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# Verkostonäkökulma yrityskauppoihin

Virpi Havila 2010-11-01



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# One story from three perspectives...

## Lessons learnt?



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# Case study in the graphics industry in Finland and Sweden

## Researchers from

### Finland

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Economics)

### Sweden

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Business School)

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# Sweden in November 1997:

**Alpha's future looks good,  
finally!**



# The story from Alpha's perspective

- established in 1839
- located in a town in the middle of Sweden
- between 1973-1992 owned by a large Swedish company
- sold out in 1992, problems
  - suppliers increased their prices and refused to give any credit
  - Alpha lost some customers
  - Alpha was forced to lower its prices
- close to bankruptcy in 1994
  - From 400 to 140 employees
- sold to a holding company in 1995



# ... Alpha's story continues

**The holding company** decides in November 1997 to acquire another Swedish company, Beta

## **Alpha and Beta merge in January 1998**

Reason to merger: lower prices from suppliers and co-operation in production and thus less free production capacity

## **Alpha and Beta in same business**

- Have different local markets, not competitors
- But competitors regarding non-local customers (located in Stockholm)
- One example is Theta that is Alpha's main customer (about 1/3 of Alpha's turnover)



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# AlphaBeta's first two years

Coordination of sales force needed (totally 11 salesmen)  
Beta CEO in October 1998 "not solved yet"

Alpha CEO in March 2000 "salesmen still continue  
to work as if they very from two different  
companies"

AlphaBeta lost non-local customers



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# Three years later Alpha and Beta have "divorced"

## Why?



# Possible reasons to failure

## "Bad" management?

Salesmen from Alpha and Beta visited same non-local customers and offered lower prices

## Change of CEO in Alpha due to an accident

Forced to find a new CEO which takes time (October 1998)

## Network function?

Alpha lost its main customer Theta?



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# Finland in November 1997

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# The story from Gamma's perspective

The Finnish graphics company Gamma acquires Theta  
in Sweden (in February 1998)

Gamma and Theta competitors, but on different markets  
(Finland, Sweden)

**Gamma:** modern production facilities in Finland

**Theta:** no production facilities, buys everything from  
Alpha (100 year old relationship)

Gamma free production capacity in Finland

Decides to move all production to Finland

Gamma stopped using Alpha as supplier



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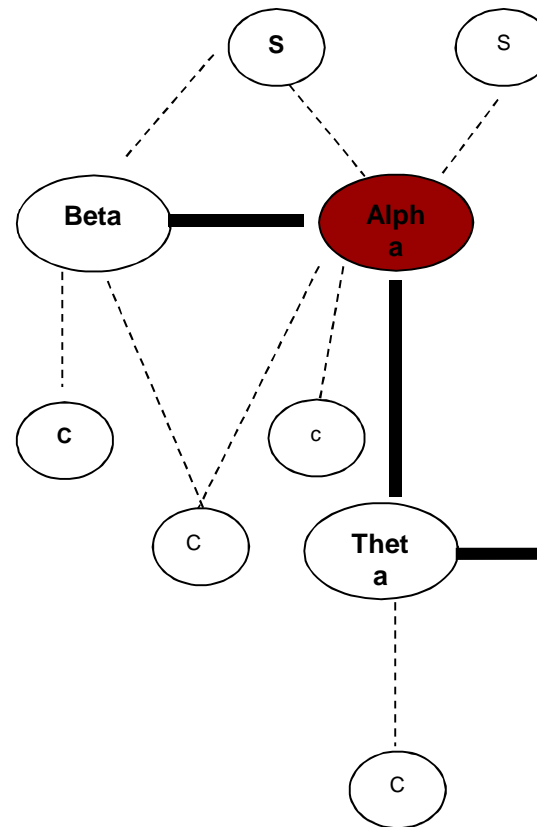
# The story from a network researcher's perspective

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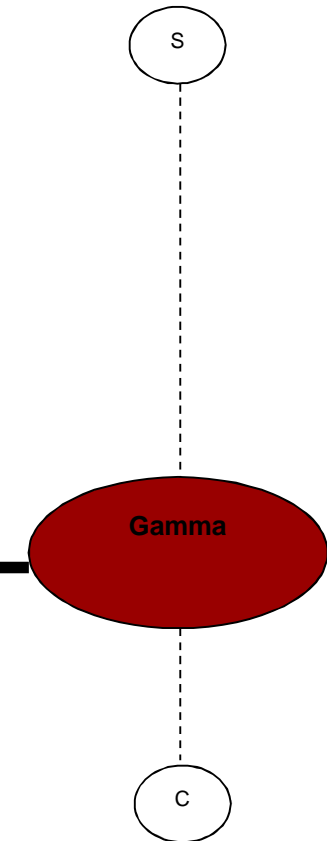


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## Sweden



## Finland



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# Business relationships are connected to each other

- Gamma understood this when they acquired Theta in 1997

-Alpha's owners surprised when they realised that Gamma had acquired their most important customer, Theta

A 100-year old relationship ends  
(between Alpha and Theta)

AlphaBeta lost 1/3 of its sales "over a night"



# Lessons learnt?

## Planned and intended effects of acquisitions

E.g. new business opportunities, cost reduction

## Unexpected effects of acquisitions

Change in one business relationship may spread far in the business network

Strategy sometimes difficult (e.g. AlphaBeta)



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**Try to see behind  
your network  
horizon!**

**Possible??**