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Cross-border acquisitions
- Effects on the acquired companies' customers and suppliers

Johan Holtström and Christina Öberg[1]

Linköping University

Department of Management and Economics

SE-581 83 Linköping, Sweden

In 2001, 222 Swedish owned companies were sold to foreign acquirers. For the period January 2002 till February 2003, the corresponding figure was 139 companies (Tillberg, 2003). During the past years the total number of acquisitions has declined, yet the cross-border acquisitions' relative share has continued to be at a high level (TT, 2001; Ahnland, 2002) and accounts for a considerable share of foreign direct investments (FDI) (Svenskt Näringsliv, 2002; Sveriges Riksbank, 2002).

Per definition a cross-border acquisition could be described as when "the control of assets and operations is transferred from a local to a foreign company, the former becoming an affiliate of the latter" (World Investment Report, 2000, p.99).

Cross-border acquisitions are however not a one-way-street in the sense that acquisitions in other countries are unilateral. As for the case of Sweden, Swedish companies have also acquired numerous companies abroad. Accounted for in numbers of acquisitions, up to 2002 the amount of foreign acquisitions of Swedish companies was less than its reverse, i.e. Swedish companies buying foreign firms (Ahnland, 2002), whereas accounted for in value, the foreign takeovers of Swedish companies have in the past few years been significantly larger (World Investment Report, 2000). In this paper we will introduce the case of a previously Swedish owned company, which in the late 1990s acquired companies abroad, to shortly thereafter find itself being acquired

[1] Corresponding author: Christina Öberg, Industrial Marketing, Department of Management and Economics, Linköping University, SE-581 83 Linköping. Phone: +46 13 28 25 06. Fax: +46 13 28 18 73, E-mail: chrob@eki.liu.se

by a foreign company[2]. The dimension of both acquiring and being acquired in the light of cross-border acquisitions is thus highlighted, where we aim at focusing on how these changes in ownership affect the business partners – customers and suppliers – of the originally Swedish company.

Acquisitions and relationships in business networks

> "A company has relationships mainly with two types of units: actors that act as resource providers (suppliers of different kinds) and actors using a resource (customers of products or services) provided by the company."
>
> Håkansson, 1994, p. 343

A company is not an isolated unit existing for its own purpose (Håkansson & Snehota, 1989). In a wider perspective, this also means that surrounding companies influence and are influenced by a company and its relationships. To describe this, the concept of business networks refers to how the context affects a company and its relationships to other companies. Business networks are per definition "a set of two or more connected business relationships" (Anderson, Håkansson & Johanson, 1994, p.2). A business network can be described as in Figure 1.

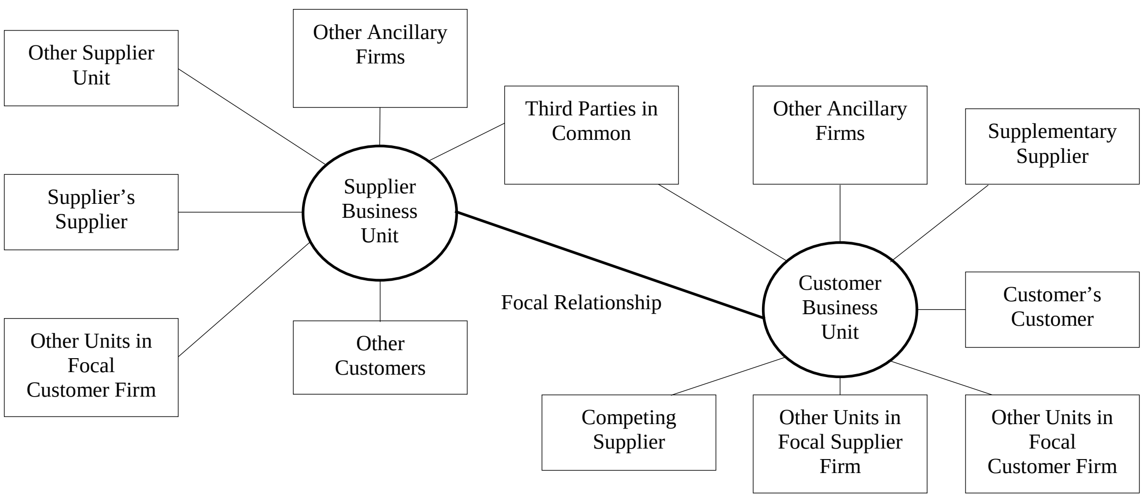

Figure 1: Connected Relations for Firms in a Dyadic Relationship (Anderson, Håkansson & Johanson, 1994)

[2] In this version the case has been anonymized. The names of the companies involved, and some dates and facts have been changed, but the nature of the case remains the same.

A business network thus consists of dyadic relationships between different companies, which through connectedness to yet other companies create a web of firms related directly or indirectly to each other. Two different dimensions could thus be revealed – the dyad of two companies on the one hand, and the network of connected relationships on the other. The relationship dimensions are twofold in the sense that there is some kind of bond between the two companies in a dyadic relationship, and that there are relationships to third parties to consider – influencing and being influenced by the companies in focus.

Transferring this reasoning to an acquisition, the two companies in focus could be replaced by the acquirer and the acquired company. The model in Figure 1 would then describe the two merging companies as a focal dyad, and how these companies have mutual as well as exclusive relationships with other companies e.g. customers and suppliers. Following that the focal relationship affects connected companies and reverse, the merged companies could not only be expected to affect their connected companies, but the connected companies may as well affect the two companies involved in the acquisition. This leads to a broader picture of the acquisition activities of a company than in traditional M&A literature, and also points at how these activities are influenced by and influence the surrounding business network.

Network change

According to Axelsson (1992) it is not only important for a company to have a strong position within the network in which it operates, but also to build relationships with other networks. Relationships cannot be seen as static, set once and for all (Axelsson, 1992). Companies react to changes in the network (Axelsson, 1992; Håkansson & Snehota 1989). The development of relationships involves individuals and is complex, which indicates that activities carried out in one organisation have an effect on activities carried out in another. Organisations must therefore apply some level of adaptation to effects from outside activities (Håkansson & Snehota, 1989). Not only have organisations in a focal relationship an effect on the other part but also third parties can cause ‘problems’ for the focal firms (Håkansson & Snehota, 1989).

> “A change in the focal business relationship therefore also may affect other, directly or indirectly, connected parties.”
>
> Anderson, Havila & Salmi, 2001, p. 579

In this view an acquisition could easily be interpreted as the trigger to a change in the business network not only through the changed structure in terms of ownership (and other coordination) between the merging companies, but moreover through the spread of change to the surrounding business network (cf. Anderson et al., 2001; Havila & Salmi, 2000). Through reactions and actions the connected companies could be expected to answer to the acquisition activities, which may influence not only the relationship to the merging companies, but also the outcome of the acquisition.

The purpose with this work in progress paper is to describe three related cross-border acquisition processes and following this, to formulate a number of hypotheses highlighting effects on the acquired companies' customers and suppliers.

Method

This paper is based on a case study of a cross-border acquisition where an American company acquires a Swedish firm, and the Swedish company's previous acquisitions of a British and an Asian firm, respectively. Our study aims to measure connected effects, i.e. effects on customers and suppliers, as a consequence of these acquisitions. The point of departure for the study is Alfa, which acts both as an acquirer and a target. There will therefore be a possibility to both consider effects on an acquirer and a target company's relationships and moreover to consider effects in different stages of the integration process. By this, the integration processes of the different acquisitions have reached different levels of maturity and this will contribute to an understanding of ongoing connected processes as a consequence of the acquisitions.

Data in the early phase of the case study have been collected through interviews with key staff members of Alfa. What has been done so far is interviews with the former C.E.O. of Alfa (Interviewee A), the present C.E.O. of Alfa and the Vice President of Marketing for one of Alfa's Divisions. These interviews are complemented with written material such as press releases, news and business paper articles as well as using the involved companies annual reports. The intended continuation of the data collection will be made through more interviews predominantly with managers of Alfa. It is also our intention to interview representatives of customers and suppliers to the companies in focus. We further aim at making the connected effects measurable. Data for such an analysis could consist of figures of changes in turnover per customer and supplier, the number of connected companies prior to the acquisition in comparison with the situation after different duration of time in the integrations. Other data to make the connected effects visible could be changes in market shares, volumes of sold machines, changes in customers' total purchase of machines. On the supplier side it is interesting to see e.g. purchased volumes, changes in the number of suppliers etc. The case will thus be built on both qualitative and quantitative data. If possible, our intention is to find quantitative data from not only the focal company but also its connected companies.

In this paper we will present the outline for the study: the industry in which the acquiring and acquired companies operate, the company in focus (Alfa) and its development through a number of acquisitions. In the latter part of this paper we will formulate some hypotheses for a quantitative analysis of the case.

The industry

The different companies in this case are actors manufacturing and marketing machine equipment used in different industries. There are between five to ten worldwide actors dominating the machine equipment industry, each of which holding a sustainable share of the world market. The market for machine equipment could be divided into two relevant product markets: ***heavy machine equipment*** and ***light machine equipment***. For heavy machine equipment the annual market growth is about 10 percent, whereas the growth potential for light machine equipment is significantly lower.

Some of the actors in the industry have specialized on either of these two product groups, while others cover both fields. The development in the industry points at a consolidation of companies, leading to each company expanding its geographical markets, but also diversifying to the other product segment. According to Interviewee A (2003) the reason for industrial restructuring is that in a competitive market, all actors must improve their performance continuously to not loose their market position. The cost for growth through a wider range of products and services is much higher than expansion within the business or niche where the company is mainly active (Interviewee A, 2003). With many of the customers though complementing their prime need for one of the group of machines with the other, the importance of offering a full range assortment consisting of both light and heavy machine equipment is stressed.

Alfa

Alfa was founded in 1930 as an importer of machine equipment for the construction industry. In the late 1930s, Alfa started production of its own. The company has since focused on production on heavy machine equipment. The internationalisation of Alfa have since the 1950s been made through organic as well as structural growth. During the 1950s Alfa formed a marketing organisation for Europe and soon started acquiring companies abroad.

An era of acquisitions

In the past ten years, Alfa has been involved in a number of acquisitions. In this case we focus on three of them: Alfa's acquisition of Delta in 1995, Alfa's acquisition of Gamma in 1998, and Beta's acquisition of Alfa in 1998 (see figure 2). Besides these, a few acquisitions of smaller companies were made during these years.

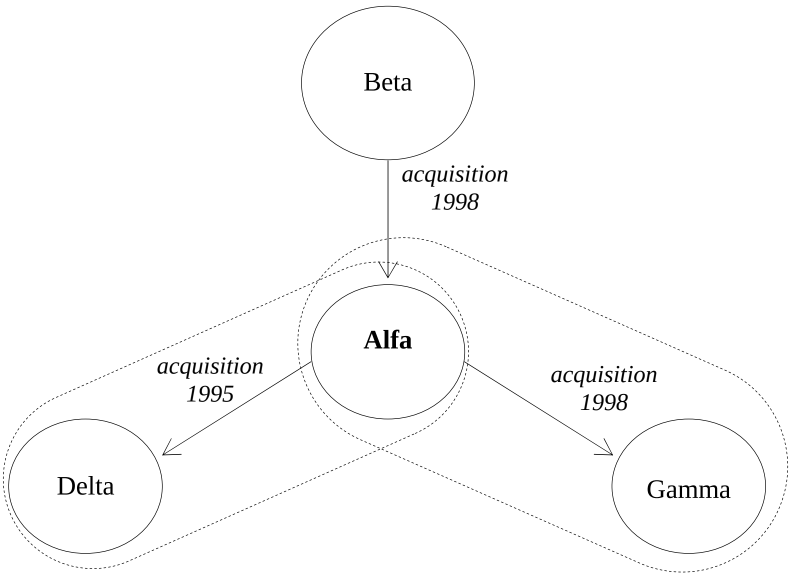

Figure 2: Beta's acquisition of Alfa and Alfa's acquisitions of Delta and Gamma.

The three acquisitions in focus are presented one at the time in a chronological order, but the different acquisitions did intervene with one another both timely and in aspects of co-operation, as in two of the cases the acquirer and the acquired co-operated prior to the acquisitions, and these co-operations ran parallel with acquisitions of others.

The acquisition of Delta

Alfa's strive for the Asian market could be traced back to the 1960s (Interviewee A, 2003), and the company had been presented in Asia since 1980, but had only held a limited part of the market. At the time for the acquisition, Alfa had a market share of about 5 percent on the Asian market (Interviewee A, 2003). The two companies Delta and Alfa could be regarded as competitors, having their main focus on heavy machine equipment. Internally though, as stated by Alfa, the two companies complemented each other through different geographical foci and machines not being easily transferable between the continents, as the systems for machine equipment differ between the two companies main markets, Europe and Asia.

Delta

Delta's history runs back to the 1920s, when the company first started production of small engine powered machines. At the time for the acquisition, Delta had developed to one of the leading actors on the Asian market for heavy machine equipment. The company's products were branded Delta and Epsilon.

Acquisition motives

Alfa's motive to acquire Delta was to expand geographically and through this to create a strong actor on the world market.

> "Alfa and Delta have complimentary products and channels of distribution. The combination of the two companies increases Alfa's position geographically."
>
> (Interviewee A, Press release 1995)

Economies of scale and the potential to expand into additional markets were stressed (Press release, 1995). Additional aspects of consideration were product development, common components but also a more flexible use of product capacity where Alfa's plants could be used for producing part of Delta's product lines. The idea was not to cross-market the different companies, but to continue to sell Delta machines on the Asian market and Alfa machines in Europe, and through a portfolio of both Asian and European machines reach for the American market (Interviewee A, 2003).

Acquisition process

Prior to Alfa's acquisition, Delta was noted on a stock exchange in Asia. At this time, Alfa faced a situation of having a very high equity/assets ratio, pointing at having no debts per 1995. As Alfa was a listed company, being entirely internal financed was not a desirable situation, and the company looked for handling alternatives to expand its business. Through a strategic analysis performed during 1992, Alfa had identified Delta as the top best acquisition object. The Delta share being traded at what was considered too low a value, made Alfa react quickly. At least five bidders where interested in buying Delta, one of which was Alfa, another being Beta.

The management of Alfa approached Delta in a smooth way. Delta earned more money than did Alfa, had a higher rate of growth, and under these conditions to try to take the charge over Delta seemed not to be a tactical move (Interviewee A, 2003). The management of Delta was thus free to act on its own to a high extent. Through buying a company at a similar size as the own company, this meant that Alfa had exposed itself financially and was criticized for taking too big a risk.

The acquisition of Gamma

Following the market development towards manufacturers offering their customers a full range product assortment, Alfa strived to stretch its organization into the field of light machine equipment. Alfa's prime move to reach this goal was to co-operate with Beta, to which we come back, but with the problems in this co-operation (read more beneath), Alfa turned to buy Gamma to secure its access to light machine equipment (Interviewee A, 2003).

Gamma

Gamma was founded in 1935 and was prior to Alfa's acquisition part of a family owned industrial group. The company was the second largest manufacturer of light machine equipment in the UK and acted mainly on the British market. With this, the company was considered to be too small for long-term survival in the industry.

Acquisition motives

The motives to acquire Gamma, was to complete Alfa's product range. The full product range solution was driven by the development in the machine equipment industry (Press release, 1997).

By offering the customers also light machine equipment, the risk for them turning to competitors for these products and by letting the customers into the competitors' order books also risking to loose them entirely, was diminished. The focus was the European market, and to introduce light machine equipment into Alfa's present distribution net. Gamma should thus produce light machine equipment under the trademark of Alfa, except for on the UK market.

Acquisition process

Gamma and Alfa started co-operating already in 1984, through a joint venture. With the joint venture, distribution of machines under their respective names (Alfa and Gamma) was conducted.

Gamma was acquired in 1998, and the acquisition process run smooth as the British management was easy to come to terms with (Interviewee A, 2003). Close after the acquisition, Alfa presented ten different models of light machine equipment to be launched in Western Europe (Press release, 1998).

In the UK the equipment were marketed Gamma, whereas in the rest of Europe it was sold as Alfa equipment. Following the acquisition, Alfa was considered a full assortment supplier in the eyes of the European customers (Interviewee A, 2003).

Beta's acquisition of Alfa

Several patterns from Alfa's acquisition of Delta and Gamma, respectively, could be found in Beta's acquisition of Alfa. As in the case of Delta, the acquisition meant a geographical expansion. As in the case of Gamma, the acquisition also meant an expansion into a new field of the machinery business, and the acquisition was preceded by some years of co-operation between the acquirer and the target company.

Beta

Beta was founded in 1885. In the early 1900s the company started producing trains, and the train division was already then put into a separate company, Beta Trains. The company continued to expand its business into new, yet related fields. The train sector is still the company's largest business area with more than 50 percent of the group's net sales also following the company's acquisition of Alfa. In the field of machine equipment Beta had its prime focus on light machine equipment and held a considerable share of the world market in this field. As for the preacquisition relationship with Alfa, the companies were not competitors, having their foci in different areas of the industry.

Acquisition motives

As was the motive for Alfa acquiring Gamma, the goal to be able to offer the customers a full range assortment was also one of the driving forces behind Beta's acquisition of Alfa. The acquisition was also a means for Beta to reach the European market, and diversify to heavy machine equipment. The latter was of special interest as Beta had difficulties in reaching profitability in its present situation, and field of business (Interviewee A, 2003).

> "Alfa is a competitive heavy machine equipment producer and has recently expanded into new markets. Today, Alfa has a strong base in predominantly Europe and Asia. Beta and Alfa complement each other in market and product line-up. With a view to become the world's leading manufacturer of machine equipment, this is a perfect match of strategic importance"
>
> (Beta Annual Report, 1998)

The prime driving force was thus to be found on the marketing side, with synergies primarily in marketing, distribution and services. Additional resources for R&D were also stressed, while synergies in purchasing were regarded as limited, following different components in light and heavy machine equipment.

Acquisition process

Some years prior to the acquisition, Alfa and Beta reached an agreement to co-operate on the Asian market. Through Alfa's Asian Division, machines labelled Beta were produced. These machines were marketed through Beta's sales distribution net (Press release, 1996). In December 1996, a co-operation agreement between Beta and Alfa about Alfa manufacturing machines for the European market under the name of Beta came to terms (Press release, 1997; Press release, 1996)

The idea behind these co-operation agreements was to be able to offer their respective customers a full range of machines. However, there was a risk involved in this agreement, the risk of the other company creating a position of its own on the market and thus becoming a competitor within the other company's own field of business. The negotiations between the two companies failed, a failure that at least partly could be explained by the double organization of Beta. While

Beta produced all machines, Beta Trains conducted the sales. The co-operation discussions where held between Alfa and Beta Trains, but as Beta Trains turned to Beta the co-operation ideas were turned down. Due to this, what later on happened was that Alfa started delivering a limited assortment to Beta, whereas Beta delivering to Alfa was not realized. (Interviewee A, 2003)

In 1998 Alfa was put on sales and the management of Alfa turned to Beta to have them understand that now was the time if they wanted to acquire Alfa (Interviewee A, 2003). Shortly thereafter Beta announced its acquisition of the shares in Alfa and Alfa was denoted from the Stockholm Stock Exchange, now being a wholly owned subsidiary of Beta. Although the companies now had common ownership, the problems in co-operation still remained. The reasons for the problems of selling Beta products under the trademark of Alfa are explained by the internal organization structure of Beta (Interviewee A, 2003).

Summing up

Through the acquisitions presented in this case, our company in focus, as well as its present owner, have stretched their organizations both geographically and into new, yet related fields of business. With Delta operating within the same business as Alfa, the character of this acquisition is horizontal, both companies produces heavy machine equipment. The other acquisitions, first Alfa-Gamma and second Beta-Alfa could be considered as complementary, as the products, heavy machine equipment and light machine equipment are different product markets.

Following the acquisitions, the Group (Beta-Alfa) produces heavy and light machine equipment. As for the products, the companies will continue with separate brand names (Press release, 2000).

Alfa following the acquisitions

Through the structural changes, Alfa markets a wide range of products, available in both European and Asian standards. Alfa's customers are mainly large international companies (Alfa's Annual Report, 2000). Alfa is divided in three business units: (i) The European division, (ii) the Asian division and (iii) the International division.

The European division is responsible for Alfa's operations in Western Europe. The business unit develops, produces and markets a wide range of both heavy and light machine equipment. The European division is the largest in terms of turn over. ***The Asian division*** is responsible for the operations in Asia. The business unit develops, produces and markets a wide range of heavy machine equipment and also some light machine equipment. ***The International division*** is responsible for Alfa's activities within countries outside Asia and Western Europe.

Measuring changes in relationships – Formulation of hypotheses

With the case description as a background, how could these acquisition activities be expected to influence the suppliers and customers of Alfa, the company in focus? Are any changes to be expected? Following that relationships are not static, but evolve over time (Axelsson, 1992), we take our point of departure in a hypothesis of acquisitions leading to changes:

> **HYPOTHESIS 1:** ACQUISITIONS LEAD TO CHANGES IN THE INVOLVED COMPANIES' RELATIONSHIPS TO THEIR SUPPLIERS AND CUSTOMERS.

With changes we then mean actors being replaced, relationships being terminated or started off, or being changed in frequency or volume of sales/purchase. The main hypothesis H_1 could be further broken down into hypotheses reflecting differences between the acquirer's and target's relationships, differences emanating from whether the acquisition involved an extension of the company's geographical presence or product portfolio, changes following the acquisition as a cross-border phenomenon, and changes particular for customer or supplier relationships. With the main focus on expected changes in supplier and customer relationships, where the cross-border dimension is stressed, hypothesis 1 could be divided into the following sub-hypotheses.

> **HYPOTHESIS 2A:** THROUGH INTEGRATION OF COMPANIES PRODUCING SUPPLEMENTARY PRODUCTS, THE TOTAL NUMBER OF SUPPLIERS WILL DECREASE.

> **HYPOTHESIS 2B:** THROUGH INTEGRATION OF COMPANIES PRODUCING SUPPLEMENTARY PRODUCTS, THE VOLUME PURCHASED FROM THE REMAINING SUPPLIERS TO THE INTEGRATED COMPANY WILL INCREASE.

Acquiring a company producing the same type of products would enable the integrated company to realise synergies in relation to its suppliers. What we mean by this is that the integrated company by the combined purchased volumes will be able to negotiate for more advantageous deals with their suppliers than possible as separate entities. According to Interviewee A (2003) this effect is not dramatic, however some synergies could be obtained. In addition to this, possibilities to rationalise among suppliers are realized in a later phase through the development and construction of new products (Holtström, 2003; Interviewee A, 2003). Reasons to rationalise among the combined companies' supplier relationship could among other things be that there is costs related to maintaining relationships. One factor that counteracts this rationalisation could be that the exchange of suppliers is costly due to differences in product specifications, which means that the exchanges can be done first when new products are developed (Holtström, 2003).

The number of suppliers could therefore be assumed to diminish in several steps. The first step is through negotiation for new supplier agreements with larger purchasing volumes. The second step involving new product development can also mean that the number of suppliers will diminish if new products are jointly developed. As a consequence of joint purchasing agreements and jointly developed products the purchased volumes from the remaining suppliers will be larger. The duration for these effects may be rather long-term, however, the first effect, with new supplier agreements may be realised rather quickly. The timing of the second step may depend on the products' life cycles. Following this reasoning there is an initial possible effect, which may be rather small. However, the higher potential for effects on suppliers will be long-term.

> **HYPOTHESIS 3A:** THROUGH THE INTEGRATION OF COMPANIES WITH COMPLEMENTARY PRODUCTS, IN THE LONG TERM PERSPECTIVE THE NUMBER OF SUPPLIERS WILL DECREASE.

> **HYPOTHESIS 3B:** THROUGH THE INTEGRATION OF COMPANIES WITH COMPLEMENTARY PRODUCTS, THE PURCHASED VOLUMES BY THE REMAINING SUPPLIERS WILL INCREASE THROUGH A STRATEGY OF SHARED PRODUCT DEVELOPMENT.

Integrating companies with different products may not necessarily have any effect on the supply side. The goods purchased for the products may be of such difference that it is difficult to find any purchasing synergies following the acquisition. The suppliers used for the types of purchased goods could also be of a kind that there is no overlap in the supply between the integrated companies products. However the long-term effect could be realized if a joint product development makes it possible to use the same kind of input supply even though there are differences in the products developed. In comparison with hypothesis 2 the general long-term effect is the same in terms of decreased number of total suppliers and increase volumes per remaining supplier, although likely to a lower extent. The potential effect will probably be possible to realise only after a longer duration of time, a natural consequence of the product life cycles of the integrated companies products.

> **HYPOTHESIS 4:** IN ACQUISITIONS WHEN SUPPLIERS WILL BE SUBSTITUTED THE SUPPLIER OFFERING THE BEST TERMS OF DELIVERY AND PRICE WILL BE FAVOURED RATHER THAN SUPPLIERS WITH A PREVIOUS RELATIONSHIP TO THE ACQUIRING COMPANY.

When an acquisition is made, it could be argued that when suppliers is exchanged it is likely that the acquirer will use suppliers with a previous relationship to the acquirer rather than suppliers to the acquired company. Such an assumption emanates from the acquirer being more powerful in comparison with the acquired company. Our assumption is however contrary to this, where we persist that the outcome of the acquisition process is more driven towards realising potential purchase synergies in the integration. Assuming this implies that the supplier of the best offer will be chosen for future deliveries and the previous relationship with the acquirer is secondary. One reason for not saying that the relationship is more important in a long-term view is that the management of the integrated company must show the market that the acquisition is advantageous to the owners. The economic motive for choosing suppliers is thus emphasized rather than a prior relationship.

Turning to the customers of the companies involved in an acquisition, what could be the expected consequences following the acquisitions? As discussed in Anderson, Havila & Salmi (2001) effects following an acquisition could be either intended or unexpected. This leads to the conclusion that though the acquirer may have planned for certain outcomes on the customer side, these are not automatically realized. With the underlying expectation being market growth either in terms of a geographic market expansion or adding on sales per customer the following hypotheses could be formulated:

> **HYPOTHESIS 5:** THROUGH AN ACQUISITION OF A PRODUCT COMPLEMENTARY COMPANY, THE TOTAL NUMBER OF CUSTOMERS REMAINS UNCHANGED.

The focus in all the acquisitions presented has been to keep the different companies autonomous to a high extent. Instead of integrating the different units, they have been able to operate rather independently of each other. This also means that each of the companies has kept its own distribution net. According to this, the customers could be expected to be less affected than would have been the case if the distribution nets had been integrated. Following this, the number of customers could be expected to remain more or less the same on an accumulated level.

> **HYPOTHESIS 6A:** THROUGH A PRODUCT COMPLEMENTARY ACQUISITION, THE NUMBER OF CUSTOMERS COULD BE EXPECTED TO DECREASE FOR EACH COMPANY.

> **HYPOTHESIS 6B:** THROUGH A PRODUCT COMPLEMENTARY ACQUISITION, SALES PER CUSTOMER COULD BE EXPECTED TO RISE FOR EACH COMPANY.

As stated in hypothesis 5, each of the companies continued to distribute its own products, but also to sell the other companies' products. Following this, a situation of internal competition between the different business units is created. Through the cross-selling yet another actor enters the market in the other companies' respective original field of business.

As many of the customers have previously complemented their prime need for heavy machine equipment with light machine equipment (or reverse), the case of loosing customers could be expected to be especially significant for sales to those customers complementing their needs. To exemplify: if a customer of Alfa also needed a light machine equipment, the customer had to turn to another actor in the industry for this. From the actors in the field of light machine equipment, some of these customers would then have chosen a Beta light machine equipment. Following the acquisition, this customer does not appear in the order books of Beta (or any other actor specialized in light machine equipment).

Through the cross-selling of complementary products, what though could be expected is that sales per customer will rise. In the case of Alfa acquiring Gamma, but also Beta's acquisition of Alfa, the customers of both companies faced a broader product pallet, lessening the need to turn to other companies for the complementary assortment.

> **HYPOTHESIS 7:** THE ACQUIRER AND THE TARGET IN A CROSS-BORDER ACQUISITION WILL CHANGE THEIR CUSTOMER BASE TO MORE GLOBALLY OPERATING CUSTOMERS, INCLUDING A LARGER PORTION OF LARGER CUSTOMERS.

When a company extends its organization geographically, regardless of whether its in terms of a simultaneous product expansion (as in the case of Beta, and Gamma) or a pure market expansion (as for Delta), the company's customer base could be expected to stretch geographically as well. It could seem as a common sense statement to argue that the acquisition of a company on a new geographical market leads to more geographically spread customers, but there is more to it than this. Through the geographical expansion and the company's presence on a more spread market, the company could be expected to match customers with a geographical spread as well. The issue is thus not that of a presence on the Asian market leading to more Asian customers, but that of a transnational organization leading to advantages in reaching for transnational customers. A customer acting both on the Asian and the European market could be expected to prefer to meet the same supplier on both markets.

This reasoning also leads to, through the enlargement of the company, the company becoming a preferred choice for large customers, each buying more. The hypothesis of “a larger portion of larger customers” could though also be interpreted in a less favourable way: The company focusing more on large and geographically spread customers, could lead to smaller customers choosing to turn elsewhere. The company could have grown past some of its prior customers, and the customers might consider the new company as being too big an actor to do business with, and turn to smaller and less geographically spread suppliers instead.

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