

STOCKHOLM SCHOOL OF ECONOMICS

Department of Management and Organization

# **Understanding Customer-related Issues in Mergers & Acquisitions**

*An exploratory case study*

Master's Thesis – 30 ECTS

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## Abbreviations & Definitions

<b>M&amp;A</b>	Mergers and Acquisitions
<b>PMI</b>	Post-merger integration
<b>US</b>	United States
<b>UK</b>	United Kingdom
<b>VP</b>	Vice President

### Customers

Since the acquired company Tentec prior to the acquisition was selling its products only through distributors and Atlas Copco announced, it will retain similar strategy, the distributors continue to be the direct purchasers of Atlas Copco products and hence can be considered as customers. Furthermore, neither Atlas Copco nor Tentec have direct access or direct relationship to the end customers – companies and employees who are actually using the products. Therefore the study of the end customers is not in the scope of the research question. **Consequently, the distributors analysed in the present master thesis are defined as customers and this definition will be used throughout the paper while the clients of the distributors will be denoted as the end customers.** Furthermore, the previous studies reviewed in theoretical part also use the broader term *customers*, referring to all direct purchasers of goods and services, making this assumption legitimate.

**Acquirer/ acquiring company /bidder** - the company which is purchasing a firm in an acquisition (Nasdaq, 2014).

**Target company /target firm/**– a firm which is the subject of a merger or acquisition attempt (Nasdaq, 2014).

**Acquiree/acquired company** – a firm that has been acquired by another company (Nasdaq, 2014).

## Abstract

Value creation for the entity is one of the main reasons for companies to engage in Mergers & Acquisitions (M&A). Although customers play a crucial role in creating value for a company by generating revenue, these stakeholders are rarely discussed in M&A research. Considering the high failure rate of M&A, this paper aims to contribute to the academic literature on M&A success factors by researching customer-related aspects. The purpose of this master thesis is to understand what issues the customers of the acquired company face after the acquisition deal, how they react and how the acquiring company addresses the customer dimension to reduce the negative customer-side effects and achieve a successful acquisition outcome, i.e. – value creation. The thesis applies an explorative case study approach to analyse the customer-related aspects and acquirer's response. The present study examines the acquisition of Tentec – a UK-based provider of hydraulic bolt tightening equipment by a Swedish industrial group Atlas Copco. This particular case was chosen as a superb real life case because it covers multiple previously largely neglected subjects on customer-issues in academic M&A research. The results suggest the main issue encountered by Tentec customers after the acquisition is a high degree of uncertainty towards the nature and the continuity of business relationship with Tentec. The findings indicate that the sense of uncertainty persists in the long-run even if reduced successfully by the acquirer immediately after the acquisition. The results show that other important aspects considered by customers are cultural and human issues such as acquirer's country of origin and personnel changes in the acquired company. Furthermore, the present study portrays multiple approaches applied by Atlas Copco to address customer dimension in a way that would reduce potentially negative customer-side effects. Firstly, Atlas Copco estimates potential customer loss already in due diligence phase and incorporates it in acquisition price. Secondly, being aware of high level of uncertainty faced by customers, the acquirer attempts to reduce it by delivering fast and consistent message about the business outlook immediately after the acquisition, followed by direct customer visits later in PMI stage. Finally, Atlas Copco seeks to create additional value from the acquisition by attempting to explore cross-selling to newly acquired customers.

**Keywords:** Mergers & Acquisitions, Successful M&A outcome, Customers in M&A, Post-merger integration

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## 1.0 Introduction

Value creation is one of the core motives for the majority of M&A deals (Hitt et al., 2012). M&A enables the company to access new markets, expand its product portfolio and increase its knowledge base which in turn is expected to result in a higher financial value for the entity (Savovic, 2012; Öberg, 2013). Consequently M&A has become a widely used tool for company growth strategies (Gupta, 2012). The total value of M&A deals in 2013 amounted to USD 2.3 tn and further growth is projected in 2014 (Forbes, 2014).

Despite the growing popularity of M&A as an instrument for rapid growth and value creation, Hitt et al. (2012,p.1) point out that many acquisitions "create little or no value." This is affirmed by Pope et al. (2008) who suggest that instead of contributing value, a large number of acquisitions turn out to be value destroying. Both scholars and consulting companies claim that only about 50% of M&A transactions meet their initial goals (Savovic, 2012; Kato & Schoenberg, 2013). The high failure rate combined with the increasing popularity of M&A has resulted in numerous studies that examine the determinants of successful M&A outcome.

In contrast to studies available on internal determinants of M&A outcome, the body of research addressing external determinants is very limited (Homburg & Bucerius, 2005). Therefore this paper focuses on the customers as the author of the present thesis strongly believes that the customers as the revenue generators are the most important under-investigated external determinants of M&A outcome.

A study by Öberg (2013) showed that out of 1822 M&A articles released between 2010 and 2012, only 35 addressed customer-related issues. The limited availability of customer related studies in M&A literature is surprising as a stable customer base and the ability to attract and retain new clientele is an essential pre-condition for any company to exist and grow (Spencer, 2004). A study by Kelly et al. (2003) confirms this statement arguing that market-related reasons drive most M&A transactions and customers are thus crucial for goal accomplishment.

### 1.1. Problem

The review of previous studies reveals an interesting gap in the academic M&A literature that the present master thesis aims to fill. M&A may result in value destruction not only because of the internal factors but also because of the customer-issues and subsequently missed value creation opportunities on the market side. Nevertheless, there is an obvious lack of discussion of customer-related obstacles that can hamper or even destroy the value creation intended by M&A partners.



## 1.2. Purpose and research question

The purpose of this master thesis is to increase understanding what issues face the customers of the acquired company after the acquisition deal, how they react and how the acquiring company can address the customer dimension to achieve a successful acquisition outcome, i.e. – value creation. Consequently this master thesis aims to answer following research questions:

*Q1. "What issues are encountering the customers of Tentec after its acquisition by Atlas Copco?"*

*Q2. "How does Atlas Copco address Tentec customers in order to reduce the potential negative customer-side effects on the acquisition outcome?"*

## 1.3. Atlas Copco - Tentec case study

Atlas Copco is entering a new industry – very high load bolting solutions. This industry serves such customers as oil & gas maintenance companies, power plants, off-road etc. The company is entering this business through acquisitions because it has been assessed as less costly and more efficient strategy compared to developing the products themselves. In November 2013 Atlas Copco acquired a UK tightening equipment provider – Tentec. The main motive behind Tentec acquisition was to increase the customer base in the new industry by offering a full product portfolio. Atlas Copco aims to retain existing customers and to benefit from the acquisition through boosted sales of acquired brand and through cross-selling from its own portfolio.

Atlas Copco acquisition of Tentec is a superb real life case to analyse because it covers multiple previously largely ignored subjects on customer issues in academic M&A studies. Phenomena captured and discussed in this case study include customer assessment before acquisition, customer reactions towards acquisition, acquirers response to customer-related issues, acquirer-customer perception gaps and measurable performance of customer integration.

## 1.4. Expected contribution

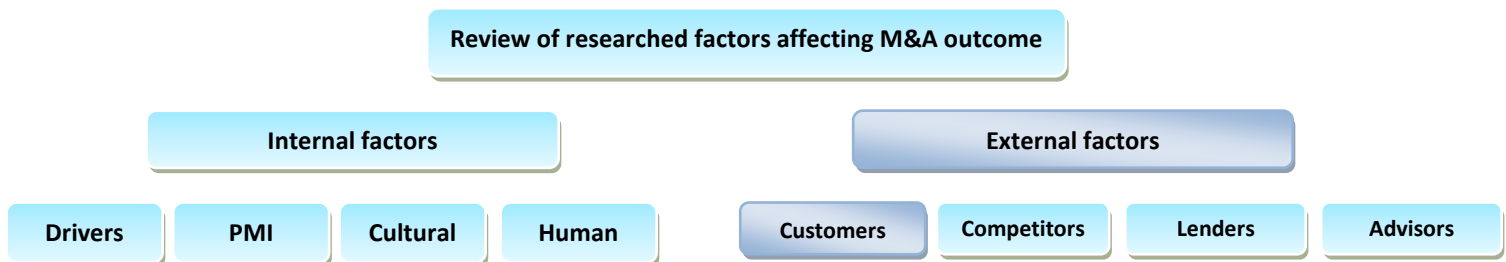
This paper aims to contribute to M&A research devoted to studying factors which increase the likelihood of successful M&A outcomes. The thesis will seek to clarify some of contradicting previous findings, suggesting alternative explanations to earlier results and identify earlier not discussed customer-issues that can shape M&A outcome. Finally, based on findings, the thesis will provide propositions for further research.

## **1.5. Disposition**

The following paragraph briefly presents the structure of the present master thesis. Chapter 2 discusses relevant theoretical concepts and presents main findings from previous studies related to determinants of M&A success with a special focus on research on customers in M&A. Chapter 3 outlines the methodology applied to conduct the research and discusses quality aspects. Chapter 4 summarizes the empirical findings collected from interviews, while the analysis and discussion of data is presented in chapter 5. Final conclusions are drawn in chapter 6 which also touches upon contributions and limitations of the study and proposes topics for future research.

## 2.0 Theoretical framework

*The first section of the chapter provides an explanation of important concepts and frameworks. Remaining sections aim at identifying a theoretical gap in following order. Firstly, the author of the present thesis argues why the factors determining M&A outcome continues to attract strong academic interest. Secondly, after a systematic review of the relevant M&A literature, the author categorizes the determinants of M&A outcome into two classes – internal which are very widely discussed and external which have received less attention from the scholars. Thirdly, the author argues why customer-related issues are one of the most important external, under-researched determinants of M&A result and thus should be examined more thoroughly. Finally, the author summarizes currently available findings on customer-related issues and points out the research gap the thesis aims to fill. The structure of the literature review is shown in Figure 1.*



**Figure 1 illustrates the structure of literature review**

## 2.1 Definitions and concepts

A company merger or acquisition is a combination of two or more companies, forming a new company (Roberts et al., 2012). Although mergers and acquisitions differ from each other, both can be applied as tools for company growth (Gupta, 2012).

Since much of the academic research use term *mergers and acquisitions* without any distinction and is referring to M&A as such (Anderson et al., 2001), similar approach will be used throughout the present paper. Nevertheless, it is also important to define each term separately as the case study, examined in this master thesis, discusses particularly acquisition. A merger can be defined as a combination of two or more companies resulting in new organizational structure. Meanwhile an acquisition refers to one company buying another firm (a target company) which then becomes completely owned by the acquiring company (Bruner, 2004).

Post-merger integration (PMI) is the process during which M&A partners are unified and agree on the extent of consolidation, its direction and areas to be allied (Gates & Very, 2003).

## 2.2. Literature review

### 2.2.1. Strong academic interest towards explaining M&A failure rate

M&A has become a widely used instrument in business practice to enhance company growth and create value (Gupta, 2012; Hitt et al., 2012). In 2013 the total value of M&A deals reached USD 2.3 trillion and even larger figure is predicted for year 2014 (Forbes, 2014). In the same time different studies carried out by consultants, auditors and academic researchers during the last 30 years suggest that a half of M&A actually fail (Datta, 1991; Marks & Mirvis, 2001 and Kato & Schoenberg, 2013), creating insignificant or no value (Hitt et al., 2012; Savovic, 2012). Inability to create expected value is the most common measurable form of M&A failure (Pope et al., 2008; Hitt et al., 2012). Moreover, according to Morosini et al. (1998) and Ito et al. (2012) cross-border acquisitions fail more frequently than domestic deals, which is an interesting finding in the context of this case study as it looks at the cross-border acquisition.

Due to high failure rate M&A phenomenon continues to attract strong academic interest (Anderson et al., 2001; Mallikarjunappa & Nayak, 2007). Over the years the studies of critical M&A success factors have emerged in various directions. However, the literature review of the present study indicates that the preceding academic works focus mainly on internal factors among others including strategic, cultural and organizational fit between M&A parties (Shrivastava, 1986; Datta, 1991). This is also affirmed by Homburg & Bucerius (2005), King & Taylor (2012) and Öberg (2013). Following subsection reviews four most widely researched internal determinants that may shape the M&A outcome.

### 2.2.2. Internal determinants of M&A outcome

#### **True drivers behind the M&A transaction**

Mirvis & Marks (1992) suggest that the outcome of M&A is largely affected by the true motive for M&A. Failure of the deal becomes more likely if the driver behind the deal is not strategically compatible with acquirer's capabilities and corporate goals (Mirvis & Marks, 1992). Therefore M&A transaction initiated by rational motives is more likely to succeed. The most common rational motivator to enter M&A deal is boosting growth. M&A enable the company to access to new markets, create larger asset base, expand product portfolio and increase knowledge base which in turn is expected to result in additional value for the entity (Savovic, 2012; Gupta, 2012). In contrast M&A transaction deal encouraged by irrational drivers has a higher likelihood to fail (Mirvis & Marks, 1992). For example, overconfidence about the personal ability to create value from M&A can encourage manager to take imprudent decision about executing M&A transaction which does not result in the intended outcome (Hayward & Hambrick, 1997). Another form of overconfidence and, hence, unsafe driver of M&A is the willingness to repeat the success of earlier done M&A. An inspiring success story of previous M&A can divert decision makers from prudent assessment of their intended deal (Steger & Kummer, 2007). Moreover, an increased

likelihood of unsuccessful M&A outcome is predicted by Gugler et. al (2003) and Carpenter & Sanders (2007) in situations when the managers have personal interest in M&A transaction.

*Although some scholars consider cultural and human integration as the parts of PMI, in the present paper author reviews cultural and human aspects as separate variables, arguing that these factors play role not only during PMI but also in pre-M&A phase and later after PMI (Schroeder, 2012 and Vancea 2011).*

### **Cultural aspects**

Cultural discrepancies are ranked among main causes for the high deficiency rates of M&A deals (Buono et al., 1985; Datta, 1991; Webber, 1996; Vaara, 2000 and Schroeder, 2012). Corporate culture can be defined as a cluster of values and attitudes shared by company employees. It also involves company history, brand, organizational structure and ethical norms (Gouali, 2009). Cultural clashes are frequently mentioned as impeding factors for general business transactions (Calipha et al., 2010) and are associated with unsuccessful M&A outcome (Li & Guisinger, 1991). Goh (2001) points out that developing a common culture and identity among employees of companies involved in M&A can be even more difficult than achieving synergies in technical capabilities and resources. However, once timely and properly integrated, the common culture should support more effective integration of tasks and procedures (Goh, 2001). However, according to De Noble et al. (1988) & Vancea (2011) the aligning process of two or more different corporate cultures is often omitted during M&A. Weber and Schweiger (1992) suggest that in M&A cultural fit should be regarded as equally important as strategic and financial factors. Epstein (2004) illustrates that by the example of Daimler–Chrysler merger in 1998 when cultural clashes contributed to tremendous loss in market value of newly created enterprise.

### **Human aspects**

Numerous researches done in M&A field affirm the importance of addressing systematically human issues during M&A process. (Schuler & Jackson, 2001) Many managers like to see M&A as a pure purchase of assets and revenues. However, in many cases proper human integration turn out to be overarching criteria for successful post M&A integration (De Noble et al., 1988). Post M&A changes frequently involve the redesigning of organizational structure and eliminate some of the jobs in order to lower costs. Such changes tend to cause uncertainty and sense of insecurity among employees (Savovic, 2012). Anxiety and confusion created by fear of losing job can curb work related activities and eventually result in M&A failure (Goh, 2001). Hence, Birkinshaw et al. (2000) suggest management to address people factors first and only then to proceed with task-related integration.

Vancea (2011) in her study affirms the importance of human element in contributing to successful M&A outcome. The study by Vancea (2011) outlines the need to ensure the continuity

between eliminating uncertainty among employees and rapid adaptation to new hierarchical structures, work methods and requirements. The failure of one or another of these efforts would result in increased frustration among employees, resource deviation and a drop in overall efficiency which in turn can impede acquirer from reaching M&A objectives.

Furthermore, studies by Drucker (1981) and Mirvis & Marks, (1992) also imply that management involved in M&A, operating managers and key staff representatives can both facilitate and destroy the success of acquisition

### **Post-merger integration**

Inappropriate PMI has been recognized as the most common reason of M&A deficiency (Palmatier et al.2007; Vancea, 2011; Savovic, 2012). According to Vancea (2011, p. 178) "the post-acquisition and post-merger integration is the phase when the expectations are fructified or, on the contrary, ruined". Also Hapeslagh & Jemison (1991) stress the role of post-merger integration by pointing out that the all additional value for the acquiring company is created only after the M&A transaction.

The high importance of PMI has resulted in numerous studies discussing various aspects of integration. Shrivastava (1986) argues that in order to execute successful post-merger integration, three different types of integration should be achieved: procedural integration, physical integration and managerial and sociocultural integration. Procedural integration deals with aligning procedures and systems of the bidding and acquired companies at management control, strategic and operating levels. This type of integration helps to standardize and homogenize work routines. Meanwhile the physical integration involves consolidation of real estate assets, plant and equipment, R&D projects and production technologies. This is a challenging step of PMI because often M&A partners have "some common assets and some mutually exclusive assets" Shrivastava (1986, p.69). As a result, some of the common assets are likely to become redundant while mutually exclusive assets need to be aligned. Managerial and sociocultural integration deals with issues related to designating managers, building a consistent corporate culture and transforming the organizational structure.

### **2.2.3. External determinants of M&A outcome**

In contrast to studies available on internal determinants of M&A outcome presented in the previous sections, the body of research addressing external determinants is very limited (Homburg & Bucerius, 2005; King & Taylor, 2012 and Öberg, 2013). Studies discussing M&A-related external factors usually pay attention to external stakeholders and their role in shaping M&A outcome (King & Taylor, 2012; Kato & Schoenberg, 2012). Three main groups of external stakeholders are briefly discussed in the subsections below, followed by explanation why the fourth group – customers are considered as the most important.

## **Competitors**

Schweiger & Denisi (1991) and King & Taylor (2012) suggest that the impact of competitors on M&A outcome is not obvious at the first glance. However, authors point out that the competitors can treat the M&A transaction as an opportunity for their own business in two ways – damaging the reputation of the new entity and luring the most talented workforce to their company. Firstly, the competitors may spread doubts about the purpose of the deal and the future of newly created company among employees and customers, encouraging them to leave. Creating concerns is easy especially during post-merger phase when disruptions in working processes are common as people have not become familiar with the new way of doing things. Secondly the competitors may "headhunt" the best employees from M&A partner companies while they still feel uncertain and have relatively low commitment to the new company.

## **Advisors**

Studies suggest that advisors can have both positive and negative impact on M&A outcome. According to King & Taylor (2012) advisor expertise and experience facilitate M&A transaction decisions that are more likely to succeed. Authors, however, admit that involvement of advisors also significantly increases the financial resources and time spent to complete the transaction. This, in turn, exposes M&A outcome to failure if the primary aim of the transaction is to get a rapid access to target company's resources (Hunter & Jagtiani, 2003).

## **Lenders**

Furthermore, most acquirers finance the acquisition partly with debt, making the financial institution an influential external stakeholder (King & Taylor, 2012). Allen & Peristiani (2003) and Haushalter & Lowry (2008) show that conflict of interest encountered by investment banks can be a motivator of M&A transaction that has low probability to succeed. Scholars point out that due to high brokerage fees investment banks are interested in recommending M&A transactions even if they are not likely to generate a value in-long term (Allen & Peristiani, 2003; Haushalter & Lowry, 2008).

### **2.2.4. Customers**

#### **The role and importance of customers in shaping M&A outcome**

Respecting the significance of the other external determinants such as competition, advisory and lending (King & Taylor, 2012; Kato & Schoenberg, 2012), this paper, focuses on customer-relates issues as the author of the present thesis believes it is the most important under-investigated external determinant of M&A outcome. In the following paragraph, the author argues for the importance of customers in M&A transactions by describing the potential effects of various customer-related issues on M&A outcome. The notions of marketing and customers are closely interrelated in the business world as marketing creates, communicates and delivers offerings for customers (AMA Publishing, 2013). Therefore customers are often discussed in

academic literature which refers to marketing issues. Thus, academic articles covering marketing perspective in M&A were also reviewed in this thesis in order to provide comprehensive background of previously done customer studies in M&A (Homburg & Bucerius, 2005).

The value creation in general has received much attention M&A research; however, it usually addresses shareholder prosperity (Limmack, 2003). Increasing cash flows through growing revenues is one of the basic ways how to create value. (Copeland, Koller, & Murrin, 2000; Kaul, 2012). Revenues, however, is directly dependent on the number of customers and their buying behaviour. (Öberg, 2013). From this, it can be concluded that the consumers are directly related to value creation for the company and thus should be considered as important stakeholders of M&A. Kelly et al. (2003) affirms the statement by stressing that market-related reasons drive most of M&A and customers are crucial for goal accomplishment. This is supported by Spencer (2004) and Öberg (2013) who claim that the ability to attract and retain customers is a major prerequisite for a company to survive and develop. Scholars who analyse loss of clients following M&A provide additional evidence to customer significance. According to Watson (2007) the loss of key customers ranks among most common attributes of unsuccessful acquisition. This is in line with quantitative study of Ryden (1972) who reports that a customer loss rate following acquisition varies between 25 and 50%. Also Bekier & Shelton (2002) in their research assert a significant risk of losing customers during M&A if marketing issues are left unaddressed. King & Taylor (2012) and Morall (1996) suggest that retaining customer base may be even more important in ensuring successful M&A performance than, for example, cost reductions.

According to Anderson et al. (2001) an overarching assumption seems to be made that after the M&A deal the market position of the acquired company can be automatically taken over and internal issues have a primary impact on successful M&A outcome. Anderson et al. (2001), however, emphasizes that it is not always possible to simply take over supplier and customer relationships. (Öberg, 2008) shares similar point of view by indicating that although M&A transaction provides the acquiring company with an access to new brands and additional customer base, it does not guarantee future revenue from these brand names, or a complete retention of customers (Öberg, 2008).

Putting much focus on communication with customers from the very beginning of M&A process helps to curtail uncertainty and lower desertion (King & Taylor, 2012). Companies that invest time and resources in communicating commitment to their clients and take into account their viewpoints during M&A process are more likely to succeed in M&A outcome (King & Taylor, 2012). Meanwhile the failure to address customer effects and ensure proper communication with them enables competitors to take advantage of M&A deal by framing customer perceptions and attitudes (King & Taylor, 2012). Homburg & Bucerius (2005) suggest that competitors sometimes even bolster the anxiety among customers of M&A partners, attempting to gain advantage by disuniting them.



### **Customer response towards M&A transaction**

Three typical customer responses towards acquisition are examined in M&A literature. The first type of reaction discussed by scholars involves expressing a high sense of uncertainty and distrust. For example, Jaju et al. (2006) emphasizes the confusion the customers encounter during brand and strategy integration. This is in line with Homburg & Bucerius (2005) who note that distraction and concerns about the business outlook in terms of prices, product and service quality, contact persons etc. are common reactions among customers, especially if the acquirer provides a poor or delayed communication about its future plans. These findings are supported by Watson (2007) who points out that uncertainty among customers is boosted by a lack of timely answers to following questions: ".. How does acquisition impact me and my position in marketplace? How will this acquisition impact my competitors? Will supply or price change? Do I have to renegotiate existing contracts? Will my relationship with the supplier change? Do I need to search for a new supplier?" Watson (2007, p.16). As a result, customer abstinence and rejection are not uncommon responses during M&A (Reichheld & Henske, 1991; Zollo & Meier, 2008).

The second type of response involves actions performed by customers after the M&A. Anderson et al. (2001) and Öberg (2008) in their papers argue that maintaining successful business relationship with customers after M&A is a costly and time-consuming process, which is often ignored by M&A parties, as it is more convenient to assume that customers will not change their buying behaviour after the acquisition. However, Öberg's (2008) study provides counterarguments to this assumption. In her research Öberg (2008) examines customer reactions by analysing changes in their buying behaviour after the M&A transaction. Öberg's (2008) findings shows that customer attitudes towards acquirer's cross-selling intentions were dominated by non-reaction – customers did not adjust their purchase behaviour to M&A parties' intentions. Öberg (2008) claims uncertainty and distrust in the positive aspects of the M&A as the main explanations for customer non-reaction. Meanwhile the empirical study by Kato & Schoenberg (2012) shows that the customer buying behaviour can be affected by PMI activity both positively and negatively. The authors find that PMI activities impact key customer variables such as perceived deterioration in quality of service and the broadness of product/service selection cause changes in customer loyalty.

Finally, according to Karim, et al. (2011) the worst case scenario is that customers respond to M&A transaction by leaving M&A parties and destroying deal's intended outcome.

### **Different perspective on customers**

Öberg & Anderson (2002) stress that in cases when academic research addresses customer roles in M&A, it is usually done from the perspective of the M&A partners. What is more, the customer roles in these studies are only mentioned without providing deeper analysis. After

reviewing relevant preceding studies, five types of roles appointed to customers in M&A was distinguished by the author of the present paper.

Firstly, some studies consider the customer base as a transferable asset which is acquired together with other target company's assets (Fogg, 1976; Anderson et al., 2001; Pavlou, 2003). Secondly, customers are named as an additional criterion to include in target company's valuation (Scheig & Perrone, 2004; Mirvis & Marks, 1992). Thirdly, in several studies customers often are identified as the victims of M&A. According to Barriger (1968), Stillman, (1983) and Feea & Thomas (2004) M&A transaction often reduce or even eliminate competition, creating monopoly position for M&A parties. Meanwhile Moorman (2008) claims that customers may suffer significantly from the changes in sales personnel following M&A. Koskinen and Hilmola (2008), in turn, declare that customers may encounter increased complexity in distribution processes after M&A. According to Want (2003) some customers may suffer from decreased quality of products and services due to cultural clashes. In the fourth place a group of academic papers treats customers as the initiators of M&A. Goldman et al. (2003) indicates that growing preference for completely integrated services can result in supplier M&A. This is in line with Zofnass (1998) who claims clients' interest towards one-stop shopping as one of M&A drivers in retail industry. Finally the systematic literature review by Öberg (2013) provides evidence that many earlier studies perceive customers and suppliers as groups of stakeholders that should only be informed about the possible effect of the M&A deal.

#### **2.2.5. Pointing at theoretical gap**

As presented in paragraphs above customers seem to play crucial role for any company. Yet they are very rarely studied in M&A research. (Öberg, 2013). Although Ryden (1972) pointed out that retaining customers after M&A is a very difficult already in early 1970s, this issue has so far not received much attention in M&A studies (Öberg, 2008). A recent quantitative study by Öberg (2013) affirms the scarcity of M&A-related customer research. Öberg (2013) shows that over last hundred years the research on customer related issues in M&A literature has remained limited and there has not been much change also during 2010-2012. Over the years the proportion of articles referring to customer issues in M&A has remained very low compared to the total number of articles of M&A. Out of 11220 articles published on M&A between 1901 and 2012, only 183 have actually addressed customers. The situation has not changed much in recent years: between 2010 and 2012, only 35 articles out of 1822 deal with customer issues during M&A (Öberg, 2013). Similar to research directly covering customer-related issues, Homburg & Bucerius (2005) point out that M&A research within marketing "is almost totally absent" (page 95).

Keeping in mind that around 50% of M&A fail creating insignificant or no value (Hitt et al., 2012; Savovic, 2012), and that the customers are recognized as crucial value generators (Öberg,

2013), there is an obvious lack of discussion of customer-side issues that can hamper or even destroy the value creation intended by M&A partners. Hence, this master thesis aims at filling this theoretical gap by increasing understanding what issues the customers of acquired company face after the acquisition deal, how they react and how the acquiring company can address the customer dimension to achieve a successful acquisition outcome, i.e. – value creation. Table 1 provides a summary of key studies affirming the identified research gap.

Source	Quotes pointing at gap
<b>Anderson, et al, 2001</b>	The literature thus far has concentrated on the characteristics of the two merging companies and their integration. In our view, this focus fails to recognize the interdependence between a firm and its environment and is therefore too narrow.
<b>Homburg &amp; Bucerius, 2005</b>	Within the marketing discipline, M&A-related research is almost totally absent.
<b>King &amp; Taylor, 2012</b>	Merging firms often focus on internal issues during integration at the expense of external market issues, and customers of both acquirer and target firms are sometimes overlooked.
<b>Öberg, 2013</b>	Customers are important stakeholders for any company; yet, they seem not to be widely discussed in merger and acquisition research.

***Table 1 – Summary of quotes pointing at research gap***

### **2.3. Kotter's 8-step change management framework**

In M&A all involved parties to a lesser or greater extent are exposed to some type of change (structural, organizational, procedural etc.) (Shrivastava, 1986). Therefore the author of the present paper argues that the strategies applied by Atlas Copco to retain customers and create opportunities for cross-selling can be regarded as the implementation of the change through series of initiatives and processes. Hence, in the present thesis the actions performed by Atlas Copco to address customer dimension will be analysed applying Kotter's change management eight-step model (see Figure 2).

Kotter (1996) argues that change process consists of eight phases and all of them have to be addressed during the implementation in order to gain a positive outcome. A failure to execute any of the steps is likely to curb or even destroy the intended change. According to Kotter (1996) the very first step should deal with establishing a strong sense of urgency in order to motivate the

people to cooperate. A feeling of urgency can be prompted by communicating unpleasant facts such as shrinking market share, flat earnings, entrance of new, aggressive competitors etc. Kotter also suggests that third parties such as consultants and auditors are more suitable for the role of communicating bad news. Kotter argues that although establishing a sense of urgency seems like an easy task, around half of the firms he has researched fail already at this step.

The second step requires forming a powerful guiding coalition that would provide support in managing the transformation effort. Kotter (1996) suggests that instead of relying purely on the top executives, a group of individuals possessing expertise, credibility and power, should be created. Furthermore, the coalition should be encouraged to work as a team.

The third phase of the change management process refers to developing a clear vision that can be easily understood both by employees, customers and other involved stakeholders. Without a fair vision change effort can turn into a number of confusing projects that add no value. The development of the vision must also include the planned strategies for attaining that vision.

The fourth step involves an effective vision communication. Kotter (1996) stresses two important common mistakes made during attempts to communicate the vision. Firstly, a well-developed vision is communicated to limited audience. Secondly, a poor and confusing vision is delivered to all parties involved in change process; however, no one understands it. Kotter (1996) recommends involving the guiding coalition in the process of conveying the new vision.

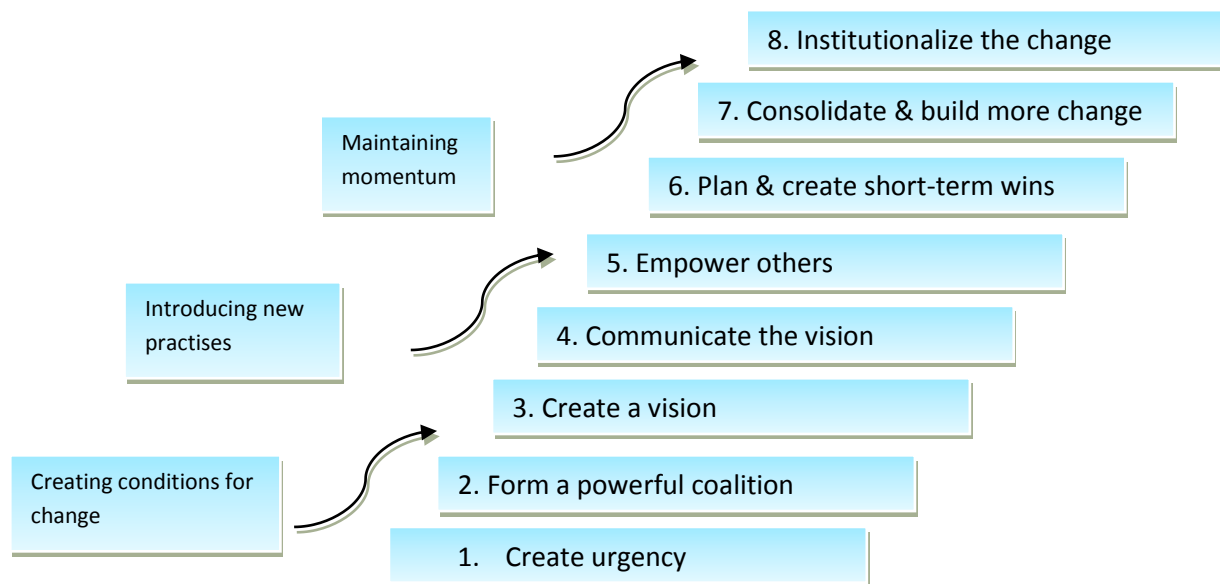
Kotter (1996) argues that often there are many employees that want to contribute to change, but are unable to do that due to different practical barriers. Thus, the fifth stage deals with removing obstacles that hinder the implementation of vision and empowering employees. Kotter (1996) encourages not only changing systems that can hamper the achieving of the vision, but also supporting risk taking and non-traditional actions.

Implementation of change takes time and creates risk of loss of motivation among people involved in the transformation process. Thus in his sixth step Kotter (1996) proposes planning for short-term wins that would indicate for employees that implementing the change process is successfully moving in the intended direction. According to Kotter (1996) employees should be praised and rewarded for contributing to those improvements.

According to Kotter (1996) the first notable signs of performance improvement after transformation can be misleading. Hence, during the seventh step companies should consolidate achievements and produce more change built on already attained progress. During this stage it is important to promote or hire new employees who can implement the vision. Kotter (1996) also suggests rejuvenating the change process by introducing new projects to avoid losing momentum as change project becomes more mature.

The eighth and final stage involves establishing new approaches of doing things into corporate culture. In this stage it is vitally important for top managers to back changes and make sure that newly hired employees get acquainted with values and ideals of transformation. Moreover, the new approaches should be handed over to the next generations of managers (Kotter, 1996).

Some scholars have challenged Kotter's model and the critique devoted to it has been kept in mind during performing data analysis. For example, an extensive literature review done by Appelbaum et al. (2012) shows that only few academic papers validate all eight steps. Furthermore, there is a clear lack of studies that would investigate the importance of implementing all eight steps in the order suggested by Kotter (1996). On the other hand, Appelbaum et al. (2012) admits that Kotter's model is a very good "starting point for managers implementing change in their organizations, and applying the model is likely to improve the chances of success" (p. 776). Meanwhile Rousseau (2006) points out that from managers' point of view the frameworks based on practical experience are more understandable and easier to implement compared to evidence-based academic models.



***Figure 2 Kotter's eight-step change management model***

### 3.0 Methodology

*Firstly, qualitative research with case study approach is motivated and explained. Secondly, data collection and documentation method is described. The chapter concludes with an outline of analysis and the discussion of potential quality issues of methods applied.*

#### 3.1. Research method – an exploratory qualitative research

Research approaches can be divided into three categories – descriptive, explanatory and explorative (Saunders et al., 2009). The latter was chosen for the present paper. According to Saunders et al. (2009) an explorative approach works best when the knowledge of specific circumstances and competency about certain problem is limited. What is more, in contrast to descriptive research the explorative approach does not require an extensive prior understanding of researched problem (Saunders et al., 2009) which is the case in the present paper. Due to limited competence in the subject, the paper does not aim at testing hypothesis or identifying causal relationships or between variables but seeks to add new knowledge and propose suggestions for further investigations, which is in line with the purpose of exploratory research. (Saunders et al., 2009; Denscombe, 2010).

A qualitative approach was chosen for this master thesis. Firstly, Ghauri & Grønhaug (2010) suggest that a qualitative approach is more suitable for an exploratory study compared to quantitative alternative. This is supported by Patton (1990) and Conger (1998) who claim qualitative research to be more effective than quantitative when doing exploratory study. Secondly, in order to address complex processes underlying customer dimension during M&A deal, my thesis requires a deep understanding of the roles of the involved persons, situational events and the physical setting. Such contextual basis is suggested to be assessed by using qualitative research methods (Ting-Toomey, 1984; Seale et. al, 1999). Thirdly, much of organizational learning studies have been applying qualitative analysis due to its internal view as it allows to research interpersonal and cognitive processes in detail (Edmondson & McManus, 2007).

In order to analyse the empirical data, the present master thesis will use the abductive method which is a combination of inductive and deductive approach (Thomas, 2006; Dubois & Gadde, 2002). Method elasticity is especially important in analysing empirical data in the present master thesis as it deals with a little studied subject and does not aim to test well-established theories or hypothesis. Hence, the abductive method was chosen because it gives the certain freedom of action to researcher (Suddaby, 2006) and helps to make "...sense of new (or unknown) situations" (Richardson & Kramer, 2006, p. 500). Firstly, the analysis will apply deductive method to compare previous findings on customer-related issues with collected data. Secondly, the analysis will explore an inductive approach to derive new causal relationships and theories from gathered empirics (Richardson & Kramer, 2006).

### **3.2. Case study set-up**

Considering the qualitative and exploratory nature of the present study, a case study at Atlas Copco was chosen as the most appropriate method for answering the research question. The case study approach aligns well with qualitative analysis and is considered as one of the most favourable ways to examine and provide academic explanations for complex and subtle real life situations (Denscombe, 2010). According to Fisher (2007) due to its ability to examine complex context, a case study allows researcher to study interactions and interdependencies between different factors. A case study approach is also recommended when there is little previously done research in the field (Miles & Huberman, 1994; Benbasat et al., 1987). Furthermore, Benbasat, et al. (1987) point out that case study is a good method for examining why and how research questions, the latter of which is true for this master thesis. What is more, case studies enable the researcher to portray and analyse the research topic in its natural setting (Yin, 2003).

#### **3.2.1. Case Design**

According to Eisenhardt & Graebner (2007) a case study approach can be classified in two categories: a single case study or a multiple case study. While multiple case studies work better for building theory on data collected, a single case study gives comprehensive analysis of the researched subject (Benbasat et al., 1987). This is affirmed by Voss et al. (2002) who stresses that a single-case study ensures in depth information, which is a pre-requisite of the present study to obtain qualitative results. Since my research will perform an in-depth analysis of customer effects and their reactions to the acquisition, the single case study will be more appropriate as it will allow applying holistic approach by examining multiple perspectives (Blumberg et al., 2011) of the customer dimension. Therefore the present master thesis will use a single case study to answer the research question.

#### **3.2.2. Case Selection**

Denscombe (2010) argues that the case study should be chosen purposely taking into consideration whether it contains attributes that are relevant to analysed practical issue or theoretical problem. Therefore, the case example companies were selected based on four pre-defined criteria consistent with the research question as recommended also by Yin (2003).

The primary selection criterion when choosing the case study was that two companies have recently finalized acquisition deal and the acquirer was proceeding with customer-related integration processes. The second criterion was to select a case where the acquirer aims to generate additional value from utilizing newly acquired sales channels, thereby creating the necessary setup for studying customer reactions and acquirer's response. Thirdly, the present thesis aimed at examining an acquisition which to certain extent can be regarded as typical and thus applicable to other cases (Denscombe, 2010). The last selection criteria involved picking an acquirer and customers who are committed to participate in research because it was necessary to have a sufficient access to case companies.

After a prudent assessment, Atlas Copco acquisition of Tentec was chosen as an exquisite real life case for addressing research problem.

### **3.3. Data collection**

#### **Interviews**

As the present study addresses complex and under-researched subject, in-depth interviews were used to collect empirical data as suggested by Eisenhardt & Graebner (2007) and Denscombe (2010). Comprehensive data on respondents' feelings, opinions and experiences had to be gathered in order to analyse customer reactions towards acquisition (Denscombe, 2010; Longhurst, 2003). Furthermore, in-depth interviews create opportunities for obtaining sensitive information (Denscombe, 2010; Kvale, 2007) which were necessary to collect data about customer perceptions towards positive and negative aspects of acquisition. Finally, if the respondent selection and interview processes are conducted properly, in-depth interviews can deliver privileged information – data that could not be obtained from other sources (Denscombe, 2010). The present paper aimed at gathering data on acquirer's response to customer-related issues and thus required very specific information possessed only by certain Atlas Copco representatives involved in the acquisition.

Observation also was considered as a qualitative method that could potentially be used in present study. Although this method was likely to provide rich empirical data, they also had important disadvantages. Observations require a considerable amount of time to spend at organization (in this case at several) and constant access to people involved including top management (Saunders et al., 2009). Due to time restrictions and the limited access to meetings the observation approach was not applicable to the present study. Questionnaire was considered as another option of performing data collection. However, this method is more appropriate when relatively simple and uncontroversial information needs to be gathered (Denscombe, 2010) which is not applicable for this master thesis.

Semi-structured in-depth interviews were the means of collection information for the present paper. In comparison to the unstructured interviews, the semi-structured interviews have a clear agenda of topics and questions that need to be discussed which is in line with the purpose of this paper. However, the researcher still maintains freedom to ask additional questions to get a deeper understanding of discussed issues. Respondents, in turn, have more options to express their opinions and feelings, and thus are more likely to come up with other interesting insights that could reveal other perspectives of the research problem (Denscombe, 2010; Saunders et al., 2009). Similarly to questionnaires structured interviews were acknowledged to provide too limited and straightforward information and thus this mean of that collection was not used in the present study.



### Sample selection

The criteria for selecting customer sample were as follows. Firstly, the respondent had to be the customer of Tentec and considered by Atlas Copco as a partner they want to retain and cooperate with. Secondly, the customers had to be located in Eurasian geographic area as it was in the scope of Atlas Copco customer strategies at the moment of writing. The key criteria for selecting respondents from Atlas Copco were the type of involvement in the acquisition and engagement with Tentec customers. The sample consisted of VP business controller, VP of fabrication and maintenance, business development manager for fabrication and maintenance and acquisition integration manager. VP business controller was chosen because he was directly involved in taking decision about the acquisition and performing due diligence during which customer assessment was performed. Meanwhile VP of fabrication and maintenance was responsible for strategic planning of generating additional value from existing customers through cross-selling. Business development manager and integration manager in turn participated in negotiations with customers and thus were able to provide insights on customer issues from Atlas Copco perspective.

### Sample size

In total nine in-depth interviews were conducted with five respondents forming customer sample and four interviewees comprising Atlas Copco sample. See Table 2. Both samples consist of males aged between 34 and 50 with a background in engineering, industrial production or finance and business administration. Interview protocols are provided in Appendix I and II.

Respondent	Company	Position	Code
<b>Björn Sankey</b>	Atlas Copco (Sweden)	Business Development Manager	B. Sankey
<b>Jon Johnsson</b>	Atlas Copco (Sweden)	VP Business Controller GI	J. Johnsson
<b>Wojciech Wroblewski</b>	Atlas Copco (Sweden)	VP Fabrication & Maintenance	W. Wroblewski
<b>Christer Bulow</b>	Atlas Copco (Sweden)	Integration manager	C. Bulow
<b>Magnus Runesson</b>	Jergo AB (Sweden)	CEO	Customer J
<b>Juha Haimila</b>	Haitor (Finland)	Managing director	Customer H
<b>Mahmut Dogan</b>	El-Sin Engineering (Turkey)	Managing director	Customer E
<b>Aksel Bråthen</b>	Verktoy AS (Norway)	Technical Manager	Customer V
<b>Damian Twardzik</b>	Marat Group (Poland)	Sales Manager	Customer M

***Table 2 List of respondents***

The sample size of Atlas Copco respondents was purposely limited to four interviewees as these were the key people involved in the acquisition. Unlike other Atlas Copco employees currently related to Tentec, these four respondents had the necessary competence and information disclosure rights to answer questions relevant to the researched problem.

Meanwhile the customer sample initially was supposed to consist of at least ten customer interviews. In total 15 potential candidates were selected and approached with an interview proposal keeping in mind that some candidates might refuse. Unfortunately the response rate was lower than predicted and only five in-depth interviews with customers were conducted. Company confidentiality issues and caution towards relatively recent acquisition deal were the main reasons for respondent reluctance. Although, respondents were told that the author of this study is a neutral party, it is acknowledged that one of the reasons for customer hesitation could be suspicion regarding the true purpose of the interview. As a result, seven respondents refused to provide any type of information, while three interviewees provided so limited answers that the interviews could not be used in this study.

Due to exploratory nature of study nine interviews were recognized as an acceptable amount for this master thesis. According to Kvale (2007) the number of interviews depends on the purpose of research. If the aim is to study and describe in detail the perceptions and actions of interviewees towards certain phenomena, then new interviews should be "conducted until a point of saturation, where further interviews yield little new knowledge" (Kvale, 2007, page 44). Since the master thesis addressed under-researched area, it did not aim to test hypothesis or make statistical generalizations and thus did not require higher number of interviews (Kvale, 2007). Instead the thesis focused on gathering in-depth contextual information that can be compared to mutually conflicting earlier findings. Furthermore, already the third and fourth interview conducted within customer samples did not contribute any significant new findings, indicating that the sample size is sufficient.

### **Interview set-up**

The interviews were conducted in the acquirer company Atlas Copco in Stockholm, Gothenburg and over the phone. Respondents were briefly introduced with the thesis's topic through initial e-mail and offered to receive the questions before the interview. The length of interview varied from thirty to sixty minutes. The time limit was not exceeded for any of interviews to not encumber the respondents. In order to ensure collecting accurate data, the interviews were recorded, receiving the permission from the interviewees beforehand. Written notes were also made during conversation in order to enable the researcher to ask follow-up questions. The language of the interviews was English and respondents were asked beforehand if they felt comfortable with being interviewed in English. At the beginning of interview a short introduction of study's purpose and author's background was provided. The first questions were designed in the way that it was easy to give answers and respondent would be likely to have well-established formulated opinion, so that respondent can "settle down and relax" (Denscombe, 2010, p. 185).

The interviewees were informed in advance that interview could take up to 60 minutes. At the end of conversation respondents were asked if there is anything they would like to add and thanked for their time. All interviews were transcribed immediately after being conducted in order to be able to write down additional unspoken conclusions and observations about interview that later might be forgotten. The interviews were conducted in March-April 2014 and the respondents referred to events between November 2013 and April 2014 if not explicitly stated otherwise.

### **3.4. Outline of analysis**

The empirical data were analysed by systematic examination of interview transcripts. The analysis of collected data consisted of two stages.

#### **Pattern identification**

Certain patterns of what challenges experience customers after the acquisition of Tentec were identified already in the first interview with Swedish respondent Jergo AB. This is in line with grounded theory which suggests that even the very first data collected already provide valuable information for further analysis (Glaser & Strauss, 1967). The patterns served as basis for topics that were later applied for data categorizing.

#### **Coding, categorizing**

During this stage data from interview transcripts were coded and categorized based on the nature of the research question. This is affirmed by (Denscombe, 2010) who suggests that data coding and categorization should be based derived from the problem that needs to be analysed. Codes or topics consisted of consistent ideas, opinions and expressions that were shared among respondents (Kvale, 2007). After data coding, the topics were systematized into two broader categories addressing customer and acquirer's perspectives. The respective codes are deciphered in Appendix III.

#### **Interpretation**

Two-category principle was applied also in chapters that presents and analyses the findings. Such structure was built in order to create a logical bridge between the researched problem, collected data and obtained results. In the final step the data were referred back to the research question and theoretical concepts, discussed earlier in this paper in order to interpret information gathered and identify concepts which either affirm/reject findings from previous studies or facilitate the establishment of new theories (Denscombe, 2010).

### **3.5. Quality aspects**

One of the central problems of qualitative research is that its validity can be easily challenged. In contrast to quantitative method where the quality of data to large extent can be measured, the qualitative approach requires other ways to demonstrate that the findings are derived from good and convincing research (Shenton, 2004). However, Guba (1981) has developed a four-criterion framework that addresses the trustworthiness of the study based on principles that are applied by quantitative analysts. Guba's (1981) model has been accepted by other scholars, among others including Krefting (1991), Shenton (2004) and Denscombe (2010). The following paragraphs describe each of four criterions.

#### **Credibility**

Credibility or internal validity criteria addresses the extent to which the qualitative information collected are accurate. Although in qualitative study there does not exist a way how to strictly prove the correctness of data (Lincoln & Guba, 1985), there are certain methods how to increase the probability of data to be proper. After making transcripts for all interviews and writing the chapter of empirical findings, the respondents received them through e-mail and were kindly asked to confirm if the information is correct. Additional questions were asked in case there was any confusion with the given answers. The above presented strategy is in line with respondent validation approach suggested by Lincoln & Guba (1985) and Denscombe (2010) who argues that it adds to factual accuracy and ensures researcher's data and findings are confirmed or revised. Additional contribution to credibility was provided by researcher's direct presence for four months at Atlas Copco office which according to Denscombe (2010) "provides a solid foundation for the conclusions based on the data" (page 299). Finally detailed analysis of previous studies to assess the extent to which the present thesis's findings are compatible with past research (Shenton, 2004) had been carried out.

#### **Reliability**

Reliability (sometimes also referred as dependability) is the extent to which other researchers would obtain the same findings when applying similar study approaches, interviewing same respondents and analysing same contextual perspective. Having in mind the absence of measurable parameters, the thesis aims at strengthening reliability by describing all research processes sequentially and in detail so that other researchers would be able to repeat them. This approach has been approved by numerous scholars who suggest that detailed study empower other researchers to precisely repeat the study which in turn increases likelihood for gaining same results (Lincoln & Guba, 1985; Shenton, 2004; Denscombe 2010).

#### **Confirmability**

Confirmability or objectivity deals with the extent to which results obtained in the qualitative study are affected by the researcher who handled the study. As pointed out by Patton (1990) and

Shenton (2004) a complete elimination of researcher bias is not possible. There, however, exist ways how to reduce researcher subjectivity. Firstly, the interviews were recorded and transcripts were sent to the respondent for confirmation in order to avoid misinterpretation and reduce subjectivity that could arise when author analyses the findings based on only on memory. Secondly, in order to lessen possible bias in respondent answers, respondents were told that the author of the present master thesis is a neutral party and is not anyhow involved in negotiation process between Atlas Copco and them. Furthermore, it was emphasised that the researcher is not interested in adding any value to Atlas Copco from the acquisition deal. Thirdly, those data that contradicted the analysis were not neglected and excluded from findings, which is in line with recommendation from Seale et al. (1999) and Silverman (2006). Instead rational explanation for outliers was sought. Despite measures taken, it is acknowledged that a complete objectivity cannot be attained (Denscombe, 2010) in this mater thesis as it is author's interpretation of reality. It is recognized that author's previous experiences may to some extent have affected the interpretation of results.

### **Transferability**

Transferability or external validity is the extent to which the findings and conclusions can be applied to other instances (Gill & Johnson, 2002). Since the aim of the thesis is to contribute to M&A research field, the results should be applied to wider number of real life situations Firestone (1993). My study will try to provide in-depth contextual analysis which should help readers to link the findings with their corresponding issues, increasing the transferability of the empirical results as it is recommended by Firestone (1993) and Lincoln & Guba (1985). Furthermore, the case selected was decided to be typical – it contains attributes are similar to many other cases that might have been selected instead (Denscombe, 2010).

## 4. Empirics

*The first section shows acquirer's perspective on customer dimension. Data in this section are grouped under six topics: drivers of the acquisition, customer assessment, perceived positive and negative aspects of the acquisition for the customer, perceived crucial factors of doing business, addressing customer dimension in the acquisition and customer-related situation six months after the acquisition. The second section presents the customer perspective on acquisition with empirical findings categorized under following five topics: sentiments towards the acquisition, communication with the acquirer, perceived positive and negative aspects of the acquisition, perceived crucial factors of doing business and the openness towards new forms of cooperation with the acquirer. In all sections, the empirical data are supported by the quotations extracted from the interviews. The deciphering of the respondent names and companies is provided in the chapter three, Table 2.*

### 4.1. Acquirer's perspective

#### 4.1.1. Drivers behind the acquisition

According to all Alas Copco interviewees the main driver behind Tentec's acquisition was to expand product portfolio in oil & gas and in power generation, which were considered as profitable industries in the long-term. Atlas Copco aimed to become able to provide a complete product portfolio in bolting thereby gaining a competitive advantage over other players.

*"Now there is not a single company which currently has a complete range of products under the complete control via owning a complete portfolio." (W. Wroblewski)*

#### 4.1.2. Customer assessment before the acquisition

VP business controller J. Johnsson revealed that customers normally are not considered during the first round of acquisition when much focus is put on financial figures. Instead more attention to customers is paid during the second - due diligence stage. During this step Atlas Copco also tries to estimate the potential customer loss. J. Johnsson and VP of Fabrication and Maintenance W. Wroblewski pointed out that in case of Tentec acquisition it was known that there was a high likelihood of losing customers in the US and that there might be a number of clients that would not be interested in selling other Atlas Copco brands as these customers had exclusive distribution rights for competitor brands. Hence, the estimations about potential customer loss and reluctance to sell other Atlas Copco products were integrated into acquisition price.

*"If suddenly you realize that half of your customers will be gone after the acquisition then the price you would be willing to pay is different." (W. Wroblewski)*

Nevertheless, J. Johnsson also pointed out that during due diligence phase the customer data is very sensitive information from the perspective of the target company because it does not want to disclose too much information about its customers before actual selling their company.

Respondents were also inquired why the official acquisition guidelines developed by Atlas Copco do not contain an evaluation of customers as one of the steps. According to W. Wroblewski it is not very helpful to include specific guidelines in the acquisition guide as the customers have free will to choose and switch between suppliers. Naturally, many of them have some binding agreements, but in case the clients really want to leave it is only a matter of time when they will leave. In addition, J. Johnsson argued that in the acquisition case when there are few big customers (key accounts) they should definitely be analysed while it is very difficult to examine properly many small and medium size customers.

#### **4.1.3. Perceived positive and negative aspects of the acquisition for the customers from Atlas Copco perspective**

*The purpose of the following subsection is to present acquirer's perspective on the effect of acquisition on customers. In chapter 5 these findings will be compared with customer opinions outlined in 4.1.3.*

##### **Positive**

The main acquisition gains for customers named by four Atlas Copco representatives included ability to get access to Atlas Copco products, selling in industries where these companies previously have not been able to get into, opportunity to use Atlas Copco name and brand identity as well as the long-term security and stability.

##### **Negative**

W. Wroblewski and business development manager B. Sankey noted that usually customers are worried that Atlas Copco might shift from Tentec's traditional way of doing business, selling through distributors, to direct sales. However, W. Wroblewski emphasized that it was a perceived rather than a real risk because in industries where Tentec operates, doing business through distribution channels was the best way.

All respondents from Atlas Copco also pointed out that the customers might be concerned with the fact that they will be forced to switch over to some other Atlas Copco products. Although Atlas Copco had cross-selling intentions, the perceived pressure from Atlas Copco was exaggerated, suggested integration manager C. Bulow and J. Johnsson.

*"It must be a mutual partnership and both parties must benefit." (J. Johnsson)*

When asked about other negative acquisition aspects for distributors, J. Johnsson and B. Sankey suggested that in a small company relationship between individuals played an important role and Tentec distributors might be afraid that the previous relationships can be distorted by Atlas Copco. For example, W. Wroblewski and B. Sankey revealed that Atlas Copco recently decided to move a very experienced Tentec salesman from Europe to the US and both interviewees assumed that several European customers might be dissatisfied with this decision as they had been working with this salesman for long time and had developed a trustworthy and effective communication.

W. Wroblewski elaborated that the inability to follow the code of conduct and financial instability could be the conditions to consider terminating the contract with the customer. He pointed out that the customer approach of Atlas Copco was slightly different compared to Tentec's position before the acquisition when the company did not pay so much attention to customer financial situation and the way of doing business. C. Bulow added that the customers that most likely were exposed to the negative effect of acquisition were those that were underperforming. Meanwhile well-performing customers should feel secure about their positions.

#### **4.1.4. Perceived crucial factors in doing business with the customer**

*The findings presented in the subsection below will be compared with customer responses in chapter 5 with a purpose to identify possible sources of customer distraction, dissatisfaction and unwillingness to do business with the acquirer if it performs poorly on any of these factors.*

W. Wroblewski listed four important pre-conditions that in his opinion had to be present to encourage the customer to change an existing supplier or add a new one: financial gain, reputational issues, relationship and support. According to W. Wroblewski these four dimensions should convince the customer to favour Atlas Copco products over counterpart items and these dimensions must be visualized in Atlas Copco value proposition.

*"Many customers have admitted that they buy our products not only because these tools are so superior but because the customers also know that if something goes wrong, we will support them." (W. Wroblewski)*

B. Sankey and C. Bulow agreed with W. Wroblewski that relationship and support play crucial role in the business of bolting solutions. C. Bulow also noted reaction time as a very important factor in ensuring successful business cooperation.

J. Johnsson provided an example of the importance of the long-term relationships. If the company has to choose between doing business with a completely new supplier and the partner that has



been around for ten years, performing well, it is very likely the distributor will choose the latter because it is more convenient. Therefore according to J. Johnsson long-term relationship between customer and their suppliers can turn out to be a hindering factor for Atlas Copco cross-selling intentions.

#### 4.1.5. Addressing the customer dimension after the acquisition

*The following subsection outlines actions performed by Atlas Copco to address customer dimension in order to retain customer base and create opportunities for cross-selling.*

##### **Communication**

During interviews all four respondents emphasized that proper communication plays central role in handling customer related issues. Atlas Copco representatives outlined three means of communication used after the acquisition: an official e-mail and a phone call, customer visits, and showing the management of acquired company the results of previously made acquisitions.

Respondents told that in order to deal with uncertainty and concerns, in case of Tentec there was prepared official communication in form of letters both from Tentec and Atlas Copco. The letters were sent out immediately after the official announcement of the acquisition. Interviewees also said that some customers received a phone call from their key contact person in Tentec even before they received a letter.

W. Wroblewski noted that they already had visited several customers together with Tentec representatives. In his opinion having representative of the acquiring company in a personal meeting, was a very strong message. Since distributors saw people from Atlas Copco and Tentec sitting in the same room and delivering the same message, they were more likely to be convinced about the continuity of the business. More personal visits were planned to take place in the future.

*"It is important to give exactly the same message. The message comes both from Tentec and Atlas Copco and is consistent." (W. Wroblewski)*

W. Wroblewski revealed that a good way to convince customers about the positives of acquisition and true acquirer's intentions is to convince the staff of acquired company at first place. For example, a representative from Tentec management was taken to visit a company X acquired by Atlas Copco nine years ago. Since the current manager of Tentec had been working for this company X ten years ago, he could compare how the company had changed after the acquisition. The Tentec manager was very impressed how the company had expanded in these nine years: nearly ten times higher volumes and four times more employees. According to W. Wroblewski such a visit was likely to increase trust towards Atlas Copco among the staff of

acquired company which in turn increased the likelihood of more open attitude from customers towards further cooperation.

Elaborating on the ways of communication J. Johnsson suggested that in general all the communication about the acquisition was entrusted to Tentec staff.

*"When it comes to Tentec we have largely let communication to be handled by Tentec themselves which is a bit rare practice but in this case it is a part of our strategy because they understand their market and their distributors better than we do." (J. Johnsson)*

C. Bulow noted that in his opinion delegating communication to Tentec was the right decision and it helped to assure customers that Tentec still had a high degree of freedom of action despite the acquisition. Nevertheless C. Bulow stressed that one thing that could be done differently in communicating the fact of the acquisition, was the form of the first message delivered. According to C. Bulow the best strategy for Tentec would be to organize a video conference with all its customers. During the video conference Tentec should have emphasized that there would not be any changes in doing business because Atlas Copco was willing to operate in the oil & gas through the specialized intermediaries. C. Bulow suggests that the most important advantage of the video conference over the e-mail would be the reduced risk of misinterpretation.

According to W. Wroblewski most of Atlas Copco end customers need a physical location close to their place. There are few end customers that could be served directly but the broader picture implies that operating through customers/distributors is the best option for Atlas Copco. Thus, Atlas Copco has to provide a local channel partner that could serve the end customer and company representatives must clearly display this logic when they talk to customers in order to build trust.

*"From the day one we underlined that the whole fabrication and maintenance is about the best channel, that would bring the biggest value and in this case these are distributors." (W. Wroblewski)*

### **Creating opportunities for cross-selling**

When asked about the possible reaction to a complete denial of selling Atlas Copco brand, instead sticking only to Tentec, Atlas Copco representatives emphasized that they are not planning to push customers, especially if they were performing well in selling Tentec tools. W. Wroblewski and J. Johnsson pointed out that their actions also might depend on the other available alternatives in the market where that particular distributor was operating in. The actions of Atlas Copco would also be affected by whether the customer had exclusive or non-exclusive distribution agreement. In the case of latter, it would be easier to add new, more flexible customers in the same market. B. Sankey and C. Bulow noted that they already were working on different distribution alternatives which included terminating exclusive distribution contract.

However, existing customers would not lose business as the new customer would distribute Tentec and Atlas Copco brands to different audience of end-customers. For example, the existing customer could continue selling Tentec products exclusively within oil & gas while the new customer would distribute Tentec and maybe some Atlas Copco brand products to nuclear power industry.

#### **4.1.6. Situation six months after the acquisition**

*The purpose of this subsection is to summarize the progress made by Atlas Copco on addressing customer dimension six months after the acquisition.*

##### **Perceived post-acquisition customer sentiment**

Overall all four respondents from Atlas Copco perceived the customer sentiment as positive. J. Johnsson pointed out that as far as he knows in general the reaction to the acquisition was positive with few exceptions but Atlas Copco was aware of those already before and it did not come as a big surprise. W. Wroblewski said he expected a hostile reaction in the US as the customers, located in this country, were distributing several products of very strong direct competitors. However, as of May 2014 Tentec was still doing business with the US clients, outperforming the expectations. According to W. Wroblewski the US customers, however, were likely to leave in the long-term. Also B. Sankey claimed that most of the customers were somewhat cautious but still positive about the acquisition as they saw the opportunities for expanding their business.

##### **Short-term results of the acquisition**

Addressing the question about the measurable results of the acquisition, W. Wroblewski told that there has been detected growth in Tentec business after the acquisition. However, the major part of it is created by organic growth while the remaining percentage was created by exploring opportunities provided by acquisition.

*"If I would see 30% of sales coming from acquired channels then I would perceive it as a success. Now we are talking about 2-3 maybe 5%." (W. Wroblewski)*

J. Johnsson suggested that in his opinion Atlas Copco strategies addressing customer dimension can be regarded as successful. Atlas Copco was not facing very significant issues except from Hytorc – customer in the US which distributed competitors' products and in the long-term was very likely to leave. W. Wroblewski disclosed that one of European customers recently had agreed to sell products of Atlas Copco brand through its network. Nevertheless, the process still could be considered as relatively slow and additional sales generated due to exploring new distribution channels still were limited. B. Sankey pointed out that in fact some customers are interested in very limited range of Atlas Copco brand products due to the specific nature of the industry they were operating in. The more the customer was related to industries where Atlas

Copco is well represented, the more likely it was to sell additional products. Otherwise it was too high cost to train personnel, ensure marketing, service spare parts etc.

Finally the interviewees noted that Atlas Copco's experience showed when the company was trying to do what was best for the end customers, it normally built good business relationship also with their customers.

## 4.2. Customer perspective

*The aim of the following subsection is to outline data on the customer sentiments towards the acquisition without going into detail about the reasons of these attitudes as more focus is put on them in subsequent sections.*

### 4.2.1. Sentiments towards the acquisition

Empirical findings show that all customers encountered a strong sense of uncertainty after receiving news about the acquisition. Four out of five respondents admitted that the acquisition of Tentec was a shock for them. Customer J said that despite the initial surprise, they accepted the acquisition as a rather logical move by Atlas Copco. J also revealed that although they had a long-term relationship with Tentec since 1990s, Customer J became the official distributor of Tentec only a year ago. The fact that the acquisition took place so soon after signing the contract created a lot of uncertainty for Customer J.

*"Atlas Copco is a well-known brand among our end-customers and other distributors in Scandinavia. I think everyone was a bit afraid what would happen. Probably Tentec received same questions from distributors all over the globe." (Customer J)*

A sense of uncertainty was the initial reaction named also by Customer V who emphasized that the announcement about the acquisition raised questions about the way of doing business in the future. Customer E also said he was shocked a bit because although Tentec was doing very well, it was a very small company and he wondered what was the true purpose of the acquisition by such a powerful player. In contrast, Customer H admitted they were aware that Tentec had been for sale for quite some time and the acquisition was not a particularly big surprise to them.

Despite differing initial sentiments towards acquisition, all interviewees, confirmed that since November 2013 nothing really has changed in doing business with Tentec.

*"We believe there is continuation, as we see same people [from Tentec] around. (Customer M)"*

### 4.2.2. Customer viewpoints on the communication with the acquirer

#### **Perceived quality of communication regarding the acquisition**

All respondents confirmed that they received an official e-mail from Tentec immediately after the acquisition, reassuring them that the current way of doing business with Tentec would remain unchanged. All interviewees agreed that the information regarding the acquisition were communicated timely. Contrasting thoughts, however, were expressed about the amount of the received information.

*"Tentec and Atlas Copco said that everything will remain as it was. The only difference is the website which says: Tentec, part of the Atlas Copco group." (Customer J)*

According to Customer J, the representatives of Atlas Copco have been excellent in communicating and instructing people about the business outlook. Customer J added that the information, about the fact that everything will stay as it was came from Tentec in the first place followed by message from Atlas Copco representative who visited J and confirmed that there will be no changes in doing business. Customer J noted that they were aware Atlas Copco was a big company and things could move slowly, but in this case he thought communication came actually quite fast. Furthermore, three respondents pointed out that they would like to meet someone from the Atlas Copco management team, involved in the acquisition.

While Customers J, E and M pointed out that their initial uncertainty was clarified by clear and timely communication, contrary opinions about the quality of communication were expressed by Customers H and V, who claimed they were not completely satisfied with the amount of information received.

*"The fact of purchase was well communicated but it is still open, what the real implications [of acquisition] are. (Customer V)"*

#### **Contact with Atlas Copco after the acquisition**

As of April 2014 two customers had had several meetings with the representatives of Atlas Copco while three clients were not contacted at all. Customer J and Customer V had had two meetings with Atlas Copco and according to them the sessions went well and more meetings were to follow. In contrast Customers M, H and E said they still waited for someone from Atlas Copco to approach them. Turkey-based Customer E also elaborated that being aware of the fact that Atlas Copco has a customer centre in Turkey, they were a bit surprised that no one from Atlas Copco visited them.

### **4.2.3. Perceived positive and negative aspects of the acquisition**

#### **Positive**

In general all respondents expressed satisfaction regarding the fact that the acquirer of their supplier Tentec was a Swedish company, mainly due to reputation for good quality. Two respondents highlighted the size of Atlas Copco in terms of turnover and worldwide coverage as a future opportunity for their business. According to Customer J despite the fact that Atlas Copco was known for very high prices this company undoubtedly provided also excellent quality. J pointed out that similar perception held also in the US and was referred to "Swedish quality."

*"..If it [Tentec] was bought by Indian or Chinese, it would be different way of doing things. More positive that owner is European company. Some kind of feeling of quality .." (Customer J)*

The Customer J was not concerned with the fact that the acquirer was a very big company. He was informed that Atlas Copco has numerous experienced managers devoted to very specific areas of business which helps to stay focused on customer needs. Customers E and Customer M pointed out that the impressive size of the new owner of Tentec can be beneficial for them as they might get access to new channels and end-customer base.

Customer J said they hoped the acquisition of Tentec could help create additional sales for their business. For example, they were aware that Atlas Copco had large mining business that purchased tensioning equipment on regular basis. Customer J suggested it could sell Tentec products and maybe some other their brands to Atlas Copco Mining division<sup>1</sup>. Nevertheless, Customer J emphasized that he did not think that in their case Atlas Copco brand name alone would create any additional sales among J's existing customers. Instead Atlas Copco should focus on expanding customer base.

Customer E pointed out that it was obvious if Tentec wanted to get big in bolting market, for them it was nice to have such a partner as the Atlas Copco as they could use Atlas Copco network all over the world. Thus, it should be a good cooperation. Customer E also added that he wanted to be positive and thus did not think about the negative effects of the acquisition. Instead E looked forward to the contribution of the acquisition to his business.

### **Negative**

The main negative aspect of the acquisition, mentioned by all respondents, was the potential threat that sooner or later Atlas Copco would start to sell Tentec products through its own sales network, eliminating distributors. Customer E revealed that his concern was fuelled by the fact that he had not heard anything from Atlas Copco since the official announcement about the deal and thus started to wonder if Atlas Copco was planning to sell Tentec through its Turkey sales entity. Also customer V was worried about the outlook of its exclusive distribution rights for Tentec products in Norway: even if Atlas Copco would not terminate the contract it might enter into cooperation with other Norwegian distributors, significantly intensifying competition in market.

While Customer H claimed its business will not be anyhow impacted by the size of Atlas Copco, Customer V was rather concerned. V pointed out that so far they were the only players in Norway that offer complete product portfolio in bolting solutions. However, after the acquisition Atlas Copco will be able to compete efficiently with other brands distributed by V.

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<sup>1</sup> Atlas Copco Mining division is an independent business unit.

To the question whether the termination of rights to distribute Tentec products would harm their business significantly, the respondents admitted that in the short-run they would naturally suffer. However, the customers also noted that apart from Tentec they were distributing other successful brands. Furthermore, Customer J elaborated that in Sweden, J was a niche company that knew a lot about tensioners and it was difficult to find another expert like that. Therefore J thought that Atlas Copco would only gain from the long-term cooperation with a tensioning expert.

Apart from risk of losing Tentec business, Customer H and Customer V claimed that is too early to make conclusions about other negative aspects of the acquisition.

*The following subsection summarizes the key factors for the customers when doing business with suppliers. The purpose of this subsection is to identify possible sources of customer distraction and unwillingness to do business with the acquirer if it performs poorly on any of these factors. Similar questions were asked representatives of Atlas Copco. Answers from both samples of interviewees were compared in analysis part in order to identify possible gaps in perceptions about crucial factors between the customers and the acquirer. The factors named by each customer are summarized in Table 3.*

#### **4.2.4. Perceived crucial factors in doing business with suppliers**

##### **Fast response and flexibility**

Fast response was named as the number one criteria for successful business cooperation by four respondents. According to them in order to operate successfully in this business, quotations and spare part delivery is needed on the same day (preferably in 12 to 24 hours). All the respondents are operating mainly in the oil & gas maintenance industry, where the cost of any delay is very high. Therefore necessity to reduce the time of stand-still as much as possible was one of the reasons why customers such as J and E preferred to have suppliers from European geographic area so that they could communicate during normal working hours.

*"In our business everything is extremely urgent. If someone needs something, they need it now." (Customer E)*

*"It took over a week to get supplies from the US. Tentec can ship out (goods) on the next day." (Customer J)*

All respondents claimed that all of their suppliers corresponded well to the fast response criteria. Nevertheless, according to Company H fast response is the criterion which fails to be accomplished most frequently. Customer V emphasized that for their company a fast response to large extent is also the flexibility in terms of adjusting product design in certain time frame.



### High quality and trustworthy relationship

All customers emphasised the importance of the reputation of the supplier and a trustworthy relationship as the key factors in successful business cooperation. For example, Customer J revealed that he had been working as a distributor in relevant industry for many years and he was not willing to work with Chinese, Far Eastern or American companies due to quality issues and strong differences in mentality. For Customer J it was highly important to have quality products that naturally were not the cheapest in the market. Nevertheless, the price should commensurate with the quality according to J. All interviewed customers shared view that Tentec was a good example of good business cooperation and excellent quality.

### Preferred service approach

The views on preferred service approach slightly differed among respondents. Customer J claimed they favoured working more independently and receive support, when they needed it. Occasionally they visited customers together with suppliers but it would be very time consuming to do it with all suppliers. In contrast Customer E who said that personal approach is very important for this type of business, especially to one-day projects when customer needed certain product on the same day. Customer V stated they needed both freedom of action and personal approach and it depended on the situation. Customers H and M, in turn, preferred personal approach, claiming it is easier to cooperate.

Crucial factors in doing business with the suppliers				
Customer J	Customer E	Customer V	Customer H	Customer M
Fast response	Fast response	Fast response	Fast response	Quality
Price-quality relationship	Good reputation	Delivery flexibility	Mutual cooperation	Fast response
Trust, personal approach	European company	Design flexibility	Supplier reliability	Profit
European company	Relationship	Trustworthy partner		Flexibility

*Table 3 Crucial factors in doing business with the suppliers*

### 4.2.5. Customer openness towards new forms of cooperation

#### Switching to another supplier

When asked if they would consider switching to another supplier that fulfilled all important criteria better than existing supplier, Customer J said that changing supplier actually was not that easy as one might think. Firstly, it is difficult to find supplier(s) that would offer the exact same product portfolio. Secondly, Customer J had had a long-term relationship with majority of their suppliers which meant that the end-users had gotten used to these products and unexpected shifts could create confusion and a lack of trust. J also briefly elaborated how they attempt to solve situations when suppliers are underperforming:

*"We try to keep same suppliers for the long time and if they fail we try to tell them where the problem is, so they get a chance to improve and it normally works."(Customer J)*

While Customers H and M admitted they might terminate the contract with supplier if it failed to meet the expectations, Customer V did not want to elaborate on strategies in case of poor supplier performance.

*"It is not that easy to tell customers for years that product A is the best option and then suddenly switch to product B and start telling same thing again."(Customer J)*

During 25 years of operation Customer J had abandoned only one supplier. The main reasons for quitting cooperation was too high price level and the significant differences in working hours. Customer J, E and H noted that all their suppliers corresponded well to relevant criteria and fortunately the customers had not had situations when they had to terminate a contract due to underperformance. Respondents also emphasized they always had been very selective when choosing suppliers. Customer V had a negative experience of abandoning contract with a supplier who tried to bypass them as a national importer in Norway.

#### **Unaddressed needs**

Customers were asked to elaborate if they could name particular products they would like to include in their portfolios. Respondents shared view that it was difficult to list certain items, but in general they were open to new product offers and expressed readiness to go through Atlas Copco product catalogues. Customer E reminded that Atlas Copco had a strong marketing team in Turkey and already was selling most of its products in this country. But in case there were some products Atlas Copco was not distributing in Turkey, further business cooperation was discussable. Customers V and M, in turn, insisted that their needs was a confidential information. Nevertheless, they admitted that they were ready to consider expanding their product portfolio. Customer J was cautious but positive about expanding the business cooperation with Atlas Copco.

*".. the door is open to Atlas Copco but we need to find a way how to ..[cooperate]"(Customer J)*

## 5. Analysis

*This chapter presents the analysis of empirical findings in light of previous studies and concepts described in theoretical framework. The first section discusses the findings regarding acquirer's perceptions and actions while the second section analyses customer perspective.*

### 5.1. Atlas Copco response to customer dimension

#### 5.1.1. Drivers behind the acquisition

Respondents who were directly involved in making acquisition decision named the expansion of product portfolio and the increase in sales as the main drivers behind the transaction. This is in line with the statements of Gupta (2012) and Hitt et al.,(2012) who state that M&A has become a widely used instrument in business practice to enhance company growth and create value. This finding also provides support for the topicality of the research question stated in the present paper as it was based on the assumption that most firms expect to generate additional value from M&A. The responses also affirm findings by Porter (1985), Kusstatscher & Cooper (2005) and Gaughan (2007) who claim the increase in market share and the expansion of product portfolio being among the most common motives behind the M&A.

Interest in generating value to shareholders was not mentioned as a motive for acquisition during discussion, contradicting Limmack's, (2003) findings which claimed value creation in M&A typically addresses shareholder prosperity. Nevertheless, it can be argued that from Atlas Copco point of view the changes in turnover are directly related to shareholder wealth (Copeland et.al, 2000; Kaul, 2012) and thus company representatives might assume that the shareholder interests naturally are included in the group of the acquisition drivers.

**Conclusion 1:** The main driver behind the acquisition of Tentec was the goal to create a value which affirms key incentives for the M&A transactions presented in previous studies and provides basis for discussing the importance of customers in this acquisition.

#### 5.1.2. Customer assessment before the acquisition

Anderson et al. (2001) and Homburg & Bucerius (2005) stress that the customers are neglected not only in M&A literature but also in real life. The data collected during the present study only to some extent coincide with these statements and reveal some interesting reasons why the M&A parties may be forced to overlook customers during the pre-acquisition phase.

Company representatives admitted that in the first pre-acquisition phase customers usually are not considered at all as emphasis is put strictly on financials which confirms the negligence towards customers mentioned by Anderson et al. (2001) and Homburg & Bucerius (2005). Instead Atlas Copco usually tries to assess the key customers during the second - due diligence

pre-acquisition phase. However, the representatives of Atlas Copco also pointed out that during pre-acquisition phase they are not able to evaluate the customers as much as they would like to because the target company is not interested to disclose too much sensitive information that could affect the acquisition price. Moreover, respondents noted that it is very difficult to analyse properly small and medium size customers. Hence, the findings indicate that although Atlas Copco actually ignores most of customers during the pre-acquisition phase, this negligence is more related to objective limitations than unwillingness to pay attention to customer dimension, which in turn provides alternative perspective on observations by Anderson et al. (2001) and Homburg & Bucerius (2005).

Scheig and Perrone (2004) show in their research that the customer base can be an additional criteria to include in target company's valuation. Their findings correspond to actions performed by Atlas Copco as the company incorporated a predicted loss in US customer base in the acquisition price. Prudent pricing strategies should also facilitate the company to avoid the situation described by Goldberg & Godwin (2001) who stress that paying excessive price can turn out to be one of the overarching causes why acquisitions fail. The estimation of potential loss of customers prior to acquisition indicates that Atlas Copco did not assume that all customers would be unquestionably acquired together with the target company's assets as pointed out by Fogg (1976), Pavlou (2003) and Anderson et al. (2001).

**Conclusion 2:** In contrast to studies that claimed acquirer's negligence of customers during pre-acquisition phase, this study shows that Atlas Copco accounted for customer-related risks by performing the analysis of key customers prior to acquisition and adjusting acquisition price accordingly.

**Conclusion 3:** Results indicate practical limitations to comprehensive customer assessment during pre-acquisition phase which might provide an explanation to findings by Anderson et al. (2001) and Homburg & Bucerius (2005).

### 5.1.3. Addressing customers after the acquisition using Kotter's framework

As discussed in theoretical review all parties involved in M&A to a lesser or greater extent are exposed to some type of change. Hence, the following paragraphs discuss initiatives and processes applied by Atlas Copco to address customer-related issues after the acquisition in a way that would help avoiding losing value from the acquisition by retaining as many existing customers as possible and facilitate generating additional value by increasing sales of Atlas Copco brand products through newly acquired sales channels. The actions taken will be analysed applying Kotter's eight-step change management model.

### **Sense of urgency**

Kotter's (1996) framework implies that the very first step should deal with establishing a strong sense of urgency in order to motivate the people to cooperate to implement the change. The findings, however, suggest that this step was not applicable in this case. In fact, Atlas Copco deliberately attempted to avoid any worrying or negative news to minimize uncertainty and confusion both among Tentec employees and customers, importance of which aligns with the recommendations by Watson (2007), Homburg & Bucerius (2005) and Öberg (2013).

### **Powerful guiding coalition**

Atlas Copco applied four steps to form a powerful guiding coalition which is the second step in Kotter's (1996) framework. Firstly, Atlas Copco retained Tentec managers and a majority of the sales personnel in their positions after the acquisition. Secondly, the acquirer appointed an integration manager who was involved in negotiations with customers regarding future business cooperation both with Tentec and Atlas Copco. The tasks of integration manager among others included convincing the customers that Atlas Copco was not planning to eliminate them and sell Tentec products directly to the end-customers. Thirdly, Atlas Copco "headhunted" a business development manager from the competitor company with a necessary competence in bolting industry. As Atlas Copco still was very new to this specific industry the business manager could represent acquirer's interests in negotiations on the distribution exclusivity agreements and opportunities for cross selling. Finally from the Atlas Copco side the coalition was guided and supported by VP of Fabrication and Maintenance. In such way Atlas Copco created a coalition consisting of individuals possessing expertise, credibility and power which according to Kotter (1996) is needed to ensure necessary support in managing the transformation effort.

### **Creating a vision**

The third step of Kotter's model addresses creating a vision. Already prior to acquisition of Tentec Atlas Copco developed a vision which implied that in the bolting solutions business the company would be operating mainly through distributors because it proved to be the most effective and profitable sales channel in this industry. The second part of the vision implied that the newly acquired distribution channels should be utilized by cross-selling other Atlas Copco brands to generate additional value from existing customers. The vision was developed involving Atlas Copco top management, finance and marketing experts. According to Kotter (1996) fair vision that is well understood by employees, customers and other involved stakeholders is an important pre-requisite to successful change implementation. Consistent answers received during interviews about the intentions of Atlas Copco regarding Tentec suggested the vision was seen as pretty straightforward from the perspective of Atlas Copco employees while some of the customers expressed confusion towards company plans and true motives. Furthermore, Kotter (1996) recommends that the vision must also include the planned strategies for attaining that vision. According to the respondents, in case of Atlas Copco, the processes such as conveying information about business continuity to customers and the plan for customer visits with a

purpose of discussing cross-selling were embedded in the vision and was based on experience from previous Atlas Copco acquisitions.

### **Communicating the vision**

Kotter (1996) in his article argues that every possible tool should be used to ensure a proper communication of vision – the fourth step of the framework. In the present case study Atlas Copco communicated its vision by applying three means. Atlas Copco began with communicating the vision to Tentec management, anticipating the acquired company would later facilitate delivering the vision to the customers. An executive from Tentec was invited to the company, acquired by Atlas Copco nine years ago to show how Atlas Copco had contributed to that company's growth. In such way Atlas Copco aimed to provide credibility to its vision, starting with convincing acquired company at first place. Secondly, the acquired company Tentec was entrusted to do the major communication with its customers to emphasize company's freedom of action and strengthen trust among customers. Finally, face-to-face customer meetings were organized with the participation of Atlas Copco and Tentec representatives where both parties confirmed the vision regarding the future business outlook. In consonance with Kotter's recommendation, all members of the guiding coalition were involved in the process of conveying the new vision.

### **Empowering others**

The fifth step of the model implies empowering others to act on the vision by removing obstacles to implement the change. Atlas Copco empowered its employees to act on the vision by eliminating several practical barriers that impeded them from contributing to change (Kotter, 1996). For example, by giving a high degree of freedom of action to the integration manager and Tentec management team, Atlas Copco encouraged less standardized approaches and actions to achieve the vision. Furthermore, employees with different areas of expertise from Atlas Copco were given opportunity to travel to customer sites to provide their contribution in communicating the vision about the continuity of the business and cross-selling opportunities.

### **Planning and creating short-term wins**

According to Kotter (1996) a successful change implementation must include planning and creating short-term wins, and rewarding employees for contributing to the implementation process, which is the sixth step of the framework. When measuring acquisition performance, Atlas Copco used a measurable parameter – separating sales generated from Tentec organic growth from revenue generated from utilizing opportunities with existing Tentec customers. These data were summarized and presented to involved employees on a monthly and quarterly basis to indicate for employees that implementing the change process is successfully moving in the intended direction which is in line with Kotter (1996). The information regarding rewarding employees for contributing to the change implementation was confidential and thus was not discussed in the present paper.

### **Consolidating improvements and producing more change**

According to Kotter (1996) the first notable signs of performance improvement after transformation can be misleading. Hence, during the seventh step companies should consolidate achievements and produce more change built on already attained progress. Kotter (1996) stresses that during this stage it is important to either promote or hire new employees who can implement the vision. Although the respondents noted there had been observed a progress in terms of Tentec sales generated by cross-selling, they were not satisfied with the level of increase and looked forward to further improvements. Furthermore, Atlas Copco promoted several existing employees and also hired new ones within the Fabrication & Maintenance segment who would contribute to vision implementation with their experience and competence. According to interviewees at the moment of writing Atlas Copco was headhunting even more people with an expertise in bolting solutions, because the acquirer did not have the necessary competence in this industry. Therefore, additional highly skilled labour force was needed to ensure further growth.

### **Institutionalize the change**

The eighth and final stage involves establishing new approaches of doing things into corporate culture (Kotter, 1996). The implementation process of the vision in this particular acquisition to large extent was based on experiences from other Atlas Copco acquisitions. Thus, although there were not identified certain actions aimed establishing new approaches of doing things into corporate culture, it can be argued that procedures and processes of addressing Tentec customers after the acquisition to some extent already were anchored into company culture, due to long the history of Atlas Copco and numerous acquisitions it had made. Moreover, Atlas Copco has a comprehensive guide book for new employees – "The Way We Do Things" which combined with regular trainings and workshops help newly hired employees get acquainted with the values and ideals of transformation as recommended by Kotter (1996).

**Conclusion 4:** the results indicate that Kotter's framework to certain extent can be applied in processes and initiatives addressing customer dimension. The findings, however, also shows that Atlas Copco was using extensively only six steps, raising the discussion about the importance of all steps which matches Appelbaum's et al. (2012) critique devoted to the framework. Findings suggest that creating sense of urgency might not be applicable in every change project. Moreover, the results also illustrate that the eighth step might be disregarded by the acquirer if relevant procedures and processes already are embedded in company culture based on previous experiences.

### **5.1.4 Results of the acquisition**

The fact that already some percentage of Tentec revenue is coming from selling Atlas Copco brand products to customers of this company, suggest that Atlas Copco might be moving in the right direction in terms of addressing customer dimension. Several factors named by scholars as

critical to successful M&A outcome (rational motive behind the acquisition, customer assessment, active communication) are present in this case study, pointing at the improvement in relevant sales share as a logical outcome. However, the author of the present paper acknowledges that the nature of this study does not provide the necessary setting to identify or test any causal relationships and correlations.

On the other hand, the company representatives admit that the share of additional generated sales still is very low and more effort needs to be put in. The struggle of Atlas Copco to utilize newly acquired customers to some extent can be explained by unchanged customer buying behaviour which currently impedes Atlas Copco from creating opportunities for cross-selling. This phenomenon is discussed more in detail in subsection 5.2.1.

**Conclusion 5:** The progress made by Atlas Copco in terms sales indicates the company's customer-related strategies might be facilitating an achievement of successful M&A outcome. However, the limitations of this study do not allow identifying as a causal relationship.

## 5.2. Issues encountered by customers during an acquisition

### 5.2.1. Sentiments towards the acquisition

As it was emphasized by Öberg & Anderson (2002) and later by Öberg (2013), the research on customer sentiments to M&A still is very limited. The present study, however, finds evidence favouring earlier results of (Homburg & Bucerius 2005), Jaju et al. (2006), Watson (2007) and Öberg (2008) regarding the most common sentiments towards acquisitions. The main sentiments expressed by the customers were a surprise accompanied by confusion regarding brand integration and strategies, affirming Jaju et al. (2006) study and the uncertainty about business continuity as predicted by Watson (2007). In line with his research during interviews following inquiries were raised: "How does the acquisition impact me and my position in marketplace? Do I have to renegotiate existing contracts? Will my relationship with the supplier change? Do I need to search for a new supplier?" Watson (2007, p. 16)

Although exact sales data were not available for the present thesis due to confidentiality issues, some conclusions about customer sentiment in terms of buying behaviour can be drawn from the interviews. All interviewed customers admitted that nothing had changed in doing business with Tentec since November 2013 while the representatives from Atlas Copco revealed that sales generated by cross-selling had experienced a minor-acquisition driven growth. This implies that customers have not significantly changed their purchasing behaviour after the acquisition. These results are in line with Öberg (2008) who found that customer reactions after acquisition tended to be dominated by non-reactions or unchanged buying behaviour.



**Conclusion 6:** The main customer sentiments towards Tentec acquisition involved a high degree of uncertainty and confusion towards continuity and the way of doing business.

### 5.2.2. Customer viewpoints on the communication with the acquirer

During the interviews some of the respondents admitted that much of the initial confusion had been resolved by a proper and timely communication from Tentec and Atlas Copco straight after the acquisition, and they did not see any reason to change supplier after this acquisition. This is in line with King & Taylor (2012) who stress that ensuring proper communication with the customers will reduce the probability that competitors take advantage of M&A deal by framing customer perceptions and attitudes. Meanwhile contrary answers from remaining respondents imply that Atlas Copco communication about the acquisition might have not reached every customer the way that acquirer intended. It also affirmed the concerns of the integration manager who suggested that instead of e-mails a video conference should have been organized to avoid the misinterpretation of written message.

Furthermore, the responses collected during the interviews hint that despite the fact that Atlas Copco has managed to reduce anxiety regarding brand, pricing, operations, people issues etc. by delivering a fast message, the communication process cannot be seen as complete as some of respondents still emphasize they would like to meet people from Atlas Copco in person to discuss the outlook of cooperation, which in turn indicates that the customers are not completely persuaded and would like to learn more about the long-term perspective. Customers' wish to meet the key people from Atlas Copco implies that delegating the most of communication to Tentec, might not have been the right decision and more involvement from acquirer is expected by the customers.

**Conclusion 7:** Findings suggest the communication by Atlas Copco regarding the fact of acquisition was communicated timely. Nevertheless, the content of the message was interpreted slightly differently by each customer, suggesting the communication was not enough comprehensive. Results also show that the uncertainty and confusion to large extent had been reduced in the short-term while concerns persisted regarding the long-run.

### 5.2.3. Perceived positive and negative aspects of the acquisition

*The following subsection discusses findings on different aspects of the acquisition perceived by customers as positive, negative or having no effect. These results are then compared to acquirer's perspective.*

#### **Positive**

Many M&A researchers among others including De Noble et al. (1988), Vancea (2011), Weber and Schweiger (1992) and Goh (2001) have widely studied cultural factors affecting M&A.

However, these studies discuss cultural aspects only between M&A parties. One of few authors addressing the cultural mismatches between acquirer and customer is Want (2003) who argues that cultural clashes can influence communication, which in turn has an effect on customer service. The present study finds support for Want's (2003) statement. For example, opinions towards the fact that Atlas Copco is a Swedish company, showed that customers were very satisfied with the acquirer's' country of origin as it was renowned for an excellent quality. Interviews indicated that if the acquirer would be a Chinese company or from another country with a lower reputation for quality, the customers would be more concerned about their future cooperation with the supplier because of fear about lower quality products and service. In this particular case key words turned out to be Sweden (associated in consumer minds with Swedish quality) which encourages thinking that the quality of Tentec will remain the same as it is now owned by a company from another European country respected for high quality. This undoubtedly was a positive outcome both for customers and Atlas Copco. However, it also suggested that strong cultural clashes might have been encountered if the background of the acquirer would not correspond to client expectations. Opinions shared by the customers were in line with one the positive aspects of acquisition mentioned by Atlas Copco representatives who emphasized that Atlas Copco as a high quality Swedish brand with a long history should be seen by the customers as an opportunity rather than a threat.

The present study did not confirm concerns that the distribution processes would become more complex after M&A as proposed by Koskinen and Hilmola (2008). Neither Atlas Copco nor Tentec interviewees mentioned any arisen or expected complications with distribution routines. Instead both sides were positive about Atlas Copco as a large player, being able to provide a wider market coverage that would contribute to faster and more efficient delivery and service lead times.

### **Negative**

The possibility that at some point in the future Atlas Copco will decide to sell Tentec products through its own sales channels, eliminating intermediaries was named as a dominating concern both by interviewed customers and Atlas Copco respondents. These findings once again confirm the results presented in earlier sections: the initial communication from acquirer had created the feeling of stability and security among customers only on a short-term basis. This is in line with Homburg & Bucerius (2005) who emphasize that a negligence or poor communication from the acquirer can create confusion and concerns among customers about the future cooperation in terms of prices, product and service quality, contact persons later in the PMI stage.

The review of previous studies dealing with human factors in M&A done in this thesis pointed out at a pattern of focusing solely on M&A partners (Vancea, 2011; Birkinshaw et al., 2000; Goh, 2001 and De Noble et al., 1988). Meanwhile one of few remarks about the effect of human issues

on customers is provided by Moorman (2008) who suggests that changes in sales personnel after M&A can harm the clients. Responses received affirmed that shifts in the sales staff in the acquired company is an important matter for the customers as most of them have been working with the same sales people from the Tentec for many years and over the time have developed a very good and effective cooperation, largely based on personal trust. Thus from the perspective of the customers, bringing new sales force from Tentec side may weaken the quality of cooperation at least in the short-run and thus is seen as a negative aspect of the acquisition. Findings from Atlas Copco interviews affirmed that the acquirer was aware of the possible negative impact of human factors on customer relationship. Nevertheless, Atlas Copco chose to make changes in sales personnel, arguing that in the long-term perspective this step would bring more value.

### **Neutral**

This study did not find any evidence of customers fearing to become the victims of this acquisition as these deals are said to reduce or eliminate competition, creating monopoly position for M&A parties (Barriger, 1968; Stillman, 1983; Feea & Thomas, 2004). Although Altas Copco gained a substantial competitive advantage by including Tentec tensioners in its portfolio of oil & gas and power generation maintenance tools, becoming the only provider of full portfolio in this industry, the customers of Atlas Copco and their end-customers still have a complete free will to choose all types of these products from other suppliers.

The intention of Atlas Copco to become a one-stop-shop for completely integrated services through mergers and acquisitions is in line with the theory proposed by Goldman et al. (2003) and Zofnass (1998) who suggest that the customers can turn out to be the real initiators of M&A. This, however, was not affirmed during the interviews with customers. None of them mentioned a need for supplier that provides a full portfolio. Rather there were given hints that it is good to have different suppliers as some of the products such as torque wrenches are very simple products and thus can be purchased from a lower quality producer while tensioners had to be purchased from a premium quality brand with an excellent reputation.

**Conclusion 8:** Both from the customer and acquirer's perspective cultural aspects and distribution processes were seen as the positive aspects of the acquisition, while the disruption of business cooperation and shifts in Tentec sales personnel dominated concerns expressed by customers. The study did not find any evidence of customers fearing to become the victims of this acquisition or seeing a benefit from Atlas Copco offering a full product portfolio in bolting solutions.

#### 5.2.4. Crucial factors in doing business with a supplier

As mentioned in the chapter 4, the findings discussed in this subsection attempts to identify possible sources of customer distraction, dissatisfaction and unwillingness to do business with the acquirer by comparing what factors are considered of crucial importance for both parties.

From the customer perspective the main pre-conditions for successful business cooperation with supplier among others include fast response to inquiries and product orders, quality, reliability and personal approach. Meanwhile central factors named by representatives of Atlas Copco include financial gain, reputational issues personal relationship and support.

As it can be seen from the answers, the key discrepancy in customer and acquirer perspective is the need for fast response (ranked as the top factor by all respondents). Even if Atlas Copco anticipates the fast response as an obvious hygiene factor, interview results suggest that acquirer's ability to guarantee fast reaction should be defined and communicated as a top priority. Otherwise customers may become anxious towards perceived deterioration in quality of service and eventually lose loyalty as predicted by Kato & Schoenberg (2012). Other success factors mentioned by both parties are pretty much aligned suggesting that the acquirer has a relatively good awareness of customer preferences.

**Conclusion 9:** Answers indicated a slight perception gap between acquirer and customer towards the significance of the fast response while other factors, named as important in successful business cooperation, matched.

#### 5.2.5. Customer openness towards new forms of cooperation

According to Öberg (2008) many acquirers fail to implement cross-selling and product replacement due to faulty assumptions about the extent of customer change avoidance. Interviews showed that customers were extremely cautious about the possibility to switch some of their existing suppliers to Atlas Copco brand. The respondents of Atlas Copco were not surprised about such reaction and explained it by the fact that the customers have a long-term relationship with the majority of their suppliers and it is more convenient to maintain status quo. Customers, however, emphasized the high costs of switching including reputational costs as the end-customers are likely to express confusion towards sudden swap of products. Secondly, their current suppliers were fulfilling all the existing criteria and thus were not subject to being abandoned. Finally, over the years the customers have developed strong, trust-based relationships with their suppliers which halted them to putt effort in building new relationship which was the only reason matching Atlas Copco perceptions. On the other hand, the findings suggested that the customers are open to negotiations, especially about adding new items to their product portfolio, affirming that from Atlas Copco perspective there remain opportunities for value creation.

**Conclusion 10:** While Atlas Copco representatives assumed that the long-term relationship was the main factor discouraging customers to swap suppliers, the results showed that there are also other strong counterarguments which could account for Atlas Copco's struggle to utilize cross-selling opportunities from squeezing out competitor products. In addition, results indicate that Atlas Copco should aim for offering customers products that currently are not in their portfolio.

## 6. Conclusions

*The following chapter provides concluding thoughts of this study. Firstly, a brief summary of the key findings is presented. Secondly, the contribution of this thesis is outlined, followed by practical implications. Finally limitations and suggestions for further research are drawn.*

The present thesis aimed to answer following research questions:

***Q1. "What issues are encountering the customers of Tentec after its acquisition by Atlas Copco?"***

***Q2. "How does Atlas Copco address Tentec customers in order to reduce the potential negative customer-side effects on the acquisition outcome?"***

### 6.1. Main findings

#### **Addressing the first research question**

The results suggest that the main issue encountered by Tentec customers after the acquisition is a high degree of uncertainty towards the nature and the continuity of business relationship with the acquired supplier. The findings indicate that the sense of uncertainty persists in the long-run even if reduced successfully immediately after the acquisition. These results provide support to two mutually contradicting studies by Watson (2007) and Homburg & Bucerius (2005), each attributing uncertainty as the key customer-issue to different M&A phases.

Findings show that the proper and timely communication plays an important role in reducing uncertainty, among customers affirming findings of King & Taylor (2012). However, the results also indicate that certain ways of delivering communication can easily lead to misinterpretation and hence fail to deliver the intended message.

The study did not find any indication of customers perceiving themselves or being perceived as victims of acquisition, confronting findings by Feea & Thomas (2004). The findings also do not confirm the results by Koskinen & Hilmola (2008), who suggested that the customers may suffer from an increased complexity of distribution following M&A transaction. However, the findings of the present study do not aim to challenge the validity of above mentioned studies, but rather point out which customer-related areas should be examined more thoroughly from various perspectives.

### **Addressing the second research question**

The present study portrays multiple approaches applied by Atlas Copco to address customer dimension and shows that Kotter's framework to certain extent can be applied in analysing processes and initiatives used by the acquirer. In contrast to studies by Anderson et al. (2001) and Homburg & Bucerius (2005) that emphasized the acquirer's negligence of customers during pre-acquisition phase, this paper shows that Atlas Copco accounted for customer-related risks by performing the analysis of key customers prior to acquisition and adjusting acquisition price accordingly. Moreover, results also evidenced that Atlas Copco was not able to perform an extensive customer assessment before the acquisition due to practical limitation such as confidentiality rather than unwillingness to pay attention to customer dimension. Being aware of high level of uncertainty faced by customers, the acquirer attempted to reduce it by delivering a fast and consistent message about the business outlook immediately after the acquisition, followed by direct customer visits later in PMI stage. Finally, Atlas Copco sought to create an additional value from the acquisition by attempting to explore cross-selling to newly acquired customers. Analysis of perceived crucial factors in doing business reveals some perception gaps between the acquirer and the customer which according to Kato & Schoenberg (2012) may hinder successful cooperation due to perceived deterioration in the quality of service.

### **6.2. Practical implications**

The findings of this thesis may provide some useful insights to companies involved in M&A. When taking decision about acquisition, the management of the acquiring company should take into account that they are exposed to customer loss following deal and thus adjust the acquisition price. Customer hesitation towards distributing Atlas Copco brands indicates that M&A parties should not assume the customer buying behaviour will change according to their cross-selling intentions. Findings also suggest that the customer doubts about the continuity of business relationship tend to persist in long-term implying that communication with customer is a continuous process and the acquiring company should be prepared to invest time and resources in delivering information that is interpreted in the right way and building mutually trustworthy relationships with the customers.

### 6.3. Limitations

As the present master thesis is developed within a limited scope and context, there may appear certain limitations that should be acknowledged.

#### **Objectivity**

Firstly, due to methodology applied (an exploratory qualitative research) the objectivity of findings can be easily questioned. It has to be acknowledged that the data collected might be biased as the interviewees were directly or indirectly related to the analysed acquisition transaction and hence, might be interested in disclosing or vice versa - not revealing certain information. Secondly, although it was emphasized that the researcher is a neutral party, it should be taken into account that the customers might perceive the author as Atlas Copco representative and thus give biased answers. Finally the thesis author's lack of expertise in industrial business might imply missing additional aspects and counter-explanations which would have been self-evident to the researcher with a relevant background.

#### **External validity**

As pointed out by (Denscombe, 2010), the case study method is most exposed to critique of the external validity. First, the customer sample was limited to the distributors of bolting solution industry acquisitions. Furthermore, the sample size consisting of five customers and four Atlas Copco representatives is relatively small and, given the constraints of arranging interviews outlined in the chapter 3, it is difficult to assess study's transferability. Therefore, the author acknowledges that the generalizability of the findings might be limited, especially when applying them to other industries.

### 6.4. Implications for further research

The exploratory nature and the limitations of the study point out several possible directions for further research.

1. Similar type of qualitative, exploratory research could be conducted with a larger sample of acquirers and customers, representing the same industry (bolting solutions) in order to test the validity of the findings of the present master thesis.
2. Future studies could examine different industries in order test if there exist industry specific customer-related issues and corresponding strategies to address them.
3. The present study identified some perception gaps between the acquirer and the acquired company and based on previous studies argued that the discrepancies in perceptions can cause customer dissatisfaction and have a negative impact on customer loyalty. Here interesting subject of research would be to test a hypothesis if the differences in perceived



crucial factors for successful business cooperation are correlated either with loss in existing customer base or overall M&A outcome.

4. Customer-related M&A studies should not be limited only to qualitative studies. For example, quantitative method could be used to test hypothesis whether those partner companies that consider and address customer dimension in pre and post M&A phases reach their M&A goals more often than the companies who overlook customer-related issues. Another variable to test for similar type of quantitative research would be the comparison of the customer retention rates following M&A transaction.
5. As this master thesis analyses rather specific case where the customer is not the end-user of the product, similar qualitative study could be repeated with a focus on effects of the acquisition on end-customers to map potential differences.
6. In the present paper the cultural and human issues encountered by acquirer and customers were touched upon briefly, without a deep analysis. Thus, another interesting subject for the further investigation could be to increase the understanding of the role of human and cultural aspects in acquirer-customer relationship.

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## Appendix

### Appendix I - Interview protocol with the customers

#### Cooperation with Tentec

1. How did you enter cooperation with Tentec? When?
2. Have you had other tensioning equipment supplier before? If yes, why did you switch?
3. Overall are you satisfied with doing business with Tentec? Has it met your expectations?
4. What is particularly good?
5. What can be improved?

#### Atlas Copco

1. Could you please describe in few sentences what do you know about Atlas Copco and how do you perceive the company in terms of reputation?
2. What was your initial reaction to the news that Tentec is acquired by Atlas Copco?
3. Have these perceptions changed at the moment?
4. Was the information about acquisition and way of doing business after it communicated fast enough (from Tentec and Atlas Copco side)? Was it understandable what will happen afterwards?
5. Have you marked any changes in way of cooperation with Tentec since the acquisition in November 2013?
6. In your opinion, what negative aspects (challenges, threats or complications) can this acquisition create for your business?
7. In your opinion, what positive aspects (business growth, better purchase prices) can this acquisition create for your business?
8. Does the fact that Atlas Copco is a Swedish company make any difference to you?
9. Does the fact that Atlas Copco is a relatively large company make any difference to you?
10. Have you already had any meeting with Atlas Copco representatives? If yes, how did it go?

### **Important factors in doing business with supplier**

1. What are the key factors that are important in order to do business with a supplier? Could you rank them if possible?
2. Do all your suppliers fulfill all the criteria that you mentioned as important?
3. Which criteria are most commonly unfulfilled?
4. Would you consider switching to another supplier if it fulfills those criteria?
5. Have you had situation when you broke a contract with a supplier because it did not meet your expectations? Which particular expectations?
6. When thinking about the cooperation with supplier, is the personal approach more acceptable for you or would you rather prefer receiving products and working on your own?
7. Are there any incentives from suppliers to your sales forces? (if you can reveal)
8. Do you measure the satisfaction levels of your clients? What is important for them?

### **Customer openness towards cooperation**

1. Are there any unaddressed needs that your suppliers do not offer, or you would like to see in future?
2. Have you considered adding new types of products to your portfolio? Can you name particular examples?

## **Appendix II - Interview protocol with Atlac Copco representatives**

### **Motives**

1. What were the core motives behind the acquisition of Tentec?

### **Perceived potential customer issues**

1. What in your opinion are the gains for Tentec distributors from this deal?
2. What in your opinion are the perceived and real negative aspects of this acquisition for Tentec distributors?
3. What in your opinion can hinder distributor to switch from competitor product of Atlas Copco to Atlas Copco.
4. Some distributors have expressed concern about being eliminated as Atlas Copco might do direct selling of Tentec products instead. Have you considered such option?

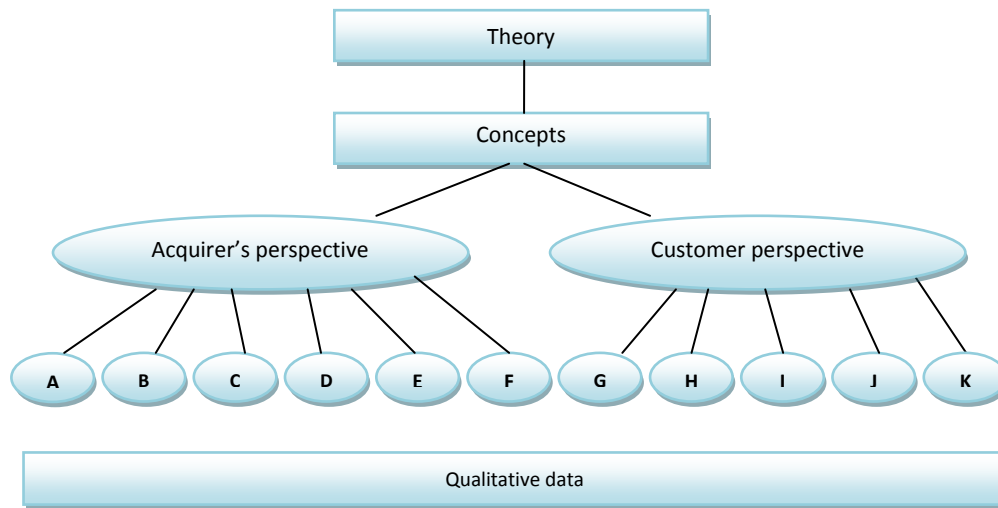
### **Response by Atlas Copco to customer-related issues**

1. Were the existing customers/distributors being analyzed or taken into consideration during
2. In pocket guide customers are not mentioned as important factor to consider. Any comments on that?
3. What initial reactions did AC as an acquirer company expect from distributors after the acquisition and how did it respond to them?
4. What is your action plan if a certain distributor says clear No?
5. According to theories and also findings obtained during my interviews customers encounter high degree of uncertainty after news about acquisition of their supplier. What in your opinion is the best way to deal with uncertainty in such situations?

### **Situation six months after the acquisition**

1. How is the negotiation process going so far? (Are you satisfied with the current results? Any lessons learned? What challenges if any have you encountered so far?)
2. Have you had any measurable improvements in Tentec business since the acquisition and is it possible to identify reasons for that?

### Appendix III – Categorizing



**Figure 3** *The structure of categorizing*

#### **Codes:**

**A:** Drivers behind the acquisition

**B:** Customer assessment before the acquisition

**C:** Perceived positive and negative aspects of the acquisition for the customers from Atlas Copco perspective

**D:** Perceived crucial factors in doing business with the customer

**E.:** Addressing the customer dimension after the acquisition

**F:** Situation six months after the acquisition

**G:** Sentiments towards the acquisition

**H:** Customer viewpoints on the communication with the acquirer

**I:** Perceived positive and negative aspects of the acquisition

**J:** Perceived crucial factors in doing business with suppliers

**K:** Customer openness towards new forms of cooperation