Competitive paper to the 22nd Annual IMP Conference
September 7-9, 2006 in Milan
General Track

Changing Network Pictures: The Evidence from Mergers & Acquisitions

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Abstract

Mergers and acquisitions (M&As) may cause dramatic changes in a business network which in turn affect managerial cognition as well as managerial activities. We use the concepts of 'network pictures' and 'networking' to illustrate and analyse changes in managerial sense-making and networking activities following an M&A. The paper focuses on the merging parties and those companies with which they have direct customer relationships. Based on three case studies comprising eight M&As, we show that managers may need to adapt their previous network pictures in a radical way following an M&A, but that these adaptations are not always realised as shifts in network pictures and adjustments in networking activities by all managers involved. Furthermore, whereas the merging parties' network pictures and networking activities are largely driven by their perception of customers' needs and developments, it is not certain that the M&As are enacted accordingly. The paper contributes to the understanding of M&As from a network perspective and to the conceptual interdependence of the constructs of network pictures and networking in a multi-actor situation.

Keywords: Network Pictures, Networking, Mergers & Acquisitions, Customer Relationship

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Introduction

Mergers and Acquisition (M&A) situations have the potential to dramatically remodel the strategic landscape in any business network. They constitute rapid and often a substantial change in the market characteristics, and therefore represent a managerial challenge with regard to routines and long-held views about how the business network works in practice. These views and routines have been described in the strategy and business-to-business marketing literature as specific sense-making constructs that guide managerial decision-making and actions. Cognitive maps, cognitive strategic groups, or network pictures are just some of the existent theories. These theories are positing a specific relationship of how managerial sense-making and cognition affects managers and companies in the way they 'see' their network environment, what options they perceive to be open to them, and what kind of strategic activities they decide to implement. Furthermore, through a feedback loop these cognitive constructs provide the schemata which will guide the sense-making of perceived market or network changes (e.g. because of actions of other organisations in the network, or because of third party activities that indirectly influence the network in question). Therefore, these cognitive constructs are the underlying explanatory concepts that allow researchers to understand the different meanings managers give to their social and business environment.

In the case of M&A, these cognitive maps or network pictures are in a state of flux: potentially, managers may find it important to adapt their network pictures dramatically, i.e. change the structures underpinning their sense-making in terms of new actors, new resource flows, new options, new power structures, etc. Ultimately, managers may find that a new 'network logic' has emerged after the M&A. This potential cognitive shift is true for all directly and indirectly involved companies and their managers. The managerial challenge is therefore about changing one's own cognitive map with a changing environment (i.e. the M&A situation), yet also to incorporate in this cognitive alignment the changing network pictures of other focal actors, in order to foster business (customer/supplier) relationships. Therefore, in this paper we will analyse how the singularity of an M&A situation changes network pictures and consequently network action (networking in Ford *et al.'s* 2003 terminology). We focus on specific business-to-business dyads that are directly implicated in the specific M&A situation: the merging companies on the one hand, and their respective direct customers on the other. This we call the 'focal network'. We also limit the relevant aspects regarding the network pictures and networking activities to those that directly affect business relationships within this focal network. While we specifically focus on networking activities post M&A, we also analyse the underlying network pictures and if/how they have changed. Consequently, we treat the networking activities as 'imprints' of the network pictures, i.e. as subjectified organisational responses to individual cognitive beliefs. Therefore, our specific research foci are embedded in the following research questions (RQs):

RQ_1: *How are a company's network pictures and their networking activities, vis-a-vis customers, affected by an M&A?*

RQ_2: *How are the customers' network pictures and their networking activities, vis-a-vis a merged supplier company, affected by the M&A situation?*

RQ_3: *Are there any relationships between how the customers network pictures and networking activities in a dyad changes, and how those of the merging companies are affected by the M&A situation?*

Our starting point for this argument will be a discussion of M&A situations and networks. We will then develop a specific analysis concept for our case study using a discussion of the constructs of network pictures and network activities (networking). We then introduce our case study methodology and analyse in more detail several M&A cases. In the conclusion section we compare and integrate these cases and draw some descriptive analytical deduction and develop propositions regarding the nature of network pictures in M&A situations.

Imprinting Structure: M&As and Networks

Business singularities such as M&A activities have been covered extensively in, for example, the organisational behaviour and the change management literature. However, in the literature on M&As, business relationships have been given limited attention (Anderson *et al*., 2003). Commonly, relationships are only referred to indirectly, and in terms of them being controllable by the merging parties; motives such as cost or revenue synergies, increased market share or market dominance (Trautwein, 1990; Walter and Barney, 1990; Larsson and Finkelstein, 1999) imply that the merging companies are able to steer the actions of others (e.g. acquired/merged companies as well as exchange partners). The embeddedness of actors has been principally recognised in the literature on those M&As that are related to a resource-dependence perspective (Pfeffer, 1972; Finkelstein, 1997), arguing that M&As appear to decrease dependence.

The traditional view on M&As has recently been challenged in works predominately related to the IMP tradition. Research has challenged whether business and customer relationships are transferable (Anderson *et al*., 2001) following an M&A, and furthermore has pinpointed how an M&A may lead to changes in the network (Havila and Salmi, 2000; Tunisini and Bocconcelli, 2005; Öberg and Holtström, 2005). Havila and Salmi (2000) point out how the new owner's trustworthiness and reputation, integration of companies, and intentions of the acquiring party may cause changes on a dyadic level with business partners. The interplay between the merging parties and the network is also recognised when considering how activities in the network affect the tendency to merge or acquire (Öberg and Holtström, 2005), and concerning how the integration is adjusted to the network rather than merely following a predefined plan (Tunisini and Bocconcelli, 2005). Much of this literature, in consequence, focuses on how M&As affect companies connected to the merging parties.

With regard to research in the traditional M&A literature, it has been shown that the merging parties do not always act as if they were part of a network (Anderson *et al*., 2000) and, furthermore, that some disruptions of relationships are intentional and driven by the merging parties (Havila and Salmi, 2000). Concepts of position (Mattsson, 2000) and role (Anderson *et al*., 2000) are used to describe how the merging parties aim at strengthening the company *vis-à-vis* other actors or seeks new options in how they act in the network.

Imprinting Action: Network Pictures and Networking

Two pivotal concepts provide our argument with an underpinning foundation in network theory: 'network pictures' as the idiosyncratic and subjective sense-making devices germane to individual managers (Möller and Halinen, 1999; Ford *et al*., 2003; Holmen and Pedersen, 2003), and networking activities ('networking') as the strategic marketing options and resulting activities with which managers and organisations try to interact with and influence their environment (Anderson *et al.*, 1994; Ford *et al*., 1998; Håkansson and Ford, 2002; Mouzas and Naudé, 2006). Furthermore, the relationships between these two constructs underpin our analysis. In the following, we will succinctly describe these constructs by focusing primarily on the IMP literature, whilst complementary sources from strategic management and organisation behaviour are also used.

Network pictures represent the subjective idiosyncratic sense-making of what is important to managers, their company and their task with regard to the complex network within which the company is embedded (Ford *et al*., 2003). This includes relevant actors, their characteristics and interactions, power positions, resource flows and also the overall 'logic' of the industry and the all-embracing value-creating system (Henneberg *et al.*, 2006). As such, this is similar to concepts of cognitive maps or cognitive strategic groups in organisational behaviour and the strategy literature. Using psychological concepts of cyclical cognition introduced by Neisser (1976) and Asch (1954), these network pictures are influencing or directing 'networking', i.e. the option-set of activities that individual actors believe is available to them, as well as decision-making and consequently implementation of certain marketing activities (see Figure 1). It has to be stated that decisions-making and decision implementation is usually a social activity within a company, i.e. multi-actor. As such, the social amalgamation and resolution of overlapping or conflicting individual network pictures for decision-making purposes, is the first step towards a ‘subjectification’ of certain belief systems. As such, this does not represent a reification of the organisation as an actor, but a characterisation of the construct of networking activities as a first step towards an ‘objectification’ (Weick and Roberts, 1993).

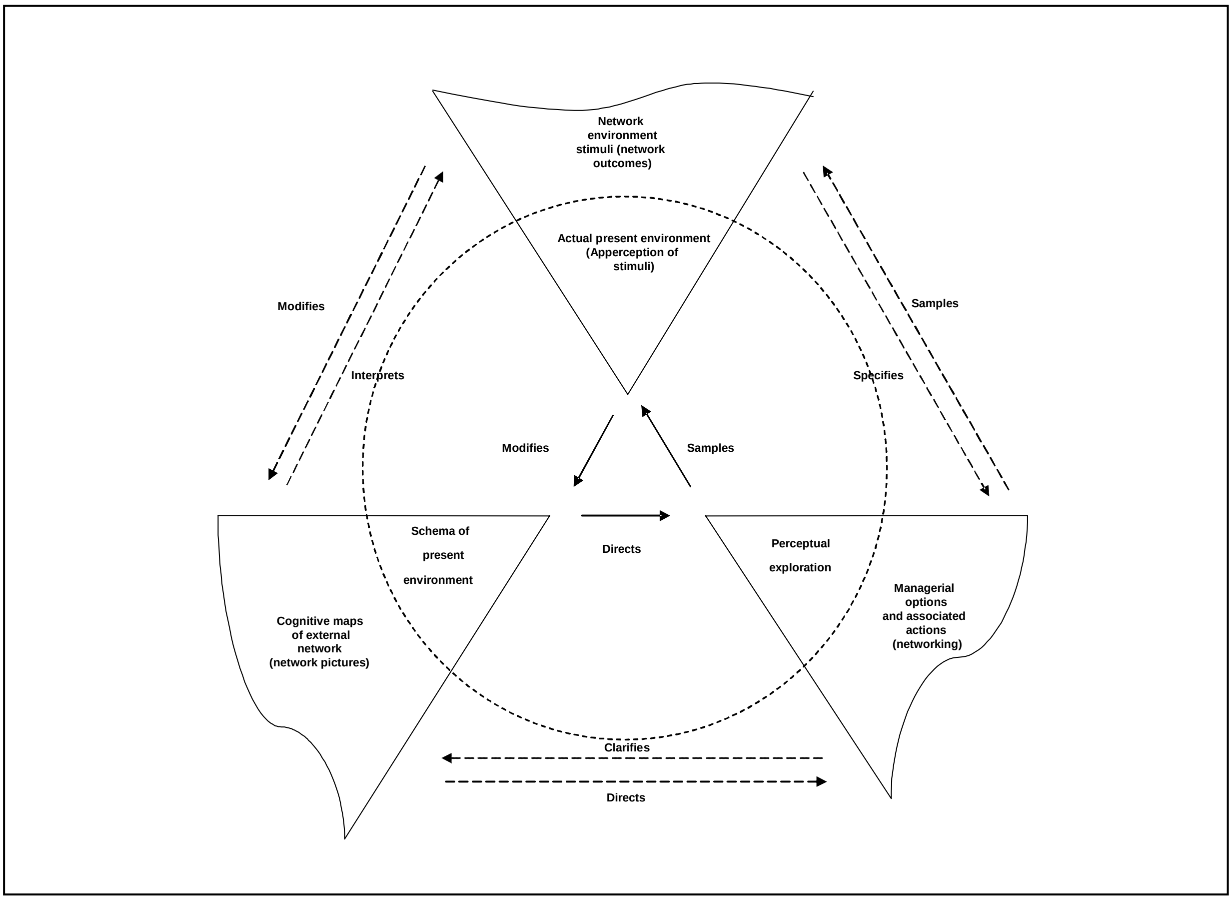

Figure 1: Network Pictures in the Cognitive Cycle (Rohrmus and Henneberg, 2006; adapted from Neisser, 1976 and Ford *et al.*, 2003)

Networking is a means of sampling the network reality. The results are certain ‘network outcomes’, i.e. perceived (re-)actions by other players and forces that make up the network. Network outcomes are interpreted using the sense-making schemata embedded in network pictures. However, network outcomes can also provide new information that modifies network pictures and consequently networking options. An M&A situation is a dramatic network outcome that can radically impact on the composition of the subjective network pictures held by all participants’ within a network.

Networking therefore ultimately manifests itself in the activities that a company chooses to implement. This can also include unintentional activities or non-activities (e.g. not informing a key account company that billing processes have changed by the selling company). Furthermore, network pictures also manifest themselves in organisational structures that impact on networking activities: sales force visit schedules, budget allocations, sales incentive systems, organisational restructuring around KAM/Key Buyer Management, or Key Performance Indicator trees are some examples of this. Networking is therefore an ‘imprint’ of network pictures; it is the outflow of certain subjective sense-making activities. Thus, one can analyse networking activities as an indicator for underlying network pictures, and therefore one can also interpret changing networking activities as representing a change in the underlying belief systems of actors’.

For the purpose of the case analyses of this study, we will focus on specific aspects of the network pictures of core dyadic actors related to the M&A situation, as well as to their networking activities and the changes over time. We utilise experiences of empirically analysing manifold network pictures (Henneberg *et al*., 2006) and strategically important seller-customer relationships (Mouzas *et al*., 2007) and focus on the following aspects of network pictures and networking (see Table 1):

Construct	Variables for Case Analysis
Network Pictures	Actors included (e.g. suppliers/customers, competitors, alternative exchange partners)
	Activities (exchange and interaction characteristics)
	Resources (organisational competences, offering characteristics, relational and contract elements)
	Network boundaries (inclusion/exclusion of actors)
	Network power (actors' perceived influence on each other)
	Network centre/periphery composition
Networking	Strategic options proposed or implemented/strategic orientation regarding focal exchange network
	Exchange structures that are enacted
	New exchanges that are instigated/existing exchanges that are discontinued
	Value and risk in exchange relationships
	Trust and reliance (contract) developments

Table 1: Main Constructs and Variables for Case Analysis

Network Pictures

With regard to our description and the comparative case analysis of network pictures, the focus will be on the relevant actors that managers include in their network pictures, especially with regard to the influences of competitors and alternative exchange partners (e.g. new customers). Furthermore, the specifics of the exchange and interaction characteristics and the relevant resources to make these exchanges happen drawn upon, e.g. what managers understand to be the core exchanges and their enablers. Resources that companies need in order to exploit business opportunities are often not available in a concentrated form; they are dispersed and reside with other organizations. Companies can gain access to these resources though networking. However, we assume that inherent business opportunities, which organizations exploit, can only be identified if organizations are specifically prepared for them (Denrell *et al.,* 2003). The challenge of accessing new, valuable resources, which are dispersed in an organization's surrounding network, requires however, a deep insight into what is feasible (Mouzas *et al*., 2004). This insight is grounded in the network pictures and enacted in networking which includes managerial activities embedded in exchanges (Spender, 1998). Furthermore, the structure of the network picture is characterised by the boundaries of the network managers' understanding of the relative power and the position of different players in the network (Henneberg *et al.,* 2006).

Networking

With regard to the construct of networking, the strategic activity-set that is perceived to be open to a company, or that is enacted, will be one of the main characteristics analysed. This will also comprise activities to instigate new exchanges, and also the termination of existing exchange relationships. Furthermore, value-flows e.g. value creation as well as appropriation through exchanges and the specific trust and reliance aspects of the enacted relationships, are used as conceptual tools to make sense of network pictures and networking.

Research Method

Our study adopts a case study approach as the primary research method in the context of exchange relationships among companies (Eisenhardt, 1989; Tsoukas, 1989; Pettigrew, 1990; Orlikowski, 1992; Yin 1994; Easton, 1995; Halinen and Törnoos, 2005). This method incorporates an emphasis on the changing nature of cognitive maps or network pictures as well as networking activities through M&As. We are especially interested in describing and explaining the emerging post-M&A 'network logic' embedded in the sense-making of the focal exchange partners. This new logic represents a cognitive shift among all directly and indirectly affected managers and their companies.

We concentrate our case studies on the focal relationships between companies that merge or acquire each other on the one hand, and their respective customers on the other. Therefore, the focal network are the dyads between two or more companies (A and B in Figure 2) and their customers before an M&A occurs (I to IV), and the newly created M&A entity (A&B) and their customers after the event (I to V).

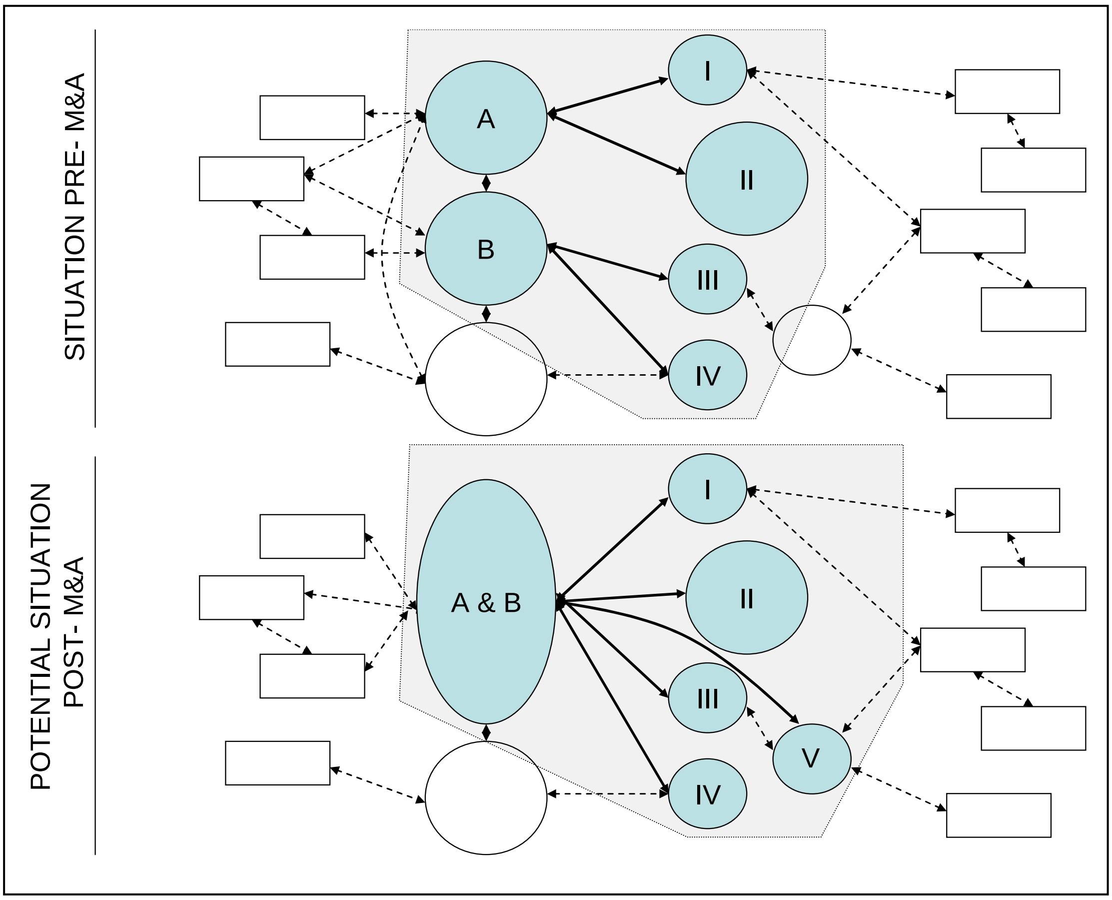

Figure 2: Schematic Presentation of Network Situation Pre-/Post-M&A (Grey Areas Represent the Relevant Network Focus of this Study)

Over the field study period, forty-five interviews were conducted within seventeen organizations. It included senior managers such as CEOs and sales, market and purchase managers. These are described in three case studies below, each including M&A events within one specific focal network. Data analysis involved critical examination, evaluation, categorization, and recombination of the empirical evidence collected to address the research phenomenon of changing network pictures (Glaser and Strauss, 1967; Strauss and Corbin, 1998). As a sense-making and focusing tool, we use the above-described variables (see

Table 1) regarding network pictures and networking activities. Our particular attention concentrated on the effort to analyse how the singularity of each M&A situation changed the underlying cognitive maps (network pictures), and, thereby, how the alternate network pictures impacted on the subsequent network action on the customer as well as the M&A part of the focal network. Although our approach to data collection was empirically grounded and focused on M&A actions, data analysis focused on the interplay between the observed M&A activities (and their underlying network pictures) and a number of theoretical propositions which were used as conceptual tools. Our theoretical concepts used, were the product of identifying knowledge gaps in the literature, and our initial empirical observation of managers' cognitive maps, including M&A activities. Using various conceptual tools, our primary goal in data analysis was to link the theoretical knowledge of network pictures and networking constructs with the empirical observations of M&A activities. An essential part of this process is referred to as 'casing'. Following Ragin's (1992) depiction: "…*casing is an essential part of the process of producing theoretically structured descriptions of social life and of using empirical evidence to articulate theories…By limiting the empirical world in different ways, it is possible to connect it to theoretical ideas that are general, imprecise, but dynamic verbal statements*" (225).

Three Case Studies

In the following, we will initially describe three different and independent cases, focusing on the developments within the focal network. All cases have been sanitised. Each case study consists of several M&A activities.

Peach & Co

Peach & Co is a manufacturer of warehouse trucks. Historically, the company had a strong local focus in a small industrial community. Starting in the 1960s, the company expanded internationally, but remained largely a local actor in the minds of employees. In the late 1990s, the company made two major acquisitions: Guava Ltd and Fig Partners. However, the merged companies were acquired shortly thereafter by the leading industrial conglomerate Banana Industries.

These acquisitions occurred in a time of consolidation in the truck industry, and were largely perceived by all players as a response to M&A activities among competitors and changes among customers. Specifically, the acquisition of Guava Ltd aimed at meeting a trend of globalisation and centralised procurement routines among customers. With its focus on warehouse trucks, Peach & Co's customer base largely consisted of logistics and consumer goods companies. Several customer companies had established or acquired businesses in North America, and Peach & Co searched for alternatives to create a strong position in the US market. At the end of the 1990s, Guava Ltd, a major player in warehouse trucks in the US, was put up for sale, and Peach & Co grasped the opportunity. Following the acquisition, the new company (called Peach & Co but also using the Guava Ltd brand in some countries) became a market leader in warehouse trucks. While using this improved positioning as a way to market the company, little efforts were placed on actually integrating the two companies. The decision not to integrate manufacturing and construction with Guava Ltd was driven by a perceived difference in customer preferences. Organisationally, Peach & Co established a new layer in its sales organisation – specifically, International Key Account Managers, in order to meet customers' centralised purchasing and international agreements. Following the acquisition, Peach & Co managed to win a deal with a global customer, but most Guava and Peach & Co customers did not notice any changes with their suppliers and few truly *global* agreements were signed since. Through the non-integration strategy, Guava Ltd largely remained an independent company in the group, and customers interested in international agreements perceive that Peach & Co has difficulties steering its US subsidiary and that Guava Ltd placed low emphasis on marketing their products to American customers included in general agreements.

Centralised procurement and a preference for signing general agreements, whilst also a consolidation wave among competitors, attracts attention to another development in the truck industry. While Peach & Co was now the market leader in warehouse trucks, several competitors had acquired companies in a related truck segment and offered both warehouse and counterbalanced trucks ('one stop shopping'). These segments only overlap slightly in terms of customers, but Peach & Co perceived that they lost deals to competitors as they could not offer counterbalanced trucks. The search for ways to reach this segment began, and co-operation discussions were held with Banana Industries. Banana Industries sold counterbalanced trucks through independent dealers, and these strongly opposed any delivery of counterbalanced trucks to Peach & Co. The result of the discussions with Banana Industries was that Peach would provide Banana with warehouse trucks, but Peach would not be provided with counterbalanced trucks from Banana. Instead, Peach & Co turned to its co-operation partner in a European market, Fig Partners. Peach & Co acquired Fig Partners in two steps (1999 and 2000), which was also a consequence of the perceived risk of losing this co-operation partner to a competitor.

Almost simultaneously with Peach's final acquisition of Fig Partners, Peach & Co found itself being acquired; Banana Industries bought Peach in 2000. Through the acquisition, a very strong actor in the truck industry was created, but with some exceptions on local markets, Banana Industries continuously refused to provide Peach & Co with counterbalanced trucks. A strategy of two brands, two channels was developed. This strategy could also be related to Banana Industries' perception of customers as reluctant to change.

The strong reputation of Banana somewhat spilled over on Peach & Co, but the new ownership constellation also caused some confusion among customers. While now owned by Banana Industries, Peach & Co continued to introduce Fig Partners trucks to its customers. Some customers were perceived to be suspicious towards the unfamiliar, European supplier (Fig Partners). On some geographical markets, Peach & Co had already been selling counterbalanced trucks prior to the acquisition of Fig Partners. In Eastern Europe, the acquisition of Fig meant that Plum Ltd, another counterbalance truck brand, was exchanged with Fig Partners. In Peach & Co's home market, Sweden, Strawberry Allied trucks were initially exchanged with Peach-branded Fig trucks, to shortly thereafter being replaced with Banana Industries-branded trucks. The introduction of Banana Industries trucks on the Swedish market was a result of Peach's main competitor, Coconut Industries, being Banana Industries general agent in Sweden. Coconut Industries did not want to continue as the general agent as this would mean contributing to the revenues of the owner of its strongest competitor. Customers perceived this as a turbulent time. The confusion among customers made Peach & Co lose many contracts to competitors. For customers acting on several geographical markets, the set up meant that separate contracts had to be signed with Peach and Banana, and some of these customers had expected more of the acquisition in term of supplier integration. On the other hand, the acquisitions transferred Peach & Co in the staff's mind from a company with a strong base in one small industrial community, to becoming an international player. Contacts with, for example, suppliers became more formalised. The development among customers has led to a situation where price has increased in importance. The differences between different suppliers of trucks decreased and centralised procurement agreements have made the customers a stronger party. The similarities between different trucks also enable easier shifts between different suppliers. Whereas centralised contracts have increased in importance and many customers have decided to focus on fewer brands, customers also choose to sign contracts with two or three suppliers.

WillowOak

With its roots in a co-operation between an IT-provider and public real estate companies, Willow Inc was founded in the middle 1990s. Willow was a one-product company, whose product, an electronic billing system (i.e. a system for processing invoices from suppliers electronically), was originally developed for a co-operative building society. However, the owners of Willow Inc saw the potential to sell the product in a wider context. Electronic billing systems were at that time not widely known, no competitors existed and much of the efforts to attract new customers were placed on *missionising* the very idea. With a background in the real estate industry, a majority of the early customers was found in this sector. Willow Inc remained a small, privately held company with a customer base amounting to fifteen companies during the second half of the 1990s.

In 1999, Willow Inc was acquired by Oak Docs, an IT-company also serving real estate companies. The acquirer saw the potential of selling Willow Inc's product to its customers (under the Oak brand). Therefore, Willow became a subsidiary of Oak (called WillowOak). Sales of Willow and Oak products were performed through separate sales persons, and as previous contacts were kept, few customers initially saw the acquisition as anything more than a change of company and brand name. The acquisition meant that WillowOak was given the financial resource to develop and market its product. Following the acquisition, WillowOak started expanding. The initial expansion was considered positive by WillowOak's customers, but as the growth of the company accelerated, several customers experienced decreased attention and quality of work. Some of the flexibility of the small company was lost. At the time of the acquisition, about ten different companies competed with different solutions for electronic billing systems, and the number of users of electronic billing steadily grew. More than a third of Oak Docs existing customers came to install the Willow electronic billing system. The product also spread to other industry sectors, and WillowOak became the market leader in its home market. WillowOak's product was originally customer specific built on a Lotus Notes platform. As Lotus Notes lost ground in the market, some of WillowOak's customers started looking for alternative billing systems.

Shortly after the acquisition of Willow Inc, Oak Docs acquired some other companies at a rapid pace. The rumour of the owner spending too much money and running into deep debt and cash-flow problems spread to some customers, while others remained ignorant. The rumours escalated following a time of questionable accounting practices and continued re-organisation at Oak Docs. The staff of Oak felt more loyal towards customers than towards the owner, and informed customers about the on-going situation. WillowOak had difficulties to attract new customers and also lost some of their present customers. In 2002, the financial difficulties had grown so severe that Oak Docs was liquidated. However, the liquidator, and also most of the remaining customers, realised that WillowOak still held a healthy customer base, and that therefore the business of the company could continue one way or the other.

The assets of WillowOak were finally acquired by Pine Bros. Pine is a Scandinavian company and the market leader in electronic invoicing in its country of origin. As the company was a pioneer in this specific market, the company set the standard for electronic billing systems there; and few competitors existed in its home market. The company had also been established in Oak's home market since 2000, when it acquired a small IT-consulting company. At the time of the acquisition of WillowOak, few of WillowOak's customers knew about Pine Bros as a company, and the main motive for Pine was to create a strong position in WillowOak's home market through the acquisition. The risk of WillowOak being acquired by a competitor and thus creating a stronger actor also made the acquisition important for Pine Bros.

As the personal contacts initially remained the same, the customers did not perceive any changes following the acquisition. When Pine Bros, half a year later, announced that WillowOak's product would be replaced with a Pine product, this affected the relationships with WillowOak's customers in two ways; firstly, customers started investigating alternatives to Pine, and secondly those who had worked collaboratively on the development of a new version of WillowOak's product decided to leave this relationship.

While Pine Bros had the advantage of development on an alternative platform than Lotus Notes, and as the company had dominated its home market, less effort had been placed on refining the product, and many customers saw the shift to Pine products as a regressive step. All development of the product is made in one home market, and as the product was standardised, customers perceived that they could not influence the product as much as they had done with WillowOak. New versions of the product were also postponed several times. Taken together, this meant that some customers started questioning the new owner's strategy, and while sixty per cent of the previous WillowOak customers upgraded to Pine, twenty per cent decided to choose an alternative. The remaining twenty per cent have stayed with WillowOak's product and have not yet decided about their next steps. Pine Bros managed to maintain WillowOak's position as a market leader in their home market, and as such, become the preferred option for some customers.

Tiger SA

The Scandinavian IT-company Tiger SA was founded in 1985 as a sales company, jointly owned by two principal Scandinavian industrial conglomerates, Wolf and Bear. The company's main product Scriptum was a forerunner in the field of e-mailing and came to be the dominating e-mail system during the second half of the 1980s. At times, the customer base consisted of eighty of the hundred largest Nordic companies. This customer base also made Tiger SA an attractive target for M&As.

Scriptum was originally developed by Wolf Data as a system for intra-company communication. As the product spread to other companies, the idea evolved to allow communication between companies. A joint venture was established to accomplish this, and ScriptumWeb was launched. Being a forerunner in the field of e-mail systems meant that no standard was set for electronic messages, and few competitors existed. From the customers' point of view, Scriptum was considered *the* product for electronic messages.

In the early 1990s, competition grew and as new actors entered the field. Safe-guarding of the various actors' special technical capabilities hindered communication between different systems. The development in the IT-sector as a whole also pointed towards a shift from mainframe to PC-solutions. Scriptum was built as a mainframe solution, and as competition grew and several of the new e-mail products were presented in a PC-environment, Scriptum became degraded from its previously dominating position to an e-mail solution. At the time, it was common that one company used several different e-mail solutions.

In 1992, Tiger SA was acquired by Elephant & Co. The strategic aim of the acquisition was to exploit Tiger's customer base and bundle Elephant's consulting services with Tiger's product. This bundling largely failed as few of Tiger's customers bought consulting services from Elephant & Co. In the minds of customers, the two companies largely remained two separate actors. A lesser focus on Tiger's product Scriptum, combined with the development in the market for e-mail solutions, caused a standstill in revenue for Tiger SA. As Elephant & Co faced profitability problems in the middle 1990s, the group decided to divest the majority of its shares in Tiger and list the company on the stock exchange. The listing led to a spread in ownership, board members following different agendas, and less focus being placed on the long-term development of Tiger SA. The company started showing losses, and was condemned in the media as a company which had lagged behind and lost the race against other e-mail solutions. The competitors were fewer, but those who remained had become stronger; Internet users were given free access to send e-mails, and free e-mail systems were included in Windows. With e-mail solutions moving towards a standard, several customers decided to concentrate on one single e-mail system for their entire company. Scriptum was no longer considered the first option, and several companies, including the previous owners Wolf and Bear, left Scriptum in the second-half of the 1990s. Tiger SA was no longer considered big enough to remain an independent company, and following a search for new partners, the company was acquired by Ostrich Tech in 1998. Following the delisting from the stock exchange, Tiger was merged into Ostrich Tech. Ostrich's motive was to replace Scriptum with a product that Ostrich was a general agent for in the Nordic market. As Tiger also had customers outside the Nordic countries, Ostrich Tech came to violate its rights as it also tried to market its product outside the Nordic countries. Consequently, in combination with other activities, the company's reputation was badly hurt. Tiger, now part of Ostrich Tech, found itself in a situation where the company continued to lose customers. To minimise the impact of Ostrich's actions, the staff of Tiger tried to maintain its relations with their customers. The replacement of Scriptum with Ostrich Tech products failed, as these products did not fulfil the same needs. With an aging product and the deterioration of Ostrich Tech's reputation, few new customers were won, and Tiger lost a majority of its previous customers. In 2000, it all came to an end as Ostrich Tech was declared bankrupt. The remaining revenues of Tiger could not carry the costs of the group, Ostrich Tech had lost its previous general agent contract and following the negative reputation, Ostrich's owner realised that the company was not saleable.

The assets of Tiger were shortly thereafter acquired by Emu Tech Group. Those customers who had remained with Tiger following the bankruptcy did so as the remaining customer base still vouched for a continued existence of the company. The customers of Tiger were once again the key motive for the acquisition by Emu. In a time of bursting IT-bubbles, customers' perception of IT-companies changed, from the IT-companies setting the rules to that of customers being in charge. As the new owner started showing losses, Tiger's survival was questioned again by customers, and the company continued to lose customers after the acquisition. The main business of Tiger today consists of maintaining its remaining, and decreasing, customer base.

Case Analysis and Integration of Findings

The three rich case studies provide the input data for a juxtaposition with the underlying theoretical constructs. As a combined case study analysis, special emphasis is given to a comparison of pre- and post-M&A situations. Table 2 provides an overview and integration of some of the principal findings.

Network pictures	**Case study 1: Peach & Co**	**Case study 2: WillowOak**	**Case study 3: Tiger SA**
Actors	• Customers & competitors as drivers for M&As • Merging actors perceived as separate units following M&A • Higher expectations on integration than realised	• Oak perceives Willow as a new product line for existing customers • Pine Bros perceives Willow as a gate to new geographical market • Customers perceive Pine Bros as new actor that needs to be re-evaluated	• Customer base as M&A rationale • Fail to recognise the existence of competitors • Customers see acquiring companies as new actors
Activities	• Globalisation, centralised procurement & 'one stop shopping' among customers as M&A motive • Post-M&A 'internationalised' activities not realised	• Supplementing existing portfolio (Oak Doc) • Internationalisation of acquirer (Pine Bros)	• Elephant aimed at selling consultancy to Tiger's customers • Ostrich aimed at replacing Tiger's product
Resources/key competences	• Geographic coverage; product line	• Product line; geographic coverage/customer base	• Customer base
Network boundaries	• Need to expand boundaries	• Oak acts within its existing network boundaries • Pine Bros moves beyond network boundaries	• Enlargement of network boundaries
Network power	• Perception of shift of power to customers	• Oak Doc's financial strength • Pine Bros market leadership	• Competitors becoming increasingly powerful • IT-companies becoming weaker
Network centre/periphery	• Fear of possible drifting to periphery	• Willow becoming more centralised • Pine Bros aims at moving towards the centre	• Tiger moves towards the periphery
Networking			
Strategic options	• M&A as a result to changed network pictures • Options: A) internationalisation, B) improved product portfolio	• Grow the business with existing customers • Use Willow as a new product sold to new customers • New customers (Pine Bros)	• M&As to gain new customers for existing products • Enlarge portfolio (Elephant) or replace (Ostrich)
Enacted exchanges	• No internal integration • Two brands, two channels strategy	• Willow is acquired by Oak Doc • Oak Doc faced post-M&A crisis/liquidation • Pine Bros acquires Willow	• Elephant attempts to bundle products with no success • Ostrich attempts to exchange products with no success
New/discontinued exchanges	• Continuation of business as usual • Few new global accounts	• Willow's services are sold to Oak Doc's customers • Pine Bros replaces Willow's products, leads	• Loss of customers • Few (none) sales of acquirers' products to Tiger's customers

		to a partial loss of customers	
Value & risk	• Provide customers with new products • M&A based on risk avoidance	• Improved portfolio • New market • Willow's customers start to question their loyalty to Pine Bros	• Value envisaged was not materialised • Loss of customers
Trust & reliance	• Formal agreements • Reliance based on contracts • Multiple supplier strategy by customers (trust portfolio)	• Reliance based on contracts • Pine Bros customers however see the product as new	• Ostrich 's and Emu's trustworthiness is questioned • Interpersonal trust towards Tiger's staff

Table 2: Case Analysis

Changing Network Pictures and M&A as Networking

In all three case studies the network picture of most actors in the focal network (suppliers intending an M&A, as well as their customers) changed to some extent, influenced by an enacted M&A activity. This is in line with theoretical expectations regarding the dynamics of network pictures. However, this change was more pronounced in the case of the customers as they reacted to what they perceived to be a major shift in network composition by the M&A activity. On the other hand, the M&A companies based their activity of merging/acquiring on a specific network picture and the resulting networking options that they perceived, and therefore had less need to change their network pictures post-M&A situation. However, in general all parties involved in the network (customers and suppliers, i.e. M&A companies) perceived an M&A situation as a crucial networking activity that caused them to reassess how they perceive the embedding network as well as specific business relationships; how they position themselves strategically in it; and how they consequently react to it by changing their mental maps and their perceptions of networking options. While the M&A activity directly represented a networking activity for the involved supplier companies, it represents an indirect networking activity for the customers as they perceive the M&A as a network outcome that modifies their network pictures (and subsequently their networking options). This modification of customer's network pictures was for example clearly visible in the reaction of WillowOak's customers to the acquisition of Willow by Oak Docs: it meant that customers initially positively perceived the offering as being backed by more financial resources, higher new product development rates, and a general expansion of the penetration rate of the product in the market. In the case of Ostrich' acquisition of Tiger, and to some extent Emu's acquisition of Tiger, the actions of the acquirer negatively impacted customers' perception of Tiger, although this was mitigated by a continuous inter-personal trust relationships with employees of Tiger.

Network Picture Composition

With an M&A activity, network pictures are changed with regard to the number of relevant actors: while customers expect to see a reduction (i.e. by two merging suppliers), many of the case examples for suppliers causes the network pictures to include new customers (e.g. via a an enlargement of the market description beyond home market and into international territory as in the Peach & Co and Pine Bros' acquisition of WillowOak cases). In the WillowOak case this also includes spanning industries beyond real estate players as potentially new exchange partners are becoming embedded in the new network pictures. In Elephant's and Ostrich's acquisition of Tiger, Tiger's customers were expected to become part of the acquirers' customer base. Customers perceived most changes to relate to their expectations regarding activities and resources, i.e. in the Peach & Co case regarding global sourcing and centralised (key account) marketing and sales routines that they anticipated to see implemented in the new companies after the Guava acquisition and the Banana Industries take-over. In the cases of Pine Bros acquisition of WillowOak and Elephant's and Ostrich's acquisitions of Tiger, the acquiring companies' expectations regarding customers' reactions were instead overrated; the customers did not see any value in the bundling or replacement of products. Related to this is the anticipated shift in positions of power embedded in network pictures from suppliers to customers as seen in the Peach & Co case (in fact, this is one of the reasons for M&As to be considered as viable networking options to react to such a trend). However, in the WillowOak case the emergence of a major player (Pine Bros) on the supplier side, changes network pictures regarding the power positions in favour of the supplying companies.

Linked to this is the issue of network picture perceptions regarding one's own position within the network, in terms of centre and periphery. Networking options in the case of Peach & Co were directed by their perception that they are drifting to the periphery because they cannot offer a rounded supply offering (in this case by providing also counterbalanced trucks). This perception was also founded by the knowledge that such integrated offering existed in other parts of the network (i.e. through other supply competitors). Therefore, Peach developed hectic networking activities regarding strategic alliances with Banana and acquisition of Fig Partners as a consequence. Similarly, Tiger SA started drifting towards periphery as customers abandoned Scriptum for other e-mail solutions. In the case of Tiger, this centrifugal force intensified the need for a new owner or partner, and as a result Tiger was acquired by Ostrich. In the case of WillowOak, Oak Doc's acquisition initially gave WillowOak the strength to become a central actor in electronic billing systems, and Pine Bros' internationalisation process including the acquisition of WillowOak aimed at moving Pine Bros towards the centre.

Network Pictures Directing Networking

An analysis of the interplay of networking (primarily the M&A activity itself, secondarily the networking reaction by customers to it) provides valuable insight into the dynamics of the managerial cognition in networks and the enactment process in business networks. It shows that although supplier network pictures and the resulting networking options that they are considering, are to a large extent driven by an anticipation of customer needs and developments; this does not necessarily mean that the enacted networking activity (M&A) is managed accordingly: while Peach believed acquisitions would allow them to serve customer needs in terms of global sourcing, integrative processes, and enlarged product portfolio better, it subsequently implemented two brand/two channel strategies (e.g. in the Guava acquisition, exemplified in the problems with the US subsidiary). Similarly, mixed signals were sent out after Banana Industries acquired Peach (also because of contractual problems relating to a competitor, Coconut Industries). Therefore, customers were puzzled about the newly formed entities and could not perceive a viable rationale for the M&A networking activities. While they had high expectations of the new companies and their offerings/processes, in terms of new value creation (expectations that are embedded in the customers' changed network pictures), the networking activities by Peach and later Banana Industries, did not match the potential. Decreased satisfaction and loss of customers resulted, together with a lack of attracting new customers. Therefore, the networking activity of the M&A was perceived as a strategic signal by customers that was never followed up by specific networking activities that delivered on the (implicit) promises made by this signal. In the case of WillowOak and Tiger, the attempted replacement of products was perceived by customers as an indication to re-evaluate the supplier. Whereas the bundling of products was successful after Oak Doc's acquisition of Willow, it did not succeed for Elephant or Emu in the Tiger case. In the example of OakDoc's acquisition, the product that was added was new to most customers and consequently did not compete with established supplier relationships. The product was also closely related to the acquirer's product.

Network Picture Inertia

It has been noted above that while network pictures change in M&A situations on the supplier side as an antecedent to networking, and on the customer side as a consequence of M&A activities as perceived network outcomes, we have also found that some of the post-M&A activities of the supplier side do not follow (i.e. are imperfectly directed by) the network pictures that instigated the M&A activity in the first place. While this empirical finding initially contradicts the expected dynamics of network pictures and networking activities, we proposed an alternative model to explain this phenomenon: The supplier's decision to merge with or acquire another company is normally a strategic decision that is made on the level of CEO and/or Board of Directors. Their Top Management Teams' (TMT) network pictures are driving the decision of M&A as a viable networking option. The TMT network pictures therefore already incorporate a specific expectation about what key exchange partners want and how they will change their business relationships, and link these expectations to the M&A decision. While it may be that these expectations are correct and the customers indeed positively perceive and expect certain changes as the outcome of an M&A (as in the Peach & Co case), the TMT network pictures may not be the relevant cognitive maps that impact on the operational networking activities in terms of making the M&A happen. Implementing the operational aspects of the M&A on the supplier side is the remit of lower-level hierarchies, and often this includes managers from the acquired company with an interest in securing their position in the newly formed company. We proffer that these managers are influenced by 'traditional' network pictures that have not incorporated the M&A situation and the consequent changes for the focal network. Therefore, in the implementation activities, networking will be directed (and restricted) by network pictures that proved to be successful in directing networking activities traditionally. Therefore, rigidities regarding integrative change management activities are to be expected, as exemplified in the two brand/two channel implementation seen in the Peach & Co example.

Consequently, expected positive network outcomes are not realised through an M&A activity although the TMT network pictures of the supplier as well as those of the customers are well aligned and directed towards anticipating new activities and value formations. Existing network pictures of the lower hierarchy managers on the supplier side and the new network pictures of the customers, however, have not been aligned.

Conclusion and Implications

The present paper examined the issue of changing network pictures and provided empirical case evidence from several M&A situations. Mergers as well as acquisitions may change the landscape of business networks dramatically and reconfigure managers' cognitive views of their surrounding networks. The study demonstrated that managers (on different hierarchy levels as well as in different focal companies) need to adapt their previous network pictures in a radical way. The emergence of new organisational and inter-organisational structures, the appearance of new actors, the set up of new resource flows, and the pursuing of new business opportunities confront managers and their organisations with a new reality ('network outcomes'). Our study provides evidence that this new reality is not always accompanied by an immediate shift of network pictures by all involved managers. The three cases demonstrate that post-M&A activities (networking) may not follow the network pictures that initiated the M&A activity. The companies' decision to merge with or acquire another company is driven by their Top Management Teams' (TMT) network pictures. Our analysis of the interplay of M&A activity as 'networking' and 'network pictures' provides three important lessons concerning the dynamics and the enactment process of the managerial cognition in networks:

Firstly, suppliers' network pictures and their resulting networking are driven to a large extent by the need to address perceived customer needs and developments. Secondly, the enacted networking activity (M&A) does not always follow according to the existing networks pictures. Thirdly, networking activities do not automatically reshape all existing network pictures.

Existing theory (Asch, 1954; Neisser, 1976; Ford *et al*., 2003) assumes a smooth, cyclical flow, namely that 'network pictures' direct and influence 'networking'. However, companies' cognition, decision-making and action are multi-actor social activities that involve overlapping and conflicting individual network pictures as well as social amalgamation processes triggered by networking (Mouzas *et al*., 2004). The present study demonstrated that this amalgamation process does not occur automatically but needs careful guidance and management. Therefore, we need to improve our understanding of the dialectic process between network pictures and networking in multi-actor situations.

Our case analysis also provides us with some tentative initial managerial implications. We posit that M&A situations need to be managed on two (cognitive) levels: Firstly, M&A supplier companies need to manage customer expectations regarding what is happening, i.e. help them develop a new network picture that is aligned with supplier's TMT network pictures. Secondly, this needs to be embedded in sending the right signals internally in the M&A implementation phase (which is the remit of lower management), i.e. also manage internal network pictures and sensitise implementation managers within the supplier company towards what customers now expect.

As such, our analysis has certain limitations which need to be addressed in further empirical and conceptual research. The level issue of individual *versus* socially amalgamated network pictures, as well as their ‘objectification’ through social enactment, need to be understood better (Rohrmus and Henneberg, 2006). It is also clear from our analysis that M&A situations are very specific incidents of ‘networking’. It would therefore be necessary to do more in-depth research on changing network pictures in supplier-buyer relationships that are linked to evolutionary strategic activities. Furthermore, while the present study focused on phenomena related to a focal network (M&A companies and their customers), a wider network horizon should allow for the inclusion of indirect interactions with regard to the primary constructs of network pictures and networking.

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