distribution network in most of Europe.

The two-channel strategy applied involves a number of complicating issues. First, it becomes critical that customers should actually regard Toyota and BT as two different companies;

And we are also keen that customers should think of BT and Toyota as two different offerings. We cannot make them similar, nor co-operate in any way – then we would lose our creditability. We want our customers to regard BT and Toyota as two different offerings and play them off against each other. We do not want them to invite a third, German [i.e., Jungheinrich or Linde], because they know BT and Toyota is the same company.

Thomas Persson, BT Products

Second, Toyota dealers try to sell warehouse trucks to traditional warehouse customers, by definition BT’s customers or potential customers (Dahllöf, interview 2004), causing intra-group competition and frustration for staff of BT’s sales companies. Whereas BT Industries owns its distribution net, Toyota works extensively with independent dealers and it is easier for BT to control the distribution network it owns, than it is for Toyota to control its dealers.

Third, customers may insist on making only one deal, which includes both BT and Toyota. This is especially complicated when an international customer meets BT in Sweden (read more below), but also wants to make deals including other countries; the customer has to sign separate deals with
BT and Toyota (Munde, interview 2004), though there have been some departures from this rule (Onneryd, interview 2004).

Fourth, customers may try to play Toyota and BT off against each other regarding warehouse trucks sold by both Toyota and BT. This further stresses the importance of differentiation;

They [large customers] can turn to both BT and Toyota asking for the same offer, and then try to compare the prices, service offered, and so on, from both of us. They know that the warehouse truck they receive from Toyota is actually a BT truck dressed in other colours, and the reverse. They try to put themselves above the rules of BT and Toyota.

Per Zaunders, BT Industries

We saw that they had not talked enough with each other. It was cheaper to buy BT products from Toyota than from BT. This we pointed out for them.

Jan Söderlund, Volvo NAP

The Swedish market set-up and customer reactions

With the two-channel system being practised throughout the rest of Western Europe, integration in the Swedish market took another turn. As Atlet cancelled the distribution deal with Toyota, Toyota started searching for another partner in the Swedish market (Jarnehag, interview 2004), and it subsequently chose BT to be the distributor. The choice was not a given one, and BT Svenska felt that Toyota treated BT at an arm's length rather than as part of its own group.

At the time it was not certain that BT would be the distributor. They probably looked for other strong truck suppliers, but did not find anyone else.

Jimmy Svensson, BT Svenska

The fact that Atlet turned to Caterpillar for counterbalanced trucks gave Atlet an advantage over BT Industries; Atlet could start learning and talking about Caterpillar trucks with its customers before BT Svenska was allowed to tell customers that they would start selling Toyota counterbalanced trucks.

On the Swedish market, BT’s shifts from distributing Clark trucks, to BT trucks manufactured by Cesab, and finally to Toyota trucks, meant coping with turbulence and that also affected customers. Cesab was considered a temporary solution, as Toyota entered as owner at about the same time as Cesab trucks were introduced (see above). This turbulence continued until it was decided that BT Svenska would distribute Toyota trucks. In all, BT Svenska regarded becoming a distributor of Toyota in a positive light;
We feel like this: when we got access to Toyota, we accessed a very strong brand. The customer is familiar with Toyota. He feels safer then, when we talk about Toyota. He knows Toyota is a good brand. He often refers to the car industry. … It is a great advantage.

Kenneth Jarnehag, BT Svenska

For the counterbalanced trucks it is positive. Otherwise you do not think about it. Well, it is more stable, and that they will continue with Toyota.

Egon Thoresson, Beslag & Metall

The regained stability and the correspondence between ownership and the brands sold, further affected the way BT Svenska was perceived;

Clark was something they just sold. It is an enormous difference, as they now have the same owner. Look at Atlet, who sold Toyota before – Toyota was only something they sold. It was the same case with BT and Clark. This is how it felt. They are closer now and that feels more stable and secure.

Egon Thoresson, Beslag & Metall

When it was decided that BT Svenska would distribute Toyota trucks, BT informed its customers about this and Toyota was also considered a strong brand from customers’ point of view;

They came to us and told us that they were resellers for Toyota, that now they had Toyota in stock.

Mats Fredriksson, DFDS

Toyota is a big, well-known brand and you realised that Toyota counterbalanced trucks would be part of the programme. It felt good.

Bo Sköldbrink, Volvo Bus Corporation

It is a great advantage. They have products that are good, they are named BT-Toyota and the foundation to all of it is good products. Toyota has good counterbalanced trucks and BT has good warehouse trucks. And the remaining question is, how should this be organised towards the customers and then you feel that BT knows more about the end users. Toyota ought to learn from them. This would build an organisation that sells more.

Jan Söderlund, Volvo NAP

I see them as BT. Well, BT-Toyota, it is difficult to say, but we always say BT, regardless of if they sell a Toyota truck. … We think this is positive, there is a large company behind them and for counterbalanced trucks, it is also good, this means that they can develop further.

Allan Jonsson, FläktWoods
BT Industries

BT Svenska indeed increased its sales of counterbalanced trucks, compared to both Clark and Cesab. To exemplify, Volvo Group placed a number of orders with BT, also including orders for Toyota trucks:

BT has increased its share. They have received a number of large orders. … We bought a lot of Toyota, so they should be satisfied.

Jan Söderlund, Volvo NAP

I do not think Toyota was that big on the Swedish market. Toyota trucks were sold for several years of course, but they are more visible now with BT, since BT is big and sells a lot. You see a great deal of Toyota now.

Bo Sköldebring, Volvo Bus Corporation

However, also other things have led up to customers buying Toyota trucks. For Beslag & Metall, Atlet was previously a supplier, but as Beslag & Metall grew, so did the need to have trucks running all the time. Atlet was not considered large enough as local services were limited, and Beslag & Metall therefore decided to turn to BT;

We changed about then [from Atlet to BT Industries], we discussed it, but [BT Industries handling Toyota] was not what made us decide. … They were strong before. I do not think that that changed, they have had a good policy and that is very important, especially for us that have grown. At start we were not as dependent on that the machineries run all the time. Today, this is not possible, they have to be up and running all the time.

Egon Thoresson, Beslag & Metall

However, Atlet also managed to convince many of its customers to buy Caterpillar instead. Although perhaps biased by the selection of companies, none of the customers interviewed used Toyota but not BT trucks prior to the acquisition. This would indicate that whereas BT added sales on counterbalanced trucks, becoming a reseller of Toyota did not add new customers. Although they buy both counterbalanced and warehouse trucks, some BT customers have not yet bought any Toyota trucks and DHL Solution is one example thereof. Furthermore, as Saab Automobile and Toyota compete in the automobile segment, Toyota may not be a natural choice for Saab Automobile;

If a Volvo company enters Saab or if a Toyota truck does – something that we have not faced yet – we are competitors.

Hans Olsson, Comau

Reorganisation of sales in Sweden
Following Toyota’s acquisition of BT, personal relationships were largely kept. Therefore, when BT started reorganising sales and maintenance, this was considered more troublesome than the acquisition; during the past years, the sales departments have been reorganised in Sweden, which has
resulted in some previous relationships being broken off. There is a
tendency towards centralisation of sales (Haraldsson, interview 2004).
Furthermore, maintenance has been centralised, or rather, contact persons
for maintenance have been transferred from previous local contacts to a call
centre in Malmö. This reorganisation has met with resistance among
customers who have experienced difficulties in reaching the right people and
who have perceived the situation as turbulent;

It is more difficult to reach spare parts, since I am doing part of the service.
I think I have to call a 0771-number. I am against these things, I want a
personal contact and there are no personal contacts anymore. Those guys
have been taken away. There used to be people placed locally who knew
what I wanted.

Lars Svedlund, DHL Express

They are building this new organisation, and it is a little difficult to reach
the sellers.

Allan Jonsson, FläktWoods

To come to terms with their frustration regarding maintenance, customers
have often disregarded BT’s intentions and called previous contact people
rather than the call centre in Malmö.

They have changed sellers back and forth. To me it has been somewhat
turbulent. … And then they moved to Malmö as well, and that is quite
some trouble. Sometimes they do not know where the guys are. Before we
called Mjölby, and there they know things around here better. It is so far
and they are so many, so it is difficult for them; they do not know whether
they are working or are free. And this has made me call Carl-Erik quite a
few times, the guy responsible for the service staff in this region. To get
people here directly.

Egon Thoresson, Beslag & Metall

Before, you called Jönköping directly. Now you are put through to both
Linköping and Malmö, before you find the right person. … Now what I
have done is that I have contacted the repairmen directly or called Evert’s
cell phone, so I do not have to be put through the switchboard.

Mats Fredriksson, DFDS

It was not only the customers that reacted to the changed service
organisation. The reorganisation also led to confusion among the main-
tenance staff, which in turn has affected their relationships with customers;

You have seen it on the service engineers, they have not known what will
happen as the service organisation is changed. This is reflected in them also
becoming worried. You see that the staff is a little concerned. … They have
the need to talk. They cannot inform about something they do not know.

Egon Thoresson, Beslag & Metall
My thoughts about BT are somewhat hesitative since they started centralising. I feel that the staff of BT feels a bit anxious. You feel these kinds of things without them being expressed in words. It is in the air. People are not as happy and feel worried about their future. That is sad. When you talk to someone who does not feel secure then you immediately feel that he is not a hundred percent engaged in the deal. This is your first thought.

Eshjörn Haraldsson, Servera

The reorganisation has also raised questions about what will be the next move. As customers saw the reorganisation as centralisation with lost person-to-person relationships as a consequence of the reorganisation, questions concern how far this will reach;

The thoughts are always there. I think these kind of thoughts and when everything is centralised to Mjölby, this is part of these thoughts. You become questioning. What is the next move? Will the sales people quit and will I have to buy the truck via Internet. Then you will not get the personal contact and the help, and I need help.

Eshjörn Haraldsson, Servera

Meeting both the Swedish and the international market set-up

Volvo Group is one customer that meets BT and Toyota both in Sweden and abroad. Volvo Group signed a global procurement agreement (preferred supplier deal) with BT and Toyota. A prerequisite for that deal was that both warehouse and counterbalanced trucks were offered.

It is important. This was one of the reasons for choosing these three [BT/Toyota, Still, Hyster] globally. They could deliver all kinds of trucks.

Bo Sköldebring, Volvo Bus Corporation

Based on the ‘two brands, two channels’ arrangement, the deal with BT and Toyota was done as two separate deals; one with BT including Toyota in Sweden, and a separate deal with Toyota for the rest of the world.

In the beginning we said it was nice to have a deal with Toyota that covers both BT and Toyota. But we have a deal with BT where Toyota is part of the deal for Sweden. And then we have a deal with Toyota for the rest of the world, and their BT’s products are part of the deal. It is the same prices, but it takes a long time to make a deal with Toyota. They do not have the same control over their dealers as BT. … Cesab is sold in Europe, but not in Sweden, but that is also a reason for irritation. You can forget about the US; Raymond does not sell anything there.

Jan Söderlund, Volvo NAP

Volvo considers Toyota and Raymond (as part of the BT deal) as less active than BT;
In Sweden, you have BT selling BT and Toyota products. When we turn to other places; BT China, Toyota China, it becomes fussy sometimes; Toyota there only sell Toyota trucks. They do not care about BT, they are not measured on those things. So they say something, and then BT says something else. There has been some irritation. ... Those who work with purchasing there become confused. The co-ordination has been somewhat bad.

Jan Söderland, Volvo NAP

BT’s and Volvo’s relationship runs long way back in time and whereas BT Industries now is connected with Raymond and Toyota, these companies have not ‘inherited’ this relationship. On the paper they are part of the deal, but in reality not much has been sold to Volvo. On markets where BT does not appear, the two other preferred suppliers Hyster and Still have an advantage.

It feels like Toyota have not done that much. It is mostly BT, who knows Volvo from before that pushes things forward. Since Toyota have independent dealers they do not have the power.

Jan Söderland, Volvo NAP

They do not sell and I do not understand why. The co-operation between BT and Raymond has been somewhat bad. Raymond lives its own life. For Cesab in Italy, we would like to get Toyota trucks. We want them to tell us which is their best counterbalanced truck and that they sell that one. We do not want it to depend on the dealers.

Jan Söderland, Volvo NAP

Other customers also state that more was expected from Toyota, and customers thus ask for closer integration between BT and Toyota than what was actually realised;

As Toyota acquired BT it is a backbone, much stronger than before. At the same time, it might be a matter of money and that they will place manufacturing elsewhere. ... There is always a risk. But there is also knowledge and as I see it, BT lives its own life, despite it being part of the Toyota group. Toyota lives its life. ... There ought to be more exchange between them, they ought to learn from each other.

Anders Westerling, Saab

Irritation also occurs over that BT and Toyota set the rules for which trucks are available in which countries. They should give us the best product offers they have to the right price, then we will buy. But we do not want them to compete with each other with different variants. That is also irritating.

Jan Söderland, Volvo NAP
**Summing up and moving on**

The past years have involved a lot of change for BT Industries. Not only has the company become a full-range supplier and achieved a strong position on the North American market, but it has also become a subsidiary in a group with strong financial clout; Toyota Industry Corporation.

Through the acquisitions presented in this chapter, BT Industries and its present owner have extended their organisations both geographically and into new, yet related fields of business. The group became a full-range supplier with a world-wide network of distributors and production units and in the year 2000, the group held 17 percent of the world market for counter-balanced trucks and 25 percent for warehouse trucks (Larsson 2000), making it the world leader in both areas of business.

The BT Group is the world’s leading manufacturer of warehouse trucks, while Toyota is the world’s largest manufacturer of counterbalanced trucks. Together, the BT Group and Toyota Industries Corporation is number one in the world in the truck market.

BT Industries (2004)
In Sweden, BT holds\textsuperscript{12} a market share of over 50 percent of the Swedish market, and also 65-75 percent of the Swedish market for hand pallet trucks (Orrgren, interview 2004). BT Industries describes itself in the following way after the acquisitions;

> The BT Group is the world’s leading supplier of warehouse trucks and related services. We are 8,000 employees and have a turnover of approximately SEK 12 billion. Production is handled at seven plants in four countries, and the sales network covers the entire world. Our customers are mainly large consumer-oriented companies with very high demands on efficient material handling. BT Industries is part of Toyota Industries Group. The BT Group is represented throughout the world: in Europe, Canada and Australia through its own sales and service companies and in USA and Thailand mainly through equity dealers. In other markets, the Group is represented through independent dealers.

BT Industries (2004)

Each company name is kept, BT, Raymond, Toyota, and also Cesab, Lift Rite, and Prime Mover, resulting in a whole range of company names and brands. The pattern of cross supply and distribution of trucks can be described accordingly (a complete list of brands, manufacturing sites and sales channels can be found in appendix):

**Raymond** produces trucks branded Raymond and Prime Mover, and supplies Toyota with Toyota-branded Raymond warehouse trucks. To distinguish these from Raymond’s own trucks, an older model of trucks is distributed to Toyota (Persson, interview 2003).

**Cesab** manufactures and sells Cesab trucks in the Italian market as well as through independent dealers throughout Europe. BT-branded Cesab trucks are sold through BT’s sales companies in Western Europe (with the exception of e.g., Sweden). Cesab trucks are also sold in the US.

**BT Industries** manufactures warehouse trucks under its own name, the world market being divided between the two major brands, Raymond and BT, meaning that these companies do not generally meet in the same geographical market. Furthermore, BT Industries supplies Toyota with Toyota-branded warehouse trucks to be sold by Toyota, and Cesab, Toyota, Lift Rite, and Raymond with hand pallet trucks branded according to each respective receiving company (Wirenhammar, interview 2004). BT-branded hand pallet trucks are distributed by BT and delivered to Prime Mover.

**Toyota**, finally, manufactures counterbalanced trucks to be sold throughout the world. Toyota trucks are sold under the Toyota name by BT Industries in Sweden, while Toyota internal-combustion trucks branded BT are

\textsuperscript{12} Figures from 2004, when data was collected for the study.
delivered to Eastern Europe (Malmgren, interview 2003), the United Kingdom, Denmark, and Norway (Munde, interview 2004).

As the different organisations’ sales and distribution channels have largely been kept intact, this has resulted in double or even triple representation of the company on certain markets. Due to some cross selling of products, this means that the company at a group level competes with itself. On the other hand, changes in relationships on a personal level are minimised. Instead, it is customers’ initiative of centralised purchasing that has led to changes on a person-to-person level, often through customers replacing local representatives with central procurement organisations. Yet again, whereas preferred supplier deals may preclude local representatives from buying from previous suppliers, in cases where previous suppliers are part of the preferred supplier deals, final decisions are taken locally and much remains unchanged. For local representatives of these customers, personal relationships remain important.

> It is the same people, it does not matter what the sign reads. It is like when they called me when it was decided we would be DHL … What the sign reads does not actually matter, as long as the contacts are good.

Jan Nilsson, DHL Solutions

During times of change, these preserved person-to-person relationships have contributed with stability. Furthermore, although companies are governed by central preferred supplier deals, if possible, local representatives have often chosen to continue with BT based on those relationships.

> The relationship that I have is personal, so that has been an advantage. It has been running smoothly, straight through. If he comes with the wrong price, I tell him directly; “You will only receive 60 percent of it”. Then he starts arguing. But we do not meet outside the office.

Hans Olsson, Comau

> It is basically built on relationships. You know them and what they do. But perhaps we should look at other things as well, to put some pressure on BT.

Bo Sköldebring, Volvo Bus Corporation

> I think the chemistry with the BT people is very good.

Mats Fredriksson, DFDS

This also means that the reorganisation of sales and maintenance in Sweden had more severe impact on local customers (and local representatives of national or international customers) than did the acquisitions.

**Remaining issues on the agenda**

Following the acquisitions, at least two issues remain on the agenda from BT Industries’ perspective.
First is the matter of synergies: the work of lead buyers continues, and a project of continuously monitoring the potential synergies arising from all activities of the organisation has started (Dahllöf, interview 2004).

Second, the issue of product differentiation arose from the delivery of products to Toyota, and this issue remains on the agenda. Finding a balance between the costs of differentiation and the risk of products being too similar, leading to direct competition between brands, is a key issue. A related matter is at which production stage products should be differentiated;

It may also cost in terms of market share and other things, if you lose your identity. If you go so far that they suddenly become very similar, then the cost of keeping two brands may exceed the effects of being regarded as two brands. … There is a balancing act between these two positions.

Håkan Dahllöf, BT Industries

While the differentiation of warehouse trucks has subsequently led to attempts to differentiate the products more, hand pallet trucks have moved in the opposite direction;

They consist of three parts – the chassis, a handle, and a pump. That is all. … Modularity wins – one article throughout the factory is the ideal route for the producer. However, we produce [different] versions of handles, chassis, and options available, and so on. We will have to differentiate other things as well, like warranty periods, service agreements, specials, versions, and so on. The key is, however, that the customer must appreciate it as a difference. If not, it is worth nothing.

Sven Wirenhammar, BT Products

For BT, the past few years have meant a loss of market share, a fact which has been counterbalanced by the delivery of ten percent of BT’s production volume to Toyota (Ridderstråle, interview 2003).

Epilogue

In 2005, the Toyota group announced a reorganisation, meaning that a common management organisation would be created for BT Industries (including Raymond and Cesab) and Toyota. This meant that Toyota Material Handling Group (TMHG) was created, comprising both the Toyota and BT Industries operations.

Information was given in two steps. First it was announced that BT Industries would be merged with Toyota to create Toyota Material Handling Group. And then new information was given on the first of July about who will be managers, what the management team will look like.

Magnus Sandman, BT Svenska
The group was divided into four geographical organisations; TMHE (Toyota Material Handling Europe), TMHNA (Toyota Material Handling North America), TMHJ (Toyota Material Handling Japan) and TMHI (Toyota Material Handling International). The aim was to reach synergies between the companies.

![Diagram of TMHE, TMHNA, TMHJ, and TMHI](image)

*Figure A.6 Organisation since 2006. Source: BT Industries (2005).*

As of today, sales are still decentralised; BT Industries, Toyota, Cesab and Raymond all appear as separate sales organisations and brands. BT has traditionally had its own sales organisations, whereas Toyota, Cesab and Raymond have traditionally acted through independent dealers. Subsequently, Toyota and Raymond have increased their shares of owned sales companies, but many dealers remain independent.

They have acquired distributors throughout the years. There are still independent dealers, but I think they aim at majority ownerships.

Magnus Sandman, BT Svenska

There is internal competition between brands, and between sales organisations and independent dealers, while at the same time, it is considered risky to merge sales organisations, and/or wind up brands. The synergy potential in merging sales organisations and brands is counter-argued with the risk of losing sales and customers. Potentially, this would also affect management turnover in the companies (cf., Prime Mover following the company being merged into Raymond). Still, BT Industries has problems increasing its share of counterbalanced trucks.

There are still speculations and thoughts about how to organise within various countries. Nothing is settled yet.

Magnus Sandman, BT Svenska
BT Industries customers

BT Industries’ customer base consists of a compound group of companies. Traditionally, many customers were found in the fast moving consumer goods and logistics sectors, but traditional industrial enterprises are also included in the customer base. Companies interviewed are current customers of BT Industries and include Beslag & Metall, Comau Ingest, DFDS Transport, DHL, FläktWoods, Saab, Servera and Volvo Group.

Beslag & Metall

Beslag & Metall is a family-owned manufacturing company dealing with ironwork, tools and machinery (AB Beslag & Metall 2003; AB Beslag & Metall 2004). Employees number to around 120 (AB Beslag & Metall 2006). Customers are primarily found in the automotive industry, with Scania and Volvo Trucks as the company’s largest customers.

The company uses both counterbalanced and warehouse trucks, and most of the truck fleet is owned by the company. Traditionally, trucks were bought from various suppliers, and many of these are still represented among the trucks used by the company, but the number of suppliers has decreased. Maintenance has increased in importance, and truck orders are now commonly placed by the party that has the service agreement. The choice of service provider is in turn driven by the supplier’s local presence and size. Round the turn of the century, Beslag & Metall shifted service providers from Atlet to BT Industries, which means that although the company owns several Atlet trucks, new trucks are normally purchased from BT Industries.
Comau Ingest (Saab Automobile)

Comau is owned by Fiat and was founded in the 1970s. In 2002, Comau Ingest was established in Sweden. The company's business consisted of logistics, real estate and office maintenance (Comau Ingest Sverige AB 2004). In Sweden, the company was a single-customer company; the establishment in Sweden was the result of outsourcing activities at Saab Automobile (Dagens Industri 2002; Lövgren 2002).

Saab Automobile traditionally owned its trucks, and its fleet consisted of around 150 counterbalanced and 450 warehouse trucks, represented by several brands, but BT Industries and Still dominated. GM, as owner to Saab Automobile, signed an exclusive agreement with Still with the result that during a couple of years, all new trucks were bought from Still.

In 2002, Saab Automobile decided to outsource truck maintenance to Comau Ingest. The maintenance deal also entailed a clause that Saab Automobile would sell its trucks. For this various options were considered; to sell the truck fleet to BT Industries, to Comau, to Still or to Celero (part of Volvo Group). The final decision fell on BT Industries, meaning that BT Industries came to own the entire truck fleet regardless of brands.

When the deal was closed with Comau, Comau evaluated different suppliers and presented them for Saab. What happened was that the price was almost the same, down to the penny. What we had to consider was the functionality, knowledge and what the supplier could offer in added value. That was what made the final deal. This was to BT's advantage, but it was not clearly so from the start. Saab might as well have seen that we, Comau, would have bought the trucks ourselves. We had the maintenance; it was Comau's staff that provided the service. This was how it was until BT took over, then two of them moved to BT.

Hans Olsson, Comau

The outsourcing of trucks to Comau was believed to have changed the relationships towards suppliers;

Saab is really tough towards all its suppliers. It is about saving money – tough payment deals, tough negotiations. This is easier with Comau. We buy a lot to central storage, which we then sell on to Saab. Spare parts are owned by Saab, but we handle them, they are stocked in our premises. We acquired the emergency stock from Saab when we became Comau. Those things we buy and sell on our own and I see this as a definite improvement. I think suppliers are more positive than before. It is a question of size; it is difficult to reach the right person in a large organisation when things do not work. Here they can turn to anyone of us, I know who he needs to talk with and I either carry the phone there or connect him directly. I think the suppliers view this as smoother; the small size scale and the ease with which you can get answers.

Hans Olsson, Comau
With the outsourcing, Saab Automobile’s focus on costs for trucks increased. The outsourcing arrangement enabled closer follow-ups, which in turn led to a reduction in the number of trucks;

What has happened is that Saab’s focus on trucks has changed. … Each truck has a monthly cost now. Before, when Saab owned them, there was of course a booked value, but in the production plant, they did not have a clue about that value. Maintenance was performed and financed centrally. No one ever saw the cost of the production plant. They had free trucks, no financial responsibility. Today each truck has a price tag. … Every truck has its monthly expenses. We have already returned a fairly big number of trucks, as it is not financially defensible to have a truck “just in case”. There used to be a number of “just in case” trucks, the fleet was not optimised. Each foreman had some more than he needed. Today this is really focused on; no one gets to have any additional trucks.

Hans Olsson, Comau

In 2006, Comau was closed down in Sweden and dismissed its entire staff (TT 2006). The company’s contract with Saab Automobile was running out and Comau had decided not the make a renewed offer.

**DFDS Transport**

DFDS Transport is a shipping agent (DFDS Transport AB 2004), and the result of the merger between DFDS Fraktarna and DFDS Nordisk Transport in 2001 (Linninger 2002; RB-Börsen 2002). DFDS Transport is in turn part of DFDS Transport Group A/S. In Sweden, operations have been increasingly concentrated to DFDS Transport. In 2000, DFDS’ land transportation was acquired by DSV A/S (Hansson 2000). At the time DSV was a minor actor in logistics and transport (DSV 2003), but has since grown via numerous M&As (MarketWatch 2002; DSV 2004; RB-Börsen 2004). DFDS Transport Group A/S is one of three divisions of DSV.

Following DSV’s acquisition of DFDS, purchasing activities became more centralised; central agreements were signed with truck suppliers on national levels. These agreements are however signed with several suppliers (so-called preferred supplier agreements), leaving the local actor to make the final decision among a predefined range of trucks and suppliers. Trucks are both rented and owned, and service agreements are signed with the individual truck suppliers. From the truck user’s perspective (Fredriksson, interview 2004), comfort, stability and service are the key concerns when deciding what truck to buy.

**DHL**

DHL is part of Deutsche Post (Deutsche Post 2004) and comprises Deutsche Post’s logistics and express services. DHL is in turn the result of numerous M&As; DHL Solutions (as part of Deutsche Post’s logistics division) and DHL Express (as part of Deutsche Post’s express division) both have their background in Aktiebolaget Svenska Godscentraler, ASG.
ASG was acquired by Deutsche Post in 1999, and became part of the subsidiary Danzas. The ASG company name was changed to Danzas, and following Deutsche Post's acquisition of the majority of shares in DHL, it was decided to re-brand all the companies dealing with logistics and express services to DHL. The co-ordination of operations between DHL and Danzas was driven by a one-stop shopping idea (Waymaker 2003b).

This case description targets DHL Solutions and DHL Express, both customers of BT Industries. DHL Solutions business consists of integrated third part logistics (DHL Solutions (Sweden) AB 2004), where transportation is purchased from DHL Express or external suppliers. DHL Express’ operations comprise land transportation, shipping services (DHL Express (Sweden) AB 2004) and more recently, air transportation (Svedlund, telephone contact 2007).

Trucks were normally purchased, that is, DHL owned the trucks, but some exceptions were made for temporary orders, or in the beginning of new contracts. Truck purchases have become increasingly centralised, where the development is moving towards centralisation on a Nordic or European level (Svedlund, telephone contact 2007).

It has been for Sweden, but it is leaning towards becoming the same for Europe. … Probably negative for us, since we will not be able to decide what machinery we want.

Lars Svedlund, DHL Express

The general agreements were signed with several truck suppliers; and also on a local level, the philosophy of using several brands was employed (Nilsson, interview 2004). Different principal decisions may be made locally; for instance, at DHL Solutions in Jönköping, principal decisions were made to buy a certain type of truck from one supplier to enable transfer of staff between different plants and so that there should be no technical difficulties for staff to use trucks at another local plant. At the same time, different suppliers were used for other truck types. For DHL Solutions in Jönköping, the plan was that BT Industries would perform the service, although other manufacturers serviced their own brands at the time.

Since 2004, the Jönköping plant, now part of DHL Exel Supply Chain Sweden AB, as a pilot project within DHL, has sold all of its trucks, regardless of brand, to BT. This deal was concluded on May 1, 2007, and since then BT has owned and maintained all the trucks, apart from some leased Linde trucks (Nilsson, telephone contact 2007).

FläktWoods

FläktWoods manufactures ventilator equipment (FläktWoods AB 2004). The company was founded in 1918, and has gone through several ownership changes including, for instance, Kreuger & Toll and ABB. In 2001, Svenska Fläkt, as was the company name, was acquired by Global Air
Movement SARL, and the FläktWoods group was created in 2002. Today, the company is globally situated, with business and production sites in Russia, Japan, the US, to mention but a few. The company was owned by Compass Partners and the company management group until July 2007 when FläktWoods Group was acquired by Sagard Private Equity Partners (Fläkt Woods Group 2007).

With a company background comprising ABB as owner, counterbalanced trucks were originally purchased from ABB (later Kalmar LMV). On the warehouse truck side (which comprises the majority of the truck fleet)\(^1\), these were complemented with trucks from BT Industries and Atlet. As ABB divested its truck business, Fläkt chose to buy Clark trucks via BT Industries. Toyota trucks were considered as an alternative at the time, but these trucks could not be delivered with the required customisation.

When ABB divested its truck business, we compared some brands for counterbalanced trucks. At the time, BT as the supplier of Clark came to be our choice as Toyota did not have the customisations required here. Now, however, BT has managed to get some customisation of the Toyota trucks, which changed things regarding ergonomics and such.

Allan Jonsson, FläktWoods

In 1990, a major evaluation of truck suppliers was made. Svenska Fläkt chose Atlet. Since then, the truck purchases have increasingly been made from BT Industries, and at the time of the interview, a majority of the trucks at the Jönköping plant were BT Industries’ trucks, but the fleet also included Atlet, Kalmar LMV and Clark (purchased from BT Industries). It was considered to be an advantage to have all the trucks from the same supplier.

Trucks were traditionally owned by the company, but some rental agreements have been made to increase flexibility. The set-up however differs from plant to plant. Each plant in the group makes its own decision about truck purchases, but since the company became part of the FläktWoods Group, all investments need to be approved centrally.

Our organisation is a little different now. … All investments need to be approved centrally. Before, the local manager could approve up to a certain amount. If it was above a hundred thousand dollars, it was approved in Zürich when we were owned by ABB. … Now it is much more restrictive.

Allan Jonsson, FläktWoods

Ergonomics, the truck driver’s perception of the truck, service availability and ease to repair the truck are key concerns when a supplier is being evaluated. Maintenance was performed by FläktWoods’ own staff, with some exceptions (e.g., Clark trucks). The possible transfer of the truck fleet in

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\(^1\) The information about FläktWoods' trucks concerns the Jönköping plant.
Jönköping to rental was to be evaluated at the time of the interview, and from May 2007, all trucks are rented from Toyota Material Handling Sweden (that is, previously BT; Jonsson, letter 2007).

**Saab**

Saab’s business is in the areas of defence, aeroplanes and aerospace, and the company is divided into three business segments; Defence and Security Solutions, Systems and Products, and Aeronautics (Saab 2006).

Saab Support was created in 2003 as a division of Saab, and logistics, internal transportation and material handling is part of this division. The centralisation is a result of Saab’s acquisition of Celsius and laid the grounds for central agreements, which include other Saab companies.

Saab uses both counterbalanced and warehouse trucks, although warehouse trucks dominate. BT Industries is the largest supplier of warehouse trucks, but several other brands are used.

> It is a mixture; Atlet, Linde, and others. There are also a number of unrecorded cases, where people have bought on their own. For a while, it was down to each person to buy trucks on his/her own without checking what would happen if they needed to be repaired. There are a few stackers that were bought via mail order and for those you cannot find any spare parts.

  
  
  Anders Westerling, Saab

Development is pointing towards fewer brands and closer co-operation with suppliers. The trucks are owned by Saab, but other options may be considered. The centralisation of deals is emphasised.

In 2001 a purchase agreement was negotiated, which involved the purchase of five counterbalanced trucks. An evaluation of several brands, including Clark from BT Industries was performed. Saab chose Linde counterbalanced trucks rather than Clark, although Saab was interested in making an agreement with BT Industries to reach the warehouse trucks. This was all done at the time of BT Industries’ acquisition of Cesab and Toyota’s acquisition of BT Industries; a time considered turbulent by Saab.

> We want only a few suppliers. We do not want a great variety of suppliers and deals, we want fewer real deals with good contents and co-operation agreements. We do not sign deals with suppliers to have them come here and deliver, they should undertake to develop the deal and help us reduce costs. I think it goes without saying, that if you reach a deal for one million SEK, then you have to work to keep the deal. BT met our demands, but Clark did not meet what we required for counterbalanced trucks. It was very turbulent at the time. Toyota had Atlet at the time, Kalmar was knocking on the door saying that they would become agents for Toyota, but it was not official.

  
  
  Anders Westerling, Saab

Anders Westerling, Saab
Clark did not meet the expectations, and over the years, few counterbalance trucks were purchased from BT Industries. The final agreement with Linde also entailed the service on trucks; both counterbalanced and warehouse trucks.

**Servera**

Servera is a wholesaler to restaurants and institutional kitchens (Servera R&S AB 2004). The company is owned by the Axel Johnson group, and is the result of a merger between Promus Storkök and Dagab Restaurang & Storkök in 1994. Promus was originally owned by KF, making Promus a sister company to BT Industries at the time. This also meant that all trucks were purchased from BT Industries up till 1997 for the plants that used to be owned by KF; Servera consists of four warehouses in Sweden; in Norrköping, Västerås, Halmstad and Umeå, of which Umeå and Norrköping were originally owned by KF.

In total, 400 trucks are owned by Servera, dominated by warehouse trucks. Due to a cash flow surplus in the group, the trucks that used to be rented were purchased, meaning that Servera has gone in the opposite direction to Saab Automobile (Comau Ingest, see above) for instance.

> We bought the entire truck fleet. Antonia [Ax:son Johnson] had excess money for a while and then she chose to invest in various projects, among other things, she bought the trucks here.

**Esbjörn Haraldsson, Servera**

Since 1997, there has been a shift in BT Industries’ dominance among the original KF companies (Linde dominated the Västerås plant and Atlet the Halmstad plant, that is, those plants not originally owned by KF) and other truck suppliers have increased their presence as a result of how BT Industries and its competitors have worked with their marketing activities. Other suppliers understood the importance of including the truck driver in customer contacts, which resulted in them being preferred by several truck drivers.

> A sales man realised that it is not only one person in a company that buys a truck, it is the organisation. If he could affect the person driving the truck and make him try something else, so the impulses came from the user, then he could much more easily sell the truck. We received invitations from Linde to come and visit their factory, not only us signing the deal but also some chosen people that were truck drivers and foremen. We did this and Linde really got its foot in here in Norrköping. We bought twelve or thirteen trucks from Linde.

**Esbjörn Haraldsson, Servera**

For the Norrköping plant, Linde trucks were bought a few years after KF’s divestiture, but BT still dominates the truck fleet and BT holds the maintenance agreement for these trucks.
Volvo Group

Volvo Group has its background in the manufacturing of vehicles. Since Volvo Car was divested in 1999, and following the acquisition of Renault Trucks in 2001, the group consists of Volvo Trucks, Volvo Buses, Volvo Construction Equipment, Volvo Penta, Volvo Aero and Volvo Financial Services (Sweden), Renault Trucks (France) and Mack (the US). Following the acquisition of Renault Trucks/Mack, and as procurement of material handling equipment had largely been a local activity (taking place at 1,600 different locations), in order to lower costs and increase control over the different units within the group, a procurement project was started in 2001 which aimed to create global procurement contracts.

Prior to the procurement project, Volvo Group bought 600 trucks per year and owned a total of 4,688 at the beginning of the project. This, for instance, could be compared to the total procurement of trucks in Sweden (all suppliers), which amounted to 5,335 trucks in 2003. With local procurement, a variety of truck suppliers were used (in total 19 different suppliers) and price and other conditions were negotiated locally (Volvo 2002).

Prior to the procurement project, the relationship between BT Industries and Volvo Group was largely dependent on local contacts; the district sellers and service engineers of BT Industries and the users and local purchase managers of Volvo Group.

Back then you could choose whichever truck supplier you wanted. We had BT already then, we have had BT since this factory was built in 1977.

Bo Sköldbrink, Volvo Bus Corporation

The global procurement truck project aimed at lowering the cost of ownership for material handling equipment by 30 percent and was driven by a project group consisting of representatives from Volvo, Renault and Mack, and the different production plants in the group.

I was responsible on a global level, and then we had representatives in each country and for each factory. We started off with workshops to map everything: all trucks, all costs, all brands, everything. Then we analysed the market, approached suppliers and requested information on what they delivered, where they were situated, what references they had, what was going on, price tables and everything else. After this, we put together an inquiry, sent it out and presented it in groups; this is the money, this is what we can earn on that. And then the factories gave us the mandate on how we could do. We went from nineteen suppliers to three if we consider BT and Toyota as one. ... The goal was to earn money, we wanted to lower total cost of ownership by 30 percent.

Jan Söderlund, Volvo NAP

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2 Renault in turn owns 20 percent of the Volvo Group (Söderlund, interview 2004).
The idea was to decrease the number of trucks, and this happened in Sweden and France, but not in the US. The project included equipment, whereas service agreements were still going to be purchased locally. On the Swedish market, this meant going from rental including services, to service being bought separately, and in some instances even providing service internally (through Volvo Celero), and trucks being leased. On the Swedish market, three service agreement exists: SMA (supplier of Hyster), BT Svenska (supplier of BT and Toyota), and Celero.

800 offerings were analysed. Price, the geographical presence and earlier experience (feedback from the truck users) were the three determinants. The project resulted in three preferred suppliers: Toyota/BT Industries, Still (owned by Linde) and Hyster (owned by Nacco). Price-frame deals were signed on a three year basis with each of them. The deal with Toyota and BT was divided between the Swedish market, where BT Svenska sells Toyota trucks, and the rest of Europe, where the “two brand two channel” system is used. This means that separate deals were signed with Toyota and BT. Once the preferred supplier deals were signed, the commitment towards these chosen suppliers was referred to, and shown through measures taken towards local units buying from other parties. The global deal led to an increased focus on truck costs;

What the global deal has done is that we now know much better what the trucks cost and what the costs consist of. We get monthly reports from BT on costs.

Bo Sköldbring, Volvo Bus Corporation

The pressure has increased. Of course price mattered before, but now you have the entire purchase organisation behind you. The opportunities to pressure price may have increased compared to when doing the deal oneself. But there were central Volvo deals with BT before, umbrella agreements.

Bo Sköldbring, Volvo Bus Corporation

In many respects, although the procurement project aimed at changing the method of purchasing, local examples indicate a status quo in relationships. As an example, BT has been the main truck supplier for Volvo Bussar in Borås since 1977, and BT Svenska is now the only supplier. Service is also purchased from BT Svenska, and a BT service engineer is placed at the Borås plant.
### Table B:1 – Customer companies, BT Industries

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Relationship specificity</th>
<th>Present status of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beslag &amp; Metall</strong></td>
<td>Family owned, smaller manufacturing company</td>
<td>BT Industries is service provider. Trucks are commonly owned by Beslag &amp; Metall. Focus on fewer brands. Service agreement drives what company is “preferred” and BT Industries has grown in importance as BT Industries holds the current service agreement.</td>
</tr>
<tr>
<td><strong>Comau Ingest</strong></td>
<td>Maintenance company with one single customer in Sweden: Saab Automobile.</td>
<td>Maintained Saab Automobile’s truck fleet. BT Industries owned the trucks. Trucks have been rented from BT Industries, after BT Industries bought Saab Automobile’s truck fleet. Also other brands were owned by BT.</td>
</tr>
<tr>
<td><strong>DFDS Transport</strong></td>
<td>Shipping agent.</td>
<td>Owned and rented trucks. BT Industries, Toyota and several other suppliers. Centralised preferred supplier agreements recently developed (following DSV’s acquisition).</td>
</tr>
<tr>
<td><strong>DFLH</strong></td>
<td>Logistics and express services.</td>
<td>Several brands were used, mainly owned trucks. Centralised preferred supplier agreements towards European level.</td>
</tr>
<tr>
<td><strong>FlagWoods</strong></td>
<td>Manufacturing company, ventilation equipment.</td>
<td>Trucks were commonly owned by FlagWoods. Flakt was originally owned by ABB, which meant that counterbalanced trucks were purchased from ABB Truck. BT has increased its presence. Rental was a complement. Local decisions, but moving towards centralisation.</td>
</tr>
<tr>
<td><strong>Saab</strong></td>
<td>Defence, aeroplane and aerospace.</td>
<td>Several warehouse trucks have been bought from BT Industries. Centralisation of purchasing following Saab’s acquisition of Celsius. Decision to buy counterbalanced trucks fell on Linde since BT Industries was considered turbulent at the time. Linde also got the maintenance deal for all trucks.</td>
</tr>
<tr>
<td><strong>Servera</strong></td>
<td>Distributor institutional kitchens.</td>
<td>Half of Servera (Primus Storkök) and BT used to be sister companies, both owned by KF. During that time only BT trucks were allowed, now Linde is part of the truck fleet. Servera owns its trucks. Previously rented trucks are now owned by the company. BT has lost some of its previous dominance.</td>
</tr>
<tr>
<td><strong>Volvo Group</strong></td>
<td>Vehicle manufacturer.</td>
<td>BT's largest customer on the Swedish market. Following global procurement project, BT Industries and Toyota were one of three truck suppliers for the entire Volvo Group (including Renault and Mack). Global procurement project resulted in central deals with three suppliers, among which BT and Toyota are one. Maintenance separated from truck deals to better overlook actual costs. Leasing has increased in importance.</td>
</tr>
</tbody>
</table>
Momentum Doc

Structurit was a Swedish forerunner in software for processing purchase invoices electronically. In 1999, the company was acquired by Momentum and following the liquidation of Momentum, BasWare became the owner. The aims of the acquisitions were to reach complementary products, customers, and reduce competition. Integration comprised bundling products and product replacement. Interviewed customers include Fakturajämför, HSB, Kopparstaden, Saab, Scania, and Örebrobostäder. Some of these were already active when Structurit was founded, and some of these are no longer customers to the company; following BasWare’s acquisition and the replacement of the original product, a number of customers decided to leave the company.

Electronic invoices as well as decentralised organisations with several geographical locations but a centralised finance and accounting department, have drawn attention to processing invoices electronically within companies. One of the key actors in the business area, BasWare, describes electronic invoice processing as follows:

It enables electronic workflow, revision, cost allocation, and approval of invoices as well as transfer to the accounts payable (AP) system. Versatile reporting provides complete visibility into all invoices, as well as spend analysis.

BasWare (2007)

Electronic invoice processing thus deals with computerised work-flows for supplier invoices. These systems mainly attract large companies, and whereas the number of customers has increased over the years and while nowadays ever smaller companies are users, the amount of invoices handled
by a company sets the boundaries of the market. Without anticipating the story described in this case too much, customers that use electronic invoice processing today include the largest companies in Sweden;

If we use our terminology, we talk about a transaction volume of 10,000 invoices per year and about the thousand largest companies in Sweden, roughly, so it is not any small companies. … The large customers we have are the largest companies in Sweden. Our product is very directed, and we have companies as Ericsson, Astra, Scania, SKF, Hennes & Mauritz, Securitas, and so on. On the A list we have good representation. A smaller customer is typically a small real estate company. ExtraFilm in Tanumshede is also a customer of ours, a very small customer. … It varies a lot, ExtraFilm has a volume of 10,000 invoices per year, Scania has 600,000 invoices per year, so there is a difference.

Anders Sahlgren, BasWare

Commonly, such invoice processing is preceded by the scanning of invoices, and although it is a closely integrated process, the scanning of invoices is, regardless of system supplier, often provided by a separate company, ReadSoft (Fältman, interview 2006).

**Prior to Structurit**

Whereas the routes and routines of electronic invoice processing today may be held as a well-known practice, ten years ago the problem of sending printed invoices back and forth between those processing the invoices in an accounting system and those authorising payments called for a solution.

**A customer initiative**

HSB Dalarna, a Swedish co-operative building society, administrated the financial accounts for several housing co-operatives in an area including Borlänge, Falun and Ludvika. The workflow of invoices meant that these were sent from suppliers to HSB Dalarna in Falun, where they were taken into the accounts, from there distributed to each housing co-operative for approval, and thereafter returned to HSB Dalarna for payment. The workload and costs for distributing invoices led to HSB Dalarna turning to a local actor, Office in Falun, to find out whether there was a product available for handling invoices electronically.

I think they had a vision, HSB Dalarna, to get this. They were very early with this idea and pushed it very hard.

Eva Brask, Fakturatjänst

Back in 1996, the reply to HSB’s query was negative, but the idea triggered Mats Norbäck, one of the owners of Office.
I worked at a company named Office, a local dealer of office necessities here. We mainly sold hardware, computers and software. In 1996, HSB Dalarna asked me if we could develop a system where invoices could be scanned and sent around. I said: “That does not exist, but it sounds like a very good idea. So let us see what we can do.” So a friend and I started to look into the opportunities to develop such a piece of software. I was still employed – or co-owner of Office.

Mats Norbäck, Structurit/BasWare

... and a triggered idea

Norbäck saw the potential in a system for electronic invoice processing. He also co-owned another company, Elis AB, which dealt with management information systems. Elis AB was co-owned with some companies in the public housing sector (e.g., Kopparstaden and Sabo). The close relationship with these housing companies meant that Norbäck saw the potential of electronic invoice processing systems also for other organisations;

Whereas the Swedish Agency for Administrative Development requested the ability to handle invoices electronically with other parties, that is, the focus was not on the internal workflow, the public housing companies related to Elis were interested in Norbäck’s idea. The initial idea was to place the development of such a product in Elis, but instead it was placed in a separate company, Structurit (Nyberg, interview 2005). Putting the business in a separate company signalled that the product could be sold also to other customers than the initiator HSB Dalarna, but also meant that, for instance, Kopparstaden and Sabo were not to be owners (Nyberg, interview 2005).

Structurit

In 1997, Norbäck founded the company Structurit. Some five colleagues from Office came to constitute the initial staff of the company. HSB Dalarna developed a specification of the requirements (Arktedius, interview 2006), and an embryo to the product was subsequently developed. Initially the idea was to solve the problem of distribution of invoices electronically, while still dealing with them manually in terms of reading. Simultaneously,
ReadSoft, a small company at the time, developed an application that could scan invoices so that the data on the invoices could be read electronically, and Structurit early got in contact with them.

We got in contact with ReadSoft quite early, they had started with invoice scanning. We were among the first to sell ReadSoft.

Patrik Fältman, Structurit/ReadSoft

Consequently, Structurit’s product came to focus on the workflow within the organisations after the invoice was scanned. The platform for the product was Lotus Notes;

We have used ReadSoft’s scanning system all the time. Our system deals with the transportation of the invoice. For the scanning and interpretation of the invoice, we have always used ReadSoft. Since we got in contact with them very early we got a large advantage as we learnt the product’s technique as well. The start was very good.

Mats Norbäck, Structurit/BasWare

Early customers

Structurit was founded in order to sell the software in a wider context (Sjöberg, interview 2005) and other companies did indeed show their interest. Among these were Örebrobostäder, a public housing company, that had also looked for a solution for invoice processing;

We were very early with this, we wanted a system for these 35,000 invoices we rotated in the entire city. As you can see, we have local offices in all these areas and those who verify the invoices placed there, and then they need to be attested and it is a lot of circulation. … We got in contact with Structurit before they were acquired, it was with Mats Norbäck. We met or if he was here. We felt that this was something for us. We used Lotus Notes and wished to do something. We were there from the start building this. We scanned invoices and imported the invoices in Lotus Notes. It was simple and we tried it. Then there were some bumpy years before StairWay reached its functionality. We had a lot of requests; this needs to be done and this needs to be changed. … We went through the theories and thoughts about what could become of this and we became very enthusiastic and the entire financial department went by bus to Falun and looked at the system, as far as it was a system at the time. I think they had something going on with HSB, some kind of scanning but still with papers sent around. I think the network did not work properly at the time. … It was good since they were small and had to listen to us, and they really listened. There were not that many other companies that provided electronic invoice processing.

Kenneth Haglert, Örebrobostäder

1 At the time of the interview, Patrik Fältman worked at ReadSoft. He has a background from Structurit and the interview came to also concern Structurit and Momentum Doc.

2 StairWay is the name of Structurit’s product.
Early customers influenced the development and each installation was uniquely tailored for the customer’s needs, but with the common product name StairWay.

Structurit made one core product with adaptations per customer, which means that there were a lot of custom-made solutions.

Peter Sjöberg, Structurit/BasWare

Electronic invoice processing systems were at the time not widely known; no competitors existed and much of the effort to attract new customers was focused on missionising the very idea (Fältman, interview 2006; Norbäck, interview 2005).

At the start it was very much missionising this technique, to make it work, it was very new back then. In that sense it was almost easier a few years later. Then there were at least some competitors that had been there and had talked about the same thing.

Mats Norbäck, Structurit/BasWare

With a background from real estate companies, a majority of the early customers were found in the real estate sector; a result of the contacts with the public housing sector, and a consequence of relationships between various HSB associations. The spread of systems to new companies was simplified by the connection between the specific customers; both in terms of common IT-projects, where HSB aimed at using the same systems within its different associations, and in terms of potential customers getting an insight into the system and its use through others.

It was a coincident that it came to be real estate companies, HSB Dalarna was the first to ask for this and as they got it, HSB Stockholm wanted to have the same, and HSB Malmö. So we got fully booked. We were not that many at the time, so it was a matter of following the line of least resistance through selling to referenced customers or the same sector.

Mats Norbäck, Structurit/BasWare

Often when we are about to invest in a new system, we check if any colleagues have it. The nice thing with public housing companies is that we do not have to compete with each other.

Kenneth Haglert, Örebrobostäder

Whereas the connection between the various HSB associations had a positive effect on the choice of StairWay, co-operation between such associations in a wider sense was not as easily handled;
After many ifs and buts we settled for StairWay. It was partly that we thought that all HSB associations should have the same software and become a strong customer; that the customers could push, have an influence and help each other. Even now in 2006 we have not reached that yet. You become an independent unit that wants to take your own paths, but we try to co-operate as much as possible.

Margareta Bengtsson, HSB Stockholm

Several HSB associations and many public housing companies came to use StairWay. StairWay also spread outside the real estate sector and Saab was one of the early customers;

We thought it looked nice and we got good response from the supplier; they understood what we wanted for functionality and it sounded promising that they could fix that. Then it also carried weight that the product was based on Lotus Notes. IS/IT at Saab had recently decided to invest in Lotus Notes as a future platform for a number of applications, including e-mail. This also made the product attractive.

Lars Gullqvist, Saab

It was considered advantageous that StairWay was built on a Lotus Notes platform, and this opened doors to customers such as Saab and Örebrobostäder (Gullqvist, interview 2005; Haglert, interview 2006).

Structurit remained a small, privately held company with a customer base amounting to fifteen companies during the second half of the 1990s. The number of employees grew to twenty (Norbäck, interview 2005), but the
company lacked the financial muscle for a wider expansion. Figure C:1 illustrates Structurit’s connections to interviewed companies before the company was acquired; by Momentum.

**Momentum’s acquisition of Structurit**

Being in an expanding niche of the IT-sector during a time when the interest in IT-companies as a whole was increasing, Structurit was targeted with acquisition proposals. Cell Network approached Structurit asking whether the company would be interested in becoming part of Cell Network. Structurit’s main owner, Mats Norbäck, saw the risk of becoming part of a large group and turned down the offer. At the same time, it was evident for Structurit that additional financial resources were needed, if the company was to continue to expand;

> We needed the money. We had reached a limit where we felt that if we were to be able to expand further, we needed more money, and we did not feel like turning to the bank for a loan.

Mats Norbäck, Structurit/BasWare

Another opportunity to obtain the needed financial resources without this being at the expense of losing the entire control of the company appeared; Momentum, a local IT-company working with real estate customers became interested in Structurit. As Momentum’s CEO Bengt Östling was a minority owner of Structurit, there was a link between the companies and Momentum’s proposition felt less frightening than Cell Networks’.

> They [Cell Network and Momentum] both expressed an interest, and I, as the main owner, chose between these, and I felt that Momentum was an honest company. It felt right to rather let them in than to let a huge company in. In that case we might have disappeared. Through Momentum we got the opportunity to influence our daily activities. … Had we turned to Cell the risk is that we would have been split up into various business units. With Momentum we knew we would become a sovereign business unit. So the answer was easy.

Mats Norbäck, Structurit/BasWare

In 1999, Structurit was acquired by Momentum. Norbäck came to be a co-owner of Momentum following the acquisition.

**Momentum**

Momentum’s business originated from the development of software and the company had one single customer, IBM. Holding a seven year contract with IBM, the software was a cash cow to finance the development of the company. With a good liquidity, Momentum came to invest in a company dealing with systems for the real estate sector.
In the beginning, they were not larger than us, five or six people. … They were a consultancy company and their only customer was IBM. They had built a piece of software that IBM in the US bought on a seven-year contract, so IBM paid some money to Momentum. For that reason, Momentum felt that they wanted to expand, they had cash and they went into real estate.

Mats Norbäck, Structurit/BasWare

The CEO of Momentum, Bengt Östling, had some contacts with companies dealing with real estate systems, and acquired a company, DataFast, which focused on real estate systems for public housing companies. The real estate system was named Residens and had a background from Örebrobostäder, where it was first developed (Haglert, interview 2006). This acquisition meant that Momentum got control over a company with eighty public housing companies as customers.

Suddenly they had public housing companies as customers, among these Kopparstaden and Örebrobostäder. It went quite well for them with eighty public companies paying maintenance and service charges for their systems and quite a small cost base from the beginning.

Mats Norbäck, Structurit/BasWare

**Acquisition motives**

With a continuous positive cash flow, Momentum strived to expand further. Structurit, a local actor in the same city (Falun) with a customer base with its roots in real estate companies, needed financial resources to grow, so Momentum came to acquire Structurit. The motives behind the acquisition were referred to as adding a product to Momentum, and adding customers to Structurit, that is, attempts at cross-selling products.

They wanted to expand further and thought that we were interesting since we had several real estate customers. … It was a way to find a product for added sales. They knew that we had sold StairWay to several real estate companies; “since we have a customer base of eighty, we can hopefully sell to all of them as well.” That was their idea.

Mats Norbäck, Structurit/BasWare

From Structurit’s perspective, the acquisition aimed at gaining financial resources for expansion. Momentum saw the synergy potential, and calculated with that real estate system customers also needed systems for invoice processing.

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3 A real estate system is a piece of software developed to keep track of repairs, rents, etc., for individual flats and premises and also of entire property stocks.
Initial customer reactions
Already from the start, the companies had some overlapping customers, for instance, Kopparstaden and Örebrobostäder. Customers that had relationships with both Momentum and Structurit before the acquisition, thought that the acquisition was good;

It actually felt quite good, because they would have rules and strength from Momentum. Structurit was the small company … and that is somewhat scary. ... True, the software was developed in Lotus and since I am familiar with programming I would had been able to handle things, but did not have those kinds of ambitions. It felt good that Momentum made that acquisition.

Kenneth Haglert, Örebrobostäder

To these customers, Momentum’s acquisition became a guarantee for StairWay remaining on the market. Expectations were also raised about a co-ordination of activities between Momentum and Structurit;

More people would be involved in the system. You thought that now they have a development department at Momentum, whose resources would be used to develop Structurit’s software further.

Kenneth Haglert, Örebrobostäder

The integration expectations concerned transfer of knowledge and resources for development, not of products.

Integration
Structurit was renamed Momentum Doc following the acquisition. Whereas the intention was cross-selling of products, Momentum Doc remained a sovereign business unit within Momentum, and whereas the companies used each others sales contacts, in retrospective, few additional business deals were achieved, that would not had been achieved otherwise and Momentum Doc increasingly came to focus on customers outside the real estate sector. It should be noted though that the view of how the owner company contributed to Momentum Doc’s sales differs from interviewee to interviewee. More certain is the fact that Momentum Doc’s customer base did not spread to Momentum, partly a result of Momentum’s strong real estate focus.

There were some established customer contacts, our salesmen directly got the opportunity to run on these contacts. We knew the customer and via the seller of real estate systems we were introduced. … At the same time, our sellers were also out on the general market och competed with other invoice processing systems.

Peter Sjöberg, Structurit/BasWare
I cannot say that it meant any major changes. We were not that good at grasping the opportunity as we became a sovereign business unit in Momentum. We continued as we had planned for before. It was not only real estate companies, we also delivered to other sectors. So one cannot claim that the real estate companies we sold to after becoming part of Momentum would not have been there otherwise. It was HSB and such. … We worked in different business areas and ours was invoice processing. There were no overall strategies or co-ordination.

Mats Norbäck, Structurit/BasWare

It is difficult to achieve synergies, I have seen that in other companies as well. One salesman sold real estate systems and we sold electronic invoice systems. There were ideas about selling each others’ products, which were very difficult. It became more of giving each other tips; you found out that this customer was interested in invoice processing and then I could go there and talk. … It was mainly when presenting the company that we referred to the various parts.

Patrik Fältman, Structurit/ReadSoft

The acquisition however meant that Momentum Doc was given the financial resources to market and develop its product, and based on this, Momentum Doc started expanding;

It was a strong development, a very strong development. We got quite many new customers, we went from nine to twenty-five persons, we got the resources to develop the product and develop the staff to attain the knowledge about how things should be done. We could market ourselves and we became one of two major players on the market.

Peter Sjöberg, Structurit/BasWare

Plans were made to integrate the real estate system and StairWay into a common product, but these were never realised (Sjöberg, interview 2005). An additional aim was to make StairWay more structured and less a result of adjustments to each specific customer.

Customer reactions

Sales of Momentum’s and Doc’s products were carried out through separate sales people, and as previous contacts were kept, few customers initially saw the acquisition as anything more than a change of company name (Haglert, interview 2006; Gullqvist, interview 2005).

Saab mostly thought of it as a change of name. There was some kind of ownership change, but we did not see that change. From our point of view it was to be regarded as a change of name. This also happened quite early. We had started considering the product when it was still Structurit, but before negotiations were finalised it became Momentum Doc. During the entire implementation phase it was Momentum Doc.

Lars Gullqvist, Saab
As Momentum Doc started expanding, this was noticed by customers that had established contacts with Structurit prior to the acquisition. The initial expansion was considered positive by Momentum Doc’s customers, but as the growth of the company accelerated, several customers experienced decreased attention and quality of work. Some of the flexibility of the small company was lost. Furthermore, expectations for co-ordinated activities were not realised (Haglert, interview 2006).

It was when it became Momentum Doc that things started moving. At the start, this was truly positive. They were there, making an effort, fixing things. We never had to wait, but then I think they expanded too fast and then they got growing pains and hired new staff that did not meet the same standards. As a customer you get annoyed then, you expect it to work. For a while it was quite trying, but then they managed to sort it out.

Eva Brask, Fakturatjänst

As Momentum Doc’s product was originally built on a Lotus Notes platform, the Notes solution was one of the reasons for customers to choose StairWay. However, as Lotus Notes lost ground on the market, some of Momentum Doc’s customers started looking for alternatives to Momentum Doc.

Many of our customers had chosen Momentum’s solution as we worked with Notes. For example Customer A had a Notes solution; everything should be connected to Notes at that company. It was a religious decision more than a practical one. We lost a few deals because we had Notes as a platform for the solution. One customer said: “Notes will not enter our doors”. So it was much down to the platform.

Peter Sjöberg, Structurit/BasWare

![Diagram](image-url)  
*Figure C.2 Relationships between interviewed customers, Sabo, Momentum and Momentum Doc during the Momentum ownership.*
At the time of Momentum's acquisition, about ten companies competed with different solutions for electronic invoice systems, and the number of users of electronic invoice systems grew steadily. Figure C.2 illustrates Momentum Doc's connections to interviewed companies during Momentum’s ownership. An actor that came to play an important role for Structurit’s, or Momentum Doc’s, continuous existence, the Finnish company BasWare was still a minor player on the Swedish market and few of Momentum Doc's customers knew about the company.

**Acquisition hype and the road towards liquidation**

**Acquisition hype**

Besides Structurit, Momentum acquired other companies at a rapid pace. One reason for this expansion was to upgrade the real estate system Residens to a PC environment and for that reason, Husar was acquired. Soon also Fasab in Stockholm and HSB Data were acquired. These companies all dealt with systems for real estate customers, and while some of the acquired parties were directly connected to private real estate companies, others worked within the public housing sector. The aim was to integrate these systems into a common one. The regulations and needs around real estates differed however between private and public companies, and the common system was never realised. Through acquisitions (including DataFast and Structurit), Momentum grew from its initial five employees to a company with nearly 150 employees. The group became increasingly difficult to control.

There were middle managers, department managers, staff managers, and so on, that neither me nor someone else, and not Bengt Östling were prepared for. We were entrepreneurs first and foremost and we got overwhelmed.

Mats Norbäck, Structurit/BasWare

**Towards liquidation**

The acquisitions challenged Momentum organisationally and financially. Focus was taken away from the daily business and a time of continuous re-organisation followed.

**Reorganisation – Living a docu soap**

The reorganisation of Momentum was not only the result of the acquisitions, but also a consequence of Momentum being a family business. Several of the employees blamed the situation on how Östling’s wife interfered; Östling’s wife’s participation in the business meant that much of the continuity of work was lost. Staff was ordered to shift jobs or was dismissed and decisions were made that negatively affected Momentum and its subsidiaries.
Momentum experienced quite a chaotic time. We literally thought we were living a docu soap. We looked for cameras everywhere. It was such a chaotic situation. ... No one knew what would happen, who did what. … Bengt Östling thought he could acquire companies and simply grow. At this time he received some nominations as entrepreneur of the year. … Bengt’s wife thought she had the power, and she did not get along with anyone. So there was a lot of chaos in the company. … Acquiring companies at three new locations, financial problems and getting people to work. People either got very strange tasks, or they quit on their own, or got noticed following the acquisitions. … We consequently thought we were part of a docu soap.

Peter Sjöberg, Structurit/BasWare

Staff reacted negatively to the ongoing business, which in turn affected the performance of the company;

There was a lot of talking, it did not get any better. People were not productive, I am sure there were a lot of people surfing the net for new jobs, but nothing dramatic happened.

Mats Norbäck, Structurit/BasWare

Customer reactions
Customers experienced Momentum as a paralysed organisation without the capacity to act or pursue its business;

It all stopped. Momentum rocked at its foundation. No one knew anything and all the classical signs of complete inability to act were there as it went this far. You were not able to control all these people placed at different locations.

Kenneth Haglert, Örebrobostäder

Whereas customers tried to push for changes, not much happened;

It was evident. It was very difficult to materialise changes. They were fully occupied with people in Stockholm, Falun and Angelholm. The company was spread all over the country, and was not controllable. This meant that you could not get any changes done with anything. It was truly frustrating. Plenty of us were irritated at them and we had meetings to put our feet down, saying what needed to be done.

Kenneth Haglert, Örebrobostäder

Financial problems and divesture attempts
The newly acquired company Fasab had profitability problems from the start. With a negative result of SEK 10 million on an annual basis from Fasab, and the growing pains of Momentum, Momentum started to run into debts. Still, the optimism of the IT-era prevailed within the organisation and the financial problems were hidden from the staff.

When the financial crisis of the company was revealed to the staff and customers, it was like a bolt from the blue. In an attempt to come to terms
with the financial situation, Momentum turned to customers asking for advance payments. Whereas some customers accepted this, several turned the offer down. Sabo recommended the public housing companies not to agree to such a proposition, and Kopparstaden, for instance, who was active in the discussions about what to do, refused to pay in advance.

At the start, I do not think that many reacted on it, but then the rumours spread that they lacked money. … As a first attempt, Momentum turned to customers asking for advance payments and such things to save the financial situation. A number of Momentum customers met at Sabo to discuss this. … I became something of the spider in the web, since I was situated in Falun and knew Bengt Östling personally. We said: “Why would we do that? It is one thing that we happily keep them as suppliers, but to handle their financial problems, we did not feel like doing that.” So we actually turned them down.

Pir Nyberg, Kopparstaden

They came to us asking if we could do something. … We made sure we were properly informed and talked to those dealing with the deed of arrangement and reconstruction discussions, we were part of that as well. We talked about various solutions, and propositions such as that the real estate companies should pay in advance came up. We turned that down. We recommended them not to. Unfortunately some did.

Anders Johansson, Sabo

With a continuous outflow of money and customers refusing advance payments, Momentum faced a financial situation that the company could not handle. Liquidation was around the corner;

We received a letter basically saying that they postponed payments and it came like a bombshell. I had not sensed this before. The sad thing was that Momentum Doc was part of a company group with several products in its portfolio. Electronic invoice processing was one part and that part was very profitable, had a strong market position and expanded.

Lars Gullqvist, Saab

What happened was that they were close to bankruptcy. I remember Bengt Östling sending out a letter about a reconstruction of the company. These were exciting times. We had the ability to use the programmes and we had been through quite the same thing when Enator and Kommundata owned the software⁴, and at that time, nothing happened. Then it [the software] came to Momentum and worked for a while. The nervousness was not that great, since I had been through it before.

Kenneth Haglert, Örebrobostäder

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⁴ Refers to previous acquisitions of Momentum. DataFast was owned by Enator at the time of Momentum’s acquisition. The acquisition could be described as a company raid.
Bengt Östling also attempted to divest Momentum Doc to come to terms with the financial difficulties.

It was quite straggly if I may say, the business of Momentum. And then they reached difficulties and profitability problems, and started divesting different parts.

Anders Sahlgren, BasWare

The employees of Momentum Doc were not informed about these intentions, and learnt about them from other companies.

It was very dramatic. Bengt did not tell us from Structurit that he tried to sell our business, we heard it from colleagues from other companies that were asked whether they were interested in acquiring our business.

Mats Norbäck, Structurit/BasWare

The staff of Momentum Doc started feeling more loyal towards customers than towards the owner, and informed customers that were not aware of the situation about what was happening. At the time, Momentum’s financial difficulties indicated one possible outcome; liquidation.

Liquidation
In 2002, the financial difficulties had grown so severe that Momentum was liquidated. The situation was worsened as some mistakes in the bookkeeping were revealed;

The bank put on the brakes and says that they want to know what is actually there. They discover that things were not what they seemed to be and put on the brakes even harder. I think they demanded that we should be declared bankrupt.

Peter Sjöberg, Structurit/BasWare

Customer reactions
As the company was liquidated, Momentum Doc found it difficult to attract new customers.

It was in February or March that they suspended payments. I must say that I was surprised, and I thought everyone would turn their back on us. We had perhaps thirty customers for our StairWay product. I am sure Momentum had a hundred or one-hundred-and-twenty real estate system installations. I think it was worse for them than for us. I do not remember if anyone said that they were leaving. I think everyone realised that they had a system, which is not that easy to exchange. I think everyone was hardened, much worse things had happened. As a salesman you got worried regarding goodwill and sales, it was not possible to turn to new customers and ask: “Do you want to see our product?”; we were under reconstruction and had no money.

Patrik Fältman, Structurit/ReadSoft
At the time of the liquidation of Momentum, Momentum Doc was working with the development of a third release of its product; a more standardised solution to be used on a new platform. Although customers had been aware of the continuous reorganisation and also partly about the financial difficulties, the liquidation came as a shock.

Payments were stopped during springtime, and then a time of uncertainty followed; what would happen with Momentum?

Lars Gullqvist, Saab

It was somewhat of a shock, of course we were surprised. It was actually our auditor for HSB Stockholm that sent us the signal that Momentum was in trouble. We thought it was not true, they are always oriented towards the future. But then this happened and we were truly surprised as we had just looked at a new version of StairWay, which we were very happy with. … What could we do? We did not want to change systems as we had tied sixty housing co-operatives to it and knew that many were in line. You felt that you could not take any more. We ran out of steam. … It was truly turbulent.

Margareta Bengtsson, HSB Stockholm

For HSB Stockholm the liquidation was perceived as turbulent and this turbulence caused a standstill. HSB Stockholm was however so deeply involved with the system that other options were not considered at the time. Other customers were more optimistic. The customer base vouched for the company's continuity.

At the same time we thought that the customer base made it impossible for them to disappear. Instead someone would take over it.

Pär Nyberg, Kopparstaden

Norbäck was interest in acquiring the company, but was soon outbid by another company in the area of software for processing purchase invoices; the Finnish company BasWare.

They [those dealing with the liquidation] started looking at which parts were profitable; which are interesting? Our department with twenty-five people was quite interesting; there were only two major actors on the market; BasWare’s and Momentum’s invoice systems. Those guys dealing with company reconstructions are quite powerful and they said: “What would be better than one competitor taking over the other; they must surely be interested in acquiring, then Momentum Doc will get the money needed.” So there was direct contact with BasWare over our heads, and we did not have a clue about it.

Peter Sjöberg, Structurit/BasWare
The remains of Momentum – An epilogue
Other parts of Momentum were also divested; some real estate systems were divested to Agresso Services (Momentum Fastighetssystem AB 2002), the operations of Momentum Technical Services AB was divested to SysTeam (Momentum Technical Services AB 2002) and a composition with creditors was started in 2002 (Momentum Doc aktiebolag 2002; Momentum Software AB 2002). The remaining part of Momentum came to consist, among others, of the real estate systems Residents, Husar and Energireda (Momentum Software AB 2002). Momentum was back were it started off prior to its acquisition hype;

The only thing that remain is from Momentum’s first acquisition; DataFast with the public housing companies. All the acquisitions they made, including us, Fasab and HSB Data were divested, so they were back at 1997 year’s level. Despite this, they have succeeded. Through the dramatic divestments, the company has managed to keep its eighty public customers, who pay quite a lot per year. So last year, or the year before, they presented a sustainable profit in Momentum, but this was used to pay off debts. It is not until 2005 that the company can actually make a dividend.

Mats Norbäck, Structurit/BasWare

BasWare’s acquisition of Momentum Doc
The assets of Momentum Doc were acquired by BasWare in 2002 (BasWare AB 2002; Momentum Doc AB 2003) for EUR 1.48 million (BasWare Corporation 2002b).

BasWare
BasWare was founded as a Finnish company in 1985 (BasWare 1999) and has been listed on the Helsinki Stock Exchange since 2000 (BasWare 2003). When the company was established, its main focus was on financial and accounting systems. The company started developing software for the electronic processing of purchase invoices in 1997 (BasWare 1999) and became the market leader in electronic invoice processing on the Finnish market. As the company was a pioneer in the field on the Finnish market, the company set the standard for electronic invoicing on that market and few competitors existed there.

BasWare has expanded heavily over the years and its establishment in 2000 (BasWare 2000) on the Swedish market created its first subsidiary (Sahlgren, interview 2005). The establishment on the Swedish market was the result of an acquisition of a small IT-consulting company, Enterprise Service Holding (BasWare 2000), and the focus with the acquisition was on electronic invoice processing; the company was BasWare’s distributor on the Swedish market;

When BasWare entered the Swedish market, it started with the acquisition of its Swedish distributor. This company is still around and it was a company of seven or eight people.

Anders Sahlgren, BasWare
BasWare’s geographical spread includes the Western European countries and the US, and the product has extended from electronic invoice processing to also include purchase solutions. Part of the internationalisation process is the result of customers expanding geographically;

It has been part of BasWare’s internationalisation process to follow our customers. Especially our establishment in the US was clearly driven by this. Large Finnish companies had established huge accounting centres there and then we have followed and taken a beach-head. And thereafter we have tried to reach success also with other customers on the US market. As we have succeeded, we have slowly expanded, slowly but steadily. It has not been these insane investments that marked the IT-sector some years ago. It is a very level-headed and careful establishing strategy.

Anders Sahlgren, BasWare

The product portfolio is broader than that of Momentum Doc/Structurit.

Primarily invoice processing, electronic invoice processing systems. … Today electronic archives, and purchase solutions, which is a closely connected product group. But at the time, invoice handling was the main product, and so was Momentum Doc’s.

Anders Sahlgren, BasWare

It took some years before BasWare reached a position among the large suppliers of electronic invoice processing on the Swedish market. Momentum Doc did not perceive BasWare as a major competitor until soon before BasWare’s acquisition of Momentum Doc. By then, BasWare had recently reached a deal with Ericsson, and AstraZeneca had also chosen BasWare (Frick, interview 2006; Norling, interview 2006).

Back in 2001 we did not think of them as our worst competitor. What made them that was that in 2001 they got some good customers. Ericsson to mention one, and that was a feather in their cap. We never thought of them as our worst threat. There were those that were more difficult than BasWare.

Mats Norbäck, Structurit/BasWare

**Acquisition motives**

The main motive behind BasWare’s acquisition of Momentum Doc was to create a strong position in Sweden. Momentum Doc’s existing customer relationships were of key importance, as was the elimination of a competitor fighting for the same customers. The risk of Momentum Doc being acquired by a competitor and thus creating a stronger actor also made the acquisition important for BasWare.

[The motives] were both aggressive and defensive in my opinion. Aggressive in us being interested in expanding on the Swedish market and us seeing the possibility to access a number of customers and prospects, Scania to mention one. But it was as much, if not more, a defensive acquisition, we did not want anyone else to reach the position it would mean to acquire Momentum Doc.
This would have created a dominating party on the Swedish market, and we did not want that. … They paid for the customer base, the maintenance income, and for ongoing strong business cases. … We have had reasons to evaluate the goodwill with our auditors, and it is defensible; so regardless of how it was calculated, the calculation holds. Maintenance income is of course of interest and potential new customers that they had were also interesting. We would not have attained Scania otherwise, it was very closely connected. And then it was SKF that was an existing customer on its way out into the world. These were things we wanted to reach – customer relationships.

Anders Sahlgren, BasWare

Although Momentum Doc had a stronger focus on real estate customers, BasWare and Momentum Doc largely competed for the same customers:

They had HSB as an early customer and some other real estate companies. … But they also had a number of larger customers – Saab, SKF. So we hunted for the same customers, BasWare and Momentum Doc chased the same customers and were aggressive competitors.

Anders Sahlgren, BasWare

In the official statements on the acquisition, the dominating market position of the conjoint company and the customer base of Momentum Doc were referred to. Equally so, cross-selling in terms of attracting Momentum Doc’s customers with other products from BasWare’s product portfolio was part of the plan.

The product StairWay is used in Sweden by approximately 30 companies, among these, Saab Aerospace, SKF and Ernst & Young. “The Swedish market is of strategic importance for BasWare and the new contract joins the two foremost actors in systems for processing of purchase invoices in Sweden. At the same time, BasWare’s market position is considerably strengthened, which opens up opportunities for us to launch our other e-business products on the Swedish market” says Hannu Vaajonesu, CEO BasWare. “This acquisition creates new interesting opportunities on a fast growing market. Besides doubling the number of customers we get new employees who are professional and motivated with good market knowledge. Following this, we can offer both Swedish and internationally active customers even better service and support.”, says Jan Pawli, CEO for BasWare AB. “The StairWay product became very successful, but Momentum now wants to focus on IT-systems for construction and real estate companies. When choosing an acquirer, it was obvious that we would contact BasWare as they are market leader in the field. BasWare is a strong supplier that safeguards the investments the customers have done in StairWay at the same time as the customers access BasWare’s broad product assortment in e-business. It has been important that the staff has been given the opportunity to work in an international company with a strong focus in the e-business area” says Bengt Ostling, CEO for Momentum Software AB.

BasWare Corporation (2002a)

5 At the time of the acquisition, Anders Sahlgren still worked at ReadSoft.
Customer information and initial reactions
Customers were informed about the acquisition and special attention was paid to Momentum Doc’s customers. With the recent information about the liquidation in mind, the acquisition was considered positive (Haglert, interview 2006).

All our customers were informed but we gave specific attention to Momentum Doc’s customers; what will it mean to them, and so on.

Anders Sahlgren, BasWare

It was at the time when Momentum had massive profitability problems. It was only a matter of time when the enforcement service would provide the information that the company was bankrupt. But then the message came that they had sold to BasWare. We thought that was good, they would live on, and I would not have to bother about it.

Kenneth Haglert, Örebrobostäder

The company was informed via mail…. And we received invitations to information conferences at BasWare. I knew more things since I met Bengt as well.

Pär Nyberg, Kopparstaden

We were informed about the financial difficulties, I think. Then BasWare turned up. We received the information that they were selling that part of Momentum. I think I read it afterwards in the paper.

Eva Brask, Fakturatjänst

As most of Momentum Doc’s customers had not heard of BasWare prior to the acquisition, they did not think more of BasWare than that it saved Momentum Doc from bankruptcy. It was also considered that BasWare would not have attained a strong position in Sweden had it not acquired Momentum Doc; customers seemed to think that the acquisition of Momentum Doc was a prerequisite for BasWare becoming a strong party on the Swedish market.

I do not think that BasWare would have been able to come in, unless had StairWay disappeared.

Eva Brask, Fakturatjänst

Prospective customers
Common customer prospects were important for the acquisition, and BasWare was very keen on getting Scania for instance as a customer. However, via acquiring Momentum Doc, some miscalculation was done regarding these customers. When calculating for Momentum Doc’s customer base, also potential prospects, which Momentum Doc and
BasWare competed for, were included, meaning that some customers were entered twice into the valuation;

It has gone worse than expected, the expectations from the acquisition were higher. And I do not think that they really thought it through. We hunted the same customers, and instead of seeing this, one calculated for doubled opportunities. … “One plus one equals two”, became “one plus one becoming much less” as it was the same customers we hunted for, same customer prospects, so it has not meant that much in sales. … Five plus five prospects do not become ten customers, but seven as the prospects were the same customers.

Anders Sahlgren, BasWare

Furthermore, some prospective customers were inclined to invite a new party as they realised that BasWare and Momentum Doc now was the same company. The reasoning for this was that in some companies in a procurement process a certain number of actors should be evaluated and if Momentum Doc and BasWare were both there at the start, once the acquisition was announced they were considered as one party. To reach the decided number of evaluation prospects, a new potential supplier was invited. What was critical for BasWare was if it would be a newly invited party that actually became the supplier in negotiations where the initial choice had been between Momentum Doc and BasWare;

It was a single case that we did not win in the end since they chose to invite a third party just so they would have three parties to look at. From three parties it became two parties. It was SAS actually. … During the process they had to invite a new party.

Anders Sahlgren, BasWare

Scania – A customer decision during the acquisition initiation
One of the customers that BasWare referred to as important was Scania. At the time of BasWare’s acquisition of Momentum Doc, Scania was working with a procurement project for electronic invoice processing. A pre-study had been performed as a basis for tender requests. Momentum Doc had been chosen for the pre-study. In the final tender evaluation five different companies were considered including both Momentum Doc and BasWare. At the time of BasWare’s acquisition, Scania had finally decided for Momentum Doc. One of the main reasons was that Momentum Doc only had positive customer references, whereas the picture for BasWare included some negative references. BasWare however was the next best option in Scania’s evaluation. Some of the strengths of BasWare were that the company was expanding and that it had recently got AstraZeneca as customer.

Following the acquisition, BasWare immediately told Scania that they would replace StairWay, and since Scania had not begun the implementation, a consensus decision was made by Scania to replace Momentum Doc with BasWare in the purchasing contract without any further evaluations (Norling, interview 2006).
Acquisition process

Whereas the acquisition put an end to speculations about if and how Momentum Doc would continue, for the employees of Momentum Doc BasWare’s acquisition was sudden and surprising. Some of the staff had thought they would continue with the business on their own, but they had been overbid by BasWare.

Suddenly one day some Finnish people arrived here and started talking Swedish with a Finnish accent with us; saying they wanted to know more about us. It was quite a shock.

Peter Sjöberg, Structurit/BasWare

The initial shock was calmed by the approach taken by the new owners; they let their guards down and made contact with all the staff of Momentum Doc. As these contacts were taken directly from the Finnish head quarter, another party was equally surprised to learn about the acquisition; BasWare in Stockholm.

We had no clue, there was a message that BasWare, Finland, had acquired Momentum Doc. It was like a bolt from the blue and it triggered a lot of speculations about whether it was good or not. It was a somewhat high price they paid. The advantage was that BasWare lost a competitor and attained a customer base. The price was SEK 16 million and the question was: What will we do to regain that money?

Lars Frick, BasWare/Inspectum

They were clueless. From one day to the next they doubled their staff. Those they had competed against on all deals, now all of a sudden, they became our friends, sitting in our laps, taking over our name, selling the same stuff as we. It was shocking for them, especially the sales department. They did not trust that Momentum Doc’s sales people could sell BasWare’s products.

Peter Sjöberg, Structurit/BasWare

At the time of the acquisition, a new CEO for BasWare in Sweden, Anders Sahlgren, was recruited with a background from ReadSoft. The idea was to get a leader that had not belonged to either Momentum Doc or BasWare.

I was recruited after the acquisition of Momentum in 2002. They chose to recruit an external CEO. … There was an idea about getting a neutral player.

Anders Sahlgren, BasWare

Integration

Following the acquisition, most things went on as before for the staff of Momentum Doc. Since the time with Momentum had been turbulent, the
acquisition was considered positive; the acquisition meant that the newly experienced turbulence could come to an end.

The Momentum Doc team had its origin in Structurit and did not feel at home in Momentum, they were the odd bird and were not understood by the management. The entire business was mismanaged and had an enormous pressure for profitability. And although we were fierce competitors, I still think they welcomed the fact that BasWare acquired them. Much effort was spent initially on integrating the companies and reaching the same structure. I think that went fairly fast and that the differences were not that great. Of course there was some product nostalgia, but not that much company culture nostalgia.

Anders Sahlgren, BasWare

In the initial transition time, when focus was on getting Momentum Doc to become a part of BasWare, attention towards customers was somewhat lost. This affected the company’s ability to reach new deals, but only had a minor impact on ongoing relationships. As the personal contacts initially remained the same, the customers did not perceive any major changes following the acquisition. How interviewees perceived the loss of focus differs slightly;

I think there was a lot of internal focus, when I came here. And this is what naturally happens when you integrate two organisations. We also had to decrease the number of staff; we simply became too many so we had to tighten the organisation and lay off five to ten people. This also causes internal anxiety, internal focus and that you do not look outside on the market, as much as you should do. … At the start, this is what happened.

Anders Sahlgren, BasWare

It might be that the smaller customers that have left us felt that they were not getting enough attention. On the other hand, I think that those of us working with sales have reacted and adapted to BasWare fast. When it was settled, it was only to go for it. … But the focus on consulting may have been interrupted. Overall it is natural that things stop for a while as there is a lot of internal information and concerns about what will happen now. … I think BasWare was very good as it was a quick process.

Mats Norbäck, Structurit/BasWare

We lost ground on the market. We had a number of possible deals in the pipeline. We did not have the time and we could not follow these deals.

Lars Frick, BasWare/Inspectum

Product replacement
Whereas Scania was early advised to change to BasWare’s product, among both customers and employees the expectations were that StairWay and BasWare IP (BasWare’s product for electronic invoice processing) would run parallel;
I do not think that it was directly expressed [to merge the products], I think the idea was to get a grip on what the Momentum Doc product entailed and see what you could do. And that was our message to customers early on, at the time I entered; that we would work on a common goal picture.

Anders Sahlgren, BasWare

If I remember correctly, it initially sounded as they would let both products run and release the new version [of StairWay]. We also planned for such an upgrade even after BasWare’s acquisition.

Lars Gullqvist, Saab

Half a year later, BasWare announced that StairWay would be replaced by BasWare’s product. This affected the relationships with Momentum Doc’s customers in two ways; (i) customers started investigating alternatives to BasWare, and (ii) people that had worked with the development of the new version of StairWay decided to leave the company, resulting in several person-to-person relationships being broken off. The information about the product replacement was received as a surprise, since several customers currently planned for upgrading to the new version of StairWay;

Then they said that StairWay will not exist anymore.

Eva Brask, Fakturatjänst

To smooth over the replacement of StairWay, BasWare chose to describe it as a product upgrade, but the intention was to replace StairWay altogether;

Although we say that the products are merged together to customers, the Momentum Doc product is dead and we look at what functionality is interesting and try to develop that functionality for the BasWare product.

Anders Sahlgren, BasWare

It was also decided that StairWay would continue to be run for a couple of years. The launch of the new version of StairWay was however cancelled.

The fact that StairWay was not instantly replaced calmed customers;

I think that most of them [the customers] calmed down, definitively, and we continued to support the StairWay product. Not develop it further, but support it, as we will still do for another year. This means that we will keep the competence for an entire four years, which is a long time. But from next year we will have to say “No”. Most customers have changed from StairWay to [BasWare] IP and we have a handful of customers, four or five, that have not changed yet.

Anders Sahlgren, BasWare

**Customer reactions to product replacement**

The possibility to continue with StairWay for the couple of years following the acquisition meant that customers chose different paths; while 60 percent
of the previous Momentum Doc customers upgraded to BasWare, 20 percent decided to choose another alternative. The remaining 20 percent was still using StairWay at the time of the data collection and had not yet decided what to do. Customers that did not immediately change to BasWare experienced how the support deteriorated, partly a result of staff leaving Momentum Doc/BasWare.

Formally, BasWare has promised to support StairWay for a while longer. The support got worse and worse, there were fewer and fewer that had the knowledge. But also there was an active choice from Saab that we had to wind-up this Lotus environment as it was procured and dimensioned for other and larger systems; it was far too costly to keep it only for this small system.

Lars Gullqvist, Saab

As new versions of BasWare IP were postponed several times, customers came to question BasWare.

Centralised product development and Finnish management style
BasWare was much more of a standard product than StairWay, and whereas customers had been able to influence the development of StairWay by requesting close adjustments, after BasWare’s decision to replace StairWay, all product development would be placed in Finland. This was how BasWare had handled product development previously and therefore this was how it was handled in the combined company also.

We continued to have discussions with Mats and it turned out that BasWare was much more of a standard product and that they were less willing to customise. And the standard product did not have StairWay’s functionality.

Lars Gullqvist, Saab

We have something called HSB-customisations, adjustments made for HSB Sweden which we all pay for. But today, all development is done in Finland and it becomes troublesome. Finland is another country and they do not do as the Swedes say, they are completely different. Some things work though.

Eva Brask, Fakturatjänst

For customers of StairWay, BasWare was considered as a less attractive option. Since BasWare had dominated the Finnish market the product had not been challenged with that much competition and fewer efforts had been put into developing the product. The fact that BasWare’s product was built on a platform other than Lotus Notes was however to BasWare’s advantage.

The Finnish management also became apparent in another way; the company was much more controlled from the top and sales staff, for example, were given certain sales quotas and the expectations of continuous growth meant that high goals were set (Frick, interview 2006).
Integration of staff?
Swedish BasWare was headquartered in Stockholm, and there was never an intention to merge the Swedish offices (the Momentum Doc office in Falun and the BasWare office in Stockholm). Problems however arose as the Falun office (i.e., previous Structurit/Momentum Doc) works directly with Finland regarding product development (Norbäck, interview 2005), meaning that the contacts with the Stockholm office are somewhat limited. The integration of the companies was most intensively worked at in the beginning. Keeping the two locations though has meant that the units easily slipped apart.

It is two different company cultures that are not that easy to unify. … But this has nothing to do with BasWare, it is a company’s growing pains.

Peter Sjöberg, Structurit/BasWare

The Falun office used to be a sovereign unit with Momentum, and now finds itself as a local office, which has also affected the staff;

We were about twenty people in Momentum Doc [at the time of the acquisition], and out of these, no more than ten are here today. The rest have left over time. … Firstly, they did not want to work for another party, three or four people quit for that reason. And then we have the more recent ones; I think these are the result of us here in Falun not having been given the attention that we used to have, when we were the head office. BasWare has its head office in Finland och its Swedish office in Stockholm.

Mats Norbäck, Structurit/BasWare

Staff leaving the company
The feeling of not working at the headquarter anymore was just one reason for employees to leave BasWare. Soon after the announcement that BasWare would replace StairWay, Momentum Doc lost some of its staff.

There were some people that chose not to continue after the acquisition; someone on sales, someone on development that were important in the old Momentum team.

Anders Sahlgren, BasWare

The staff leaving largely belonged to two groups of employees; those dealing with product development and those dealing with sales. Those dealing with product development of StairWay were placed on other tasks, commonly as consultants, since product development would be placed in Finland. Staff engaged in sales either found it difficult to represent a competing product on the market, but in addition, the management style of BasWare, where much more focus was placed on control and quotas, made some reconsider their employment.
MOMENTUM DOC

To be sold to BasWare was a blow below the belt, to sell us to our worst competitor, but perhaps we exaggerated. Personally I was involved in developing that product. … I hold nothing against BasWare, they are very competent, but I felt myself as Mr StairWay so to say.

Patrck Fältman, Structurit/ReadSoft

Project managers leaving also affected relationships to customers;

It was unfortunate that our most experienced project manager quit. This affected customers directly. If a project runs worse, the customer does not feel the same kind of support. … Our customers have openly criticised this.

Mats Norhäll, Structurit/BasWare

Saab was one of these customers that were affected by the fact that staff left Momentum Doc/BasWare. This was especially troublesome since those that had worked most closely with a specific customer were also those who knew what customisations were made for that particular customer;

As Momentum dissolved, one of their development managers, Stefan Wallin, and some other people left. … There were fewer and fewer that knew the StairWay product. We experienced this gradually and it certainly was a setback for us when Stefan Wallin left, since much was built on his knowledge about StairWay – our installation and our customisations.

Lars Gullqvist, Saab

Customers evaluating alternatives

The replacement of StairWay was a direct reason for customers to evaluate alternatives. Common to all customers interviewed for this study is that they all evaluated other alternatives; none of the customers shifted to BasWare IP without doing such an evaluation. Indeed, some customers came to choose other alternatives, whereas others settled for BasWare.

We have been exchanged. Following the Momentum Doc acquisition, some customers experienced uncertainty about what this would mean. Some exchanged Momentum Doc for other suppliers.

Anders Sahlgren, BasWare

Saab looked at various options, as did Fakturatjänst, HSB and Kopparstaden. Other companies moved away from BasWare for other reasons, but the announcement of the replacement at least partly triggered this shift.

As for Saab, the company had used StairWay from early on. At the time of the acquisition, Saab had decided not to continue with Lotus Notes, but aimed to install the new version of StairWay. When the replacement was announced, Saab turned to look for other options;
We looked at some alternatives, of which one was a local company from Linköping, a small company that had entered the market, and one German company that had a product which was integrated with SAP. … Those were our main options apart from upgrading. In addition we looked at some other options as well.

Lars Gullqvist, Saab

The local company was considered an attractive alternative, but was considered too small. Instead it was the continuity with the staff of previous Momentum Doc, and also an IT agreement made between Saab and WM Data that came to determine Saab’s choice. WM Data was a seller of BasWare IP and also Saab’s main IS/IT-partner. BasWare also had a certified interface to SAP (which Saab also used), and this reduced the project risk of integration. Saab decided to upgrade to BasWare.

The connection to the supplier is a strength. We had a history of four or five years with the StairWay system that needed to be converted as we preferred to stop working with Lotus Notes. … So we had to transfer this and thought it would be easier and safer with BasWare as supplier. They also had others that had transferred from StairWay to BasWare. And then there was a strength for BasWare to be allied with WM Data, since WM Data is our main IS/IT-partner. … WM Data has a local competence centre for BasWare in Linköping, at Mjärdevi. It is local and it is an advantage to gather all the systems to be run by WM Data.

Lars Gullqvist, Saab

Since the decision, Saab experienced quite a lot of frustration regarding delayed releases, and the relationship with Momentum Doc/BasWare became weakened when Momentum Doc’s development manager left BasWare. Saab today runs its electronic invoice processing in BasWare IP, and contacts are mainly upheld with WM Data, rather than with Momentum Doc/BasWare.

For HSB and Fakturatjänst, the decision also fell on BasWare. Other systems were evaluated, and the competing system Baltzar from Palette was considered an interesting option (Brask, interview 2005; Wiklund, interview 2006; Spets, interview 2006).

StairWay was not developed further and we were forced into BasWare, although we were not at all satisfied with BasWare as they presented it. So we thought we would look at other options. We looked at Palette with Baltzar in Nacka and it looked very good. And we looked at Agresso again, but it was not at all interesting. … BasWare won as we felt safe with the same people that had been at Momentum Doc. We would obtain the same project management, the same engineers that know these things. They had installed systems for us before and knew our needs. Much spoke for BasWare, so BasWare it was.

Margareta Bengtsson, HSB Stockholm
Initially it was as before. Almost all the staff followed the company, some left. We did not know anything about BasWare from before. … When we were to change to BasWare, we started looking at other options as well. … Palette was our main alternative. … There were two others as well, but we disregarded those quite early. It was Palette and BasWare that remained the interesting choices.

Eva Brask, Fakturatjänst

Whereas these evaluations were made locally it was HSB as a common force that came to make the HSB associations and Fakturatjänst to decide for BasWare. The idea was to create a strong party, but the relationships with the previous Momentum Doc staff also affected the decision positively;

There were a lot of HSB associations that had BasWare. … Most HSB associations ran StairWay and changed to BasWare and I thought that HSB should have the same system. Stockholm and Malmö had already shifted, so we reasoned that we will become a strong party with the entire world of HSB in the same system.

Eva Brask, Fakturatjänst

There were three parties that were involved in the purchasing. It was Fakturatjänst, HSB Stockholm that also helps other HSB societies round Stockholm and it was Göta in Gothenburg. And we felt we would be strong and BasWare felt alright.

Thomas Wiklund, HSB Mälardalen

As some other HSB associations had already changed to BasWare it was also a question of following the road of least resistance;

It was decisive. It felt safe to choose something that others had already started with. We were the first to choose BasWare, it is very hard to have the heaviest burden. You run into things that you had not thought about, and that was disturbing. It is a clear advantage to choose something that someone else has already tested. … We thought the transmission and the entire project with the project management ran very smoothly.

Margareta Bengtsson, HSB Stockholm

Ernst & Young for instance changed also to BasWare.

For other customers, BasWare’s replacement of StairWay meant the end of the business relationship with BasWare. Kopparstaden, who had been active since the foundation of Structurit, decided to change to XOR. Kopparstaden evaluated various options following the information about the upgrading to BasWare.
Initially we thought, and got the information, that they would continue with StairWay, use it and develop it. Then we got information that they would transfer the customers to BasWare’s own system and discontinue with StairWay. And we realised that we should check the market for options.

Pär Nyberg, Kopparstaden

The close relationship with Structurit and Momentum meant that Pär Nyberg also turned to the staff of the former Momentum Doc personally, asking if they really would not reconsider;

We contacted Mats Norbäck, and as I remember it, we said that we thought it was the wrong decision to discontinue with StairWay. We were informed that the decision had already been taken, and he tried to sell BasWare to us instead.

Pär Nyberg, Kopparstaden

Based on Kopparstaden’s evaluation, the final decision fell on XOR. The company also used the XOR accounting system and it was considered advantageous to have the same supplier as that would simplify communication between the systems.

Örebrobostäder also changed to XOR following BasWare’s acquisition. In the case of Örebrobostäder, the decision spurred from Örebrobostäder’s change of accounting system. The decision to change system for electronic invoice processing was already in the pipeline when Örebrobostäder was informed about BasWare’s product replacement.

It was at the same time as we were changing supplier for the accounting system. And since we changed the accounting system, we also changed the invoice processing system so they would fit. We bought XOR and have them also for invoice processing.

Kenneth Haglert, Örebrobostäder

For Örebrobostäder, BasWare’s replacement may have triggered and rushed the change of systems, but was not in itself decisive.

It might have pushed us when we looked at this. … It might have triggered us to deal with it.

Kenneth Haglert, Örebrobostäder

Tele2 also used to use StairWay. When they were informed about the replacement, they started to look for other options. However, it so happened that Tele2 acquired a company which had electronic invoice processing as part of its product portfolio at about that time. For that reason, and although BasWare was considered the main option, Tele2 came to change to its own system.
All in all, the acquisition of Momentum Doc, and especially the replacement of StairWay meant customer losses. Since then however the integrated company has won new deals. Figure C.3 illustrates connections between companies interviewed following BasWare’s product replacement.

**Figure C.3 Relationships between customers interviewed, Sabo, Momentum and the BasWare group (including previous Momentum Doc) following BasWare’s acquisition.**

**BasWare since the acquisition – Broadened product portfolio and increased competition**

Since the acquisition, BasWare has attempted to broaden its product portfolio on the Swedish market;

Today there are electronic archives and purchase solutions, but back then it was only electronic invoice systems, and that was also what Momentum focused on.

Anders Sahlgren, BasWare

The extended product portfolio has directed increased attention to existing customers, rather than on hunting for new customers. This is driven by the fact that the Swedish market is now considered to be saturated. The market is marked by keen competition, according to Sahlgren (interview 2005), at the same time as the expansion in number of customers is weakening. The transaction level (number of invoices processed by a customer company) has decreased over the years, but it is still mainly large companies with several business units that use electronic invoice processing.
Focus has mainly been on attracting new customers. This is how it has been. But we have increased our interest in present customers, partly since our product portfolio is growing, which makes it more interesting to refine the customer relationships further, partly since the Swedish market has become saturated for these kinds of solutions. There are not as many new companies that need this. There are twenty competitors on the Swedish market and great many installations out there. As it looks, there are few companies left, which is a reason for us to focus on existing customers.

Anders Sahlgren, BasWare

Few of Momentum Doc’s previous customers have bought additional products from BasWare; neither has Saab nor Fakturatjänst, and whereas HSB Stockholm considered it an advantage that BasWare provide other products, thus potentially reducing HSB’s number of suppliers, the cross-selling of products has not been very successful (Frick, interview 2006). According to Frick (interview 2006), BasWare’s acquisition of Momentum Doc was a failure and BasWare has lost market shares through not being able to close enough new deals. BasWare initially managed to maintain Momentum Doc’s position as a market leader on the Swedish market, and as such, become the preferred option for some customers. Lately though, Palette has been growing strongly (Frick, interview 2006).

![Figure C.4 Market shares electronic invoice processing, number of customer companies 2004 and 2005. Source: Inspectum/Lars Frick (2006)](image)

The number of suppliers of electronic invoice systems has continued to grow, and electronic invoicing today is a module in several business solution systems.
The number of competitors was fewer, so new ones have appeared all the time. They appear as specialist companies, but also business system suppliers that think of this as a natural part of business systems. Many business system suppliers have developed their own modules for this kind of thing. These have turned up during the past years. Four or five years ago they hardly existed. So I would think that the number of competitors was ten or twelve, and now it is perhaps more than twenty.

Anders Sahlgren, BasWare

One example of companies developing electronic invoicing as part of business systems is WM Data, who also resells BasWare’s products on the Swedish market. Figure C:4 depicts market shares per company selling electronic invoice processing systems.
Momentum Doc customers

Customers were important in Momentum’s acquisition of Structurit and in BasWare’s acquisition of the assets of Momentum Doc. The Structurit acquisition aimed at broadening the product portfolio for Momentum’s customers and the Momentum Doc acquisition was directed towards actual and potential customers of Momentum Doc and had as its aim the securing of a strong position on the Swedish market and reducing competition. Structurit and Momentum had some common customers prior to Momentum’s acquisition, whereas BasWare and Momentum Doc competed for the same customers prior to BasWare’s acquisition. Interviewed customer companies include Fakturatjänst, HSB, Kopparstaden, Saab, Scania and Örebrobostäder.

Fakturatjänst

Fakturatjänst was founded in 1999 and is situated in Falun. The company is jointly owned by HSB Dalarna, HSB Mälardalen, HSB Mirt and HSB Norr (Fakturatjänst 2006) and provides accounting services for these four HSB companies, along with some other customers.

HSB Dalarna was a forerunner in the scanning of invoices, and when the other three owners of what was to become Fakturatjänst were to introduce electronic invoice processing, Fakturatjänst was established. Instead of each HSB association doing its own scanning, Fakturatjänst would facilitate this for them. For the co-owners, all contact with BasWare runs through Fakturatjänst (Storelv, interview 2006; Spets, interview 2006).
When BasWare decided to replace StairWay with BasWare's own product, Fakturatjänst decided to evaluate various options, of which Palette was considered the most attractive alternative. Fakturatjänst settled for BasWare as other HSB associations had decided to convert to BasWare. Becoming a strong actor together with other HSB associations was considered an important reason for this decision.

**HSB**

HSB is a co-operative housing society with over five-hundred thousand members (HSB Riksförbund 2006) and thirty-three local HSB associations. HSB was one of the early customers of Structurit; Structurit was founded as a result of a request from HSB Dalarna, and several HSB associations came to be among its early customers.

For the case study, interviews were performed with representatives of HSB Norr, HSB Dalarna, HSB Mälardalen, HSB Sundsvall and HSB Stockholm. While Fakturatjänst runs the direct contacts with BasWare for HSB Dalarna, HSB Mälardalen, HSB Mitt and HSB Norr, HSB Stockholm is a service provider for several other HSB associations.

The HSB associations continued to use StairWay following Momentum's acquisition of Structurit, but none of them started using Momentum's products.

Following BasWare's acquisition of Momentum Doc, other options were considered and evaluated on local levels. The interviewed HSB associations however decided to convert to BasWare. The decision was driven by the desire to create a strong customer and by the idea that it would be advantageous to be able to co-ordinate IT-systems between various HSB associations. Personal contacts with the Structurit people and BasWare's product portfolio were also important for the decision (Bengtsson, interview 2006). On an overall level, co-ordination in purchasing has been increasingly stressed within HSB.

**Kopparstaden**

Kopparstaden is the public housing company situated in Falun with a total of 6,500 flats and some commercial premises (Kopparstaden 2006).

Kopparstaden was active in the development of Elis and was one of the early customers of Structurit. Furthermore, Kopparstaden used the real estate system Residens, which Momentum acquired from Enator. Kopparstaden was thus customer to both Momentum and Structurit, which meant that when Momentum acquired Structurit, Kopparstaden already had relationships with both the acquiring and acquired party.

When Momentum found itself in financial troubles, Kopparstaden was one of the companies to turn down Momentum’s request for advance payments. When BasWare acquired Momentum Doc, Kopparstaden evaluated various
systems and decided to change to XOR, as the company used the XOR accounting system.

**Saab**

Saab’s business is mainly in the area of defence, aeroplanes and aerospace. Saab in Linköping (comprising corporate management, Saab Aerosystems, Saab Aerostructures and Saab Support) started using StairWay in 2000. When the company was starting to use electronic invoice systems, a number of suppliers were evaluated. At the time, Saab had recently decided to invest in Lotus Notes, and this, along with a good response from the company, led to the decision to buy StairWay.

Following BasWare’s acquisition of Momentum Doc it was not certain that Saab would upgrade to BasWare. Various suppliers were evaluated, and a small, local supplier became the key alternative. BasWare’s product did not meet the expectations of Saab and the product of the local supplier seemed stronger, but the size of that supplier, along with previous co-operation with WM-Data, a seller of BasWare, made BasWare the final choice. Saab had previously outsourced part of its IT-services to WM Data, and the contact with BasWare now runs through WM Data, with some direct contacts with the original staff of Momentum Doc. In the beginning, BasWare postponed releases of the product, and Saab saw the replacement of StairWay with BasWare’s product as a development backwards. Saab together with WM Data has made some adjustments to the system to make it meet Saab’s needs. For a long time, StairWay was perceived as the better product.

**Sabo**

Sabo is an interest group for public housing companies and has 296 members (Sabo AB 2006). The public housing companies are customers to Sabo, and Sabo has not itself used systems such as StairWay or BasWare, but has participated in projects and has given support to the public housing companies. Sabo was active in the foundation of Elis and also of the real estate system Residens that was later acquired by Momentum.

When Momentum asked for advance payments, Sabo recommended its customers not to agree to this.

**Scania**

Scania is a major manufacturer of coaches, buses and trucks, industrial and marine engines, and service-related products (Scania 2006), and operates in around one hundred countries.

Scania introduced a project, EFHEKT, about electronic invoice systems in 2000. The first step of the project consisted of the invitation to various actors to map the market for systems for electronic invoice systems. The intention behind the mapping was to get basic data that could later be used when asking for offerings from different suppliers. Momentum Doc did a
thorough piece of work and its study came to form the basis when Scania addressed the market for offerings.

The offer request was sent to five actors, including BasWare, Momentum Doc, WM Data, to which Scania had outsourced its IT operations at the time, and Oracle who provided Scania's financial and accounting system. Scania decided for Momentum Doc. BasWare, with WM Data as partner, was considered the second best alternative. The BasWare customer cases showed some weaknesses, whereas Momentum Doc's customers had a higher degree of customer satisfaction.

Scania was about to sign the deal with Momentum Doc when Momentum Doc was liquidated. The Momentum Doc customer base meant that Scania did not feel any anxiety about the company disappearing. Scania was contacted by BasWare, who told them that StairWay would not remain on the market. Following this information from BasWare, some scepticism was heard among those who had evaluated the systems, but no new suppliers were invited, and a decision to continue to work with BasWare instead of Momentum Doc was reached.

Örebrobostäder

Örebrobostäder is a public housing company located in Örebro with about 23,000 flats (Örebrobostäder 2006).

Örebrobostäder was one of the early Structurit customers. The company used Lotus Notes and participated actively in the development of StairWay. Örebrobostäder also developed the real estate system Residens, later acquired by Momentum. Over the years, the company moved to Husar, also owned by Momentum. Similar to Kopparstaden, Örebrobostäder thus had an ongoing business relationship with both the acquirer and the acquired party when Momentum acquired Structurit.

Simultaneous with BasWare's acquisition of Momentum Doc, Örebrobostäder changed its accounting and invoice processing system to XOR. The decision to change systems was already on the agenda when Momentum cancelled its payment and was liquidated, but the shift may have been rushed by that news (Haglert, interview 2006). Örebrobostäder still uses Husar, which still is owned by Momentum. This means that whereas the relationship with BasWare has been dissolved, Örebrobostäder continues with Momentum (Haglert, letter 2007).
<table>
<thead>
<tr>
<th>Type of company</th>
<th>Relationship specificity</th>
<th>Present status of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fakturatjänst</td>
<td>Service company to HSB. Early customer to Structurit. Now customer to BasWare and the intermediary between BasWare and the HSB associations Fakturatjänst services.</td>
<td></td>
</tr>
<tr>
<td>HSB</td>
<td>Co-operative housing society with local companies throughout Sweden. HSB Dalarna was the initiator of what became Structurit. Customer of BasWare, much driven by the fact that other HSB associations changed to BasWare.</td>
<td></td>
</tr>
<tr>
<td>Kopparstaden</td>
<td>Public housing company in Falun. One of the companies behind the foundation of Structurit. Customer of Momentum at the time of Momentum’s acquisition of Structurit. Shifted away from Momentum Doc after BasWare’s acquisition.</td>
<td></td>
</tr>
<tr>
<td>Stalo</td>
<td>Defence, aeroplanes and aerospace. Early customer outside the real estate sector. Previous customer to Momentum Doc, now to BasWare.</td>
<td></td>
</tr>
<tr>
<td>Stabo</td>
<td>Organisation for local public housing companies. Active in the foundation of Elis and the development of Residens (later owned by Momentum). Never customer, but had a relationship to Structurit and Momentum via connections to the public housing companies and through projects aiming at developing systems.</td>
<td></td>
</tr>
<tr>
<td>Scania</td>
<td>Manufacturer of coaches, buses and trucks, industrial and marine engines, and service-related products. Was about to buy Momentum Doc’s product at the time of BasWare’s acquisition. Changed to BasWare’s product before contract about StairWay was signed. Customer to BasWare, was never customer to Momentum Doc.</td>
<td></td>
</tr>
<tr>
<td>Örebrobostäder</td>
<td>Public housing company in Örebro. One of the early customers to Structurit. Also customer to Momentum. Changed electronic invoice system at the time of BasWare’s acquisition. Still customer to Momentum.</td>
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Verimation

With Memo, Verimation was a forerunner of e-mail solutions and came to attract many large companies in Sweden and abroad. Verimation was acquired a number of times and the acquirers’ intentions were to reach Verimation’s customer base for cross-selling or product replacement. The story of Verimation gives examples of both non-integration and complete integration; the latter was strongly opposed however by the original staff of Verimation, which led to a sub-organisation within the merged company. Over the years, Verimation lost a majority of its customers; decisions made by the acquiring parties at least partly explain these losses. Customer companies included in the data collection for this case study were the former owner and previous customer Ericsson, and the existing customers IKEA and InfoData. InfoData had decided to leave Memo at the time of the data collection.

Prior to Verimation

Verimation’s main product, the e-mail solution Memo, was originally developed by Volvo Data. The product was brought to life by chance; during the development of a system for handling defects at Volvo, the idea that the system could be developed into an electronic intra-company mail system arose. The IT department asked management to finance the mail system project, but the request was rejected. The department, however, continued to work on the product, which came to be Memo, and once it was

1 A previous version of the company description was published in Öberg (2004). Customers were not included in that version and the company presentation has been partly rewritten.
ready, Volvo became the first user of the product. At the time, the early 1980s, IT was mainly an intra-company concern, and the traditional companies largely developed their IT-solutions themselves; users and producers were the same companies.

The first “external” customer for Memo appeared as one of those responsible for bringing Memo to life, Björn Boldt-Christmas, was appointed CEO of Ericsson Data Services in 1985 (Blume 1992). When he came to Ericsson, he brought Memo with him (Fagerström, interview 2003). Through personal contacts, the product also spread to other organisations, among these IKEA (Åkesson, interview 2003).

If I remember correctly, Memo was introduced here as we got access to the code through a colleague, who was in Gothenburg visiting Volvo together with someone else who worked with this. … The product was demonstrated to them, they received the code and a tape which they brought with them. One of those visiting Volvo was our technical manager, the other our IT manager. They installed the product and the IT manager talked with the administrative manager of IKEA, Bo Axelsson. Bo belonged to group management and they sent e-mails to each other. People thought this was interesting as it meant that they did not have to telephone each other. You sent an e-mail and when you had time, you looked at it. This was how it all started.

Tord Åkesson, IKEA

The product was built on a mainframe solution and was directed towards large organisations. The first customers were reached via personal contacts among large companies; informal contacts and referencing added companies as SKF to the customer portfolio;

Ericsson talks with Volvo. Volvo talks with IKEA and SKF talks with someone else. This is the way large companies work. … Good references are key important. Good references create additional and deepened relations.

Peter Johansson, Verimation/Nexus

The spread of Memo revealed the need to formalise sales activities via a separate organisation. To be able to sell Memo to other companies, Verimation was founded in 1984 (Verimation 1995-1996).

Verimation

Verimation was a sales company owned by Volvo and Ericsson. The company name, “Verimation”, reflects its initial owners, “V” standing for Volvo and “ERI” for Ericsson, the suffix, “MATION” is an abbreviation for office automation (Verimation 1995-1996). Most of the product development was carried out by Volvo (Affärsvärlden 1994) and other minor details by Ericsson (Fagerström, interview 2003).
Some small parts were made by Ericsson, but the main part of development was handled by Volvo, and Verimation was at that time a small sales company.

Jan Fagerström, Ericsson

In the middle of the 1980s, several examples of IT departments being converted into IT-subsidaries can be found such as the foundation of ÅF-Data from Angpanneföreningen and Ericsson Data Services from L M Ericsson (Blume 1992). A second trend of the mid/latter part of the 1980s was the foundation of several companies which had IT as part of their product portfolio (e.g., Sapia focusing on IT in combination with finance and real estate, Dahlberg 1987).

With Volvo and Ericsson as owners and simultaneously as customers to Verimation, Memo spread to new customer companies. The third customer interviewed for this case, InfoData, was among those companies which early became a customer of Verimation (Milberg, interview 2003). Overall, several of Verimation’s Swedish customers were more or less there from the start, and in the mid 1980s, the product had about a hundred thousand users (individuals within companies) in Sweden (Veckans Affärer 1986). Among the customers, sixty of the largest Swedish companies could be found. These early customers came to take an active part in the development of Memo, and contacts between Verimation and its customers were frequent, including, for instance, user groups (Milberg, interview 2003; Åkesson, interview 2003). Several of the early customers were reference customers.

We were a large customer and could influence the company. … We were able to work with our requirements. With other companies, this has been more troublesome and I see this as future challenge for all standard solutions; … how to monitor and secure development, as the relationship one enters may last for ten years or more.

Tord Åkesson, IKEA

As development was situated at Volvo Data it meant that close relationships were built between Ericsson and Volvo Data; Ericsson was not only an important reference customer, but as an owner the company had a long-term interest in the development of Verimation.

Then we never contacted Verimation. The common customers did, but if we had problems we called the Volvo Data laboratory directly. Naturally, we were an important reference customer to Verimation. It is quite good to be able to say that there is a company with 120,000 e-mail boxes spread around the world. … We naturally had a common interest with Verimation since Ericsson was an owner. Naturally, one wanted the same things; a name to preserve and being a good reference for Verimation. So if problems arose, we were more than welcome to call them. It was a common cause.

Jan Fagerström, Ericsson
In 1987, Memo was used in some 130 organisations (Zinn 1993) including ABB and SAS. SAS came to take an active part in the further development of the product, as it was via SAS lounges that the idea to connect various Memo-nets to each other first arose. Initially, Memo had only been used for intra-company communication (Mhyr 1992), but as the system spread to other companies, the idea to allow interconnection between companies evolved (Fagerström, interview 2003). Scandinavian Information Link (SIL), a joint venture owned by Volvo, Ericsson and SAS was established in 1987. Televerket was initially involved in the foundation of SIL, but withdrew as the product competed directly with services already provided by Televerket; Telebox and Tede400 (Mhyr 1992) The aim of SIL was to link Memo systems from different companies together (Dagens Industri 1987; Datavärlden 1992) through what was to be MemoNet.

So a company named Scandinavian Information Link was founded. If I remember correctly, SAS, Volvo and Ericsson and a fourth player. … Memo systems did only work within companies. You could only send e-mails to another Ericsson employee. Then someone came up with the idea of competing with the Royal Mail office and faxes; Memo systems could be connected between companies. This was one of the business ideas and SAS was in on this; also in SAS lounges at Arlanda, Landvetter, and so on, you could reach your e-mail box at home.

Jan Fagerström, Ericsson

At this time, Memo was considered the program for electronic messages and few competitors existed.

Yes, this was the standard. This was the e-mail system you had.

Jan Fagerström, Ericsson

Verimation grew steadily with regard to the number of customers and this included an international expansion of the company. In 1988, the company was established in 16 countries (Thulin 1988). Contacts between (potential) customer companies continued to be important for the spread of Memo, as was the use of mainframe IT systems.

Quite a few Swedish companies had Memo, so the reference list was quite impressive at that time. They were established all over the world as they had sales companies in North America, and perhaps even in Australia. They followed the Wallenberg sphere and all companies that had an IBM mainframe solution wanted electronic mail. Around 1990 to 1995 the main IT systems were built on mainframe solutions. They sold a separate intra-mail system to each company, but then Scandinavian Information Link was founded to connect these systems.

Jan Fagerström, Ericsson
The late 1980s were years of expansion in the IT-sector as a whole dominated by IT-consulting (Lerner 1992); the boom meant that several IT companies expanded their businesses to also include consultancy. This expansion was followed by a turbulent time in the IT-sector; the beginning of the 1990s was marked by numerous bankruptcies, mergers and acquisitions, but also by the establishment of new companies (Affärsvärlden 1992). The mergers and acquisitions largely involved previous IT-departments from traditional companies (e.g., Axel Johnsons Data's acquisition of Mälardata and Enator; and PS-Data, a company resulting from the merger of Apoteksdatal and the IT-departments of Vin & Sprit and Systembolaget). New companies were predominately actors selling PCs, as the beginning of the decade also meant a shift in technology; from mainframe to PCs.

Though Volvo and Ericsson each initially owned 50 percent of Verimation (Blume 1992), Ericsson subsequently divested its holding. In 1988 Ericsson owned 9.9 percent of the company, Volvo Data the rest (Thulin 1988), and in 1991 Volvo was the sole owner of the company, before selling 75 percent of it to ADB Gruppen Mandator (Veckans Affärer 1991).

**ADB Gruppen Mandator’s (Sapia) acquisition of Verimation**

ADB Gruppen Mandator (Sapia) was mainly active in IT consulting. After having been a diversified group with interests in finance and real estate,
Sapia had divested some of its businesses. Sapia's customer base was dominated by large public companies and organisations. In the years prior to its acquisition of 75 percent of the shares of Verimation, Sapia had conducted a number of acquisitions, one being the acquisition of Mandator (Alberius 1992) from Ångpanneföreningen (Spar 1992). In 1992, ADB Gruppen Mandator was described as the fifth-largest Swedish IT-consulting company, with a geographical reach encompassing all of Sweden and representation abroad through ten other companies (Alberius 1992).

**Acquisition motives**

Through Verimation and Memo, ADB Gruppen wanted to advance its position in the field of software. Reaching Verimation’s customers was also important;

> Memo is a way for the entire Group to reach new customers. By our ability to develop the system at the users’ locations, so as to match their needs, we can additionally offer consulting. Europe is a rapidly expanding market with great potential for us, not least with the eastern parts now being opened.

Göran Mårtenson, CEO, ADB Gruppen Mandator, in Alberius (1992)

Basically, the idea was to cross-sell products and services. The emphasis was placed on selling ADB Gruppen’s consultancy services to Verimation’s customers.

**Integration**

Verimation remained a separate business entity in the ADB Gruppen Mandator group, and during the short time it had ADB Gruppen as its main owner, consultancy was not established as part of Verimation’s product portfolio; the intention of cross-selling products was not realised.

**Verimation during ADB Gruppen Mandator’s ownership**

Parallel to ADB Gruppen’s acquisition of Verimation, Posten acquired SIL in 1992 (TT 1992). MemoNet was by then built in an X.400 environment (Datavärlden 1992), and at the time no standard was set for electronic communication. Competition between different systems marked the period, and the guarding of different companies’ preserves hindered communication between different systems; for instance Posten and Tele2 had their own X.400 domains (Dagens Industri 1992; Fernstedt 1993; Nygren 1993; van den Brink 1993; Rudemo 1995). Internet also grew in importance and challenged these systems.

> There are two parallel worlds for electronic messages: the well-planned X.400 created by the international telecommunication industry’s official standardisation group, and the wild-running Internet, that grows by itself at an impressive pace. The two mail networks have their pros and cons, and it is not yet possible to say who will win.

Nygren (1993)
In the early 1990s, Verimation continued to expand abroad, and was in 1992 represented in 31 countries (Alberius 1992), with over 1 million users. In 1994 the number of users had doubled to 2 million in 930 companies in 40 countries (Svensson 1994) and by 1995 there were 2.5 million users in 1,000 companies (Verimation 1995-1996). The customers were mainly large international companies (Affärsvärlden 1994) and on the Swedish market in 1994, 70 percent of the largest organisations used Memo (Stilling 1994). Although Verimation was expanding internationally, and although the company’s business was in a niche ascribed a continuous growth (Larsson 1993a; Affärsvärlden 1994; Svensson 1994), Verimation reached a plateau in revenue from 1992 (Lindemalm 1995). Two things led up to this; (i) as the market for electronic messaging expanded, it also attracted new companies and competition grew (Computer Sweden 1993), and (ii) the general IT-development towards PCs, while Memo was still used in a mainframe environment (Geijer 1994). Memo was degraded from its dominating position to become an e-mail solution among others; ABB had, for instance, had Memo as its sole e-mail system, but in the middle of the 1990s, the company complemented Memo with other e-mail solutions (Geijer 1994; Fahlander 1995).

The market for electronic mail is growing steadily in the world. The growth is mainly a result of increased internationalisation and the transfer from mainframe and minicomputer to local networks and Unix. The segment for local networks will have the single largest growth. Electronic mail on mainframe and minicomputers will, on the other hand, decrease.

IDC Sweden (1993)

Figure E.2 Relationships between Verimation, interviewed customers and owners during ADB Gruppen Mandator’s ownership.
As there was a time lag often comprising several years between a customer’s decision to leave Memo, and it actually starting to use another product, customer losses did not show initially. Instead revenues not increasing were the early indicator of customers losing interest.

**Introduction on the Stockholm Stock Exchange**

In 1992, Sapia consisted of Sapia Teknik, Verimation, and ADB Gruppen Mandator (Nilsson and Dahlberg 1992). Following profitability problems, Sapia decided to concentrate on Mandator\(^2\); a decision taken at the end of 1993. The rest of the company, comprising the subsidiaries Sapia Teknik and Verimation, was to be divested. Sapia Teknik was sold to former CEO Dan Olofsson\(^3\), while Verimation was to be listed on the Stockholm Stock Exchange’s OTC list (Wallström 1994). The motives for taking Verimation public were to make the company more flexible for future expansion (Paulsen 1994) and to create a competitive advantage when acting on the US market; being on the stock exchange was considered an advantage as this would add to the company’s credibility.

At the time of the divestiture, ADB Gruppen Mandator (Sapia) owned 97 percent of Verimation, Volvo Data the rest. In addition, Volvo held a convertible bond for half of the company (TT Nyhetsbanken 1993). Following the public listing of Verimation, Sapia and Volvo each intended to retain 25 percent of the company (TT Nyhetsbanken 1993). Hagströmer & Qviberg became the third largest owner, owning direct shares and shares in funds amounting to almost 20 percent of total equity (Gabrielson 1995b; Gabrielson 1995a).

**Verimation during the listing on the stock exchange**

The listing on the Stockholm Stock Exchange was no immediate success story. In retrospect, the listing was described as frightening for a one-product company (Johansson, interview 2003). The board of directors was divided, each director following his own agenda. When owned by Volvo and Ericsson, which themselves used Memo, product development was stressed. The divided board meant that less effort was directed towards product development. By 1993 the trend towards PC use was obvious, and while a brilliant future was predicted for e-mail, Memo, with its mainframe solution, lagged behind.

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2 Mandator was later listed on the Stockholm Stock Exchange’s O list. In 2000, Mandator merged with Cell Network. Since 2003, this group has been named Mandator. At the time of this writing, Fujitsu had placed a tender offer on Mandator (Dagens Industri 2007).

3 Sapia Teknik was later renamed Sigma. Sigma grew through a number of acquisitions and was listed on the stock exchange in 1997 (Andersson 1997). Sigma was later divided into three different companies: Sigma, Teleca, and Epsilon, whereas Sigma and Teleca are still listed companies.
They lost the game before they were acquired the first time. That is my personal reflection. Things went so well that they forgot to update in time.

Ethel Milberg, InfoData

Verimation started showing losses and the share price dropped by 34 percent during the first half year after the IPO and continued to fall as the company had to warn that it would not meet its profit targets (Gabrielson 1995b). The company was called “the biggest share fiasco so far” (Gabrielson 1995a).

In 1995, the third step of the IT-evolution began; the era of Internet. Through Internet, many customers suddenly got free access to sending e-mails (Wilke 1996) and according to Veckans Affärer (1998), not even Microsoft managed to make mailing systems a profitable story; free mail systems were included in Windows, and both Microsoft and Lotus were fighting against Internet solutions, which were not only cheaper, but also more universal (Veckans Affärer 1998).

And then in 1995, Internet boomed. Protocols on the Internet and free services that meant that the technical solution became old fashioned. The idea was entirely right, but the technical concept [of Memo] became totally wrong.

Jan Fagerström, Ericsson

To meet this, Verimation diversified into a middleware solution and consultancy. The minority owners Volvo and ADB Gruppen impacted the chosen path. In 1994/1995 Verimation started selling VCOM. VCOM was a middleware solution aimed at enabling communication between various IT-applications. VCOM was originally developed by Volvo Data in the late 1980s and was first used by Volvo in 1991 to solve communication between various IT-systems (Verimation 1995-1996). Verimation sold this product both in Sweden and internationally.

Verimation’s product VCOM was launched on a limited number of markets with good results. Some twenty large internationals have bought VCOM.

Verimation (1995-1996, p.3)

In the field of consultancy, a joint venture, Verimator, between Verimation and Mandator (previously ADB Gruppen) was established in 1996 (Bohlin 1995; Verimation 1995-1996). Cross-selling was part of the idea behind this joint venture.

Consultancy concerns analyses, problem solving, system development, procurement and implementation including education. On several occasions the consultancy leads to sales of other Verimation products or to specific customer adjustments of such products. Solutions meaning that Verimation products are combined with other systems are also common. The consultancy services thus reinforce the use of the products.

Over the following years, a number of co-operation agreements were made. In 1995 a co-operation agreement was signed with Lotus to enable the integration of Lotus Notes and Memo (Lindstrand 1995). The same year also saw co-operation agreements with Hewlett Packard to develop Memo for a Unix platform (Computer Sweden 1995) and with Cap Programator for Cap to sell VCOM in the Nordic market (Nyhetsbyrån Direkt 1995). This all meant that Verimation had diversified into new fields, and that while Memo was still the main product, VCOM and consulting were considered increasingly important (but only contributed marginally to the accounts). Attempts were made to upgrade Memo to a PC environment, but the competition from Internet could not be met. In the second half of 1995 the share price rose strongly (Bohlin 1995).

The growth in number of customers and users continued until the second half of the 1990s, mostly driven by an international expansion of the company; the year 1996 was a time of geographical expansion, predominantly to the US, and late that year Verimation established a US subsidiary, Ver-Q, to sell VCOM products on the American market. To finance this effort and the extended marketing of Memo, VCOM, and the consulting services, a directed issue of new shares was performed. The new share issue was directed at Volvo Data, Mandator, and Norman Data.

**Norman Data Defence System’s acquisition attempts**

Volvo and Mandator kept part of their shares in Verimation following its introduction on the stock exchange. In 1996, Norman Data Defence System, a Norwegian company specialised in IT-security, acquired shares in Verimation. In September 1996 Norman Data held 14.8 percent of the company (Lundborg 1996), and following the directed issue of new shares, Norman Data owned 24.5 percent of Verimation (Dagens Industri 1996). In 1996 Verimation’s share price rose 96 percent (Wolmesjö 1997a), Norman Data’s acquisition of shares being one reason for this sharp rise (Datavärlden 1996). Norman Data operated in the IT-security field, and a joint venture between Verimation and Norman Data, VeriSecure, was established to integrate Norman’s security system with Memo.

**The acquisition of the majority of shares in Verimation...**

In April 1997 Norman Data placed a bid on all Verimation’s shares in order to merge Norman Data and Verimation. Norman Data was mainly interested in Verimation’s customer base. The proposed company, Verimation/Norman Data, was to be listed on the Oslo Stock Exchange, and eventually on the Stockholm Stock Exchange (Keskikangas 1997). In May 1997, Norman however postponed the acquisition. The reason given was that documentation for the acquisition would not be ready on time. Following through with the acquisition would mean risking the timetable for Norman’s listing on the Oslo Stock Exchange. Verimation was also showing...
losses, and though this was said not to be a reason for the postponement as such, it did contribute to Norman’s re-evaluation of Verimation (Olsson 1997a). The losses in 1997 arose from expensive new efforts to become established in the US through Ver-Q, to expand into Brazil, and to pursue the VeriSecure initiative (Bohlin 1997).

... never came about
In June 1997, Affärsvärlden announced that there were no plans for Norman Data and Verimation to merge, either in the short or in the long term (Nyhetsbyråns Direkt 1997). Following the announcement of the intended merger, Norman Data had increased its stake in Verimation to 30 percent. In the autumn of 1997, after the cancellation of the merger, Norman divested some of its shares, reducing its holdings to 22.4 percent.

Verimation during the acquisition attempts
In 1997 a co-operation agreement was reached with WM-data, allowing WM-data to market and resell VCOM (Hammar 1997). However, Verimation was facing problems: the company was posting large losses, media reported that Verimation was bleeding, and divestiture of Ver-Q and staff layoffs were inevitable. The subsidiaries in Brazil, Switzerland, and Belgium were also put up for sale (TT Nyhetsbanken 1997), and the focus would instead be on the Nordic countries, Germany, Great Britain, and the US (Wolmesjö 1997b).

In the latter part of the 1990s, the number of customers and users started decreasing. Customers as Swedish Statoil and Telia left Memo (Fahlander 1995). The competitors were fewer but stronger (Verimation 1995-1996) and electronic message systems had become a “standard” product (Affärsvärlden 1996). The “standardisation” also meant that customers (e.g., Telia and Ericsson) went from using several different e-mail systems to focusing on one (Fahlander 1995). The former owner of Verimation, Ericsson, centralised its IT-function in the latter part of the 1990s and during this process it was decided that Ericsson would only have one e-mail provider, which meant that the company left Memo (Paulsen 1996; Hansson 1998; Johansson 1998).

Ericsson is a technical company and I think that I, at most, had ten different e-mail systems that I made speak with each other. … We had this marvellous technique with different systems to fulfil one single function. In the golden days this was not a problem, but the golden days were disappearing, … Then perhaps in 1998, I had a chief information officer, CIO, who came charging in, declaring that: “From now on, we will use only one mail system”. He had his background from a big American company, Microsoft. So it came to be Exchange.”

Jan Fagerström, Ericsson

The decision to start using Microsoft was also driven by ongoing co-operations; Ericsson co-operated with Microsoft, and there were plans to deepen this co-operation further.
There was a joint venture between Microsoft and Ericsson for a while to develop products together. Microsoft being the world leader on IT and Ericsson on telephones – to merge these companies. This never happened. But these things matter when choices are made.

Jan Fagerström, Ericsson

Last but not least, it was also a decision against Memo based on assumptions about long-term survival;

Things happened as they did, if one puts it that way. Ericsson evaluates suppliers on a regular basis. If we are to buy something new, then we look at the company and the product, these are the main things. What future does the company have? Of course, you do not dare to build solutions on something that may not last. During the second half of the 1990s we realised that this [Memo] could not last for ever. We compared with IBM’s Lotus and Microsoft and a simple guess, which one would last the longest? Verimation or Microsoft? The answer was quite simple; Microsoft.

Jan Fagerström, Ericsson

The loss of Ericsson as customer was a prestigious loss for Verimation. Although the decision was taken for Ericsson to leave Memo, it still took a couple of years of transferring systems before Memo was entirely closed down.

Would Ericsson leave Memo entirely, it would of course be an economic loss, but above all, it would be a prestigious loss.

Peter Johansson, sales manager, Verimation, in Hansson (1998)

Several actors within electronic messages merged during this time. As Verimation was not big enough to maintain its position as an independent company, the search for a strategic partner began.

In search of a new partner or owner

In 1998, it was evident that change was needed, either through a partnership or a new owner (Johansson, interview 2003). At the time the share price had dropped to as low as SEK 30. Soon rumours spread that Verimation had found a co-operation partner, or that the company was to be acquired (Wall 1998), leading to a rise in the share price. Negotiations had indeed taken place: in the autumn of 1997, Mikael Jacobsson4 at Nexus was contacted. This could have led to Nexus acquiring Verimation, but this did not happen at that time (Johansson, interview 2003). In June 1998 media reported that partner or acquisition discussions had been interrupted (Nyhetsbyrån Direkt

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4 Mikael Jacobsson, CEO of Technology Nexus AB, was appointed to be the new chairman of Verimation in 1998. He had previously been a vice chairman (Nyhetsbyrån Direkt 1998e), and was thus a board member before these discussions.
one reason for the interruption was the rise in the share price which made Verimation too expensive. In July 1998, Norman Data once again bought shares in Verimation (Nyhetsbyrån Direkt 1998) and Mandator was the seller. This was only one day before what was to be Verimation’s new owner, NetSys, entered the scene, something which led to Norman Data selling its entire Verimation holdings (Nyhetsbyrån Direkt 1998a). Mandator later called for an investigation of whether Norman Data’s acquisition of Verimation shares had been an insider deal (Nyhetsbyrån Direkt 1998b).

NetSys’ acquisition of and merger with Verimation

On July 3, 1998, NetSys Technology Group’s acquisition of 60 percent of the shares of Verimation was announced (TT Nyhetsbanken 1998). The sellers of the 60-percent stake were Volvo Information Technology and Norman Data (Carlsson 1998). Volvo had decided to refine its business and divest its shares in Verimation and was about to leave Memo as its e-mail system. NetSys also placed a bid for the remaining shares of Verimation; in September 1998 it held 97 percent of the stock, leading to a call for redemption of the remaining shares (Nyhetsbyrån Direkt 1998c). On October 12, 1998, Verimation was delisted from the Stockholm Stock Exchange (Thoren 1998a). NetSys paid SEK 120 million for Verimation (Johansson, interview 2003).

NetSys

The new owner, NetSys, was a software company based in Gothenburg, Sweden. NetSys’ history has its roots in Kinnevik (Ahlberg 1997), where the company developed Polarsearch, a search engine specialising in Scandinavian web sites (Geijer 1997). NetSys also owned part of a Norwegian company, PCTV Net, which launched a digital box for digital TV. Moreover, NetSys acquired 60 percent of the shares of Westnet in 1997 (Ahlberg 1997), a stake which it divested in 1998 (Agerman 1998). In 1998 Kinnevik sold its shares in NetSys. The man behind the deal was Christen Ager-Hanssen, a former Kinnevik employee who had interests in fifteen different Internet-related companies (Peterssohn 1999). At the time of the Verimation acquisition, the main owners of NetSys were 6:e AP Fonden (Nyhetsbyrån Direkt 1998a) and Cognition (Johansson, interview 2003). Founded in 1997 (Carlsson 1998), 6:e AP Fonden owned shares in a number of IT companies. Cognition was owned by Ager-Hanssen and had been established by funding from 6:e AP Fonden (Johansson, interview 2003), meaning that 6:e AP Fonden had contributed with the needed money. Cognition nevertheless retained the majority of the voting rights in NetSys (Genborg 1999b); forty percent of the shares in NetSys were held by 6:e AP Fonden (Peterssohn 1999; Westman 2000) while Cognition and Ager-Hanssen held the rest. Christen Ager-Hanssen, the CEO, and through Cognition the main owner of NetSys, was a man of grandiose plans. As said in retrospect;

If Microsoft had won the desktop, NetSys was to win the Internet.

Peter Johansson, Verimation/Nexus
NetSys was general agent for WebWare, a piece of software used for creating Internet solutions. OpenText, a Canadian company listed on NASDAQ, manufactured the product and NetSys was the exclusive reseller on the Nordic market (Johansson, interview 2003). NetSys’ business idea was to “take care of the intellectual capital in companies by delivering software solutions over the Internet” (Schander 1998) and the customers would subscribe to the product over the Internet. The product was directed towards large companies, and the goal was to have all the world’s 2000 largest companies as customers.

**Acquisition motives**

NetSys regarded the acquisition of Verimation as a way to grow through “Verimation’s customers, international distribution network and products” (Carlsson 1998); the customers were considered more important than the products (Thoren 1998b);

> We need an international sales channel. At the same time Verimation needs a product complement. Memo has 2.5 million users who need to upgrade.


Verimation’s international coverage was of key interest for the planned expansion of NetSys.

> Verimation fits us like a glove, and for us, the acquisition means both financial and industrial synergies. … Our products complement each other well, and through using Verimation’s 2.5 million customers, we will become an effective international group in the software market.


According to the initial announcements, Ager-Hanssen saw Memo as a complement to NetSys’ WebWare (Thoren 1998b). From Verimation’s perspective, NetSys’ acquisition was sudden, and could almost be characterised as a hostile takeover (Johansson, interview 2003).

> It was a bolt from the blue. At the time we had a Norwegian main owner of Verimation Together with Norwegian friends he controlled 52 or 53 percent of the shares if I remember correctly, Volvo owned 20 percent but had decided to refine its business and sell its 20 percent in the company. … Volvo had also decided to leave the product Memo, so they did not have that connection either. Therefore it was a rapid takeover for AP FonDen to get things ready together with NetSys – or the other way around perhaps; NetSys soon received support from AP FonDen. The money was paid very quickly. If I remember correctly, on July 7th the deal was done in terms of NetSys acquiring 70 percent of the company. The first time we met with the management team was on August 11th – for one hour and then we did not see each other until the end of September. So one would say it was very strange. Very strange.

Peter Johansson, Verimation/Nexus
Initial customer reactions
At first, customers saw NetSys as a company that would help Verimation’s continuous development. Announcements in the media about the profitability problems of Verimation and the lessened focus on product development had not foregone customers. As NetSys was in a similar business area, customers such as IKEA thought the acquisition would help Memo. The hostility that the staff of Verimation experienced from the start however came to customers’ awareness after a while.

We received information about it early and it sounded positive when we received the information. It was a company that was to invest in e-mail, there were Norwegian interests in it as well. But this is not the way it turned out. It was positive for a while, but then it became very negative and then shaky for a while.

Tord Åkesson, IKEA

Integration
Following the acquisition, Verimation was merged with NetSys. Verimation’s customer base was used to market NetSys as an important IT actor. According to the information given to stakeholders, Verimation was part of NetSys rather than a separate business unit.

NetSys Software Group is a leading software company in the areas of knowledge and message handling. NetSys is directed towards companies that wish to take advantage of, share and use their collected knowledge. NetSys has one million users and has Global 2000 as its goal customers, of whom 350 are our present customers. NetSys, with its headquarter in Gothenburg is a network of wholly owned subsidiaries and distributors acting on the most important markets in Europe, the US, Australia, Africa and South America.

NetSys (2000)

The customers and distribution net referred to in the quotation were Verimation’s customers and distributors.

Following the merger, it turned out that the idea was to replace Memo with WebWare (NetSys’ licensed product). As it turned out, this was not easily accomplished. Customers and the original staff of Verimation opposed the replacement, and it was never realised. Although Verimation was merged with NetSys, Verimation largely remained a separate unit of NetSys. The two companies, NetSys and Verimation, had little in common, sharing neither direction, culture, nor values (Johansson, interview 2003). Verimation with its roots in traditional companies (Volvo and Ericsson) met the visionary ideas of the late 1990s;
It was a marvellous clash between different cultures. “Marvellous” underlined twice. There were discrepancies all over. … Within NetSys it was very much a managerial issue. A young Norwegian obsessed with delusions of grandeur, a generous main owner and very big plans. And that combination was not good. We entered NetSys and started talking about customers and business: “What customers do you have?” Well they never answered. … As it turned out, the turnover that should carry three times as many people as we used to be, that was our turnover. It took a month or two before we saw through this, which made us act very passively. We continued with our business, but with limited acceptance from the management team, which meant that product development came to an end. The contact with Memo customers was directed at steering them to choose NetSys’ product, which meant that the discussions with customers and the marketing of Memo also came to an end. We were meant to sell the other product to our existing customers to use the customer relationships. … It was a marvellous time, with 50 percent of the people here very hyped and forward-thinking – “We will achieve this” – but with no income. While we did not understand what they were doing, and we did have income.

Peter Johansson, Verimation/Nexus

Customer reactions

Customers’ initial perception of NetSys was coloured by the previous development of Verimation, where the product had started lagging behind, the company’s need for a partner, and initial statements made by NetSys. The perception however changed as it became clear that Memo was to be replaced by WebWare. The idea to steer Memo’s current customers to NetSys’ own product however was not successful and the short-term effects were seen in customers not choosing to shift to WebWare. As Memo was still on the market, customers simply perceived WebWare as a complementary product, of which they did not see the benefit.

They entered with a somewhat different product portfolio, which they naturally tried to sell. … But I do not think that they managed to sell anything.

Jan Fagerström, Ericsson

The target market for that kind of product was completely different from our traditional [target market]. And above all, it was an entirely new product with no references – everything was new. It came as a surprise to the management of NetSys that these customers did not just buy the product [WebWare] from us because we knew them.

Peter Johansson, Verimation/Nexus

As staff from NetSys started visiting Verimation’s customers, the difference between the companies became obvious for these. Some customers alienated themselves from NetSys through clarifying that they did not want to have anything to do with NetSys;

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We had a close relationship with IKEA and had had for years. So one day when I came to them after we had been merged with NetSys for a while I was told that: “You have to make sure that we do not get any visits from anyone from NetSys. You are greatly welcome, but none of them. We do not want them here.” And that is not funny after having had a customer relationship with IKEA since 1985.

Peter Johansson, Verimation/Nexus

In my world, products are meant to solve your problems, and there are quite few of them. But what is of key importance is that the relationship between two companies works. Companies delivering to IKEA must understand what we mean. First of all understand and share our values. … It has happened that representatives have turned up that did not at all fit in here. Then we have talked about it. If I do not feel that it works, then I let them know. I think that the market understands how important relationships are. Everyone cannot fulfil this; it is one thing understanding it on an intellectual level, but emotionally understanding it and acting accordingly, that is something completely different.

Tord Åkesson, IKEA

NetSys after the acquisition of Verimation

After the acquisition, NetSys continued to pursue its goal of becoming a world wide actor. While NetSys was the general agent for WebWare on the Nordic market, its plans were much larger; NetSys’ ambition was to become an international software player, and NetSys started marketing WebWare⁵ outside the Nordic market via Verimation’s subsidiaries, thus far exceeding NetSys’ legal rights. As if this was not enough, NetSys sued OpenText (the Canadian company providing NetSys with WebWare). Later it came to light that the summons was a means of causing the OpenText share price to drop, thus facilitating NetSys’ takeover of OpenText (Skaalmo 2002).

We want control over OpenText. That would give us the marketing channels we need in North America.

Christen Ager-Hanssen, CEO, NetSys, in Genborg (1999b)

This attempt came to nothing, as NetSys did not have the capacity to realise its plan. NetSys not only lost the battle with OpenText (Genborg 2000a), but also the right to sell the product in the Nordic countries;

⁵ The product was branded WebWare by NetSys, but sold under another name in the rest of the world.
It meant that NetSys suddenly started marketing the web-product outside the Nordic countries via subsidiaries, something the company was by no means allowed to do according to its agreement; it was a clear violation of contract. Less than three months later, NetSys sues the Canadian company OpenText for a billion SEK. It ends up in a Canadian court and as expected the Canadians win. And NetSys and AP Fonden have to pay the legal expenses. This also appears in Swedish press. How can one be so stupid that one sues one’s own product supplier? But it all was a game to reduce the stock price of the Canadian company OpenText. And as the stock price fell, the idea was that management people would sell their shares - this is an IT-soap - managers selling their shares in secret and NetSys’ management having people in Canada watching. Articles appeared in the Canadian press, interviewees asking: “What is going on? Why is this happening? Is the company insolvent? The stock price is falling.” But as this happened, NetSys and AP Fonden did not have the strength to make the next move, to place a bid for the company.

Peter Johansson, Verimation/Nexus

At this time, NetSys was bleeding, losing SEK 3 million per month (Johansson, interview 2003). The company did not have any revenues apart from Memo. The press was well aware of what had happened and deemed NetSys a failure.

6:e AP Fonden’s company NetSys in Mölndal is bleeding. While other IT companies are recruiting to their outmost, NetSys is starting to cut back staff. Thirty-five people may lose their jobs.

Genborg (1999a)

‘Verimation’ during the NetSys time

Although the time with NetSys was turbulent, Verimation managed to keep most of its staff (Johansson, interview 2003). A few original Verimation employees allied themselves with NetSys, while the rest dissociated themselves;

This was caused by scepticism from our side. “This is not right.” If you do business, there must be honesty. You cannot just surf the wave, promise, and cheat. You cannot. You have to show some kind of appreciation of your employees. You cannot have 60 persons waiting in the conference room for a staff meeting to start, and then the staff meeting goes on for ten minutes.

Peter Johansson, Verimation/Nexus

Personal contacts between Verimation and its customers remained the same, in that sense creating stability in the relationships between Verimation and its customers. Verimation became cautious and began to point out that they were not part of NetSys’ doings. Still, NetSys’ ownership constrained the employees’ activities.

They became more cautious about what to say when they acted together. That is at least my picture of it.

Tord Åkesson, IKEA
However, Verimation also continued to lose customers. These customer losses could be seen as the long-term effects of NetSys’ decision to replace Memo; restrictions imposed by the management of NetSys led to no product development for Memo. Furthermore, the publicity about NetSys’ suing Open Text, no efforts made on marketing Memo and forced price rises also explain these losses;

Long-term product development did not exist. … As we were a small company, customers had very close contacts with us. We got to know their requirements at an early stage and we try to meet them as good as possible. So there is an ongoing dialogue with customers. Or was. This naturally stopped as customers were told that: “We will have a look at it”, but nothing happened. This made us lose customers. This loss was most severe for the Nordic business as NetSys was a Swedish company. Then there were the newspaper articles. … and thereby the loss of customer trust. Customers left us for other products, naturally. And then there was the business plan of NetSys; they said that more money was needed and the only customers they had were our customers, which made them force us to raise the support price by 300 percent. … This was a kiss of death for many of our customer relationships. So there were three activities that each alone would have been bad enough.

Peter Johansson, Verimation/Nexus

The initial idea of combining WebWare and Memo, and of capitalising on Memo’s customers, came to nothing as customers turned elsewhere for e-mail solutions. The time from the introduction on the stock exchange up to and including NetSys’ attempts to replace the product meant a loss of approximately two thirds of Verimation’s previous customers.

60 to 70 percent, but this should be seen in a longer perspective. The problems had started already at the time of the introduction on the stock exchange. Due to product development and follow-ups on customer requests became less focused. With a product like this it takes two or three years between saying that you will change to something else until it is done. What happened during the NetSys time was that many of these that had decided to change made sure to do that promptly. They were making evaluations and simply chose another solution than NetSys. … It was 60 to 70 percent of the customer base. But we have also lost customers during the Nexus time as decisions were made beforehand.

Peter Johansson, Verimation/Nexus

In 1999, the former owner Volvo left Memo. Just as Ericsson had decided in 1998, Volvo converted to Microsoft. Volvo, that had been responsible for most of the development of Memo, came to use this knowledge in a competitive way; the company took part in developing a product to ease the transfer from Memo to other products.
Volvo changes e-mail system for 60,000 users and plans to earn money on helping others to replace Memo with Microsoft. This is a slap in the face for Memo’s owner – the Mölndal company NetSys. First Memo was abandoned by Ericsson, and now also by Volvo, the company that made Memo important in the world. Above all, Volvo is participating in a project to quickly kill its old darling. In an alliance with the IT-consultant Guide and Microsoft. … Volvo has evaluated NetSys’ products but the Mölndal company was never a serious challenger for the million contract valid for both companies in AB Volvo and Volvo Cars.

Genborg (1999c)

The loss of customers caused a continuous drain of customers, as revenue losses meant that less efforts were put into customer contacts;

At start, things went very well for them. Therefore, customer contacts were frequent and support was better. As the number of customers decreased, so did the information and contacts. Information leaflets and seminars do not exist anymore. Before there were user groups.

Ethel Milberg, InfoData

Customers leaving Memo resulted in other customers questioning the company’s long-term survival;

The lay off of staff and at the same time many of the large companies in Sweden left Verimation. It was Ericsson and Volvo, and others. The discussions started again here. This was one of the reasons for things not going well for them. Many others converted to other systems.

Tord Åkesson, IKEA

Consequently, customers leaving Memo drove additional customer losses in two ways; through customers questioning Verimation as customers left, and through decreasing revenues which thereby decreased contributions to further development and customer contacts. Whereas product development had lagged behind since the introduction on the stock exchange, the most dramatic changes happened during NetSys’ ownership and Verimation’s staff deemed the merger as a failure.

When talking about mergers and acquisitions, this would be an example of the most unsuccessful merger one can imagine. It was like oil and water.

Peter Johansson, Verimation/Nexus

This all occurred during a time when the IT-sector was still booming. The latter part of the 1990s were years of expansion in the IT-sector. New businesses were created with more or less substantial ideas (Lindström 2000). IT-visionaries received much space in the media and the stock exchange boomed. The foci of several of these companies established in the latter 1990s were future cash-flows rather than revenues (Koblanek 2000). Acquisitions in order to buy market shares or technology before someone
else did became common phenomena (Datateknik 1996). Equally, acquisition became a means to recruit staff (Sandlund, interview 2003; Jacobsson, interview 2003). The number of mergers and acquisitions boomed in the second half of the 1990s (Wallström 1997). In early 1996, the IT-boom was already reported as having reached gale-force in Sweden (Salen 1996) and in 1998, more than 50 IT-companies were listed on the Stockholm Stock Exchange and SBI, comprising one fifth of all listed companies on Stockholm Stock Exchange and 30 percent of the shares on SBI. Due to this, the IT-sector was the largest sector on the stock exchange.

Figure E:3 Relationships between Verimation, interviewed customers and owners during NetSys’ ownership.

**Heading for bankruptcy**

Despite the development in the IT sector as a whole, NetSys continued to lose both money and customers. At the turn of the millennium, 6:e AP Fonden put a stop to the ongoing businesses, replaced Christen Ager-Hanssen as CEO, as 6:e AP Fonden had lost confidence in him (Genborg 2001d), and tried to come to terms with the outflow of money. To salvage its investment, 6:e AP Fonden was forced to take over NetSys entirely. However, to the public, this was all announced as a progressive step;

“We think that NetSys’ market position, competence and good customer relationships can be used to keep the growth in the very attractive segment message handling. We are impressed by the people on NetSys and what they have accomplished and feel that the company has potential to become a significant actor in its specific market segment”, says Erling Gustafsson, acting CEO of 6:e AP Fonden.
“Through continuous financial and strategic support from 6:e AP Fonden, we will be able to expand outside our existing markets”, says Bertil Persson, CEO of NetSys Software Group. “6:e AP Fonden’s trust in us and our strategy make it possible for us to continue with our business plan, to build on our existing competences and our customer relationships to capitalise on the market opportunities for message handling.”

NetSys (2000)

As can be seen from the quotation, the value referred to was the value of Memo.

In an agreement between 6:e AP Fonden and Ager-Hanssen, 6:e AP Fonden received 9.9 percent of Ager-Hanssen’s Cognition Ventures (Westman 2000).

It is a Bingolott6, nothing more … with a book value of 1 SEK.

Erling Gustafsson, CEO, 6:e AP Fonden, in Genborg (2000b)

6:e AP Fonden decided to sell NetSys (Göteborgs-Posten 1999), but to avoid further claims, NetSys was instead declared bankrupt in 2000 (TT Nyhetsbanken 2000). The bankruptcy also underlined the fact that the company was not saleable.

We tried to sell the company. As we did, we realised no one was interested. There was too much badwill connected to NetSys and Christen Ager-Hanssen.

Erling Gustafsson, CEO, 6:e AP Fonden, in Westman (2000)

Ager-Hanssen – An epilogue

Ager-Hanssen began pursuing a new goal; to become one of the world’s five largest venture capitalists (Genborg 2000a). However, as a consequence of the preceding machinations, Ager-Hanssen and Cognition (Genborg 2001a) were declared bankrupt in 2001 (Carlsson 2001; Larsson 2001a). A creditor, HL Dataanalys, laid claim to the company (Genborg 2001c),7 but when settlement was finally reached, bankruptcy was averted.

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6 A “Bingolott” is a lottery ticket, this implying the unlikeliness of the shares actually representing any value. The chance of any return on investment was considered as having the same low probability as winning the first prize in a lottery.

7 The claims on Cognition was originally a claim from NetSys of SEK 1.3 million. The official receiver of NetSys (following NetSys being declared bankrupt) tried to force Cognition into bankruptcy for this debt, but Ager-Hanssen then took personal responsibility for the debt (Genborg 2001a). NetSys’ bankruptcy estate sold the debt for SEK 225,000 to HL Dataanalys.
Now we will sue HL Dataanalys for trying to push us into bankruptcy on the wrong terms.

Christen Ager-Hanssen, CEO, Cognition, in Göteborgs-Posten (2001)

NetSys also had one more battle to fight with Ager-Hanssen, as he claimed that there was an agreement by which NetSys was to buy consulting services from Polarsearch for a quarter of a million SEK per month, starting in September 1999 (Genborg 2001b). This agreement was signed twice by Christen Ager-Hanssen, who represented both the seller and buyer, as he was CEO of both the seller, Polarssearch, and the buyer, NetSys (Genborg 2001d).

6:e AP Fonden – An epilogue
Subsequently, 6:e AP Fonden moved away from direct investments in IT companies (Benson 2001). In total, 6:e AP Fonden lost SEK 320 million following the bankruptcy of NetSys (Westman 2000). AP Fonden partially blamed NetSys’ acquisition of Verimation for the losses;

During the year a major loss in NetSys was realised. NetSys was acquired in 1998 by Fonden and the motive for the acquisition was that the company was considered to have a massive potential with its existing product portfolio. The idea was to look for other technologies for commercialisation. NetSys later during 1998 acquired Verimation from the stock exchange and thereby placed itself with a massive financial risk. In 1999 NetSys got contract problems with its licensor and lost market and did not have a large customer on its domestic market. NetSys also got management problems. Fonden’s engagement was finalised in 2000 and a loss of SEK 320 million was realised.

Sjätte AP Fonden (2000)

By then, 6:e AP Fonden had made its way into the IT-history books;

Sjätte [6:e] AP Fonden has made itself immortal in at least one sense. No other actor in the financial markets will have jumped into bed with more energetic finance men from venture companies with IT profiles.

Billing (2000)

‘Verimation’ at the time of the bankruptcy
For Verimation, the bankruptcy came as a surprise;

The bankruptcy was like a bolt from the blue. But AP Fonden wanted to avoid further claims from the Canadian company on a billion. … At the time, the CEO of AP Fonden had been exchanged and the new CEO did not want to have anything to do with this.

Peter Johansson, Verimation/Nexus

The staff of Verimation acted immediately on the news, contacting a potential acquirer, Nexus, to say that Verimation was acquirable.
I contacted Mikael Jacobsson, we had met previously, telling him that now it was possible. … Now was the time to do something with our business, or our business’ part of NetSys, through an acquisition.

Peter Johansson, Verimation/Nexus

Before the deal was closed, Cognition made a bid for the assets of NetSys. To ward this off, Peter Johansson contacted the trustee handling the bankruptcy, telling him that if Cognition were to become the new owner, there would be no company in terms of value to take over, as all the employees would quit. Attention was also directed towards customers as these were what safeguarded a possible continuity of ‘Verimation’. The ‘Verimation’ staff however experienced that customers were hesitant; bankruptcy meant that customers became questioning and bided their time.

It was important also for the trustee to keep customer relationships so there would be any value of the company he was to sell. So in that sense, there were not any problems. But, these things are spread enormously rapidly and large companies have well working financial departments. Account payable ledgers and bankruptcy decisions are crosschecked on a regular basis. So this also spread in the organisations in a professional manner, which came to our knowledge back then. So we divided the customers among us to inform them. …We were met with a lot of scepticism. “If this works well, then it seems OK for you to continue. Then we will see how we do as customers.” This is the way it could be summarised. And then there those saying; “What says things will get any better?” … Many were awaiting during the entire NetSys time. Had it only been a pure acquisition from Nexus without the bankruptcy decision, things would have improved directly. But the bankruptcy decision worsened the situation, which made us have to work unnecessarily much uphill. It was not just recreating trust for the company, but also for those working here – these things go together. It was frustrating as I knew what could become of this, at the same time as you noticed that the response to this was a wait-and-see policy. Don’t they understand what I am saying, or don’t they trust me anymore although we known each other for years? … It was important to get this in action, so the product developer would believe in the future, without them we were nothing.

Peter Johansson, Verimation/Nexus

Despite the efforts of contacting customers, Verimation was thus met with scepticism. For IKEA as customer, the bankruptcy was a wake-up call and a reason to evaluate the relationship with Verimation;

What happens now? And then I reasoned what we would do, should things turn out very badly. We knew that there were some large companies that use this product and it would not be entirely impossible to solve this together, perhaps found a company, although we would replace the product in the longer perspective. It is not in our business model to have companies as this. So, we would have replaced it, although it would take some time. If we would decide to change e-mail system, it would be good if it did not take more than three years. You build so much functionality into it, spread it all over IKEA. … These were our thoughts when we found out about it.

Tord Åkesson, IKEA
IKEA’s idea was thus to continue with Memo in the short term. The right to access the source code would mean that, if necessary, IKEA and other customers could take over the maintenance of Memo. To meet customer scepticism, Verimation continued its active customer contacts;

NetSys is bankrupt and all that. Of course IKEA reacted and there were a number of journeys to them, trying to persuade them that this will work.

Peter Johansson, Verimation/Nexus

In the short term, IKEA was thus prepared to take over the operations of Memo, whereas if the product was not run continuously by an external party, IKEA would shift away from the product. The worst case scenario according to IKEA would be that the trustee or a new owner would disable such as continuance;

But then there is always that if you go bankrupt, the trustee may have different ideas. But in mind it should work that way, and it mostly does; you access the source code and can do the needed changes. But you need the knowledge for that, which was in this company. The knowledge you would have to buy from these lads or find another way to do it. But the worst case is if someone acquires the product and does not develop it in the direction you want, or stops with development.

Tord Åkesson, IKEA

At the same time, the relationship with the staff of Verimation, and the fact that Verimation had other customers vouched for a continuance of the company;

It is an important parameter that the relationship works. Of course, if the company goes bankrupt, one may get very scared for a while, but knowing that there is something that several companies use – then the main issue is what the reconstruction will look like.

Tord Åkesson, IKEA

I was more concerned with who would acquire them now. We had a dialogue asking: “Who are your customers? What guarantees do these customers have? Is there any cash flow? And so on. If there was, someone would most definitively acquire them. There was a value as it turned out later – it took a while before Nexus acquired them. I think those suffering the most were the staff of Verimation. This insecurity, I do not remember how long it lasted. I know we had a dialogue and discussed it internally. Of course it was shaky and we started thinking what would be our next move. We knew there was a value, that it would continue to exist, and as I see it they do. They generate income to its parent company.

Tord Åkesson, IKEA

Based on this, and after Verimation’s contacts with IKEA, IKEA finally decided to sign a three year agreement with Verimation. As a result of this
renewed contract and impulses from other customers that also chose to continue with Memo, Verimation perceived that they had proved the company’s strength; that they could weather out the storm;

So, IKEA was about to leave us, they had had enough after NetSys’ bankruptcy. But we managed to change their minds and make them sign a three year co-operation contract. So this was a very successful project especially towards them. … Whereas a bankruptcy is a disadvantage, it also requires some action. And this action may put you in a situation that is actually better than if it had not happened. You make an effort and the customer starts looking into who you are, what you deliver, and if lucky, starts realising the value of it and how important you are to them. And that combination was what we saw in the case of IKEA.

Peter Johansson, Verimation/Nexus

Nexus’ acquisition of ‘Verimation’

Following the bankruptcy, Nexus entered the scene as a new owner of part of the bankrupted NetSys; the part constituting what was left of Verimation. The acquisition of Verimation was an acquisition of assets from the bankruptcy estate.

Nexus will take over the technical staff, all maintenance and support agreements, and the subsidiaries established in Germany and France.

Technology Nexus AB (2000a)

The purchase price amounted to SEK 7.5 million, to be compared to the SEK 120 million that NetSys had paid two years earlier.

Nexus

Nexus was founded in the 1980s as a spin-off company from Uppsala and Linköping Universities. In 1990 Nexus was acquired by the Communicator Group, a group consisting primarily of defence industry companies, the owners of which included Philips, Akzo Nobel, Ericsson, and Bofors. In 1994, Saab acquired Communicator, and Nexus thus became a part of Saab, which at the time was diversifying through numerous acquisitions. In 1996 Saab found itself having to deal with a problematic situation among other things related to this diversification, and the manufacturing of civil aeroplanes was shut down. This was also a time for divesting companies, including Nexus. Mikael Jacobsson, who had worked with Saab, chose to acquire Nexus together with two associates, Mats Enquist and Kjell Spångberg. The three of them ran the company till the autumn of 1998, when Nexus was listed on the Stockholm Stock Exchange (Jacobsson, interview 2003). Throughout the various ownership configurations over the years, Nexus has been run as an autonomous company with a focus on information security.
Previous acquisitions

Nexus has in turn also acquired a number of related companies; it intended to grow by 30 to 50 percent per year, divided equally between organic growth and growth by acquisitions. In general, these acquisitions aimed at completing or complementing current businesses, not buying competing ones.

The acquisitions need to have the right focus and strengthen what we are doing. Not diversify us. That is why we have made a number of acquisitions, either to reach new customers, or to gain new technology that we consider exciting. Or to achieve a competence that has been necessary to keep our customers’ confidence.

Mikael Jacobsson, Nexus

The acquisitions led to geographic spread and an expanded customer base, but also caused some backlashes. In 1999/2000, Nexus invested in the telecom sector by acquiring the Devenator Group shortly before the sector collapsed (Jacobsson, interview 2003). This led to staff reductions and the refocus of the company back to its initial line of business. When acquiring other companies, Nexus integrates them into its own business, a process that may take some time;

I do not believe in on day one coming to the company and planting one’s own flag, as if it were an invasion. That is wrong. You have to be very clear about your long-term goal with an acquisition and that it is to integrate the business with Nexus’ business. And we all need to be clear about that, or else it will be an uncomfortable journey. We are very clear about this. Then we try to build an integration group consisting of representatives of both the seller and the buyer – a merger group to make things happen at the right time and pace. This so it [the acquisition] is understood by the acquired as something positive, because we want to be an acquiring company that contributes something, rather than takes something away. And then you have to make sure that the staff and other stakeholders really see the added value.

Mikael Jacobsson, Nexus

With regard to customers, Nexus’ main focus is on its current customers, and on increasing sales per customer rather than the number of customers. Customers could be a variable in an acquisition as it is considered easier to acquire a company with a strong customer base than to try to break into that customer base.

I think it is easier to acquire a company with a strong position in its customer base, than to try to break into a customer base on one’s own.

Mikael Jacobsson, Nexus

Furthermore, acquisitions may be a means to meet current customer changes; acquisitions have been a way to meet centralised purchasing and increases in size of IT-projects.
This is based on projects growing larger. It is no longer an IT-manager heading a major project, it is headed from the entire management. Information technology and technique have become part of management, and so on. And with this, the projects increase in size. And the customers consolidate as well, and grow larger and larger. … Customers want to buy more from fewer and larger suppliers.

Mikael Jacobsson, Nexus

From the customer perspective, there have been both positive and negative experiences with Nexus’ acquisitions; in some cases an acquisition has added sales; in others, the company experienced customer losses, partly as a result of changes in the balance of power between the company and its customers. In yet other cases, the customers have bided their time following an acquisition.

**Acquisition motives**

In the case of Nexus’ acquisition of the assets of NetSys, the customers were important as motive. From Nexus’ point of view:

> The customer base for the Memo system is worth a lot to us. And this is a good way to expand the business in Gothenburg with competent employees.

Mikael Jacobsson, CEO, Technology Nexus AB, in Genborg (2000c)

As was the case with NetSys’ acquisition of Verimation, the international network of subsidiaries was important for the acquisition;

> In October, the assets of NetSys AB with business in several European countries were acquired. In addition to the desired geographical expansion, NetSys AB also contributes with 300 large international customers and a profitable business.

Technology Nexus AB (2000b)

Through the acquisition, Nexus’ organisation expanded geographically to become an international organisation (Johansson, interview 2003). In terms of IT security, Nexus also saw the synergies between Memo and Nexus’ own products;

> They work with e-mail and message handling. One of the major areas where security needs to become better is the area of e-mail and e-mail handling, otherwise you will not dare to use e-mail. Above this, they work in an old-technology environment. The case is, that if we can combine our product offerings into one product and add security, then we can attain a new, somewhat unique position in the European market.

Mikael Jacobsson, Nexus

In terms of intentions, Nexus’ acquisition did not diverge much from NetSys’ motives; the customer base, international distribution network and
the possibility to upgrade the product were seen as opportunities. What actually happened was very different.

**Initial customer reactions**

With the recent background of NetSys and the bankruptcy, customers remained somewhat hesitant following Nexus’ acquisition. Questions concerned what would happen while at the same time customers expected Nexus to see the value of Verimation.

> My first thought was that I hope they let Verimation continue to develop. But I also thought there was a value for Nexus with its products to in time do something together as they are good at security. … There ought to be synergies.

Tord Åkesson, IKEA

**Integration**

At the administrative level, the changeover to becoming part of Nexus was quick for former Verimation/NetSys employees. From a group perspective, however, and in terms of integrating operations with Nexus’ other businesses, integration was not as rapid. Whereas Verimation was no longer a company in a strict sense, it remained an autonomous unit of Nexus;

> Coming into the company in other ways [than via administrative routines] has gone very, very slowly, very, very slowly. … In some respects I don’t think we are in yet.

Peter Johansson, Verimation/Nexus

The synergies on the cost side have not been evident (Johansson, interview 2003), and few customers overlap. Previously Verimation had mainly attracted large organisations, whereas Nexus’ customer base was more heterogeneous.

Nexus has a much wider customer base running from some large companies to several middle-sized and small companies. There was a discrepancy between the two businesses.

Peter Johansson, Verimation/Nexus

Through another acquisition performed by Nexus, that of SmartTrust,\(^8\) which dealt with digital signatures, a mutual business area could be created, and synergies were expected as the products complemented each other (Johansson, interview 2003).

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\(^8\) Assets of the Digital ID division of Sonera SmartTrust were acquired in 2002 (Technology Nexus AB 2002a; Technology Nexus AB 2002b).
Customer reactions

Customers also thought there would be synergies between Nexus and Verimation. These synergies did not however materialise, meaning that customers expected more than what was achieved. The cross-selling of products largely failed.

Much of the staff remained. With Nexus security products were introduced, but we have not bought their products.

Ethel Milberg, InfoData

Nexus during the acquisition of Verimation

Since the acquisition, Nexus has had a somewhat troublesome journey. The company has been showing losses and the press has observed this. Part of Nexus’ business was divested.

At the time, the IT-sector relived one of its major crises; the so-called dot.com death; during 2000, the way of talking about the IT-sector changed dramatically; from the autumn 2000 media began reporting a collapse, the dot.com death and an IT-fiasco. The number of bankruptcies in the sector rose (Olsson 2000; Ohman 2001; Dahlin 2005). With the dot.com death, customer relationships to IT providers also changed.

There is a larger amount of suspicion from the customer side listening to an offer. More questioning. More discussion about where the company is heading, who is on the board, when is the next interim report. So there is much more attention to these things, and less attention on the company offering. The company’s status is focused on will you be around tomorrow?

Peter Johansson, Verimation/Nexus

Acquisitions, that previously had been seen as a sign of a healthy organisation with ambitions, were suddenly met with scepticism;

The term ‘mergers’ sounds bad, especially in our niche. It is most certainly the case. Our customers do not think that we should make large acquisitions and the such, but instead maintain our customer relationship with that customer.

Mikael Jacobsson, Nexus

‘Verimation’ as part of Nexus

In contrast to NetSys, Verimation clearly considers itself to be part of Nexus (Johansson, interview 2003). Customers predominately see this through the way the staff of Verimation acts; they seem to have more freedom of action.

I think that they feel more themselves now, than they did back then. I recognise them better now. As I remember it, Verimation was not as visible, what you saw was NetSys. ... Now they have returned to Verimation’s tracks again.

Tord Åkesson, IKEA
Some stability has also been regained meaning that focus has been taken from whether Memo will go on to how it can develop.

One effect is that the uncertainty has disappeared, and focus can be placed on developing the mail product. We can focus on other things instead of looking for alternatives. This has not resulted in any direct product effects. Of course we follow the development of Nexus. We note it goes up and down. But, there seem to be a development of the company. … The one thing you think about is whether the business becomes too diverse with lots of different variants, which may jeopardise it. The only thing we can see is that the Verimation business is profitable. The rest of the company does not seem as successful.

Tord Åkesson, IKEA

However, as Nexus ran into profitability problems, history in terms of customer uncertainty repeated itself. Customers once again became doubtful about the company. Questions about the company’s long-term survival were raised again and solutions similar to those discussed during the bankruptcy were developed.

I have not had any direct concern. If Nexus did not want to keep the Verimation team – they are quite a small team, Peter and his lads – then we would sit down and think about how we could buy time necessary to exchange the product.

Tord Åkesson, IKEA

Verimation also continued to lose customers. Several of these had decided to leave Memo already prior to Nexus’ acquisition.

There are two groups; some that unfortunately completed their decision to leave Memo, not because of Nexus, but it happened during this time as an aftermath. Secondly, there are those that gave us the opportunity to recreate trust, which went very well until the turn of last year as the trade outlook worsened. This affected the entire IT-sector and Nexus as well. And what happened was that Nexus appeared in negative newspaper articles, something that was new to them. So we had a debate with a number of customers questioning the backbone, strength and solvency of Nexus for different reasons.

Peter Johansson, Verimation/Nexus

Furthermore, developments such as common e-mail systems, centralisation of IT-solutions, and also acquisitions among customers drove these customer losses. To exemplify, InfoData planned to leave Memo as the company was acquired by Schlumberger Group.
‘Verimation’ – Epilogue 2004

As of November 2004, the main focus of ‘Verimation’ as part of Nexus is on existing customers (Johansson, letter 2004). Efforts are made to inform and adapt to customers, and to improve quality control, but the focus is still on keeping rather than increasing the number of customers.

To exemplify the customer side, IKEA remains a customer. The price, simplicity of the product and long-term relationships with the staff are the reasons for IKEA continuing with Memo. Furthermore, since the company is small, IKEA can influence development of the product more than it could if its IT supplier was a large company.

Verimation, which I still call them has not been in the frontline, but has developed the product slowly. It has turned out that there is an advantage with this kind of product when you are attacked by viruses; the mail box is placed at one site, a data base in a mainframe computer where all mails are placed. … If we are attacked by a virus, we can simply turn it off and scan it very easily for viruses. This is a great advantage for us. And then there is the most important reason for staying with Memo; our users find it simple.

Tord Åkesson, IKEA
The long term relationships with individuals from Verimation have meant stability for IKEA. With much of the business relationships relying on these personal ties, there is the risk that the use of Memo will be challenged as new people enter IKEA and ‘Verimation’.

As new people enter with different values – with us and with Nexus, but especially with us, that do not have the history; I think history have been of a great importance to keep a cool head and trust the company. We have a number of times thought about replacing and there have been engineers wanting to replace Memo with other products.

Tord Åkesson, IKEA
Verimation customers

Verimation largely attracted large companies and at one time, the company had eighty of the hundred largest Nordic companies as customers. Normally customer relationships were long-term, but over the years the company lost many of its customers. Personal relationships between representatives of the original Verimation and customers were important. The customers interviewed represent both current and previous customers; the previous owner and customer Ericsson, the current customer IKEA, and InfoData which had decided to leave Verimation at the time of the data collection.

Ericsson

Ericsson is a supplier of “communication networks, related services and handset technology platforms” (Ericsson 2006, p.1). Over the years, the company has grown through acquisitions, but has also divested businesses.

As Björn Boldt-Christmas was appointed CEO of Ericsson Data Services in 1985, Ericsson’s relationship with what was to be Verimation began. In the beginning, Ericsson owned half of Verimation and the relationship with Verimation was thus both as customer and owner. From the beginning, Ericsson was a reference customer to Verimation, and as such, also affected the development of Memo from a customer perspective. Most of the product development however was placed at Volvo Data, although parts of the development were performed by Ericsson. When Memo was first installed at Ericsson, it was used purely for intra-company communication, but the company took an active part in making Memo an inter-company system; as one of the owners of Scandinavian Information Link (SIL), Ericsson contributed to enabling communication between different Memo systems.
Memo set the standard for e-mail communication within Ericsson early. At most, Ericsson had 120,000 Memo post boxes around the world. Subsequently other systems came to be used. This development was a result of a decentralised organisation within Ericsson, where various Ericsson companies had their own IT-departments. Parallel to this diversification into using several e-mail systems, Memo started to lag behind technically. Although Ericsson took an active part in developing a Memo solution for Internet, the general development of e-mail communication indicated that the product was dated. In the middle 1990s, which was about the time of Verimation’s introduction on the stock exchange, Ericsson was sure that Memo would not remain the main e-mail solution. Ericsson continued to work with several parallel e-mail solutions until the latter part of the 1990s. Through linking various systems together, full functionality was not reached, and as Verimation was questioned as company and as Ericsson aimed at centralising its IT-departments, the decision was taken not to continue with Memo. Ericsson decided to use Microsoft Exchange. A number of reasons contributed to this decision; firstly, Ericsson’s chief information officer had his background from Microsoft; secondly, Microsoft and Ericsson were cooperating through a joint venture at the time the decision was taken, and thirdly, when comparing Verimation and Microsoft, Microsoft seemed to have many advantages. This was based on the assumed long-term survival of products and companies. Ericsson’s centralisation of IT- and IS-departments has continued since. This had led to more global solutions for financial systems, for instance. An outsourcing trend has swept the company during the past five years, including the divesture of Ericsson Information Technology to Hewlett Packard.

Ericsson had thus already decided not to continue with Memo when NetSys acquired Verimation, but the system was not completely shut down until 2000/2001. When NetSys acquired Verimation, the reduced focus on development was evident and the new owner was questioned. Contacts mainly remained with the old staff of Verimation, where personal connections between the companies had grown strong over the years; whereas the situation was referred to as shaky, stability was found through personal relationships.

IKEA
IKEA is a world-wide provider of furniture and interior decoration. The company is organisationally part of the INGKA Holding Group (IKEA AB 2006). The group has more than two-hundred and thirty stores spread over the world. Although it mainly grows organically, IKEA has also acquired companies, among these Habitat (see, Warnaby 1999).

IKEA was introduced to Memo before the foundation of Verimation, and from the very beginning, IKEA, was an important customer that could influence the development of Memo.
Although the turbulence with Verimation during the NetSys period came to IKEA’s awareness, the fundamentals that kept stability were the person-to-person relationships which developed over the years, along with the safeguard of Verimation’s strong customer base. As with other customers, IKEA experienced a low focus on development, but reasoned that the development of Memo that was taking place was enough to fulfil IKEA’s requirements.

As in the case of Ericsson, IKEA has centralised its procurement with the aim to reduce the number of suppliers and with an increased focus on global suppliers. The evaluation of suppliers focuses on their financial status, issues concerning company culture and research and development. The long-term orientation is important.

**InfoData/SemaGroup**

InfoData was originally founded as DAFA (Datamaskincentralen för administrativ databehandling). The company dealt with information and communication services and traditionally had a strong orientation to public companies such as Rikspolisstyrelsen, Riksrevisionsverket, CSN and Svenska Kyrkan (Milberg, interview 2003).

InfoData was one of Verimation’s early external customers. Over the years, InfoData was acquired several times. In 1993, SemaGroup acquired the company and in 2001 Schlumberger acquired SemaGroup. Within these companies, InfoData has remained a separate business unit. In 2005, Bisnode (owned by Ratos and Bonniers) acquired the InfoData group (Bisnode 2006).

InfoData used Memo internally, but as the product was developed, Memo was also used by customers to InfoData; InfoData became a warehouse for e-mail solutions provided to other companies. The warehouse idea is no longer practiced, and Memo is not used by many customers.

As InfoData started to use Memo at an early stage, the business relationship with Verimation encompasses almost twenty-five years, and as such, InfoData has seen both successes and crises for Verimation (Milberg, letter 2007). For InfoData, the decision to continue to use Memo was based on the fact that the product suited the company’s needs. With a product that was considered out of fashion, the reactions from customers however became evident; they considered the product outdated. The personal contacts with Verimation provided stability in times of change.

Following Schlumberger’s acquisition of SemaGroup, it was decided to replace Memo with another e-mail system. Schlumberger planned to replace Memo with Lotus Notes. Whereas the new owner promoted this, former InfoData staff objected it, as the replacement product did not meet the same accessibility standards as the staff was used to.
In 2007, Exchange and Outlook are being used by the staff of InfoData Applicate AB, but Memo also still runs (Milberg, letter 2007).

**Table F:1 – Customer companies, Verimation**

<table>
<thead>
<tr>
<th>Company</th>
<th>Type of company</th>
<th>Relationship specificity</th>
<th>Present status of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ericsson</td>
<td>Manufacturer communication solutions.</td>
<td>Co-founder of Verimation.</td>
<td>Dissolved prior to NetSys’ acquisition, personal relationships remain. No relationships with acquirers of Verimation.</td>
</tr>
<tr>
<td>IKEA</td>
<td>Provider of furniture and interior decoration.</td>
<td>One of the early user companies.</td>
<td>Customer to Verimation (as part of Nexus). No relationships with acquirers of Verimation.</td>
</tr>
<tr>
<td>InfoData</td>
<td>IT intermediary.</td>
<td>User and intermediary for Verimation’s product.</td>
<td>As Schlumberger acquired SemaGroup, the plan was to stop using Memo. Memo is however still used as e-mail solution, etc. No relationships with acquirers of Verimation.</td>
</tr>
</tbody>
</table>
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Interviews
The interviews of this thesis are presented per case and in chronological order below. Along with the name of the interviewee, his or her title at the time of the interview, company (and if considered relevant, previous companies) place and date of interview are given. Unless otherwise stated, all interviews were personal.

BT Industries
Carl-Erik Ridderstråle, former President and CEO of BT Industries AB, presently adviser in global affairs, Toyota Industries Corporation, Linköping, March 19, 2003

Per Zaunders, President and CEO, BT Industries AB, Mjölby, June 19, 2003

Johan Malmgren, Vice President, BT Europe AB, Mjölby, June 19, 2003

Ditlef Fürst, former President, BT International AB, Linköping, August 5, 2003

Thomas Persson, Division Manager Powered Trucks, BT Products AB, Mjölby, August 12, 2003

Göran Nilsson, Vice President, BT Products AB, Mjölby, August 22, 2003

Håkan Dahllöf, Chief Financial Officer, BT Industries AB, Linköping, September 15, 2003

Christer Högberg, President, BT Europe AB, Mjölby, September 17, 2003

Sven-Thore Onneryd, Manager International Accounts, BT Europe AB, Mjölby, February 4, 2004

Stefan Orrgren, District seller, BT Svenska AB, Mjölby, February 6, 2004

Kenneth Jarnehag, District seller, BT Svenska AB, Mjölby, February 17, 2004

Malin Wallin, Senior Buyer Development Projects, BT Products AB, Linköping, February 18, 2004

Gunnar Nilsson, Purchasing Manager, BT Products AB, Division Handtrucks, Mjölby, February 20, 2004

Rolf Tim, Key Account Manager, BT Svenska AB, Göteborg, February 27, 2004

Jan Munde, Vice President, BT Europe AB, Mjölby, March 11, 2004
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Ulf Iversen, Purchasing Manager, BT Products AB, Mjölby, April 14, 2004

Inger Fahlgren, Purchasing Assistant, BT Products AB, Mjölby, April 14, 2004

Håkan Dahllöf, Chief Financial Officer, BT Industries AB, Mjölby, April 14, 2004

Sven Wirenhammar, Vice President, BT Products AB, Head of Division Handtrucks, Mjölby, April 14, 2004

Jimmy Svensson, Sales Manager, BT Svenska AB, Växjö, April 16, 2004

Daniel Ellison, Trainee in Business Planning and Administration, and Håkan Dahllöf, Chief Financial Officer, both BT Industries AB, Mjölby, April 21, 2004

Magnus Sandman, Marketing Manager, BT Svenska AB, Bromma, August 9, 2005

BT Industries customers

Egon Thoresson, Responsible for maintenance, Beslag & Metall, Ekenäs, February 23, 2004

Allan Jonsson, Responsible for machinery purchasing, FläktWoods, Jönköping, March 2, 2004

Mats Fredriksson, Responsible for trucks, DFDS Transport, Jönköping, March 2, 2004

Jan Nilsson, Branch Manager, DHL Solutions, Jönköping, March 9, 2004

Anders Westerling, Director Logistics, Saab AB, Linköping, March 29, 2004

Lars Svedlund, Responsible for purchasing and real estate, DHL Express Sweden AB, Norrköping, March 30, 2004

Esbjörn Haraldsson, Salesman, Servera, Norrköping, March 31, 2004

Bo Sköldlebring, Purchase, Volvo Bussar, Borås, April 2, 2004

Hans Olsson, Responsible for logistics, Comau, Trollhättan, April 2, 2004

Jan Söderlund, Purchase Manager/World wide Project Manager Procurement project, Volvo NAP, Gothenburg, April 6, 2004

Jan Nilsson, Business Director, DHL Exel Supply Chain Sweden AB, telephone contact, December 4, 2007

Lars Svedlund, Senior Security Supervisor, DHL Express (Sweden) AB, telephone contact, December 5, 2007
Allan Jonsson, Responsible for machinery purchasing, FläktWoods, letter, December 13, 2007

Kristina Elingstam, Information manager, Combitech/Saab Shared Services, telephone contact, December 21, 2007

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Benny Forsman, Sales Manager Europe, Danaher Motions Stockholm AB, Linköping, February 16, 2004

**Momentum Doc**
Anders Sahlgren, CEO/Sales Manager, BasWare AB (previously employed at ReadSoft), Bromma, August 3, 2005
Mats Norbäck, Vice President Global Accounts, BasWare AB (previously Structurit and Momentum Doc), Falun, September 19, 2005
Peter Sjöberg, Product Manager, BasWare AB (previously Structurit and Momentum Doc), Falun, September 19, 2005

**Momentum Doc customers**
Lars Gullqvist, Manager Accounting Systems, Saab AB, Linköping, August 4, 2005
Eva Brask, CEO, Fakturatjänst AB, Falun, September 19, 2005
Pär Nyberg, CEO, Kopparstaden AB, Falun, September 20, 2005
Johan Arvidsson, Ernst & Young, telephone contact, April 7, 2006
Vivan Storelv, Accountant, HSB Norr, telephone interview, April 7, 2006
Frank Norling, Project Manager, Scania, Södertälje, April 11, 2006
Lars Aktedius, Financial manager, HSB Dalarna, telephone interview, April 24, 2006
Anders Johansson, Sabo, Stockholm, April 26, 2006
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Kenneth Haglert, Örebrobostäder, Örebro, May 29, 2006

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Lars Frick, CEO and owner, Inspectum (previously employed at BasWare),
telephone interview, April 7, 2006

Lars Frick, CEO and owner, Inspectum (previously employed at BasWare),
Stockholm, interview, April 26, 2006

Patrik Fältman, Swedish Sales Manager, ReadSoft (previously employed at
Structurit and Momentum Doc), Sollentuna, interview, June 1, 2006

**Verimation**

Mikael Jacobsson, CEO, Technology Nexus AB, Linköping, March 24, 2003

Peter Johansson, Support Manager, Technology Nexus AB (previously
Verimation, Mölndal, May 20, 2003

Peter Johansson, Support Manager, Technology Nexus AB (previously
Verimation), letter contact November 2004

**Verimation customers**

Tord Akesson, IT Manager, IKEA, Älmhult, June 11, 2003

Jan Fagerström, Manager, Hewlett Packard Sverige (previously Ericsson
Information Technology), Stockholm, June 12, 2003

Ethel Milberg, Responsible mail solutions, InfoData, telephone interview,
June 17, 2003

Ethel Milberg, Responsible mail solutions, InfoData Applicate AB, letter,
December 4, 2007

**Other interviews**

Jan Eliasson, Counsellor, Konkurrensverket, Stockholm, May 6, 2002

Bengt Sandlund, CEO, IdaInfront, Linköping, March 21, 2003
THE IMPORTANCE OF CUSTOMERS IN MERGERS AND ACQUISITIONS

Appendixes
Example interview guide\(^1\) – M&A parties

**The interviewee**

Interviewee: Position in company; Worked there since; Changes in position; Role in the acquisition(s).

**The acquisition\(^2\)**

Description of acquired company: When founded; Number of employees; Business areas; Geographical presence.

Describe the acquisition of Company A: Ideas behind the acquisition; The process; Integration phase; Length of integration phase; Your thoughts about the acquisition.

Learning from the acquisition: Effects; Result compared with prior to the acquisition; Compared with expectations.

The degree of integration between acquirer and target today: Degree of integration; In what business areas.

Alternatives: What would have happened if the acquisition had not taken place?

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\(^1\) Highlighted areas have been covered; the rest of the text was used as a reminder, and when the interviewee has not spoken freely.

\(^2\) The “Acquisition” section, as well as the following “Customers” section was repeated for each acquisition touched upon.
Customers

Customers of the acquired company prior to the acquisition: Type; Number; Long- or short-term/Easily exchanged.

Customer strategy in the acquisition: Information; Certain customer groups targeted; Variable when planning the acquisition.

Customers today: Type; Number; Long- or short-term/Easily exchanged.

Changes: To what extent; Numbers; Certain customer groups lost/won; Effects of changed size of the company; Expected changes.

Customer reactions to the acquisition: Reactions; Changes in the customers’ business.

The industry

The development in the industry in terms of mergers and acquisitions: Thoughts about these changes.

Competition: Type of companies; M&A activities among these, etc.

Mergers and acquisitions among suppliers to the own company: (i.e., where the company of the interviewee is a customer): Reactions; Effects.
Example interview guide\(^1\) – Customer

**The customer company**

*The company:* Business areas; Number of employees; Turnover.

*Interviewee:* Position in company; Worked there since; Changes in position; Role in the acquisition(s).

**Relationship to the acquiring/acquired party**

*Customer role:* Customer since? How are the supplier’s products used? Are other competing suppliers’ products used as well? In what capacity? What decides which product to buy?

*Relationship:* What does the relationship look like? How often do you meet? What interfaces are there? Individuals important for the relationship? Changes in interfaces? (Global) deals, etc.?

**Acquisition\(^2\)**

*Initial information:* How and when were you informed? What initial reactions did you have?

*Relationship:* Did the relationship change following the acquisition? How and why? Was there any relationship with the other party before?

*Purchasing:* Has the acquisition changed what is purchased? How?

*Changes:* Perceived changes following the acquisition? Effects for the customer company?

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\(^1\) Highlighted areas have been covered; the rest of the text was used as a reminder, and when the interviewee has not spoken freely.

\(^2\) This section is repeated for each acquisition.
Procurement

Changes in procurement strategies: Changes in procurement management? Related to the acquisition(s)? How? Changes in volumes, etc.?

The industry

The development in the industry in terms of mergers and acquisitions: Thoughts about these changes.

Competition: Type of companies; M&A activities among these, etc.


BT Industries and Toyota – Brands, manufacturing sites & markets

Manufacturing sites
Globally TMHG manufactures counterbalanced (CB) trucks in Japan (Toyota brand), North America (Toyota brand) and Europe (Cesab brand), warehouse (WH) trucks in Japan (Toyota), Europe (BT brand) and North America (Raymond brand) and last but not least hand pallet trucks (HPT) in Europe (BT, Toyota and Raymond brand). The manufacturing sites today ship products within the group in the following way;

- CB from TMHJ (Toyota brand) are shipped to TMHE, TMHI and TMHNA as well as being used in TMHJ.
- CB from TMHNA (Toyota brand) are shipped to TMHI as well as being used in TMHNA.
- Toyota CB from TMHE (Toyota brand) is for TMHE market only.
- CB from TMHE are shipped to TMHI (BT Cargo brand) and TMHNA (Raymond brand) as well as being used in TMHE (BT Cargo brand and Cesab brand).
- WH from TMHJ for TMHJ market only.
- WH from TMHE are shipped to TMHJ (Toyota brand), TMHI (BT brand) as well as being used in TMHE (Toyota brand and BT brand).

1 Source: Daniel Ellison, BT Industries, E-mail, November 17th, 2006.
APPENDICES

- WH from TMHNA are shipped to TMHI (Raymond brand) as well as being used in TMHNA (Raymond brand).
- HPT from TMHE are shipped to all regions (Toyota, BT and Raymond brand) and are considered a global product.

Brands
Globally TMHG works with the following brands

- Toyota for counterbalanced, warehouse and hand pallet trucks in TMHJ.
- Toyota for counterbalanced, warehouse and hand pallet trucks, BT for warehouse and hand pallet trucks, BT Cargo for counterbalanced trucks, Cesab for counterbalanced trucks in TMHE.
- Toyota for counterbalanced, warehouse and hand pallet trucks, BT for warehouse and hand pallet trucks and BT Cargo for counterbalanced trucks, Raymond for warehouse and hand pallet trucks in TMHI.
- Toyota for counterbalanced and warehouse trucks, Raymond for warehouse trucks and for counterbalanced trucks in TMHNA.

Sales organisation
Globally TMHG has a sales coverage of the market as follows:

- Independent distribution and retail sales network for Toyota brand in TMHJ.
- Independent distribution and retail sales network for Toyota brand in TMHNA.
- Independent distribution and retail sales network for Raymond brand in TMHNA.
- Mainly independent distribution and retail sales network for Toyota brand in TMHE, some captive sales companies exist.
- Largely captive (fully owned sales companies) for distribution and retail sales for BT brand in TMHE.
- Independent distribution and retail sales network for Cesab brand in TMHE.
- Independent distribution and retail sales network for Toyota brand in TMHI.
- Independent distribution and retail sales network for Raymond brand in TMHI.
Independent distribution and retail sales network for BT brand in TMHI.

**Abbreviations:**
- CB – Counterbalanced truck
- HPT – Hand pallet truck
- TMHE – Toyota Material Handling Europe
- TMHG – Toyota Material Handling Group
- TMHI – Toyota Material Handling International
- TMHJ – Toyota Material Handling Japan
- TMHNA – Toyota Material Handling North America
- WH – Warehouse truck