

CORPORATE DIVORCE
– INTERCONNECTING DISRUPTED AND FADING CHANGES

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ABSTRACT

This paper describes and discusses changes on inter-organizational and intra-organizational levels of corporate divorce. Corporate divorce refers to the separation of previous merged companies. The paper illustrates changes following a corporate divorce through a single case study. The changes are classified into disrupted or fading ones to illustrate whether they are sudden or describe ever decreasing involvement. Five different changes are found in the case: fading production, disrupted relationships with wholesalers on one market, while fading on another, and staff changes representing both disrupted changes and fading ones. The changes are connected in a pattern that indicates how fading changes may cause new fading ones, or disrupted ones, and how disrupted changes may lead to fading or disrupted changes on levels that interconnect inter-organizational changes with intra-organizational ones. While the companies are separated back to the units as prior to the merger, the reversal does not describe them returning to their previous forms, hence indicating that a merger also reshapes the individual companies in a lasting way. The paper contributes to research in its discussion on the interconnectivity of inter-organizational and intra-organizational changes, and to literature on organizational decline, divestment and dissolution through pointing to the consequences of a separation of firms.

Keywords: Divorce; Decline; Dissolution; Divestment; Competence; Relationship

INTRODUCTION

Companies continuously change their scope of business. Trends include the specialization and focus on core competences, while firms also expand into new or related areas (Mooney, 2007). In the downsizing or specialization of firms, decisions may well be made to divest business units or subsidiaries. Such decisions may also follow from previous mergers or acquisitions (Capron, Mitchell & Swaminathan, 2001). With the failure rate remaining high (Kitching, 1967; Vaara, 2002), it is not surprising that a merger or acquisition may be followed by separations. This paper refers to this phenomenon as a *corporate divorce*. The concept follows from the marriage metaphor of mergers (e.g. Cartwright & Cooper, 1995; Schmid & Daniel, 2009), and describes the separation of firms that were previously merged.

The changing scope of firms, whether it is based on organic changes, the consequence of a merger or as here, a divorce, is expected to have consequences for the firm's relationship with external parties. The company's needs may become different, but the changes may also follow from reactions by the external parties. Literature on business networks has at length described changes in relationships among firms. The changes have been connected to other changes in terms of their spread (Havila & Salmi, 2000; Hertz, 1998), and they have been described as continuous adjustments among companies (Hallén, Johanson & Seyed-Mohamed, 1991). Quite naturally the changes on the relationship or network level are connected to changes on the company level too. The adjustment to new circumstances in a business relationship may result from how either of the firms changed its resources or activities, and reactions in a relationship may well follow from how one of the parties makes changes to its business. But while such interconnectivity among inter-organizational and intra-organizational changes may be evident, they are rarely explored in the literature on business relationships and networks.

This paper focuses on the consequences of corporate divorce on the intra-organizational and inter-organizational levels of the separated unit, and connects such changes with one another. Intra-organizational changes describe changes for either of the divorcees. Inter-organizational changes refer to changes of their business relationships. The changes focused on are ones that lead to discontinuous operations: staff leaving or entering, production changes, and relationship modifications. The paper describes such changes as being either "disrupted" or "faded," with the former relating to those where the demise is sudden, and the latter describing a process of gradually reducing activity levels. The purpose of the paper is *to describe and discuss changes on inter-organizational and intra-organizational levels of corporate divorce*. The issue of corporate divorce remains a largely unexplored one. Hence, the paper provides insights into an area that has rendered limited attention by researchers. The corporate divorce carries some resemblances (but also some distinctions) with dissolutions, divestments, and organizational decline. The literature on these matters has its main focus on the reasons for their occurrence: why relationships dissolve, why and what items are divested, and reasons for the organization to downsize or decline. The present paper focuses instead on *consequences* of a corporate divorce, and explicitly describes the circumstances of the separation of previously merged parties. With corporate divorce sharing some overlapping characteristics with the mentioned dissolutions, divestments, and organizational decline, the findings from the study are also relevant to these changes, and thereby also contribute to that literature.

The paper is structured as follows: Before turning to the theory section, it elaborates on corporate divorce as the potential reverse merger. While a corporate divorce means that a merger is reversed and merged parties returned to separate states, the underlying question addressed is whether or not the consequences of mergers described in previous research, would appear in reverse following a corporate divorce. These items are then discussed in the

analysis section. The theory section provides a short background to the concept of corporate divorce, and briefly describes the research foci of the related fields dissolution, divestment, and decline. The idea of disrupted or faded change is derived from that theoretical background. The theory section further discusses inter-organizational and intra-organizational changes and their interconnectivity. Following the theory section, the methodology is described. The empirical illustration in the paper is based on a single case study. The case company has been followed on a weekly or semi-weekly basis as part of a consultancy assignment by the author, and data was also collected from newspapers and annual reports. The case study is presented and then analyzed. The analysis focuses on disrupted and fading changes on both intra-organizational and inter-organizational levels, and also discusses the extent to which a corporate divorce can and cannot be portrayed as the reversed merger. The paper ends with conclusions, managerial implications and ideas for further research.

The reverse merger?

A corporate divorce here describes how two previously merged companies are separated, but does it entirely reverse the merger? And is its effects reverse to those of the merger? While a corporate divorce means that the merging parties disband and become sovereign companies, there may also be issues that occur other than those that follow from a merger. The merger and acquisition literature is essentially focused on the intra-organizational changes that follow from such endeavors. It describes the integration of firms to meet synergistic goals (Puranam, Singh & Chaudhuri, 2009; Schmitz & Sliwka, 2001; Shrivastava, 1986; Weber, Tarba & Bachar, 2011). It points to reactions among staff and managers (Krug & Hegarty, 1997; Slowinski, Rafii, Tao, Gollob, Sagal & Krishnamurthy, 2002). Integration is referred to in such areas as administration, production, and more recently so, also in marketing (Capron & Hulland, 1999; Homburg & Bucerius, 2005; Larsson & Finkelstein, 1999; Trautwein, 1990; Weber & Dholakia, 2000). Literature indicates at length that the more integrated the firms, the higher the risks, while the fit of organizational culture and business is of importance to realize synergies (Datta, 1991). A corporate divorce would to these extents be concerned with the *disintegration* of the administration, production, and marketing functions. While the merger is followed by reactions among employees and managers, it remains less clear what the consequences of the divorce would be. Either the divorce would be interpreted as the return to basics, or it would be conceived of as a change, with possible reactions of uncertainty, disappointment, and management turnover (cf. Choi, 2001). The disintegration could also be expected to create situations of depleted resources and competences (while the merger meant excessive resources and overlaps in competences).

On the inter-organizational level, parameters such as the integration of brands, sales staff, and marketing expertise expect to have consequences following a merger (Capron & Hulland, 1999). Literature has also discussed business partner reactions to mergers (and acquisitions) (Anderson, Havila & Salmi, 2001; Bocconcelli, Snehota & Tunisini, 2006). Öberg (2008) describes such reactions as actor- or activity-driven, and thereby points to how a merger not only bears consequences in terms of its integration activities, but also introduces new players to the network, with whom the business partners have themselves not chosen to interact. One possible consequence of a merger is the dissolution of business relationships (Hocutt, 1998), while literature seldom seems to suggest that a merger or acquisition leads to additional relationships (others than those that follow the acquired party). With the suggestion that a corporate divorce might be the reverse of a merger, it could also be anticipated that business partners return once the companies are separated. But in all, does the reversal of a merger in terms of a corporate divorce, really mean that the merger is reversed? Or might there be more to it?

THEORY

The corporate divorce concept

A frequent metaphor of mergers and acquisitions is the *marriage* of companies (Cartwright & Cooper, 1995; Schmid & Daniel, 2009; Sherman & Badillo, 2007). The antonym to marriage is the divorce, and the term “corporate divorce” is used here to define how previously merged companies are separated. In previous research “corporate divorce” has been used in some related ways. Peng and Shenkar(2002)use the term “corporate divorce” to describe how companies that have engaged in a joint venture decide to discontinue their venture, and Howe (1967) uses it to describe the end of close corporations (it should here be noted that the marriage metaphor is sometimes also used for business relationships and collaboration). Financial descriptions of the divestiture of acquirers following an acquisition also use the corporate divorce terminology (Kotowitz, Rhodes & Vanosdell, 2005; Sloan, 2005). The conceptual use of corporate divorce however remains scarce, while those instances that use it incorporate it as the antonym to marriage and include it in the description of the separation of previously shared units. Also the joint venture would (Peng & Shenkar, 2002)if it is organized as a sovereign company mean that its divorce divides a company. Its use in the present paper overlaps with previous uses while it is also more distinct in describing it as the separation of two previously merged companies. Compared to other partly overlapping terms (such as divestment, dissolution, or decline, see below) corporate divorce puts the focus on the separation, and further, on those parties being separated, rather than on a selling party, or its pre-decision or decision process.

Decline, divestment, dissolution - How could corporate divorce be understood through previous research?

There are other terms that describe activities similar or partly overlapping with a corporate divorce. Rather than describing the termination of a previous relationship as a divorce, such concepts as *dissolution* are used, while the separation of (part of) an acquired firm, or in the seller’s perspective of an entire one, is often defined as a company *divestiture*(Bergh, 1997; Capron et al., 2001; Graebner & Eisenhardt, 2004). In addition to this, organizational *decline* puts focus on the downsizing of firms (Weitzel & Jonsson, 1989). This section provides a short overview of research on decline, divestment, and dissolution to create a proper framing of the research phenomenon.

Dissolution is commonly used to describe disbanding of business partners (Alajoutsijärvi, Möller & Tähtinen, 2000). This literature extensively targets the reasons for such dissolutions. Dissolution may follow from service failures, inability to meet quality requirements, or other types of disappointment with the goods or service delivered (Edvardsson & Strandvik, 1999). It may also be the consequence of saturation. Furthermore, the dissolution reasons may be external to the business relationship, or be based on the construct of it. For instance, a project-based relationship is not expected to last beyond a certain point(Polidoro, Ahuja & Mitchell, 2011). The dissolution literature refers to critical events or incidents as those activities that cause a relationship’s dissolution (Edvardsson & Roos, 2001). However, the research on dissolutions has increasingly drawn attention to the present state of the relationship as impacting its likelihood for dissolution(Gedeon, Fearne & Poole, 2009; Tähtinen & Halinen, 2002). A weak or distant relationship would more easily dissolve than a strong and close one. The dissolution literature provides some possible guidelines for why companies divorce, but says less about their consequences. Havila and Wilkinson (2002) describe how relationship “energy” may be stored in a way that may reactivate previously dissolved relationships, and are one of the few papers to elaborate on what happens following a dissolution.

Divestments are described from the divesting party's perspective. In a few instances, this perspective is taken on an acquisition, with the seller then being the acting party (Graebner & Eisenhardt, 2004), or with the focus on premiums on shares in an acquisition. Related to the seller's perspective in an acquisition, is the divestment of a business unit. Legally, such divestments are often classified as acquisitions from the point of view of the buyer (Vallindas, 2006). Focus in the divestment literature is the decision making of such processes (Duhaime & Schwenk, 1985) and their rationales (Chow & Hamilton, 1993). Divestment is frequently discussed in relation to foreign investments, but also as a means for firms to focus on what they do best (Moliterno & Wiersema, 2007). In relation to acquisitions, partial divestments as a means to streamline what is acquired and create fit with present businesses point to what items may be divested (Capron et al., 2001). Given that the perspective is that of the selling party and its disbanding, this means that the divestment literature does not deal with the consequences of the divestments. Rather it is the pre-divestment decisions and processes that are the key concern.

Organizational *decline* or downsizing of firms (Weitzel & Jonsson, 1989) indicates how a company becomes smaller in size, or discontinues with parts of its business (Balachandra, Brockhoff & Pearson, 1996). These latter decisions are made to make the firm more focused on its core competences, for instance (Webster Jr., Malter & Ganesan, 2005), while the decline may well follow from decreased demand, loss of customers, or a downturn in the economy. While divestment clearly means selling part of a company or a subsidiary, decline may be organic, which distinguishes it from the divorce. Literature on decline or downsizing describes their reasons, but to certain extents also its consequences. Nutt (2004) refers to the risks of lost core competences, Feldman (1995) describes the career consequences of downsizing, and Reinardy (2010) focuses on the risks for dismissal of staff. The literature on the effects of decline and downsizing hence seem very much oriented to the loss of staff.

Taken together, organizational decline, divesture, and dissolution describe some different perspectives to the separation of companies: decline relates to downsizing of individual firms, divesture points to the seller's perspective, while dissolution focuses on the disbanding between business partners. The reasons for the separation or downsizing are prevalent, while less is known about what happens afterwards. Corporate divorce as described in the present paper focuses on the consequences of the separation, and hence adds dimensions to the previous research. Table 1 summarizes the different concepts and their key foci in literature.

Table 1 Key-foci in related research

Concept	Actors in focus	Key foci in the literature
Dissolution	Business relationships.	Reasons for the dissolution: critical events and state of the relationship.
Divestment	Selling party.	Pre-divestment decisions.
Decline/Downsizing	Intra-organizational.	Reasons (and consequences) on intra-organizational levels (predominately staff-related)
<i>Divorce</i>	<i>Divorcees and their business partners.</i>	<i>Consequences of the divorce</i>

The interconnectivity of intra-organizational and inter-organizational change

Research on business networks has extensively explored the interconnectivity of companies and relationships. It suggests that changes on the company or dyadic level of exchanges, will spread to and affect other parties and relationships (Havila & Salmi, 2000). Such impact is mutual, which means that a single company or relationship is impacted by changes in the network, while simultaneously also impacting it. Changes in networks have been studied as incremental ones, and the perspective on them has either been the interpretative view of managers representing a single firm (Abrahamsen, Naudé & Henneberg, 2012), or their effects on dyads or perhaps broader network structures from a bird's eye perspective (Dahlin, 2007).

While research acknowledges the interconnectivity of actors, and thereby also the individual firm's impact on and of business relationships and network-level changes, it rarely connects intra-organizational changes to inter-organizational ones. A corporate divorce expectedly has effects on the level of the separated parties, but also on their business relationships. As indicated by Nutt (2004), Feldman (1995), and Reinardy (2010) changes related to staff would be anticipated. As discussed in Öberg (2008), staff changes may, following an acquisition, lead to business relationship changes. Hence staff losses may have inter-organizational consequences, and we can expect that such interconnections will also appear following a corporate divorce. What is more, a business partner's reaction to a corporate divorce may lead to new changes on the level of the divorcees. This is for instance the case if business partners dissolve their previous relationships with either of the firms, and the firm then has to downsize its business. Following mergers and acquisitions such effects have been studied in terms of how business partners impact degree of integration, for instance (Öberg, 2008). The interlinking of intra-organizational and inter-organizational changes describes an approach that allows for the investigation of the causal pattern (Jessop, 2005) of changes that originate from activity, resource, or actor changes (Håkansson & Snehota, 1995) on the level of the firm, with such changes on the business relationship level. It also permits the analysis of changes that occur in business relationships and their impact on the firm.

Intra-organizational and inter-organizational change as fading and disruptions

Decline, divesture, and dissolution as described previously, represent either distinct *disruptions*, or they target *fading* conditions (Grønhaug, Henjesand & Koveland, 2000) of a company or relationship. This in turn suggests two different paths to divorce: the one that means that parties are separated and then do not continue to affect one another, and the other that describes how the parties separate as a process of disbanding, and with them continuing to affect one another during that process. This paper refers to sudden changes with limited aftermaths as *disrupted*, and changes as ongoing processes of decline as *faded*. Disrupted and faded changes indicate downsizing or disbanding effects and connect to the presumption that a corporate divorce may lead to new changes on intra-organizational and inter-organizational levels that also include downsizing, dissolution or divesture. In addition to describing a decline as a fading change, a divesture as a potentially disrupted change, and dissolution as either a process or an event (Halinen & Tähtinen, 2002), those changes that follow from them could be labeled accordingly. The dismissal of staff that may follow from the organizational decline (Reinardy, 2010) may be a disrupted change or a fading one with continuously more staff leaving the firm or they becoming decreasingly loyal to the firm, for instance.

Disruptions and faded changes bring a dimension to the analysis of the consequences of corporate divorce, and provide a dimension to the analytical tool in this paper. The analytical framework for this paper consists of changes on the intra-organizational level and on the inter-organizational one. The intra-organizational level refers to changes in staff, products,

and production facilities, for instance, of the divorced firms. The inter-organizational level describes changes in business relationships. The paper describes such changes as either fading or disrupted, and also shows how they are interconnected. Figure 1 depicts the analytical tool.

		Inter-organizational	
		Fading	Disruption
Intra-organizational	Fading		
	Disruption		

Figure 1: The analytical tool: The interconnection of inter-organizational and intra-organizational change as faded or disrupted changes.

METHOD

A single case study (Easton, 1995; Yin, 1994) illustrates the corporate divorce phenomenon. The case study is based on the author’s reflection from four years of consultancy work at the case company. The consultancy work included involvement in organizing the company’s financial matters on a weekly or semi-weekly basis. The author was first hired to deal with the predecessor’s accountingsystem following the separation of the company from the firm it was merged with eight years previously, and thereafter continued to work for the company with different financial issues until the present.

Basing the empirical part on reflections on personal experience unquestionably draws attention to the researcher’s role in the research and its impact on the phenomenon studied. The first of these parameters, the researcher’s role, is especially critical if the research deals with interpretations of mindsets and meanings. The researcher would during such a circumstance either have to disband herself from the phenomenon studied to such an extent that she manages to interpret different actors’ viewpoints, or be very clear in the presentation about her own perspective on matters. If the study intends to capture events and their connections, the bias created by the researcher’s pre-understanding and own involvement is less problematic. Through supporting reflections with newspaper items and other secondary sources (Welch, 2000), the researcher should be able to present timelines and activities that appear in an accurate way. The data for the paper hence consists of notes taken by the researcher, retrospective reflections by the same person, annual reports by the divorcees, and newspaper items covering the companies from the year prior to the merger up to current date. As for the researcher’s impact on the studied phenomenon, these items have been described in research methodology (Avison, Lau, Myers & Nielsen, 1999; Reason & McArdle, 2004) that points to the study of processes rather than outcome. For the present paper, the researcher had no impact on the outcome or process of the divorce.

In the analysis procedures, a timeline was produced based on reflections and secondary data. The timeline was then analyzed to put focus on changes in terms of resources provided, activities pursued, and actors represented (cf. Håkansson & Snehota, 1995). These items were extracted from the case description and thereafter analyzed to detect their interconnectivity.

The individual items were also classified with a focus on whether they were distinct, disrupting items, or described the fading of previous conditions. A first-order coding hence consisted of providing the data with labels to detect consequences of the corporate divorce, while the second-order coding (Pratt, 2009) entailed the comparison of the consequences and the labeling of them as disrupted or faded. The analysis was performed in several cycles also including the moving between theory and the empirical data (Dubois & Gadde, 2002) to ensure its theoretical contribution and its relation to previous research.

The empirical part of this paper consisting of a single case study, would generally put focus on its representativeness and the transferability of the conclusions reached (Guba & Lincoln, 1989; Hirschman, 1986). A case study would in certain cases be specific and the findings exclusive. However, the aggregated patterns of findings would undoubtedly be transferable to other cases. The idea of interconnected intra-organizational and inter-organizational changes, and the division between fading and disrupted ones would certainly provide a frame to capture change in other cases, and similar interconnectivities would be expected, although perhaps impacted by different situational factors.

CASE STUDY

SwedishFoods merged with NorwayFoods in 2001. There was an almost complete product fit between the companies' products. They produced similar kind of products and had their strongest positions in their respective home-markets, Sweden and Norway, while also extensively representing each other's markets, and being active in the rest of the Nordic countries, and in the north-European region. NorwayFoods had a broader product range than did SwedishFoods, and it was only the companies in the NorwayFoods group that shared their product types with SwedishFoods that were part of the merger. SwedishFoods was listed on the Swedish stock exchange, while largely maintained by a family that held most of the shares in the company. NorwayFoods similarly was characterized by a strong family-ownership. The merger was pursued through the exchange of shares between the current owners, and the combined Swedish-NorwayFoods retained SwedishFoods' listing on the stock exchange.

The merger resulted in Swedish-NorwayFoods becoming the largest actor in their niche in the Nordic market. The headquarters was set up at a new site, while the production sites of the companies remained as before. The product niche of the company was characterized by strong product brands in the consumer market, while the company sold its products to wholesalers on a business market. Many of the ingredients for the products were bought on spot-markets, so the companies would not achieve any synergies in raw materials, but rather aimed for a more efficient use of production sites and the possibility of administrative gains and integration in distribution systems as a consequence of the merger.

Following the merger, a certain number of administrative staff was laid off, since they represented overlapping areas. While the headquarters was located in Sweden, many of its staff was from NorwayFoods. This in practice meant that they dominated the reporting structures. In the area of production, the companies continued to produce their previous products, while the different production sites became more integrated in terms of their production. A previous NorwayFoods' product could well be manufactured at one of SwedishFoods' production sites, for instance. The brands of the products were kept as previously, and the combined firm continued to work on brand extensions. During the subsequent years, one new product range was launched with an entirely new brand, while most of the products continued to be sold under their previous brands. Consumers of the combined company's products continued to see it as they bought one item of product A,

rather than something produced by Swedish-NorwayFoods. Major changes were however introduced in the distribution of products to wholesalers. Both the Norwegian and Swedish markets are marked by a few dominant actors in the area of food wholesaling. Rather than selling their individual products to wholesalers as previously, the sales forces were integrated and the wholesalers now only met one representative from the combined company. This resulted in the layoff of sales representatives.

While Swedish-NorwayFoods managed to achieve some efficiency gains and did not suffer any sales losses due to the focus on product brands, the merger had consequences for the families behind the companies. They found it increasingly difficult to agree on matters, and the board meetings were impacted by their disagreements. Some eight years following the merger, the major owners of Swedish-NorwayFoods finally decided to separate.

This corporate divorce meant that the companies would return to their previous sovereign companies. With many of the original production sites and brands being maintained since before the merger, it was quite obvious what would belong to whom following the divorce. The brands that SwedishFoods had had in its product portfolio before the merger was to be owned by SwedishFoods, and this also included any new products based on brand extensions of them. The same applied for NorwayFoods. However, a dispute occurred concerning the new product range, where both parties maintained that it fitted the best with their portfolio. This new product range had however not been a large market success, and while it was eventually decided that SwedishFoods would own the product range, it was later closed down.

With regards to production sites, SwedishFoods got the production sites that had originally belonged to them, NorwayFoods those that had belonged to it. The sites were also correspondingly located in their respective countries of origin. However, the divorce had consequences for production. Since the sites had partly produced the other company's products, it became clear that such cross-production would no longer apply. A decision was made to phase out such production over a few years, but it had more direct consequences for the production staff. In SwedishFoods' main production site, staff was laid off due to decreasing production volumes.

The divorce also had other staff-related consequences. Those individuals that had previously been working at a group level (such as the CEO, CFO, etc.) found that they would now be working for a company half the size of the merged one. This was considered to be a backwards career step for them, and their competences to certain extents were over-dimensioned to the separated firm. Some of these continued to NorwayFoods, while others searched for new positions outside the previous Swedish-NorwayFoods group. An additional change that followed from the divorce concerned the sales staff and distribution of products. The individual firms would no longer sell one another's products and SwedishFoods inherited the distribution and sales staff in Sweden, while NorwayFoods took the Norwegian staff. Each of the two sales staff once again had half the product ranges to offer to the wholesalers, and the wholesalers once again had separate relations with SwedishFoods and NorwayFoods. Above this, SwedishFoods lost its entire sales force and distribution network in Norway. NorwayFoods, that had before held a broader product range in separate companies, now combined their sales of the products with its other ones. This allowed NorwayFoods to continue its presence in the Swedish market, while SwedishFoods hence suffered their loss. Figure 2 describes a timeline of the different consequences of the corporate divorce.

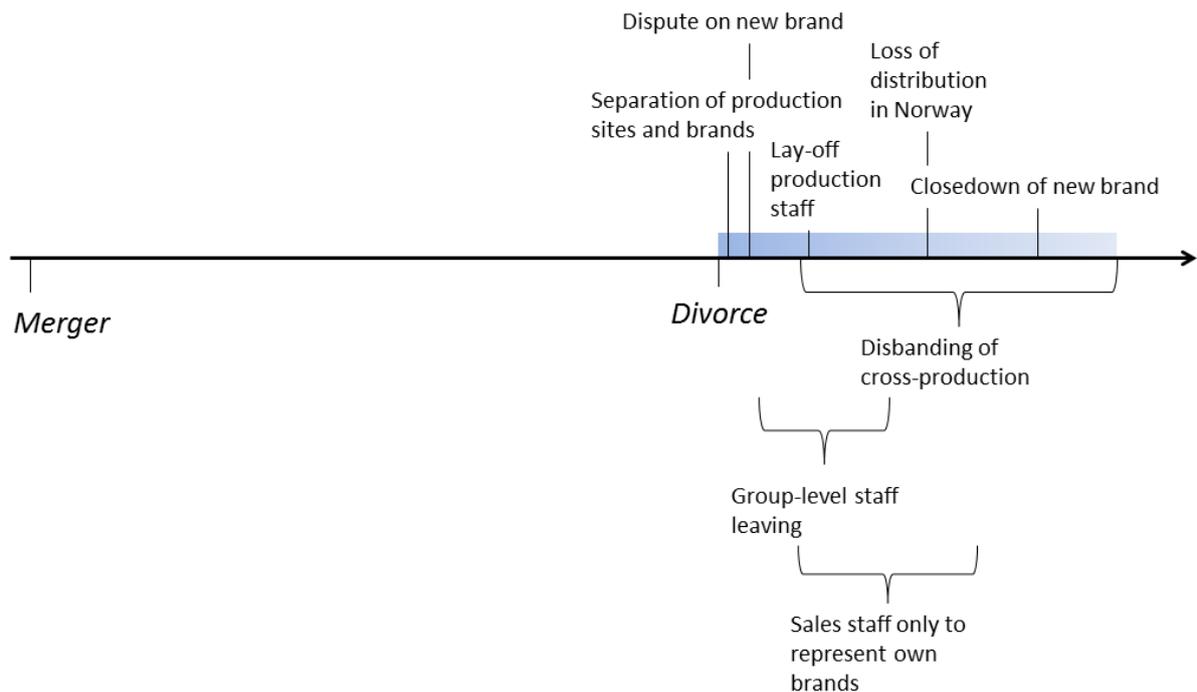


Figure 2: Timeline of consequences of the case study divorce.

ANALYSIS

The case of SwedishFoods indicates several consequences of a corporate divorce. The divorced company lost its distribution network in the home-market of the party it was separated from. The partially shared production facilities were to change their activities so as to only focus on the production of SwedishFoods' products. This in turn had consequences for SwedishFoods' staff. The layoff of staff followed. Staff however also left SwedishFoods for other reasons. Some of them were recruited by the firm it was separated from, while others left as the consequence of the downsizing: they did not feel motivated or that their competences aligned with working for a smaller firm (cf. Feldman, 1995; Nutt, 2004). In addition, the content of what was distributed to wholesalers changed when the Swedish sales force stopped representing NorwayFoods' products. This in turn had consequences for the wholesalers.

The reverse merger?

Compared to a merger, the changes following a corporate divorce concern similar areas. The issue of staff has been extensively explored in the merger and acquisition literature, but then with the focus on risks of losing staff and managers (Krug & Hegarty, 1997; Ranft & Lord, 2000), and employees' anxiety (Astrachan, 1990; Risberg, 2001). The corporate divorce indeed concerned staff issues. Here it was however much more a focus on *competences* than on reactions. The downsizing/organizational decline literature has highlighted such issues (Feldman, 1995; Nutt, 2004), while it has also been concerned with the layoff of staff (Reinardy, 2010). Had the corporate divorce been the reverse to a merger, it would potentially have led to the need for additional staff. Such effects were not seen in the particular case, but could have been a consequence if SwedishFoods had chosen to build its own sales network in Norway.

The integration of products and productions may well follow a merger (Larsson & Finkelstein, 1999), and did so to a limited extent for production following the Swedish-NorwayFoods merger. A divorce would here expect their disintegration, and that also followed. The firms discontinued to produce each other's products.

With regards to marketing synergies (Homburg & Bucerius, 2005; Weber & Dholakia, 2000), the case indicates how sales forces were integrated following the merger(Capron & Hulland, 1999). This integration was disintegrated following the divorce. However, and compared to the production sites and cross-production, the reversal did not bring the sales forces back to what had been before the merger. The previous integration had disabled its reversal.Instead they were divided on a country-basis level. This disintegration had consequences for business partners (the wholesalers) that did not meet similar conditions as had been the case before the merger.

It is also interesting to see that the divorce led to the layoff of staff. Following a merger, the overlap of competences quite naturally has as a consequence in that some staff became superfluous. The reverse of that would mean that the firms would need additional staff. But, the case indicates the opposite. Rather than the divorce as being the opposite of the merger, it becomes a matter of downsizing. Here, the separation could hence be said to have synergic effects: it leads to cost reductions. Table 2 compares effects of the merger with consequences of the divorce. It indicates that the divorce did not simply reverse the merger, but described new consequences of it.

Table 2 Comparison of consequences of the merger and divorce in the studied case

Area of change	Merger effects	Divorce effects	Reversal?
Products and production	Integration	Disintegration	Yes
Marketing	Integration of sales staff. No customer losses.	Division on a country-wise basis. Changed interfaces with customers (double representation)	No
Staff and competences	Layoff	Layoff and staff leaving.	No

Taken together, while a corporate divorce as concept could be defined as the reverse of a merger, it does not portray the reversal of it. A merger changes resources, activities and actors of a firm in such capacities that they are not the same when they are separated. This is for instance seen regarding the staff that felt that the separated firm was too small for them. Many of these had previously been employed by one of the companies, but through the merger had grown in terms of areas of responsibility, and focus on complexity in tasks. Compared to a merger, the corporate divorce brings more focus to competences. The divorce describes a mismatch in expectations and competence needs that is due to the downsizing of firms. The merger solved issues of competence mismatches through subsequent development of existing staff.

The consequences for *external parties* were in the case foremost evident for its customers (the wholesalers). Here, the divorcees did not experience any benefits of the divorce, and the change was the result of their decision to disband their sales forces and not continue to represent one another. In the merger, the integration of sales staff was connected to cost synergies (Capron & Hülland, 1999). The customers thereby had to establish separate relationships with the divorcees following the divorce. The particular case with the companies' orientations to product brands made the divorce less complicated than if it had been the brand name that would have been apportioned between them. This, and the maintained production sites, also guided the firms when they were to divide the divorce estate between them. The attractiveness of the brands made the wholesalers choose to establish relationships with both divorcees on the Swedish market following the corporate divorce, while the situation in Norway required that SwedishFoods could connect to a partner for it to reach the Norwegian market. For the wholesalers, the separation of the distribution however meant that they had to change their logistics flow, since they had increasingly been taking care of the transportation of goods. Since the divorcees bought most of their ingredients on spot markets, the relationships with suppliers were not much affected by the divorce, while logistic firms experienced a change in routes also here.

Fading changes and disruptions

The case indicates both fading changes and disruptions. The separation of production facilities was agreed to disband over a few years and could hence be characterized as a fading change. Similarly the distribution of NorwayFoods' products on the Swedish market meant a fading change in the relationship between the sales force and the wholesalers: their relationships continued beyond this point, but the resources provided changed. Thirdly, the staff that decided to leave as the result of their feeling that the divorce meant that their competences were mismatched, did so in a fading manner.

Disruptions on the other hand occurred in terms of the sales force in Norway, and in terms of the layoff of staff following the separation of previous cross-production. Looking at the changes as five consequences of the corporate divorce (see Table 3 below), it appears as if they are interrelated with various capacities. The separation of production for instance had as a consequence the fact that staff were laid off. The decreasing market coverage, with the loss of the Norwegian company representation had consequences that resulted in that certain individuals decided to disband from SwedishFoods. Such interconnectivity of consequences occurred not only on the intra-organizational level, but also on the inter-organizational one, and between the two levels.

Table 3 Changes following the corporate divorce

Area of change	Description	Disruption or fading change
Production	Previous cross-production was to discontinue over a few years	Fading
Distribution/Sales force	Distribution in Norway was disrupted for SwedishFoods' products.	Disruption
Distribution/Sales force	The sales force on the Swedish market only would represent SwedishFoods' products	Fading
Staff	The lay-off of production staff	Disruption

The interconnectivity of intra-organizational and inter-organizational change

As indicated above, the different consequences of the corporate divorce were interrelated. The examples of the separation of production, that had as a consequence staff being laid off, points to how a fading change may result in disruption. The decreasing market coverage, with the loss of the Norwegian company representation and its consequences in terms of individuals deciding to leave SwedishFoods, indicates instead how a disruption had consequences that could be referred to as fading. Hence, different kinds of consequences are interrelated and their casual patterns (Jessop, 2005) include how fading changes may lead to disruptions, and disruptions to fading ones. Fading changes could also expectedly lead to new fading ones, and the similar reasoning applies for disruptions: One disruption may cause new ones. Hence, one kind of change may be followed by similar ones, but also by a change of a different character. Going from fading to disruptions indicates an amplification of change, the other way around a reduction.

Each of the changes described above also had inter-organizational consequences as well. The ending of cross-production changed logistics flows. Providers of such services now changed their routes and, based on how the wholesalers increasingly steered the logistics flows (cf. Öberg, Hüge-Brodin & Björklund, 2012), the logistics firms were faced with issues of longer transport routes and less coordination abilities. The separated distribution naturally had consequences for the wholesalers. In the Swedish market, they now had two different relationships to reach the products they had previously attained from a single one. In Norway, the wholesalers lost a product range (the entire SwedishFoods' product assortment). The staff changes did not have as obvious consequences for business partners, but rather tended to influence how individual personal relationships might have been terminated when staff decided to leave SwedishFoods. Hence, the intra-organizational changes were interconnected with the inter-organizational ones. In the particular case, the impact of inter-organizational changes on the intra-organizational ones is not as evident.

CONCLUSIONS

This paper indicates how a corporate divorce has interconnected consequences. Such interconnections may appear on the intra-organizational level or on the combined inter-organizational and intra-organizational levels. They can also be understood as fading changes or disruptions. Figure 3 illustrates how inter-organizational and intra-organizational changes may be interconnected and either produce an amplifying or a reduced consequence, or be linear in terms of type of change.

		Inter-organizational	
		Fading	Disruption
Intra-organization	Fading	Linear spread	Amplified
	Disruption	Reduced	Decoupling

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Figure 3: Different types of changes and their interconnectivity

The findings presented here may partially be case specific, while others may be more general, also beyond the specific point of corporate divorce. We can expect the idea of fading changes and disruptionsto also apply to other types of downsizing, and to the dissolution of business relationships as well(Tähtinen & Halinen, 2002). The interconnectivity between intra-organizational and inter-organizational changes is most certainly also relevant for changes other than the corporate divorce and its consequences. However, the specific case presented here was much oriented to consumer brands in its product range. This made such issues as corporate brands less prominent (Balmer & Thomson, 2009), which if a strong corporate brand had been shared between the divorcing parties, would have been expected to have consequences. Studies that focus on the brand issues and on corporate brands in business and consumer settings are indeed relevant as future research.

Time and degree of integration – and hence the need for disintegration – would impact those difficulties that arise following a corporate divorce. If the companies have only been “married” for a short while, expectations in the eyes of many are that they would still be seen as separate units, or at least that it is quite easy to separate them again. This also applies to firms that have not been integrated or only been so to a limited extent.

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