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CUSTOMER RETENTION IN A CROSS-BORDER ACQUISITION: A SINGLE CASE STUDY OF A KNOWLEDGE-INTENSIVE FIRM

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ABSTRACT

Customer retention in a cross-border acquisition: A single case study of a knowledge-intensive firm

The overall aim of this study is to enhance understanding on how post-acquisition actions affect a knowledge-intensive acquired firm's customer retention in a cross-border acquisition. The focus on target firm's customers, and on customer retention in particular, helps to bring about new understanding of merger and acquisition (M&A), and their success factors. This study employs theoretical pluralism in studying the empirical case. Specifically, the empirical case was analysed with integrated theoretical insights from M&A integration literature and approaches, CRM and network research to better understand the retention of the acquired firm's customers. The above aim of the study is addressed through three questions: (1) How does the cross-border acquisition integration affect the knowledge-intensive acquired firm's customer retention? (2) How do external and internal factors of the cross-border acquisition affect the knowledge-intensive acquired firm's customer retention? (3) How does the cross-border acquisition affect the future relationship development of the knowledge-intensive acquired firm's customers for retention? This research is a single case study, employing a qualitative method, and the case in this research is a Chinese-European cross-border acquisition in the knowledge-intensive field within the maritime industry. The findings of this research contribute mainly to the field of M&A, but additional insights – with respect to the role M&A events can exert on CRM and network studies – are also offered to expand the current thinking in the literature on CRM and networks. The findings point to the idea of multidimensional perspective to customers, that is, the investigation of existing, new and dormant customers. Findings also show that M&As are critical event, effects of which one can understand and (better) manage if attention is paid to customer retention. Further, the study provides analytical frameworks, including integrated framework for customer retention and for recapturing dormant customers in M&A. All in all, the central message conveyed by the study was that customer retention is multidimensional in its conceptualisation and that retention in this context is not only about maintaining relationship stability; it is also about managing relationship dynamics. Simply put, customer retention in M&A is all about managing dynamic stability. Additionally, customer retention is mainly influenced by context-dependent factors, relationship-specific factors and post-M&A integration actions. Managerial implications are also discussed.

Keywords: Customer retention; Knowledge-intensive; Crossborder merger and acquisition; Maritime industry; CRM; Networks; Post-M&A integration

TIIVISTELMÄ

Asiakassuhteiden säilyttäminen kansainvälisessä yritysostossa.
Tapaustutkimus tietointensiivisestä yrityksestä

Tutkimuksen tavoitteena on lisätä ymmärrystä siitä, kuinka kansainvälisen yritysoston jälkeiset toimenpiteet vaikuttavat asiakassuhteisiin ja niiden pysyvyyteen tietointensiivisessä yrityksessä. Tarkastelun keskiössä ovat ostetun yrityksen asiakkaat ja tutkimus tuottaa uutta tietoa yrityskaupan onnistumiseen liittyvistä tekijöistä. Tutkimusongelmaan vastataan yhdistelemällä tietoa useammasta teoreettisesta keskustelusta sekä tarkastelemalla ilmiötä yhdessä case-tapauksessa. Tutkimuksessa hyödynnetään mm. yrityskauppojen jälkeiseen integraatioon, asiakassuhteiden johtamiseen ja yritysverkostoihin liittyvää tieteellistä keskustelua.

Tutkimuksen tavoite voidaan jakaa kolmeen tutkimuskysymykseen: (1) Miten kansainvälisen yritysoston jälkeinen integraatio vaikuttaa ostetun tietointensiivisen yrityksen asiakassuhteiden pysyvyyteen? (2) Miten kansainväliseen yritysostoon liittyvät ulkoiset ja sisäiset tekijät vaikuttavat ostetun tietointensiivisen yrityksen asiakassuhteiden pysyvyyteen? ja (3) Miten kansainvälinen yritysosto vaikuttaa tietointensiivisen ostetun yrityksen asiakassuhteiden kehitykseen tulevaisuudessa?

Tutkimus toteutettiin laadullisena tapaustutkimuksena, ja tutkimuksen kohteena oli kiinalais-suomalainen yrityskauppa meriteollisuudessa. Tutkimustulokset tuovat lisäymmärrystä kansainvälisen yritysoston seurauksista, mutta myös tarjoavat kiinnostavia näkemyksiä asiakassuhteiden johtamiseen ja verkostotutkimukseen. Tutkimustulokset osoittavat, että yritysoston jälkeen asiakaskuntaa on syytä tarkastella useammasta näkökulmasta: tulee erottaa nykyiset, uudet ja ns. ‘nukkuvat’ asiakassuhteet. Yritysosto näyttäytyy kriittisenä tapahtumana, joka edellyttää asiakassuhteiden aktiivista johtamista. Tutkimus tarjoaa analyyttisia työkaluja asiakassuhteiden johtamiseen tässä tilanteessa, erityisesti ‘nukkuvien’ asiakkaiden tavoittamisen näkökulmasta. Kyse ei siis ole vain passiivisesta asiakassuhteiden jatkuvuuden varmistamisesta, vaan suhdedynamiikan aktiivisesta johtamisesta. Tutkimustulokset ovat luonnollisesti kontekstisidonnaisia ja asiakassuhteiden jatkuvuuteen vaikuttavat sekä yrityskauppaan että asiakasuhteeseen liittyvät tekijät.

Avainsanat: asiakassuhde, jatkuvuus, tietointensiivisyys, kansainvälinen, yritysosto, integraatio, meriteollisuus, asiakassuhdejohtaminen, verkostot

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To the Creator of the universe, the light of the world and life:
Thank you LORD for granting me faith – the confidence in what we hope for and assurance about what we do not see (Hebrews 11:1)

It is truly relieving to realise that I am finally at the end and writing the last few paragraphs to conclude this doctoral dissertation journey. And believe me – despite the immense frustration during this journey coupled with moments of hope, excitements and discoveries – I have always had faith that this day was slowly but surely coming. Indeed, many people (though some of you will remain unnamed) and organisations have invested their time and efforts, as well as financial support in this dissertation project and thus deserve my heartfelt gratitude and acknowledgement.

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Turku, 10th October, 2016
William Degbey

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1 INTRODUCTION

1.1 Background of the research

The primary agenda of this dissertation is to provide a deeper and meaningful understanding of the critical importance of customer retention as an indicator of performance or success in the context of cross-border/international acquisitions. Hence, to achieve the set agenda, the study seeks to offer a new lens for theorising customer retention in cross-border acquisitions. First, it posits the notion of "customer retention as multidimensional" (a conceptualisation that is closely tied to the measurement of customer retention as a performance indicator). Second, it explores the influencing variables/factors of customer retention in cross-border acquisitions.

The literature on mergers and acquisitions (henceforth, M&A[1]) is wide-ranging, spanning over more than 50 years of active research and adopting multidisciplinary perspectives (Gomes, Angwin, Weber & Tarba 2013) despite the heavy dominance of some specific disciplines. Indeed, M&A have become daily buzz words for practitioners and academics alike, emphasising their significance for scholarly and managerial practices. As can be observed in Figure 1, the global number of cross-border acquisitions alone has grown from approximately 5800 deals in 1995 to over 12000 deals in 2007. And in 2015, over 10000 deals were struck despite the fragile and slow economic recovery from the 2007 recession in many developed nations. Similarly, the value of cross-border acquisition purchases, which is an indicator of outward foreign direct investment (FDI) flows, has grown from nearly US$110 billion in 1995 to a record US$1032.7 billion in 2007. In 2015, the total value of cross-border M&A has been steadily recovering after the Great Recession and has now reached US$721.5 billion – a 66.8% increase over the total value of cross-border M&A in 2014 (World Investment Report 2016). A comparative example of how important these activities have become is evident in the fact that the global value of M&A activities (both domestic and cross-border) in 2013 alone exceeded US$2.3 trillion, which is greater than the gross domestic product of Brazil (GDP in 2013 US$2.24 trillion) – the largest economy in

[1] The term M&A is used interchangeably with the term cross-border acquisitions.

Latin America and Caribbean regions (Bloomberg 2013; The World Bank 2014).

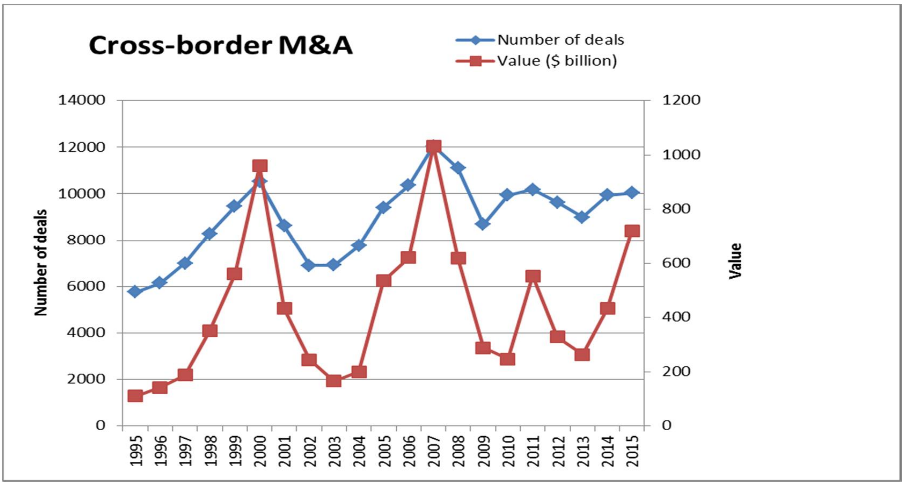

Figure 1 Number and value of cross-border M&A deals 1995–2015 (source: UNCTAD cross-border M&A database – www.unctad.org/fdistatistics)

However, the M&A performance literature, in spite of its popularity and strategic importance, also acknowledges a high level of disappointing performance, usually half to three-quarters failure rather than success, and hence there remains a need for a better understanding of the variables that explain their success (see King, Dalton, Daily & Covin 2004; Meglio & Risberg 2011; Papadakis & Thanos 2010; Schoenberg 2006; Zollo & Meier 2008). The literature indicates that in M&A transactions, attention is mostly focused on the features of the acquirer and the acquired and their strategic and organisational fits for integration as well as synergy realisation (Chatterjee 1992; Datta 1991; Larsson & Finkelstein 1999), and little recognition is given to the interdependence between the firm and its environment. In fact, the interdependence between a firm and its environment has been recognised as an essential ingredient in its (international) growth pursuit (see e.g. Degbey & Ellis 2016; Penrose 1959; 1995; Jones & Coviello 2005; Fletcher 2001) although a huge proportion of the acquisition literature holds the assumption that the success of acquisitions is mainly influenced by managerial actions (cf. Anderson et al. 2001).

In addition, the resource-dependence view emphasises the presence of external elements as a significant determinant of firms' successful operations (Pfeffer & Salancik 1978). Moreover, other scholars also point to a firm's demand-side characteristics or the presence of exogenous factors as ultimate determinants of its value or strategy effectiveness (Storbacka & Nenonen 2009). Furthermore, most mergers or acquisitions are simply referred to as "the deal" and thus narrowly connote a transaction-oriented perspective – a focus on the financial numbers without recognising "the deal" as a complex process that requires an integrative/holistic perspective beyond firms' financial numbers (Massimilian 2001). Yet, much of the literature on M&A currently reveals limited studies with respect to discussion on contextual reasons referring particularly to other (external) *actors* – primarily acquired firm *customers*.

As a consequence, a study of this nature is ripe to advance our knowledge within the M&A subject matter. Figure 2 below shows a simple background framework of the interactions among M&A parties, customers and the enhancement of M&A performance.

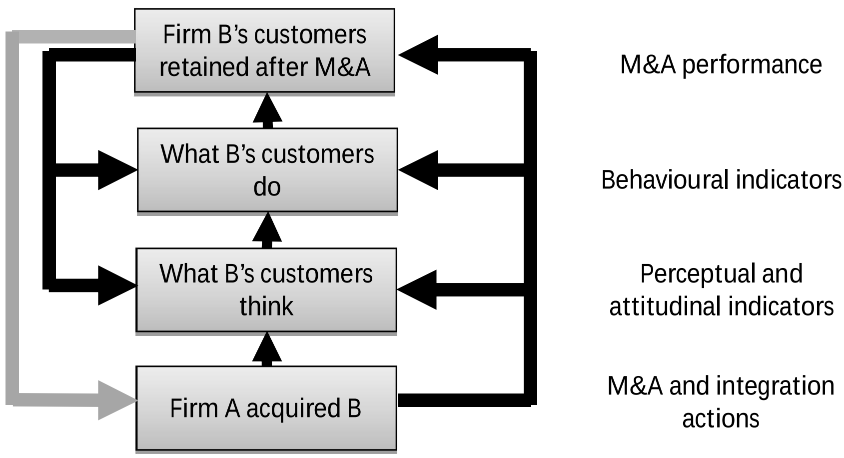

Figure 2 Framework of M&A action, customer indicators and M&A performance (adapted from Degbey 2015)

That is, Figure 2 links the acquisition of firm "B" by firm "A" (i.e. M&A and integration actions) to what firm B's customers think (i.e. perceptual or unobservable indicators) and what firm B's customers do (observable or behavioural indicators) and shows how these indicators affect the retention of firm B's customers. The locus of attention in the framework is depicted by links and arrows in black. The framework integrates existing knowledge on customer retention from the customer relationship management (CRM) literature (cf. Degbey 2015; Gupta & Zeithaml 2006) and indicates its impact on the (M&A) performance of the firm. As M&A strive for greater performance accountability, it is critical that we understand how customer measures link to

M&A performance for the present and future economic viability of the firm. Prior studies in the M&A literature mostly investigate the relationship between the merging parties (see Figure 2, bottom box, where "firm A acquired B") and their implications on firm (M&A) performance (Ahammad & Glaister 2011; Datta 1991; King et al. 2004; Schoenberg 2006). However, this study, unlike prior studies, focuses on the linkages among the M&A action, intervening perceptual and behavioural indicators and M&A performance (customer retention).

Customers[2] and their retention – the *locus* of attention in this study – are important and in most cases are seen as the most critical aspect or asset of firms (see e.g. Anderson, Havila & Salmi 2001; Degbey 2015; Gupta, Lehmann & Stuart 2004; Öberg 2008). In fact, Reichheld (1996) highlights the retention of customers as the central gauge to measure how well a company creates value for its customers. However, in the context of M&A, customers are mostly ignored in the planning and execution of the deals, and their relationship is often treated as controllable by the merging parties (see e.g. Öberg 2007). In fact, traditional M&A research (particularly on M&A strategic motives) does not even refer to them as customers but rather as markets and positions (Öberg 2008). Notwithstanding this indirect reference to customers as markets in M&A motives, which in a way may seem to be a broader encapsulation of demand-side variables, Drucker refuted the view of markets as what *we* make and specifically adopted the customers' perspective to define it as the value the *customer* pays for (Drucker 1986).

Intuitively, the value the *customer* pays for is driven by the customer's unobservable (perceptual) construct, which, in turn, drives observable behaviour (Gupta & Zeithaml 2006) and consequently influences M&A performance. Further, it is argued that the business's purpose is to create a customer – that is, "it is the customer who determines what a business is" (Drucker 1986, 47). In other words, as concluded by Drucker (1954), what is critical for any business is what customers do with firms' output and what they think is value for them (Grönroos 2011). Furthermore, the notion of placing customers at the centre is not new as such. In fact, Theodore Levitt's seminal paper of 1960 argued that companies are too focused on their own production processes and not sufficiently oriented towards customer satisfaction (Heinonen, Strandvik, Mickelsson, Edvardsson, Sundström & Andersson 2010). Also, as noted in the work of Grönross (2011, 19), an Irish priest named Robert Millar as early as 1912 introduced the marketing concept and stated: "try to look at things from the customer's side of the encounter".

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[2] The term is used in the B2B context throughout the paper

Nevertheless, if a critical aspect of a firm is its customers, then in the context of M&A, the inability of the merging firms (particularly the acquired firm) to retain the acquired company's customers following the acquisition can affect the M&A success. Thus, indeed, customer retention can be captured, principally, as an indicator of acquisition performance (Zollo & Meier 2008). However, it must also be emphasised here that although customers, as discussed in this study, are critical for securing current and future revenues in every firm, their criticality in the M&A context is really contingent on the M&A motive. For example, the phenomenon discussed here (i.e. customer retention) is most relevant for market-related cross-border acquisition motives, such as strengthening a firm's (market) position (e.g. Degbey & Hassett 2016; Öberg 2004), reaching new customers (e.g. Anand & Delios 2002; Barkema & Vermeulen 1998; Kelly, Cook & Spitzer 2003) and deepening the local presence/representation for customers in existing markets (e.g. Degbey 2015). The above motives also resemble the market-seeking M&A motive, as noted in a recent empirical study (see Degbey & Pelto 2015).

However, it must also be emphasised that the M&A motive espoused here should not simply be regarded as purely growth-oriented or revenue-enhancing but also, perhaps most importantly, as contextually driven. The literature pertaining to M&A as driven by contextual factors/reasons resembles M&A as discussed in this dissertation, although a wider context is pursued here beyond simple interdependence with the acquirer (cf. Pfeffer 1972; Finkelstein 1997) to also embrace contextual discussion referring precisely to other actors, specifically *customers* (and their retention). Nonetheless, acquisitions strictly driven by cost-reduction motives, for example, may unfortunately not consider customers and their retention as most critical. Likewise, this study does not suggest in any way that the critical aspect of all M&A is customers.

In this paper, the notion of *customer retention is extended to encompass the acquired firm's existing customers maintained plus new customers gained and dormant customers regained/recaptured following an M&A*. While earlier works in the M&A literature conceptualise customer retention as a single-dimensional construct (e.g. Degbey 2015; Zollo & Meier 2008), this paper conceptualises it as a multidimensional construct – that is, existing customers maintained, dormant customers regained/recaptured and new customers gained post-M&A. This conceptualisation provides a better and a more holistic view of customer retention, particularly in a major strategic event (i.e. M&A) where integration efforts or contextual forces may generate dynamic insights into this phenomenon. Figure 3 shows the relationships of the dimensions to the central idea (i.e. customer retention in M&A) in a circle.

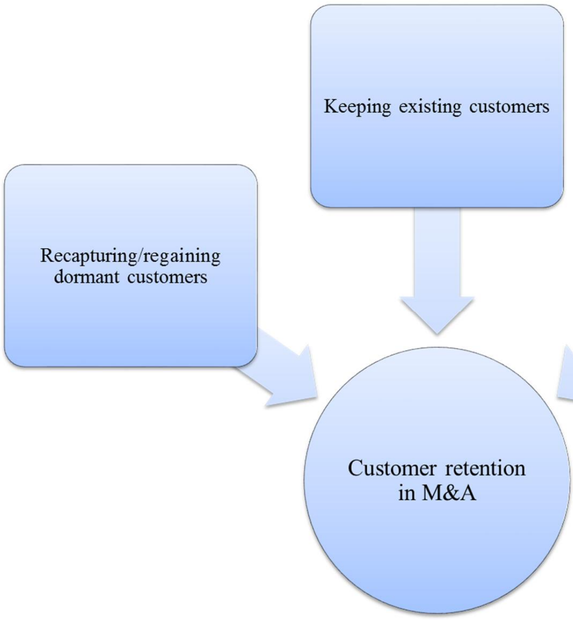

Figure 3 Multidimensional conceptualisation of customer retention in M&A

1.2 Customers of knowledge-intensive acquired firms

Acquisitions have emerged as an important means, particularly for knowledge-intensive or technology-based acquired firms, to overcome difficult strategic hurdles to growth and to also provide firms an opportunity to take advantage of complementarities with acquirers (Graebner & Eisenhardt 2004). Theoretically, knowledge-intensive acquisitions are conceived of as principally focusing on knowledge as the main driver for an M&A (Scheunemann & Suessmair 2013). Some knowledge-oriented motives of M&A aggregated under knowledge-intensive acquisitions include such literature on the acquisition of technologies (Schweizer 2005), the acquisition of capabilities (Ranft & Lord 2002), the acquisition of knowledge firms (Birkinshaw 1999) or research and development (R&D)-intensive firms (King et al. 2008) and the acquisition of innovation potential (Ahuja & Katila 2001).

Generally, the locus of attention in acquisitions of knowledge-intensive or technology-based firms[3] is typically on the specialised knowledge or technology and the acquired firms' engineers (cf. Kapoor & Lim 2007). This locus of

[3] The terms knowledge-intensive firms and technology-based firms are used interchangeably in this study.

attention is, however, not different from the research case that is analysed (in a later chapter) in this study, where in specific terms a Northern European multinational engineering firm was acquired by a Chinese multinational firm in a cross-border acquisition deal. As the focus in this study is geared towards the retention of the acquired firm's customers, it is important to note that forces such as the innate focus on the specialised knowledge or technology and engineers (Dalziel 2007; Mayer & Kenney 2004) and the inability to redeploy the acquired firm's marketing and sales resources (Capron & Hulland 1999), for example, may generate the likelihood for the acquirer to pay no or less attention to the acquired firm's customers. This poses a problem, as these customers are essential in providing input into the new product development process and, as a result, in helping to enhance the performance of the focal knowledge-intensive firm (Dalziel 2007).

Customers – essentially knowledge-intensive acquired firms' customers – are fundamental to this context, as they possess knowledge of the context in which the product will function to impact performance (cf. Degbey 2015; Iansiti 1998). Moreover, it is suggested that knowledge-intensive contexts are often characterised by innovation-related problem solving, and customers are seen as an important part of the solution, because they possess information that is costly to acquire, transfer and use (i.e. sticky knowledge) in these contexts (Von Hippel 1994). Hence, the performance of a knowledge-intensive acquired firm is heavily dependent on its business customers, and it is critical that the merging parties' actions (especially those of the acquirer) post-acquisition should not endanger the maintenance of these customer relationships.

However, naturally customers of any highly specialised firm are critical, as they constitute, for example, a niche market, and at the same time it can be argued that the motive to internalise/harness the knowledge within the acquired firm may consume a great deal of resources and hence constrain the resource capacity to also keep the acquired firm's customers (cf. Shaver 2006). Similarly, for example, the retention of the acquired firm's customers may be difficult to achieve under motives where the acquirer attempts to increase its market share by destroying the competition through the termination of the acquired firm and its products (cf. Keller 2003; Öberg 2014). The last two assertions suggest that the ability to retain an acquired firm's customers may be hindered in certain circumstances.

Thus, the subject matter may be relevant especially in situations where the acquired firm is driven by market-related motives and simultaneously recognises that the context (e.g. customers) can essentially influence the performance of the M&A, thus making conscious efforts to retain its customers. In addition, preservation acquisitions are very relevant particularly for the phenomenon examined in this study as opposed to absorption acquisitions (see

Haspeslagh & Jemison 1991). This is because in preservation acquisitions the acquirer typically restricts decisions and holds to the principle not to make initial changes in the acquired firm in order to learn about the nature of their business, industry or technologies in use (Haspeslagh & Jemison 1991), and this degree of autonomy granted to the acquired firm is beneficial for their customer retention efforts.

1.3 Research gap: Customer retention as a *missing* indicator in M&A research

The lack of research exploring the retention of an acquired firm's customers following an M&A stands out as the core research gap for choosing and consequently probing a topic of this kind. It is true that customers and M&A parties often have conflicting motives and outcomes regarding their individual firms' strategic trajectories for growth and competitiveness. On one hand, the M&A decision may be driven by antecedents such as value creation, managerial self-interest, environmental factors and firm characteristics (see Haleblian, Devers, McNamara, Carpenter & Davison 2009 for review), with the desire of reaping specific performance outcome. On the other hand, customers may perceive this strategic decision differently by questioning the assumptions driving the M&A strategy and also assessing its implications on their business activities. Accordingly, they may respond favourably or unfavourably towards the given M&A, taking into consideration their own motives and outcomes.

Consequently, the study of customer retention in cross-border acquisitions specifically aims to provide a fresh perspective on the importance (i.e. by understanding the influencing variables and conceptualisation) of acquired firms' retention of customers in M&A research. This perspective would also help to better minimise the ambivalence and goal incongruence among the actors for a superior M&A performance. The latter assertion is relevant because, in measuring acquisition success, little recognition is given to the impact of the acquired firm's customers on the M&A deal (Dalziel 2007). In addition, an in-depth study purposely focused on customer retention and its influencing factors has rarely been pursued in the context of M&A. Although the issue of customer retention following an M&A was recognised earlier by Rydén (1972: in Öberg 2008), the M&A literature has since paid little attention to the topic. A notable exception is the work of Zollo and Meier (2008), which finds a significant relationship between customer retention and acquisition performance. However, the work of Zollo and Meier (2008) aims only at establishing relationships amongst different acquisition performance measures and hence makes little effort to explain why customer retention features so critically in their model (cf. Dalziel 2007). These previous studies – regarding customers and their retention in the M&A context as mentioned above – although sharing common research threads with this study, differ in their conceptual development and analytic focus.

As a result, this new perspective can be of great importance and bring interesting contributions to our knowledge and the M&A field of study. In Haleblian et al. (2009), one of two main conclusions on nonfinancial performance outcomes' review of M&A research highlighted the insufficient examination of acquisition effects on stakeholders such as customers and consequently emphasised that "this area is ripe for future work" (Haleblian et al. 2009, 488). Similarly, in a review of M&A phases, motives and success factors, Calipha, Tarba and Brock (2010) indicate the need for a comprehensive examination of all stakeholders, including customers, as this may help avoid future resistance and potential confrontation with key stakeholders, which could eventually lead to negative revenue and other outcomes (e.g. loss of customers).

Further, from the financial and market studies' perspective, the M&A literature has shown that acquired firms' shareholders generally enjoy positive short-term returns, whilst acquirers' investors suffer share price underperformance in the months following the deal (Cartwright & Schoenberg 2006). The above assertion reflects stakeholders' interest in M&A cases from the financial and market viewpoints. In the same vein, however, the literature has been silent on whether acquired firms' customers also enjoy any of these financial benefits accruing to the acquired firms' investors as a result of this corporate development. That is, does the financial market put a price on customer retention as is done in the case of acquired firms' investors' stock? If, indeed, an average of 68% of acquired firms' executives depart five years following the acquisition (see e.g. Krug & Aguilera 2005), then what are the chances of retaining the customers (acquired firms' customers) who have established long-term relationships with these executives? Do the customers go with them? What efforts and strategies are put in place by the merging parties to retain these customers? These are just few of the myriad likely questions the extant M&A literature is unable to address fully.

Furthermore, as customers are increasingly being recognised as actors who affect the outcome of M&A and are equally affected by M&A (e.g. Öberg 2008), insights from customer behavioural or relational studies may offer essential links to offset acquisition underperformance in general. Also, a recent study that explores the distinctive characteristics of effective acquirers in knowledge-intensive industries highlights the fact that research has traditionally overlooked the non-financial performance domain of acquisitions and emphasises variables such as market orientation (including customer-related issues) among others as defining features of effective acquirers

(Riviezzo 2013). Similarly, based on a classificatory scheme of M&A performance measures (see Meglio & Risberg 2011), customer retention falls under the non-financial performance domain and is discussed here beyond operational performance dimensions/indicators (e.g. market share) to overall performance indicators (e.g. attainment of the goal of retaining acquired firms' customers) (cf. Degbey 2015).

Accordingly, exploiting both the theoretical and practical benefits of understanding customer retention as a measure of acquisition performance, in this case from the acquired firm's perspective, might therefore facilitate acquiring firms in escaping or minimising the acquirer's curse – a presumably behavioural or relational curse. Finally, customer retention has been identified in the empirical study by Zollo and Meier (2008) as a long-term acquisition performance indicator, but these authors rarely made any attempt in establishing the factors influencing it. Therefore, employing it as an acquisition performance indicator, and probing the factors influencing it, is in line with King et al.'s (2004) assertion of building on past performance variables to accumulate M&A knowledge. In their paper, King et al. (2004, 196) conclude that "existing […] research has not clearly and repeatedly identified those variables that impact an acquiring firm's performance". (See the table in Appendix 3 for a review of empirical and conceptual articles on the main acquisition performance measures utilised.) The table (focus on grey section) shows only two journal articles in M&A studies that explicitly adopt customer retention as a performance measure/indicator – specifically the works of Zollo and Meier (2008) and Degbey (2015) – although other studies have also tangentially mentioned the term in the M&A literature (see e.g. Homburg & Bucerius 2005; Kato & Schoenberg 2014).

1.4 The purpose of the study and the research process

The primary aim of this research is to understand *how post-acquisition actions affect a knowledge-intensive acquired firm's customer retention in a cross-border acquisition*. Specifically, the study addresses this research aim by focusing on the following three sub-questions:

1. *How does the cross-border acquisition integration affect the knowledge-intensive acquired firm's customer retention?*
2. *How do external and internal factors of the cross-border acquisition affect the knowledge-intensive acquired firm's customer retention?*
3. *How does the cross-border acquisition affect the future relationship development of the knowledge-intensive acquired firm's customers for retention?*

The focal study provides an answer to the first research question by specifically focusing on the effects that post-acquisition integration may bring to an acquired firm's customer retention by exploring the M&A integration literature and approaches (cf. Haspeslagh & Jemison 1991). The second research question addresses the research aim by mainly focusing on the influence of external and internal factors on an acquired firm's customer retention; that is, it examines mainly the inner and outer context variables of the phenomenon (cf. Ahmad & Buttle 2002; Pettigrew 1987). Here, the internal context is used to mean firm-level influencing factors, such as M&A parties' goals/motives, while the external context represents relationship and network influencing factors, such as customers and other industry actors. Also, see section 3.3.2 for further discussion on context factors. Network theoretical thinking is applied in studying the external and internal factors (cf. Araujo & Easton 1996; Gadde & Håkansson 2001; Håkansson & Johanson 1992; Järvensivu & Möller 2009; Jarillo 1988). Finally, the third research question addresses the research aim by focusing mainly on how relationship-specific factors may influence the future relationship development of an acquired firm's customers for retention following the acquisition (cf. Dyer & Singh 1998). Thus, to answer the three questions above and obtain an in-depth understanding of the phenomenon under scrutiny, *theoretical pluralism* is adopted in studying the empirical case (cf. Dwyer, Dahlström & DiNovo 1995). Other scholars have termed this approach (i.e. theoretical pluralism) as *multiparadigmatic research* and emphasised its appropriate fit with *qualitative case study strategy* (Lewis & Grimes 1999; Pelto 2013).

Specifically, the study builds on three distinct but overlapping theoretical perspectives to address the research aim (and questions). First, it employs CRM theories, as they fundamentally constitute the basis to comprehend value creation mainly through customer retention (cf. Srivastava, Shrevani & Fahey 1999). Indeed, the conceptualisation of customer retention in this study is *partly* supported by current CRM conceptualisations. Emphasis is placed on *partly*, because current CRM conceptualisations mostly focus on active (existing) customer relationships unlike the conceptualisation of customer retention offered here, and, also, studies in the area of CRM have largely drawn attention to the business-to-consumer (B2C) context. Secondly, it employs network approaches within the business-to-business (B2B) context by enabling us to understand that relationships are the main governance form in the B2B context and that they are not simply selected but rather mutually developed over time (cf. Araujo & Easton 1996; Gadde & Håkansson 2001). In addition, since the phenomenon of customer retention is examined within the B2B context, network approaches help to broaden our understanding of the interconnectedness and/or embeddedness of such customer relationships (cf.

Degbey & Pelto 2013). Moreover, the interdependence among the engaged firms helps provide a broader meaning to relationship value beyond strictly monetary value. Thirdly, the study adopts M&A integration approaches to help deepen our understanding, for example, of how a greater need for strategic autonomy (see Haspeslagh & Jemison 1991) enhances customer retention in the M&A context. Further reflections are provided on the use/treatment of the three theoretical perspectives in section 3.4 (synthesis of theoretical positioning and literature review).

This research contributes to the M&A literature in two important ways. First, the study examines the factors and variables that may impact the retention of an acquired firm's customers following an acquisition. Second, the study provides a novel conceptualisation of customer retention in M&A through three dimensions for retention measurement purposes: existing customers, dormant customers, and new customers. This novel conceptualisation stems from the findings of the pilot study and constitutes part of its main contribution in addition to also enhancing the pre-understanding of other themes of the study (cf. Polsa 2013). Specifically, the study informs us to measure customer retention – a multidimensional M&A performance indicator – via three customer dimensions. Although the main contribution of the study is in the field of M&A, it also has contributions to research on CRM and networks. Regarding contribution to the CRM literature, *this study contributes to CRM research by emphasising the relevance of context* (cf. Ahmad & Buttle 2002). In this respect, the study builds on the process perspective of CRM and advances the CRM literature by emphasising the examination of the dynamic nature of stability among customer dimensions for the enhanced retention of customers, especially in a critical event setting such as M&A. This contribution helps bridge the gap in prior CRM research's lack of clear assumptions about the *context* of exchange relationships (cf. Möller 2013; Pels et al. 2009). Consistent with the relevance of context to CRM research, other scholars have also specified the limited contribution of CRM research in tackling the *dynamic* nature of exchange relationships (cf. Evans & Laskin 1994; Möller 2013). In the same vein, *the study also contributes to the network literature by suggesting that networks exposed to the unilateral and disruptive actions of M&A may emphasise intentional arrangement and strategic relevance for the actors in such network relationships* (see Amit & Zott 2001; Gulati et al. 2000; Möller & Rajala 2007) and that not all networks can be considered to be unintentionally created and self-organising systems as widely advocated, especially in the business network approach (Axelsson & Easton 1992; Ritter & Gemünden 2003).

Furthermore, on a more practical level, the timeliness of this dissertation cannot be overemphasised, as in European countries such as the acquired firm's home country, a great need exists for an increase in the number of companies securing profitable business contracts and representing the country's industrial base, particularly in the maritime industry, which has witnessed a recent shift in activities mostly to Asia (cf. Business Intelligence Report 2013). Indeed, this case study highlights how acquisition driven growth paths could possibly help knowledge-intensive companies (e.g. highly competent engineering firms) to tap into growing opportunities outside European borders to revive growth and reinforce their countries' competitive strength.

It is important to also explicitly state here whose viewpoint is reported in the case findings of this study. As the focus is on the retention of the acquired firm's customers, the viewpoint of these customers is emphasised in this study. However, conscious attempts have been made to also integrate the viewpoint of the acquired firm as well, because fully grasping the phenomenon of retention in cross-border acquisition requires more than one side of the story (e.g. retention data are usually generated internally, and the viewpoint of the acquired firm on this is relevant). *More specifically, the study draws attention to the viewpoint of the acquired firm's customers for the following reasons*. First, research indicates that the post-acquisition performance of acquired firms (units) has been unsatisfactory (Minbaeva & Muratbekova-Touron 2011), and this can certainly risk the overall acquisition performance. Second, there is a lack of previous research regarding the importance of acquired firms' customers on overall M&A success or performance. A notable empirical study in M&A research that deals with customers alone is that of Öberg (2008). However, Öberg's work has not explicitly focused on the acquired firms' customers.

Third, the poor performance of the acquired units can be directly linked to their revenue source – customers are the main contributors to any organisation's current and future revenue streams (cf. Anderson & Mittal 2000). Fourth, the synergy argument has been one of the core justifications for M&A endeavours. However, acquirers tend to estimate cost-based synergies better than revenue-based synergies (Early 2004), highlighting their strong internal focus rather than external. Thus, a focus on the acquired firms' customers may yield a better understanding of the enabling demand-side variables to enhance revenue-based synergies. Fifth, the acquired firm customers' focus is critical, because the customers are more susceptible to changes emanating from/enacted by the acquiring firm. For example, the *them* versus *us* attitudes (see Minbaeva & Muratbekova 2011) characterising most acquisitions could place direct emotional strain on the acquired firm's employees, leading to indirect negative consequences for their customers.

In this thesis, the use of the term *customers* relates to the B2B context. B2B customers, for example, are more geared towards long-term business relationships (Dwyer, Schuur & Sejo 1987). Additionally, B2B customers are preferred because of the contractual settings that underpin such business relationships, making it easy to determine when a customer terminates a relationship with a firm (Gupta & Zeithaml 2006). Organisational exchanges are broadly seen as B2B transactions and thus are circumscribed by long-term associations, contractual relations and joint ownership (Dwyer, Schuur & Sejo 1987). The preference for an exchange relationship in a B2B customer context is again critical, because “transactions are planned and administered instead of being conducted on an *ad hoc* basis” (Arndt 1979, 9). Furthermore, unlike the B2C context, B2B relationship insights – that is, employing dyadic or network of firms as a unit of analysis – emphasise important factors such as B2B knowledge-sharing routines and relation-specific investment as well as complementary resource endowments as primary sources of enhancing performance for a focal firm (Dyer & Singh 1998).

Before presenting the theoretical positioning of this research in the third chapter, it is important to restate the purpose of this study and to also note explicitly what is not studied in here. The purpose of this study is to understand *how post-acquisition actions affect a knowledge-intensive acquired firm’s customer retention in a cross-border acquisition.* Thus, this study explicitly explores the consequences of a strategic decision for the acquired firm’s customers. And this study does *not* focus on comparing and contrasting or analysing different strategic decisions/choices of market entry modes, since cross-border acquisitions are conventionally part of FDI and are thus widely noted as an internationalisation mode (World Investment Prospects Survey 2007).

In addition, since the customers of the acquired firm are focused on in this thesis, the viewpoint of the acquiring firm’s customers was not studied. Moreover, although the conceptualisation of customer retention in this thesis concentrates on three distinct but intertwined customer dimensions, the study is *not* about customer portfolio analysis/management (e.g. Terho 2009; Terho & Halinen 2007; Yorke & Droussiotis 1994; Zolkiewski & Turnbull 2002). This is because the handling of individual relationships is still considered critical here as opposed to focusing only on the future-oriented development of a whole portfolio of customers. *The final part of this section now turns the discussion to the research process of the study*.

The discussion of the research process is conducted with the help of Figure 4 for better clarity. The research process began with the researcher’s interest in the impact of M&A on the customers of the acquired company in a cross-border acquisition. Thus, this interest first led to conducting a literature review, then followed by a pilot study. Both the literature review and the pilot study increased the researcher’s pre-understanding (cf. Polsa 2013) and thus constitute the first phase of the research process (see Figure 4, Phase I).

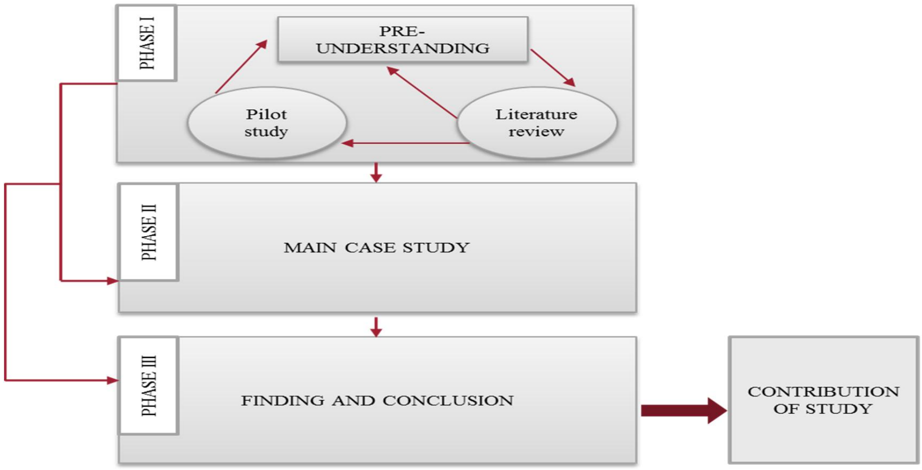

Figure 4 Research process

Indeed, Phase I of the research process facilitated better sense-making of the ambiguous research gap and helped in formulating the research questions for the main empirical case study (i.e. Phase II). The proposed theoretical framework (see Figure 12) of the main study was developed based on the pre-understanding from the literature review and the pilot study. Specifically, the pilot study contributes to the main case study (see Phase II of the research process) by providing the conceptualisation of customer retention, which subsequently was applied to develop operational definitions in the main study. Additionally, the pilot study also contributes – together with insights from the literature review – to uncovering the three umbrella influencing factors. These contributions of the pilot study constitute a central part of the proposed theoretical framework of the main study (see Figure 12) as well as of the final integrated framework (Figure 24). Furthermore, as shown in Figure 4, both Phase I and Phase II of the research process combine to generate Phase III – the findings and conclusion – and thus lead to the overall contribution of the study. *The next chapter discusses in detail the pilot study, which plays a fundamental role in the development of the proposed theoretical framework of the main study (see Figure 12).*

2 PILOT STUDY[4]

2.1 Pilot study – Motivation and value added

Research, especially in marketing, has identified several influencing variables/factors of customer retention based on the various theoretical approaches advanced in the literature (see e.g. Ahmad & Buttle 2002; DeSouza 1992; Reichheld 1996; Turnbull & Wilson 1989). However, with few exceptions (e.g. Degbey 2015; Zollo & Meier 2008), research on M&A performance has focused little attention on customer retention. In other words, the existing literature on customer retention in the M&A context has yet to offer much insight into this phenomenon. In particular, there is scant systematic evidence on the conceptualisation and influencing variables of customer retention in M&A research.

Consequently, to explore this gap preliminarily and advance our understanding of customer retention in M&A research, a pilot study was needed and thus initiated to gain pre-understanding and to generate the context-sensitive but theoretically interesting aim of this study (cf. Polsa 2013; Poulis et al. 2013). Specifically, the pilot study strived to accomplish the above stated goal by way of guiding and widening the perspective of the existing literature on the influencing factors and conceptualisation of customer retention in M&A. Indeed, as an interdisciplinary phenomenon, theoretical pluralism was found appropriate to better explicate it. Thus, the concepts and ideas of post-M&A studies, especially post-M&A integration approaches, and CRM and network theories/approaches were found relevant to generate novel insights in the study.

One of the main novel contributions of the pilot study was the multidimensional conceptualisation of customer retention in M&A (see subsequent sections for further discussion and Figure 6). The multidimensional conceptualisation framework constructed based on the findings of the pilot study was incorporated in the proposed theoretical framework of the main study on customer retention in M&A. Thus, in utilising concepts and ideas from the various theoretical lenses to analyse the main case study, the multidimensional conceptualisation was instrumental in understanding the

[4] A full report on the pilot study has been published as the author's master degree thesis and is available at the Turku School of Economics, University of Turku library.

development and management of the three identified customer dimensions for retention. In addition, the pilot study informed further methodological choices with respect to theoretical conditions for the main study's case selection (see e.g. Poulis et al. 2013). Furthermore, the pilot study provided a preliminary glimpse of the influencing variables of customer retention in M&A, especially the three umbrella variables.

2.2 Pilot study – Case description, data and analysis

The pilot case is a preliminary case study of the phenomenon under investigation to help facilitate the selection of the main case study (Poulis et al. 2013). Other scholars label pilot cases as "plausibility probes" (George & Bennett 2005, 75), which are important in enabling the identification of population boundaries and selecting one or more accessible cases amongst the identified population (Ghauri 2004; Poulis et al. 2013).

The pilot case company in this study is the acquired firm, a privately held company, incorporated in 1984, which quickly established itself as the market leader in global flexitank bulk liquid solutions with its headquarter in the United Kingdom. It is a global company with offices in the United Kingdom, the United States, Singapore, China, Australia, South Africa, Japan and Dubai. With over 250 workforces, their operations in the above mentioned countries are also assisted by an additional global network of more than 100 agents. The company's Director of Marketing stated that a "strong combination of people and resources is imperative for incomparable logistics services in terms of quality of service and equipment, high standard of safety and reliability, lowest overall cost, and a commitment to raising services beyond the average. Overall, these attributes are geared toward a single aim of ensuring that customers enjoy the best experience and satisfaction possible".

The financial position of the acquired firm prior to its acquisition in 2007 by the world's leading provider of logistics services to the beverage industry headquartered in Germany was considered very good; it recorded a turnover of €76 million in 2006. However, the acquirer was much larger, with a workforce of over 1000 people and a reported turnover of €525 million in 2006. The motive of the acquirer was to secure the acquired firm's unique and proven expertise in the design and manufacture of flexitanks/flexibags[5] for non-hazardous bulk liquids. This move was intended to reduce the acquirer's deficiency in this area and to help complement both firms' expertise to provide

[5]Flexibags are 24,000 litre bags used in the bulk shipment of wine/other non-hazardous liquids, such as latex.

fully tailored and unique solutions to a wide array of logistics requirements. The acquisition aimed to develop a new organisational framework that would preserve the two existing brand names and management as well as optimise the high level of expertise existing within the two organisations. The last statement is also consistent with M&A research suggesting that 87% of European acquisitions allow the acquired companies to continue under the same management, whilst 13% usually operate under new management mostly, in cases of bad performance (Jagersma 2005).

Further, as a result of the acquisition, the president of the case company (acquired firm) joined the executive board of the acquirer. Following the acquisition, a separate division was created to combine the experience and expertise of the two companies' bulk wine divisions for the supply and installation of VinBulk flexitanks. The VinBulk idea converts a standard 20-foot container into a bulk liquid transportation system. The bulk transport of wine is becoming increasingly popular globally not only because of the advantage of lowering the general transport cost but also due to its environmental impact (lower carbon footprint); a single container load of wine in bulk is equivalent to over two container loads of cased wine.

The data for the pilot study were collected soon after the M&A deal was closed in 2008, and a follow-up interview was conducted after the integration was completed in 2012. Interviews were the main data source but were complemented with secondary data mainly obtained from the merging parties' and customers' websites. In total, *eight* interviews were conducted. *One* interview was held with one manager from the acquiring firm. *Three* interviews were conducted with two managers from the acquired company, and *two* interviews were conducted with two directors both representing customers of the acquired company (case company) with *two* follow-up interviews. The interviews were semi-structured (see Berg 2004), and the data collection combined both telephone interviews and video conferences as data tools. Figure 5 below shows the timeline when the pilot interviews and follow-up interviews were conducted.

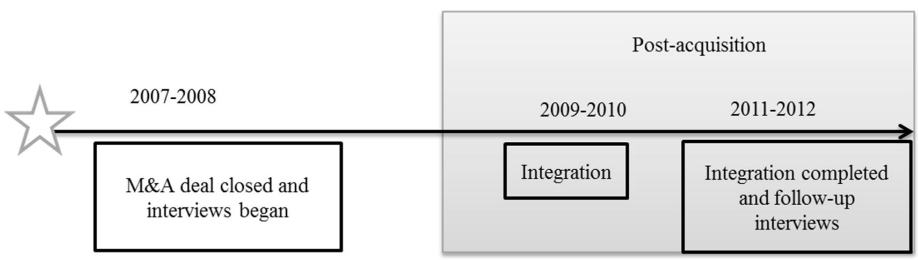

Figure 5 Pilot study timeline

All interviews were digitally recorded and transcribed soon after the interviews, and the content was analysed (see Silverman 2000; Spiggle 1994). All interviews were conducted in English in the video conference room of the Turku School of Economics, Finland. The acquired firm's customers involved in this pilot study were large industrial beverage and chemical companies, operating on a global level. Two customers – each representing one of the case company's (acquired firm) two main business segments – were interviewed for the pilot study. One of the customers is a leading producer of wine, and the other is a producer of chemicals (i.e. latex, a non-hazardous chemical). The case company provided them with flexitanks and transportation solutions. The next section discusses the key research findings of the pilot study in light of the questions about conceptualisation and the influencing variables of customer retention in M&A.

2.3 Pilot study – Findings

The pilot case study aims to contribute by providing a pre-understanding of the phenomenon under investigation (cf. Polsa 2013). Thus, it attempts to provide empirical insight into the conceptualisation of customer retention and also to identify the preliminary variables influencing customer retention for further exploration in the focal study.

2.3.1 Conceptualising customer retention as multidimensional

A variety of customer retention models have been developed in the marketing literature and to a lesser extent in general management as well (cf. Ahmad & Buttle 2002; DeSouza 1992; Reichheld 1996). These models are essentially single-dimensional and constitute a heterogeneous entity without a single unifying conceptualisation, especially for contexts that deal with critical events such as M&A. Consequently, there exists fragmentation of customer management practices for retention purposes. Indeed, this challenge can be partly attributed to the multifaceted nature of retention measurement by various firms (see Aspinall et al. 2001). Most importantly, in addition, the current literature has essentially offered very limited insight with regard to the provision of a unifying conceptualisation that captures the retention measurement and/or management for major strategic change events or critical events' research context (e.g. M&A). For this purpose, a qualitative pilot study was conducted in an M&A context, focusing on the merging parties and customers to provide empirical evidence of this conceptualisation. According to the interview data, the customer retention conceptualisation has shown to be *multidimensional* (i.e. involving simultaneously existing, dormant and new customers) rather than a *single dimension* focusing mainly on maintaining existing customers. This multidimensionality resulted from the integration actions of the merging parties – that is, the swapping/transfer of customers from one party to the other, thus practically terminating the direct existing customer relationship from one party while simulateously forming a new one for the other party. The following quote from an interview with the director of logistics demonstrates this:

> We stopped working with the acquired company […] because all the activities from our side switched to acquirer[6], so our main contact now is acquirer. […] this was agreed and has something to do with operational procedures, which are better now than before. (Director, Bulk Business Customer)

However, to maintain this new customer, the acquirer must develop the relationship by providing relevant benefits enjoyed in the immediate prior relationship (with acquired firm) in addition to new expectations, otherwise the new customer relationship could be terminated (assume dormancy) or the new customer could demand the re-establishment of direct contact with the acquired company if unsatisfied with the new relationship with the acquirer.

> We still have one important unresolved issue with the acquirer. We requested that the acquirer continues transactions with us in US dollars, as this will enable us to hedge our currency exchange risk with key foreign clients. If not fully resolved, this can lead us to terminate the new relationship with the acquirer. Also, […] if the acquirer would ask us tomorrow to switch again all our business back to the acquired company, we would do this. (Director, Bulk Business Customer)

Figure 6 below shows customer retention in M&A as multidimensional, also indicating (see *arrows* in the figure below) that there exists a *dynamic* interaction among the various customer dimensions, especially in the post-acquisition (integration) phase. Thus, *stability* in customer relation-ships/networks is disrupted by post-acquisition actions.

[6] The author replaced the actual company name with the term “the acquirer”.

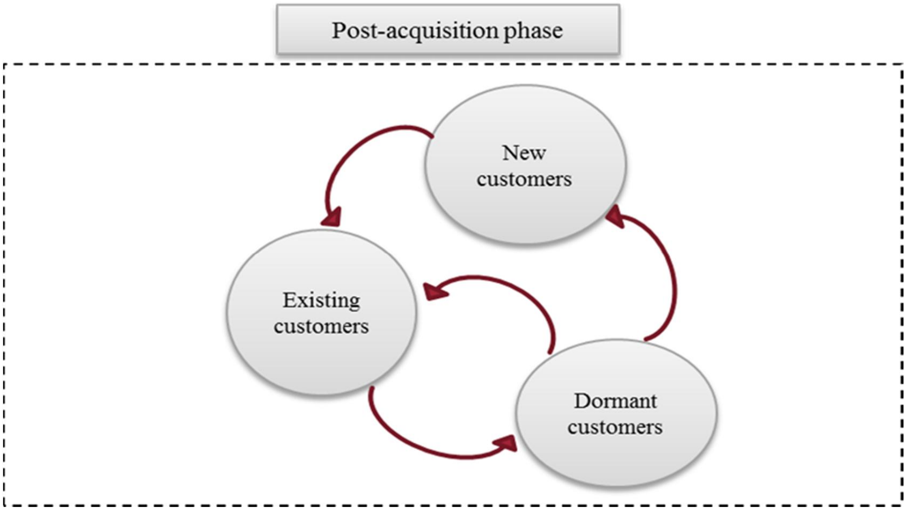

Figure 6 Multidimensionality of customer retention in M&A

Indeed, the above illustrations from the interviews clearly demonstrate that the multidimensional conceptualisation of customer retention (i.e. existing, dormant and new) in M&A also requires the need to balance competing (and complementary) demands from the various customer dimensions and at the same time also resolve internal integration concerns (e.g. task and human integration). This is consistent with the notion that M&A may help firms not only to pursue exploration and exploitation activities (Phene, Tallman & Almeida 2012) but to also find a balance between exploration and exploitation (Vermeulen & Barkema 2001). This balancing act may require an understanding of organisational ambidexterity (see e.g. O'Reilly & Tushman 2011).

For example, Meglio et al. (2015) employ contextual ambidexterity to enable managers to confront the competing needs of task and human integration and also to provide integrated solutions to performance and social tensions in acquisitions. This suggests that integration approaches can draw on the concept of contextual ambidexterity (see Birkinshaw & Gibson 2004; Meglio et al. 2015; O'Reilly & Tushman 2013), for example, to expand our understanding in resolving the issues of *stability* and *dynamics* in the customer relationships/networks (cf. Degbey & Pelto 2015; Rogan 2014).

In conclusion, it must be emphasised that, based on the findings of the pilot study, *customer retention in M&A is multidimensional in its conceptualisation.* In addition, the empirical evidence also implies that *customer retention is not only about maintaining stability in the customer relationships/networks, but it is also about managing dynamics in the customer relationships/networks*. *The multidimensionality of retention stands out as the main contribution of the pilot qualitative study*, and how it helps in the focal study is further discussed in the findings section of the main case. Further, the pilot study also provides preliminary insight into the influencing variables of customer retention as an additional contribution. The three umbrella variables (i.e. context driven variables, relationship driven variables, and integration driven variables) were captured through the pilot qualitative interviews and are also supported by the extant literature as influencing retention variables. *The next three sections briefly present the three umbrella variables that emerged from the pilot interviews as customer retention influencing variables together with notable factors associated with them*.

2.3.2 Customer retention as relationship driven

From the qualitative pilot interviews, some variables show certain common attributes – how the actors are connected to, regard and behave towards each other – which are labeled together as "relationship" variables. Based on the pilot interviews, all variables that display such relationship attributes thus impact the retention of the acquired firm's customers following the M&A. From the qualitative pilot interviews, the following discussed variables emerged under the "relationship" umbrella influencing variable of customer retention in M&A.

Relationship trust and commitment: The pilot interview data revealed that the presence of relationship trust and commitment support the building of a strong customer relationship and its subsequent retention. Demonstrating the existence of trust and commitment, a customer indicated that their reliance on and desire to continue business with the acquired company had not changed as a result of the M&A, because their contact persons are the same, and the services provided to them are unchanged. More importantly, in addition, the *customer's perception* about the future of the ongoing relationship with the acquired firm was also indicative of their trust in them (i.e acquired firm). The following quote from an interview with the director of logistics demonstrates this:

> From our point of view, we see that the acquired company[7] is going to continue the business with the chemical industry, especially with us. We have more or less the same contact, the same people to speak to, the service is the same, […] we have the same price structure. I think they will continue the relationship with us. (Director of Logistics, Industrial Business Customer)

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[7] The author inserted "acquired company" instead of the actual company name.

The statements in this quote are consistent with the notion that customers' perceptions of the importance of ongoing relationships and the presence of dimensions such as *interpersonal bonding/relationships* (Ward & Dagger 2007), *informal adaptation* (Ford et al. 2003), *stability in service offering* (Ford 1978) and *credibility* (Pavlou 2002) will enhance trust and commitment. In addition, relationship trust and commtiment are nurtured when the customer has someone from the acquired firm who communicates to them valuable information, including expectations, market intelligence, and evaluations of the partner's performance (Morgan & Hunt 1994).

Further, the acquisition may lead to changes in the existing relationship between the acquired company and the customer. However, the elements of trust and commitment may still exist and/or be strengthened if the new relationship, for example, between the acquirer and the acquired company's customer yields mutual benefit. It was learned from the interviews that *prior knowledge of or business relation with* the acquirer was very crucial in trust and commitment building as an antecedent for customer retention. The following quote from a customer from the bulk wine business segment of the acquired company who had switched over to the acquirer following the M&A integration is illustrative of this:

> [...] we already worked together with the acquirer before this process, and the acquirer is known to us as a market leader in freight-forwarding of cased goods[8]. It was never a big business for us with them, but from time to time we shipped some containers with them. (Director, Bulk Business Customer)

The acquired firm's customer's prior knowledge of or business relation with both merging parties before the acquisition can equally be described as the customer's *embeddedness* with the merging parties, and this facilitated the reduction of uncertainty toward both parties (cf. Rogan 2014; Beckman et al. 2004). Thus, enabling the reduction of uncertainty through the establishment of *embeddedness* (e.g. relational and structural embeddedness) can enhance relationship trust and commitment. Additionally, the interdependence between the customers' customers and the acquired firm also creates *embeddedness* that reduces the customer's ability to terminate their business relationship with the acquired firm. The following quote from a director of a customer firm illustrates this:

> We have some customers in Far East, where they have a good relationship with the acquired company's local office, or to their agents, and we are not able to switch to another carrier at the moment. (Director, Industrial Business Customer)

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[8] Cased goods here means bottled goods.

Further, the acquired firm's customers' who have not had a prior relationship history with the acquirer but yet established a trusting and committed relationship with them were traced to the *strong bonds* (closely related to the issue of relational and structural embeddedness) that already existed between the customer and the acquired company before the acquisition (cf. Ahmad & Buttle 2002; Turnbull & Wilson 1989). These bonds usually reflect the ever willingness of the acquired company's customers to remain with the "newly formed company"[9].

It is important to note that trust and commitment as concepts require *effective communication and collaborative efforts* from both merging and customer firms to be established. As indicated by the case data, the stability of trust and commitment is high when there is *certainty that existing/prevailing conditions will not change following the acquisition, otherwise the reverse situation will ensue.* In addition, a key customer commented on the issue of trust and commitment with respect to their future relationship with the case company (acquired company) by emphasising that less attention could be given to their company in the future, as the acquirer might urge the acquired firm to focus more on bulk wine shipment instead of the chemical industry. This can be regarded as a conflict between the two business functions/segments, and functional conflict is one factor that affects trust; therefore, the acquirer must endeavour to balance the business functions of the case company in terms of services rendered to the various groups of key customers (cf. Morgan & Hunt 1994).

Moreover, *rivalry from competitors* (competitors' response) may also work to undercut the trust and commitment by creating the impression to existing customers of the acquired company that less attention will be paid to them as a result of the acquisition. Further, the continuation of existing conditions as promised (e.g. the second key customer from the wine business segment of the acquired company) could not be fulfilled by the acquirer who has taken over the business relation even though present operational procedures are better than before. This situation shows a lack of commitment to the conditions, exposing the element of trust to be affected negatively. The customer has already threatened not to renew the business contract with the acquirer at the end of the contract period unless the existing conditions as promised earlier by the acquired company are maintained.

This state of affairs means damage to trust, as commitment is affected, and it runs parallel to the claim by Morgan and Hunt (1994) and Achrol (1991) that trust is a major determinant of commitment. The final effect would be what Morgan and Hunt (1994) identified as *propensity to leave* (as

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[9] The joint organisation as a result of the acquisition.

commitment is lacking), *opportunistic behaviour and uncertainty* (as trust level falls) if these conditions are not fulfilled. Considering the role of trust and commitment from the acquired company's perspective in retaining customers, the interviews with two managers from the acquired firm indicated that to nurture the trust and commitment of their customers, eyes should not be taken off the customer when addressing an internal problem, and there should be good relationships and networks between the company and the customers (cf. Degbey & Pelto 2013; Homburg & Bucerius 2005). It is important that the internal changes that come with acquisitions, such as changes in operational infrastructure and computer systems and changes in the tracking systems and sharing of systems as well as other human resource issues, must not consume all the attention of the acquirer and acquired company at the expense of the customer.

Customer network: This variable emerged in the pilot interview as an important factor for customer retention. It was noted by the acquired firm's customers that it was not possible for them to switch to another flexitank carrier due to the close and good relationship their customers have with the acquired firm's local office. In other words, the acquired firm's local sales teams' and agents' extra attention and informal relationships maintained with the customers' customers were important elements of the customer network (cf. Degbey & Pelto 2013). This shows that relationships may not only be sustained at a single customer-supplier level but that they move beyond (to indirect customers) (see e.g. Dahlquist & Griffith 2014). Suppliers should/must attend to the network of relationships around that customer for subsequent referral to other customers and for good word-of-mouth publicity and the ultimate retention of both new and existing customers (cf. Degbey 2015; Homburg, Wilczek & Hahn 2014; Webster 2000).

The *development and characteristics of relationships* was also noted from the pilot study as a factor influencing customer retention. The existing literature on the evolution/development and characteristics of relationships (see e.g. Ford et al. 2003; Fill & Fill 2005) revealed that the early stage in the development of business relationships is crucial to future outcomes. Relationships will be terminated prematurely if not well nurtured at the onset (cf. Ford et al. 2003; Fill & Fill 2005). The empirical data revealed that communication played a significant role between the case company and customers in learning about and teaching each other in terms of what they stand for, what they need and what they can offer to the relationship. Thus, considerable interaction was required between the customers and the case company due to the technical nature of the product, time sensitivity and the reliability of products and services. Customer retention was possible for the case company, because the company understood the requirements for the relationship to evolve and the characteristics of their customers as *partners,* dealing with time sensitive products, which demands product reliability and aversion to surprises.

Reputation: According to Balmer (1998, 971), reputation is the "perception of an organisation which is built up over a period of time and which focuses on what it does and how it behaves". Reputation is an essential intangible asset, which helped shape the customers' perception about the acquisition and resulted in the maintenance of the customer relationship. The positive view of the acquired company's reputation by the customers resulted from the joint efforts of the partially exogenous attribute of *corporate image* and the endogenous element of *corporate identity* (e.g. brand name). Indeed, the corporate identity of the acquired company was maintained after the acquisition, and this factor did indeed influence the customers' perception of the acquired firm. The empirical findings indicated a similar view held by the case company's customers across different business segments before and after the acquisition, as illustrated by the following interview quotes:

> The acquired company is still a capable flexitank carrier for us; they have the capability, they have the expertise, they have experts from the technical side, from the logistic side, great experience in the technical know-how regarding flexitanks; they are really reliable. (Director, Industrial Business Customer)

> The acquired company for us is still an outstanding market leader in flexitanks operations. (Director, Bulk Business Customer)

This empirical finding is consistent with the literature on reputation, which argues that the concept of reputation can be described in terms of the cumulative image customers have about a firm over time coupled with their expectations of future prospects (Reuber & Fischer 2005; Gray & Balmer 1998; Markwick & Fill 1997). Effective communication (both planned and unplanned) is an essential element to enhancing the firm's reputation. The evidence showed that the acquired firm had been making huge financial investments annually to maintain frequent contact with customers. In addition, the internal interviews with the acquired company's managers corroborated similar customers' perceptions about their firm's reputation, as noted in the following quote from an interview with the global marketing manager:

> Customers see our company as the global leader in bulk transport and specialisation in the design and manufacture of flexitanks. (Global Marketing Manager, Acquired Firm)

The acquired firm's perspective on reputation indicated that customers saw them as a high-quality service provider with a highly developed service but not as the cheapest option. Thus, customers obtained products and services at a *premium* compared to competitors. This reiterated the fact that the merging firms are not able to compete on *price.* To retain price sensitive customers, the acquirer and the acquired company must intensify their other competencies, such as strong customer networks, enhanced technical expertise, and improved brand recognition. Below is an empirically derived framework (Figure 7) from the pilot case data on how the case company attempts to enhance its reputation with customers.

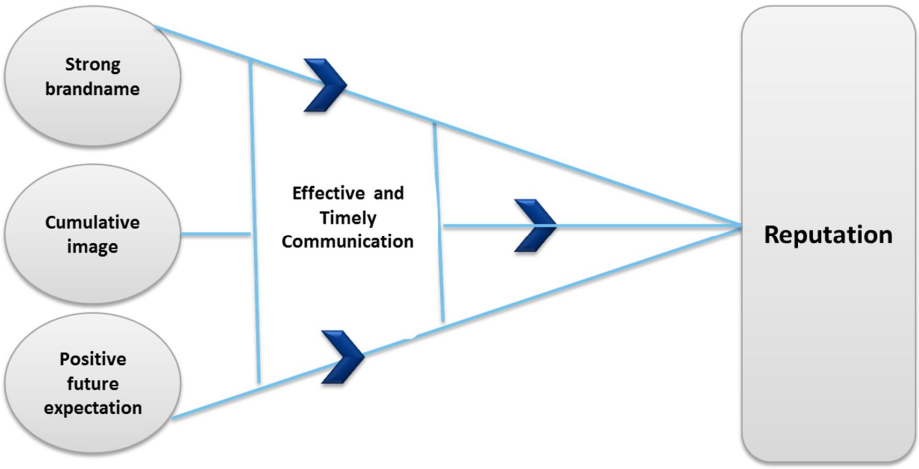

Figure 7 Framework for enhancing the firm's reputation

Figure 7 above indicates that the acquired firm is able to enhance its reputation for customer retention by maintaining a strong brand name, improving its cumulative image and ensuring that customers have positive future expectations about them. These three elements require the presence of effective and timely communication between the acquired firm and its customers in order to enhance reputation.

Switching cost: This element, which shows customers' perception of the costs of switching from the acquired company to a new supplier, was crucial in this study. The customers with whom the interviews were conducted confirmed that the case company did not have any specific asset to “lock them in”. This means that these existing customers could easily switch to other competitors of the case company. However, the pilot's empirical findings show an intriguing revelation as to why these customers still do business with the case company even though they have not been locked in by any single specific asset. It became clear that customers consider multiple factors rather than a single specific asset in their decision to switch service providers. These factors, as revealed from the empirical findings, include the desire to maintain a long-term relationship, diversification of risk (spreading the risk of a single supplier's failure in providing service/product over many suppliers, e.g.

transport service risk), price, quality and reliability of the partner and the presence of strong customer networks. Among these factors, two seemed to have resonated strongly with the customers involved in this study: the presence of networks and the desire to maintain a long-term relationship.

These findings are supported by the literature on the emergence and maintenance of the customer relationship, which emphasises that customer retention is derived from relationships in which the benefits/rewards are greater than the associated costs (Houston & Gassenheimer 1987). That is, customers will continue with the relationship as far as the relationship benefits outweigh the costs. They may, however, terminate the existing relationship if expectations in terms of future benefits are less than past exchanges or if an alternative better than the current one is discovered. Moreover, switching cost economics has empirically shown that customers are usually motivated to maintain their existing relationships to economise on their switching costs and also that dissatisfied customers may still remain with their service/product providers due to the high cost of switching (White & Yanamandram 2007).

In addition, the provision of installed proprietary equipment/special fitting services by the acquired company, known as "*hard assets*", for the customer's customer may contribute to increasing the cost of switching. Eventually, the inability of the customer to switch will lead to *dependence* (Morgan & Hunt 1994) on the acquired company, and this has been the case in this acquisition. Since the interview with the managers from the acquirer and the acquired company confirmed that they were unable to compete on price, they must strengthen other factors, such as quality, reliability and long-term relationship, deemed important for the customer.

It was found from the interviews with the acquirer that the cost of switching may be strengthened by *first*, *building a relationship* with the customer; *secondly*, making sure that the customer has all the available *knowledge* about the advantages of the products and services; and *finally*, making sure that the customer understands the benefits of the company's *setup* with the local offices worldwide. All three advantages must be packaged and "sold" during meetings with the customer. Also, the case company must endeavour to become registered on suppliers' lists of certain big business customers, such as Shell and BP. These companies have rigorous and long testing processes to determine the quality of flexitanks, making it difficult for them to switch flexitank suppliers included on their list of registered suppliers. The acquired company may therefore render services to them at a premium once listed as a registered supplier whilst charging relatively low prices to other smaller customers in order to get relationships well established.

Interdependence and power: It is true that no single company in today's business world can pretend to be an island, doing everything all alone and expect to survive the intense global competition without depending on or having a network with other companies. This is why companies are now applying their influential market strengths and establishing networks to harness the necessary synergies for customer retention. This case's finding was not an exception. The interviews held with the two key customers about changes in the *quality or timing* of services/products offered to them after the acquisition revealed that the same quality level is maintained. The timing of service is slightly better than before for one customer segment (wine customers), whilst the other customer segment has the same timing as previously; this improvement in timing for one customer does not mean unfair treatment of the other customer segment. Indeed, *easy accessibility to information and absence of geographic time differences* were the two factors responsible for this improvement in timing of service offerings, as the acquired firm's customer and the acquirer are now located in the same country.

In addition, better organisation of the on-carriage procedures of the acquirer as a result of the direct influence on *the parties organising the on-carriage* procedures contributed to the improvement in timing, leading to the creation of value for the customer. This direct influence on business parties to provide value for customers reflects the *collaborative application of power*. However, future concerns of the acquirer applying coercive power to influence the acquired company to focus more on the wine business segment is rising among the non-wine business customers. For the purposes of enhanced customer retention, equal attention must be given to all key customers even if the case company is undergoing a temporary internal restructuring that relates to one customer segment more than the others.

2.3.3 Customer retention as M&A integration driven

Similar to the aforementioned umbrella relationship influencing variable of customer retention, certain post-acquisition integration actions – labelled "integration" variables – emerged from the pilot interviews as customer retention influencing variables. One such notable integration driven variable (discussed below) is customer switching/transfer between the merging parties (i.e. deliberate decision between the merging parties to swap/transfer customers from the acquirer to acquired firm or vice versa).

Customer switching/transfer: It was found that the number of customers for each individual company (i.e. merging parties) had changed after the acquisition. This was not due to customers lost to a competitor firm but rather was based on an agreement between the merging parties to swap some of their respective customers as part of the M&A integration process. This was done to enhance synergistic benefits (e.g. cost reduction benefit) and to ensure convenience for customers through geographic proximity. However, some customers initially resisted the switching between the acquirer and the acquired company. Theoretically, this act on the part of the merging firms can be regarded as concurrent "existing customer *defection*" to "existing customer *newness*" from one side to the other, and the need to develop these relationships is critical for retention. This need to develop these relationships in order to sustain them is somewhat consistent with the notion that M&A could be seen as entering a new stage in the development of a relationship (Öberg & Holtström 2006). For the purpose of enhanced customer retention, integration mechanisms such as formal planning, socialisation and mutual consideration can be employed to achieve this goal (cf. Larsson 1990; Meglio & Capasso 2012). Indeed, a quote from the pilot interview revealed that careful formal planning and learning (through socialisation and mutual visits) assisted in the customer transfer between the two companies:

> Customer switching was not done immediately; it was well *planned*. There were *mutual visits* to these customers and plans of how the handover was going to take place. If a customer flatly refused to deal with the acquirer or there was a customer that didn't want to deal with us [acquired] in the UK, we did not insist on it. But now a year in, everybody has switched, and there are no customers now that refused to deal with acquirer or the acquired company. (Pricing manager, Acquired Company)

These integration actions between the acquirer and the acquired to switch customers for improved benefits (e.g. lower information processing time and communication cost) are consistent with the M&A literature, which indicates the need for careful planning and execution to achieve synergies (e.g. lowering of cost) between the acquirer and the acquired company (Trautwein 1990). Similarly, *integration mechanisms such as planning, socialisation and mutual consideration are noted as the building blocks of "contextual ambidexterity" –* a capability required to balance the tensions between task and human integration (Meglio et al. 2015).

Thus, the above integration mechanisms (*a* – formal planning [to identify priorities and allocate resources for enhanced task integration], b – socialisation [to improve coordination and reduce employee resistance for enhanced human and partly task integration] and *c* – mutual consideration [to decrease political behaviour for enhanced human and partly task integration] [Larsson 1990; Meglio & Capasso 2012]) such as those employed in customer switching/transfer indicated that contextual ambidexterity is an important concept not only for balancing tensions between the merging firms' task and human integration (Meglio et al. 2015) but also for managing the external customer relationships/networks beyond the boundaries of the merging parties. For example, the use of mutual consideration as an integration mechanism in the customer switching/transfer efforts implied that the merging parties facilitated favourable customer sense-making to decrease political behaviour among individual customers (cf. Degbey & Saee 2012).

2.3.4 Customer retention as contextually driven

The fast changing customer requirements for a new and much more environmentally friendly form of ocean transport (i.e. bulk transportation using flexitanks) compelled the acquirer (a market leader in alternative modes of ocean transport) to engage in a full acquisition to meet these requirements from just 5% of its customer base (at the time of M&A). The acquirer had to address this changing trend within its business environment, as the bulk transportation mode was increasingly recognised as offering more value to customers in terms of lower overall transportation cost, low carbon emission, less product damage and better temperature control of goods in transit. These said benefits of bulk transportation were similarly shared by the acquired firm's customers.

In fact, on the surface it might look like the acquirer was not dependent on the flexitanks and could do without them, since it had just around 5% of its business in that area. However, this was not the case, because the acquirer recognised the huge potentials in the bulk transport business, particularly in the wine segment, but lacked the required competence in bulk transportation. Most importantly, both merging parties recognised the benefits of bulk transportation as a viable means to enhance customer retention. As a consequence, the acquirer had to establish a stronger interdependence with the customers to minimise this growing uncertainty in its business environment through M&A (cf. Pfeffer 1972; Finkelstein 1997). Below is a brief discussion on one such notable context driven variable (i.e. *competence*) from the pilot interview.

Competence: The issue of competence, especially technical competence, emerged from the empirical pilot data as a context driven factor. The technical competence of the acquired company (case company) in terms of the design and manufacture of flexitanks as well as the technical fittings offered in the transportation process was empirically validated by the acquirer and the customers. Customers from the acquired company's chemical/industrial business segment as well as from the wine business segment illustrated this in the following quotes from the interview:

> They have experts from the technical side, from the logistic side, great experience in the technical know-how regarding flexitanks; they are really reliable. (Director, Industrial Business Customer)

> I know that the acquirer tried to get into that special transport area for years without any success. So they were looking for a good and competent company, and they finally found the acquired company, for which they paid I think a lot of money; but on the other hand, I think they made a good decision. (Director, Bulk Business Customer)

The acquirer could not agree more that their customers have noticed a change in the quality and reliability of flexitanks offered for the bulk services after the acquisition.

2.4 Synthesis of the pilot study

The notion that higher customer retention (e.g. reduction of customer defection and lapse) has a positive effect on the firm's profit has gained consistent support in empirical studies (see e.g. Hallowell 1996; Reichheld 1992). In the same vein, several theoretical approaches, especially from the field of marketing, have also attempted to deepen our understanding of this phenomenon (see e.g. Ahmad & Buttle 2002; Berry & Parasuraman 1991; DeSouza 1992; Reichheld 1996; Turnbull & Wilson 1989). However, the existing literature on customer retention in the M&A context has, with few exceptions, produced scant evidence to offer much insight into this phenomenon (see Degbey 2015; Zollo & Meier 2008). In particular, little evidence exists on the conceptualisation and influencing variables of customer retention in M&A research.

Consequently, a qualitative pilot study was conducted to provide pre-understanding and to yield a wider perspective of the existing literature on the phenomenon of customer retention (cf. Polsa 2013; Poulis et al. 2013). In this regard, the pilot study provided preliminary empirical evidence about customer retention conceptualisation in M&A. Indeed, the findings show that the conceptualisation of customer retention in M&A is multidimensional. This is a novel contribution that challenges the "received view" of customer retention in the marketing and management literature as a single dimensional conceptualisation, essentially focusing on existing customers (cf. Degbey 2015; Hauser et al. 1994; Richheld 1996; Stauss & Friege 1999). This contribution (i.e. multidimensional conceptualisation) shows that there exists a dynamic interaction among the various customer dimensions, as presented in Figure 6.

In more practical terms, acquisition (M&A) brings dynamism to stable embedded relationships/networks (cf. Degbey & Pelto 2015; Rogan 2014). In other words, M&A events are disruptive for the exchange partners/actors of the merging firms (Madhaven et al. 1998). Thus, as the embedded relationships/networks evolve as a result of the disruptive events; the factors that enable stability in the networks/connected relationships can become the root for their instability/dynamism. *In short, the abovementioned contribution (i.e.*

multidimensional conceptualisation) indicates that customer retention in M&A is not simply about maintaining stability in relationships/networks but also about managing dynamics (e.g. recapturing dormant relationships/networks).

In addition, the pilot study also provided preliminary insight into the influencing variables of customer retention in M&A. Specifically, it identified relationship driven, integration driven and context driven factors as three umbrella variables that impact customer retention in M&A. Further, contextual ambidexterity (e.g. Meglio et al. 2015) was recognised as a relevant concept to employ beyond the boundary of the acquirer-acquired dyad to customer management for retention. As can be observed from the pilot study's findings above, contextual ambidexterity is an important concept that can be extended to customer management to explain the tensions (e.g. competing demands) among the customer dimensions in M&A.

In sum, the abovementioned findings of the pilot study were applied in the main case study. Specifically, the pilot study's contribution on the conceptualisation of customer retention was applied in the main study. For example, the application of the aforementioned contribution helped in the provision of *operational definition* of the three customer dimensions in the main case study. In addition, the pilot study's contribution on conceptualisation also helped in understanding customer retention in M&A as the *management of dynamic stability*. Both the *operational definition* and this core attribute of customer retention in M&A – the *management of dynamic stability* – enabled the development of a typology of managing relationship dynamic stability in the main study (see Figure 23). Similarly, the pilot study's uncovering of the three umbrella influencing factors was not only applied in the development of the main study's proposed theoretical framework (see Figure 12) but also constituted a central part of the final integrated framework (see Figure 24). Finally, *contextual ambidexterity* was revealed in the pilot study as an important concept that can be extended to customer management to explain the tensions (e.g. competing demands) among the customer dimensions in M&A and thus was applied in the main study to complement, for example, the *preservation integration approach* (Haspeslagh & Jemison 1991) for enhanced customer retention in the Chinese-European acquisition.

3 POSITIONING OF THE STUDY AND LITERATURE REVIEW

3.1 Positioning of the study

Theoretical pluralism is adopted in this dissertation (see Dwyer, Dahlström & DiNovo 1995), consistent with the multidisciplinary nature of the study. Moreover, in addition to the M&A context, theoretical pluralism (or what other scholars described as multiparadigmatic research [e.g. Lewis & Grimes 1999]) is employed, because customer retention is a firm-internal practice (i.e. retention data are mainly internally generated) with a firm-external focus (i.e. on customer relationship). Hence, the positioning of the phenomenon under investigation at the intersection of three theoretical approaches will help to produce a more integrated and comprehensive understanding. The three different but interdependent theoretical paradigms on which this research is built are depicted in Figure 8 below.

Customer retention in cross-border acquisition, as described here, is theoretically positioned within these different but interdependent research areas: (1) M&A integration approaches, (2) CRM theories, and (3) network theories (strategic and business network approaches). The M&A integration approaches constitute the inner context (with embedded process) of the study, while the relationship marketing (RM) and CRM theories constitute the content, and the network approaches constitute the outer context of this study (cf. Pettigrew 1987; Pettigrew, Woodman & Cameron 2001).

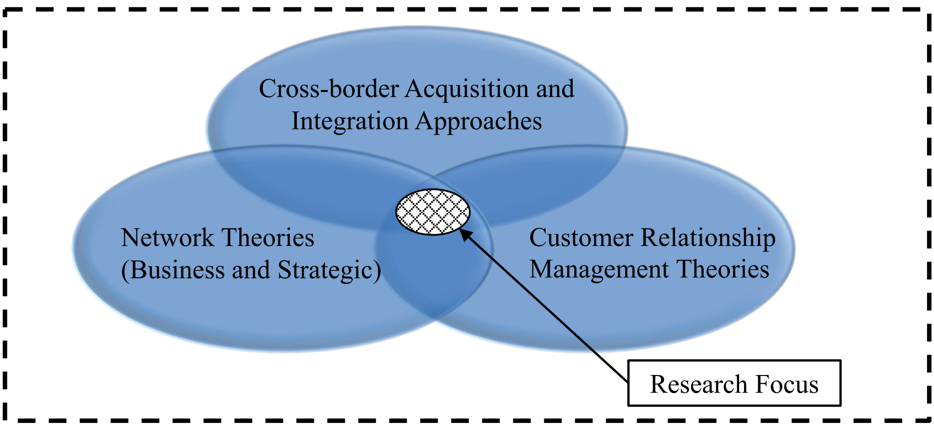

Figure 8 Theoretical positioning of this research

From Figure 8 above, it can be said that although the different theoretical approaches are presented as a single/unified entity in the figure, they are rather distinct in reality, as each individual paradigm is grounded on a specific premise (see Grönroos 1994; Möller & Halinen 2000 on RM; Araujo & Easton 1996; Borch & Arthur 1995 on network approach; Haspeslagh & Jemison 1991 on M&A integration approaches). In addition, Figure 8 also shows the various approaches as overlapping, and this may be particularly true for the RM/CRM theories and the network approach, in that both approaches are largely grounded on the vital role of relationships (see e.g. Mattsson 1997). Further, additional overlap is espoused by many scholars who regard RM as a general theory encompassing all kinds of business relationships and networks (see e.g. Gummesson & Mele 2010), while others propose that RM is instead made up of two types of relationship theory: market-based RM and network-based RM theories (e.g. Möller & Halinen 2000). The market-based RM studies are aligned with CRM research (cf. Pels, Möller & Saren 2009).

Moreover, for enhanced contribution to M&A performance research, particularly with respect to the examined performance indicator (i.e. customer retention), the need to borrow and integrate ideas and insights from CRM/RM and network research is critical. Indeed, it is possible to integrate ideas and insights from these theoretical approaches, as they are proximate and compatible with respect to borrowing and extending the core concept of relationships, connections in them, and their multiplex and temporal nature (cf. Michailova & Paul 2014). Furthermore, it is noted that some scholars have even considered the network approach to belong to the RM paradigm (see Eiriz & Wilson 2006). Also, recently, the RM and network approaches have drawn attention among marketing and network research scholars and are used in particular to explain M&A performance (see Anderson et al. 2001; Degbey 2015; Degbey & Pelto 2013; Homburg & Bucerius 2005; Öberg et al. 2007).

Indeed, given the deficiencies associated with accounting-based and event study measures of M&A performance (Larsson & Finkelstein 1999), the study conceptualises M&A performance in terms of customer retention (i.e. acquired firm’s customer retention post-M&A). However, to understand how the interaction between the merging parties (acquiring and acquired firms) and customers may create such real, tangible value/performance, it is important to review and discuss the linkages among the various theoretical approaches adopted (see Figure 8) with respect to customer retention in cross-border M&A. Indeed, this is a primary concern, as theoretical concepts and approaches are not meaningful in isolation, and they become meaningful when defined or explained in relation to other close concepts/constructs (e.g. Churchill 1979).

Before the discussion on the various theoretical approaches is presented, it is important to also clarify how the positioning of the various approaches is related to the *content*, *context*, and *process* questions posed by Pettigrew (1989) to understand the inquiry into major transformations. Indeed, Pettigrew (1987) argues that inquiry into major transformations in the firm involves questions relating to the content, context, and process of the transformation together with the interconnections between them. Specifically for this study, M&A integration approaches constitute the *inner context* (with embedded process) of the study. As M&A events can be described as processes of change and are typically known to occur in phases (cf. Jemison & Sitkin 1986; Quah & Young 2005), the *process* aspect is recognised and studied here as embedded in, or as part of, the *context* analytical category (cf. Pettigrew, Woodman & Cameron 2001). The RM and CRM theories constitute the *content*, while network approaches constitute the *outer context* of the study (cf. Pettigrew 1987; Pettigrew, Woodman & Cameron 2001). The next three sections focus on the review and linkages among the various theoretical approaches adopted in this study (see Figure 8). In addition, the contribution of these approaches to the phenomenon of customer retention in cross-border M&A is also highlighted as well as how this study in turn contributes to the various theoretical approaches.

3.1.1 Cross-border acquisition and integration approaches

Cross-border acquisitions are defined in this study as acquisitions undertaken between companies of different national origins (Jagersma 2005). Indeed, cross-border acquisitions have been gaining ground as the preferred mode of internationalisation for companies (Degbey & Pelto 2013; World Investment Prospects Survey 2007). In other words, cross-border acquisitions have increasingly become the predominant mechanistic growth path, pursued relentlessly by companies of varying attributes, as noted by academics and experts alike in the field of international business (Degbey & Pelto 2015; Pelto & Degbey 2011). Studies comparing the performance effects of domestic and cross-border acquisitions have produced mixed results – some studies report higher shareholder benefits in cross-border acquisitions than in domestic ones, while other studies find no differences in their performance returns (Anand, Capron & Mitchell 2005; Bertrand & Betschinger 2012). However, it can be said that the dynamics of cross-border and domestic acquisitions are largely similar, and both are approximately equal in terms of performance success and failure rates (see e.g. Shimizu, Hitt, Vaidyanath & Pisano 2004; Angwin & Savill 1997).

The continuous surge in cross-border M&A activities in recent years has called into question its independence as a distinct research field, separate from domestic M&A. Some scholars claim that cross-border M&A have not been universally recognised as warranting distinctive investigation separate from (domestic) M&A in general (Shimizu et al. 2004). However, what sets cross-border acquisitions apart from domestic ones are the added or exclusive international challenges they pose – such as politics, economic and institutional differences, cultural structure and the issue of geography (see e.g. Angwin & Savill 1997; Shimizu et al. 2004; Very & Schweiger 2001; Hoecklin 1995.) Generally, cross-border acquisitions largely remain under-researched compared to domestic M&A (Bertrand & Betschinger 2012). Nevertheless, the few known scholarly publications on cross-border acquisition research have begun exploring important issues such as the mode of FDI, performance outcomes from acquisitive entry, post-acquisition integration processes, integration processes from the employee viewpoint, the post-acquisition performance of acquired firms and post-acquisition turnover of acquired firms' executives (Shimizu et al. 2004).

Various post-M&A *integration approaches* have been discussed in the literature by both academics and practitioners working on the subject. Ellis and Lamont (2004) emphasised that prior studies have long held the view that different types of M&A require different integration approaches that can be defined in terms of some number of ideal types or configurations of process elements. As evidence for the latter claim, Haspeslagh and Jemison (1991) proposed a framework for integration approaches that classified acquisitions into four primary categories (i.e. absorption, holding, preservation and symbiosis) and offered general guidelines to effectively manage each of these identified approaches to enhance value in the combined firm.

The aforementioned authors emphasised that understanding these four approaches is predicated on two central dimensions: the dual needs for strategic interdependence (the need to establish a specific kind of relationship that will enhance the expected capability transfer between the combining firms) and organisational autonomy (the need to preserve the acquired firm's strategic capabilities post-deal) (Haspeslagh & Jemison 1991). First, taking into account the combining firms' need for interdependence is necessary for realising expected economies of scale and other efficiencies from combining operations (Zaheer, Castañer & Souder 2013), and integration (that is, changes in the functional activity arrangements) is required in highly interdependent components to successfully manage the interdependencies (Pablo 1994). Integration is attained through structural unification and is often noted to involve systems' harmonisation and resource rationalisation (Datta 1991; Haspeslagh & Jemison 1991; Homburg & Bucerius 2005). The second dimension is the need for organisational autonomy, which Datta and Grant (1990, 31) define as "the amount of day-to-day freedom that the acquired firm management is given to manage its business . . . without close control by the parent company management". Indeed, the acquired firm's managers need some organisational autonomy to preserve the sources of the acquired firm's pre-M&A value that are less familiar to the acquirer's management team (Zaheer, Castañer & Souder 2013).

Focusing on the various categories of Haspeslagh and Jemison's (1991) framework, the *absorption* approach refers to those acquisitions requiring a high need for strategic interdependence and a low need for organisational autonomy, while the *preservation* approach describes acquisitions with a low need for strategic interdependence and a high need for organisational independence/autonomy. The *symbiosis* approach refers to acquisitions with high needs for both strategic interdependence and organisational autonomy, whereas *holding* acquisitions imply no intention to integrate and create value through anything apart from financial transfers, risk-sharing or general management capability.

The work of Marks and Mirvis (2001) proposed five different types of post-M&A integration approaches to enable executives to think through the available options and clarify their goals. The authors classified post-M&A integration into preservation, absorption, reverse takeover, transformation and best of both approaches and identified two main dimensions (i.e. degree of change in acquired company and degree of change in acquiring company) as well as provided a description of the required organisational attributes to successfully manage each integration approach (cf. Ellis & Lamont 2004).

According to Marks and Mirvis (2001), the *preservation* approach refers to a post-combination change, where the acquired firm retains its independence with only a modest degree of integration (i.e. low degrees of change in both acquired and acquiring company), while in the *absorption* approach the acquired firm conforms to the acquirer (i.e. a high degree of change in acquired firm and a low degree of change in acquiring firm). The preservation and absorption post-combination changes identified by Marks and Mirvis (2001) are similar to those of Haspeslagh and Jemison (1991). Further, the *reverse takeover* approach is the direct opposite of the absorption approach and describes the unusual case of the acquired firm leading the combination and effecting cultural change in the acquiring company (i.e. a high degree of change in acquirer firm and a low degree of change in acquired firm), while the *transformation* approach refers to the case where both companies undergo fundamental change/find new ways to operate (i.e. high degrees of change in both acquired and acquiring companies). Finally, the *best of both* approach refers to an end-state where there is additive from both sides (i.e. medium degrees of change in both acquired and acquiring companies). This is synonymous with the symbiosis approach (see Haspeslagh & Jemison 1991).

In addition to the works of Haspeslagh and Jemison (1991) and Marks and Mirvis (2001), the seminal work of Nahavandi and Malekzadeh (1988) employs a cultural view to post-M&A integration and identifies four modes of acculturation mainly on the basis of two dimensions from the acquirer's perspective – the degree of relatedness between the combining firms and the degree of tolerance for multiculturalism by the acquirer. These authors describe each mode of acculturation (i.e. *separation, assimilation, integration and deculturation*) as a way in which the combining firms adapt to each other and resolve emergent conflict. In addition, the concept of acculturation defines the various ways of combining two firms' cultures, organisational practices and systems (Nahavandi & Malekzadeh 1988; see also Larsson & Lubatkin 2001). *Separation* as one of the modes of acculturation identified by Nahavandi and Malekzadeh (1988) is similar to the preservation approach (see Haspeslagh & Jemison 1991; Marks & Mirvis 2001), and it is characterised by a low degree of relatedness between the firms involved in the M&A but a high tolerance for multiculturalism. In other words, this approach preserves the acquired firm's culture, practices and organisational systems and thus keeps it separate and independent from the acquirer.

In a similar vein, the *assimilation* approach is similar to absorption and represents the condition in which the degree of relatedness required between both firms is high but tolerance for multiculturalism is low (Ellis & Lamont 2004; Nahavandi & Malekzadeh 1988). According to Sales and Mirvis (1984), it involves the acquired firm to abandon its culture and most of its organisational practices and systems and embrace those of the acquirer's. The central goal in this approach is to wholly consolidate the operations of the combining firms, mainly through assimilating the acquired firm into the acquiring firm's operations and culture.

In addition, the *integration* approach as a mode of acculturation by Nahavandi and Malekzadeh (1988) resembles the *symbiosis* and *best of both* approaches based on the works of Haspeslagh and Jemison (1991) and Marks and Mirvis (2001), respectively. It represents the condition in which there is both a need for a high degree of relatedness as well as for tolerance for multiculturalism between the two combining firms (Ellis & Lamont 2004; Nahavandi & Malekzadeh 1988).

Integration as a mode of acculturation like the symbiotic approach requires an initial period of preservation (i.e. period of initial boundary protection) and subsequent gradual blending of best practices from the two combining firms (i.e. boundary permeability of both firms). It has also been argued that although the latter approach entails interaction and adaptation between cultures as well as the need for mutual contributions by both firms, the individual cultural identities of the combining firms are often not lost following the M&A integration process (London 1967).

The fourth and final approach by Nahavandi and Malekzadeh (1988) is *deculturation,* and it is similar to Haspeslagh and Jemison's (1991) holding approach. This approach represents a situation where both the needs for the degree of relatedness as well as for tolerance for multiculturalism are low. In other words, the acquiring firm has no intention of integrating the acquired firm and acts mainly as a holding company by completely keeping the acquired firm at arm's length and/or ultimately disintegrating it as a cultural entity (Ellis & Lamont 2004; Nahavandi & Malekzadeh 1988). Additionally, this approach is different from the preservation approach in that the choice of post-M&A integration approach is driven by a lack of concern for integration decision making process as opposed to a strategic need for organisational autonomy/separation in the case of a preservation approach (Ellis & Lamont 2004).

In addition to the three earlier discussed, well-established approaches of M&A integration, other scholars have also developed frameworks to explain M&A integration (see e.g. Bastien & Van de Ven 1986; Buono & Bowditch 1989; Lubatkin, Calori, Very & Veiga 1998; Shrivastava 1986; Schweiger 2002), showing that there are a variety of ways in which people and assets can be combined. For example, the work of Schweiger (2002) defines four approaches to integration (i.e. *consolidation, standardisation, coordination and intervention*) and suggests that within a particular M&A, different approaches can be employed on the basis of geographical areas, product lines and functions (Schweiger & Very 2003).

A second example is that of Shrivastava (1986), who identifies three types of post-merger integration (i.e. procedural integration, physical integration, and managerial and sociocultural integration) and three central problems of integration (i.e. coordination, control and conflict resolution). Shrivastava (1986) argues that the coordination, control and conflict resolution problems must be resolved on multiple levels between the departments and divisions of the combining firms. Table 1 below shows the post-merger integration types and their key tasks/problems.

Table 1 Post-merger integration tasks (Shrivastava 1986)

	Coordination	Control	Conflict resolution
Procedural	• Design accounting systems and procedures	• Design management controlling system	• Eliminate contradictory rules and procedures • Rationalise systems
Physical	• Encourage sharing of resources	• Measure and manage the productivity of resources	• Resource allocations • Asset redeployment
Managerial and Sociocultural	• Establish integrator roles • Change organisation structure	• Design compensation and reward systems • Allocate authority and responsibility	• Stabilise power sharing

First, the procedural integration refers to combining systems and procedures at the operating, management control and strategic planning levels, and its basic premise involves combining accounting systems and creating a single legal entity. Second, the physical integration involves combining physical resources and assets, product lines, production systems and technologies. Shrivastava (1986) stresses that physical assets integration is very laborious and time-consuming and involves the problem of redeploying assets in the course of resource sharing.

Since the combining firms have both *common* and *mutually exclusive assets*, the common assets may become redundant and need to be redeployed, while the mutually exclusive assets become the basis of the synergistic operations if used jointly to the benefit of the merging firms (Shrivastava 1986). Birkinshaw et al. (2000) refer to procedural and physical integration simply as task integration. Both procedural and physical integration, according to Shrivastava (1986), should be aligned with the level of integration required, as in the question "*What do we need to do to serve the motives and realise the expected synergies*?" (Hassett et al. 2009, 118). Third, the managerial and sociocultural integration has a broad spectrum and is perhaps the most difficult and least examined among the post-merger integration problems and also involves a complex mixture of issues related to human resources (e.g. power and authority, integrator roles, compensation and rewards), cultural integration and changes in organisational structure (Shrivastava 1986).

In sum, it is important to note that the integration frameworks developed by the scholars mentioned above (e.g. Schweiger & Very 2003; Shrivastava 1986) together with the three discussed extensively earlier in most cases are quite similar. Specifically, it can be said that while Nahavandi and Malekzadeh (1988) adopted a cultural perspective to post-M&A integration, and Marks and Mirvis (2001) employed the degree of change in both acquiring and acquired firms in examining post-M&A integration, the resulting approaches they identified are quite similar to that of Haspeslagh and Jemison (1991) on the basis of the degree to which and how they are reconfigured following M&A (cf. Ellis & Lamont 2004). Thus, though these three prescriptive works on effective approaches to post-M&A integration differ in perspectives, they seem reasonably consistent in terms of how firms involved in the M&A activity conceptualise the various approaches (Ellis & Lamont 2004).

Since the degree of post-combination changes as well as cultural integration issues (i.e. the predominant basis of these respective authors' post-M&A integration approaches: Marks & Mirvis 2001; Nahavandi & Malekzadeh 1988) are relatively less pronounced in the empirical case, *this study adopts Haspeslagh and Jemison's (1991) post-M&A integration approach* without losing sight of the reasonable prevailing similarities among the various discussed integration approaches. Attention is particularly drawn to their *preservation approach* (i.e. Haspeslagh & Jemison 1991) in the investigation of customer retention in this study. It is suitable as an integration lens, because it provides explanations with regard to the conditions under which post-M&A changes may be minimised in the acquired firm. The approach also makes considerations for the vital role of learning (or gradual transfer of resources and capabilities) between the merging parties – additionally important in this context where the merging parties come from geographically and culturally distant locations.

Moreover, this approach also fits well to the phenomenon examined with the empirical case, as the acquired firm is relatively small compared to the acquirer and is also entrepreneurial and works closely with its customers, and thus autonomy is required to avoid damaging its future innovations/innovation capabilities (cf. Meglio, King & Risberg 2015). However, to deepen our understanding, this approach is complemented by understanding the need to balance the competing (but also complementary) demands of the various customer retention dimensions, which are regarded in this study as capable of coexisting. This latter view of improving the acquisition outcome (i.e. through customer retention) by reconciling tensions among *existing, new* and *dormant* customers during acquisition integration resembles what is described in the literature as *contextual ambidexterity* (cf. Birkinshaw & Gibson 2004; Meglio et al. 2015).

According to Meglio et al. (2015) contextual ambidexterity denotes an organisational dynamic capability, vital to enhancing acquisition outcomes by reconciling tensions during acquisition integration. Prior studies have also advocated that it is necessary to combine integration typologies into hybrid integration approaches, particularly when attempting to reconcile competing demands (see Schweizer 2005). For example, the concept of *contextual ambidexterity* can help to expand our understanding of reconciling competing demands emanating from existing, new and dormant customers to enhance retention. In addition, the concept of *contextual ambidexterity* can broaden our understanding when focusing on preserving knowledge embedded in the acquired firm while simultaneously attempting to address various competing customer demands for enhanced retention. Therefore, it can be said that on the basis of the phenomenon examined here, *the study complements the preservation integration approach (i.e. the need for strategic autonomy – Haspeslagh & Jemison 1991) with the role of contextual ambidexterity (Meglio et al. 2015) to deepen our understanding of customer retention in cross-border M&A.*

3.1.2 CRM theories

The notion of customer relationship management (CRM) is not all that new. The idea of CRM was introduced fairly early – see the works of Theodore Levitt in the 1970s and 1980s. However, CRM is noted to have emerged in the mid-1990s and was driven primarily by the information technology (IT) vendor community as well as the practitioner community (Payne & Frow 2005). Similarly, the work of Möller (2013) on theory map of business marketing indicates that CRM has no specific disciplinary background but rather emerged primarily through the evolution of IT, pragmatic problem-solving and consultant driven activities (see e.g. Jenkinson 1995). Owing to its partial IT background, some companies regard CRM mainly as investments in technology and software (Reinartz et al. 2004). In the same vein, other scholars argue that CRM is more regularly used in the context of technology solutions and has been labelled “information-enabled relationship marketing” (Ryals & Payne 2001, 3).

According to Zablah, Bellenger and Johnston (2003, 116), CRM is simply a philosophically related offspring of relationship marketing, which is, for the most part, neglected in the literature, and they emphasise that “further exploration of CRM and its related phenomena is not only warranted but also desperately needed”. Similarly, CRM is recognised as part of market-based RM, and thus CRM driven RM focuses centrally on supplier/customer relationships and is dominated by managerial or normative goals despite its orientation towards theoretical goals as well (Möller & Halinen 2000). Theoretically, its goals are geared towards the description and explanation of fundamentally dyadic relationships by identifying their key antecedents, elements and outcomes, while the management of supplier or customer relationships and portfolios, as well as enhancing marketing efficiency, constitute their main managerial goals (Möller 2013). In other words, the CRM approach aims to enhance marketing efficiency particularly via enhanced marketing communications (facilitated by Internet and mobile technology to customise offerings and messages to individual customers) and to achieve a high level of customer retention and share of customer base (Malthouse & Blattberg 2005; Rust, Lemon & Zeithaml 2004).

Some scholars argue that as a result of CRM research's deep focus on the cost-efficient *treatment* of individual customer relationships – particularly in different life cycle phases – it tends to focus less on the future-oriented *development* of customer relationships (see Reinartz et al. 2004). Despite the goal of CRM to obtain a high level of *customer retention*, it does not deeply embrace the psychological and behavioural aspects of customer relationships and hence lacks such clear disciplinary basis (Möller 2013). Nonetheless, it is argued to have a pragmatist/practice-based, problem-solving and consultant driven orientation (Payne & Frow 2005; Möller 2013). Moreover, CRM application is also noted to embrace both consumer and business customer offerings prominent in the Internet and mobile marketing fields (Kumar 2008) although it has to a large extent focused on the B2C setting without recognising the special features of B2B markets.

Aside from the *primary goals, domain and disciplinary background* of CRM (as briefly elaborated above), its *ontological assumptions or views of relationships, actors and context* suggest that it lacks clear assumptions about the context of exchange relationships, possibly due to its pragmatist nature, and that because relationship behaviour occurs in working/competitive markets, a "market for customer relationships" is implicitly presumed (Pels, Möller & Saren 2009). Relationships do not impact markets (Pels et al. 2009). It is noted that interactivity is highlighted but that the supplier-customer relationship perspective is rather superficial, indicating a somewhat independent and loose connection (Möller 2013). Further, dyadic relationships are mainly focused on and explained via social exchange theory's key concepts/constructs, such as relationship commitment and trust (e.g. Morgan & Hunt 1994), interdependence and power (e.g. Grabher 1993; Powell 1990) and customer experience (e.g. Degbey 2015; Meyer & Schwager 2007). Furthermore, CRM research regards the nature of customer relationships as generally long-term yet theoretical, and other attempts to address the *dynamic* nature of these relationships have been limited (Evans & Laskin 1994; Möller 2013). Moreover, *epistemological and methodological views* suggest that CRM research has a low contextuality/embeddedness and stimulus-organism-response view of theory development, particularly owing to its strong emphasis on customer objectivist profiles and response measures (Möller 2013).

In the scholarly community, the terms “relationship marketing” (RM) and CRM are often used interchangeably (Jain & Singh 2002; Parvatiyar & Sheth 2001). Moreover, in the RM literature, of which CRM has become the predominant label (see e.g. Day 2004), a focus on customer retention has shown to be a primary goal for most firms (Ang & Buttle 2006; Sheth & Parvatiyar 2002). Firms have increasingly recognised that customers are among their most valuable assets and view such relationships as opportunities for win-win exchanges that must be managed carefully (Kumar, Scheer & Steenkamp 1995). This has elevated CRM to a core organisation process, which extends organisation-wide (Plakoyiannaki, Tzokas, Dimitratos & Saren 2008), with the essence of the process geared toward value creation mainly through customer retention (cf. Srivastava, Shrevani & Fahey 1999). Despite the IT dominance at the beginning due to significant investment in CRM technologies and software by firms (Zablah et al. 2004), a positive outcome is the fact that the CRM approach has strongly embraced the presence of operational content from the onset.

Indeed, scholars have increasingly recognised that the technological approach alone is limiting (Reinartz et al. 2004), and thus the core of CRM must be well integrated into the corporate business process to be successful (Wilson, Daniel & McDonald 2002). Furthermore, the CRM literature – in terms of its definition and conceptualisations – has begun to converge on a common definition that revolves around the dual creation of value (Boulding, Staelin, Ehret & Johnston 2005). Positioning CRM in a broad strategic context, Payne and Frow (2005, 168) define CRM as “a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments”. This definition is consistent with the work of Swift (2000), which supported the adoption of a relevant strategic CRM definition and the safeguarding of its consistent use throughout the organisation. From a strategic point of view, Payne and Frow (2005, 168) add that CRM goes beyond simply an IT solution, and thus “unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders”.

Other scholars, such as Zablah et al. (2004, 480), define CRM as “an ongoing process that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximizing portfolio of customer relationships”. This definition relates closely to portfolio management (see e.g. Terho 2009). In general, CRM can be described as representing the ways in which a customer repeatedly engages in exchanges with the same supplier and how the two potentially adapt to one another (Ford & Håkansson 2006) to achieve the creation of benefits (Degbey 2015;

O'Malley 2003). Indeed, CRM has been widely known and documented in both the practitioner and scholarly literature as the foundation for customer retention (Gustafsson, Johnson & Roos 2005; Verhoef 2003). A key reason for this, for example, is accentuated in Buchanan and Gillies' (1990) work through the notion that improving customer retention can greatly enhance profitability and competitiveness.

Nonetheless, most CRM frameworks are also noted to concentrate on customer satisfaction in customer management, which in turn is expected to influence profit – a focus centred on *value creation for customers* (Bowman & Narayandas 2004; Mithas, Krishnan & Fornell 2005). Another prevalent view emphasises *the value of customers* in the CRM literature, but customer value based on the CRM literature is mainly recognised in financial terms (i.e. strictly as monetary value) or in terms of profitability (Ryals 2005). In this study, the understanding of customer value goes beyond pure monetary value. Most CRM research concentrates on individual customer relationships and is thus consistent with the phenomenon of customer retention in this study. However, the view of CRM on customer value is rather narrowly conceptualised (mostly in a strict financial sense) on customer lifetime value and is thus limited in terms of this study's focus. For example, the acquired firm's retention of customers as an indicator of performance or value is predicated on a logic of value beyond "strictly financial" in that most of these customers also serve as knowledge repositories (cf. Von Hippel 1994). Additionally, value obtained from these customers can be ascribed to their unique feature as "knowledge leaders", who possess highly specialised knowledge that the acquired firm may require to produce the next innovative concepts/designs or resolve other customers'/partners' specific challenges.

Regarding CRM conceptualisation/theorisation, Langerak and Verhoef (2003) argue that CRM theory and practice incorporate three aspects of marketing management comprising RM, customer orientation and database management. Relatedly, a literature review and analysis conducted by Zablah et al. (2004) identified five major implicit or explicit conceptualisations of CRM as (i) a *process* that extends throughout the firm and concentrates on the creation and leveraging of linkages and relationships with external marketplace entities, particularly customers; (ii) a *strategy* that boosts the profitability of the firm's collection of relationships or relationship portfolio; (iii) a *philosophy* aiming at harvesting customer centricity for the firm; (iv) a *capability* that reflects the willingness and ability of the firm to change its behaviour toward an individual customer based on what the customer tells the firm and what else the firm knows about that customer (or a capability that shows the quality of customer–firm interactions) and (v) a *technological tool* that blends sales and marketing information systems to nurture relationships with customers.

Also, with regard to the process perspective, a synthesis of the extant literature shows that the CRM process entails four interrelated subprocesses, namely: the strategic planning subprocess (i.e. offers direction for the adoption, development, implementation and evaluation of CRM), the information subprocess (i.e. offers the generation of customer knowledge essential for customer retention), the value creation subprocess (i.e. entails design, development and delivery of products and services that aim to meet needs and preferences) and the performance measurement subprocesses (i.e. relates to continuous monitoring, evaluation and improvement of the entire process and its subprocesses) (Plakoyiannaki et al. 2008). Table 2 below shows the dominant CRM views and descriptions as well as the implications for CRM success.

Table 2 Dominant perspectives on CRM (Zablah et al. 2004)

Perspective	Description	Implications for CRM success
Process	Buyer– seller relationships develop over time and must evolve to perdure.	CRM success is contingent upon a firm's ability to detect and respond to evolving customer needs and preferences.
Strategy	A customer's lifetime value determines the amount and kinds of resources that a firm invests in a particular relationship.	CRM success requires that firms continually assess and prioritize customer relationships based on their relative lifetime profitability.
Philosophy	Customer retention (and hence profitability) is best achieved through a focus on relationship building and maintenance.	CRM success requires that firms be customer-centric and driven by an understanding of customers' changing needs.
Capability	Long-term, profitable relationships result only when firms are able to continuously adapt their behavior towards individual customers.	CRM success is contingent upon a firm's possession of a set of tangible and intangible resources that afford it the flexibility to change its behavior towards individual customers on an ongoing basis.
Technology	Knowledge and interaction management technologies represent the key resources firms need to build long-term, profitable customer relationships.	CRM success is primarily driven by the functionality and user acceptance of the technology firms implement in an attempt to build customer knowledge and manage interactions.

While all five major conceptualisations are important and contribute to our understanding of CRM, this study particularly builds upon the first perspective of CRM as "a higher level process that includes all activities that firms undertake in their quest to build durable, profitable, mutually beneficial customer relationships” (Zablah et al. 2004, 477; see also Plakoyiannaki et al. 2008; Reinartz et al. 2004). According to Zablah et al. (2004, 479), the macroprocess view offers the “most comprehensive, inclusive view of CRM (i.e., subsumes highly related subprocesses, such as interaction management) and, more importantly, explicitly acknowledges the process aspects of relationship development and maintenance”. In addition, Plakoyiannaki et al. (2008) also note that this perspective emphasises the strategic importance of CRM practice. Further, the description of this perspective is believed to be consistent with the central concept of this study: customer retention. Also, in line with the process perspective, the findings of Reinartz et al. (2004) provide a theoretically sound CRM process measure that emphasises three main stages (i.e. initiation, maintenance and termination) relevant in theoretically explicating customer retention development in the context of this study.

However, insights from the CRM process perspective and notable process measures discussed above require complementary efforts to account for the conceptualisation of customer retention in this study. In this study, the role/importance of customer dormancy management for relationship revival/recapturing is also stressed in addition to the existing and new customer dimensions, and this aspect is theoretically examined by the limited work in the CRM literature (see e.g. Griffin & Lowenstein 2001; Thomas et al. 2004; Tokman, Davis & Lemon 2007). It is therefore important to note that the context within which customer retention is conceptualised in this study indicates a dynamic nature of stability among the three customer dimensions.

Though it has been established that “the management of customer relationships in business is not a new phenomenon” (Grönroos 2000, 22), relational aspects of customer management still enjoy a growing interest among scholars (cf. Ang & Buttle 2006; Dyer & Singh 1998). Thus, RM – the establishment of long-term marketing relationships – of which CRM is a major constituent, has considerably influenced marketing theory and practice (Bendapudi & Berry 1997). In addition, the marketing literature maintains that a central measure for a firm’s long-term performance is best understood by probing the firm’s relationship with its customers in B2B markets (Evans & Laskin 1994).

This is due to the fact that, in the B2B marketing context, customer relationships are defined as each representing considerable (monetary) value and as often creating mutual adaptation between the customer and supplier (Blois 2004; Degbey 2015). Also, in the B2B context, the value of relational exchange improves a firm’s competitive advantage, particularly via the creation of customer switching barriers (Dwyer, Schurr & Oh 1987) beside the mutual adaptation in the relationships, which may additionally indicate resistance to their replacement and the creation of inertia (Håkansson, Ford, Gadde, Snehota & Waluszewski 2009). CRM principles provide both strategic and tactical understandings for identifying and realising sources of benefit for both the customer and the supplier (in this case the acquired firm) (Bolton & Tarasi 2007). This perspective is fairly in line with the situation in which a firm (i.e. acquired firm) engages in a cross-border acquisition in order to expand on its current product/service offerings and market (i.e. customer) reach.

However, in M&A research, marketing (and for that matter CRM) issues have essentially received little attention regardless of their immense importance, and often the necessity of managing customer relationships is not an immediate focus during the M&A transition (Degbey 2015). Indeed, a recent empirical study has found marketing-related issues in post-merger integration to be highly relevant for M&A performance (Homburg & Bucerius 2005; Kato & Schoenberg 2014). Surprisingly, in addition, guidance on specific managerial practices relevant for high levels of customer retention is largely missing from the mainstream marketing literature (see e.g. Ang & Buttle 2006) regardless of its consequential effects in the M&A performance context.

While some scholars argue that RM has expanded beyond its initial conceptualisation to include the descriptions of several marketing relationships (Berry 1983; Morgan & Hunt 1994), customers continue to be at the centre of all conceptualisations of RM (Bendapudi & Berry 1997), and the need to extend the notion of customer-centeredness in RM and CRM studies to inform the M&A literature for enhanced performance is critical. *On the whole, the CRM literature contributes to this study by employing concepts and conceptualisations for describing and explaining relationships and their management to support the analysis of influencing variables of customer retention and its conceptualisation in a cross-border acquisition*.

Given the importance of RM and CRM, research exploring the relevance of customer retention as an indicator of performance or success in the context of cross-border acquisitions should be of particular significance to the progress of marketing thought. The findings of this study, partly driven by an understanding of whether and how success can be increased by *interacting* – a concept closely linked to CRM – with customers in the M&A context, are likely to enhance research-related and managerial implications for further developing marketing thought (cf. Gruner & Homburg 2000). Thus, post-integration enhanced M&A value may result from the effective combination of resources and activities through constant interactions and mutual adaptation between the focal actors – the M&A parties and customers (cf. Ford et al. 2003; Hallen et al. 1991).

In sum, the CRM literature is, considered to lean heavily towards the B2C context, IT dominated, considered to place greater emphasis on the cost-efficient treatment of customers instead of having a deep focus on the future-oriented development of customers, noted to implicitly assume the market as the dominant environmental form and regarded to conceptualise value in mostly financial/monetary terms. *This study builds on the process perspective of CRM and advances the CRM literature by emphasising that the CRM process should not only concentrate on the creation and leveraging of linkages and relationships particularly with customers but should also examine the dynamic nature of the stability among the customer dimensions for enhanced retention of customers*. In other words, *examining customer retention with respect to the studied M&A case and the unique features of the maritime environment (e.g. shipbuilding industry) helps to contribute to the relevance of the company context in CRM research*. Clearly, this study contributes to research on CRM by bringing in new knowledge and understanding and thereby bridging some of the existing gaps in the literature.

3.1.3 Network theories

Networks are discussed here within the B2B context, and the following section provides definitions of them and the specific network approach adopted (i.e. business and strategic networks) among the various notable approaches in the literature. The central ideas of the adopted approach and its main concepts that are relevant to this research are also briefly reviewed and presented. Lastly, the contributions of the adopted network approach to the study are discussed. Just as cross-border acquisitions have been acknowledged as one of the preferred internationalisation modes in prior research (e.g. Degbey & Pelto 2013), a number of scholars have also demonstrated the role of networks in the international context of firms and the enhancement of their competitiveness (e.g. Johanson & Vahlne 2009; Zaheer, Gulati & Nohria 2000). Similarly, several research traditions have also drawn great interest toward the network concept/approach and have presented various definitions.

According to some definitions, a network is an abstract notion referring to a set of *nodes* and *relationships* that connect them (Brass, Galaskiewicz, Greve & Tsai 2004; Fombrun 1982). In other words, a network represents relationships between multiple firms that interact with each other (Möller & Wilson 1995). Other scholars, such as Grandori and Soda (1995), define networks as modes of organising economic activities through inter-firm coordination and cooperation, while Williamson (1991) defines networks as a hybrid governance form with respect to markets and firms or as an independent governance form (Johannisson 1987; Powell 1990).

In particular, the review work of Grandori and Soda (1995) on inter-firm networks identified a number of approaches across the social sciences. They identified the *economic approaches* (e.g. industrial economics – Richardson

1972; historical and evolutionary economics – Nelson 1993; organisational economics – Thorelli 1986; Williamson 1985), *approaches between economic and sociological* (e.g. organisational perspective – Fombrun 1982; negotiation analysis – Grandori 1991), *sociological approaches* (e.g. resource dependency theory – Pfeffer & Salancik 1978; neo-institutional approach – DiMaggio 1986; organisational sociology – Granovetter 1985), *social psychology approaches* (e.g. social network analysis/theory – Moreno 1934; Scott 2000) and finally *managerial approaches* (e.g. strategy and management approaches such as strategic networks – Jarillo 1988; Möller & Rajala 2007; business network approach – Axelsson & Easton 1992; Håkansson 1987).

This study adopts the managerial approaches (i.e. *strategic network and business network*) in that the managerial approaches distinctively focus on utilising all the available tools of analysis eclectically and often employ a *focal firm perspective* (Grandori & Soda 1995). Despite the importance of individuals and their social contacts (Slotte-Kock 2009), the network approach (i.e. *strategic network and business network*) employed in this study focuses on interorganisational relationships (see Halinen et al. 1999; Degbey & Pelto 2013; Öberg 2008) and thus provides a more suitable perspective with which to study the effects of post-acquisition actions on the acquired firm's customers in a cross-border M&A (cf. Degbey & Pelto 2015).

Alongside the adopted network approach in this study, the work of Grandori and Soda (1995) additionally provides key guiding lessons by emphasising the multidisciplinary perspectives on networks, highlighting the potentially broad bases of network coordination (management) and challenging the notion of an "ideal type" view on network coordination or management. Consequently, the adoption of these two managerial approaches – that is, business and strategic networks – complement each other to expand our understanding of how post-acquisition actions impact the acquired firm's customer retention in a cross-border M&A. *This enhanced understanding is likely to emerge through the notion that firms in a network of relationships are simultaneously engaged in managing and being managed, and not all the networks can be considered as unintentionally created and self-organising systems* (Axelsson & Easton 1992; Ritter & Gemünden 2003). Indeed, some networks – for example, those exposed to unilateral and disruptive actions such as M&A – may emphasise intentional arrangement and strategic relevance for the actors in such network relationships (see Amit & Zott 2001; Gulati et al. 2000; Jarillo 1988; Möller & Rajala 2007). *The discussion turns now and provides a few more details on the central ideas and concepts as well as the contribution of the adopted network approaches.*

It is noted that the conceptualisation of networks has traditionally been metaphorical and not analytical, particularly in sociology and anthropology, and that its usage as an analytical concept has been rather recent and more pronounced in management studies (Snehota 1990; Araujo & Easton 1996). Networks are generally understood as a set of actors connected by a set of two or more relations (i.e. ties) (Cook & Emerson 1978; Axelsson & Easton 1992). Nonetheless, the concept of a network, be it a strategic or business network approach, has yet to gain a universally accepted definition, as many disciplines/fields of research employ this label with different meanings (cf. Borch & Arthur 1995; Johanson & Vahlne 2003; McLoughlin & Horan 2002). In addition to the review work of Grandori and Soda (1995), other scholars have proposed various network perspectives.

For example, Araujo and Easton (1996) distinguished between 10 different perspectives on networks in socioeconomic systems, while Järvensivu and Möller (2009) identified five different fields of network research. In addition, various types of network research have also mushroomed in both different contexts and on different continents. Indeed, the different perspectives and types of network research also suggest that there exists little dialogue and poor networking among different traditions of network thinking (cf. Knox, Savage & Harvey 2006; Slotte-Kock 2009). However, most of the various network perspectives share many common interests and central ideas with respect to their *dynamics* (e.g. explained with embeddedness), processes and *management* (Slotte-Kock 2009). In addition, al-though most network researchers are not using the same words, terms such as *reciprocity*, *interdependence*, *power and interconnectedness/interconnection* are widespread in the network literature (Grabher 1993; Powell 1990).

Considering the phenomenon examined in this study, two such network concepts – *network dynamics and network management* – are considered relevant and are thus briefly discussed further after elaborating on each adopted managerial network approach. These two network concepts, *network dynamics and network management,* are vital to this study, as they help explain critical/change events (e.g. M&A) within the context of the investigated phenomenon (see Degbey & Pelto 2015; Havila & Salmi 2000). Hence, they help to increase our understanding of the dynamics of networks and the development of an emerging network management theory. For example, the *business network approach* has provided powerful descriptive tools resulting from a strong emphasis on the embeddedness of relationships in nets and networks and their history (see Pels et al. 2009), but the aspect of network management is currently underdeveloped. Thus, the underdevelopment of network management research can be traced to the ontological perspective of networks as emerging and “non-manageable” entities (Ford 2011; Håkansson & Ford 2002). These notions of networks as emergent and “non-manageable” are very pronounced in the early works of the *business network approach* (see e.g. Håkansson & Ford 2002).

Business network approach. With an eclectic disciplinary background, the business network approach theoretically aims to describe and understand inter-organisational relationships and networks and their evolution in the network setting as well as to understand the functioning and evolution of markets from a network point of view (see Håkansson 1982; Håkansson & Snehota 1989; Håkansson & Ford 2002; Möller 2013; Möller & Halinen 1999). The International Marketing and Purchasing (IMP) group network approach adopts an eclectic tradition earlier influenced by theoretical lenses such as the resource dependency theory, social exchange theory and transaction cost economics and later by evolutionary economics and strategic research (see e.g. Baraldi, Brennan, Harrison, Tunisini & Zolkiewski 2007; Möller 2013). For example, the early focus of the IMP group was mainly on *relationships and interactions* (cf. Håkansson 1982). This focus (later known as business networks) involves the understanding of how to create and maintain stable relationships and positions within a network in an industrial systems context (see Axelsson & Easton 1992; Håkansson & Snehota 1995; Ford 2002 for further review). Further, some recent studies describe business networks as sets of connected business relationships and hence emphasise that *business relationships* and *connections between relationships* are the critical elements in this approach (Johanson & Vahlne 2011, 484).

Relationships are regarded as channels to access and control resources and to co-create new resources in this approach (see e.g. Gummesson & Mele 2010). The actor-environment – regarded as networks of actor relationships – is relatively non-transparent in terms of its activity structure (Möller 2013). The networks are also defined in terms of the ARA concept – that is, *actors, activities and resources* (Håkansson 1987; Håkansson & Johanson 1992) – with influencing consequences for each other (cf. Ritter & Gemünden 2003). According to Ritter and Gemünden (2003, 693), "actors perform activities and control resources, activities transform resources and are used by actors to achieve goals, and resources give actors power and enable activities". In addition, the actors in the business network approach are seen as organic and adaptive (Möller 2013).

Epistemologically, the business network approach stresses the embeddedness of relationships in networks, where time and history (there is no understanding of present circumstance without reference to past) are considered essential (see Alajoutsijärvi, Möller & Rosenbröijer 1999; Halinen & Törnroos 1998; Pels et al. 2009). Additionally, in dynamic terms, both the structure (content) and evolution (i.e. processes) of dyads, nets, and networks are focused upon (see e.g. Degbey & Pelto 2013; Havila & Salmi 2000;

Möller 2013). This network view involves research on both dyadic and network levels and also emphasises the richness and diversity of their characteristics (see e.g. Easton 1992).

Furthermore, recent works of the IMP group have also moved from studies on dyadic relationships to research on triads and larger networks of interdependent relationships (e.g. Hadjikhani & Thilenius 2009; Havila, Johanson & Thilenius 2004). The network approach thus highlights the wide-ranging effects of a given focal relationship on a firm, on connected relationships, and on other third parties. Consequently, it can be said that a firm is embedded in a web of connected business and other (social) relationships called networks and that these networks define its aggregate horizontal and vertical relationships with other firms within and across industries and countries. Nonetheless, these networks are also widely seen as *open value creation systems*, *borderless*, *emergent in terms of actor roles*, and *non-manageable* (Möller 2013).

Strategic networks. Scholars representing the strategic management perspective suggest that specific networks can be seen as *partially closed systems*, having a *definite set of actors* with *jointly agreed-upon actor roles and responsibilities*, which are *intentionally created* with strategic relevance (see Jarillo 1993; Möller & Rajala 2007; Raab & Kenis 2009). These so-called strategic networks facilitate firms in jointly creating and managing specific type of networks (see Möller & Svahn 2006; Möller & Rajala 2007). *Strategic networks*, also known as strategic business nets or value nets mostly in the IMP literature (see e.g. Möller et al. 2005; Möller & Rajala 2007), are “stable interorganisational ties which are strategically important to participating firms” (Zott & Amit 2009, 265). They are also described as intentionally planned and mobilised network organisations (Möller et al. 2005; Raab & Kenis 2009).

Similarly, other scholars employ the term network organisations for strategic networks and define them as “any collection of actors (N > 2) that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organisational authority to arbitrate and resolve disputes that may arise during the exchange” (Podolny & Page 1998, 59). Additionally, Möller and Svahn (2006, 988) describe this organisational form as “coalitions of autonomous but interdependent firms that are willing to coordinate some of their actions and sometimes even to submit part of their activities and decision domains to centralised control in order to achieve benefits that are greater than any single member of the net can create independently”.

From the above descriptions/definitions, it can be said that a central feature of this organisational form is the emphasis on the *strategic relevance* of the network relationships to participating firms and the *intentionality* of the interorganisational structures or arrangement (cf. Gulati et al. 2000; Jarillo 1988;

Möller & Svahn 2003). Additionally, in comparison to markets and hierarchies, networks are also argued to be better adapted to knowledge-rich settings due to their superior capacity for information-processing and flexible governance (Achrol & Kotler 1999; Foss 1999). Furthermore, strategic networks are also known to offer the potential to share knowledge and facilitate learning (Anand & Khanna 2000; Dyer & Singh 1998) and are thus theoretically relevant for exploring the effects of post-acquisition actions on a knowledge-intensive acquired firm's customer retention in a cross-border M&A.

Network dynamics. Understanding the *dynamics* and *management of* networks, as mentioned earlier, is important to this study. As the retention of an acquired firm's customers is examined within the setting of a major strategic change event, the roles of central concepts such as network embeddedness, network position and network change (see e.g. Anderson, Havila, Andersen & Halinen 1998; Degbey & Hassett 2016; Halinen & Törnroos 1998) are vital, especially for understanding the dynamic nature of the investigated phenomenon. *Network dynamics* signifies the characteristics of networks being generally viewed as dynamic and continuously changing. The business network approach, for example, "emphasises dynamic individual and interconnected exchange relationships within systems that contain interdependencies of both a complementary and substitutive nature" (Johanson & Mattsson 1994, 325). This indicates that a position in a network structure is never stable. Thorelli (1986) describes network position as a location of power to create and/or influence networks, and Mattsson (1985, 266) defines it "as the roles that the organisation has for other organisations that it is related to, directly or indirectly".

If a focal company attempts a change in the position of one actor, it may change the position of other actors in the network (Easton 1992; Mattsson 1985). Thus, the positional change does not only affect actors in direct relationships to the focal company triggering the change but also spreads to other actors in indirect relationships to the focal company (Degbey & Pelto 2013). Håkansson and Snehota (1995, 271) also note that the network of business relationships "is a structure with inherent dynamic features, characterised by a continuous organising process". As network positions constantly go through changes, there are close linkages between the concept of network change and network position, which thus help expand our understanding of networks in dynamic terms (Abrahamsen et al. 2012; Anderson et al. 1998)[10].

Nonetheless, studies have shown that over time, a firm's existing networks will move toward greater stability unless the network of relationships is

[10] See Degbey and Pelto (2013) and Degbey and Hassett (2016) for further empirical insights and reviews on network change and network position, respectively.

disrupted by an external change (see e.g. Rogan 2014). The concept of embeddedness is another fruitful theoretical lens usually employed for describing and explaining the presence or absence of stability within a network. For example, there is greater embeddedness if the firms in the network have had prior history in the form of past exchange (Polidoro et al. 2011) or if there is a more relational attachment between the actors (Seabright et al. 1992). Therefore, embeddedness implies that firms and their formed networks are both socially and historically constructed (cf. Halinen & Törnroos 1998).

Generally, embeddedness refers to closeness in a relationship, but in a network context, it extends beyond the content of such individual relationships also to the firm's position within the entire network of relationships (Andersson, Forsgren & Holm 2001). Halinen and Törnroos (1998, 188) define the concept of embeddedness as "companies' relations with, and dependence on, various types of network". With respect to its conceptualisation, network embeddedness is noted to vary greatly among different scholars (see Andersson, Blankenburg Holm & Johanson 2007; Andersson et al. 2002; Halinen & Törnroos 1998). Network embeddedness is considered to have two main parts: relational and structural embeddedness. Network scholars argue that relationships become embedded over repeated exchange/interactions (Granovetter 1985; Gulati 1995). According to Andersson et al. (2007, 35), relational embeddedness is defined "as the interdependence between social relations, exchange of resources, and combination of resources in the relationship".

Following the various definitions and conceptualisations of embeddedness, this study understood the concept from the viewpoint of Halinen and Törnroos (1998). This is based on the broader perspective advanced by their work on network embeddedness to better understand network dynamics (see Halinen & Törnroos 1998 for a review on the different types of embeddedness). For example, the work of Halinen and Törnroos (1998) points to the importance of individuals and their personal contacts as effective in influencing business exchange, which is an aspect considered essential to this study.

However, individual/personal level actions contributing to embeddedness are evidently left out of the network literature due to the greater focus on network level analysis (cf. Pels et al. 2009), thus impairing our understanding of network dynamics. Additionally, scholars suggest that embeddedness enables firms to reduce uncertainty (Beckman, Haunschild & Phillips 2004), facilitate fine-grained information sharing (Reagans & McEvily 2003), improve cooperation and trust development (Uzzi 1997), facilitate joint problem solving (McEvily & Marcus 2005) and make relationship-specific investments that facilitate efficient inter-firm coordination (Rowley, Behrens & Krackhardt 2000) as a result of engaging in repeated exchange/interactions with the same partners. *The next section discusses the issue of network management in light of this study*.

Network management. Limited research exists in the area of network management, as prior "work has tended to consider networks as given contexts, rather than a structure that can be deliberately designed" (Lorenzoni & Lipparini 1999, 318). Some recent studies have suggested that this prior notion was particularly in line with the early IMP received wisdom that "networks cannot be managed" (see Ritter, Wilkinson & Johnston 2004; Möller & Svahn 2006). For example, earlier thoughts about the possibility of network management emphasised that the boundaries of business networks cannot be defined exactly and thus restrain the ability to manage them (Håkansson & Snehota 1989).

In addition, it is noted that dynamics in business networks can also limit their manageability (Möller 2013). Indeed, insights from strategic networks or value nets (see e.g. Gulati et al. 2000; Jarillo 1988; Möller & Svahn 2003, 2006), as discussed earlier in this study, provide a useful starting point for a network management conversation. However, it is true that network management studies are still in their infancy and lack systematic approaches due essentially to prior network studies' predominant attention on the description and understanding of networks rather than on the shifting focus of managing them (Ojasalo 2004; Ritter et al. 2004).

In this study, a focal company perspective is emphasised with respect to managing networks. The focal company perspective is consistent with the notion of "key network management" – an extension of the idea of key account management (KAM) in CRM/industrial relationship research into the network context (Ojasalo 2004). According to Ojasalo (2004, 197), a key network refers to "a set of actors mobilised by the focal firm to realise an opportunity". The key network management approach employs many of the ideas of KAM (see e.g. McDonald, Millman & Rogers 1997; Ojasalo 2001; Pardo, Salle & Spencer 1995), in its three primary elements (see Ojasalo 2004 for further review on the three basic elements). The idea of providing relevant capabilities (i.e. ability to mobilise, access and mix resources – Håkansson & Snehota 1995) by both the focal company and members of the key network is central to the approach of key network management.

With a proposed framework, Ojasalo (2004) argued that the strategy for managing an actor and the key network is contingent upon their respective capabilities to contribute to each other's goals. Indeed, the approach is focused on establishing and managing networks to both exploit existing needs as well as explore new opportunities and utilise the networks to realise these opportunities (Ojasalo 2004). Moreover, the strategy of key network management places greater emphasis on mobilising different actors to create value for each other through a network managed by the focal company (cf. Normann & Ramirez 1993), and the key network may be of strategic or operational relevance to the focal company (Ojasalo 2004).

Adopting a pragmatic position, Möller et al. (2005) note that a strategic network cannot be managed in a strong sense (i.e. an actor cannot have full control of another actor's resources and activities); thus its management is relative, as opportunities and challenges of control and coordination differ significantly in terms of novelty and complexity along the value-system continuum. Similarly, in key network management, managing and controlling an actor or its capabilities and activities does not mean full management and control, but these terms rather demonstrate a facilitating approach with respect to factors such as joint learning, innovating and knowledge transfer between the focal company and the key network (Ojasalo 2004).

According to Håkansson and Ford (2002, 135), "generally, the network is the outcome of the deliberations, aims and actions of a number of the participants. Similarly, no company is the 'hub' of the network or is likely to have complete control over it, although some will act as if they were in control." In a nutshell, a dominant power position in the network is not the goal as such in key network management but rather being able to provide relevant capabilities in the form of mobilising, accessing and mixing the resources of different actors to create value for each other through a network managed by the focal company (cf. Ojasalo 2004; Normann & Ramirez 1993).

Having discussed the two adopted managerial network approaches and two of their major themes – network dynamics and network management in light of a focal company's perspective – we turn our attention to how the network views *theoretically contribute* to our understanding of the effects of post-acquisition actions on an acquired firm's customer retention in a cross-border acquisition. On one hand, the business network approach avers that networks are considered to be unintentionally created and self-organising systems without the necessity of a leader (cf. Axelsson & Easton 1992). On the other hand, strategic networks are regarded as stable interorganisational ties with an emphasis on the strategic importance of the network relationships for the actors and the intentionality of the arrangement (Gulati et al. 2000; Zott & Amit 2009).

These two managerial network approaches employed here complement each other in that they provide insight into both the *dynamics* (using e.g. network embeddedness, network position and network change) and *management* (using e.g. key network management) of networks of the acquired firm's customers (see e.g. Anderson et al. 1998; Halinen &Törnroos 1998; Gulati et al. 2000; Möller & Rajala 2007; Ojasalo 2004; Ritter & Gemünden 2003). That is to say, *the managerial network approaches certainly offer useful concepts to* *study the implications of a strategic event (i.e. M&A) on an acquired firm's customers, particularly for customer retention, and thus enhance our understanding of the context in which customer retention takes place*.

Following the elaborations on the purpose and positioning of the study with regard to customer retention, a synthesis is developed in the form of a framework (see Figure 9 below) showing the linkages among the main research aim and questions, the positioning of this research relative to domain literature/theoretical approaches and customer retention (i.e. new, dormant and existing customers).

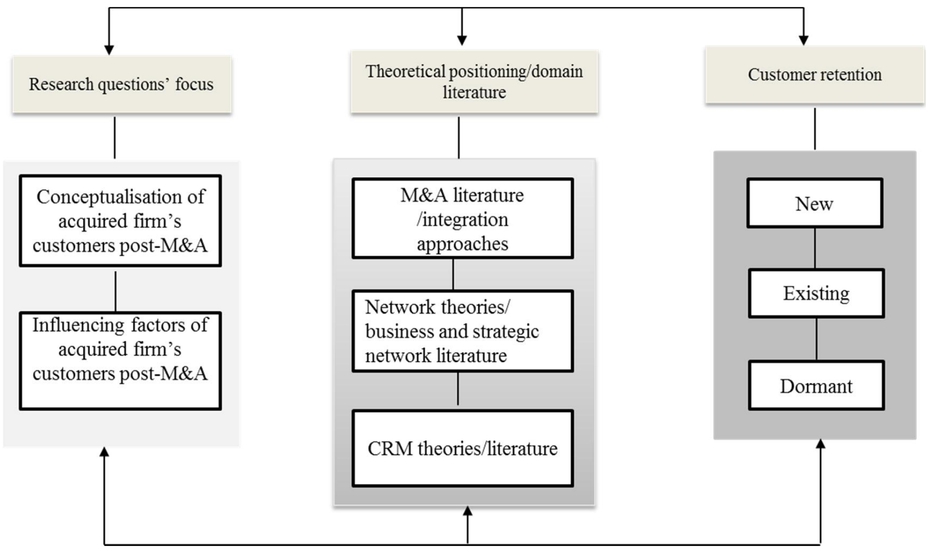

Figure 9 Establishing relationships among research purpose, theoretical positioning and customer retention

As stated earlier, the figure above establishes the relationships among the core issues, such as the research aim and its key questions, how the key research questions are linked to the various employed theoretical underpinnings of this study and finally to customer retention. For example, the second research question (b) explores the external and internal factors of M&A that may influence the acquired firm's customer retention and suggests the context within which the cross-border acquisition activity takes place as a likely basis for providing insights into tackling this question. Thus, the importance placed on context is great, as is particularly emphasised in the study of international business (IB) phenomena (cf. Michailova 2011; Poulis et al. 2013; Welch et al. 2011) and in other fields such as marketing (see e.g. Arnould, Price & Moisio 2006) and strategic management (see e.g. Mckiernan

2006). In addition, the merging parties and customers represent actors performing various business and social activities and controlling resources (cf. Ritter & Gemünden 2003; Degbey & Pelto 2013), and their actions reflect a general notion and way of network thinking or acting in networks. This latter point fits well with the use of network literature/approaches to understand the contextual variables (with reference to the second research question, "b") shaping the M&A phenomenon of customer retention and is thus consistent with network research as inherently context specific/driven (see e.g. Halinen & Törnroos 2005).

3.2 Prior knowledge on M&A

Mergers and acquisitions have, since the start of the twentieth century, become a common and important, never-ending part of business life. Their strategic relevance has also long been noted (Hennessy 1978; Stern 1967). Several theoretical lenses, such as financial, strategic, organisational behaviour, marketing, cross-cultural, network etc., have approached the complex phenomenon of M&A. However, progress in the M&A field of research has largely been fragmented along different disciplines and hence yields in-depth insights on a large number of topics but offers limited comprehensive understanding of the field as a whole (Cartwright & Schoenberg 2006). *The main M&A disciplinary schools are presented and discussed in the next section, and the specific disciplinary school to which this study attempts to contribute is also noted.*

3.2.1 M&A disciplinary schools

Haspeslagh and Jemison (1991) identified four different schools of thought on M&A research, with each line of research anchored to its own distinct theoretical roots, objective function and central hypotheses. These schools are the capital or financial economics school, the strategy school, the organisational behaviour school and the process school (Haspeslagh & Jemison 1991). Financial economists as the main architects of the *capital markets school* aim to address the key question, "Do mergers and acquisitions create value, and if so, for whom?" (Haspeslagh & Jemison 1991, 293). Findings from scholars of this school indicate that the market for corporate control does create value for shareholders, particularly for those of the acquired firm (see Jarrell, Brickley & Netter 1988; Jensen & Ruback 1983), upon analysis of the stock prices of the merging parties using a short term window – in other words, M&A announcement periods (Wilcox, Chang & Grover 2001; Haspeslagh & Jemison

1991). In addition to the objective of wealth creation for shareholders, scholars of this school of thought have also emphasised the impact of wealth creation on the economy as a whole (Birkinshaw, Bresman & Håkanson 2000).

Although the capital market perspective is important, it does pose major challenges when considering acquisitions for strategic purposes. From a strategic perspective, according to Haspeslagh and Jemison (1991), the capital market school is challenged in their conception of what the firm is as well as in their assumptions, which do not reflect the realities of the managerial world. For example, important assumptions about external market efficiency – which contradicts much of what we know about strategy and how it develops and evolves – suggest that shareholders can understand how a firm's strategy evolves and hence value the firm based on their risk preferences for that strategy. Thus, scholars of this school assume that a firm's strategy is predictable, although it is suggested that strategy is an evolving set of decisions concerning how the firm will relate to its environment rather than a predictable, deterministic process. Even if the firm's strategy is completely predictable, many managerial decisions are still proprietary or firm-specific, and to make them known to the investment community will only jeopardise the firm's competitive position (Haspeslagh & Jemison 1991).

The strategic school also concentrates on wealth creation in acquisitions, like the financial economists, but focuses more on their impact on individual firms (Birkinshaw et al. 2000). That is, strategic management researchers examine the strategic and process factors that may explain the performance differential between individual acquisitions (Cartwirght & Schoenberg 2006). When it comes to the strategic school's theoretical underpinnings, the field of industrial organisation economics (see Lubatkin 1983; Scherer & Ross 1990) and the resource-based view of the firm (see Barney 1991) are known to be key drivers.

Haspeslagh and Jemison (1991) identify two groups of strategy researchers as the *acquisition performance* group (sometimes apply events study approach, as in capital market view, to uncover factors that might distinguish between different types of M&A and resulting performance levels) and the *acquisition planning* group (focused on developing strategic analysis concepts to enhance M&A performance). In short, the strategic school researchers examine the performance impact of the acquirer, the acquired firm or the relation between them by focusing on key variables such as pre-acquisition profitability, pre-acquisition experience, pre-acquisition growth, market share and relative size (see Ahammad & Glaister 2013; Fowler & Schmidt 1989; Kitching 1974) as well as the issue of relatedness (see e.g. Cassiman, Colombo, Garrone & Veugelers 2005; Homburg & Bucerius 2006; Makri, Hitt & Lane 2010; Ramanujam & Varadarajan 1989), which received the most attention. In the strategy discipline, "strategic fit" is a concept used closely with the term "relatedness" and thus suggests that pre-M&A relatedness between acquired and acquiring firms is a source of synergy potential (Gomes et al. 2013; Meyer & Altenborg 2008).

Although the issue of higher relatedness (or similarity) is widespread in the strategic school and seems to lead to better results (see Prabhu, Chandy & Ellis 2005; Swaminathan, Murshed & Hulland 2008; Tanriverdi & Venkatraman 2005), research findings are inconclusive in its support as a determinant of acquisition performance and thus establish no overall consistent linkage between synergy potentials of strategic fit and M&A performance (Gomes et al. 2013; Haspeslagh & Jemison 1991). Other scholars have emphasised the implicit equation of relatedness and managed interdependence as the most widespread issue in the strategy school's performance literature and have suggested that relatedness may indicate potential sources of value creation and not determine the actual value creation in terms of their nature, scope, and probability (Haspeslagh & Jemison 1991).

Moreover, notwithstanding the widespread focus on strategic relatedness/fit to enhance value creation, there are important arguments that suggest strategic complementarity (i.e. complementary differences between merging firms) as being more critical for M&A success (Bauer & Matzler 2014). For example, Kim and Finkelstein (2009, 618) note that strategic complementarities provide merging parties a "wider array of business opportunities to develop competencies that either firm could not create alone". The strategy school's excessively unbalanced focus on strategic task and little attention to other important M&A performance variables, such as interpersonal, interorganisational, and intercultural friction as well as customer and supplier influences (cf. Degbey 2015; Degbey & Pelto 2013; Haspeslagh & Jemison 1991; Kato & Schoenberg 2014; Öberg 2008) are some of its primary weaknesses. *As this study focuses on the acquired firm's customer retention as a performance indicator in the M&A literature, it can be seen as closely related to the strategic school of M&A research; this school mainly focuses on the impact of acquisition on a given firm* (cf. Haspeslagh & Jemison 1991).

The *organisational behaviour school*, in contrast to the strategy school of thought, has concentrated on the people aspects of M&A implementation by employing extensive and eclectic streams of research. In fact, while the capital market and strategy school researchers are interested in the impact of acquisitions on the economy and on a given firm respectively, the organisational behaviour scholars are interested in the impact of acquisitions on individuals (Haspeslagh & Jemison 1991). Scholars contributing to the organisational behaviour school are randomly classified into three groups according to Haspeslagh and Jemison (1991): *human resource management, crisis litera-*

ture and cultural compatibility. On the basis of the above classifications, it can be said that the organisation behaviour school examines the impacts of M&A on individuals, organisations, and on organisational culture (Birkinshaw et al. 2000; Haspeslagh & Jemison 1991).

The human resource management aspect of M&A mainly focuses on minimising or preventing problems such as the neglect of the human side in favour of doing the deal and realising operational synergies (Birkinshaw et al. 2000; Buono and Bowditch 1989; Haspeslagh & Jemison 1991; Leighton & Tod 1969). The human resource studies on M&A discuss both pre-and post-acquisition related issues and thus have received much attention in areas such as key persons' organisational commitment (Raukko 2009), acquired firms' executives' post-acquisition turnover (Cannella & Hambrick 1993; Krug & Aguilera 2005; Krug & Hegarty 1997; Lubatkin, Schweiger & Weber 1999), post-acquisition integration and employees' perspective on the implementation (Birkinshaw et al. 2000; Cartwright & Cooper 1990; Risberg 2001). Other scholars of the organisational behaviour school employ the crisis literature, which concentrates on M&A as an example of organisational crisis, with a particular focus on the collective experience of the acquired firm's individuals (Haspeslagh & Jemison 1991). From a crisis literature perspective, researchers concentrate mostly on the negative effects of M&A, such as psychological impacts on employee health and wellbeing as well as individuals' psychological and behavioural effects, including shock, defensive retreat, acknowledgement and adaptation (see e.g. Cartwright & Cooper 1993; Elliot & Maples 1991).

Furthermore, Birkinshaw et al. (2000) note that the impact of the acquisition on organisational culture is another objective function of the organisational behaviour school. For example, cultural scholars within the organisational behaviour school mostly examine the cultural compatibility or "fit" between the merging firms (Haspeslagh & Jemison 1991). The preferred theoretical foundation here has been the acculturation theory (see Berry 1984; Nahavandi & Malekzadeh 1988), which is supported by a central proposition that there should be harmony between the cultures of the merging parties – in other words, "cultural fit" – to enhance employee satisfaction, effective integration and post-acquisition performance (see Birkinshaw et al. 2000; Datta & Puia 1995; Weber 1996; Weber, Shenkar & Raveh 1996; Weber & Tarba 2012). That is to say, cultural compatibility or fit will lower acculturative stress at the individual level and hence ensure an effective integration process for enhanced performance (see Birkinshaw et al. 2000).

According to Haspeslagh and Jemison (1991), the *process school* is the most recent based on their four identified categorisations of M&A research schools of thought. The process school is interested in the acquisition *process* *itself* – that is, acquisition decision making and post-acquisition integration processes – as potentially important factors influencing acquisition outcomes (Haspeslagh & Jemison 1991; Jemison & Sitkin 1986b). This school argues that the importance of strategic fit and organisational fit is critical for potential synergies but that their realisation requires management action and ability to manage the post-acquisition integration process (Birkinshaw et al. 2000; Haspeslagh & Jemison 1991). However, it is important to emphasise that in their work Jemison and Sitkin (1986b) acknowledged and addressed some process obstacles, such as pressures that lead to activity segmentation during pre-acquisition analysis, the escalation of momentum, the existence of ambiguous expectation and post-acquisition misapplication of management systems, which may influence the realisation of expected strategic and organisational fit. The behavioural theory of the firm (see Cyert & March 1963) and the decision process theory (see Bower 1970) have been used as theoretical perspectives to inform researchers as to why the M&A "process can be a problem" (Jemison & Sitkin 1986a).

Beyond Haspeslagh and Jemison's (1991) four identified popular categorisations of M&A research and Birkinshaw et al.'s (2000) further improvement on the four categorisations, other scholars in Europe and particularly in the Nordic regions have noticeably explored business relationships and networks and specifically also customers' perspectives of M&A research and their impact on M&A performance (see e.g. Anderson et al. 2001; Degbey 2015; Degbey & Pelto 2013; Öberg 2008). This development indicates a shift in focus away from internal firm factors such as strategic fit, organisational fit and cultural fit/compatibility in prior empirical studies (see Haleblian et al. 2009; Stahl & Voigt 2008) to external factors in the quest to further understand the drivers of M&A outcomes (see e.g. Kato & Schoenberg 2014). A recent conceptual work on customer retention in the context of serial acquirers termed these new developing M&A research schools of thought "emergent schools" (Degbey 2015). Although the emergent schools as described by Degbey (2015) do not share a single unified theoretical perspective, their central focus on external actors as the main determinant of M&A outcome/success offers a common binding thread to their objective function in M&A research. Table 3 below synthesises and extends the works of Haspeslagh and Jemison (1991) and Birkinshaw et al. (2000).

Table 3 M&A research schools of thought – summary and extension

Research school	*Research objective*	*Theoretical foundations*	*Central hypotheses for each research school*
Capital markets school	Wealth creation for shareholder; for economy as a whole	Market for corporate control; free cash flow; agency theory; efficient market hypothesis (Jensen 1987; Manne 1965)	Acquisitions enhance the efficiency of the market for corporate control and thus result in net wealth creation for shareholders.
Strategic school	Performance of individual firms (e.g. acquiring or acquired firm)	Industrial organisation economics (Lubatkin 1983; Scherer & Ross 1990) Resource-based view of the firm (Barney 1988)	Synergies (from economies of scale, scope, market power etc.) will positively enhance acquirer's performance. Only unique synergies (to the merging firms) or unexpected synergies will positively enhance acquirer's performance.
Organisational behaviour school	Impact of M&A on people and organisational culture	Human resource management literature (Birkinshaw et al. 2000; Buono & Bowditch 1989; Leighton & Tod 1969) Crisis literature (Devine 1984; Pritchett 1985) Cultural compatibility literature, e.g. acculturation theory (Berry 1984; Nahavandi & Malekzadeh 1988)	M&A create a human problem (as result of focusing on doing the deal and realising operational synergies), and attention should be focused on minimising or preventing human side effects. M&A create negative collective experiences on individuals in an acquired firm. The similarity between the cultures of the two merged firms will enhance employee satisfaction and effective integration.

Research school	*Research objective*	*Theoretical foundations*	*Central hypotheses for each research school*
Process school	Post-M&A value creation	Behavioural theory of the firm (Cyert & March 1963; Jemison & Sitkin 1986a); decision process theory (Bower 1970)	The actions of management (in ensuring both strategic and organisational fit) and the process of integration itself will decide the degree to which potential benefits are realised.
Emergent school (business relation-ships and networks, behavioural customer-centeredness)	M&A performance derived from its effect on, and response of, external actors/stakeholders, i.e. impact of business relationships and networks on M&A performance	Stakeholder theory (Freeman 1984; Parmar et al. 2010); business relationships and network views (Degbey 2015; Håkansson & Snehota 1989; Araujo & Easton 1996)	M&A impact and are also impacted by key external actors, such as customer and supplier relationships and networks.

In conclusion, M&A research is acknowledged as a complex phenomenon and wide-ranging in multilevel, multidisciplinary and multistage terms (Angwin, 2007; Javidan, Pablo, Singh, Hitt & Jemison 2004). Moreover, the multiple research streams known to have approached this multifaceted, multitemporal phenomenon are often argued to have created fragmentation along various disciplines, consequently prompting calls for integrative frameworks that will combine the various disciplinary research streams to grasp the complexities of the challenges and management of the post-acquisition integration phase, particularly in a cross-border M&A context (Gomes et al. 2013; Quah & Young 2005.) In regard to the cross-border M&A context, divergent topics such as the choice of entry mode (e.g. Hennart & Larimo 1998), organisational and national cultural differences (e.g. Datta & Puia 1995; Weber 1996; Weber, Shenkar & Raveh 1996; Morosini, Shane & Singh 1998) and cultural dynamics (e.g. Cartwright & Schoenberg 2006), knowledge transfer (e.g. Ahammad & Glaister 2011; Bresman, Birkinshaw & Nobel 1999; Sarala, Junni, Cooper & Tarba 2014) and critical discourse analysis (e.g. Tienari, Vaara & Björkman 2003) have attracted the attention of M&A scholars.

Moreover, the *strategic school* seemed to have dominated, in second position after the financial economic school, the field of M&A research (Bauer & Matzler 2014; Cartwright & Cooper 2001) and has concentrated on strategic issues such as the decision-making processes and performance (often used as an umbrella construct) of acquiring and acquired firms (Data 1991; Haspeslagh & Jemison 1991; Meglio & Risberg 2011; Seth 1990a). This research concentrates on understanding the retention of the acquired firm's customers as a performance indicator for M&A (cf. Zollo & Meier 2008). In other words, as M&A performance has a strong foundation in the field of strategic management (cf. Data 1991; Haspeslagh & Jemison 1991; King et al. 2004; Seth 1990a), *this research contributes to the strategic school of M&A* (Haspeslagh & Jemison 1991) and also to *the emergent school of M&A* (cf. Degbey 2015) in which external actors such as customers are increasingly recognised as major determinants of M&A success.

3.2.2 Defining M&A, types, strategic objectives and archetypes

In many studies, the words merger and acquisition are used interchangeably, and the two concepts are often grouped under the common M&A term (see e.g. Hitt et al. 2001; Jagersma 2005; Lees 2003). However, it is important to note that differences do exist in the strict definitions of the terms[11] (see e.g. Jagersma 2005). An acquisition is the combination of two companies with different qualities, without necessarily a mutual agreement, whereas a merger is the combination of two equal companies with the consent of both parties. Indeed, the underlying fact is that both terms (merger and acquisition) are about the fusion or combination of two firms with differences in the levels of control; for example, the levels of control found in acquisitions are often in disproportion, whilst in mergers, they are usually equivalent (Jagersma 2005; Shimizu et al. 2004). In the FDI research context, acquisitions are defined as a purchase of ownership in an existing local company in an amount sufficient to confer some control (i.e. at least 10% ownership) (e.g. Larimo 2003). This thesis focuses on acquisitions in which the acquirer obtains control over the subsidiary through majority ownership.

According to the relatedness literature (cf. Zhang, Fleet, Shi, Srai & Gregory 2010), M&A can be categorised into different types – vertical, horizontal, concentric and conglomerate (Kitching 1967; Souder & Chakrabarti 1984) – and each type influences the match and relationship between the acquiring and acquired firms and may also influence performance (Calipha et al. 2010). The *vertical type* refers to those combining two companies from successive processes within the same industry, whereas the *horizontal type* combines two companies with similar activities within the same industry (see Walter & Barney 1990).

Concentric acquisition refers to a situation where the acquired company is from a related business field but its business activities are unfamiliar to the acquirer (Cartwright & Cooper 1992). Finally, *conglomerate* (also unrelated) acquisition occurs when the acquired company has a completely unrelated field of business activity (cf. Walter & Barney 1990). Based on the US federal trade commission, Seth (1990b) classified acquisition strategies into two categories: related and unrelated. Acquisitions can also be categorised based on the degree of integration, such as from wholly independent to wholly integrated (Lees 2003).

Figure 10 below shows the various M&A strategies, types and parties/constituents.

[11] Often the concept of merger refers to friendly deals in which the combination of two firms happens in cooperation (see e.g. Haspeslagh & Jemison 1991; Jagersma 2005, 14; Hitt, Harrison & Ireland 2001, 10, 66-67). Also, a merger is the combination of two firms to form a new entity (Evans et. al. 2011), with no clear acquirer (Soderberg & Vaara 2003). In reality, such true mergers are rare: according to UNCTAD (2000), only 3% of M&A are actually mergers.

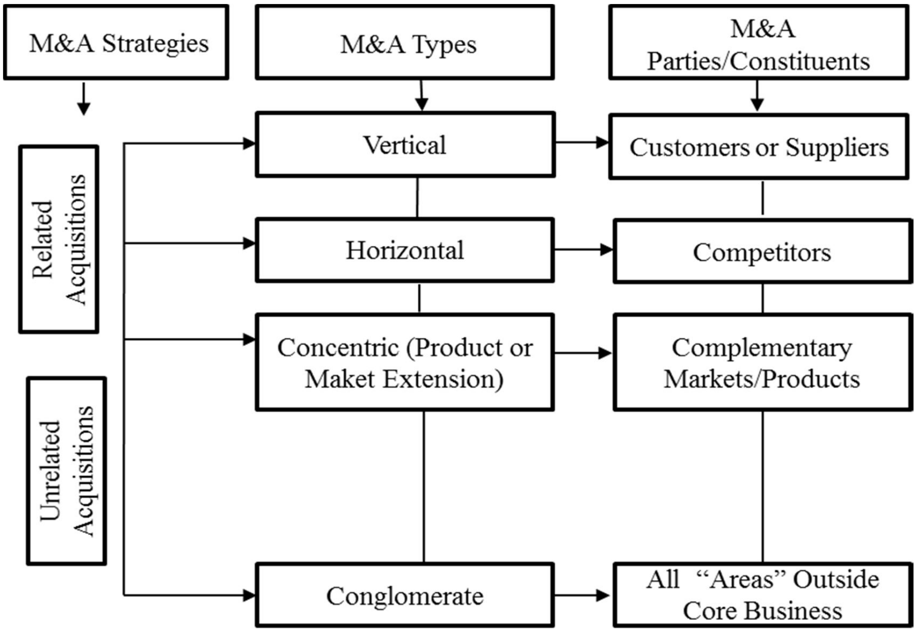

Figure 10 M&A strategies, types and parties/constituents

Succeeding at M&A has never been an easy task, and this difficulty has largely been ascribed to an inadequate strategic rationale/motive – for example, as a foundation to help identify the right target and set boundaries for negotiations (Carbonara & Rosa 2009; Gadiesh & Ormiston 2002). In fact, Gadiesh and Ormiston (2002) argue that the foundation for M&A success is determined by the clarity of the transaction's strategic logic both in the pre- and post-acquisition phases. Even as the M&A literature has advanced many strategic motives and various archetypes (see e.g. Bower 2001; Calipha et al. 2010; Gadiesh & Ormiston 2002; Early 2004; Haspeslagh & Jemison 1991; Gammelgaard 2004a, 2004b; Mitchell & Capron 2002; Trautwein 1990), *growth and restructuring/efficiency* strategic rationales have been noted as two major goals widely adopted in the literature (see Gadiesh, Ormiston & Rovit 2003; Zhang et al. 2010). In other words, M&A deals commonly aim at synergy (e.g. efficiency, economies of scale) and revenue enhancement motives (e.g. expansion of markets and product lines, strengthened market positions) (Trautwein 1990; Walter & Barney 1990). Nonetheless, the classical work of Trautwein (1990) on the theories of M&A motives highlights the heavy use of the efficiency theory by strategy authors. He therefore suggests that attention should be redirected from the dominant efficiency theory, particularly employed by authors in discussing their choice of acquisition mode, entry mode and integration mode, to theoretical explanations that build on decision processes, conflicting goals (e.g. between merging parties and customers) and ambiguous private information (Trautwein 1990).

The work of Zhang et al. (2010) provides some examples of growth or business expansion strategic rationales/motives, including the following:

- To respond rapidly to opportunities or invest in emerging economies
- To obtain or acquire strategic resources or capabilities
- To expand business into new geographic markets
- To expand or extend product lines
- To strengthen market power
- To follow the move of customers

Similarly, the authors also identified some examples of strategic motives aimed at business restructuring/enhancing the operational efficiency, as follows (Zhang et al. 2010):

- To decrease industry overcapacity
- To decrease capital costs by internal sharing
- To gain from cost differentials
- To decrease transition and information costs
- To achieve scale economics or greater size for global competition
- To gain synergies and scope economics

In addition to growth and restructuring/efficiency strategic motives, some deals may also be motivated strictly by competitive, financial, managerial (personal) or legal concerns, such as reducing financial risks through diversification, taking advantage of undervalued M&A targets, overcoming protective tariffs or quotas, reallocating profits across markets or gaining tax savings, improving executives' willingness and acquiring competitors (Zhang et al. 2010). Other notable works of relevance on M&A strategic rationales and archetypes published by a practitioner or in a practitioner oriented outlet include those of, for example, Bower (2001), Gadiesh and Ormiston (2002) and Early (2004).

Gadiesh and Ormiston (2002) identified six different strategic objectives for M&A and showed their respective major sources of increased value and concerns/risks. These strategic rationales include active investing, growing scale, adjacency expansion, broadening scope, redefining/transforming business models and redefining/transforming industries. Gadiesh and Ormiston (2002) emphasise that the above strategic rationales lie on a continuum, from deals that are consistent with M&A transactions and integration rules to those that change or transform the rules. In addition, the aforementioned rationales of Gadiesh and Ormiston (2002) can also be seen through the dichotomy of efficiency versus growth driven strategic objectives. For example, active investing and growing scale are motives mainly driven by the need to improve efficiency (e.g. through cutting operational costs per unit).

However, a major concern/risk that may derail the increased value from the above efficiency driven objectives is the presence of employees' fears, leading to declined effectiveness and stifled innovation.

Furthermore, Bower (2001) identified five strategic motives behind why M&A occur and noted that their distinctive nature means that they also pose differing challenges. They are the overcapacity M&A, the geographic roll-up M&A, the product or market extension M&A, the M&A as R&D and the industry convergence M&A. The author highlights, for example, that M&A with the goal of creating a more efficient operation (e.g. to eliminate excess capacity via consolidation in mature industries) should attend to/focus more on rationalisation and management issues. M&A with the goal of expanding businesses geographically should pay attention to the management of cultural differences (use carrots, not sticks) and to the safeguarding of smooth integration. M&A to extend product lines or international coverage should pay attention most importantly to what they are buying – that is, the relevance of acquired businesses – and also consider the relative size of the acquirer compared to the acquired (the bigger the acquirer, the better), the acquirer's prior acquisition experience and knowledge on cultural and governmental differences that may likely interrupt integration. M&A with the motive to acquire R&D capabilities should most importantly pay attention to the retention of key talents and also to the fact that the need to conduct cultural due diligence is critical for a rapid assimilation. The R&D acquisition is often used to build market position, and special attention to speed is relevant.

Additionally, Early (2004) classified M&A strategic motives into four basic archetypes: skills/product expansion, market roll-up, consolidation and transformation. M&A with a strategic objective geared toward acquiring new skills or extending product lines should pay attention to the acquired firm's important and unique skills and not consolidate the acquired firm completely. The market roll-up M&A is desired where firms require aggregation in fragmented industries with no regional or national player to leverage both scale and scope economics. Consolidation M&A is desired in a mature or capital-intensive industries bloated with excess capacity and where the pressure for cutting operational costs and ensuring efficiency is critical. Lastly, transformation M&A are desired in converging industries where there is a need to build new business models or to develop new visions of the future beyond current capabilities.

Vestring, Rouse and Rovit (2004) also identified three broad M&A types, which they described generally in terms of whether they enhance the acquirer's core business (e.g. growing scale and scope) or represent an entirely new and distinct platform for investment (referred to herein as active investment). These three types of strategic rationale are active investing, growing scale and growing scope, with each distinct type requiring a different degree (extent) of M&A integration. For example, while growing scale may need comprehensive/extensive integration to harness the desired operational efficiency, active investing may require the bare minimum degree of integration. If the deal intends to improve scope, it may require a selective integration to earn returns above its industry's average. Additionally, M&A strategic goals can be viewed from a spatial (IB) perspective – specifically, natural resource seeking, market seeking, efficiency seeking and innovation seeking – with the goal of gaining certain location-specific advantages (Peng 2013). Furthermore, other scholars in a recent meta-analytic review broadly identified the following antecedents as core M&A motives: value creation, managerial self-interest, environmental factors and firm characteristics (see Haleblian et al. 2009).

Indeed, it is important to note that the M&A strategic intents and archetypes identified in the literature – particularly in the works of Bower (2001), Gadiesh and Ormiston (2002), Early (2004) and Vestring et al. (2004) – share great similarities, although each of these publications identified a distinct number of M&A strategic motives/archetypes. For example, strategic rationales such as active investing and growing scale (Gadiesh & Ormiston 2002; Vestring 2004), tackling overcapacity (Bower 2001) and consolidation (Early 2004) all share similar goals of enhancing operational efficiency. Table 4 below shows a synthesised guideline of notable M&A objectives/rationales, characteristics, major sources of value and concerns/risks and required critical capabilities (particularly for frequent acquirers) (see e.g. Bower 2001; Gadiesh & Ormiston 2002; Early 2004).

Table 4 Guideline table for identifying M&A profiles (developed in part from Bower 2001; Gadiesh & Ormiston 2002; Early 2004)

	Skills/Product/Market/Adjacency Expansion M&A	**Consolidation/Overcapacity M&A**	**Geographic Roll-up M&A**	**Business & Industry Transformation M&A**
Characteristics	• Acquire new skills or capabilities • Extends a firm's product line or foreign market coverage • Build new platform	• Reduce excess capacity and duplication in mature/capital-intensive industry • Gain market share • Drive cost-cutting opportunity to create a more efficient operation • Eliminate ineffective managers • Win-lose scenario	• Designed to achieve economies of scale and scope and to build an industry giant • Aggregate firms in fragmented industries where no dominant regional/national player exists • Quite similar to consolidation M&A, but they often occur at an earlier stage in an industry's life cycle • Win-win scenario and often go smoothly	• A firm bets on the emergence of a new industry/business model and tries to garner synergies by culling resources from existing industries whose boundaries seem to be eroding • Build new business model in converging industries • Develop vision of the future beyond current capabilities

	Skills/Product/Market/Adjacency Expansion M&A	**Consolidation/Overcapacity M&A**	**Geographic Roll-up M&A**	**Business & Industry Transformation M&A**
Major source of increased value	• Revenues increase through new skills/capabilities • Revenues increase through enhanced asset utilisation • Prior M&A experience and bigger relative size to M&A target	• Decision for rationalisation should be quick • Reduction in operating costs per unit	• Revenues increase through enhanced asset utilisation • Reduction in cost per unit through scale	• Business/industry economics improve • Merging coordinates the efforts and resources between the combining firms
Major source of challenge/ Value destruction	• Customers defect • Cultural and governmental differences may hamper integration • Competitors attack during M&A transition • Employees' departure	• Similarity in the sizes of combining firms and differences in processes and values may destroy value • Fight for control in the case of merger of equal, and the business suffers as a result • Often a onetime event and difficult to pull off – unable to learn from experience • Departure of some acquired firm employees may stifle innovation	• Likelihood of re-sistance to streamlined processes – ease them in gradually • Risk of strong existing culture – use carrots not sticks when introducing new values	• Challenge emerging not only from how well a firm buys and integrates but most critically how smart its bet about industry boundaries is • Unproven hypothesis/Vision proves flawed • Market underrates/ undervalues opportuni-ties

	Skills/Product/Market/Adjacency Expansion M&A	**Consolidation/Overcapacity M&A**	**Geographic Roll-up M&A**	**Business & Industry Transformation M&A**
Frequent acquirers' required capabilities to match objective	• Structure and processes - Decentralised organisational structure - Continuity in leadership - In-house M&A - Training, benefits and other HR undertakings - Stakeholder management • Mindset and beliefs • Entrepreneurial	• Structure and processes - Stakeholder management • Mindset and beliefs - Renewal	• Structure and processes - Standardised metrics and reporting - Integrated IT system - In-house M&A and post-merger mgt. • Mindset and beliefs - Disciplined against timelines, budgets, goals - Process-based	• Mindset and beliefs • Visionary and • entrepreneurial • Risk-taking ability
Typical deal size	• Small to medium size mergers	• Large/merger of equals	• Larger more established firm buying smaller ones • Small acquisitions	• Large firms/merger of equals

In conclusion, the literature on M&A strategic objectives and/or archetypes emphasises the importance of having a clear underlying strategic rationale or what the M&A industry refers to as the "investment thesis" as a guide for any acquisition deal (Gadiesh & Ormiston 2002; Vestring et al. 2004; Zhang et al. 2010), although it may not be a panacea for deal and integration success. The literature has identified two major strategic objectives (growth and efficiency), but there are also some deals that are driven by other objectives (e.g. to minimise certain risks) or that simply may lack a clear business purpose aside from the aforementioned two major objectives (Zhang et al. 2010). Furthermore, Vestring et al. (2004) also made two general assertions: that M&A deals may either improve an acquirer's core business in some way or point toward an entirely new and distinct platform for investment.

3.2.3 M&A processes/phases

M&A are known to occur in phases and are generally regarded as a multistage phenomenon (Degbey & Palmunen 2014; Gomes et al. 2013; Quah & Young 2005). The latter notion of how they are conceived of in the literature primarily evokes sensitivity to the process aspect of M&A. Haspeslagh and Jemison (1991) stressed that a fundamental differentiator of M&A success and failure lies in the proper understanding and management of the processes of decision-making and integration. However, the literature on M&A lacks consensus on the boundaries of the process and as a consequence offers various definitions (cf. Hall 1986; Hubbard 1999; Quah & Young 2005).

While authors strive to achieve consensus on the boundaries of an M&A process in terms of when it begins and completes, or on the number and description of stages/phases within the process, a recent study argues that there is a critical moment in the process when ownership is transferred from the acquired firm to the acquiring firm (Gomes et al. 2013). Thus, the moment ownership transfers from one party to the other as legally specified separates the process into *two* broad parts, *pre- and post-M&A phases*. And, in this dissertation, the two-phase approach of the M&A process is adopted, because truly, in practice, post-M&A integration cannot occur without attaining ownership.

Additionally, the boundaries of other phases in the process are not quite clearly defined, as they may be implemented concurrently or in reverse order. For example, Gomes et al. (2013) argue that it is quite common for informal negotiations to start at a senior level prior to strategic planning or formal selection processes of an M&A target. Even if the M&A literature claims that critical success factors can be apportioned to specific phases in the process, various studies and process descriptions tend to emphasise the pre-M&A phase (cf. Gomes et al. 2013; Quah & Young 2005) to explain M&A success, as evidenced by the professionalism in which legal and financial factors, for instance, are handled in the completion of an M&A transaction (Gomes et al. 2013). In contrast, recent studies have shown that the post-M&A integration (PMI) phase – in which customer retention issues are often discussed – is the most challenging and thus decisive for M&A success (Homburg & Bucerius 2005; Sinkovics, Jedin & Sinkovics 2014). Notwithstanding the fact that this study focuses on the post-M&A phase to uncover the phenomenon under investigation, it is imperative to emphasise that customer-centred issues and perspectives can become imminent and also challenging during the pre-M&A phase of the process and consequently exert a negative impact on post-M&A integration outcomes. Thus, managing the transition from pre- to post-M&A phases is vital in fostering the integration process and enhancing overall M&A performance (cf. Gomes et al. 2013).

3.2.4 Post-M&A integration phase

The literature recognises that researchers tend to focus more attention on the pre-acquisition phase to explain M&A performance, as evidenced by the generally well-handled manner of the legal and financial aspects in the completion of the M&A transaction. However, the failure of managers to thoroughly address how the new entity will be operated and managed after the transaction has led to appalling results and thus required a focus on this previously ignored phase of the process (Bower 2001; Gomes et al. 2013.) According to Haspeslagh and Jemison (1991) the *post-M&A phase* of the process is the most critical, as it is where value creation occurs. While the work of Schweiger and Weber (1989) supports the importance of post-acquisition integration and shows that the lack of it is a major reason for M&A failure, too much of it may also create a higher potential for culture clash (see e.g. Weber & Schweiger 1992) and consequently become detrimental to value creation.

In terms of definition, the M&A literature lacks a consensus on what post-acquisition integration means. According to Haspeslagh and Jemison (1991, 138), the term means different things to different scholars and in different situations in the field. In general, post-acquisition integration refers to an interactive and gradual process in which the acquiring and acquired parties learn to work together and cooperate as a unified entity and make decisions in relation to the degree of unification, its direction, its content and areas (firm functions) of integration (Haspeslagh & Jemison 1991; Öberg & Tarba 2013). From a marketing perspective, post-acquisition integration is described “as an event where integration realisation is the result of beliefs, actions and mutuality of M&A parties and customers" (Öberg 2008, 2).

Most M&A scholars agree that post-acquisition integration is a difficult process regardless of whether it is domestic or international but one that is absolutely critical for acquisition performance (Cording, Christmann & King 2008; Shimizu et al. 2004). Indeed, some scholars observe post-acquisition integration not only as a crucial aspect of the acquisition process but one that tends to be strongly internally focused between the two merging firms. In addition, this phase of the process has been criticised for inadequacy in terms of establishing theoretical frameworks that link explanatory variables to acquisition performance, thereby raising deficiencies in existing models of M&A performance (Cording et al. 2008).

Moreover, Shimizu et al. (2004) stressed that this stage, particularly in cross-border M&A, tends to pose tremendous challenges. However, Anderson et al. (2001) argue that for challenges to be surmounted, more attention must be given to the context within which the combining companies operate. Hence, in this study, a focus on the acquired firm's customers forms an integral part of the context. Indeed, it has been discussed that the effort of integrating two companies might affect the customer side; particularly those with dissimilar cultures can absorb an inordinate amount of resources and take away attention from customers, competition, and productivity (Öberg 2002; Tetenbaum 1999).

The study by Tunisini and Bocconcelli (2005) concluded that the acquiring company can assume the occurrence of certain effects and may attempt to guide the integration process but that the (customer) relationship process affects and guides the integration process instead, in most cases. The latter point is corroborated in a study of eight acquisition cases in which it was found that customers did play several key roles, such as limiting/not acting in accordance with the integration intents, causing pre-integration reconsiderations and being actively engaged in opposing integration as well as arguing for the acquired firm's autonomy in the integration process (Öberg 2008).

3.3 Customer retention in M&A

Customers are described as the lifeblood of any organisation (Gupta & Zeithaml 2006), and their retention has become ubiquitous and the *Holy Grail* in almost every industry. The above assertion is fuelled by our knowledge and understanding that servicing an existing customer is less expensive than acquiring a new one (Coyles & Gokey 2005). For example, Lindgreen et al. (2000, 295) reckon that "it can be up to ten times more expensive to win a customer than to retain a customer – and the cost of bringing a new customer to the same level of profitability as the lost one is up to 16 times more".

Based on these prior assertions, the economic arguments for customer retention – which suggest that when customer tenure lengthens, the volume and value of buying increases, costs associated with customer management fall, customers become less sensitive to price changes and referrals rise – cannot be overemphasised (Reichheld 1996; Reichheld & Sasser 1990). Though a study showed that relatively few respondents claimed to have an agreed definition of customer retention, almost two-thirds (58%) of them stated that their organisation measured customer retention (Aspinall et al. 2001). In addition, despite the fact that the exact meaning and measurement of customer retention may differ between industries and firms due to its multi-faceted nature (Aspinall et al. 2001), there seems to be a broad consensus that focusing on customer retention can yield several economic benefits (Ang & Buttle 2006).

Table 5 below provides some examples of the multifaceted nature of customer retention from a prior study that focused on conceptual and definitional issues (Aspinall et al. 2001).

Table 5 Multifaceted nature of customer retention: Examples (modified from Aspinall et al. 2001)

Behaviour	***Heart and minds (attitudinal/perceptual factors)***
Number of customers (including dormant)	Salience of brand proposition and its components
Number of active customers	Brand preference
Frequency of buying	Psychological commitment/loyalty
Recency of buying	Trust
Size of expenditure	Empathy
Share of expenditure	Propensity to consider buying/use again/contribute resources
Possibly even extent of cross-sales	Propensity to pay more/a premium
Contract	Customer satisfaction/delight
Adjust buying/usage procedures to fit supplier (buying/usage adaptation)	Likelihood to recommend/advocacy
Routinised re-ordering	Possibly even top-of-the mind awareness
Join club	
Proven advocacy	
Enquiries	
Provide information when requested concerning needs and/or characteristics	
Notify of complaints and successes	
Give you more time than competitors	
Pay attention to organisation's announcements	

In general, customer retention is the strategic goal of making every effort to maintain long-term relationships with customers. According to Gupta and Zeithaml (2006, 722), the concept of customer retention is defined as the “probability of a customer being ‘alive’ or repeat buying from a firm”. Other scholars describe customer retention as the stage reached in the customer relationship life cycle where the customer is satisfied and accepts that it is worth developing a deeper relationship with the seller (see Hennig-Thurau & Klee 1997).

The retention stage will last as long as both parties enjoy a symbiotic relationship (individual and joint goals met). If the relationship is more heightened with trust and commitment, then cross-buying, product experimentations, joint projects and product development could be pursued by the two parties (Fill & Fill 2005). This is the phase of fulfilment, consumption and maintenance, where the customer pays and maintains the relationship with perception versus expectations, environmental conditions and speed as well as response serving as moderators (Archer & Yuan 2000).

Generally, three theoretical positions have emerged regarding customer retention management from the following main perspectives: service marketing, industrial marketing and general management (Ahmad & Buttle 2002). The service marketing perspective argues that improvement in customer service quality and satisfaction is the main means to retain customers (Berry & Parasuraman 1991; Zeithaml & Bitner 1996). An empirical study related to the linkage between customer retention and service quality also finds support for the hypothesis that customer retention is impacted by *service quality* (both functional and technical) and customer relationships (Ennew & Binks 1996).

The industrial (B2B) marketing perspective avers that forging multi-level *bonds* – in terms of financial, social and structural bonds – is the most suitable path to enhance customer retention (Ahmad & Buttle 2002). Turnbull and Wilson (1989) describe social bonds as meaning the positive interpersonal relationships between the buyer and seller in the B2B marketing context. According to the latter authors, structural bonds relate to relationships established upon joint investments, which are difficult to retrieve when the relationship dissolves/terminates (see also Ahmad & Buttle 2002). Thus, it can be argued that structural bonds are protected by relationship complexity and a high switching cost (i.e. cost of a customer changing to another supplier) (cf. Ahmad & Buttle 2002). Turnbull and Wilson’s (1989) empirical study re-echoes the importance of social and structural bonds in maintaining profitable customer relationships in the context of industrial marketing.

The general management perspective as the third theoretical position on customer retention draws from various authors’ observations and consulting experiences (see e.g. DeSouza 1992; Reichheld 1996; Rosenberg & Czepiel

1984). For example, Reichheld (1996) advances that establishing and sustaining customer loyalty necessitate a three-pronged approach – retaining employees, retaining investors and retaining customers, and that the retention of customers is only possible if firms have a good value proposition. Another example focuses on the work done by DeSouza (1992), which suggests retention measurement and implementing measures to avert customer defection by learning from past customers, evaluating complaint and service data and recognising and reinforcing barriers to customers' switching. Other empirical works (see e.g. Page et al. 1996; Payne & Frow 1997) have also been conducted in attempts to examine and model the mechanics of customer retention with regard to their potential cause (antecedent) and effects (consequences) to firms (Ahmad & Buttle 2002).

Additionally, a general conceptualisation of relationship maintenance (retention) in the marketing literature has focused on either the dedication-based form (i.e. the genuine desire to continue a relationship) or the constraint-based form (i.e. the dependency in a relationship/obligation to be in a relationship). Different disciplinary roots have shaped the above schism. For example, the economic and psychological perspectives have supported the above dichotomous conceptualisation of relationship maintenance with customers. The economic perspective focuses on weighing the cost and benefit of staying in or leaving a particular relationship, while the psychological perspective concentrates on affective responses as triggers to stay in or leave a focal relationship (Bendapudi & Berry 1997). In developing the notion of customer retention in this study, it is critical that a combination of both sets of motivations for relationship maintenance espoused above (i.e. constraint-based and dedication-based) is pursued to better understand this phenomenon, particularly in a strategic event such as an M&A – which would likely act as a trigger for or a consequence of different customers' behaviours and attitudes/perceptions.

Based on the various theoretical lenses, it can be said that customer retention management literature has discussed widely the applicability of marketing theoretical perspectives (e.g. service marketing and industrial marketing perspectives) than the general management perspective, including that of Reichheld (1996) (cf. Ahmad & Buttle 2002). In reflecting on the aforementioned theoretical perspectives and practice of customer retention management, Ahmad and Buttle (2002) studied four empirical cases with an emphasis on understanding the impact of context on business practices as opposed to aggregated behaviour and compared their report to the theoretical prescriptions advanced by Reichheld (1996). They recommend in their study that both academicians and practitioners consider the "business context" in developing and implementing customer retention strategies (Ahmad & Buttle 2002, 149).

Following these prior studies, the focal study considers as key the impact of the business context (i.e. product, industry and customer) together with elements from other discussed theoretical perspectives to provide a deeper understanding of the phenomenon under scrutiny (cf. Ahmad & Buttle 2002; Bendapudi & Berry 1997; Berry & Parasuraman 1991; Reichheld 1996; Turnbull & Wilson 1989). In this paper, the notion of *customer retention is extended to encompass the acquired firm's existing customers maintained plus new customers gained and dormant customers recaptured post-M&A integration*. In the notable work of Zollo and Meier (2008) on M&A performance, customer retention is essentially conceptualised as a unidimensional construct/concept and operationalised quantitatively as an estimate of the percentage of customers lost as a result of integration.

This approach to operationalising customer retention can be regarded as conventional, mainly employed to determine the percentage of remaining (i.e. existing) customers following M&A integration. The view of losing customers as a consequence of M&A integration somewhat permeate relationship/network perspective in prior M&A studies (see Halinen, Salmi & Havila 1999; Anderson, Havila & Salmi 2001; Öberg 2008), suggesting that M&A cause change in relationships and, more importantly, are triggers for relationship dissolution. This view of relationship dissolution/termination and how to develop competences to prudently dissolve/terminate relationships has attracted recent attention in the business management literature (see e.g. Halinen & Tähtinen 2002; Havila & Medlin 2012; Perrien, Paradis & Banting 1995). However, this has taken attention away from the important concept of customer revival/recapture in M&A.

Consequently, however, in this study the concept of customer retention is conceptualised as multidimensional and can also be quantitatively operationalised[12] as the proportion of existing customers maintained plus new customers gained and dormant customers regained/recaptured post-M&A integration. The operationalisation offered in this paper does not, in any way, indicate a downplay of the valuable work of Zollo and Meier (2008). Instead, the proposed operationalisation of customer retention offered in this thesis builds on the existing logic of Zollo and Meier (2008) but additionally includes the proportion of new and recaptured customers into the measurement following the post-acquisition integration.

[12] Only qualitative data are available for this study, and thus empirical validation of the quantitative operationalisation was not possible. However, sound qualitative empirical findings support the notion of "customer retention in M&A" presented in this study.

In addition, Zollo and Meier's (2008) work seems to somewhat concur with one of the two broad classes of customer models – *lost-for-good* and *always-a-share* (Gupta & Zeithaml 2006; Dwyer 1997) espoused in the marketing literature. Since Zollo and Meier's (2008) work supports a long-term perspective as a central ingredient in customer retention, it is more in line with the *lost-for-good* model. Lost-for-good customers are those who have made a long-term commitment to a supplier, because switching suppliers is costly, and assets devoted to the exchange relationship are difficult to redeploy (Dwyer 1997). Further, the *lost-for-good* model also reflects the economic perspective (see e.g. Becker 1964; Williamson, 1975) of relationship maintenance in terms of dependence on a partner, costs of switching a partner and attractiveness of alternative partners (Bendapudi & Berry 1997). This model also closely resembles the constraint-based customer receptivity to relationship maintenance (Bendapudi & Berry 1997).

While the *lost-for-good* model views customer defection as permanent, the *always-a-share* model views customer switching aligned with the psychological perspective and/or dedication-based model of relationship maintenance (e.g. Bendapudi & Berry 1997; Duck 1994; Moorman, Zaltman & Deshpande 1992). Although the lost-for-good model reflects a long-term perspective of customer maintenance, it fails to capture an important facet of the notion of customer retention espoused in this study – regaining or recapturing dormant customers. Table 6 presents some key characteristics of these two models (i.e. *lost-for-good* and *always-a-share*) and their close linkages to other existing models.

Table 6 Key features between lost-for-good and always-a-share customer maintenance models (source: author)

Lost-for-good customer model	**Always-a-share customer model**
❖ High dependence on partner ❖ High switching costs ❖ Low attractiveness of alternative partners due to constraints ❖ Long-term relationship perspective ❖ Views customer defection as permanent ❖ Closely aligned with the economic perspective of relationship maintenance	❖ Low dependence on partner ❖ Low switching costs ❖ High attractiveness of alternative partners ❖ Short-term relationship orientation ❖ Views customer defection as temporary ❖ Closely aligned with the psychological perspective of relationship maintenance
Closely related model	**Closely related model**
❖ Constraint-based relationship maintenance (i.e. customer constrained to stay in the relationship) (Bendapudi & Berry 1997)	❖ Dedication-based relationship maintenance (i.e. customer genuinely desires the relationship) (Bendapudi & Berry 1997)

Regarding the recapture of lost customers via M&A, this study adapts the understanding from the model of recapturing lost customers in the marketing research literature (Thomas, Blattberg & Fox 2004). Recently, some researchers have contended that customers are a renewable resource and that a long-term value-maximisation approach should be taken in extracting revenues from them (Drèze & Bonfrer 2005). The latter contention is in line with the agenda of this study. With respect to customer retention and the description of its core dimensions in this thesis, existing customers are those customers of the acquired firm maintained following the M&A, new customers are those secured by the acquired firm after the acquisition and dormant customers are those who have little or no interaction with the acquired firm. Recent and emerging studies (see e.g. Homburg & Bucerius 2005; Dalziel 2007; Kato & Schoenberg 2012; Zollo & Meier 2008) are focusing on and revealing the impact of customers on shaping an acquisition's outcome.

For example, Kato and Schoenberg (2012) confirm in their study that customers' buying behaviours can be affected by M&A activity and find support for a causal chain among post-acquisition integration actions, key customer relationship variables and customer loyalty. Also, Dalziel's (2007) publication on technology-based acquisitions reports that the value captured by the acquired firm's customer has a direct influence on subsequent acquisition success in that industry. The following sections discuss the *conceptualisation* and *influencing variables* of customer retention, drawing insights from both a pilot study and the existing literature.

3.3.1 Conceptualisation of customer retention in M&A

According to Suddaby (2010), theoretical constructs in management and organisation studies are often contextually driven and thus lack universal application. Hence, construct clarity with respect to, for example, the setting and the geographical area to which it applies, the time scale and the unit of analysis is needed. A similar view is shared by IB and management scholars who emphasise the need to pay more attention to performance construct measurements and offer suggestions on how to improve them (see Ariño 2003; Zollo & Meier 2008). Meglio and Risberg (2011) conclude in their study that M&A performance cannot be considered a universal construct, because this phrase is synonymous with an umbrella construct and consequently is ambiguous. Hence, assessing the performance of acquirers or acquired firms using a specific construct – for example, the number of customers retained or regained in the firm following M&A – will be much meaningful.

Thus, in this study, the customer retention of the acquired firm is used as the construct for M&A performance, and it is conceptualised as a *multidimensional* construct. The three dimensions of customer retention are existing customers, new customers and dormant customers. Each of these dimensions ("target markets") is discussed below. Indeed, a basic necessity in the marketing strategy literature is the need to recognise the various dimensions or target markets and to provide an appropriate marketing mix that best fits the features of each target market (see Blattberg & Deighton 1996). Some firms suggest that it is valuable to serve only one target market or that it is in the firm's best interest not to dissipate its scarce marketing resources. One implication of the latter point is that such a firm's customer retention approach can be regarded as incomplete, since it does not cover all three dimensions.

Although a firm's resources may be scarce, it is important that the firm understands and evaluates all three dimensions as part of its retention strategy, particularly in a critical event setting such as M&A, for enhanced performance. Moreover, the retention marketing literature argues that it is important to recognise the differences in dimensions – predominantly for existing and new customers – and acknowledge that each dimension is vital enough to merit separate and different approaches (Blattberg & Deighton 1996; Page et al. 1996). The aforementioned argument is partly consistent with the notion of retention in this study, but it does not cover the renewal or recapturing of dormant customers as part of the firm's customer retention strategy.

The use of a traditional marketing mix is generally predominant as an approach for marketing to existing and new customers in the marketing management literature, and this can be quite limiting without other complementary approaches that take into account the tools required to deal with critical events (e.g. M&A) and contextual elements as well as B2B relationship-specific elements. Following the above statements, this study, unlike the extant literature, conceptualises customer retention in M&A as a multidimensional concept, including the three customer dimensions of existing, new and dormant customers.

Thus far, two studies have recognised and discussed customer retention as a performance indicator in the M&A context. However, the first work – which was an empirical study within a single acquisition setting by Zollo and Meier (2008) – provided mainly an operational measure for customer retention, as these authors aim only to establish relationships among different measures of acquisition performance. Thus, they place emphasis on operationalisation over conceptualisation. The second, and also the more recent, by Degbey (2015) was a conceptual study, but the setting was about serial acquisitions, and although an operational definition was provided, his study focused mainly on the influencing factors of customer retention that would enable serial acquirers to garner enhanced value. Although both studies provide a vital point of departure for the focal study herein, they fail to provide an in-depth, qualitative single case study understanding of the conceptualisation and influencing factors of this important concept in an M&A context. Before elaborating on each individual customer dimension below, it is worthwhile to emphasise that although customer retention may be considered an important measure of performance in M&A, it cannot *always* be regarded as an adequate or sufficient measure irrespective of its necessity.

Existing customers : The M&A literature argues that, generally, customers are not the immediate centre of attention, particularly in the planning and implementation stages (Clemente & Greenspan 1997), and their relationships are usually presumed to be controllable by the combining firms (Öberg et al. 2007). Yet, the customer-supplier relationship in most B2B context regards existing customers as major sources of both current and future revenue streams. This is because such relationships are regarded to be relatively stable, long-lasting (Ford 2004; Håkansson 1982) and are usually characterised by adaptation to the other exchange partner's requirements (Ford 1980). The profitability argument for keeping existing customers has also been well established in the CRM literature (see Richheld 1996; Ang & Buttle 2006). For example, research findings indicate that a firm has a 60–70% chance of successfully repeat-selling to an existing customer and only a 5–20% chance of making a successful sale to a new customer (Griffin & Lowenstein 2001).

Moreover, in emphasising the importance of existing customers, some authors argue that cross-border acquisitions in particular may be undertaken to attain a local representation for existing customers through the acquired firm (Stumpf, Doh & Clark 2002). Furthermore, and more important to the study herein, Dalziel (2007), in her analysis of the effect of M&A on the acquired firm's customers, found that a major predictor of M&A success stemmed from the value captured by the acquired firm's customers (i.e. existing) and not the value captured by its investors and employees. Also, a recent empirical study that examined the effects of indirect ties (common customers) on the performance of the combined firms in an M&A context found that the performance of the combined firms declined with the number of (existing) common customers connecting the acquired firm to the acquirer (Rogan & Sorenson 2014).

New customers: It has been argued that firms, in attempt to implement their marketing strategies, for many years have leaned towards acquiring new customers to improve market share (Dong, Yao & Cui 2011). And this effort towards acquiring new customers involves spending vast sums of money on promotional activities, of which most of the senior marketing executives are highly aware. Some studies suggest that fewer executives seem to recognise the higher cost of losing existing customers and regard the activity of keeping customers as somewhat boring and tiresome, as opposed to the possibly pleasant, stimulating and seemingly challenging activities of advertising, selling and sales promotion (Page et al. 1996).

Indeed, most of the prior research on acquiring new customers and keeping existing customers has studied both as independent tasks (see Hauser, Simester & Wernerfelt 1994; Joseph & Thevaranjan 1998) despite recognising that both can be related in different ways (Blattberg & Deighton 1996; Venkatesan & Kumar 2004). Dong et al. (2011), who examined the spoiling effect of acquiring new customers on keeping existing ones and thus on firm performance under direct selling and delegation (i.e. using third party representative) – when the two tasks are undertaken independently – mainly found that the spoiling effect has a significant impact on both efforts of gaining new and keeping existing customers and on firm profit. This finding indicates that within the CRM literature focusing on acquiring new customers in isolation without simultaneous emphasis on the interactions between acquiring new customers and keeping existing ones could negatively impact firm performance. It is true that stable, long-lasting relationships with B2B customers are characterised by relational orientation, greater embeddedness and higher task interdependence (Rogan & Greve 2015) but may not be entirely protected from dissolution if the pursuit of new customers is seen as efforts devoid of any influence on existing customers. Particularly in M&A contexts, relationships are exposed to unilateral and disruptive actions usually by the merging parties (Havila & Salmi 2000; Rogan & Greve 2015). These M&A actions may lead to customer transfers/swaps between the merging parties and thus instantly generate new customer(s) for either of the merging parties as opposed to independently prospecting for and acquiring new customers (cf. Degbey 2011). Also, cross-border M&A in particular provide a wider international pool of new customer networks to quickly tap into and retain (cf. Öberg 2014). Thus, M&A events are capable of providing incentives to simultaneously address the separate but intertwined dimensions of customer retention in M&A.

Dormant customers: Both academics and practitioners have espoused customer retention as a dominant theme within the CRM literature, as indicated by various books and articles (see e.g. Ahmad & Buttle 2002; Coyles & Gokey 2005; Dawkins & Reichheld 1990; Reichheld 1996). And it can be said that progress has been made in the management of customer relationships, but the rates of customer defections are still high across many industries (see e.g. Thomas et al. 2004). This may be ascribed to the fact that, till now, customer retention has been narrowly conceptualised as keeping existing customers. In fact, Homburg, Hoyer and Stock (2007) stress that research foci on existing customers have largely been the mantra in CRM and that other relevant areas such as recapturing dormant customers have essentially been ignored among academics, despite their growing popularity among practitioners.

Additionally, key CRM theories and conceptualisations strongly concentrate on the cost-efficient treatment of customers in the different life-cycle phases (see Reinartz et al. 2004) and clearly lack the motivation to develop such customer relationships (e.g. dormant ones) outside the purview of the life-cycle phases. Various definitions or descriptions of the phenomenon of recapturing/revitalising relationships with dormant customers have been offered in the marketing literature. Stauss and Friege (1999, 348) define customer winback as “rebuilding the relationship with customers who explicitly quit the business relationship”. Also, Thomas et al. (2004, 31) describe customer winback as focusing on the “reinitiation and management of relationships with customers who have lapsed or defected from a firm”. The term “dormant customers” in this study refers to either the *lapsed* or *defected* customers of a firm. This description offered in this study is quite consistent with that provided by Thomas et al. (2004) on customer winback.

Further, the term “dormant customers” is used, because not all customers can be described as having “explicitly quit” upon the completion of a business project. Some are probably inactive because they do not have any immediate business needs or requests for the firm’s services/products. Only limited studies within the domain of CRM have explicitly explored the recapturing of dormant/lost customers (see e.g. Griffin & Lowenstein 2001; Homburg, Hoyer

& Stock 2007; Stauss & Friege 1999; Thomas et al. 2004; Tokman, Davis & Lemon 2007) not to mention the dearth of studies in the M&A context. This is perhaps not surprising, considering that the CRM literature – within which this study's content is largely grounded – focuses typically on the long-term relationship between individual customers and the firm and stresses the long-term value (LTV) of the firm's existing customers (cf. Thomas et al. 2004). Additionally, studies within the CRM domain have typically taken the position on the management of relationships as moving from initiation to termination (see e.g. Reinartz et al. 2004), with less attention to their revival/recapture.

Contrary to the CRM literature, a common tactic for recapturing dormant customers has been the offer of price incentives (lowering of price) in the pricing literature, and the literature on dynamic pricing would have seemed at first glance to be a suitable foundation for discussing dormant customers. However, the demand models employed in the traditional pricing research do not focus on the defection or retention behaviour of individual customers (see Kalyanam 1996; Mahajan, Mueller & Bass 1990).

Research notes that evidence is mounting that customer revival activity can be greatly effective and efficient, especially when well managed (Griffin & Lowenstein 2001). In addition, research finds that recapturing dormant customers yields high financial and service improvement benefits to firms (Tokman et al. 2007). Similar benefits of recapturing dormant customers are noted as the lowering of acquisition costs compared to new prospect recruitment, the ability to identify service improvement opportunities by tracking the defected customers' reasons for leaving, an increased capability to detect at-risk customers by learning from defected customers and the ability to limit negative word of mouth from defectors and increase positive word of mouth through those that are recaptured (Reichheld 1996; Stauss & Friege 1999).

Indeed, research has found that a firm has a 60–70% chance of successfully repeat-selling/selling again to an existing (active) customer, a 20–40% chance of successfully repeat-selling to a dormant customer, and only a 5–20% chance of making a successful sale to a new customer (Griffin & Lowenstein 2001). More convincingly, in addition, the case study by Stauss and Friege (1999) finds a 23% net return on investment from a new customer compared with a 214% return on investment from the recapture/regain of a lost customer. This new perspective is both theoretically and practically relevant particularly for firms that focus on CRM, as it adds the value of understanding relationship revival or recapture/regain (cf. Homburg et al. 2007; Thomas et al. 2004) to the traditional CRM literature and practice. *The next section turns to the factors that influence customer retention.*

3.3.2 Influencing variables of customer retention

Drawing insights from a pilot study (see next chapter) and the extant M&A literature on the vital role of context, customer relationship and M&A integration actions (see Anderson et al. 2001; Degbey 2015; Kato & Schoenberg 2014; Öberg et al. 2007), the influencing factors of customer retention in cross-border acquisitions are discussed under the following three umbrella variables: integration factors, context factors and relationship factors. These three selected umbrella variables shaped by insights from a pilot study and the existing literature are not exhaustive but are regularly noted among M&A scholars and practitioners as well as CRM/RM experts to influence M&A performance (i.e. acquired firm customer retention), mainly based on their multiple citations by different authors in this area of research (see Homburg & Bucerius 2005; Sinkovics et al. 2014 on integration, especially marketing integration; Degbey 2015 on the role of customer relationship for customer retention; Öberg & Holtström 2006 on the contextual nature of M&A). In addition, the multiple citations of these factors by various authors arguably show that their effects on M&A performance are sought across various types and contexts of inter-firm relationships (cf. Degbey 2015). It is critical to note that these three umbrella influencing factors of customer retention in M&A are inherently interconnected and should not be regarded as operating in isolation.

3.3.2.1 Integration factors

The integration factors relate mostly to integration processes and challenges that may specifically influence the retention of acquired firm customers at the post-M&A integration phase. As its importance has been emphasised in the literature, this stage of M&A is critical for enhanced performance and also specifically to customer issues (cf. Degbey 2015; Öberg 2014). Two main areas are focused on here: the integration *process* and *challenges*.

Integration process: The integration process focuses on the *extent* and *speed* of the process. Prior studies have focused on and made the case for the importance of the *extent of integration* (e.g. Saxton & Dollinger 2004; Schweizer 2005; Zollo & Singh 2004) and the *speed of integration* (e.g. Angwin 2004; Homburg & Bucerius 2006) as well as their impacts on post-M&A performance. However, our understanding of these two important elements of the integration process and their linkage to post-M&A performance remains incomplete (Ellis, Reus & Lamont 2009). The latter assertion is particularly factual, considering the dearth of scholarly works devoted to examining the effects of these two elements on an important M&A performance indicator such as customer retention. Even so, and related to customer retention, some recent studies have identified these two elements as important to the marketing integration process in enhancing post-M&A performance (Homburg & Bucerius 2006; Sinkovics et al. 2014).

Extent of integration is defined here as the level of similarity achieved between the acquirer and acquired organisation's customer-facing functional areas in the first two years following acquisition (adapted from Homburg & Bucerius 2005; Kato & Schoenberg 2012). Some of the main customer-facing functional areas of importance often expected to achieve a desired level of similarity between acquirers and acquired organisations, for example, include marketing integration (brand names, product and services), operational and IT system integration (management reporting system, billing systems and operational systems) and salesforce integration (cf. Kato & Schoenberg 2012). The abovementioned focus areas of integration activities – which have particular visibility and consequently a potential impact on customers – were also found in an earlier study which recorded that about 70% of M&A parties actively evaluate their integration progress across these areas (see Gates & Very 2003).

From a marketing integration perspective, Sinkovics et al. (2014) emphasise that interaction and collaboration have a profound influence on the extent of integration such that the greater the marketer's (or customer relationship manager's) interaction and collaboration with other units/departments, the better the extent of marketing integration. And since marketing integration may have more to do with customer-facing related issues, it is reasonable to infer that the outcome of the latter assertion on the integration process would have a direct impact on customer retention. Relatedly, Homburg and Bucerius (2005) found the extent of marketing integration to have a positive effect on cost savings but a detrimental effect on market-related performance (e.g. customer retention), which was noted to have exerted a stronger impact on financial performance than the impact of cost savings.

The desired extent of integration depends highly on the strategic rationales of the acquirer, and complete integration is not always desirable, thus enabling the acquired firm to be left relatively independent (cf. Hassett et al. 2011). For example, Shrivastava (1986) argues that if the only rationale is to enlarge the overall size of the company, then financial and accounting integration may be enough. Furthermore, Lees (2003) notes that the extent of integration may vary from total autonomy/wholly independent (e.g. holding acquisition approach) to a full merger (e.g. complete absorption). For example, the empirical results of Hassett et al. (2011, 114) indicate differences in integration approach in the investigated samples and also a lack of systematic examination on the preferred extent of integration. These scholars found that some firms prefer to take the same approach and aim to maintain a similar extent of integration, while others are more flexible and vary as to the extent of integration when needed.

With respect to *speed of integration,* a number of empirical publications on M&A performance consider it as a potential success factor (Angwin 2004; Homburg & Bucerius 2006). Although the speed (early action) of integration has been recognised as a success factor, some scholars in the field find that it does not have a uniform relationship with post-M&A outcome and hence propose the need for a contingency approach to the pace of integration (see Angwin 2004). Homburg and Bucerius (2005, 2006), who specifically examined the speed of change in the marketing function, support the latter view, as they observe the varying influence of speed on performance outcomes depending on the extent of internal and external alignment between combining entities.

Time is of great relevance in the world of competitive strategy, but only few scholars have discussed the issue of speed in regard to post-M&A integration and its effect on M&A performance (see Angwin 2004; Gomes et al. 2013; Homburg & Bucerius 2005, 2006; Vester 2002). Vester (2002) emphasises that the speed of integration is critical for the entire integration process and identifies it as one of the six main influencing variables on the success of the integration process in the M&A of technology firms. Similarly, early action has been described as vital for both reducing employee uncertainty and producing visible early wins – such as enhancing successful process and cultural integration – around the anticipated changes (Angwin 2004; Schoenberg & Bowman 2010). It is therefore imperative for managers to act rapidly and consistently, as a slow proceeding may likely breed uncertainty and insecurity, allow rumours to thrive and even cause customers to be forgotten (Gomes et al. 2013; Vester 2002). Other scholars argue that the costs of losing the momentum of a business are far greater than the costs of mistakes associated with quick or "speedy" business decisions (Light 2001).

However, Olie (1994) and Raft and Lord (2002) emphasise in their empirical studies that slow integration may help reduce conflict between the combining firms and build trust among firm employees, respectively. Furthermore and similar to extent of integration, Sinkovics et al. (2014) stress that interaction and collaboration have a strong impact on the speed of integration such that the more the marketer (customer-facing personnel/manager) interacts and collaborates with other units/departments, the better the speed of marketing integration. In turn, a better speed of marketing integration outcome has a positive impact on customer retention.

Integration challenges for acquired firm's customers. Although post-acquisition integration is mainly centred on and driven by the actions of the two combining firms, some external forces can challenge and dictate the direction of this phase of the M&A process. For example, Clifford Chance (2015) outlines some of the main challenges for cross-border M&A from a global perspective to include the fear of global slowdown and deflation, greater political and regulatory scrutiny, difficulties in attaining cross-border integration, geopolitical tensions and low growth in continental Europe. While these challenges may be relevant and directly influence most M&A transactions from a global perspective, DiGeorgio (2003) emphasises that the pressure for M&A success often leads acquirers to unilaterally impose integration plans on the acquired firm. This unilateral action poses a challenge for customers, particularly for the customers of the acquired firm.

Customers may face challenges both during the pre- and post-acquisition phases, but the focus here is mainly on the post-M&A integration challenges that impact the acquired firm's customers. M&A scholars have suggested some reasons why, in most cases, the acquired firm's customers tend to be neglected, particularly in technology-based acquisitions. First noted here is the *acquisition motive*, which may pose a challenge to the acquired firm's customers. If technology acquisition is the core motive for pursuing the M&A, for instance, attention to the retention and sustained productivity of engineers and scientists may become a priority (Dalziel 2007.) This may suggest an extensive internal allocation of resources toward the retention of the acquired firm's engineers and scientists by the merging parties without equal attention and adequate available resources to service the acquired firm's customers, particularly during the integration phase (see e.g. Öberg 2002; Tetenbaum 1999). Other scholars also support the view of Dalziel (2007) that the degree of challenges at this phase of the process is mostly impacted by onset characteristics, such as M&A motives and the initial friendliness of the combining firms (Birkinshaw et al. 2000; Zhang et al. 2010).

Second, the *size of the acquired firm's customer-base* presents another challenge. If the relative number of the acquired firm's customers and perhaps their life-time value (cf. Jain & Singh 2002; Reichheld 1996) to that of the acquirer's is small, it may be seen as insufficiently significant to merit attention. This may also be true particularly when the acquired firm's managers, by virtue of their relative small customer base, are worried about their own fate with regard to being retained following the M&A. A third challenge is the issue of *the acquired firm's employees* (e.g. salesforce resource). If the acquired firm's sales people, who are primarily seen as advocates of the acquired firm, are not offered a position, or have turned down a position offered by the acquirer, the positive outcome of the M&A activity may be hampered (Dalziel 2007). Particularly, if the acquired firm's sales and marketing employees leave, the acquired firm's customer retention is likely to suffer (see Richey Jr., Kiessling, Tokman & Dalela 2008), since the aforementioned employees have an established history and/or trust with these customers grounded on, for example, personal bonds, customer experience and a unique relationship character (Degbey 2015).

Similarly, Bekier and Shelton (2002) suggest that the acquired firm's salespeople are critical for continued revenue generation and that steps should be taken to retain them. Furthermore, this view is largely shared by Reichheld (1996), who suggests that the notion of a successful customer retention strategy rests on the maintenance of a team of loyal employees as well as loyal investors (i.e. acquirers) who share the vision of a long-term relationship. In addition, and perhaps in contrast to the previous two points, cross-border M&A from a human resource perspective is likely to pose some challenges for employees and managers (cf. Very & Schweiger 2001). Employees and managers of the acquired firm are likely to face difficulties in adjusting to their new owner (acquirer), especially in cases where the new owner is perceived to have a lower status or less prestige or is simply unknown (cf. Schuler, Tarique & Jackson 2004) or is from a less developed country compared to the acquired firm. Thus, the departure of these employees and managers, especially those in direct contact with the customers, may affect the acquired firm's customer retention.

Fourth, *M&A customer compatibility* poses another critical challenge. If the acquired firm's customers are very different from those of the acquirer, this may create a challenge for the acquirer to understand their needs and behaviours. Acquisitions motivated by a diversification strategy offer a notable example: Cisco's acquisition of Linksys in 2003 was noted as a diversification strategy, and in contrast to all earlier acquisitions, Linksys operated independently under its own name (Dalziel 2007.) Thus, the degree to which the resource configurations of the acquirer and acquired firms are similar to or different from one another – that is, strategic emphasis alignment (Swaminathan, Murshed & Hulland 2008) – may impact the extent to which the acquirer understands the needs and behaviours of the acquired firm's customers. In other words, the strategic similarity and complementarity (cf. Larsson & Finkelstein 1999) of the combining firms' customers may influence how much attention and care the acquired firm's customers attract from the acquirer.

Fifth, the *acquirer's own customers' behaviour* is likely to hinder the retention of the acquired firm's customers. Studies on technology-based firms' acquisition are mostly centred on the acquired firm's engineers and scientists (Dalziel 2007). However, the customers of both the acquiring and acquired firms are valuable assets and thus remain an important M&A motive (Degbey 2015; Öberg 2014). M&A may help the acquirer of a technology-based firm to rapidly "graft" the acquired firm's technological capabilities onto its own resource base to expand the scope of product offerings to customers (Puranam, Singh & Zollo 2006) and also to gain a local presence or representation through the acquired firm for its own (pre-M&A) customers, especially in the cross-border acquisition context (Stumpf, Doh & Clark 2002). Using the acquired firm as the main channel to better serve its own customers may pose a challenge for the acquired firm, as the acquired firm may find it difficult to integrate and serve two overlapping customer bases (considered competitors). In this situation, it is expected that the customers from both sides may endeavour to pit the acquirer and acquired firm against each other, as each customer desires enhanced service or attention from the combining firms (Degbey 2015.) As a result, through the exercise of ownership power, the acquirer is likely to favour its own (pre-M&A) customers and thus exposes the acquired firm's customers to competitive responses from rival firms, intensified customer complaints and a possible exit (see Kato & Schoenberg 2012).

Even if acquirers make decisions in the best interests of the combining firms (i.e. itself and the acquired firm), it is not certain that customers will follow (Öberg 2012). Particularly where customers are understood as actors, they are likely to influence the ongoing interaction, make choices related to it and act/react to changes that best serve their own interests (Degbey 2015; Halinen, Salmi & Havila 1999; Harrison & Prenkert 2009; Öberg 2014). Hence, the support from the acquirer through its exercise of ownership power coupled with their behaviour (i.e. acquirer's own customers) stemming, for example, from their perception as actors in the M&A event, gives them an added advantage to negatively influence the retention of the acquired firm's customers (cf. Degbey 2015).

3.3.2.2 Context factors

Different scholars have offered various definitions for the term "context", as it is a very wide topic with different practical needs and philosophical orientations/approaches (see e.g. Bamberger 2008; Goodwin & Duranti 1992; Griffin 2007; Johns 2006; Meyer 2007; Pettigrew 2012; Poulis et al. 2013). Eaton (2010, 121) defines context simply as "relevant circumstances". Another important work regarding the relevance of "context" in international business research defines the term as a "dynamic array of factors, features, processes or events which have an influence on a phenomenon that is examined" (Michailova 2011, 130). With respect to M&A, prior research largely avers M&A as a context-specific phenomenon (cf. Degbey & Pelto 2013, 2015; Öberg, Henneberg & Mouzas 2007). The two definitions offered above are relevant to this study. However, it is important to add that context is not treated here as only an external, clearly definable and measurable entity but rather as a multifaceted influencing factor (cf. Michailova 2011).

Thus, context influencing factors for customer retention are noted in this study to result from both internal (i.e. firm-level influences) and external (i.e. relationship and network influences) sources. However, in this section, attention is given to influencing factors principally described as emanating from internal sources. Factors described as emanating from essentially external sources are mainly discussed under relationship (and network) influencing factors in the next section. The following key factors are discussed here as context factors: competence, customer orientation of integration, cultural differences and marketing mix.

Competence (technical and interpersonal): Generally, a firm's resources and capabilities have been labelled as various types of competence, such as core competence (Prahalad & Hamel 1990), organisational competence (Lado & Wilson 1994), technical knowledge (Swan, Trawick & Silva 1985), organisational capital (Prescott & Visscher 1980), distinctive competence (Fiol 1991; Reed & DeFillippi 1990), firm-specific competence (Pavitt 1991) and organisational capabilities (Stalk, Evans & Shulman 1992), reflecting a vast array of research aims and theoretical views. For the purposes of this study, competence refers to firm-specific *technical* and *interpersonal* knowledge, skills and abilities that facilitate it to develop, select and implement value-enhancing strategies (cf. Lado & Wilson 1994; Swan et al. 1985). This description is offered due to the nature of the empirical context (i.e. nature of industry, product/service and customers of the case company). For example, since the products/services offered are of a specialised nature, they require advance, in-depth and high-quality *technical* (e.g. naval architectural engineering) knowledge, skills and abilities. Moreover, the nature of business engaged in, specifically, project-type business and customers requires appropriate *interpersonal* knowledge, skills and abilities, because mostly the focal firm in question (acquired firm) acts as a subcontractor in most projects and has to perform to the satisfaction of both the main contractor and the final customer so as to maintain a viable business relationship with all parties. This most definitely requires *interpersonal* knowledge, skills and abilities to successfully complete current projects and be invited for future ones (cf. Aklamanu, Degbey & Tarba 2015; Kaše, Paauwe & Zupan 2009).

Additionally, the description of competence in this study is closely aligned with the works of Lado and Wilson (1994), and Swan et al. (1985), who employ the terms organisational competence and technical knowledge, respectively, to describe competence. Using a competency-based perspective, Lado and Wilson (1994, 702) describe organisational competence to include all "firm specific assets, knowledge, skills, and capabilities embedded in the organisation's structure, technology, processes, and interpersonal (and inter-group) relationships". Although the description of organisational competence might seem too broad, and perhaps could be argued as encompassing other variables such as acquisition experience, its emphasis on the elements of firm-specific human capital (i.e. knowledge, skills and abilities – KSAs) and inter-personal KSAs (see Stevens & Campion 1994) highlight a core aspect of the competence discussed in this study.

Similarly, using a B2B marketing perspective, Swan et al. (1985) describe competence in terms of a salesperson's use of technical knowledge and knowledge of customer needs as the most ranked attributes among five categories. The action statement this evokes is that customers will infer competence if the salesperson demonstrates a technical mastery of products/services, applications and customer needs. In addition, customers will infer competence based on the accuracy and objectivity of information provided by the salesperson, thus indicating an action assertion that credibility increases with accurate and objective information received from the salesperson in judging competence (Swan et al. 1985.)

Customer orientation of integration: Employing a marketing perspective to M&A, Homburg and Bucerius (2005, 98) define customer orientation of integration as the "extent to which decisions about marketing integration are driven by customer-related considerations rather than internal considerations". A more recent study defines the concept beyond marketing integration as the "supplier's attitude and behaviour to 'put the customer first' and nurture the current relationship" (Kato & Schoenberg 2012, 167). It is obvious from both definitions that the customer is placed at the centre of all decisions, and this notion is in sharp contrast to the traditional internally oriented view of the post-M&A integration phase. Truly, the post-M&A integration phase is usually described as being characterised by the strong internal orientation of managers (Hitt, Hoskisson & Ireland 1990), and as a result, decisions are likely to be primarily driven by internal criteria, such as individual managers' preferences, internal structures, processes, or power distribution (Homburg & Bucerius 2005).

Based on the above understanding, it is clear that the customer orientation of integration has a great impact on the extent to which integration outcomes are realised. However, although it can be said that building a customer-oriented firm – a firm in which all decisions and actions are fundamentally motivated by customers' needs and wants – has become the basis for marketing and management success, firms find it difficult to achieve (cf. Gebhardt, Carpenter & Sherry Jr. 2006). This particularly may be particularly acute in the context of M&A, where the combining firms' organisational culture (e.g. cultural values are found to be the basis for market-oriented behaviours) that encourages customer-oriented behaviours may be contrasting (see Gebhardt et al. 2006; Moorman 1995).

Generally, to be customer-oriented suggests that a firm is actively involved in the firm-wide generation, dissemination of and responsiveness to market intelligence (Brady & Cronin 2001; Kohli & Jaworski 1990). Thus, it can be said that effective customer orientation should be grounded on listening to, and learning from, customers to enhance customer retention. Indeed, scholars argue that listening to and learning from customers should not be considered a cost but rather a strategy that will facilitate the profitability of the company (Brady & Cronin 2001; Edvardsson, Gustafsson & Witell 2011). And firms that have attempted to be customer-oriented with specific methods but that have not reaped gains must adopt methods suitable to understand the customers' latent needs and challenges (Edvardsson et al. 2011). Since customers are known to possess sticky knowledge, knowledge that is costly to acquire, transfer and use (cf. Von Hippel 1994), high customer orientation of integration is required by the merging parties – particularly when dealing with a complex/specialised product/service –to create value for customers and to also capture value from them (Degbey 2015).

Cultural differences: Although it can be argued that culture is difficult to define, Lees (2003, 195) defines it as *the artefacts, socifacts and mentifacts of a people*. In addition, Hofstede (1997, 180) offers his definition of culture as "*the collective programming of the mind which distinguishes the members of one organisation from another*". Within the firm, culture has long been posited as an organisational capability that constitutes a potent source of sustainable competitive advantage (Barney 1986; Fiol 1991). However, in the context of M&A, this organisational capability can be described as not always a potent source of sustainable competitive advantage, particularly during the post-merger integration.

Indeed, cultural issues have become one of the major challenges for managers when it comes to post-merger integration, especially in relation to cross-border acquisitions (see e.g. Stahl & Voigt 2008; Teerikangas 2006; Teerikangas & Very 2006). Barkema, Bell and Pennings (1996) refer to this cultural challenge in post-merger integration as double-layered acculturation. Double-layered acculturation is the process whereby the two combining firms need to cope with their respective corporate cultures as well as national cultures in the case of cross-border acquisitions (Barkema et al. 1996). There is a great potential for conflict or cultural clashes particularly in the case of cross-border acquisitions due to differences in cultures, which is contingent on the required degree of integration between the two companies (Drori, Wrzesnievski & Ellis 2011; Nahavandi & Malekzadeh 1988).

Chatterjee, Lubatkin, Schweiger and Weber (1992) revealed that cultural differences affected shareholders' value negatively when a high level of integration was required. Another group of researchers found that the level of cooperation between top managers in the two combining firms, owing to wide differences in corporate cultures, resulted in a negative attitude toward the acquisition (Weber, Shenkar & Raveh 1996). High acculturative stress was found to be disrupting and a major hindrance to integration and also to be associated with lower commitment and cooperation, increased turnovers and poor financial performance of employees and executives of the acquired firm (Very, Lubatkin & Calori 1996). It is essential to note that strategic value can be harnessed from cultural differences. In fact, cultural differences may be viewed as an important competitive requirement for internationalisation (Hoecklin 1995). Indeed, scholars have investigated the effect of organisational cultural differences on acquisition performance (see Chatterjee et al. 1992; Stahl, Mendenhall & Weber 2005; Stahl & Voigt 2008) and, in cross-border contexts, the effect of national cultural differences (see Calori, Lubatkin & Very 1994; Reus & Lamont 2009; Morosini, Shane & Singh 1998). The general conclusion from most of these studies is that cultural differences tend to have a negative impact on performance. In contrast, some scholars found a positive effect of cultural differences (e.g. Morosini et al. 1998), while others argued that they may generate both sources of value creation and obstacles to integration (e.g. Björkman et al. 2007). Despite the various contradictory results regarding the impact of cultural differences on M&A performance, the term (cultural differences) has, among academics and practitioners, in general, become a convenient target of attribution to disappointment and failure (see Vaara, Junni, Sarala, Ehrnrooth & Koveshnikov 2014)

As global markets and global competition are rising, new organisational forms as well as new competitive requirements are needed to keep up with these changes. This requires managers to pay attention to cultural differences. Similar to the aforesaid claim, Holden (2004) argues that it is no longer satisfactory to relate culture to markets viewed as national aggregates in terms of characteristics, but rather, approaches to its study should be consistent with the forces of the global knowledge economy. This means that managers in the global knowledge economy are expected to have a broader mindset capable of perceiving their environment in a fresh manner, coping with new languages and searching for more complex and fluid organisational structures, such as new leadership styles and new strategies (cf. Hoecklin 1995).

Barham and Devine (1993) argue that the important issue is not about the distribution of responsibility but how people can pull together to pursue new opportunities. As cultural differences are likely to change firms' sustainable competitive advantage (Barney 1986), firms seeking superior value through

M&A amidst the changing competitive landscape cannot simply succeed by just mastering production, market sensitivity and adaptiveness and having access to resources. Today, the firm which is well positioned to succeed is the one that offers a unique product or service that the *customer* values and is delivered by a unique corporate *culture* (cf. Redding & Baldwin 1991.) Irrespective of current organisational forms, industry, firm size or geography, there is great opportunity to draw real benefits from cultural differences.

Marketing mix: From the customer's view, "price is what is given up or sacrificed to obtain a product" (Zeithaml 1988, 10). In fact, this definition of price as a sacrifice is consistent with conceptualisations by other pricing scholars (Chapman & Wahlers 1999; Dodds & Monroe 1985; Dodds, Monroe & Grewal 1991). Although there are other vital extrinsic cues – such as brand name, level of advertising, product warranties and seals of approval – frequently used by customers to infer the quality of products or services, price has received the most research attention, particularly when customers have insufficient information about intrinsic attributes (Zeithaml 1988). Additionally, extensive empirical research has examined the linkage between price and quality and has shown that customers use price to infer quality when it is the only available cue (see Chang & Wildt 1994; Teas & Agarwal 2000). Moreover, it has been shown that customers select higher-priced products or services when the assumed risk of making an unsatisfactory choice is high (see Peterson & Wilson 1985).

In the M&A context, prior research highlights that aggressive price offerings are usually presented to customers as well as headhunting for talented personnel by competitors, especially during the M&A integration where internal issues consume a greater part of the merging parties' attention (see Bekier & Shelton 2002; Meyer 2008)

3.3.2.3 Relationship factors

The influencing factors discussed as relationship factors relate largely to the relationship-specific and network variables of the merging party (i.e. acquired firm) and its customers. Network insights are also included in the relationship factors here, because relationships can be embedded within a triadic structure (e.g. acquirer, acquired firm and customers) and are multiplex (Michailova & Paul 2014). Also, these relationships are processes that evolve over time in response to critical events and move beyond being simply a channel for resource transfer (cf. Michailova & Paul 2014).

M&A actions can enhance, preserve or hinder the acquired firm's relationship development with its customers. To understand how the M&A actions may enhance, preserve or hinder relationship development, it is important to examine these actions (mainly regarding post-M&A phase) in light of the three customer retention dimensions – existing, dormant and new customers – elaborated in this study. That is, certain post-M&A actions are likely to have a greater impact on relationship development based on whether the customer is an existing customer with an ongoing business relationship, a dormant one the firm is attempting to recapture through the M&A or a new one for whom M&A resources are required to be expended for their development and growth.

Customer experience: Understanding customer retention as a source of value to acquiring firms through customer experience is critical. Meyer and Schwager (2007, 118) define customer experience as “the internal and subjective response customers have to any direct or indirect contact with the company”. Though customer relationship management and customer experience management are closely related – as both pertain to customers – it is also important to note that there is a difference between them.

Meyer and Schwager (2007) indicate that customer experience (management) *captures and distributes what a customer thinks about a company,* while customer relationship (management) *captures and distributes what a company knows about a customer*. Also, describing both concepts in terms of time, customer experience occurs at the point of customer interaction, the “touch point”, while customer relationship occurs after there is a record of a customer interaction. Thus, one can infer from the above description – that the favourability evaluation of customer experience may rest with the customer – relates to customer-dominant logic.

Table 7 below provides a brief encapsulation of customer experience management in terms of its subject matter, timing, monitoring, audience and purpose.

Table 7 Customer experience management (adapted from Meyer & Schwager 2007)

Subject matter (what)	Timing (when)	Monitoring (how)	Audience (user of information)	Purpose (future performance)
Captures and distributes what a customer thinks about a company	At points of customer interaction: "touch points"	Surveys, targeted studies, observational studies, "voice of customer" research	Business or functional leaders, in order to create fulfillable expectations and better experiences with products and services	Leading: Locates places to add offerings in the gaps between expectations and experience

Some scholars, for example, those from a provider-dominant logic of service marketing, conceive customer experience as being constructed, staged and created (Heinonen et al. 2010) by a service provider, while others see it as the customer's *perceptual* view (Patterson, Hodgson & Shi 2008) or elements of a buying process (Puccinelli, Goodstein, Grewal, Price, Raghubir & Stewart 2009). The views of customer experience, according to Heinonen et al. (2010), Patterson et al. (2008) and Puccinelli et al. (2009) may all be conceived as narrow, because they assume *customer experience as being essentially controlled by the service provider* – that is, the planned process and intended outcome. Unfortunately, the provider-dominant logic seems to resemble the practice of *serial acquirers, which are often concerned about "fit" with the merging parties without recognising their interdependence with customers*. A broader description of customer experience may include the relationship perspective. Though this stance still assumes the company's perspective of managing customer experience, it does acknowledge customers' evaluation of the service/goods provider's performance in the relationship overtime (Grewal et al. 2009; Heinonen et al. 2010).

By extending this latter perspective to acquirers, it may be argued that the customer's assessment of an acquirer's performance based on how it manages customer relationships overtime will be critical to ensuring that both customer experience *scope* (emerges in customers' life) and customer experience *character* (all activities, including routine, mundane and everyday activities) are enhanced (Heinonen et al. 2010). Also, Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros, and Schlesinger (2009) note that customer experience is *derived* from the customer's total experience, which extends beyond the purchase activity. Thus, customer experience should not be understood from a transactional perspective but rather as part of the customer's ongoing life.

In M&A studies, customer experience is noted to span across the integration life cycle, from the day the deal is announced through to the post-integration period. Thus, for customer experience to enhance acquirers' value (i.e. customer retention), it is important for acquirers to address sufficiently and in a timely manner all fundamental customer questions, concerns and doubts before they become permanent (Ogilvie 2010). This action may be critical for acquirers if they intend to ward off hungry competitors from winning over customers. Also, since customers' current behaviours in a relationship are influenced by their past experiences and future expectation, as well as promises (Ford et al. 2003), the acquirer's current strategic activities and actions may have a strong impact on customer experience and ultimately on customer retention.

Power (im)balance: Bigne, Blesa, Ines and Andreu (2004) argue that a company's power exists in a relationship because of the important resources it possesses that the other side values, and, as a consequence, it has the upper hand when it comes to negotiating with other counterparts in a channel of distribution. That is to say, if channel member "A" controls a resource or the functions it performs for member "B", then it signals the basis of power for "A" over "B". Companies that rely on trust and collaborate in their work do not necessarily indicate an absence of power. It must be noted that power is rooted in dependence, and interdependent activities crossing company boundaries enhance the power base of each firm (Ford et al. 2003).

Frazier and Antia (1995) highlight the issue of firms' *possession* of power and the *application* of that power. They argue that power possession must be kept separate from how it is applied. The application of it can either be coercive or collaborative. For example, Bigne et al. (2004) have empirically demonstrated the positive impact of a manufacturer/supplier using power rooted in reward, referent and expertise on the satisfaction of the distributor/customer as opposed to power rooted in coercion. Further, they stated that the market orientation of the manufacturer also has positive effect on its reward power and not on its expertise, referent and coercive powers (Bigne et al. 2004). Indeed, their findings, which did reveal a low but positive correlation between the power of a manufacturer and the satisfaction of the distributor in a relationship, clearly indicated that the positive correlation was not attained by the *amount* of power exercised by the manufacturer but by the *way* the power was exercised (Bigne et al. 2004).

The appropriate application of power can make a difference in a channel relationship and improve the efficiency of the channel (Zhuang & Zhou 2004). In distribution channels, for instance, power can be applied to specify appropriate roles, assure roles' congruence, resolve conflicts, gain cooperation and induce satisfactory role performance (Zhuang & Zhou 2004). In establishing a relationship between power and satisfaction, a cogent argument has been put forward that the partner/organisation holding the capacity to influence the decision of another in a relationship will be much more satisfied than if it is not in such a position (Bigne et al. 2004).

An essential point to remember is the need for effective coordination in any interorganisational relationship, because the need for different capabilities to manage dissimilar activities is crucial (Cäker 2008); this is particularly true in the M&A context. In the case of merging parties, the acquiring firm influencing the acquired firm's customers may indeed require a close cooperation/collaboration between the two merging firms to enhance performance. The potential pressure residing in power must be used to establish shared norms and expectations. The extent of power (im)balance particularly between the merging parties will affect the extent to which the acquired firm's customers are retained following the M&A. As noted in a recent M&A study, a source of power (im)balance is likely to come from the acquirer's own customers' behaviour (Degbey 2015). That is to say, if the merging parties have overlapping customers (i.e. competitors) who need to be integrated and served by the acquired firm, then it is possible that the customers will make efforts to pit the merging parties against one another, as each customer from either side of the merging firms desires better service/attention. And as a result, the acquirer may conceivably have to pay more attention to its own (pre-M&A) customers through the exercise of *ownership* power (Degbey 2015). This is likely to lead to the acquired firm's customers being exposed to other competitive responses from rival firms as well as an increase in customer complaints and possible customer exit (see Degbey 2015; Kato & Schoenberg 2012).

However, it is argued that where the difficult-to-transfer investments or long-term competitiveness effects of interorganisational adaptations exist (see Hallén, Johanson & Seyed-Mohamed 1991) – as may be the case in the highly technical/engineering-based firms' context – between the acquired firm and its customers, the negative effects of power imbalance may be minimised by the existence of stronger business relationship ties over and above the ownership ties achieved via M&A (cf. Håkansson et al. 2009).

Customer networks: As networks vary in terms of scale and structure (e.g. resources, aspirations and problems) and processes (e.g. bonds, ties and links), it is difficult to assign a single standard for managing them. And acquired firm customer networks are no different. On one hand, the business network approach considers these networks as self-organising systems without the necessity of a leader or captain managing them, and a majority of the cases indicate that firms in a network of relationships are simultaneously engaged in managing and being managed (Degbey & Pelto 2015; Ritter & Gemünden 2003).

On the other hand, insights from the strategic network literature indicate that these networks can indeed be managed with the help of a leader or captain (Jarillo 1988; Zaheer et al. 2000) and that they are simply not self-organising. The complementary effects of these two perspectives are relevant to a more complete understanding of networks and their dynamics and management – particularly in a strategic event such as M&A context, where both self-organising (i.e. through interaction and adaptation) and strategic investment are required to directly orchestrate/change the network position and structure (cf. Degbey & Hassett 2016). Although M&A-related changes in customer networks can be observed to be rapid, the real change emerges gradually overtime (cf. Degbey & Pelto 2013; Håkansson & Ford 2002). Particularly in the M&A context, managing the customer network is vital to enhance the performance of the M&A, especially with respect to the relational embeddedness and the transformation of the network (cf. Rogan 2014).

Relational embeddedness insights point to the fact that achieving customer retention resides neither fully in the core activities of the merging parties nor in their past experiences/cognitions alone but instead occurs through relational connectedness with outside actors (e.g. customers and customers' customers) (cf. Homburg et al. 2014). Moreover, it is essential to maintain a degree of cooperation and reciprocity to sustain the embedded network of relations. The social context must also be taken into account in terms of both access to and mobilisation of social ties (cf. Kwon & Adler 2014). Thus, viewing M&A as a social process rather than merely an organisational phenomenon helps in addressing the problems embedded in customer networks.

With respect to transformation of the customer network, it is quite clear that despite how closely related or compatible the merging parties' markets or different customer groups are (relatedness is often positively associated with performance), the strategic motive that triggers the organisational change is likely to transform the network focus (direction), structure (extent of interconnectedness in exchange relations) and position (similarities in attributes and relational space) as a result (cf. Degbey 2011; Gulati, Nohria & Zaheer 2000). Hence, this transformation could lead to lock-in and lock-out among customers within the network (see Figure 11) (Gulati et al. 2000).

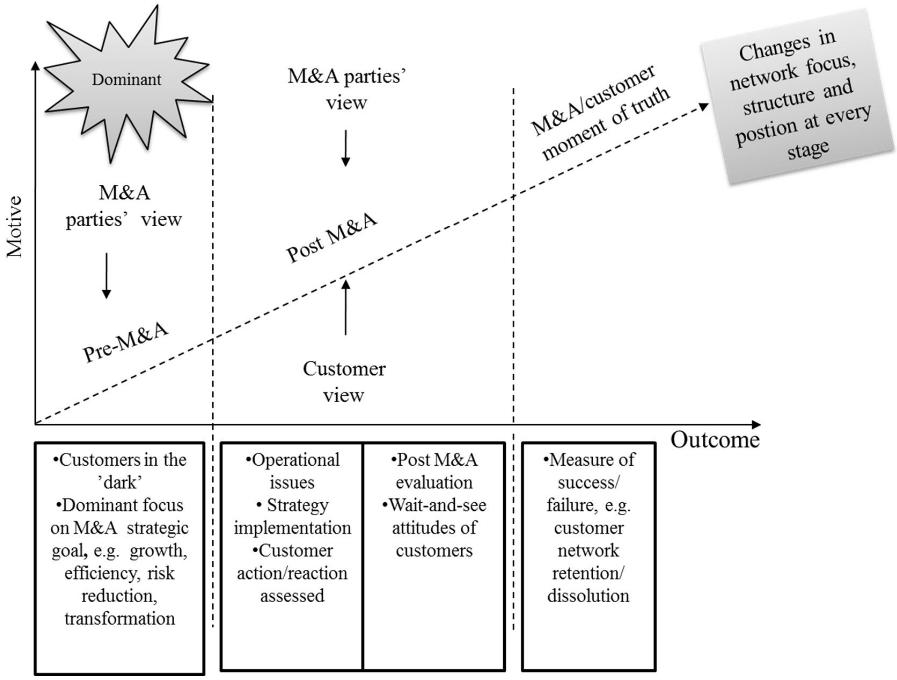

Figure 11 Different motives and outcomes of M&A and customer networks (adapted from Degbey 2011)

The diagonal arrow in Figure 11 indicates the potential changes in the network focus, structure and position. Figure 11 also shows how during the pre-M&A phase the concerned parties tend to focus on their own motives, M&A negotiations and possible due-diligence considerations (Degbey 2011). At this stage, customers are generally unaware of (in the dark) the whole M&A deal, while the makers of the deal are preoccupied with how it could lead to growth (e.g. revenue enhancement) or efficiency (e.g. cost reduction), risk reduction, transformation etc. (cf. Degbey 2015; Degbey & Pelto 2015; Öberg 2008, 2014). This pre-M&A stage set the network-change mechanism in motion.

During the post-M&A phase, the various parties turn their attention towards operational issues and strategy implementation, while the customers within the networks take stock of their actions/reactions in relation to future business activities (cf. Homburg & Bucerius 2005; Degbey & Pelto 2013). In addition, the merging parties also evaluate the changes within the customer networks and their implications at this phase. Although some customers may remain within the network of exchange relationships, there is a tendency among them to "wait and see" (Degbey 2011.) The real M&A/customer moment of truth may soon come, the measure of success or failure being determined by the retention/dissolution of these networks.

Relationship trust and commitment: A key strategy for enhancing customer retention is to build customer commitment through an ongoing relationship. According to Morgan and Hunt (1994, 23), commitment refers to the desire that a relationship continue for a valid relationship to be maintained or strengthened. Relatedly, other scholars define commitment as an enduring desire to maintain a valued relationship (Moorman et al. 1992). This perspective reflects dedication-based relationship maintenance, as it stresses the continuation of a relationship because the customer actively desires it (Bendapudi & Berry 1997). Other scholars suggest that the active desire for relationship continuance (i.e. dedication) alone is incomplete, and thus the constraints that keep it intact must also be considered to fully understand it (Ganesan 1994). In re-echoing the latter point, for example, the literature on interpersonal relationships views commitment as comprising two related constructs: personal *dedication* and *constraint* commitment (see Stanley & Markman 1992).

Further, Kumar, Hibbard and Stern (1994) differentiate between *affective and calculative commitment.* Affective is seen as positive feelings towards the other party and the enthusiasm to maintain the relationship, while calculative is negatively oriented and determined by the extent to which one party perceives commitment as (not) feasible and plans to replace the other party, advantageously. Indeed, Richheld (1996) shows that customer satisfaction is rarely enough to safeguard customer longevity. And Richheld's finding reiterates the need to create customer commitment to ensure retention.

It is also important to note that we cannot talk about relationship commitment without understanding one of its key determinants – trust. Trust is defined as "the expectations held by the consumer that the firm is dependable and can be relied on to deliver on its promises" (Sirdeshmukh, Singh & Sabol 2002, 17). In addition, Moorman et al. (1992) describe trust as the willingness to rely on an exchange partner in whom the partner has confidence. In a similar vein, Morgan and Hunt (1994) describe it as the confidence in an exchange partner's reliability and integrity. Trust has an influence on relationship commitment. In fact, some scholars emphasise that trust is a major determinant of commitment (Achrol 1991; Morgan & Hunt 1994). This is because when a relationship is characterised by trust and is so highly valued, the parties will desire to commit themselves to such a relationship (Morgan & Hunt 1994). Also, because commitment comes with vulnerability, parties will opt for only trustworthy partners.

Based on Morgan's (2000) relationship drivers' model, the presence of relational content is fundamental to the process of building rapport, and the combined utilisation of this relational content encompassing economic, social and resource (the resource content can also be described in terms of structural bond – see Berry & Parasuraman 1991) drivers brings about customer commitment (Lacey 2007). Ulrich (1989) argues that committed customers look beyond the short-term fulfilment of their needs and develop allegiance to the firm. Also, to derive this relationship commitment from customers, the firm must share information with them, and most of all, involve them in their human resource practices such as hiring, training, and organisation design (Ulrich 1989).

Customer retention is enhanced when firms successfully build customer commitment with their exchange partners. Indeed, the empirical study by Lacey (2007), for example, demonstrates with respect to customer retention that firms that successfully build social drivers are predicted to be more effective in establishing customer commitment. Furthermore, it is argued that customer commitment enables emotional commitment, as the customer has an emotional attachment to their exchange partner (i.e. firm) or its product/service offering (Hofmeyr & Rice 2000) and, as consequence, has a positive impact on customer retention.

3.4 Synthesis of theoretical positioning and literature review

This section synthesises the theoretical positioning and literature review and offers a proposed theoretical framework for the focal study. While acquisitions have generally gained considerable attention from researchers and practitioners (e.g. Bower 2001; Gomes et al. 2013; King et al. 2004; Schoenberg 2006; Zollo & Meier 2008), the contributions of CRM and network approaches to the success of acquisitions are yet underdeveloped areas of inquiry. Moreover, studies on M&A, CRM and networks under which the positioning of the phenomenon examined in this study intersects have been explored extensively, but distinctly. As a consequence, there exists a research gap particularly in terms of studies simultaneously employing the aforementioned distinct and somewhat interdependent research domains to investigate an interdisciplinary phenomenon.

Hence, this study aims to bridge the gap to provide a better understanding of this interdisciplinary phenomenon (i.e. customer retention in M&A). In an effort to bridge this gap, and in line with the interdisciplinary nature of the topic, *theoretical pluralism* is adopted in the theoretical positioning and analysis of the empirical case (cf. Dwyer, Dahlström & DiNovo 1995). The adoption of theoretical pluralism in this study seems reasonable, because, for a holistic understanding to emerge, it will be limiting to focus on a single theoretical lens to explicate a phenomenon that is embedded and discussed in a complex and multifaceted context (cf. Degbey & Palmunen 2014). Particularly, the study simultaneously draws on post-acquisition integration frameworks and performance research (cf. Haspeslagh & Jeminson 1991; Meglio et al. 2015), CRM theories (cf. Zablah et al. 2004) and network management and dynamics approaches (cf. Araujo & Easton 1996; Borch & Arthur 1995; Ojasalo 2004; Järvensivu & Möller 2009) to better understand the retention of acquired firms' customers and thereby help inform the M&A performance literature. Thus, the findings of this study *contribute to the field of M&A research* by providing a fresh perspective on understanding cross-border acquisition performance via customer retention.

In reflecting on the theoretical reasoning of the three areas (i.e. CRM, networks and M&A integration) regarding the possibility to combine these three areas and/or the way they are treated in the study, it is without doubt that these areas serve different but interdependent roles in the thesis. As a commonality, all three areas provide help in generating the variables of the study. Nonetheless, the network perspective dominates in this study, as most of the framing is geared toward network thinking rather than integration and CRM, which can both additionally be argued to be more empirical phenomena. Combining these three areas as perspectives in this study is possible, as *integration* (also described as coordination – see Öberg 2014; Puranam et al. 2006) can be viewed/described as an embedded event in which multiple actors' actions/reactions, mutual considerations etc. as well as their available resources and activities may influence the realisation of the set M&A agenda. In addition, customers are treated in this study as actors actively interacting with other parties and where all parties are interdependent on each other in a web of relationships (i.e. networks) (Håkansson & Snehota 1989, 1995; Ford & Håkansson 2006), and this notion of customers is well grounded in the B2B marketing literature using both *CRM* and *network* lenses (see Mattsson 1997). Further, CRM and networks within a B2B context are characterised by long-term relationships (see Easton 1992; Ford 2004; Håkansson 1982) and adaptation to the other party's requirements (see Ford 1980), and they are mutually developed over time (Araujo & Easton 1996; Gadde & Håkansson 2001). The aforementioned attributes of CRM and networks indicate the presence of strong social dimensions/mechanisms in these two perspectives, and this is also highly consistent with the practices of effective *integration* (cf. Aklamanu, Degbey & Tarba 2015).

Customer retention as investigated in this study attempts to provide a potential performance measurement and/or conceptualisation contribution to M&A research and practice and to also identify key influencing variables of customer retention in M&A. Indeed, the application of CRM and networks to this study advances our understanding of the creation and leveraging of relationships as well as of network management and dynamics with B2B customers during M&A integration for improved retention. Furthermore, customer retention is a central strategic focus in the CRM literature and thus *emphasises the added value of the marketing discipline to M&A research.* Following the latter point, this study helps to contribute to the relevance of context in CRM research (cf. Pels et al. 2009). More specifically, it builds on the process perspective of CRM and advances the CRM literature by emphasising the need to analyse the dynamic nature of stability among existing, new and dormant customer dimensions for enhanced retention, particularly in a major strategic change event (e.g. M&A) context. In the same vein, the study also advances the network literature by suggesting that networks exposed to the unilateral and disruptive actions of M&A may emphasise intentional arrangement and strategic relevance for the actors in such network relationships (see Amit & Zott 2001; Gulati et al. 2000; Möller & Rajala 2007) and that not all networks can be considered to be unintentionally created and self-organising systems, as widely advocated especially in the business network approach (Axelsson & Easton 1992; Ritter & Gemünden 2003).

Generally, M&A performance research is understood to be highly popular and wide-ranging in multilevel, multidisciplinary and multiphase terms (Angwin 2007; Degbey & Palmunen 2014; Gomes et al. 2013) but is also noted for a high failure rate (Shimizu et al. 2004; Angwin & Savill 1997). M&A are known to be driven by different motives, but growth-oriented/revenue-enhancing and cost-reduction motives tend to dominate this field. Additionally, it is noted that M&A motives can also be contextually driven (cf. Pfeffer 1972; Finkelstein 1997), and this aspect is equally relevant to this study in that the acquired firm needs to establish interdependence with its external actors – that is, its customers. Further, a guideline table for identifying M&A profiles was developed as a major outcome of the M&A literature review (cf. Bower 2001; Gadiesh & Ormiston 2002; Early 2004).

Furthermore, we have also learned about several M&A integration frameworks proposed in the literature (see Birkinshaw et al. 2000; Haspeslagh & Jemison 1991; Shrivastava 1986). Nonetheless, recent studies have argued for more hybrid integration typologies to enhance our understanding of this phase of M&A (see Liu & Woywode 2013; Meglio et al. 2015; Schweizer 2005). On the whole, there are increasing calls for integrative frameworks that will combine the various disciplinary research streams to grasp the complexities of the challenges and management of the post-acquisition integration phase particularly in a cross-border M&A context (Gomes et al. 2013; Quah & Young 2005). The proposed theoretical framework of this study is presented below in Figure 12

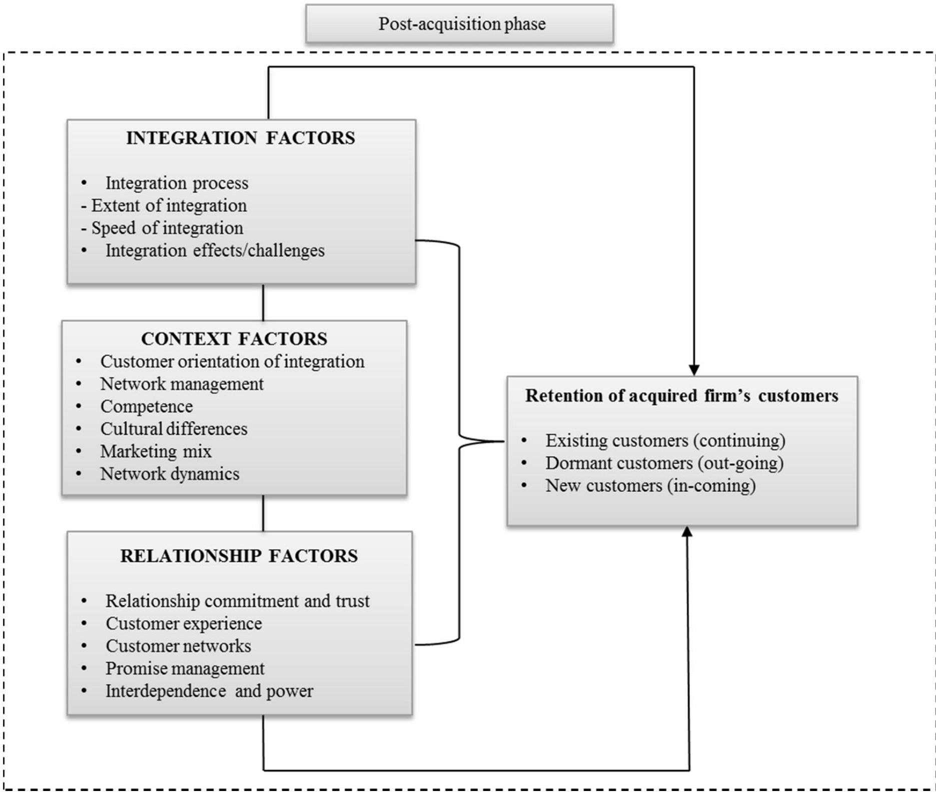

Figure 12 Proposed theoretical framework

Figure 12 shows the proposed theoretical framework comprised of the main influencing variables of customer retention: relationship, context and integration factors. As shown above, all these factors are interconnected (indicated by the lines and arrows) and contribute together to the retention of the acquired firm's customers. That is, they contribute to all three dimensions of customer retention. Also, Figure 12 shows the conceptualisation of customer retention as multidimensional (i.e. constituting existing, dormant and new customers). Finally, the proposed framework shows that the phenomenon under investigation is examined at the post-acquisition integration phase (indicated by the dotted lines).

As summarising remarks, cross-border M&A research has drawn attention specifically to M&As as entry modes to new markets (Harzing 2002; Slangen & Hennart 2007), organisational and national cultural differences (Datta & Puia 1995; Vaara et al. 2012), knowledge transfer (Ahammad, Tarba, Liu & Glaister 2016; Björkman et al. 2007; Bresman et al. 1999; Javidan et al. 2005) and the value creation of such acquisitions (Morosini et al. 1998; Quah & Young 2005). In addition, cross-border M&As are important means to reach new customers and markets (see Öberg 2014) and, therefore, may be particularly relevant for knowledge-intensive acquired firms to overcome difficult strategic hurdles inhibiting growth and to also provide them an opportunity to take advantage of complementarities with acquirers (Graebner & Eisenhardt 2004). Unfortunately, however, knowledge-intensive acquisitions tend to primarily focus on knowledge as the main driver for an M&A (Scheunemann & Suessmair 2013). For example, a focus on specialised knowledge and the acquired firms' knowledge professionals, engineers or scientists dominate this literature stream within the M&A field of research (Kapoor & Lim 2007). More specifically, the prior literature on knowledge-intensive acquisitions has mainly drawn attention to technologies (Schweizer 2005), the acquisition of capabilities (Ranft & Lord 2002), acquisition of knowledge firms (Birkinshaw 1999) or research and development (R&D)-intensive firms (King et al. 2008) and the acquisition of innovation potential (Ahuja & Katila 2001). As prior studies on cross-border M&A and knowledge-intensive ones have shown through their main areas of focus, customers and their retention (especially those of the acquired firm) as a means of understanding the M&A performance have clearly been disregarded. However, the failure of cross-border M&As to create value (see Almor, Tarba & Benjamini 2009; Reus & Lamont 2009) as well as that of knowledge-intensive M&As (see Degbey, 2016; Öberg & Tarba 2013) have signalled the importance of understanding the role of customers and their knowledge in these types of M&As. In fact, customers are critical to these types of M&As, because the knowledge-based assets of the acquired firm may reside in external networks, such as the customers of the acquired firm, and thus impact value creation following the M&A (Dalziel 2007; Degbey 2015). Scholars, especially in B2B markets, have drawn attention to customer views on M&A and argue that customer–supplier relationship changes as a consequence of M&A activity may be of vital importance for firms undertaking M&A in such markets (see e.g. Anderson et al. 2001; Bocconcelli, Snehota & Tunisini 2006; Degbey 2015; Degbey & Pelto 2013; Kato & Schoenberg 2014; Öberg 2008, 2012; Öberg et al. 2007). Moreover, few other notable ones yet not explicit within the B2B context include the study by Homburg and Bucerius (2005) on the marketing perspective of M&A; Dalziel (2007) on the importance of target firm customers and Zollo and Meier (2008) on customer retention as an indicator of acquisition performance. However, while the above works and other emerging research have established the important link between customers and M&A performance, we still know little about the indicator of customer retention in knowledge-intensive cross-border M&As, particularly with regard to its influencing factors and conceptualisation. This gap is what the current study attempts to address.

4 METHODOLOGICAL CONSIDERATIONS

4.1 Philosophical background and the qualitative approach

With regard to methodological choices in general, it is noted that the research problem itself defines the best method for solving it (Arbnor & Bjerke 1997). And such methodological decisions for solving the research problem always pertain to the researcher's assumptions about the nature of reality/the phenomenon itself (i.e. ontology) and the nature, sources and limits of knowledge (i.e. epistemology) (Guba 1990) as well as the relationship between human beings and their environment (Burrell & Morgan 1988). In conducting their investigations or research, researchers/investigators are guided by a certain basic belief system or worldview, which can be described as a paradigm (Guba & Lincoln 1994).

In other words, a paradigm is an overall conceptual framework within which the investigator/researcher may work, and it can be explicit or implicit (Perry, Riege & Brown 1999). On the basis of different ontological, epistemological and methodological assumptions of scientific research, different paradigms may be identified. For example, in business and management studies, four philosophical paradigms have been identified; namely positivism, realism, interpretivism and pragmatism (see Saunders, Lewis & Thornhill 2009 for further reading on these paradigms). Other scholars, such as Guba and Lincoln (1998), have provided a taxonomy that distinguishes between positivism, postpositivism (described by other authors as realism), critical theory (post structuralism, post modernism and a mix of the two), and constructivism on the basis of their ontology, epistemology and methodology. Table 8 below shows the basic belief systems of alternative enquiry paradigms (see Perry et al. 1999; Sobh & Perry 2006; Guba & Lincoln 1994), and the chosen scientific paradigm adopted in this study is highlighted (i.e. in grey colour).

Table 8 Basic belief systems of alternative enquiry paradigms (modified from Perry et al. 1999; Sobh & Perry 2006; Guba & Lincoln 1994)

Paradigm				
Items	Positivism	Realism	Critical Theory	Constructivism
Ontol-ogy	*Naïve realism*: reality is real and apprehensible	*Critical realism*: reality is "real" but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it	*Historical realism*: "virtual" reality shaped by social, economic, ethnic, political, cultural and gender values, crystallised over time	*Critical relativism*: multiple local and specific "constructed" realities
Epis-temol-ogy	*Objectivist*: findings true – researcher is objective by viewing reality via a "one-way mirror"	*Modified objectivist*: findings probably true – researcher is aware and needs to triangu-late any perception/ information he or she is gathering	*Subjectivist*: value-mediated findings – researcher is a "transformative intellectual" who changes the social world within which participants live	*Subjectivist*: created findings – researcher is "passionate participant" within the world being investigated
Meth-odol-ogy	*Experiments/ surveys*: verification of hypotheses: chiefly quantitative methods	*Case studies/ conver-gent interviewing*: triangulation, interpretation of research issues by qualitative and quantitative methods such as structural equation modelling	*Dialogic/dialectical*: action research and participant observation	*Hermeneutical/ dialectical*: in-depth unstructured interviews, participant observation, action research and grounded theory research

In this study, the key philosophical viewpoint is defined from two perspectives: the research objective and the research approach. The primary research objective is to analyse *how post-acquisition actions affect the customers of the acquired company in a cross-border acquisition*, and the objective is to enhance the understanding of the phenomenon in its context. In addition, the research objective of the focal study lies between hermeneutics (i.e. understanding knowledge) and explanatics/obtaining explanation (i.e. explanatory knowledge) (see Arbnor & Bjerke 1997) in the form of causal mechanisms regarding the phenomenon under investigation using multiple data sources. Although understanding and explaining have epistemologically been considered two distinct objectives that lead to different methodological approaches, the critical realist ontology emphasises that understanding and explanation are reconcilable (Sayer 2000; Welch et al. 2011). Hence, from the research objective perspective, this study can be described as following the critical realist viewpoint (cf. Easton 2010; Sayer 2000). As noted above (in Table 8), the critical realism paradigm is of the view that there exists, although not completely apprehensible, a reality (real world) to be discovered and explained independent of observers (researcher's mind) while the critical realist simultaneously accepts that the world is also socially constructed (Easton 2010; Healy & Perry 2000; Welch et al. 2011). This is due to the fact that observations, which can be imperfect, entail subjective interpretations of reality (Sayer 2000). Nonetheless, observations are usually the only method by which researchers can discover the reality; thus, "there is always an interpretive or hermeneutic element in social science" (Sayer 2000, 17).

However, critical realism aims to provide explanation in the form of causal mechanism, but not as in positivist philosophy, where the outcome of a case study aims at explanation in the form of universal cause-effect linkages (Welch et al. 2011). Based on the critical realist ontology, "a causal explanation is one that identifies entities and the mechanisms that connect them and combine to cause events to occur" (Easton 2010, 122). Nonetheless, the critical realist explanation is contextually driven, so, depending on the context (i.e. spatio-temporal conditions), the same causal power (mechanism) can produce different outcomes (Welch et al. 2011; Sayer 2000), and, in contrast, "different causal mechanisms can produce the same result" (Sayer 2000, 15).

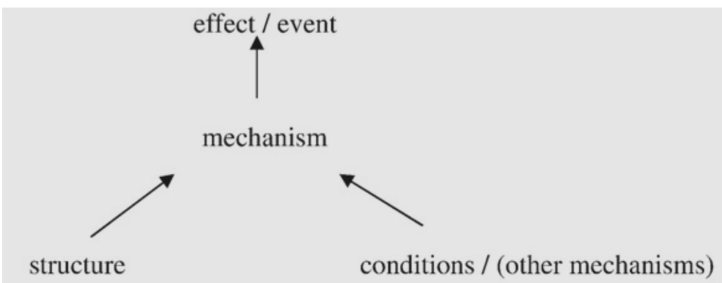

Figure 13 Critical realist view of causation (Sayer 2000)

From the research approach perspective, the research aims at theory development from an exploratory (qualitative) case study (cf. Kinnear & Taylor 1987) and, to a limited extent, aims to generalise it to similar contextual cases (cf. Welch et al. 2011). The choice of a single case study is intended to not only provide a deeper understanding of the particular phenomenon under investigation (customer retention in cross-border acquisitions) but to also yield an operational model not limited to only the examined case but to other similar contextual ones. Also, from the research aim's point of view, *how and why* questions require an understanding of *reasons* and are better answered with qualitative studies. The choice of a qualitative approach over a quantitative approach in this study is mainly due to the advantage it offers in revealing the strengths and diversity of human behaviour and perceptions/sentiments in response to a given event – such as M&A in this case (cf. Cartwright & Cooper 1995).

4.2 Case study as a research strategy

According to Piekkari, Welch and Paavilainen (2009), earlier research on case studies in the field of international business have been ill defined, inconsistent and unstable, and the actual methodological practices in real life do not strictly follow the qualitative-quantitative paradigms. There are several combinations as well as new and emergent terminologies and methods for conducting research in the field of international business (see e.g. Welch et al. 2011), though some are still at their infant stages or relatively unknown.

This study adopts a case study strategy as the primary research method in the context of analysing how post-acquisition actions influence the acquired firm's customer retention in a cross-border acquisition. According to Yin (2003), case studies are employed when *how or why* questions are being asked about a contemporary set of events over which the investigator has little or no control. They are also suitable when little is known in the research area (Ghauri 2004), and the existing theory seems inadequate (Eisenhardt 1989). The case study strategy is the most suitable and beneficial for this work since the *how* element of the main aim of the study satisfies the description given above.

Further, case studies help to retain holistic and meaningful characteristics of real-life events as well as organisational and managerial processes, which are further reflections of what the sub-objectives of this work attempts to uncover (cf. Yin 2003). Furthermore, customer dynamics as well as M&A activities are organisational, social and processual phenomena, which require case studies as the most appropriate strategy (cf. Yin 2003). Also, a qualitative approach is able to examine to a high degree the multiple views of the case under consideration (cf. Kvale 1996).

The case study strategy, as employed in this study, is discussed under two sub-headings regarding the case design and the method of theorisation: *single case design* and *theory building from case studies*. A review work on international business (IB) studies found the case study strategy to be the most popular qualitative research approach (Piekkari et al. 2009), as case studies can be used to achieve several research aims, such as theory testing, theory generation or providing description (Eisenhardt 1989; Bonoma 1985). In addition, case studies may yield new insights and views for theory building by complementing the dominant quantitative studies and thus helping to transform or improve research in a particular domain/field, such as in M&A or international business (cf. Eisenhardt 1989; Eisenhardt & Graebner 2007; Meglio & Risberg 2010). Furthermore, case studies may provide latitudes to capture the contexts within which the selected case firms operate (see Geppert, Williams & Matten 2003; Michailova 2011; Poulis, Poulis & Plakoyiannaki 2013; Welch et al. 2011).

The case study strategy is also important when a study aims to uncover the dynamics present in a particular (single) setting and when the boundaries between the phenomenon and the context are not clearly evident (Eisenhardt 1989; Yin 2003). In this study, the focus is on understanding customer retention conceptualisation and influencing variables for performance purposes in the context of cross-border M&A. This focus does not suggest in any way that the M&A case is used as a sole justification for the conceptual arguments in favour of customer retention in the context of M&A. It should rather be seen as additional justification to support prior conceptual and empirical works in relation to customer retention.

According to Siggelkow (2007), case research may be used as inspiration for new ideas and also as additional help to sharpen existing theory by pointing to gaps and beginning to fill them, but the case may not be used as a sole justification for one’s conceptual arguments. When the case research strategy is viewed with a business network lens, it can be said that the study applies to a large extent a focal actor perspective (see Halinen & Törnroos 2005) with no definite limits to the scope of the research subject made in advance (cf. Dubois & Gadde 2002).

4.2.1 A single case study design

A basic characteristic feature of a case study strategy relates to the distinction in research designs –that is, a single or multiple case design (see Yin 2003). A *single case study design* is applied in this study, owing to its ability to take into consideration the specific relevant circumstance (i.e. context) and hence provide a more contextual understanding (cf. Dubois & Gadde 2002; Dyer & Wilkins 1991; Piekkari et al. 2009). It is often suggested that a multiple case design provides a more compelling basis for theory building due to evidence from more (comparative) cases (e.g. Miles & Huberman 1994; Perry 1998).

However, a multiple case design by definition does not entail *critical* (e.g. critical test for a major theory), *unique* (e.g. detailing the exact nature of a phenomenon not well understood) or *revelatory* cases (e.g. formerly non-accessible phenomenon) upon which the rationales for choosing a single case design are grounded, among others (cf. Yin 2003). Consistent with the work of Yin (2003), a single case design can be either embedded or holistic. The latter type of case design is employed to study the case in its totality (i.e. holistic single case design). Further, the case study design is often considered the most appropriate method for studying network-related phenomena (Halinen & Törnroos 2005; Easton 1998) as well as for capturing dynamics at business relationship levels (Holmlund 2004; Öberg 2014).

Thus, the single case design is desirable in this study, because the phenomenon examined herein operates within a network setting (e.g. the connected relationship of M&A parties and customers). And the argument that a multiple case design with case comparisons would yield a better foundation for theory building becomes problematic, as each network case is unique owing to its own history, context and participants (cf. Halinen & Törnroos 2005; Pelto 2013). Furthermore, some scholars are opposed to the notion that multiple cases provide better explanations than a single case design and emphasise "that such attitudes are relics of the times when situation specificity was considered a weakness" (Dubois & Gadde 2002, 557). In the same vein, Easton (1998, 83) argues that "researching greater number of cases, with the same resources, means more breadth but less depth". Thus, the use of the single case design in this study is relevant for obtaining a deeper understanding with regard to the phenomenon of customer retention in M&A.

In this research, the case is a *Chinese-European cross-border acquisition* in the knowledge-intensive field within the maritime industry, and the phenomenon under scrutiny is the retention of the European acquired firm's customers. Accordingly, there is one case study – a *Chinese-European cross-border acquisition* – and as a single case study in a network setting, a *focal company's perspective* (i.e. acquired firm) is largely adopted as the *unit of analysis* (cf. Halinen & Törnroos 2005). A combination of *customer firms and acquired firm representatives* is employed as the unit of observation (cf. Halinen & Mainela 2013). Despite the integrative presentation of the results from both units of observation, the customer view is emphasised, as they have immediate demand-side impacts on the acquired firm's business operations/strategic-decisions and thus on its retention of customers in M&A. Direct quotations from the qualitative case interview transcripts are used widely throughout the findings section, as they help to explain and emphasise relevant themes (Miles

& Huberman 1994; Yin 2003). The network mainly covers the two merging parties and the acquired firm's customers.

4.2.2 Theory building from case studies

Methodological rigour has fundamentally been seen as the fit between the research question of the study and the choice of methods and research designs. However, recent studies in the IB field emphasise that the methodological rigour argument needs to also be demonstrated by methodological self-awareness, transparency and careful linguistic choices in reporting the theorising process (Welch et al. 2011). The latter assertion indicates that the demand for clear procedures for detailing the research process in a consistent way to ensure, for instance, the necessary transparency will apply particularly to qualitative research, where there are calls for more rigorous procedures (cf. Andersen & Kragh 2010; Bonoma 1985; Perry 2001) and consequently for theory building.

As this study aims at theory building with respect to customer retention in the M&A context, the case study strategy was considered the most fitting approach. The choice of the case study strategy is consistent with prior literature, which avers that this approach is most suitable "when the area of research is relatively less known, and the researcher is engaged in theory-building research" (Ghauri 2004, 109). A recent study in IB identified four methods of theorising from case studies and thus provides more alternative opportunities for researchers employing the case study strategy. (see Welch et al. 2011). In addition, the call for greater contextualisation of IB theory has also been reiterated by academics in the field (Brannen & Doz 2010), as the dominant method of inductive theorising places little emphasis on context (Welch et al. 2011). Welch and colleagues' proposed typology for theorising from case research emphasised that the case study strategy can be employed to contextualise theory and generate causal explanations. See Figure 14 below for the typology for theorising from case studies.

Among the four methods of theorising from case studies identified in the typology (see Figure 14), this study adopts the *contextualised explanation*[13]

[13] It is usually understood that theorisation is generalising away from context, thus "explaining" and "contextualising" might primarily be regarded to be in conflict. Nonetheless, based on the critical realist ontology, explanation "needs to account for the spatio-temporal context in which causal mechanisms operate" (Welch et al. 2011, 748). Thus, critical realism provides the path to reconcile explanation and understanding, and this study employs "contextualised explanation" in the same way as described by Welch et al. (2011).

approach – a more recent addition to the methodological literature relative to the other three well established ones.

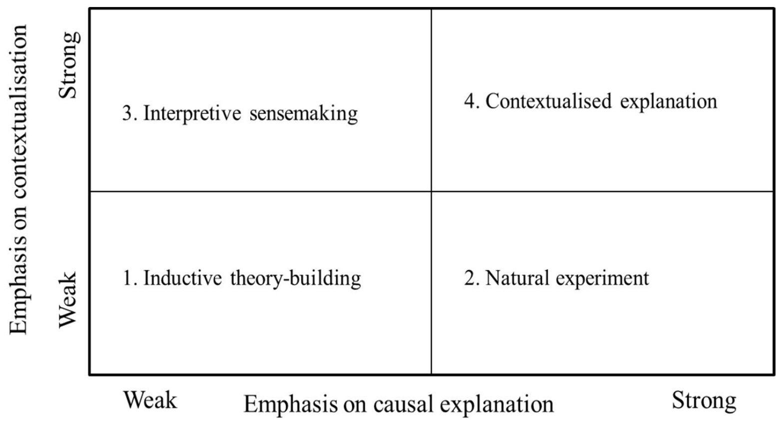

Figure 14 Four methods of theorising from case studies (Welch et al. 2011)

Moreover, Welch et al. (2011, 749) argue that case studies employing the contextualised explanation method of theorising are "concerned with accounting for why and how events are produced". Hence, a case study strategy adopting the contextualised explanation method of theorising is in line with the research objective and philosophical positioning of this study. Indeed, case studies play a vital role in theory development and not least in the field of M&A (i.e. B2B transactions), where the many interesting activities, such as post-acquisition integration, involve processes beyond the boundary of each individual merging firm and must be studied in the context in which they unfold (cf. Bonoma 1985). However, qualitative researchers lack the necessary guidelines to determine how and when it is most suitable to include theoretical perspectives in their inquiries (Andersen & Kragh 2010). The next section discusses some of the guidelines and requirements specific to this study's empirical case selection with the aim of theory building.

4.3 Case selection

Case selection is a vital part of the entire research endeavour. The choice of a particular acquisition case must fulfil several requirements to enhance the effective answering of the main research questions. Moreover, according to Eisenhardt (1989), case studies aiming at theory building are selected on the basis of theoretical rather than statistical sampling. The selected case also needs to correspond to the theoretical framework and the variables under investigation (Ghauri 2004). Aside from the need for a theoretically driven case selection, consideration for a context-sensitive case selection was also vital in the focal study (cf. Ghauri 2004; Michailova 2011; Tsui 2007).

Thus, in this study, the context-sensitive case selection was mainly informed by contextualised case selection tools, such as the pilot case and purposeful sampling. The principles of purposeful sampling stress the need for a theory driven selection of cases along with consideration of contextual features (Poulis et al. 2013.) According to Poulis et al. (2013, 310) “purposeful sampling refers to the selection of ‘archetypical’ cases where the phenomena are most likely to serve the theoretical purpose of the research and its questions”. These contextualised case selection tools, for example, purposeful sampling contributed in theoretical terms through narrowing down the populations, understanding dimensions of context and finalising the sample. In addition, the pilot case also contributed to the study in terms of identifying a population (“pool”) of case studies of interest, choosing one or more accessible cases out of this identified population (cf. Ghauri 2004) and informing additional methodological choices concerning the theoretical criteria for case selection (i.e. purposeful sampling) (Poulis et al. 2013). For the purposes of this study, a knowledge-intensive acquired firm that specialises in ship design, offshore engineering and most recently floating construction services in the maritime industry was selected based on its knowledge-intensive nature, the cross-border (international) nature of the M&A activity/event, the availability of data, the willingness to coordinate and commit resources to the research and a lack of prior information on/experience of post-acquisition customer retention. The knowledge-intensive nature of the acquired firm as a criterion was vital, as customers of these firms (e.g. highly specialised engineering firms) are critical to their creation and growth (cf. Dalziel 2007) because they possess sticky knowledge of the context in which the service/product will be used (cf. Von Hippel 1994). The cross-border criterion of the M&A deal was critical for gaining insight into the acquired firm’s international means to reach new markets and customers and also to deepen the local presence/representation for customers in existing markets (Degbey 2015; Öberg 2014; Stumpf, Doh & Clark 2002). The proposed acquisition case satisfies this criterion. Table 9 summarises the case selection criteria and the reasoning behind them.

Table 9 Case selection criteria

Case selection criteria	Reasoning
1. *Acquired firm has data on business customers (existing, new and dormant/lost customers)*	The acquired firm is able to provide a list of business customers who are actively engaged (i.e. existing customers) in business relationships with them to aid in understanding their perception and behaviours regarding retention. In addition, to understand how the M&A event has engaged new customers and is also used as a means to recapture dormant customers there must be available data on/access to new and dormant customers.
2. *Acquired firm's willingness to coordinate and commit resources to the research*	The acquired firm should designate a contact representative who coordinates and commits to the data collection activity both internally, with managers/employees selected for interviews, and externally, with customer firms' representatives.
3. *Acquired firm has no prior information on/experience of post-acquisition customer retention*	The lack of the acquired firm's prior experience of post-acquisition customer retention is intended to reduce prior biases regarding such critical events' consequences and also to arouse the case company's interest in the study topic.
4. *The acquired firm is knowledge-intensive, and the M&A activity is cross-border in nature*	The knowledge-intensive nature of the acquired firm is vital, as the customers of these firms (e.g. highly specialised engineering firms) are critical to their creation and growth (cf. Dalziel 2007) because they possess sticky knowledge of the context in which the service/product will be used (cf. Von Hippel 1994). In addition, the merging parties should be headquartered in different countries. The research aims to contribute to cross-border acquisitions, which represent a substantial percentage of FDI figures in the OECD countries. The international nature of the deal indicates a means to reach new markets and customers and also to deepen local presence/representation for customers in existing markets (Degbey 2015; Öberg 2014; Stumpf, Doh & Clark 2002). Moreover, the different country of origin nature of the acquisition makes it more challenging than a domestic one, as different cultural issues or institutional/management styles are more likely to surface (cf. Barkema, Bell & Pennings 1996; Eden & Miller 2004).
5. *The single case supports multidimensional analysis of the phenomenon*	The selected acquisition should be suitable for casing the multidimensional aspects of the single case. This would enhance a multidimensional analysis in relation to the different customer categories (existing, lost/dormant and new customer groups) of the acquired company.
6. *Post M&A recency*	The selected acquisition case should be recent (between 1–4 years after deal announcement), as customers' reactions, responses and other human sentiments or behaviours threatening or supporting customer retention evoked by the critical event are likely to be fresh in the minds of the actors for documentation. Also, the availability of key players/actors, especially from the acquired company, may be assured, as an average of 68% of acquired company managers depart within five years following an M&A (cf. Krug & Aguilera 2005).

In fact, gaining access to case companies is a major determining factor regarding case selection in general for empirical investigation (see e.g. Halinen & Törnroos 2005; Ghauri 2004). However, the challenges (or difficulties and frustrations) involved in gaining access particularly in an M&A context are more pervasive, owing to the nature of secrecy surrounding most deals. And this study is no exception in regard to the challenges of gaining access to case companies (cf. Pelto 2013). However, this study focuses on the acquired firm in investigating customer retention in M&A, because it is the acquired firm's customers who are under focus and analysis; thus access to the acquired firm was critical, since this data would not be available at the acquiring firm. Additionally, gaining access to the acquired firm was practically convenient (e.g. geographical proximity) for the researcher rather than taking the acquirer's perspective (i.e. acquirer is located in China).

Taking the acquirer's perspective would have been a bit difficult (e.g. in terms of data collection), considering that it is a Chinese company with a stronger hierarchical decision-making structure coupled with likely reservations (e.g. mainly influenced by cultural variables regarding what is deemed a researchable question) concerning studies of this kind (cf. Kriz, Gummesson & Quazi 2014; Stening & Zhang 2007). Also, as Chinese firms rely heavily on personal networking – and the researcher is not a Chinese, does not speak the Chinese language and also lacks such personal connections – taking such perspective would have been slower and tedious, even though the acquirer is classified as a Fortune 500 firm with a wide global reach.

However, despite the theoretical and empirical benefits of adopting the *acquired firm's perspective*, the Chinese dimension to this particular phenomenon of customer retention is interesting and topical due to the increasing academic interest in FDI (e.g. cross-border acquisition) from China (see e.g. Boateng, Qian & Tianle 2008; Buckley et al. 2007; Liu & Woywode 2013; Liu & Waldemar 2011). Moreover, a recent empirical study noted that the rising trend of Chinese cross-border acquisitions and their mixed results have perplexed both scholars and business practitioners and hence stressed the need for a better understanding of the integration strategy of Chinese cross-border acquisitions (Liu & Woywode 2013). Consistent with the last assertion, this study focuses on *post-acquisition* actions – a phase decisive for M&A success but thus far under-researched in the context of Chinese cross-border acquisitions – in analysing customer retention in a cross-border acquisition.

4.4 Empirical data collection

In terms of data collection, the study employs multiple data sources (data triangulation), such as archival/secondary materials (press releases, company documents/presentations, web publications and product brochures/description) to complement the conventional interview-based data collection tool. In other words, *interviews* (i.e. a semi-structured interview from a single case: cf. Piekkari et al. 2009) were used as the primary method of data collection but were complemented with other secondary data sources, as mentioned earlier, for better triangulation purposes. The secondary data were carefully content-analysed, not for the purposes of comparison with the primary data but to provide complementary support to insights gained from the primary data.

Indeed, scholars argue that researchers who employ secondary data will gain advantage over those who employ only primary data, because readily available secondary data can be re-evaluated before use (Steward & Kamins 1993). Thus, the use of secondary data to complement the primary data enhances the trustworthiness of the findings in this study (see e.g. Yin 2003; Halinen & Törnroos 1995). Moreover, the advantage of data triangulation also helped to minimise the challenges posed by interviewee memory loss (i.e. retrospective bias) or personal reinterpretation of retrospective events (see e.g. Hallinen & Törnroos 1995; Sudman & Bradburn 1973; Soulsby & Clark 2011).

Furthermore, acquisitions are inherently associated with varying degrees of uncertainty (cf. Larsson, Brousseau, Driver & Sweet 2004) and can become a major challenge for customers and employees as well as other stakeholders from both sides of the corporate aisle; therefore, the use of multiple data sources can be valuable in illuminating these unique events beyond interviews. Figure 15 below shows the data triangulation in the study.

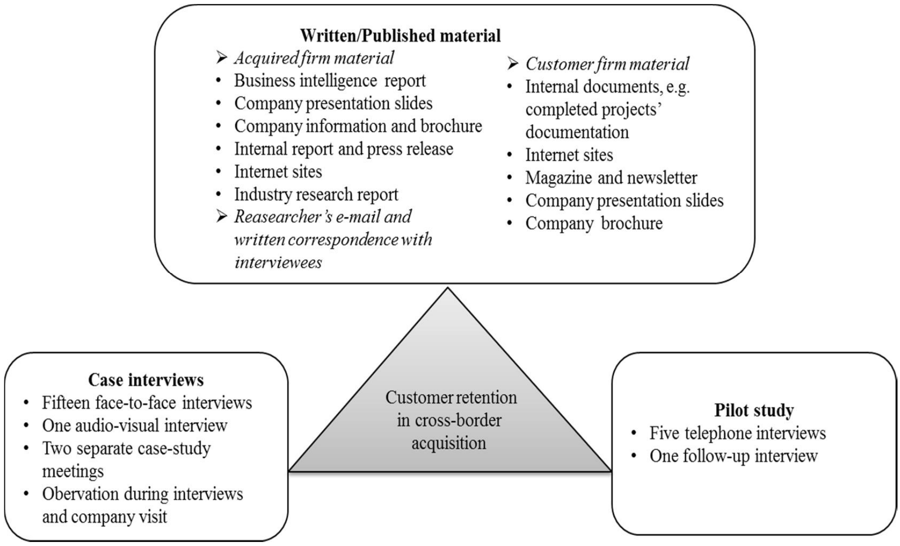

Figure 15 Data triangulation in the study

Interviews were chosen for this study as the main empirical data collection method, because interviews have major positive impacts in reflecting on the personal sentiments involved in acquisition events and therefore helped to obtain as much information about the phenomenon as possible. Additionally, employing the interview method on past events provides insights to the researcher regarding how these events and their contexts were experienced (Pelto 2013). A semi-structured interview type was employed due to the explorative nature of this study. It was also neither too rigid nor too flexible and thus gave the researcher the freedom to use unscheduled questions, which resulted from the interview phenomenon itself as well as the scheduled/structured ones. In addition, it provided the opportunity to obtain thoughtful answers and to adjust the level of language to suit the interviewee. (cf. Berg 2004.)

Similar to other M&A studies, interviewees such as top managers/directors deemed knowledgeable about and/or involved in the acquisition process, particularly in the case of the acquired firm interviews, were identified and selected as the best to interview during the actual data collection process (see e.g. Capron, Dussauge & Mitchell 1998; Datta 1991; Ellis et al. 2009). Similarly, interviewees from customer firms who were considered best-suited for the interviews were those familiar with the operations of the acquired firm and personally involved in business projects/transactions with the acquired firm. Since the interviewees had already received prior notice (in the form of an official letter, especially in the case of customer firm representatives) from the case company, the researcher did not have to inform them at the beginning of each interview about the broad research interest and future data use.

Moreover, the researcher had sent an e-mail to each selected interviewee prior to the interview, and any further clarifications required by the interviewee regarding the purpose and benefit of the research were provided either through e-mail correspondence or a telephone conversation. Also, once an interview date was agreed upon, the researcher sent an electronic copy of the broad interview themes and sample questions to the interviewees beforehand. It was also made clear to the interviewees (especially customers) that the study was an independently funded work and not sponsored by the case company so that they could present their candid positions on the discussed issues.

In total, 15 face-to-face and one audio-visual (using Microsoft Lync 2013 unified communications platform) interviews were conducted between 2013 and 2014 plus two separate group meetings within the same time period. The interviews included company representatives/executives from the acquired firm and representatives/executives from *eight customer firms* of the acquired company plus two separate meetings: first with the acquired firm's CEO and one industry expert and second with the acquired firm CEO and two of his marketing/customer follow-up employees (managers). Table 10 lists the main interviews conducted and their characteristics specific to the case study.

Table 10 Main research interviews and their characteristics

Date	Position of Interviewee (s)	Firm	Business Area	Relationship with M&A Parties	Location	Interview Language	Interview Duration
1.11.2013 6.11.2013	1. Director, Offshore Oil & Gas; 2. Director, Sales and Marketing; 3. Project Manager	Acquired Firm	1. Ship and Shipbuilding (Marine) Business; 2. Offshore Oil and Gas Business; 3. Engineering, Procurement and Construction (EPC) Business	Acquired Firm	Finland	English	1. 2 h 30 min 2. 1 h 55 min 3. 1 h 37 min
11.1.2014 12.1.2014	1. Project Manager; 2. Technical Project Manager; 3. Vice President	Acquired Firm Customer A	Ship Owner	Existing Customer of the Acquired Firm	Sweden	English	1. 1 h 02 min 2. 1 h 39 min 3. 1 h 29 min
22.1.2014	1. Vice President; 2. Project Manager	Acquired Firm Customer B	Ship Owner	Existing Customer (of the Acquired Firm)	Norway	English	1 h 52 min (Joint interview)
23.1.2014	1. Project Director; 2. Superintendent (Technical Manager); 3. Contract Controller	Acquired Firm Customer C	Ship Owner	Dormant Customer (of the Acquired Firm)	Norway	English	1. 1 h 37 min 2. 0 h 36 min 3. 0 h 33 min
23.1.2014	Vice President, Deep Water Solutions	Acquired Firm Customer D	Offshore Contractor	Existing Customer (of the Acquired Firm)	Norway	English	2 h 08 min
26.2.2014	General Manager	Acquired Firm Customer E	Offshore Engineering Firm/Offshore Contractor	New Customer (of the Acquired Firm)	The Netherlands	English	1 h 01 min
26.2.2014	Manager, Engineer	Acquired Firm Customer F	Offshore Contractor	New Customer (of the Acquired Firm)	The Netherlands	English	0 h 45 min
27.2.2014	1. Marine Systems Engineer; 2. Contracts Manager	Acquired Firm Customer G	Offshore Contractor	Dormant Customer (of the Acquired Firm)	The Netherlands	English	1. 1 h 24 min 2. 1 h 14 min
13.6.2014	Vice President, Global Technical Services	Acquired Firm Customer H	Ship Owner	Existing Customer (of the Acquired Firm)	Canada (USA office)	English	1 h 10 min

All interviews were conducted in the English language, as both the researcher and the interviewees conducted their daily business transactions in English and are competent in its usage. The presence of a common language between the informant and the researcher reduced the risk of any complications with the interview situation and thus removed any need for language translation and interpretation as well as errors associated with translation and interpretation. The choice of English as the language for the interviews did not pose any challenge, as the interviewees work in companies conducting international business and deal with international customers on a daily basis. In addition, all interviewees fall within the categories of middle-level managers to senior corporate executives (e.g. vice presidents, directors and CEO), indicating their extent of international business experience and the ease with the use of key business terms/terminologies in English for business transactions. All but one of the interviews and interview-related meetings/discussions were conducted face-to-face at the organisation where the informant works, either in their own offices or in a conference room. The one interview not conducted face-to-face was conducted audio-visually using the Microsoft Lync 2013 unified communications platform. Although the latter approach in one of the customer firm interviews was not the same as the personal face-to-face interviews, it was practically convenient for a single interview in which the respondent was located in North America. In addition, this technology-aided approach did not pose any challenge, as the respondent was very knowledgeable and clear in answering the interview questions.

The researcher led the conversation during the interview sessions, ensuring that all interview themes were covered. All the interviews were also digitally tape-recorded with the consent of each interviewee. The duration of the interviews varied from over 30 minutes to 2 hours and 30 minutes. To protect the identity of the interviewees and the companies and enforce confidentiality restrictions, it was agreed to anonymise the interviewees and companies involved in the study (cf. Kvale 1996). Overall, the experience and knowledge of the informants in regard to the Chinese-European cross-border acquisition helped produce a “rich story” of a single case, which was sufficient for uncovering the customer retention phenomenon under scrutiny in this study (cf. Piekkari et al. 2009).

4.5 Qualitative data analysis

Qualitative data analysis has no agreed definition nor well formulated methods and thus can be regarded as one of the most challenging aspects of qualitative research (Coffey & Atkinson 1996; Miles 1983; Yin 2003). Therefore, according to Yin (2003), qualitative data analysis relies heavily on the aggregate efforts of the adequate presentation of evidence and the investigator’s own approach to rigorous thinking and in-depth awareness of alternative interpretations. Malhotra and Birks (2007, 236) state that *“analysis is a pervasive activity throughout the life of a research project. Analysis is not simply one of the later stages of research, to be followed by an equally separate phase of writing up results”*.

This is equally true in the case of this study, because the qualitative data analysis is not isolated as a separate phase but rather runs in unison with the theoretical framework and data collection and thus guides the study to illuminate the investigated phenomenon (cf. Dubois & Gadde 2002; Miles & Huberman 1994). Therefore, data analysis can be said to have permeated each step – as a kind of continuing iteration between the academic literature on customer retention in M&A and empirical fieldwork – of this study. Nonetheless, a more systematic data analysis was undertaken following all data collection, and the data analysis described in this section relates to this more systematic aspect.

The main objective of the systematic data analysis in this section was to develop an in-depth understanding of the qualitative case under consideration through the interpretation of the empirical data collected (cf. Stake 1995). The interview data for analysis were mainly derived from both an earlier pilot study and the main case company of this study. The pilot study was conducted in the period from 2007 to 2012, and the main interview data for the actual study were collected between 2013 and 2014. The interview data were complemented with other secondary data, such as company background materials, joint press releases on the acquisition, business intelligence reports, company presentation slides and documents from customers. The use of secondary data is important in making deeper and more general sense of what actually happened for improved reliability (cf. Malhotra & Birks 2007).

The first round of data analysis occurred in parallel with the fieldwork and involved the transcription of all interviews verbatim. *To facilitate the analysis of the interview dataset in this round, the researcher transferred the transcribed data to the computer-assisted qualitative analysis software program QSR NVivo* (see Bazeley 2007). Employing this software in the data analysis was important and valuable in making access to the data easy and code generation simple and flexible despite the fact that the dataset was not too massive to be handled without a software program (cf. Eriksson & Kovalainen 2008; Pelto 2013). In addition, the use of QSR NVivo is also argued to enhance the trustworthiness of the research (Sinkovics & Alfoldi 2012). The second round involved the coding process by building coding categories based initially on the interview guide and the proposed theoretical framework presented in Figure 12. This round followed an iterative process – which developed following the interview guide and theoretical framework – Data – theoretical framework (see Dubois & Gadde 2002) – and proceeded in two stages. In the first stage, all transcriptions were coded using the three broad/overarching influencing factors – context factors, integration factors and relationship factors – and dimensions of customer retention in M&A. In the second stage, themes emerging within the coded texts through repeated readings of these coded texts and field notes, as well as other new information/developments from the case company, were then coded inductively as they emerged. These latter efforts also ensured that major themes relating to the phenomenon under investigation were identified.

In spite of QSR NVivo software's benefits in terms of enhancing the trustworthiness of the research and facilitating the analysis, management and organisation of the data, it is still the investigator who decides on the theoretical concepts/constructs as well as the ideas utilised to frame the study (Lindsay 2004). However, Sinkovics, Penz and Ghauri (2008) emphasise that employing software programs such as QSR NVivo assists in formalising the analytical process and hence contributes to more reliable research results. In addition to the primary data analysis, content analysis was conducted on all secondary materials (see Figure 15 above on data triangulation) based on the main themes and concepts the phenomenon under scrutiny focused on (cf. Duriau, Reger & Pfarrer 2007), and this provided complementary evidence to expand the understanding of the phenomenon of customer retention in M&A and also partly supported/strengthened the findings from the interview data. The triangulation of data and the use of software programs (e.g. QSR NVivo) and content analysis are consistent with the adopted critical realism stand, which proposes the use of a more flexible and exploratory research design, multiple ways to collect data, and employing alternative ways to analyse data (see Edwards, O'Mahoney & Vincent 2014; Mees-Buss & Welch 2015). Once all the data had been arranged, coded and reduced, the third and final round involved further enhancing the trustworthiness and verifiability of the developed empirical model and findings on the multifaceted phenomena through securing relevant comments on the subject matter from distinguished scholars and securing checks of the data as well as undertaking peer debriefings (cf. Guba & Lincoln 1994; Yin 1994).

4.6 Evaluation of the research

This section of the work attempts to answer the question posed by Lincoln and Guba (1985, 289): *"how can I trust thee? Let me count the ways [...]"*. The trustworthiness of any research work/enquiry – and for that matter this study – is a fundamental issue as far as evaluation of its quality is concerned. In addition, the trustworthiness of a study, according to Lincoln and Guba (1985), relates to how the researcher is able to persuade the readers, and not excluding himself/herself, that the results of the study are worth paying attention to and worth taking account of, showing what specific arguments and criteria are generated and what persuasive questions were asked to impact on the issue. Different labels have been employed in the evaluation and assessment criteria depending on whether the study is quantitative or qualitative. Even within the qualitative research domain, in which this study falls, some authors advocate for the adoption of the classic criteria originally derived from quantitative research comprising the concepts of reliability, validity and generalisability (see Eriksson & Kovalainen 2008; Silverman 2001; Yin 2003). Others have employed alternative but common criteria more suitable for qualitative study, including credibility, transferability, dependability and confirmability (Gabriel 1990; Patton 1990; Lincoln & Guba 1985, 1999).

However, despite the differences in terminology, the contents of the various criteria, for example, from qualitative perspective, seem to be equivalent with the quantitative criteria. This study employs the four common criteria presented by Lincoln and Guba (1999), which are deemed more appropriate than the classic criteria and have also been widely employed in qualitative studies for the evaluation of trustworthiness. These four criteria are credibility, transferability, dependability and confirmability. Credibility in qualitative research relates to internal validity in quantitative research, transferability corresponds to external validity and/or generalisability, dependability refers to the reliability of the findings over time and confirmability relates to objectivity (Sinkovics et al. 2008).

Credibility is the equivalent of internal validity in quantitative research studies. It refers to how adequate the researcher’s findings and interpretations are deemed by his/her interviewees or peers, as realities may be interpreted in various ways (Lincoln & Guba 1999; Riege 2003). Due to different views on the nature of reality – in contrast to validity in quantitative research – the credibility concept does not describe the correspondence of a single reality as the “truth” but rather purports to show a perspective (see Patton 1990) or “truth value” by sufficiently demonstrating the various constructions of reality (Lincoln & Guba 1985).

In the present study, credibility centres on the research data and findings. The research data for this study consist of primary (mainly interviews) and secondary documentation from several sources, and this triangulation of data enhances the credibility of the findings (cf. Miles & Huberman 1994; Lincoln & Guba 1985). The primary data (interviews) aim to obtain a first-hand account of the phenomenon under investigation from selected interviewees, deemed knowledgeable and familiar with the event, from customer firms and the M&A parties’ sides (mainly from the acquired firm). No interviews were conducted in the acquirer's unit, as access was not granted to the researcher, and this can be regarded to some extent as a drawback on credibility. However, since the acquired firm and its customers are the focus of attention in this study, the lack of access to the acquirer's unit does not seem to have had much effect. Discussions with the acquired firm's managing director yielded comments that were valuable to the case analysis and thus improved the credibility.

Further, the interviewees were encouraged to freely provide their candid views on the phenomenon, as they were assured beforehand of their anonymity and the independent nature of the study's funding. These clarifications helped enhance credibility, as the interviewees were motivated and trusted the researcher enough (cf. Huber & Power 1985; Lincoln & Guba 1985) to be willing to share some internal company documents with him. The data collected from these interviews were complemented with secondary documents to obtain a more detailed and thorough account of the phenomenon and to place the evidence in a wider historical and theoretical context, but not to check or verify the interviewees' accounts. Thus, credibility was improved as a whole through the multiple interview respondents, the use of different secondary documents (see Figure 15) and the adoption of theoretical pluralism to understand the phenomenon.

The retrospective bias was minimised by the fact that the event in focus was very recent and/or ongoing during the time of interview, and interviewees' responses were mostly consistent with each other (see e.g. van de Ven & Hubert 1990). Also, the credibility was enhanced by peer debriefing, feedback on the findings' report and discussion of findings and conclusions with other academic researchers knowledgeable in this field.

Transferability is equivalent to the concept of external validity or generalisability in quantitative research. Transferability refers to how well the findings of the study can be "transferred" to other similar contexts or the extent to which the findings or results are applicable to other empirical and theoretical contexts (Lincoln & Guba 1985, 1999). The transferability of the research results in a qualitative study from one context to another depends mostly upon the similarity of the primary environment in which the research is conducted and the environment in which the results are to be transferred. Therefore, the burden rests on the person who intends to transfer the findings or results to evaluate its favourability or usability in his/her context. It is imperative that the researcher precisely define the theoretical and empirical contexts in which the results are obtained and subsequent conclusions drawn so that the readers of the study are able to evaluate whether they are worth transferring for their own purposes (cf. Lincoln & Guba 1999).

Although the researcher cannot be the sole person to determine the transferability of the research findings, it can be said that he made serious attempts to derive the framework from multiple relevant concepts from the literature and strengthened it with empirical findings from the case study. Certainly, this increases its transferability potential to other similar scholarly acquisition studies or in serving as a guideline for managerial decision making in the M&A context. Although it is true that confidentiality agreements necessitated the anonymity of the case study, this can be seen as negative regarding the transferability criterion, because the case company's name is not revealed for readers/researchers to know exactly which firm the model has been developed for in the study. In addition, although the potential for transferability cannot be entirely ruled out, it is imperative to also note that every M&A event is unique on its own and can therefore reduce the expectations about the transfer of the results to other M&A events. However, the detailed case descriptions and contexts as well as other relevant information in the empirical sections, appendices and throughout the paper offer enough grounds for the findings of the study to be transferred to other similar contexts.

In this study as a whole, the transferability of the research findings is not aimed at a gross generalisation to a population, as in quantitative study, but rather at achieving an analytical generalisation in a critical realist approach case study. For analytical generalisation, the researcher seeks to generalise a specific set of findings to a broader theory (Yin 1994). Further, instead of a generalisation to a population, qualitative studies can use the method of analytical induction suggested by Silverman (2001), where the researcher constantly compares cases against one another and to other findings reported in the literature (cf. Halme, Lindeman & Linna 2012). Moreover, generalisation can be provided in terms of theoretical propositions (cf. Halme et al. 2012). Thus, transferability is enhanced in this study by discussing the findings in light of existing theory (cf. Yin 2003) or relating them to other findings reported in the relevant literature (Halme et al. 2012).

Dependability refers to how dependent the results of the study are on the enquiry itself (Lincoln & Guba 1985). It is equivalent to the concept of reliability in quantitative studies (Miles & Huberman 1994). The central aim of dependability evaluation is to show whether there is stability and consistency in the research process (Riege 2003). In addition, dependability can be shown through the clarity and congruence of the research questions with the research design of the study (Miles & Huberman 1994).

Since it has been established that there is no credibility without dependability (see Lincoln & Guba 1985), it is reasonable to say that evidence of the former is sufficient to establish the latter. Though the researcher has already demonstrated how credibility has been enhanced in this study, it is nevertheless important to also show how dependability was achieved to enhance the total quality of the research. The dependability of the study has been improved through clear procedures and descriptions of empirical data collection and analysis, including case selection criteria, consent letters to M&A party representatives and customer firms (see appendices 4 and 5) and interview guideline.

The careful nature of case selection mainly driven by certain criteria (see Table 9) was vital in enhancing the dependability of the study. For example, as part of the case selection criteria, the case must focus on the acquired firm and its customers; this criterion is consistent with the research objective's focus on the retention of the acquired firm's customers. In addition, the acquired firm must be willing to collaborate with the researcher in terms of helping to identify from their customer database (i) new customers (ii) existing customers and (iii) dormant/lost customers for interviews. These clearly stated criteria for the case selection helped increase the dependability of the study.

Further, the consent letter can also be considered an additional variable facilitating dependability with respect to the data collection, as it helped in clarifying the purpose of the research and in maintaining consistency in the actual data collection. For instance, the consent letter enabled adequate preparations – such as booking venues for the interviews ahead of time, arranging the date and time for the interviews, sending the researcher's background information and assuring interviewees about their confidentiality protection – before the actual interview.

Moreover, the interview guideline (which can enable replication of the study by another author) was well planned, and the questions were critically scrutinised and commented upon by research supervisors and key contact persons of the acquired company (case company). The necessary modifications were made and given out to key contact persons, who later circulated soft copies to the rest of the interviewees. During the interview session, the researcher led the conversation, ensuring that all interview themes were covered and digitally recorded. A summary of the main interviews and their characteristics are presented in Table 10. Also, the presentation of the research process and preliminary results of the study to the research supervisor and in different fora in the form of a conference paper and a report to the case company as well as comments received has additionally improved the study's dependability.

Finally, Lincoln and Guba (1985) identified data accounting and the exploration of all areas of a study as one of the strategies to evaluate dependability. This aspect has been demonstrated in the study through the analysis and interpretation of all interview data and other company documents and linking them with the theoretical framework and purpose of the study for dependability to be enhanced.

Confirmability is the equivalent of the concept of objectivity in quantitative studies (see Miles & Huberman 1994) and also relates to construct validity in the critical realism approach to case studies. Yin (1994) describes confirmability to mean developing generalisable constructs and valid operational measures for the constructs/concepts being investigated. According to Lincoln and Guba (1985, 1999), confirmability refers to the neutrality of a study and the extent to which the collected data support the study's findings. Relatedly, confirmability pertains to linking the results and interpretations to the research data in a way that can be understood by other investigators (Eriksson & Kovalainen 2008).

In this study, the researcher has improved confirmability by making conscious efforts to ensure that the findings are rooted in the collected data and also by ensuring that the inferences drawn from the findings are logical and can be understood by other researchers (cf. Lincoln & Guba 1985). The use of data triangulation enabled the above efforts to enhance confirmability. In addition, the application of the QSR NVivo software in the process of the qualitative data analysis improved transparency and thus enhances confirmability of the study. Further, the interpretations made in this study are constructions of events rather than the researcher's own personal subjective views. Moreover, the methodological approach did not force any constructs on the interviewees, but many of the concepts/constructs from the theoretical framework did emerge from the interview data. The theoretical framework is based on existing validated models, constructs or concepts and theories in prior studies. Furthermore, a serious attempt was made to continually modify the theoretical framework on the basis of the empirical results, but not on testing its usability.

However, despite confirmability meaning being objective, researchers cannot assert zero subjectivity due to variations in perceptions, interpretation and documentation between different researchers in qualitative field studies (McKinnon 1988). In this study, one issue perceived by the researcher to have likely decreased confirmability is the anonymity of the case company, the customer firms and their representatives' names. In fact, this issue was beyond the control of the researcher and was primarily determined by the case company's contact person, who considered it to be a business-sensitive issue. Nonetheless, confirmability was improved through the interview data transcription in its original state without any translation. The absence of translation errors showed that quotations from the interviews were presented in their original forms and that interview citations are also included in the case description to demonstrate the links between the data and its analysis to the reader.

In brief, the trustworthiness of this study was improved by the logical connections between the purpose of the study; the empirical data collected, analysed and interpreted; and the theoretical framework. The anonymity of the case company and interviewees of the customer firms involved in the study was seen as a drawback to the trustworthiness on a more general level, but several other details and descriptions were provided to this effect in the data collection summary table (see e.g. Table 10) and elsewhere in this study for the reader. And also for rational competition purposes, the interviewees/company representatives involved in the study see their anonymity as a positive thing. Overall, the researcher has followed and carefully discussed the four criteria for evaluating qualitative research (see Lincoln & Guba 1985) and has thus seriously reflected on the strengths and weaknesses of the study, making the necessary efforts to reduce any such weaknesses over the research process to enhance its trustworthiness.

5 CUSTOMER RETENTION IN A CHINESE-EUROPEAN M&A

5.1 The Chinese-European acquisition

5.1.1 The acquisition motive and acquired firm's background

For the sake of maintaining the anonymity of interviewees and ensuring the confidentiality of company information, the researcher simply referred to the main company in focus as the "acquired firm" and to its interviewees as the "acquired firm's interviewees/representatives". Additionally, the customers interviewed for this study are labelled as, for example, "acquired firm customer A, B… and H" in the interview summary table (see Table 10) but are simply referred to as "customers" in the presentation of the findings. The acquired firm and the way the post-acquisition integration influenced its retention of customers is the main focus of this study.

The case under scrutiny is a cross-border acquisition between a Chinese firm (i.e. acquirer) and a Northern European company (i.e. acquired firm). This specific Chinese-European cross-border acquisition took place in 2013. The deal was *friendly* and not a hostile acquisition, because it was undertaken based on a mutual agreement between the M&A parties. The deal had multiple motives according to the interviews, but the main motive/rationale from the acquired firm's perspective was to attain *growth*. As an engineering or knowledge-based firm, R&D is critical for its growth, and external funds are needed for financing R&D and to further internationalise the business (e.g. access new types of customers, expand the product line as a result of the acquisition and channel the products to existing customers). Additionally, the acquisition motive from the acquired firm's perspective was *contextually driven*, that is, to reduce uncertainty via M&A with the acquirer –for example, the need to minimise the risk of spreading the acquired firm's concepts and designs as a consequence of being a subcontractor to many parties (instead of being an independent main contractor offering engineering, procurement and construction [EPC] turnkey projects) as well as the need to reduce the uncertainty resulting from generational shift (retiring owners) concerns. The following interview quotes provide further illustrations of the acquired firm's strategic motives behind the acquisition:

> We were looking for a buyer who would be interested to invest in us and develop the business financially because the development work requires of course funds. […] and whose interest was really to develop the company so that it *grows* and develops. (Acquired Firm Representative)

> And also in the current environment, if we are building let's say […] complete ship on EPC project, then we can protect our designs. So our designs don't spread all around the world, for example, in China we have the non-disclosure agreements on paper, but who cares. They are spreading the information also to our competitors and already there are, let's say, almost same kind of design, we have seen in our competitions. (Acquired Firm Representative)

The acquired firm is a ship design, offshore engineering and construction group operating in the "marine and offshore industries" (simply termed here as maritime industry) worldwide. Its clients include international ship owners, offshore contractors and shipyards as well as equipment and system suppliers. The acquired firm's references date back to 1984, with a track record including the development of several novel prototype vessels, extensive use of 3D technology and individual projects totalling up to more than 430,000 man-hours. Prior to its acquisition in 2013, the acquired firm was engaged in two main business areas, where it offered mainly concept development and engineering services to the maritime industry. Figure 16 below shows the acquired firm's history in brief and some selected milestones.

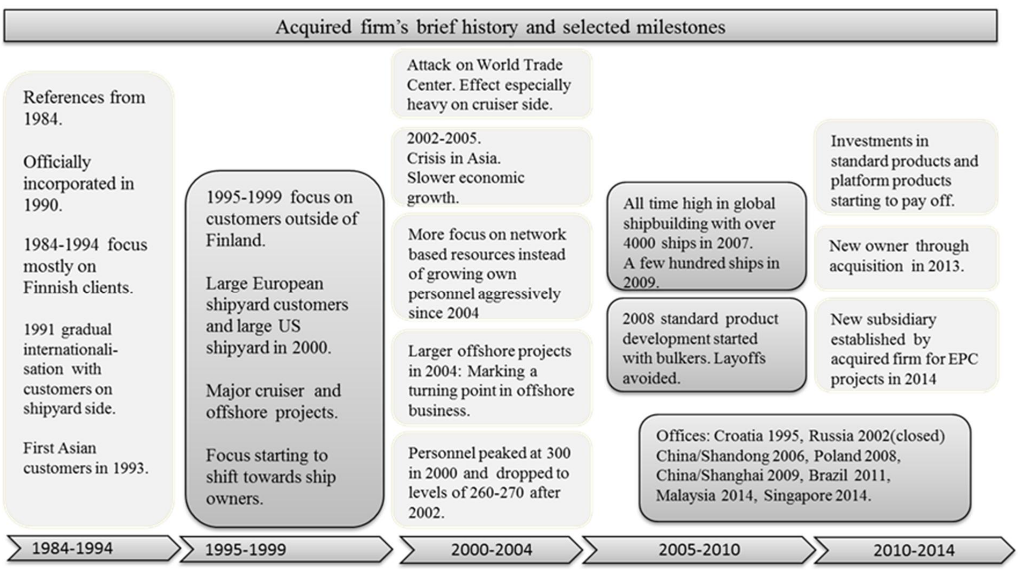

Figure 16 History and selected milestones of the acquired firm

The idea of going international began quite early – a year after the official incorporation of the company – although it started gradually with foreign customers on the shipyard side. However, in the late 1990s, the focus began to shift towards ship owners rather than shipyards. The background for this was that the company understood that it had to work with ship owners to get involved in projects early enough so as to secure bigger design jobs. The overriding strategic agenda behind this move was the vision to become an international leader for a special type of vessels and in developing fuel efficient, high quality, high transport, efficient vessels that meet the requirements of customers. Attaining this leadership position would require that the company also create something that differentiates it from the rest of the market. One of the former owners of the acquired firm thus illustrated further:

> When we departed from [former parent company], we started to work more and more internationally because we saw that the domestic market and the Scandinavian market was not enough, especially Sweden had gone down a lot in the shipping and especially in ship building. So, my first task was of course to go and start to meet clients outside of the territory where we have been working, but to be able to do that, we have to have good products and we concentrated on some specialties which are common to all ships which means fuel consumption which means half combustion, structure which means weight and through minimised weight you get the maximum dead weight, then you get the maximum loading capability. (Acquired Firm Representatives)
>
> And then the functionality of each vessel, depending on the purpose, means that we have to have a good R&D department […], so that we would have […] something that would make our company interesting and […] differentiate us from the rest of the market. And to be the leader, […] we have developed […] more prototypes than any other engineering company in the world. (Acquired Firm Representatives)

The aforementioned accomplishments were instrumental in attracting the interest of their current Chinese owner (the acquirer). The Chinese acquirer specialises in contract management and consultancy services, particularly in the area of procurement and financing arrangements (together with the parent Chinese investment group) within the maritime industry. The acquirer has approximately 80% ownership stake, while the rest of the ownership stake is controlled by active management (the acquired firm). The acquirer is part of a large Chinese investment group, which the acquired firm has also become a member of following the M&A. The parent Chinese investment group – ranked among the Fortune Global 500 corporations – owns a shipyard and also engages in ship-trading/brokering services. Indeed, the Chinese-European cross-border acquisition case can be described as a *concentric M&A*, as the acquired firm is from a related business field, but its business activities are quite different and complementary to those of the acquirer (Cartwright & Cooper 1992).

5.1.2 Acquired firm's industry and market situations

The global economy is still fragile but is slowly improving from the 2007 financial crisis (World Economic Situation and Prospects 2015). According to the acquired firm, despite the depressed economic environment in Southern European countries mainly due to the debt crisis that still exists, the European economy looks better than one to two years ago (Business Intelligence Report 2013)[14]. China is still regarded as the growth generator of the global economy, although it has shown signs of slow momentum relative to previous years, according to the global growth forecast for 2015–2016 (World Economic Situation and Prospects 2015). Relatedly, the acquired firm noted that the geographical dispersion of shipbuilding and yards has moved mostly out of Europe to Asia – where China has become one of the world's leading shipbuilding nations, with huge impact on global scale – mainly due to the weak European economy. The viewpoint of the aforementioned reports, particularly that of the acquired firm, on the global economy, the European debt crisis, China and the maritime industry is fully shared and consistent with views of other industry and market experts at the time of data collection for this research in 2013–2014.

Figure 17 below shows the acquired firm's graphical presentation of this changing trend in shipbuilding completions by main shipbuilding areas. Although Figure 17 clearly shows that China, as a single nation, is the leading manufacturing powerhouse for shipbuilding and that its global share is also expected to rise in the future, the acquired firm notes that Europe will still remain a relevant player, as new technologies and regulatory developments are regarded as opportunities for the European maritime industry (Business Intelligence Report 2013.) Moreover, as a consequence of the Chinese-European acquisition, the acquired company is expected to benefit from this geographical shift in activities of the industry to Asia (e.g. China).

[14] The Business Intelligence Report (2013) is an internal document from the acquired company.

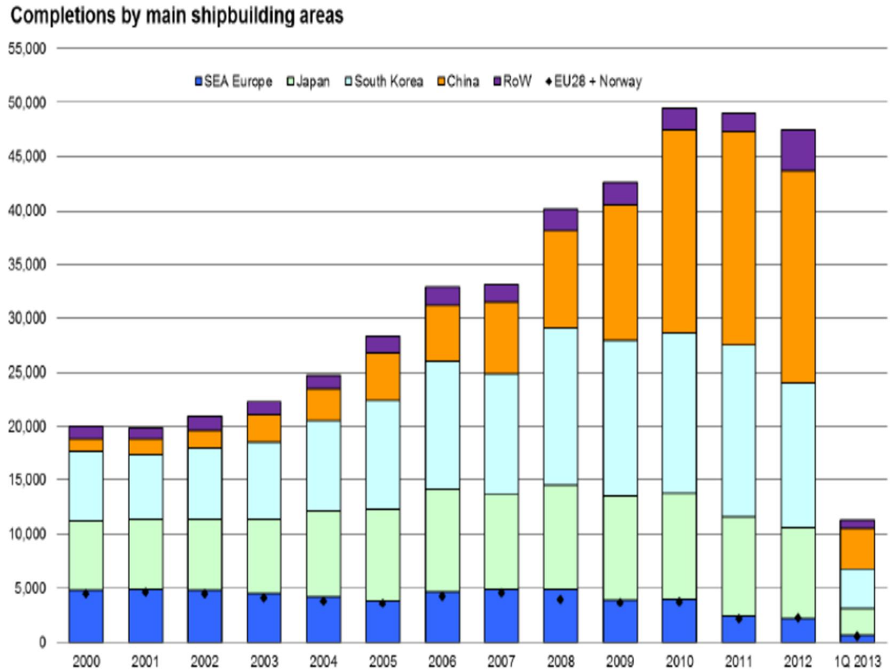

Figure 17 Global marine market completions by main shipbuilding areas (source: acquired firm presentation slide 2013)

The global marine market is also affected by the sluggish recovery of the global economy and large oversupply of vessels (e.g. resulting from demand for fuel-efficient vessels and low new-building prices) still blurs the shipping market. Growth forecasts for the global marine market remain mixed and inconsistent among industry players. On one hand, shipbuilding experts emphasise that the shipping market is not near recovery but rather has yet to bottom out and reach the real trough in 2016 (Business Intelligence Report 2013).

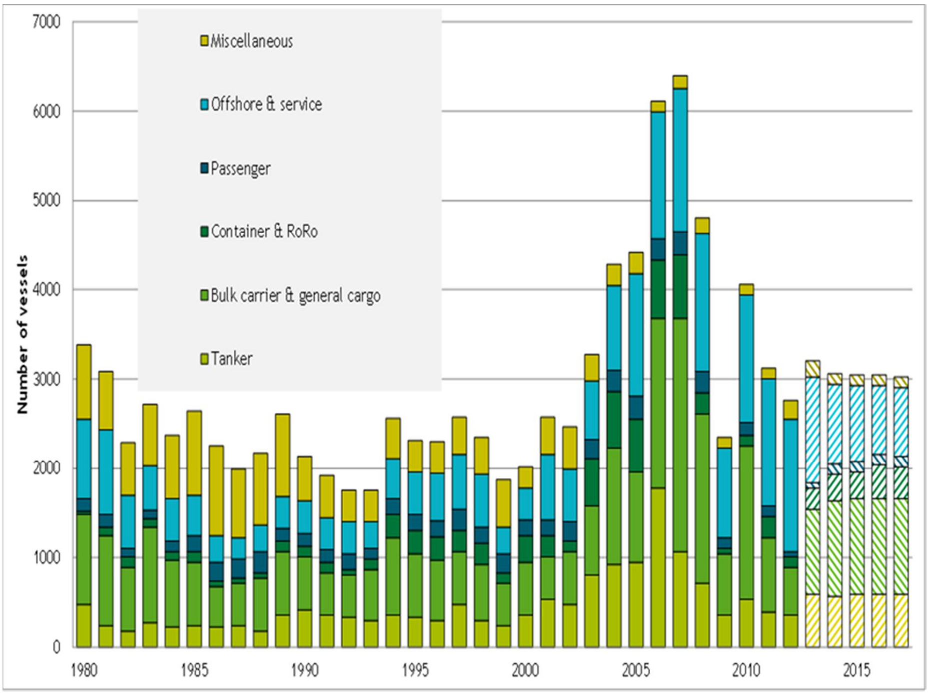

Figure 18 Forecast for global vessel contracting for 2013–2017

On the other hand, industry players argue that global GDP growth has been quite low but stable for some time now, and thus a return to the trend line might mean good growth for the few years ahead. And this view is also echoed by ship owners, managers, charterers, advisers and brokers in the Shipping Confidence survey by Moore Stephens (2014) – which showed that although overall confidence in the shipping markets fell marginally during the three-month period up to May 2014, expectations of new investment were maintained over the coming years. As shown in Figure 18, global vessel contracting is forecasted to rise slightly in 2013–2017 in offshore and service as well as bulk carrier and general cargo, being the largest segments (Business Intelligence Report 2013).

However, the acquired firm's business opportunities, for example, within the passenger segment (as shown in the Figure 18 above), looks rather promising currently in 2016 than it did in 2013–2014 relative to the offshore and service segment, which has taken severe hit due to the low oil prices. In fact, the acquired firm was very positive about their offshore business at the time of this research in 2013–2014, but the low oil prices are negatively affecting this outlook currently in 2016. To sum up, growth forecasts in the global maritime industry are still mixed and inconsistent, and the market situations are also regarded as challenging and difficult, as noted by the acquired firm. However, as a result of this acquisition case, the acquired firm has a favourable outlook for more business in these challenging times as it is well positioned to offer a complete EPC package to customers (i.e. existing, dormant and new customers). The next section provides empirical revelations about these customers in the context of the Chinese-European acquisition.

5.2 Influence of multidimensional conceptualisation in the Chinese-European M&A

The main finding of the qualitative pilot study indicated that post-acquisition actions affected the acquired firm's existing customers, new customers and dormant customers. Specifically, it showed that post-acquisition actions enabled a multidimensional conceptualisation of customer retention. This section attempts to shed more empirical light on how the multidimensionality helps expand our understanding of the acquired firm's customer retention in the Chinese-European acquisition case.

Operational definition: The multidimensionality helps provide a clear picture of the main customer dimensions, especially for the acquired firm, and thus facilitates the provision of *operational definition* for each dimension of customers for the knowledge-intensive, project-based business within the maritime industry. Based on interviews and secondary data on customer transactions from the acquired firm, three main dimensions of customers were identified and operationally defined. First, *existing customers* are the ones the acquired firm operationally defines as "actively engaged in the business relationship with the acquired company for more than five years". Second, *dormant customers* are the ones the acquired firm operationally defines as "customers with whom the acquired firm's business relationship has remained dormant for the past five years". Third, *new customers* are the ones the acquired firm operationally defines as "customers with whom the acquired firm has begun relationships or conducted business with for a period of less than five years.

These operational definitions of the various customer dimensions, according to the acquired firm, were adopted within the project-based business setting in the maritime industry and thus enabled the firm to better measure and even manage the allocation of scarce resources for their retention. The acquired firm acknowledged that the operational definitions are *context-specific*, as they are based on the firm's own customer transaction data coupled with general observations of typical customer projects within the maritime industry. In addition, the acquired firm noted that slight variations might exist with regard to the *temporal* (e.g. time/duration) characteristics of such definitions between firms within the industry.

Managing dynamic stability: Multidimensionality, additionally and perhaps most importantly, helps us understand the *unique nature/attribute of customer retention in the context of M&A as the management of dynamic stability* (i.e. simultaneous balancing act between stability and dynamics within the customer dimensions). Following empirical insights from the pilot study, it is clear that with an M&A event, customer relationships become disruptive, and their stability thus becomes dynamic with a requisite need to manage them to restore stability. Hence the presence of *stability* or *dynamics* can be attributed to the change in e.g. the relationship context caused by the M&A event. In addition, the same M&A event also has an influence on the *tenure* of the customer relationship in terms of making it *short-term* or *long-term*. Further, other critical events in the external environment (e.g. continuous fluctuation in subcontractor business projects in the maritime industry) also have an impact on the context and the tenure of the customer relationship.

As can be recalled from the pilot study, the M&A event triggered a switch/transfer of customers between the acquirer and the acquired firm. As a result, customers from either side involved in that process considered themselves *dormant* (defected or lapsed) from one side and *new* to the other side, and each of the merging firms was required to develop and/or manage these *dynamics* and in light of the *tenure* of the customer relationship (i.e. *short-term* or *long-term*) to restore stability. On one hand, the context and the tenure of the relationship changes were described as *short-term dynamics* when a customer accepted the transfer/switch and continued to engage in business exchange with the new M&A party (in this case, the acquired firm), mostly expecting the presence of all prior or improved relationship benefits.

On the other hand, the context and the tenure of the relationship changes were described as *long-term dynamics* when certain customers did not accept and/or continue to engage in business exchange with the acquired firm. Indeed, these customers who did not accept and/or continue to engage in business exchange with the acquired firm became *dormant* (defected/lapsed), and the acquired firm would require dormancy management (discussed later in the study) in the case of a recapturing/revival intention. This long-term dynamic aspect of the acquired firm’s relationship with its customers was rather elegantly described by the global marketing and sales manager of the acquired firm, even if regarded as a setback in their customer management:

> Some minor or floating customers disappeared, but I wouldn’t strictly describe them as lost customers, but just part of natural wastage. (Global Marketing and Sales Manager, Acquired Company)

Moreover, there were *existing* customers who did not undergo any change initiated by the M&A integration action between the merging parties to switch/transfer customers and thus continued business as usual (i.e. *short-term stability or long-term stability*). However, the context and the tenure of the relationship were described as *short-term stability,* as the customer was not familiar (e.g. through business exchange) with one of the merging parties and thus had concerns about the influence of the unfamiliar party on its business activity although actively engaged in an ongoing relationship with the familiar party:

> […] we see that the acquired company is going to continue the business with us […], I could not say that it is the same in the future […], but there is not really any effect. (Director, Industrial/Chemical Customers)

Conversely, the context and the tenure of the relationship were described as *long-term stability,* as the customer was familiar (e.g. through business exchange) with both merging parties and actively engaged in ongoing relationships with them:

> [...] we already worked together with the acquirer before this process […]. It was never a big business for us with them, but from time to time we shipped some containers with them. (Director, Bulk Business Customers)

Moreover, the specialised nature of business conducted by the focal firm (acquired firm) – within the investigated Chinese-European acquisition case – adds another layer of dynamics to the one created via M&A. In other words, despite the absence of direct customer switch/transfer (at the time of this research) between the acquirer and the acquired firm as part of the Chinese-European acquisition integration actions, the acquired firm's project-based business setting within the maritime industry produced similar *dynamic stability* among the various customer dimensions. Within the project-based business, determining the different aspects of managing dynamic stability rests similarly on the *context* and *tenure* of relationships. Based on the interviews, it was evident that the acquired firm described customers as existing, new or dormant on the basis of their operational definitions derived from business projects. Even so, their relationship with customers prior to the acquisition case was predominantly characterised by *short-term and long-term dynamics,* as the acquired firm mainly acted as a *subcontractor* in its project-based businesses in the maritime industry. During this period in which the acquired firm acted mainly as a subcontractor before the M&A, it was almost impossible to describe their relationships with customers in terms of *short-term or long-term stability*.

As revealed in the interviews, the acquired firm acted mainly as a *subcontractor* in its business projects before the acquisition case and thus managed customer relationships predominantly characterised by *short-term and long-term dynamics*. As can be recalled from earlier discussions, relationship changes were described as *short-term dynamics* when a customer accepted the M&A transfer/switch and/or continued to engage in business exchange with the new M&A party (in this case, the acquired firm), mostly expecting the presence of all prior or improved relationship benefits. Within the project business setting in the maritime industry prior to the acquisition, the acquired firm with an ongoing project with a customer was still required to compete with other firms to secure part of the next phase of the project with the same customer. As tasks within the maritime industry (e.g. shipbuilding sector) were known to be highly *specialised* (and the actors mostly *polarised*), each phase of a project was described as requiring unique sets of competence. Thus, the acquired firm had to compete for the next phase of the project, as is done in a new project contest (creating short-term uncertainty), despite an ongoing relationship with the same customer. In this situation, the acquired firm was said to experience *short-term dynamics* in managing its customer relationship when it secured a contract in the next phase of the project and thus continued to engage in business exchange with the customer. Conversely, the acquired firm was said to experience *long-term dynamics* when it did not secure a contract in the next phase of the project, the project ended without a new contract being signed and the customer was not able to continue its engagement in business exchange with the acquired firm for a specified period of time (i.e. the customer became dormant).

Following the acquisition, the acquired firm has begun to attain *stability* (i.e. *short-term and long-term stability*) in its customer relationships with respect to the new project business set up/model, as it has started acting as a *full independent contractor* offering complete EPC turnkey projects. With a complete package solution (from concept design to full product delivery), it was noted that the acquired firm’s stability was very promising, as after-sales and maintenance service requests were based on their specialised designs. This *stability* in customer relationships was achieved through EPC turnkey projects, which were made possible by the *acquisition* with the Chinese acquirer (and the powerful financial backing of the acquirer’s parent group).

Within the *full independent contractor* status driven by the M&A, the context and tenure of the relationship were described as *short-term stability* when the customer was not familiar (e.g. through business exchange) with one of the merging parties and thus had concerns about the influence of the unfamiliar party on its business activity although actively/previously engaged in relationship with the familiar party. This implies that, unlike the subcontractor project situation, the *full independent contractor* status of the acquired firm can facilitate new customers (usually with short-term dynamics) and dormant customers (usually with long-term dynamics) to assume *short-term stability*. For example, considering the huge financial needs of customers to undertake projects, it was revealed by dormant customers that the acquired firm as a full independent contractor was well positioned to recapture/revive dormant customers to a stable (existing customer) relationship:

> […] financing is always difficult with these […] FPSO conversion projects […]. So if you have an engineering company with that background […] who could bring in part of the financing that would definitely benefit […] could positively influence our relationship. (Customers)

In contrast, within the *full independent contractor* status driven by the M&A, the context and the tenure of the relationship were described as *long-term stability* when the customer was familiar (e.g. through business exchange) with both merging parties and actively engaged in ongoing relationships with them. This typically pertains to existing customers who continue business as usual without any major concerns. However, new and dormant customers who are described as experiencing *short-term stability* can eventually assume *long-term stability* depending on the successful management of customers' *unfamiliarity* concerns with the other merging party.

In sum, the multidimensional conceptualisation of customer retention facilitated the provision of the operational definition of each customer dimension identified in the Chinese-European acquisition case within the project-based business setting in the maritime industry. These definitions are relevant in assisting the acquired firm to undertake the measurement of customer retention and to also appropriately allocate resources in an effort to develop the customer relationships. In addition, multidimensionality helped to reveal the unique attributes of customer retention in the Chinese-European acquisition case as the *management of dynamic stability*. It identified four main aspects of dynamic stability (i.e. short-term and long-term dynamics; short-term and long-term stability) on the basis of the *context* and *tenure* of the relationships. Dynamics (i.e. short-term and long-term dynamics) are more prevalent among new and dormant customers, while stability (i.e. short-term and long-term stability) are more prevalent among existing customers. However, the acquired firm's project financing support, for example, to dormant customers is potentially relevant for reviving them to existing customer position – that is, from long-term dynamics to short-term stability – where the acquired firm acts as a full independent contractor. In addition, the recaptured dormant customers who are described as experiencing *short-term stability* can eventually assume *long-term stability* depending on the successful management of their *unfamiliarity* concerns with the other merging party.

5.3 The influence of acquisition integration on the acquired firm's customer retention

5.3.1 The integration process and customer retention

The Chinese-European cross-border acquisition took place in 2013. Just like most acquisitions, information about the deal was kept quite secret among the owners (i.e. management team), and employees were informed about the deal just one day before it was on the press. It was a *friendly* acquisition deal, as it was undertaken based on the mutual agreement of the merging parties. In addition, the deal was a *concentric M&A,* as the acquired firm comes from a business field related to that the acquirer, but its business activities are quite different and complementary to those of the acquirer.

With respect to the *extent of the integration process,* the empirical evidence of the study indicated a ***low extent of integration*** not only specific to the area of marketing and sales force integration but also other vital areas of integration known to exert a great impact on customers, such as customer information systems and operations. This low extent of integration is consistent with the preservation integration approach taken strategically to, in part, preserve the acquired firm's autonomy. The low extent of integration was rather obvious even in the way the acquired firm presented the acquirer on its website. Instead of adopting the acquirer's brand name and showing, for instance, how high both firms' extent of marketing integration following the M&A was, the acquired company simply indicated on its website and official documents that it belonged to the acquirer's group of companies and thus maintained its own brand name familiar to customers. However, some senior executives of the acquired firm were becoming a bit frustrated with the Chinese acquirer's passiveness towards the acquired firm, especially regarding the marketing integration the acquired firm was hoping for to quickly boost its customer base/market position:

> I think that on the sales and marketing we are far from being finalised with that; we do not really have yet a common good understanding of how we do market and sales. And that of course brings some risks; I mean people have different views, expressing different views on the market. They are doing harm in that aspect, no common efforts; there is not really a clear strategy yet in the group […]. (Acquired Firm Representative)

> Actually, I expect that there will be more [acquirer] persons […] present here, but […] we have only one controller on our economical side, so they have not been as much here as I thought. (Acquired Firm Representative)

Moreover, although the acquired firm took *early actions* to *communicate the benefits of the M&A events to its employees* and to also *reassure its customers* to some extent, there was a ***low overall speed of integration*** between the acquirer and the acquired firm. Nonetheless, the speed of integration was particularly visible in the acquired firm through the *early action of the procedural task* in the form of management and financial control in the *acquired firm's accounting/financial reporting systems*. As a result, a financial controller from the acquiring firm took over the responsibility of the acquired firm's financial reporting affairs. Thus, the speed of integration with the acquired firm was high, particularly regarding the financial/accounting reporting systems. However, the speed of integration in other areas such as IT systems, operations and marketing and sales force integration along which the progress of acquisition integration (in terms of impact on customers) was evaluated as low, since there was largely no early action at the time of data collection for this study.

Consistent with the low extent of integration was the *acquired firm's* ***post-M&A independence or preservation integration approach*** (i.e. high degree of organisational autonomy/independence). This independence granted to the acquired firm was instrumental in facilitating positive reactions among the acquired firm's customers. It has also provided the Chinese acquirer adequate opportunity to learn from the acquired firm and its local market, considering its geographically and culturally distant location. Further, the acquired firm also has high brand recognition among its customers, which is a reason why the act of post-M&A independence resonated positively. Although few operational changes in the accounting/finance unit – such as the deployment of a finance controller from the acquiring to the acquired firm – occurred, the acquired firm's management team and its brand name (e.g. company name) as well as operations in Europe (i.e. its home country) were largely preserved:

> The case company needs to maintain their work staff and the quality, and I think they need to maintain their name and sort of their perception of the company, as independent, European design house. It looks good; I think it's the correct way. (Customers)

> The acquisition kind of basically preserved […] but it did not have a positive or negative change to the business. Except for this so-called slight uncertainty of what does it mean in long-term for [the acquired firm]. For the sort of projects we have which I think are over year duration, we don't see that it would influence us. (Customers)

> So luckily it didn't change anything. And they should keep it like that […] should keep that organisation independent […]. We had some discussions, and I think we are comfortable now that the acquired firm is still pretty independent when it comes to foreign customers, so no big issues from that point of view. (Customers)

In fact, the customers were opposed to a re-branding of the acquired firm by the acquirer. The re-branding concerns also supported the findings of the pilot study, which emphasised the role of the acquired firm's *reputation* among customers as a key reason to not change its brand name. These additional comments from customers were revealing:

> If this owner all of a sudden wants to start changing this company, branding them with another name, reduce maybe this European activity, build up a new activity in their own name, I think the acquired firm will have a problem. (Customers)

> […] I think they are doing right, and they sort of maintain a perception that this is independent company. They have their name, it is well *reputed* and everyone within this business knows them. (Customers)

> We see the name [of the acquired firm] as a *guarantee* sort of, or at least they have the *reputation* to provide knowledgeable people. (Customers)

Notwithstanding the positive post-M&A independence and reputational expressions/sentiments, some customers also had strong expressions of reservation concerning the acquirer's respect for intellectual property rights. However, they equally acknowledged and added that the *reality* was that the market was moving to the East (i.e. China in particular) and that the acquired firm had the advantage of being already quite familiar with the East, working in China.

Contextual ambidexterity was instrumental in enhancing customer retention through the integration mechanisms of mutual consideration, socialisation and planning with the acquired firm's customers, thus demonstrating that the various existing, new and dormant customers are capable of coexisting, as can be recalled from the pilot study's findings. Similarly, in the Chinese-European acquisition case, valuable knowledge insights from existing customers were noted as important in managing and exploring new and dormant customer encounters and in analysing such relationship antecedents, as most of these customers (e.g. those known as developers) were considered by the acquired firm to be knowledge leaders. In addition, the contextual ambidexterity manifested in the acquired firm through the financial consolidation/standardisation with the acquirer thus facilitated its exploitation of customers' project financing needs while simultaneously maintaining its post-M&A independence for exploration capacity for innovation (e.g. EPC turnkey solutions for customers). As indicated above, the acquired firm's exploitation and exploration activities can be described as complementary rather than competing. Thus, these findings indicated that the existing, new and dormant customer dimensions mainly complemented each other from a multidimensional retention viewpoint despite being regarded as competing for the firm's scarce resources at the same time.

The ***Strategic complementarities*** that exist between the acquired firm and the new Chinese owner were recognised as crucial by the acquired firm for realising its growth-oriented strategic motives. This is in line with the acquired firm's motive and its *customers' perceptions* about the future growth and geographical direction of the maritime market (i.e. direction toward Asia – with China being the major player). Complementary differences between the merging parties seemed to have provided some immediate positive effects for the acquired firm in the post-M&A integration phase. Indeed, the acquirer's contract management expertise and project financing resources, which the acquired firm lacked prior to the M&A, were critical in complementing the acquired firm's concept development and engineering expertise to implement its new business model (i.e. EPC turnkey projects/solutions):

> [The acquired firm's new subsidiary][15] combines the broad know-how and deep expertise of [the acquired firm] in development and engineering of specialised ships and offshore structures together with the contract management and project financing offered by [the acquirer group] which [the acquired firm] is part of. The company incorporates innovative concepts with engineering, procurement, construction, management and project financing to enable demanding and comprehensive turnkey solutions for the clients, with comfort and reliability. (Acquired Firm Representative)

Additionally, some of the acquired firm's customers perceived that the opportunity for the acquired firm to have a complementary asset from the acquirer's group, such as a readily available and functioning shipyard in China, was important to the production of competitive turnkey solutions for customers, relative to similar production in Europe:

> The [acquirer] has shipyard as well, that is a logic thing there. So there is some kind of synergy with the merger; it is not only a private equity takeover. Yes […] so that's fine, there is a synergy. (Customers)

Moreover, shipyards are one of the main customer groups for the acquired firm, and the acquisition event meant the instant gain of a major new customer. Therefore, having a shipyard that is readily functioning and belongs

[15] The actual name of the subsidiary has been changed to maintain anonymity.

to the same Chinese acquirer's group provides a great opportunity, as it facilitates the acquired firm in providing engineering services or EPC turnkey solutions to other customers, such as ship owners and offshore operators who decide to use this shipyard. The acquired firm acknowledged that some of their customers were already using and familiar with Chinese shipyards for their projects, and therefore the acquired firm was not only positioned to provide cost benefits to these customers but also recognised the availability of a shipyard belonging to the new owner's group as instrumental in reaching more customers and securing more projects via the shipyard's customer network. Furthermore, the nature of the business within the maritime industry requires a huge financial investment – usually within the range of 80–90% of the total cost of the customer's project – from the shipyard that secures, for example, a new ship building project. The shipyards are usually paid after successful completion of the project. This implies that, with strong financial backing from the Chinese acquirer's group, the acquired firm is well positioned to benefit, as the shipyard is financially fuelled to complete projects on time without being cash-strapped.

Nonetheless, the acquired firm had experienced initial difficulties in realising the full benefits of these strategic complementarities, especially from the shipyard side, at the time of this study. One key causal explanation for these initial difficulties was the lack of marketing integration between the merging parties at the time. In addition, the Chinese acquirer's approach to managing M&A was a causal explanation for the initial challenges in fully harnessing the sources of strategic complementarity, as the post-M&A independence/autonomy of the acquired firm seemed to be misunderstood as "deep passiveness" by the acquirer.

The case study also showed that there was the *formation of a new subsidiary* –an independent limited company under the acquired firm. This partly changed the acquired firm's existing organisational structure in that one of its existing directors was appointed as the managing director. Indeed, this was done in consistency with the acquired firm's own strategic motive to cater to customers through its new/emerging business model/service offering (i.e. EPC turnkey project/solutions), having secured funds from the Chinese acquirer. The quotes from the managing director of the newly established subsidiary of the acquired firm are illustrative of their focus:

> As an independent main contractor, we are not bound to offer solutions based on what we are manufacturing or where we are located. All projects are based on the customer's needs, best technology, partners and practices, optimal project execution strategy and cost efficient construction anywhere in the world. (Acquired Firm Representative)

> We are creating a globally unique EPC main contractor business model within the maritime industry, which means that we need to recruit new experts and talents to strengthen our organisation fit for international turnkey projects. (Acquired Firm Representative)

Although the formation of a new subsidiary was implemented following the M&A and was thus considered part of the M&A process, *it did not result from structural integration*. In fact, as noted in the case findings, the structural integration with the acquirer was very minimal. This therefore helped preserve the acquired firm's autonomy to foster their organising or exploration capacity for innovation (e.g. EPC turnkey solutions) so as to enhance customer retention.

In conclusion, it can be said that the way the M&A process interacts with the acquired firm's customers is essential for customer retention. Since the transition period is fraught with high uncertainty, especially for almost all levels of employees in the acquired firm, effective communication and early action (speed) to win the loyalty of employees is required (cf. Reichheld 1996) so that they are not distracted by the current event and become more internally focused instead of focusing on customers and handling any concerns they might have concerning business exchanges as well as the M&A event. Additionally, ensuring positive *customer perceptions* during the M&A process by providing clear information concerning the benefits of the process is crucial for customer retention. Moreover, during an M&A transition, there is the likelihood of an increase in customer dormancy, as customers may resort to the "wait and see" mode. One potential way to reduce the negative effect of this is to track *customers' response time* to determine how the M&A transition has impacted business operations and thus help to control customer dormancy (cf. Very & Gates 2007).

5.3.2 Integration effects/challenges and customer retention

As noted earlier, the level of integration between the merging parties remained low, and the acquired firm also underwent changes following the acquisition. However, some of the expected demand-side gains to be derived from marketing integration, for example, encountered challenges. Some of the notable integration challenges encountered relate to *cultural differences*, *communication challenges*, *key employees' departure or perceived departure* and *competitive overlap with customers*. These integration challenges are discussed in line with the acquired firm's customer retention. The main cultural difference based on the interviews was clearly differences in *risk communication efforts*. It was clear from the interviews that both the acquired firm and the acquirer's shipyard failed to effectively communicate and decide on the efforts to address the risks the intended joint project involved, especially at a time when the market was depressed (i.e. ship building market). The quotation below illustrates the cultural difference regarding risk communication efforts:

> […] we could have brought major, major business to the [acquirer group's] shipyard within this summer. They were not willing and able to take […] certain risks. […] of course, there must be understanding that when the market is very depressed at the moment, your cost-level might be higher than the price you are getting for the product. But when you have a longer series in front of you […] then of course you have a possibility to improve your efficiency by learning, by improving your processing skills. […] they were unable to take those contracts […] they lost the customer. And that big contract was now signed with another yard, actually today. […] nine ships each worth US$25 million […] totally US$225 million, lost money. (Acquired Firm Representative)

The second main challenge relates to communication. The *communication challenge* comprised *knowledge or information sharing* – that is, receiving and giving information internally and to customers. Employees, especially project managers in frequent contact with customers, complained about tighter control on the flow of information or about inadequacy in communication within the acquired firm post-M&A. This poses a problem, as employees are not adequately prepared to provide relevant and perhaps convincing information concerning the acquisition to address customers' concerns and reassure them. Indeed, this communication challenge within the acquired firm is a reflection of the endemic level of secrecy that most M&A events are known for. The interview quotations below illustrate the communication challenge:

> Previously, let's say, the information policy was a little bit […] more open inside [the acquired firm], and nowadays it is a little bit difficult to our management to keep such information hours […] we had previously. So it's because of this marriage. So they have more strict rules what they can inform and what they can't inform […]. So now communication or information flow is somehow closed inside and little bit different than before. For example, […] if there is a new customer or a new contract which is not signed yet, then it's, let's say our management […] or sales persons […] can't share the information anymore with us. Of course, it would be better for all employees if we get little bit more information. (Acquired Firm Representative)

> Even concerning this new marriage, actually, I got phone call from my boss […] just a day before it was on the press. So […] our management has done it, let's say, pretty secret way. The information […] was only between the owners. (Acquired Firm Representative)

In addition, the managers noted that Chinese customers have concerns about communication with them (also related to *language* challenges) and would much prefer more *face-to-face* communication, although cost would be a limiting factor. Further, the project managers noted that they lacked clear pre- and post- M&A communication strategies with respect to whom the main contact should be at the customers' end, as this was not made explicit and included in the project manuals:

> I think some of the customers […] are saying that we are not, let's say […], enough capable to communicate with them. And to improve upon that, one option is to have more face-to- face meetings, but that's difficult, because it costs money and time. […] more discussions with customers and more cooperation of course, but this is something that should be described on our project manuals, and what we should do and some guidelines for that. (Acquired Firm Representative)

Furthermore, the acquired firm claimed to have taken early actions to communicate to their customers about the M&A, but the interviews with customers did suggest that there was still a lack of clarity/inadequacy in communication among some customers concerning the rationale for the M&A. The interview quote below illustrates this communication challenge:

> […] would be good of course to have a clear statement from [the acquired firm] on what the acquisition means. As of yet, what I've heard is that it is business as usual, but a clear statement would clear a bit of *uncertainty* on why the [acquirer] did this, […]. I think when we look at mergers and acquisitions from our side […] we need that synergy thing […]. If there is no synergy, then the acquisition is not paying off. So what's the synergy […], we don't know. (Customers)

Key employees' departure or perceived departure was the third main challenge noted from the customer interviews. The customers emphasised the acquired firm's people/employees (i.e. their knowledge, experience, attitude and way of working) as one of the things they value most about the acquired firm. This attitude (e.g. flexibility and timeliness) and culture of working was highlighted by customers as crucial and also making it logical for them to work with the acquired firm, especially when they have a lot of projects running in parallel. This, according to the customers, was based on their view of the acquired firm's resource capability and strictness on project schedule. The quote below is illustrative of the customers' perception about the people/employees of the acquired firm:

> I mean, I am looking at [the acquired firm] as a group of knowledgeable people who we have successfully worked with. So it's all about the people. Same with us, if you take away the people, there's no company. This is an attitude and a culture that is within the people. And I think as long as you don't drastically change the management, it is still with the people, and they will not change much. They are eager to come up with solutions, so they want to deliver solutions instead of

> problems. I mean some companies, you only have problems but [with the acquired firm] they think, and they are proactive. They are proactive in finding the best solution for our clients for us. I have had quite a few very successful projects with them. (Customers)

However, there were mixed sentiments among the customers concerning key employees' departure – or at least perceived departure. Thus, some sort of customer reassurance was needed through enhanced performance to show that key employees were not leaving and also to rebuff some of the "wait and see" tendency among certain customers following the M&A event concerning employees' departure. Below are further interview quotations from customers on the issue of key employees' departure:

> I have noticed that some of the people that we deal with have moved onwards to other companies, which sometimes happen after acquisitions. I mean if there is an acquisition, there is sometimes shortly thereafter […] rearrangement of the office, or if there are synergies to take out, then some people have to quit […]. And I have noticed now that a few people have quit there. Whether that is a result of the acquisition that I do not know. (Customers)

Other customers who did not have tangible evidence of key employees' departure also expressed the following sentiments concerning the acquisition's effect on the issue of employees' departure:

> We were expecting more [...]. And everyone going into project has perceptions and expectations. But we have a feeling […] that there had been some sort of *brain drain here*, got a feeling that there have been people leaving the company, quite recently. (Customers)

> […] is a very volatile thing, because if a couple of guys walk out of these doors, you are not really a provider of that service to that level anymore. (Customers)

> […] we have not worked with them after the acquisition. So, I'm very open and looking forward to new projects with them to see how they are operating and how they work now. (Customers)

Competitive overlap with customers was the fourth and last main challenge noted based on the interviews. Prior empirical studies found that acquisitions often increase the competitive overlap across customers (see Öberg 2014; Rogan & Sorenson 2014). Further, Rogan (2014) found that customers recognised these overlaps as conflicts of interest and tried to avoid them. In contrast to earlier findings, and in expanding our understanding, the empirical results of the acquisition case investigated herein showed an increase (possibility of) overlap across a key customer's business and that of the acquired firm. In other words, the key customer of the acquired firm commented about a possible overlap in their business operations with the service provider (i.e. acquired firm) following the M&A:

> […] they would start developing their own products and their own designs that are *overlapping* our designs, it will affect our relationship. But our past experience has been very positive in that perspective. So we have always had good cooperation, and if they come across something that they see is in our line of business, they hand it over to us. And if we come across something in their line of business, we do the same. We help each other, and we try to stay out of each other's business, […] if the acquired firm would start developing their own concepts and their own heavy lift-crane vessels or drill ships, […] that would negatively affect our relationship. (Customers)

This (new) empirical finding extends the current understanding in the M&A literature that acquisitions may possibly not only increase competitive overlap across customers but can also create overlaps between the acquired firm and its customers. This outcome is likely to generate mistrust between the acquired firm and its affected customers in question and subsequently lead to the abandonment of the acquired firm.

5.4 The influence of external and internal factors of M&A on the acquired firm's customer retention

5.4.1 Network dynamics as an influence on customer retention

The network literature argues strongly that actor bonds, resource ties and activity links are relevant to the development of business network relations (see Havila & Salmi 2000). However, events can also create change in such network relations, and hence understanding the dynamics of the network requires the consideration of critical events. Acquisitions are regarded as one of these critical events, which can lead to either the disruption or establishment of a firm's relationships with actors such as customers in the external environment (cf. Degbey & Pelto 2015; Havila & Salmi 2000). To obtain a deeper understanding of network dynamics' influence on the retention of the acquired firm's customers, *network embeddedness and network position and change* were analysed.

Network embeddedness: The interviews indicated that the acquired firm was *embedded*, for example, *technologically, socially, temporally and market*-wise, among others, with customers, the acquirer and other partners. Some of these types of embeddedness were deemed important in analysing the case although different types of embeddedness were difficult to separate from each other in the empirical case. Actors, such as shipping companies or ship owners, maintained systems at the corporate or societal levels different from those of the suppliers/service providers, such as engineering firms. Changes that occurred in the shipping companies' or ship owners' technological systems also required modifications/changes in their service providers' systems. For example, the interviews revealed that current and forthcoming stricter global environmental regulations (e.g. sulphur and carbon emission levels) within the maritime industry have created more technological embeddedness for the acquired firm – not only from customers such as ship owners, who need to retrofit existing ships with new technologies, but also from offshore customers and the acquirer, who require powerful engineering/technical knowledge to support related activities. This quote from the acquired firm's offshore engineering customer was illustrative:

> As regulations somehow get tighter and tighter, this also may create opportunities for highly skilled engineering firms, since advanced technologies may be required. I think generally there is a future in that context that is the only way that we survive, because we are expensive. [...] we have to do new things. We cannot do the commodity end of business. (Customers)

To deliver complete turnkey solutions to customers based on its new EPC project business, the acquired firm has extended its market embeddedness to both domestic and international equipment suppliers and building yards in its procurement and construction functions, respectively. Further, the acquired firm's present network with the Chinese acquirer and the Chinese acquirer's parent group as well as the general present and past developments in the European economy (e.g. debt crisis) and maritime industry (e.g. changes in the acquired firm's home country shipbuilding market) underscored its temporal embeddedness.

Furthermore, the informal personal contacts and interpersonal relationships with customers and dependence on other partners were found to have contributed to the acquired firm's relational/social embeddedness. A few interview quotations are provided below to illustrate some of the abovementioned types of network embeddedness influencing the acquired firm's customer retention in the maritime industry:

> When we started with the Oasis development [Oasis of the Sea with Royal Caribbean], I made the first contract at a summer cottage of one of the guys, and that was 1500 hours. At the end, like I said we made 57000 man-hours, […] as we managed to solve several problems which we were unable to do ourselves, we had to take some partners. With those partners we were able to solve those problems and of course we became quite famous. (Acquired Firm Representative)

> Some of the customers are […] coming pretty close, because the project can last two or three years, and sometimes you have to share

> pretty much time with those customers, and they have become like a friend. (Acquired Firm Representative)

> Korean market is totally closed for us. Korean shipyards do not buy third party designs. However, we are going there […] on behalf of shipping companies or on behalf of the offshore construction companies […], they are forcing the Korean yard to accept our design. (Acquired Firm Representative)

It was revealed in the interviews that the presence of the M&A event seemed to have created some disruptions with some of these embedded networks of partner and customer relationships:

> When you […] have an acquirer operating already on the same business field, it always brings some restrictions, limitations on the operation [...]. Not on only our own approach but also concerning our partners, concerning our cooperation with other companies in the field and also our clientele. (Acquired Firm Representative)

Network position and change: To further understand how the dynamics of the acquired firm's network influenced its customers, the network position and change were also analysed. The interviews showed that network dynamics orchestrated by the critical event (i.e. M&A) altered the acquired firm's network positions from not only a structural point of view but also in terms of content within the maritime industry. Indeed, the network positions were described in terms of the acquired firm's intensity within the relationships or the number of relationships (cf. Anderson et al. 2000). The acquired firm's intensity within the relationships was similarly described as its location of power to create and/or influence its partner and customer networks for enhanced customer retention (cf. Thorelli 1986). In addition, network positions were also described in terms of the acquired firm's roles for other actors it was related to, directly and indirectly (cf. Mattsson 1985). Network positions and network change were analysed together as closely related concepts, because networks are dynamic, and their positions change constantly (cf. Abrahamsen et al. 2012). And generally a change in the position of the acquired firm was more or less a change in the position of other actors in the network both directly and indirectly.

For example, network position and change were demonstrated through the acquired firm's changed role or reduced reliance on the role of a subcontractor executing mainly engineering tasks to become an independent main contractor. This change in network position also indicated the acquired firm's influence on the customers' activity and resource utilisation in the implementation of business projects:

> Our EPC delivery integrates a complete package of goods and services, which makes the project easier for the owners to manage. As

> an independent main contractor, we always utilise the best-suited technology, building method and docking location for each project. This enables us to provide our customers with premium solutions and minimal downtime for their business. (Acquired Firm Representative, EPC Project 2015)

> The project was handled as a turnkey project, and I am especially pleased with the short installation time, which enabled us to keep our promise to our customer. (Customer, EPC Project 2015)

Further, as can be recalled from the pilot study, the acquisition event between the German and the British firms triggered network dynamics in the acquired firm and its customer relationships in terms of network position and network change. A past customer of the acquired firm illustrated this dynamic:

> We stopped working with the acquired company […], because all the activities from our side switched to acquirer, so our main contact now is acquirer. (Director, Bulk Business Customer).

Furthermore, the influence of network dynamics was illustrated by schematic representations of the pre- and post-acquisition network environments of the acquirer and the acquired firm (see Figure 19 and Figure 20). During the pre-M&A periods, the acquired firm’s main business concentrated on concept development and engineering projects in the marine and offshore sectors, including all vessel types and offshore structures like floating production, storage and offloading systems (FPSOs); floating storage and offloading systems (FSOs); pipelay vessels; drillships and semisubmersibles. Also, its customers included offshore, shipping, shipbuilding and the naval and marine industries worldwide. Figure 19 below shows a simplified schematic representation of the acquirer and the acquired firm pre-M&A network environments.

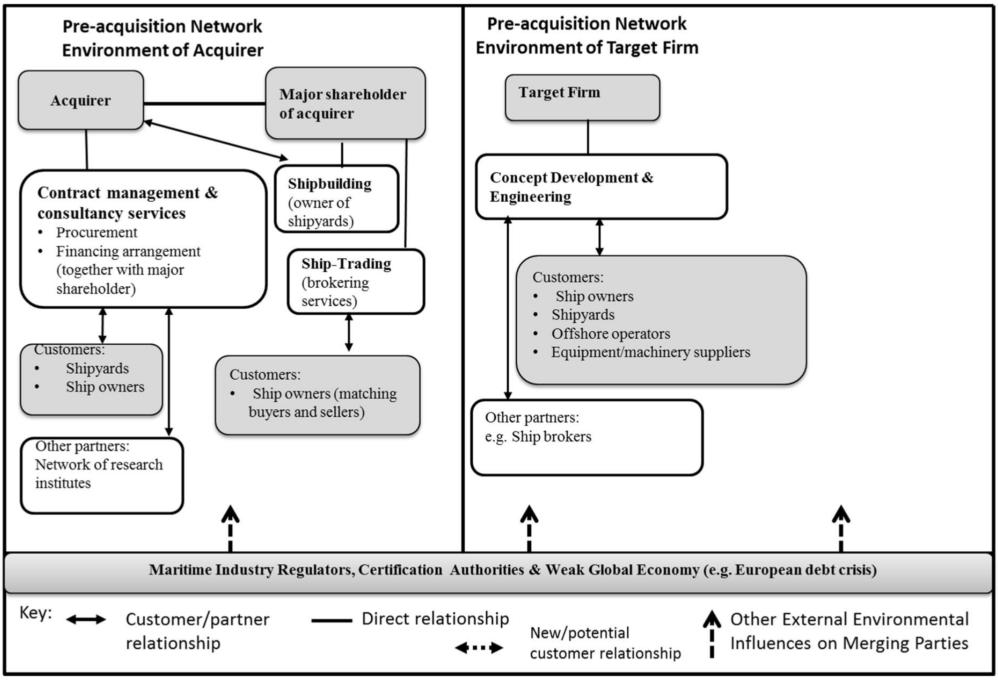

Figure 19 Schematic representations of acquirer and acquired firm pre-acquisition network environments

Following the M&A, however, the acquired firm was suitably positioned (a benefit/outcome of the acquisition) to additionally offer globally unique EPC solutions, such as turnkey project to customers. This was made possible in combination with the acquirer’s contract management, project financing and other resources available. The acquired firm as of 2014 employed more than 300 employees in its group, together with associated companies totalling about 350 employees.

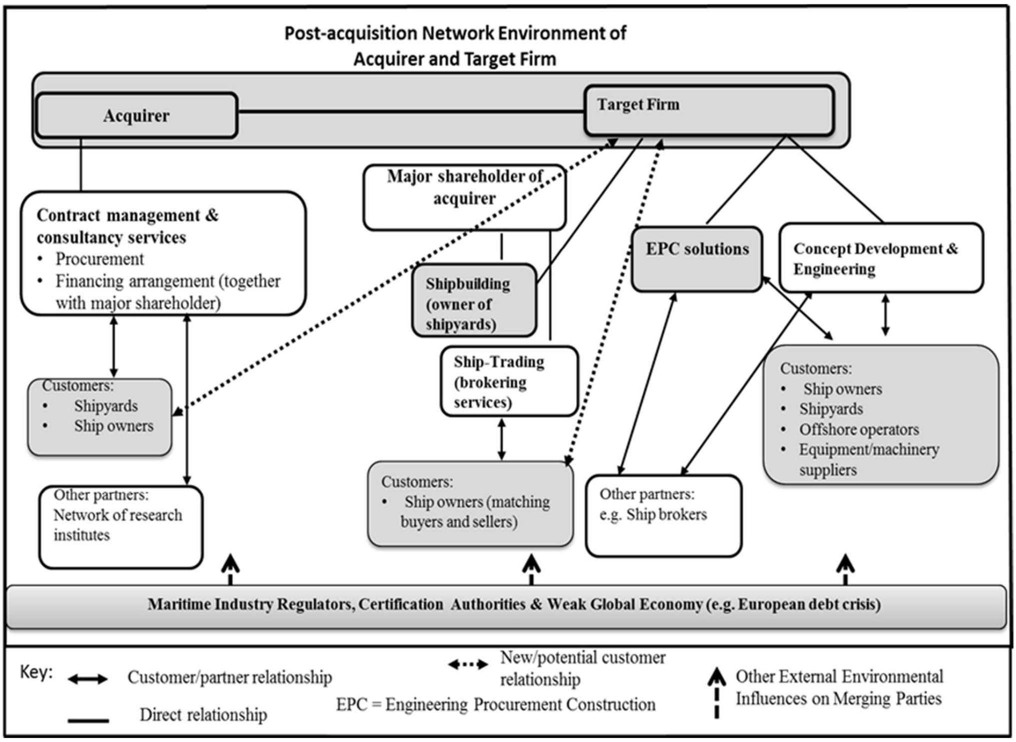

Figure 20 A schematic representation of acquirer and acquired firm post-acquisition network environment

During the post-acquisition integration, minimal joint integration changes occurred in the acquired firm. The main joint integration change was the standardisation of the financial/accounting reporting system with the arrival of a new financial controller from the acquirer to the acquired firm. Apart from that, most of the changes were largely internal and in line with the acquired firm's strategic motive. These changes concerned actors (e.g. new managers were hired for the company, and a new organisation structure was created in the form of a wholly owned subsidiary formation as part of the acquired firm), activities (e.g. new types of products were introduced) and the resources of the acquired company (e.g. the acquirer brought in much-needed financial resources and contract management expertise with which complete EPC turnkey projects were made possible). As noted in the last sentence, the network dynamics of the acquired firm were described in terms of the actors, activities and resources. In other words, network embeddedness, network position and network change essentially concerned actors, activities and resources.

As can be observed from Figure 19, the acquired firm was less embedded in many dimensions (horizontal and vertical) and in many activities. However, this changed (as can be seen in Figure 20) in the post-acquisition network environment, where the acquired firm was more embedded with actors (and related activities and resources), being essentially customers in the new environment. Similarly, its network position had changed (as can be observed from Figure 19 and Figure 20) in the form of a structural increase in the number of current and potentially new relationships. This positional change had implications on the firm's capabilities, as it assumed more roles than before in the network with respect to the other actors it was related to, both directly and indirectly. These schematic representations clearly demonstrate how the M&A event influenced the acquired firm's network embeddedness, network position and network change, particularly with respect to customers and their retention.

5.4.2 Network management as an influence on customer retention

The prior literature on networks suggested that the boundaries of business networks cannot be precisely defined, thus restraining the ability to manage them (see Håkansson & Snehota 1989). In addition, the possibility of network management has also been questioned, as it has been argued in the business network literature that networks are dynamic or constantly changing, thus potentially limiting their manageability (see Möller 2013). Therefore, a focal actor (i.e. the acquired firm) needs to enhance its network stability by establishing and managing a deliberately designed *key network*[16] of strategic or operational relevance to both exploit existing needs as well as explore new opportunities.

Key network management: In this study, the concept of key network management was employed in analysing the post-acquisition impact on the acquired firm's customers in the Chinese-European acquisition case. The acquired firm's key network constituted a set of actors mobilised by the acquired firm to exploit its subcontracting engineering projects and also to explore the opportunities of independent full contractor projects (e.g. EPC turnkey projects following the M&A). For example, with respect to the EPC turnkey project opportunity, the empirical data indicated that the M&A event was a strong trigger that facilitated the mobilisation of key networks to realise the new opportunity. Indeed, the acquired firm mobilised an *engineering* key network to pursue the new project business opportunity (i.e. EPC turnkey project). To successfully complete EPC turnkey projects, the acquired firm also established and managed *procurement* and *construction* key networks. In addition, the implementation of EPC turnkey projects was made possible with

[16] According to Ojasalo (2004, 197), a key network refers to "a set of actors mobilised by the focal firm to realise an opportunity".

the financial support of the acquirer (e.g. the acquirer formed part of the *project financing* key network). The empirical data further revealed that the acquired firm had successfully managed and enhanced value through the delivery of the first exhaust gas cleaning system, "Eco scrubber", on an EPC turnkey basis, as envisioned by the acquired firm's strategic M&A motive for EPC turnkey projects:

> The […] scrubber was a choice when looking for a sustainable solution for the future. It has lived up to our expectations: minimum sludge handling, very clean outgoing water and in that respect minimum impact on the environment. (Customer, EPC project 2015)

The following interview quotes further illustrate some of the key network management issues related to how the acquired firm tapped into key networks to address customer needs to retain them:

> […] you just have to start to meet the people, develop your own network. You have to have a very wide network. And with these wide networks, […] we managed to solve several problems that we were unable to do ourselves; we had to take some partners. With those partners we were able to solve those problems […]. Unfortunately, that is something […] not that well understood always […]. And then at the same time we also have to […] solve the problems of the customer […] I mean not relating to our project, but what other problems he might have. And that you can do by your own offering, but you can also do that through partners. (Acquired Firm Representative)

In addition, customers of the acquired firm considered the acquirer as a key network for the acquired firm and themselves in realising opportunities:

> I think it can be positive to have a strong party behind [the acquired firm] with the link to the Chinese market. I think from revenue and a client point of view it can bring them a lot. But also from our point […], when we will be working with them on the next project, knowing the Chinese market being in there, being owned by Chinese party could also be an advantage, with better knowledge about that market, better knowledge about shipyards etc. (Customers)

The acquired firm (as the focal actor) decides which actors are inside the key network. The key network can be conceived as a defined set of access points to a larger unrestricted/unlimited network, and thus value creation is mobilised and received via the key network, as demonstrated in the acquired firm's approach to solving customers' problems (cf. Ojasalo 2004). It was also clear that the acquired firm could not have handled customers' problems successfully without the respective capabilities of the key network to contribute to each other's goals:

> Since 2004, we more focus on network based resources instead of growing own personnel aggressively. (Acquired Firm Representative)

Indeed, the provision of relevant capabilities by both the acquired firm and members of the key network – as noted in the acquired firm's handling of customers' problems – is central to the approach of key network management. An illustrative example of the four key networks of the acquired firm with respect to its EPC turnkey projects following the acquisition case is presented below.

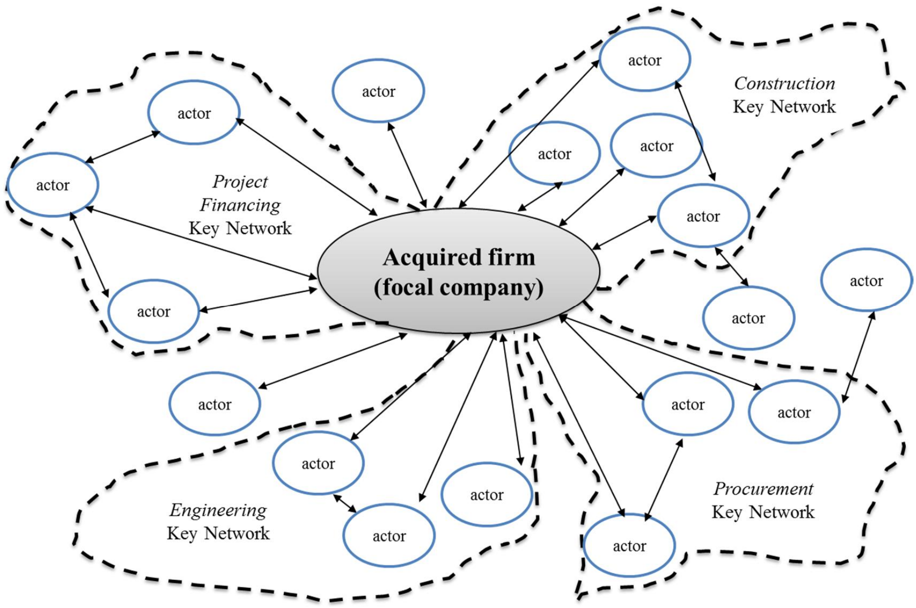

Figure 21 An illustrative example of the four key networks of the acquired firm

The key networks of the acquired firm as illustrated above (see Figure 21) comprise an engineering key network, a procurement key network, a construction key network and a project financing key network (e.g. acquirer as a major actor) following the M&A event. This example indicates the set of actors the acquired firm mobilised to accomplish its strategic rationale of EPC turnkey projects and, as a consequence, enhanced its customer retention. Indeed, the acquired firm was required to establish key networks or intensify already existing ones and manage them (see Figure 21), as its project business model had expanded from a predominantly subcontractor basis to an independent full contractor status. Moreover, it is important to note within the context of the M&A event that some *antecedent variables* were empirically identified in this study as influencing the key network management of the acquired firm. These variables are discussed below.

Competence of the acquired firm: What customers (e.g. they constitute the major part of the key networks) consider critical before and after the acquisition to their own firm's performance and to maintaining an effective relationship with [the acquired firm] is that of competence, which is made up of *technical* (i.e. technical knowledge and expertise) and *interpersonal* (e.g. communication KSAs[17], collaborative problem solving KSAs and conflict resolution KSAs – see Stevens & Campion 1994) competence. The acquired firm's continuous investments in R&D and the development of its human asset specificity – that is, knowledge, skills and abilities (cf. Lado & Wilson 1994), are vital bases for its enhanced competence. Customers commented that the choice of service providers is generally based on the competence required for the task rather than on a competitive bid basis:

> […] when new work comes up what's the workload, and what's the general situation, we then decide who we use. Generally, not on a competitive bid situation, rather on what type of task it is and who we could be using based on their knowledge and expertise. So we go more for who we think is the best fit for the project than strictly competitiveness. (Customers)

With the emerging stricter environmental regulations, customers are upbeat that the acquired firm's competence will help develop new and innovative green concepts and designs which will facilitate their value creation. That is, competency should reflect/result in products that can help deliver environmental advantage:

> I value their knowledge about special regulations and the understanding about what we do as a company with the ship. (Customers)

> We need them to be very competent and develop their own processes and give us the level of service that we are looking for […]. (Customers)

> Because of their direct involvement with the ship building industry or hands-on experience, that is a factor that whenever I want to build a ship it's nice to be with [the acquired firm]. (Customers)

> […] because one of our company's strengths is now to deliver an environmental advantage to our clients, when we contract with a firm such as [the acquired firm] we are looking to design the optimal vessel, and of course fuel consumption is a huge advantage where [the acquired firm] can provide their *expertise and competence* that allows us to increase the speed or decrease the fuel consumption for our vessels [..]. And I'm looking to tap into [the acquired firm's] experience and competency to develop the most efficient energetic vessels

[17] knowledge, skills and abilities

> but also those that incorporate the best ergonomics for the crews. […] because of the business […] we actually hang on-to our assets until the end of their useful life, so what we build today we tend to keep for at least 30 years' minimum. And so it's working investment upfront to go with an engineering firm such as [the acquired firm], where we believe that we have that advantage and the *competency* that they bring to the table. (Customers)

Further, customers also commented on the interpersonal competence of the acquired firm, which is tied to the conduct/behaviour of its people and thus regarded by customers as important factor in maintaining an effective relationship with the acquired firm. Specifically, customers made reference to the acquired firm's interpersonal knowledge, skills and abilities to engage in informal visits and small talk and recognizing their importance to the relationship.

> If they are travelling in Holland, they will always come by for a cup of coffee or tea, meeting each other at business events, so they have various ways of keeping in contact. It's a very informal way, I would say. They don't have all the formal business events they are organising, but it's more like once they see the opportunity they take the opportunity to come by. So that's good. (Customers)

> […] the most important part that we are confident with the project management. We know they have very dedicated people in all disciplines. The personal aspect is of course very important, that we are able to have an open, frank dialogue with people. […] like any other business, if you don't get along on the personal side, you don't get along on the business side. (Customers)

In addition, the interviews with representatives of the acquired firm also revealed the use of interpersonal competence between the case company and its customers to maintain effective relationships:

> Yes, I have had some phone calls to customers when the project is ended; let's say about one or two years […] after the project is ended. And discuss all kind of things. […] about what is going on, how is your family, this kind of normal things. Because, let's say some of the customers are, they are coming pretty close because the project can last two or three years and […] you have to share pretty much time with those customers, and they are becoming like a friend. (Acquired Firm Representative)

Acquisition experience: Concerning firms' experience with regard to M&A, it is usually claimed that the more the number of earlier acquisition deals executed, the more superior deal-making skill is attained (Degbey 2015). However, the research findings are incomplete and often inconsistent regarding the adequacy of such experience in enhancing acquisition performance

(Haleblian & Finkelstein 1999; Hayward 2002). In this study, the empirical data showed that the acquirer lacked specialised experience, as initial post-acquisition actions appeared to have exerted a negative influence on the retention of acquired firm's customers. The interview quote below is illustrative of this situation:

> […] on the sales and marketing side I would say that, personally I'm of course very much disappointed with the *experience* of the "acquirer group" […] much less than I expected. Still […] they want to protect everywhere which is a bit restricting at the moment. […] these people are coming from big company and they have high pride and so on. It's not that easy […] but I would say that we have lost a few business cases because of their unexperienced way of working. (Acquired Firm Representative)

In addition, the acquired firm's lack of prior acquisition experience also contributed to the difficulty of managing a key network from the acquirer's group. Specifically, the acquired firm had initial difficulties in working with the acquirer's shipyards (i.e. new key networks for the acquired firm). This situation could derail possible future cooperation and consequently prevent both merging firms from successfully tapping into the various relevant key networks (e.g. customer and partner networks) for enhanced value. For example, at the time of this study, the acquired firm was working with shipyards other than those within the acquirer group, and the acquirer's shipyards were selling products other than those of the acquired firm.

> [The acquirer] has their own ship brokering houses in Beijing, Shanghai, Xiamen and also their own network. And we should better integrate with those people, and they should better understand how we work and what we could bring to the group. It is something that is still far from being understood. It is sad to see that we are working with five major ship builders in China, and none of them is owned by [the acquirer], and we have had the biggest difficulties getting new ship building contracts to the [acquirer] shipyard. That is not a good thing …that is not a good starting point. So, it is easier to work with other shipyards rather than the shipyards belonging to the same group. That is not how it should be… that's the biggest hurdle. (Acquired Firm Representative)

This implies that there are mutual gains to be had for both the acquired firm (e.g. in terms of gaining new customers and selling more) and the acquirer's shipyards (e.g. also gaining more shipbuilding contracts via the acquired firm) if the key network can be managed.

Competitors' response: M&A events can be regarded as one of the main visible competitive actions by firms, and its scholars argue that "the best time to attack your competitor is when he is in the middle of a complex merger process. This is when his customers are neglected, his key employees are likely to leave, his key suppliers experience most uncertainty, and this is the time when he is least likely to be able to muster a coordinated response to any form of attack" (Meyer 2008, 211). In this study, the empirical data showed that the M&A event had attracted some response from the acquired firm's competitors – though to a limited extent – as indicated by a customer (a key network) who was being persuaded by a competitor. However, the limited impact of competitors' response was largely due to the nature of business (fluctuation), which called for some customers to maintain good ties with multiple service providers.

> We do talk to different companies that offer similar services as [the acquired firm]. We did talk to a company in Sweden that was aware of the [M&A] and … stated that yes, you should be concerned about what this [M&A] means to [the acquired firm]. And then this Swedish company was later purchased by another Chinese company. […] because our work load is so *fluctuating*, we try to keep, staying in good terms with a number of service providers, so depending on when new work comes up what's the workload and what's the general situation, we then decide who we use, generally not on a competitive bid situation. (Customers)

As observed in the key network illustrative example in Figure 21, some actors (e.g. competitors) outside the acquired firm's key network also operate with other actors inside the key network – an indication that some customers prefer to maintain multiple service providers in an effort to spread their own risks.

Environmental dynamism: Environmental dynamism describes the unpredictability of environmental change (Bendapudi & Berry 1997; Dess & Beard 1984). With respect to the project-based business in the maritime environment, where the M&A case took place, the acquired firm was able to positively influence its key network by positioning itself as a valuable knowledge resource that reminded customers of the rapid changes underway and thus enhanced customers' dependence. The findings of this case study revealed *changes in environmental regulation/legislation and a shifting demand landscape* as two main examples of environmental uncertainty: First, regarding changes in environmental regulations/legislations, customers offered these comments:

> So [the acquired firm] needs to be in fully up to date and up to speed onto what the environmental regulation's impact are onto the operators and onto the ships. […] they can ask us what we are worried about, so that they could proactively investigate design solutions. So their role is to engineer in and to develop actually competency and skills sets in understanding design impacts of installing equipment and

> changes to operational procedures as a result of changes to environmental regulations. (Customers)
>
> What we see […] not only technical but also from a legislation point of view you see more and more focus on environment. So that could affect our business, and […] we see also a trend to go to deeper water, and more heavy oil and sour oil. So it's more difficult […]. We see in the UK that the legislation towards the environment is becoming more stringent, so we have to design our systems to be even more environmentally friendly. So [the acquired firm] could help […] of course, and maybe they already gained some experience. (Customers)

Second, both customers and the acquired firm's representatives commented on the ongoing environmental dynamism in terms of shifting demand landscape or competition within the maritime (shipbuilding and offshore) industry:

> […] competition is really tough. And of course since […] the manufacturing has broadly moved to Asia, there are not too many shipyards anymore in Europe, or at least there is no more any real focus area regarding manufacturing, so […] the design work we mostly do today, one way or the other they end up in Asian market, to be built cost-efficiently. So, more […] ship building it's now concentrating in China and Vietnam and later on, in India. So this is going more Asia […]. (Acquired Firm Representative)
>
> In some aspect [environmental changes] will shift the industry, or does to a large extent, I think […] primarily generating new business. And I think that is actually one of the driving forces. It's not necessarily so that it's […] motivated by very noble thoughts of saving the environment here, but for some of these companies in Europe and the US, it provides a new business opportunity when someone else has taken the business from them. (Customers)

As is already evident, the acquired firm has started making gains from these environmental dynamisms. For example, its products and services successfully delivered to customers in the beginning of 2015 were already ahead of the strict *environmental regulations* that are yet to come into force by 2020 and had attracted a new customer following the acquisition:

> The first […] bulk carrier vessel, […], was successfully delivered to the German ship owner […] in January 2015. The [acquired company] design has also attracted yet another customer […] in Greece ordered four […] handy size bulk carriers at Qingshan Shipyard. (Acquired Firm, Delivery and New Order News)

The above findings are consistent with suggestions in the literature that service providers operating in dynamic environments are favourably positioned to remind customers of the rapid and ongoing changes and their specific role (e.g. tracking and offering timely solutions) in helping them cope with the changes (see Bendapudi & Berry 1997).

Marketing mix: Customers raised the issue of the acquired firm charging higher prices relative to its competitors. It was clear through the interviews that some customers had been involved in many business operations with other service providers rather than the acquired firm due to the expensive nature of its product or service offerings.

> […] if this acquisition allowed for reduction in engineering cost, we would be able to do more projects, at least complete more designs. […] for example, to present designs that support concept that we present to our customers for the development of new business. So […] if the engineering costs were less, we could probably offer more design solutions to our customers. […] it is an investment right now that is born on our shoulders to invest in our R&D to develop a potential customer. And if that engineering cost was less, we could probably do more of it, so if the acquisition on [the acquired firm's] side allowed for an optimisation of engineering cost, whereas perhaps some of the competency and expertise developed in the acquired firm were linked with some of the drafting power in the design firm in China, we would be able to utilise them more. (Customers)

> But still there is a lot of competition in Asia, for instance. […] is really a lot cheaper than what we are doing so we have […] to differentiate, but also our cost level has to be reasonable. And in order to do that we need to pick subcontractors that have reasonable cost level as well. (Customers)

Also, it was revealed that other [acquired firm] affiliates could be used to execute projects to reduce the cost for customers. Evidence of the latter assertion was echoed in this customer's comments:

> They have competence in more than one discipline. But they are more expensive, and that's, I mean we have an open dialogue about that normally. They also have offices in Croatia, Poland, and China, so we try to get their price down by them having the work executed in Croatia, for instance. (Customers)

In addition, the case company's representatives confirmed the customers' statements that they were rather expensive compared to other service providers and thus unable to compete on price.

> Because if you think we are in China and competing against a Chinese design company […] we are seven times more expensive than any local option. So there is no way that we could compete on price. We have to have better product, better performance, and much better vessel for the end client so they make money when the ship is sold. (Acquired Firm Representative)

The acquired firm needs to rebrand its pricing propositions and communicate them on that basis, particularly to the marine business segment customers, based on the advantages of the M&A to positively influence key networks and thus enhance customer retention.

Promise management: One of the contemporary approaches to marketing is promise management. The competitive nature of the market brought about by the complexity of market offering and the far broader nature of customer interfaces than those that conventional models adopt create the necessity for tactical marketing, as the control of the customer management process is lost (see Grönroos 2009). Thus, promise management is necessary to regain the control of the customer management process. It is argued that the fulfilment of promises made to customers is the foundation for retaining customers and maintaining relationships with them (Berry 1995).

The empirical data in this study revealed instances in the acquired firm's value propositions and value deliveries where promise was ineffectively managed – that is, the customer experienced overpromises and under-deliveries (i.e. value promised not kept and enabled). The following interview quotes further illustrate customers' concerns with respect to the acquired firm:

> Well, the negative is that they make all these promises, and they don't live up to it. […] it is one thing to remain in the safety comfort of the drafting table, it's another to go back to the vessels once they've been built and to understand where the designs could be improved going forward. And from the experience I've had with [the acquired firm], so far I think that […] designers in general […] don't make the time to go the full circle and understand the real-world application of their designs so that they continue to introduce refinements to those designs and a better product for their customers. (Customers)

> […] have we had any problems with their designs, I think it's a whole, I can't say that […] we've been in the honeymoon stage for the entire duration of the projects, we've had some hiccups along the way. Not enough hiccups to warrant removing them from the list of suppliers, of course. So we continue to do business with them, but that aspect of making sure that we continue that conversation and review the past contraction for opportunities for improvement, I think would be beneficial for all parties. Well, I think some of the initial draw to [the acquired firm] was their advertised fuel saving, but once we got into the nitty-gritty real time, we saw that those savings as they were to apply in a specific design for our ships were not at all as attractive as we were hoping. But at that time, it was so advanced that we just had to move forward from there. So there was a bit of disappointment where we had an overpromised and under delivered situation. (Customers)

Applying the service-dominant logic to marketing, supporting value creation for customers requires (i) *making promises* to create engagement with the customer (i.e. external marketing needed), (ii) *keeping promises* in support of the creation of value-in-use (i.e. interactive marketing needed) and (iii) *enabling promises* to deliver on making and keeping promises (i.e. internal marketing to support the development of concepts, processes, products and employees needed) (Bitner 1995; Grönroos 2009).

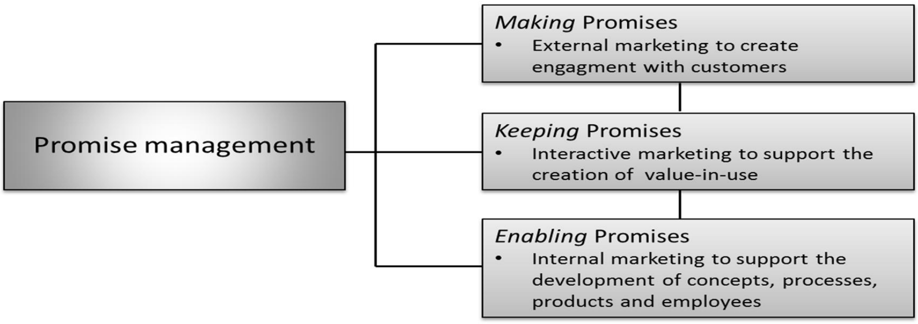

Figure 22 Promise management framework (based on ideas from Bitner 1995 and Grönroos 2009)

Thus, value proposition (e.g. through the use of strategic events such as M&A) can be seen as value promise, but what is important is treating it as more than just making a promise and go further by keeping and enabling the promise (see Figure 22 above based on ideas from Bitner 1995 and Grönroos 2009).

5.5 The influence of M&A on future relationship development of the acquired firm's customers for retention

In this section, key empirical revelations on future relationship development and dormancy management of the dimensions of customer retention in an M&A context are provided. First, empirical insights into relationship development and management are provided with respect to the three dimensions of customer retention in general. Second, key specific acquisition actions and how they influence – or are perceived to influence – future relationship development and management are provided.

5.5.1 *Relationship development and dormancy management of customer retention dimensions*

5.5.1.1 Existing and new customers

The empirical insights presented here relate mainly to existing and new customers, although some of the points raised can be applied to dormant customers as well. Based on interviews held in the acquired firm, it was revealed that relationship development required maintaining frequent customer contact and building a wider network; a major constituent of this wider network is customers – who are developers. In addition, the acquired firm's vision to become a leader and developer in the industry also shaped its orientation towards who it should initially develop relationships with. This is demonstrated in the interview quote below:

> Of course, we want to find the clients and customers who are really the leaders on their area. I mean that when you are developing something new, you don't go and discuss with the followers. They are not prepared to take something new to the market. […] always the leaders are also in good economical shape. […] when you have the leaders then you will have the followers as well. It's so easy. When you have the first references with the leaders, then the rest is coming. […] we have had very good examples on the cruise side – royal Caribbean has been a good […] customer for us, because they have always been developing some new products for cruise vessels. (Acquired Firm Representative)

Thus, for the acquired firm, relationship development begins with having *new ideas/concepts* and then meeting *developers* – that is, customers who are coming up in the market with new types of designs or those who are always developing something new for the market. Conferences are usually one of the main forums to present these new concepts/ideas to customers. It was noted that these developers very seldom steal ideas/concepts. Working with such developers created the platform to show what the acquired firm was capable of, and it also facilitated the *building of brand name, trust and interest*, which in turn opened doors to other opportunities. Also, *personal relationship* was very crucial in developing these relationships. The interview quotations below further demonstrate these points:

> You have to have ideas, readily available projects. […] we have been always focusing on developing something, some new ideas […] internally with the engineers. With those concepts, then you go and meet the clients. You go and call those people and say, by the way, I have some new ideas can I come and present them to you? […] typically I would say that seven out of 10 will pick it up somehow, not neces-

> sarily exactly that idea, but they say, ah... that's interesting, […] but actually we have this type of thing, […] can you start to help us with that? So we have to create the *interest*, the *trust*, and […] you have to *fulfil the client's expectations* and show that you can do practically anything for him. (Acquired Firm Representative)

> And […] when you are building key accounts […] it's pretty much *personal relationships you have to develop*. I mean, I have had a position to get some good personal family friends even out of these key accounts. It is not always going so that you have one project after project […] even workload and developing like that. It goes up and down. But if you are not taking care of the customer relationship between the different projects, you are out. The competition is so hard, there are always people knocking on the doors of these managers, […] and if you are not concentrating on that customer relationship, you can lose it very quickly. (Acquired Firm Representative)

Quite strikingly, the customers (particularly existing and new ones) generally stated similar variables/factors necessary for developing active relationships with service providers. Among other variables, the following were emphasised as key: *frequency of contact with customer/self-promotion (calling more on customer and being proactive), service providers' interest in customers' business, personal relationships and sharing newly acquired experiences and new developments*. In fact, it was clear from the interviews that customers expected service providers to make the contact, pick up the phone and make the call, stay in contact, present the latest projects and keep their name in front as well as to also visit some of the ships they have built in the past to see what has worked and what has not. The following interview quotes from customers further illustrate the above points:

> […] keep close contact with your existing relations. […] and present your company to the world, […] outside your own country, outside Europe. (Customers)

> I think on all levels – with engineers, sales manager and managing director – they have an interest in what we are doing and vice versa. The interest they show in our business, frequency of contacting us, if they are travelling in Holland they will always come by for a cup of coffee or tea, meeting each other at business events. So that's good. (Customers)

> One of the things is to have very pleasant people. It is how we treat each other [...] we are honest with each other, and we are able to have open and frank dialogue […]. It is also the individual people that are working for [the acquired firm], their attitude is very nice. *Like any other business, if you don't get along on the personal side, you don't get along on the business side*. The projects we have had with them […] has developed a very good relationship to this specific people

> […]. And we know their skills, and we know we can pick up the phone and get an answer *even if we have got a project with them or not. So that also counts*. (Customers)

Moreover, the need to *create a unique customer experience* was noted as paramount – by creating the *"wow effect"* and having a *hands-on approach* to solving project-related problems and other problems of the customer not directly related to the project. Furthermore, development of the relationship was noted to be gradual and often characterised by unpredictable events. This required that the relationships were taken care of continuously by *investing* in them. The following interview quotes further demonstrate these points:

> […] the first works you get you have […] to create a "wow-effect", something so fantastic that people want to continue. And we have to really satisfy the needs better than they expect. And you have to have your own hand as a salesperson […] where problems arise, because, I am sorry to say, most of the engineers are extremely unable to take care of problematic situations. And they […] easily create this type of clashing situation, which will completely ruin the whole customer relationship. I mean, when you create a customer relationship it takes years, and you can just ruin it in one night, by very unprofessional e-mail exchange. E-mails of course […] destroyed a lot of customer relationship. That's one thing which one should always concentrate. If adrenaline is becoming too high, if you are aggressive, don't put anything on the e-mails. Take a cup of coffee, relax and do something else. If after that you still want to put something on the e-mails which is hurting […] take the phone and call. (Acquired Firm Representative)

Further, although the relationship development may start gradually and involve some unpredictable events in between, *investment* in its development is important:

> You have to take care of the customer relationship all the time, by […] solving the […] problematic situations which are always coming […]. […] we also have to […] solve the problems of the customer […] not relating to our project, but what other problems he might have. And that you can do through your own offering, but you can also do that through partners. (Acquired Firm Representative)

In sum, based on the nature of this business, developing active relationships with *existing and new customers* requires that the acquired firm always has *something (new) and concrete to present to the customer, creates a unique customer experience* and *shows more interest in the customers' business* if they intend to further develop the relationship with them. In addition, the need to *develop personal relationships*, *build wider networks* and *continuously invest* (e.g. frequent customer visits, solving customer problems not directly related to ongoing projects and, if possible, doing so with support from other partners) in the customer relationship is critical to sustaining it. In support of the need to build wider networks, Borch and Arthur (1995) argue that increased interdependency makes it critical for a firm to focus on strategic relations to a larger set of actors in the task environment.

5.5.1.2 Dormant customers

Owing to the high level of workload fluctuation involved in project-based businesses in the maritime industry, the frequency of dormant customers is relatively high, and therefore the need for superior customer relationship management (CRM) is required. This would ensure that the customer relationship is kept active when a project is completed and lower the risks of eventually losing the customers. The interviews with both acquired firm representatives and customers revealed that *sharing new experiences* (e.g. through frequent dialogue, visits and meetings with customers), *financial support* and the provision of a *wider product range* resonated most among other variables regarding recapturing management efforts. The following comments from the acquired firm's representatives and dormant customers are telling:

> Well, it could be that I don't know which projects the acquired firm has been involved in in the past few years, but it could well be that the acquired firm has gained experience in designing an FPSO for sour crude. I don't know. We would like them to share some of these things […]. (Customers)

> What I learned recently is that the new owner is quite wealthy, and they can participate in projects as a shareholder. So in that perspective […], I mean for us, that is valuable knowledge as well. Because in a lot of our projects we are looking for external shareholders interested in our projects, so if there could be, I mean there could be business opportunity working with the acquired firm and having the owner of the acquired firm as a shareholder. (Customers)

> Well, if we can offer of course some bigger *product range*, and perhaps some *financing* as well, then […] we could regain some customers. (Acquired Firm Representative)

Additionally, the issue of trust and a recapture strategy were emphasised as vital starting points between the acquired firm and its dormant customers:

> Well, it all starts from this trust. If there is no trust between the two companies, I mean trust between the people and there is no strategy to do that properly, then it's difficult. (Acquired Firm Representative)

Further, based on insights from the interviewed customers, it was evident that dormant customers were relatively easy to recapture compared to focusing only on acquiring new customers and servicing existing ones. Indeed, dormant customers involved in the study explained that they did not have any immediate service/product needs or requirements for the acquired firm, but they would definitely consider the acquired firm as soon as they have business needs. Moreover, they emphasised that based on the acquired firm's competence they were ready to recommend/refer its service to other prospective or dormant customers if required.

5.5.2 The influence of M&A on future relationship development and dormancy management for customer retention

As stated at the beginning of this chapter (see chapter 5.4), this second aspect on the three dimensions of customer retention presents empirical insights to demonstrate key specific acquisition actions and how they influence–or are perceived to influence – future relationship development and management of the acquired firm.

The *establishment of a new subsidiary* by the acquired firm following the M&A purposely to extend its product/service portfolio to EPC projects as complete turnkey solution have already gained visibility and also impacted customer relationship development. Nonetheless, the formation of the new subsidiary by the acquired firm did not result from structural integration with the acquirer, but it can be regarded as post-acquisition integration variable as it formed part of the post-acquisition integration action. Indeed, this specific acquisition action has led to *expansion in product range* and created *wider network* through the acquirer. For example, empirical evidence indicated that the first full EPC project has been completed and delivered, and additional new customer orders have also been placed:

> The first […] bulk carrier vessel, […], was successfully delivered to the German ship owner […] in January 2015. The acquired company design has also attracted yet another customer […] of Greece ordered four […] handy size bulk carriers at Qingshan Shipyard. (Acquired Firm, Delivery and New Order News)

Another key acquisition action that resonated in the relationship development was the *preservation* integration approach, which provided the acquired firm adequate level of *flexibility in the use of resources* and their *investment* into the relationship to enhance existing and new customer development as well as to recapture dormant customers (i.e. second-lifetime relationship development – cf. Stauss & Friege 1999) through EPC projects. The following customer comments demonstrated largely the perceived/behavioural impact of the adopted integration approach of the M&A on customers' relationship development:

> Normally when they have a takeover, there is also a re-organisation and that did not happen. And that's the good point of this whole. Now, if it would happen maybe we would have thought our relations with the acquired firm over, but it didn't happen, so that's a big advantage. It stays like it was before, only they have a big model now, with a lot of money. (Customers)

> If we have a lot of projects running in parallel, then it is logical and it is likely that we go to the acquired firm. Because we know they have a lot of resources and we know that they can, that they are very strict on the schedule, so if they say they will deliver end of March, they will deliver […]. So, we have a reliable partner that is very flexible in the resources they have. (Customers)

Furthermore, two key acquisition actions – related to context and relationship influencing variables – that exerted impact on customers' relationship development were *financial resources* and *limited internal communication*. The provision of financial resources by the acquirer has enabled the creation of a new subsidiary, which in turn provided more choice for customers through wider product offerings. The financial resources resulting from the M&A also provided customers a perceived sense of alternative project financing source, and also served as a resource to further develop and manage active and dormant relationships:

> Yes, financing is always difficult with these big projects and like FPSO conversion projects; we easily talk about US$800 million. So if you have an engineering company with that background […] who could bring in part of the financing that would definitely benefit. If the acquired firm would be opened to partly finance a project like this, like a FPSO conversion project, that could positively influence […]. (Customers)

Also, limited internal communication resulting from tighter control on information within the acquired firm following the M&A poses a challenge. This acquisition action has raised concerns especially among project managers, who are often in regular contact with customers in the course of projects:

> So now communication or information flow is somehow closed inside and little bit different than before. Sales persons […] can't share [certain] information anymore with us. Of course, it would be better for all employees if we get little bit more information. (Acquired Firm Representative)

And since they are now confronted with limited information, they are less positioned to offer adequate and meaningful rapid response to customer queries/concerns. This in turn, may negatively impact the development of such customer relationships.

5.6 Discussion

5.6.1 The Chinese-European acquisition

The findings show that the case, i.e. the Chinese-European acquisition, was interesting for many reasons and generated notable insights. It represented a cross-border acquisition of a knowledge-intensive firm within the maritime industry, where typically the acquired firm's engineers are the centre of attraction (e.g. regarded by acquirer as the most important asset), and its customers often neglected/regarded as secondary by the acquirer during the process (cf. Degbey 2015). However, as results of this study show and in congruence with prior studies (see Dalziel 2007; Zollo & Meier 2008), customers are critical to the creation and growth of this type of firms (e.g. engineering firm), as they possess sticky knowledge of the context in which the service/product will be used (cf. Von Hippel 1994).

In addition, the case is topical as it demonstrates an acquisition from an emerging economy, namely China to a developed economy (cf. Boateng et al. 2008; Liu & Woywode 2013). We have witnessed and still continue to witness a growing number of important cross-border acquisitions from China across the entire European continent. For example, the acquisition of Pirelli, an Italian tyre maker by China National Chemical Corporation in 2014; the acquisition of Volvo, a Swedish carmaker by Geely in 2010, acquisition of InFront Sports & Media AG, a Swiss firm that is a big owner of sports-broadcasting rights by Dalian Wanda Group in 2015, as well as ownership stake in several European brands, such as PSA Peugeot Citroën in France, Thames Water and Heathrow airport in Britain, and port of Piraeus in Greece (cf. The Economist 2015). Indeed, results of this study imply that China is still regarded as the growth generator of the global economy (cf. World Economic Situation and Prospects 2015), and its cross-border acquisitions in developed economies can be regarded as a means to stimulate and restructure its own economy (cf. Angwin 2007).

Further, from the acquired firm's perspective, this case was interesting and yielded notable insights as the geographical dispersion of shipbuilding and shipyards have moved mostly out of Europe to Asia – where China has become one of the world's leading shipbuilding nations with huge impact on global scale – mainly due to the weak European economy (cf. Business Intelligence Report 2013). This also creates opportunities for the acquired firm to benefit from this geographical shift in activities of the maritime industry to Asia (e.g. China), with a strong backing of its new Chinese owner. Moreover, the case findings imply that Europe would still remain a relevant player as new technologies and regulatory developments are regarded as opportunity for the European maritime market, which is currently viewed as challenging and difficult (cf. Business Intelligence Report 2013; European Commission 2013).

Furthermore, the findings show that the M&A strategic motives pursued by the acquired company, i.e. *growth-oriented and contextually driven* – instead of being driven by the need to reduce cost in order to enhance operational efficiency (cf. Zhang et al. 2010) – were consistent with demand-side value creation strategies (cf. Degbey 2015). Both rapid external and internal changes in the acquired firm's business environment called for its acquisition (i.e. contextually driven). Some of the external changes relate, for example, to the low level of activity within the maritime (e.g. shipbuilding) market in Europe as a whole, and the need to create a stronger interdependence within the industry in order to protect and reduce the risk of spread of their product concepts and designs (cf. Pfeffer & Salancik 1978). Also, findings show the need to reduce acquired firm's pre-M&A internal uncertainty resulting from retiring owners by establishing interdependence through the M&A.

More importantly, in addition, its main strategic rationale was to improve growth through developing new concepts/designs and expanding its product line to a more complete package, such as EPC turnkey projects. In this regard, results show that the acquisition provided better latitude for the acquired firm to pursue its growth strategic motive. In other words, as an engineering or knowledge-based firm, R&D was critical to its growth and external fund was needed in financing R&D (cf. Ahuja & Katila 2001; Cassiman et al. 2005), and to further internationalise the business through, for instance, accessing new types of customers, expanding on product line as a result of the acquisition and channelling them to existing customers – cf. Degbey 2015; Öberg 2014; Stumpf et al. 2002). Indeed, results show that the acquired firm was poised to achieving the strategic motives of the acquisition, as it has started offering a complete EPC package to customers.

The last sentence above supports the argument in M&A literature that the foundation for success is the need to get the strategic logic/rationale of the M&A deal right for both pre- and post-merger activities (cf. Gadiesh & Ormiston 2002). In addition, the M&A strategic growth rationale can similarly be described as an attempt by the acquired firm to improve its strategic network position and structure (cf. Degbey & Hassett 2016). Drawing inference from the empirical revelation above on the EPC projects and from a network thinking (management) perspective, it can be said that the acquired firm has been able to influence the network dynamics (i.e. change its network position and structure) and key network management with the help of M&A (cf. Degbey & Pelto 2015; Degbey & Hassett 2016; Harrison & Prenkert 2009). And this clearly constitutes a way of strategising and managing in networks (cf. Harrison & Prenkert 2009; Golfetto, Salle, Borghini & Rinallo 2007). Although this strategic rationale (i.e. using M&A to gain preferred network position and structure) is usually not explicitly indicated in the M&A literature, it points to the same path as growth, product line expansion, revenue driven, and market-seeking M&A strategic motives (cf. Degbey & Hassett 2016).

In order to improve our understanding of how post-acquisition actions affect customers' of the knowledge-intensive acquired firm in a cross-border acquisition, it was essential to understand the *conceptualisation* and the *influencing variables/factors* of these customers for retention purposes. Indeed, results of the study point to the criticality of acquired firm's customers to enhance post-M&A performance of knowledge-intensive (i.e. engineering) firms. The next chapters discuss the results of the main research question and sub-questions in light of the *conceptualisation* and *influencing variables/factors* of customer retention in M&A.

5.6.2 The influence of multidimensional conceptualisation on customer retention in the Chinese-European acquisition

Before the discussion on the influence of multidimensionality in the cross-border acquisition case, it is important to recall that three theoretical positions have emerged regarding customer retention management from the perspective of service marketing, industrial marketing and general management (cf. Ahmad & Buttle 2002). However, despite the fact that each perspective has identified key meaningful variable(s) needed to enhance customer retention, these theoretical positions essentially focused on the existing customer. Hence, the discussion on the influence of multidimensionality in the acquisition case attempts to reveal understanding that extends beyond the limited focus on existing customers in extant literature.

Indeed, results of the study imply that the aforementioned theoretical positions implicitly assumed customer retention as *single* dimensional. Similarly, and of great importance to the focal study, the M&A literature also identified customer retention as a viable indicator for evaluating M&A performance, but these important works, such as Zollo and Meier (2008) also assumed a single dimensional perspective for customer retention. A recent conceptual work however identified key influencing factors – some of which were empirically investigated in this study – of customer retention specifically for serial acquirers, but has also failed to capture customer retention in M&A as a multidimensional concept (cf. Degbey 2015).

As recalled from the pilot study, results show that post-acquisition actions enabled a multidimensional conceptualisation of customer retention. This conceptualisation provides a better and a more holistic view of customer retention, and particularly demonstrates that in a major strategic event (i.e. M&A), integration efforts or contextual forces can simultaneously generate the maintenance/keeping of existing customers, recapturing/regaining of dormant customers and the capturing/gaining of new customers (cf. Degbey 2010). As revealed, the pilot results demonstrated that an existing customer can instantaneously become a new customer and/or dormant customer. The switch/transfer of customers between the acquirer and acquired firm is a perfect example. It is important to remember that in this situation, it cannot be taken for granted that the customer will respond favourably (in fact, the reverse is often the case), even though all or most of the new changes might be in the customer’s own best interest. This finding reiterates once more that M&A actions, more often than not, necessitate changes (cf. Degbey & Pelto 2015; Öberg et al. 2007). And when/if that change occurs, the content of prior relationships, adaptation and prior experience, just to mention a few, are also likely to change and may therefore require necessary inputs for their development (cf. Degbey 2015; Homburg & Bucerius 2005; Öberg 2014).

Customers are more likely to resist these changes, as scholars employing the relational perspective on M&A have emphasised that actors (firms/individuals) often prefer others they have had prior relationship with (e.g. Rogan & Sorenson 2014). Prior relationship can impart confidence that these actors will not renege on agreements and will also invest in joint projects (Raub & Weesie 1990; Uzzi 1997). Hence, positive prior customer experience and prior relationship as shown in this study and earlier ones have strong influence on reducing the level of inertia and uncertainty exhibited by customers toward a service provider (cf. Beckman et al. 2004; Degbey 2015). In addition, it is noted that long lasting relationships are generally grounded on relational orientation, greater embeddedness, and higher task interdependence (cf. Rogan & Greve 2015).

With respect to the Chinese-European acquisition case, results of this study show that multidimensionality helps to expand our understanding of acquired firm’s customer retention. That is, multidimensionality expands our understanding in two ways. First, it provides a clear picture of the main customer dimensions especially for the acquired firm, and thus facilitates the provision of *operational definition* for each dimension of customers for the knowledge-intensive, project-based business within the maritime industry. Similar to the pilot study, three main dimensions of customers were identified and operationally defined although there was no direct customer switch/transfer between the acquirer and the acquired firm at the time of the study. However, the dynamic nature of the project-based business within the maritime industry created similar situation. This indeed indicates that M&A actions in project-based situations provide added layer of dynamism (cf. Meckl 2004; Triantis 1999). The operational definitions, according to the acquired firm, enabled them to better measure and even manage the allocation of scarce resources for customer retention purposes. Nonetheless, caution is required in the adoption and generalisation of these operational definitions in a project-based business setting within the maritime industry, due to context specificity and temporal variations among firms in the same industry.

Second, and perhaps most importantly, the results of the acquisition case show that multidimensionality helped to reveal a unique attribute of customer retention; thus, as the *management of dynamic stability* (i.e. simultaneous balancing act between stability and dynamics within the customer dimensions). Four main aspects of dynamic stability (i.e. *short-term and long-term dynamics; short-term and long-term stability*) were identified on the basis of *context* and *tenure* of relationships. Dynamics (i.e. short-term and long-term dynamics) were more prevalent among new and dormant customers, while stability (i.e. short-term and long-term stability) was more prevalent among existing customers. However, the acquired firm's project financing support, for example, to dormant customers was potentially relevant to revive them to existing customer position, i.e. from long-term dynamics to short-term stability, where the acquired firm operates as a full independent contractor. In addition, the recaptured dormant customers who were described as experiencing *short-term stability* can eventually assume *long-term stability* depending on the successful management of their *unfamiliarity* concerns with the other merging party. In fact, scholars employing relational perspective on M&A noted that firms or individuals usually prefer to deal with similar others or actors they have had prior relationship with (cf. Rogan & Sorenson 2014).

Prior management and organisation studies argue that the concept of stability and dynamic (change) are distinct, opposite and contradictory (cf. Burchell & Kolb 2006; Van de Ven & Poole 2005). However, results of this study suggest that both concepts are not opposite and contradictory but complement each other, as stability is observed by capturing dynamics. This is particularly true in M&A contexts where relationships are exposed to unilateral and disruptive actions usually by the merging parties (cf. Havila & Salmi 2000; Rogan & Greve 2015). The above finding is also consistent with the work of Farjoun (2010), who argue that stability and change are primarily interdependent and mutually enabling rather than contradictory.

Until now, prior B2B customer relationships are widely recognised to be stable and long lasting (cf. Easton 1992; Ford 2004; Håkansson 1982), and also regarded as interconnected and continuously evolving (i.e. not static) from a network perspective (cf. Axelsson & Easton 1992; Grabher 1993; Håkansson & Ford 2002; Möller & Halinen 1999). However, *results from this study imply that B2B relationships are not always just characterised by long-term and stability, but can also be short-term with dynamic stability (e.g. short-term dynamics, short-term stability).* Indeed, critical events such as M&A are exemplary. For instance, considering this particular acquisition case, the stability is dynamic because it is bound to change either favourably or unfavourably especially during the period of dormancy. If relationships are not frequently nurtured in the dormant season, they are bound to suffer by becoming static and eventually dissolving (cf. Perrien et al. 1995). Further, it is clear that till now the temporal dimension – labelled here as *tenure* of relationships (e.g. short-term and long-term) – has gained prominence in the characterisation of B2B relationships (cf. Dyer & Singh 1998; Evans & Laskin 1994). While the issue of *context* (cf. Bamberger 2008; Goodwin & Duranti 1992; Griffin 2007; Johns 2006; Meyer 2007; Pettigrew 2012) has attracted less attention particularly in developing and implementing customer retention strategies (cf. Ahmad & Buttle 2002).

This finding resulted in the generation of a typology to help better understand customer retention in M&A by emphasising the importance of *context* and *tenure* of relationships (see Figure 23 below).

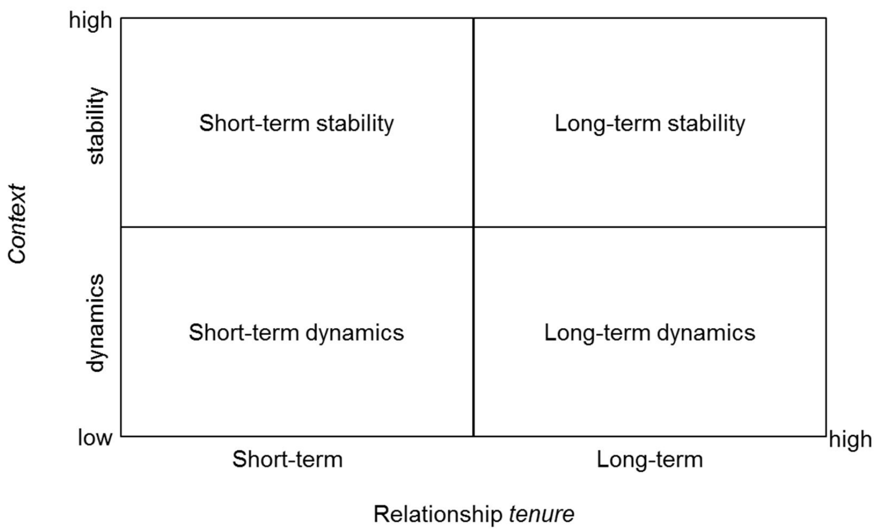

Figure 23 Typology for managing relationship dynamic stability in M&A

This interesting finding from the empirical case study as described highlights, beside the tenure of relationships, the criticality of *context* in understanding the management of dynamic stability (for customer retention purposes) in major strategic events, i.e. M&A. It can be said that contextual differences such as the environment in which the firm competes, may determine the unique attribute of customer retention. The typology for managing relationship dynamic stability in M&A rests on two axes – context and relationship tenure, and identifies four different quadrants as shown in Figure 23 above. It focuses on how to manage the interactions among the various customer dimensions on the basis of context and relationship tenure in M&A.

More generally, on the basis of this typology, it is suggested that customer retention strategies/typologies must focus not on only the *temporal* aspects of retention (e.g. short-term versus long-term), but also the *contextual* aspects of retention (e.g. dynamics versus stability). Despite prior studies advanced the issue of temporal dimension to be crucial due to the fact that most critical events such as M&A come in phases (cf. Appelbaum et al. 2000a, b; Degbey & Pelto 2013), other outer contextual forces are equally crucial in determining the degree of dynamics and stability in relationships. *The typology adds especially to the handling of interplay among the customer dimensions as a result of the multidimensional conceptualisation.* The next section discusses the influence of post-acquisition integration on the acquired firm's customer retention.

5.6.3 The influence of post-acquisition integration on acquired firm's customer retention

Beside the multidimensional conceptualisation which resulted from post-acquisition integration, the first sub-question was "*how does the cross-border acquisition integration affect the knowledge-intensive acquired firm's customer retention?*". The cross-border acquisition case influenced the acquired firm's customer retention mainly through the actual integration process and specific challenges resulting from the process. Results show that there was *overall low extent and speed of integration*, and that the acquired firm was left relatively independent (cf. Haspeslagh & Jemison 1991; Lees 2003; Liu & Woywode 2013). As a result, achieving some of the market-related synergies, from the acquired firm's perspectives, has taken longer than expected, although it has been argued that knowledge-intensive acquisitions should adopt a slower process that stress, for example, human integration (cf. Birkinshaw 1999).

Moreover, the *overall low extent and speed of integration* can be explained by the fact that the deal was a cross-border M&A and the Chinese acquirer needed to first learn from the local market, especially considering its geographical and cultural distant location. Recent studies have also shown that Chinese acquirers generally employ light-touch integration approach in managing their cross-border acquisitions, as this enables them to learn from the acquired firm and the local market (cf. Liu & Woywode 2013). The acquisition integration strategy employed, from the acquirer's perspective, in this study is consistent with the argument that acquirers should not completely consolidate the acquired company when they pursue the M&A archetype of gaining skills or products that is different and complementary, but limit consolidation to central services such as the finance function in order to not risk losing key and unique skills (cf. Early 2004). Further, the low structural integration thus helped preserve the acquired firm's autonomy to foster their exploration capacity or organising for innovation (e.g. EPC turnkey solutions). According to Puranam, Singh and Zollo (2006) structural integration decreases the probability of introducing new products for all firms immediately following acquisition, but these outcomes diminish as innovation paths evolve.

However, M&A integration actions are known to directly impact on customers and their direct purchase decisions (cf. Degbey & Pelto 2013, 2015; Öberg 2008). *In this study, the overall low extent and speed of integration of the M&A process essentially influenced customers' perceptions*. Acquired firm customers' mostly from western countries perceived the relative independence of the acquired firm as a positive thing, as they believe that the acquired firm would utilise the high autonomy to leverage strategic resources (e.g. maritime industry's emerging market potential of Asia and financial resources) for the benefit of their firm. For example, some customers welcomed the potential financial support that the acquired firm is positioned to provide through its new Chinese owner for their projects (cf. Liu & Woywode 2013). An effect of positive customers' perception is the likelihood of decrease in customer dormancy, as customers often resort to 'wait and see' during the M&A transition (cf. Degbey 2011).

Moreover, the acquired firm's customers were opposed to re-branding of the acquired firm by the acquirer (cf. Anh Vu, Shi & Hanby 2009). They perceived re-branding to negatively impact the reputation of the acquired firm, and in turn, with their dealing with the acquired firm (cf. Dranove & Shanley 1995). Nonetheless, the overall low extent and speed of integration, also somewhat resulted in the acquirer's passiveness towards the acquired firm, and thus stalled especially marketing integration which the acquired firm was hoping to quickly complete in order to boost its customer base/market position (cf. Homburg & Bucerius 2005; Sinkovics et al. 2014). Indeed, marketing integration is one of the key integration activities known in prior M&A research for high visibility and consequential impact on customers (cf. Kato & Schoenberg 2012, 2014).

In curbing integration effects/challenges emanating from acquired firm's post-M&A independence on its customer retention, results of the pilot study imply that *contextual ambidexterity* was instrumental in enhancing customer retention through mutual consideration, socialisation and planning with the acquired firm's customers (cf. Meglio, King & Risberg 2015). This, from a multidimensional retention point of view, shows that the various existing, new and dormant customers are capable of coexisting (cf. Schweizer 2005), and thus helps complement the preservation approach (cf. Haspeslagh & Jamison 1991). In addition, in the Chinese-European acquisition case, valuable knowledge insights from existing customers were noted as important in managing and exploring new and dormant customer encounters, as most of these customers were considered by the acquired firm as knowledge leaders (cf. Iansiti 1998; Von Hippel 1994). Indeed, the above findings are consistent with underlying argument of contextual ambidexterity (also known as harmonic ambidexterity – Simsek et al. 2009), which identifies exploitation and exploration of a firm's activities as complementary (cf. Birkinshaw & Gibson 2004).

Moreover, contextual ambidexterity advances ambidexterity as a multidimensional construct comprising of simultaneous (integration of) exploitation and exploration of complementary activities in a firm but also allowing for differentiated efforts in both exploitation and exploration activities (cf. Wang & Rafiq 2014). Consistent with the above statements, the three dimensions of customer retention in M&A (providing its multidimensional attribute) as discussed in the study can be regarded in most cases as individually distinct, but together they facilitate a unified effort towards enhancing the firm's M&A performance. For example, results of this study imply that M&A events provide the inducement to simultaneously understand the various customer retention dimensions as intricately intertwined tasks.

This is in sharp contrast to most prior CRM studies (see e.g. Hauser et al. 1994; Richheld 1996; Stauss & Friege 1999) which have explicitly or implicitly approached each of the three dimensions as an individually distinct customer management tasks with essentially independent main effects on some outcome variables. One notable exception though is the work of Dong et al. (2011), which examined the impact of the negative effect of acquiring new customers on retaining existing ones with emphasis on the interactions between them. Similarly, M&A studies specifically adopting customer relationship insights to understand M&A performance (see e.g. Anderson et al. 2001; Kato & Schoenberg 2014; Öberg 2008; Rogan 2014) have also remained silent on the explicit delineation of the three dimensions as intertwined customer management tasks with joint or interdependent effects on M&A performance. Furthermore, the consideration of valuable knowledge insights from existing customers in managing and exploring new and dormant customer encounters is consistent with the need for *customer orientation of integration* by the M&A parties (cf. Homburg & Bucerius 2005; Kato & Schoenberg 2014). This is critical for the M&A parties, particularly when they are dealing with a complex/specialised product/service, and their decisions are strongly driven by both creating added value for customers and also capturing value from them, rather than cost reduction when serving customers (cf. Degbey 2015).

Strategic complementarities influenced the acquired firm's customer retention. Results show that complementary differences between the merging parties have somewhat provided immediate positive effects in influencing acquired firm's customers, as the acquired firm was able to leverage especially the acquirer's project financing resources with its concept development to implement its new business model, i.e. EPC turnkey projects for customers. In contrast to the dominant relatedness thesis (cf. Prabhu et al. 2005; Swaminathan et al. 2008), the above result supports the extant literature on complementarities, which suggests that complementary differences when round out those of the other firm can be sources of strategic complementarity between the merging firms that impact M&A decision and processes, and in so doing, enhance performance (cf. Bauer & Matzler 2014; Larsson & Finkelstein 1999). Consistent with the observed influence of strategic complementarity on the acquired firm's customers, Kim and Finkelstein (2009, 618) stress that strategic complementarities offer merging parties a "wider array of business opportunities to develop competencies that either firm could not create alone".

Beside the positive and negative influences of the low extent and speed of integration, customers' perceptions and strategic complementarities, other notable integration effects/challenges that influenced directly or indirectly on the acquired firm's customers relate to *cultural differences*, *communication challenges*, *key employees' departure–or perceived departure*, and *competitive overlap with customers*. The main challenge regarding cultural difference emanates from differences in risk communication efforts, as the acquired and the acquirer's shipyard failed to effectively communicate on efforts to address risks the intended joint project involved (cf. Beretta & Bozzolan 2004; Schweiger & DeNisi 1991). The failure resulted in the acquired firm losing a huge potential contract together with one of its partners. Schweiger and DeNisi (1991) argue that communication, especially pre-M&A, among managers facilitate the opportunity to share individual positions and thus develop mechanism for understanding each other's positions to support equity in value appropriation and enhanced value creation. This result may also suggest that during periods of low or depressed market conditions, as was the case in the ship building market, cultural issues are likely to become more sensitive/heightened particularly in cross-border acquisition cases (cf. Weber et al. 1996; Very et al. 1996).

Communication *challenge* comprised *knowledge or information sharing*, i.e. receiving and giving information internally and to customers. Employees in frequent contact with customers lamented about tighter control on the flow of information or inadequate communication within the acquired firm post-M&A (cf. Schweiger & Goulet 2000). This poses a problem as employees are not adequately prepared to provide relevant and perhaps convincing information concerning the acquisition to address customers' concerns and reassure them (cf. Balmer & Dinnie 1999; Clemente & Greenspan 1997). Indeed, this communication challenge within the acquired firm is also a reflection of the endemic level of secrecy most M&A events are known for. As already the case, Chinese customers have expressed concerns about communication with them, and this concern also partly relate to *language* challenges and the deep preference for more *face-to-face communication* among the Chinese customers (cf. Risberg 2001; Schuler et al. 2004). Moreover, it was also noted that pre- and post-M&A communication strategy was not made explicit and included in project manuals, and thus resulting often in lack of clarity or ambiguity in communication with respect to whom to specifically contact at customer's end and communicate with consistently (cf. Risberg 2001).

Key employees' *departure–or perceived departure* was a challenge noted by customers of the acquired firm. Customers emphasised the acquired firm's people/employees (e.g. their knowledge, experience, attitude, and way of working) as one of the key asset they value most about the acquired firm. However, there were mixed sentiments among customers concerning key employees' departure – or at least perceived departure (cf. Hambrick & Cannella 1993; Krug & Aguilera 2005). Indeed, prior studies emphasised that M&A lead to higher than usual turnover rates among employees and top management teams particularly in the acquired firm (Cannella & Hambrick 1993; Krug & Hegarty 2001), and this rate of turnover can even last for nearly nine years following the M&A (cf. Krug 2003). This suggests that retention of key employees–or perceived retention has a significant impact on the retention of customers, and thus the success of the M&A (cf. Ranft & Lord 2000). This perception among customers requires assurance through improved communication and performance to show that key employees are not leaving, and to also rebuff some of the wait and see tendency among some customers following the M&A event.

Some acquired firm's *own* pre-acquisition customers lamented about a possible overlap in their business operations with the acquired firm following the M&A, and thus emphasised that the perceived presence of *competitive overlap with customers* could jeopardise the existing relationship, and eventually lead to customers' exit. In contrast to this result, prior empirical studies found that acquisitions often increase the competitive overlap across customers (cf. Öberg 2014; Rogan & Sorenson 2014). For example, Öberg (2014) found that the coordination (i.e. integration) of pre-acquisition overlapping customer relationships poses a challenge of internal competition and cannibalism between the acquirer and the acquired firm, and could be a reason to not integrate sales. In addition, Rogan (2014) found that customers recognised these overlaps as conflict of interest and tried to avoid them. This result extends the current understanding in M&A literature that acquisitions may possibly not only increase competitive overlap across customers, but can create overlaps between customer and its pre-M&A service provider (i.e. acquired firm). This outcome is likely to generate mistrust between the acquired firm and its affected customers in question (cf. Moorman et al. 1992; Morgan & Hunt 1994), and subsequently lead to the abandonment of the acquired firm (cf. Spedale, Van Den Bosch & Volberda 2007).

Furthermore, results show that customers were not only concerned about *observed* impact, especially regarding these two variables: key employee/executive departure and competitive overlap with customers, but also most critical about the *perceived* impact to their own value creation. This indicates that *perceptions* in some settings, such as in M&A events can become more powerful than even actual behaviours, and unfortunately can lead to unintended consequences. The view of unintended consequences expressed herein contrasts, particularly the IMP business network view, which posits to increase our understanding mostly on intended consequences, e.g. through interaction and adaptation of resources and activities in dyadic relationships (cf. Håkansson & Snehota 1995). Additionally, prior empirical study found that deterioration in customers' *perceptions* of the M&A (e.g. acquired firm) resulted in observed reduction in its market performance (cf. Kato & Schoenberg 2014). The next section discusses the influence the external and internal contexts of the acquisition have on the acquired firm's customer retention.

5.6.4 The influence of external and internal factors of the acquisition on the acquired firm's customer retention

The second sub-question was "*how do external and internal factors of the cross-border acquisition affect the knowledge-intensive acquired firm's* *customer retention?*". This research question was analysed mainly with two network concepts: network dynamics and network management, as they help provide explanation for the critical/change event i.e. M&A within the context of the investigated phenomenon (cf. Degbey & Pelto 2015; Havila & Salmi 2000). In other words, these two concepts demonstrated their influence on customer retention in the cross-border acquisition case. First, results imply that *acquired firm's customers were affected by network dynamics* in the context of the M&A. In order to obtain a deeper understanding of network dynamics' influence on the retention of the acquired firm's customers, attention was drawn particularly to network embeddedness, network position and network change (cf. Anderson et al. 1998; Degbey & Hassett 2016; Halinen & Törnroos 1998). These three central concepts of network dynamics were vital especially for understanding the dynamic nature of the investigated phenomenon (cf. Rogan 2014). It was revealed that the acquired firm influenced its customer retention through its embeddedness – in different forms including *technological, social, temporal and market* – with customers and other partners (cf. Halinen & Törnroos 1998).

However, informal personal contacts/personal level actions contributing to social/relational embeddedness was evidently left out in the network literature due to the greater focus on network level analysis (cf. Pels et al. 2009). This aspect, as demonstrated in the findings, proved that informal personal contacts and interpersonal relationship have strong influence in enhancing stability in the acquired firm's customer relations. Further, it was evident that changes in the external environment such as the European debt crisis, new and stricter environmental regulations in the maritime industry and the weak global economy had significant impact on the acquired firm, to retool with an acquisition strategy and consequently, new project-based business models. This result is consistent with the notion that network dynamics cannot be devoid from events and change processes in the external environment since forces of environmental change are transmitted through business relations (cf. Halinen et al. 1999; Håkansson & Johanson 1993). Similarly, embeddedness is driven by the idea that all business relationships are influenced by their surrounding environment/context (cf. Granovetter 1985).

To further understand how the dynamics of the acquired firm's network influenced its customers, the network position and change were also analysed. Network positions and network change were analysed together as closely related concepts, because networks are dynamic and their positions change constantly (cf. Abrahamsen et al. 2012). And primarily a change in the position of the acquired firm was more or less a change in the position of other actors in the network both directly and indirectly (cf. Easton 1992; Mattsson 1985). The results show that network dynamics orchestrated by the critical event (i.e. M&A) altered the acquired firm's network positions from not only a structural point of view, but also in terms of content within the maritime industry. The acquired firm's network positions were described in terms of its intensity within the relationships or number of relationships (cf. Anderson et al. 2000), and in terms of its roles for other actors it was related to, directly and indirectly (cf. Mattsson 1985). Essentially, the acquired firm's network position represents its location of power to create and/or influence customer and partner networks for enhanced customer retention (cf. Thorelli 1986).

For example, network position and change were demonstrated through the acquired firm's changed role from a predominantly subcontractor to an independent main contractor, and thus exerted influence on customers' activity and resource utilisation in the implementation of business projects (cf. Thorelli 1986). Consistent with the latter point, Zaheer and Bell (2005) argue that network positions attract positional benefits, because firms occupying preferred network positions may be better able to access information required to be both creative and innovative. In the same vein, Gulati (1998) argues of a control benefit an actor may generate as a consequence of occupying a preferred network position. Therefore, the firm's strategic action should be an attempt to change network position to a preferred one (cf. Axelsson & Johanson 1992; Degbey & Hassett 2016; Zaheer & Bell 2005).

Moreover, as results of this study show, the effect of network dynamics orchestrated endogenously by M&A event can trigger relationship termination (e.g. as observed in the acquired firm's customer networks in the pilot study), or change the content of such relationships. Scholars refer to changes that lead to the abrupt termination of relationships as radical change, and those that change only the content of the relationships as incremental (see Halinen et al. 1999; Havila & Salmi 2002). Recent empirical studies have also expanded on this dichotomy by adding a temporal dimension (i.e. gradual and rapid) to indicate speed of the changes (see Degbey & Pelto 2013, 2015). Furthermore, the influence of network dynamics was illustrated by schematic representations in the form of pre- and post- acquisition network environments of the acquirer and the acquired firm. The schematic representations clearly depict the initial pre-acquisition and the post-acquisition network environments (see Figure 19 and Figure 20) of the acquired firm in terms of its embeddedness, position and change with regard to other actors, activities and resources (cf. Degbey & Hassett 2016).

The illustrated results in Figure 19 and Figure 20 imply that the more linkages (relationships) and activities the acquired firm has with local and international actors such as partners and customers and the stronger the linkages, the more likely it will acquire relevant knowledge and harvest it to improve its customer retention – a vital source of economic gain (cf. Eapen 2012; Hallin

& Holmström Lind 2012). This sharply contrasts with an actor who is interdependent and adapted in only one dimension/activity (cf. Andersson & Forsgren 1996). All in all, it can be said that these schematic representations clearly demonstrated how the M&A event influenced the acquired firm's network embeddedness, network position and network change particularly with respect to customers and their retention.

Second, results imply that *acquired firm's customers were affected by the acquired firm's network management* in the context of the M&A. In deepening our understanding of network management's influence on the acquired firm's customers, i.e. their retention, attention was drawn to the concept of key network management (KNM) (see Ojasalo 2004). Network studies suggested that the boundaries of business networks cannot be defined exactly, and therefore, the ability to manage them is equally restrained (cf. Håkansson & Snehota 1989). Additionally, the possibility of network management is still in its infancy, because the business network literature avers that networks are dynamic or constantly changing and thus can limit their manageability (cf. Möller 2013). This implies that a *focal actor* (i.e. the acquired firm) needs to enhance its network stability by establishing and managing a deliberately designed *key network* of strategic or operational relevance to both exploit existing needs as well as explore new opportunities (see Ojasalo 2004). Indeed, the focal actor/company perspective is consistent with the notion of 'key network management' – an extension of the idea of KAM in CRM/industrial relationship research into the network context (cf. McDonald et al. 1997; Ojasalo 2001; Pardo et al. 1995). Results in this study show that the acquired firm's key network constituted a set of actors mobilised by the acquired firm to exploit its subcontracting engineering projects and to also explore the opportunities of an independent full contractor projects (e.g. *EPC* turnkey projects following the M&A).

Undoubtedly, the M&A event was a strong trigger which facilitated the mobilisation of key networks to realise the new opportunity of *EPC* turnkey project. In order to realise this new opportunity, the acquired firm exploited its *engineering* key network and also explored the establishment and management of *procurement* and *construction* key networks. In addition, the implementation of EPC turnkey projects was made possible with the financial support of the acquirer. That is to say, the acquirer constituted a major part of the *project financing* key network. Key networks of the acquired firm are illustrated in Figure 21, and show how the acquired firm was able to influence the retention of customers through mobilising, accessing and mixing resources. This is consistent with the idea of providing relevant capabilities (cf. Håkansson & Snehota 1995) by both the focal company and members of the key network in order to successfully manage the key networks (cf. Ojasalo 2004).

Both the focal company and members of the key network are argued to be better adapted to knowledge-rich settings due to their superior capacity for information-processing and flexible governance (cf. Achrol & Kotler 1999; Foss 1999). Furthermore, such networks are also able to offer the potential to share knowledge and facilitate learning (cf. Anand & Khanna 2000; Dyer & Singh 1998). Indeed, value creation is mobilised and received via the key network, as demonstrated in the acquired firm's approach to solving customers' problems (cf. Ojasalo 2004.) It was also clear that the acquired firm could not have handled customers' problems successfully without the respective capabilities of the key networks contributing to each other's goals (cf. Normann & Ramirez 1993). In key network management, managing and controlling of an actor or its capabilities and activities do not mean full management and control, but these terms rather demonstrate a facilitating approach with respect to factors such as joint learning, innovating and knowledge transfer, between the focal company and the key network (cf. Ojasalo 2004). In short, a dominant power position in the network is not the goal as such in key network management, but rather being able to provide relevant capabilities in the form of mobilising, accessing and mixing resources of different actors to create value for each other through a network managed by the focal company (cf. Ojasalo 2004; Normann & Ramirez 1993)

Furthermore, it is important to note within the context of the M&A event that some *antecedent variables* were empirically identified to influence key network management of the acquired firm. First, *competence of acquired firm*, and that is made up of *technical* competence (i.e. technical knowledge and expertise) and *interpersonal* competence (e.g. communication KSAs[18], collaborative problem solving KSAs, and conflict resolution KSAs – see Stevens & Campion 1994). Second, *acquisition experience*, and this mainly concerns firms' experience with regard to M&A. It is often argued that the more the number of earlier acquisition deals executed, the more superior deal-making skill is attained (cf. Degbey 2015). However, research findings are incomplete and often inconsistent regarding the adequacy of such experience in enhancing acquisition performance (cf. Haleblian & Finkelstein 1999; Hayward 2002). The empirical findings of Kengelbach et al. (2011) make a distinction between two types of acquisition experience, i.e. *undifferentiated experience* (resulting from the mere number of previously executed acquisition deals) and *specialised experience* (resulting from the similarity between past deals and present deals, which in turn determines the appropriateness of applying or disregarding earlier experiences). Although the need for *undifferentiated or specialised* experience matters at the pre-acquisition phase, it is

[18] knowledge, skills and abilities

more pronounced at the post-acquisition integration phase – most value destruction or realisation occurs at this phase (cf. Degbey 2015; Schoenberg 2006).

Third, *competitors' response*: M&A events can be regarded as one of the main visible competitive actions by firms, and its scholars argue that "the best time to attack your competitor is when he is in the middle of a complex merger process. This is when his customers are neglected, his key employees are likely to leave, his key suppliers experience most uncertainty, and this is the time when he is least likely to be able to muster a coordinated response to any form of attack" (Meyer 2008, 211). Indeed, results show that the M&A event attracted some response from the acquired firm's competitors – though to a limited extent – as indicated by a key network, i.e. a customer who was being persuaded by a competitor. The limited extent of competitors' response was due to the high business fluctuation within the project-based business in the maritime industry and the desire of customers to maintain multiple service providers in order to spread their own risks.

Prior studies empirically found that the visibility and response difficulty of competitive actions influence the number of retaliatory responses from rivals (cf. Chen & Miller 1994). In a similar vein, it has been identified that when a company's competitive move or market action bears a visible competitive influence on its competitors, a greater number of responses ensue (cf. Chen, Smith & Grimm 1992; Otero-Neira & Varela-González 2005). Further, Porter (1980) notes that rival firms quickly and intensely respond if they perceive or observe competitive threats. Indeed, although the competitive response was to a limited extent, this finding is consistent with earlier empirical evidence that showed the significant role played by competitive responses to reduce customer loyalty and/or retention following the M&A (see Kato & Schoenberg 2012, 2014). And this contribution further narrows the gap on its limited empirical research to date.

Fourth, *environmental dynamism*: It describes the unpredictability of environmental change (see Bendapudi & Berry 1997; Dess & Beard 1984). The importance of the environment in influencing relationship maintenance is well-rooted across a variety of contexts including interpersonal relationships (cf. Duck 1994) and strategic alliances (cf. Oliver 1990). In fact, environmental dynamism is one of the major environmental factors that has gained significant attention in the business literature, and perceived by customers as turbulent and thus make prediction of trends and outcomes problematic (cf. Bendapudi & Berry 1997). It is suggested that in order to adaptively respond to environmental uncertainty, business partners may prefer to develop relationship with specific partners (cf. Pfeffer & Salancik 1978; Williamson 1985).

Empirical studies in B2B contexts also have shown that customers, for instance, maintain dependence on a specific partner relationship as a means to cope/reduce uncertainty (cf. Webster 1992). This implies that environmental uncertainty would impact the formation and management of the acquired firm's key networks. Indeed, results of this study imply that the acquired firm was able to positively influence its key network by positioning itself as a valuable knowledge resource that reminded customers of the rapid changes underway, and thus enhanced customers' dependence within the project-based business in the maritime environment. Two main examples of environmental dynamism were identified in this study*: changes in environmental regulation/legislation and shifting demand landscape*.

Fifth, *marketing mix*: Customers raised the issue of the acquired firm charging higher prices relative to its competitors. It was clear through the interviews that some customers had been involved in many business operations with other service providers rather than the acquired firm due to the expensive nature of its product or service offerings (cf. Dodds et al. 1991). However, results imply that the acquired firm affiliates could be used to execute projects in order to reduce the cost for customers (cf. Dong et al. 2011). The acquired firm needs to rebrand its pricing propositions and communicate it on that basis particularly to the marine business segment customers, based on the advantages of the M&A in order to positively influence key networks, and thus enhance customer retention.

Six and final, *promise management*: It is one of the contemporary approaches to marketing, and thus advances the necessity of promise management to regain the control of customer management process (cf. Grönroos 2009). It is argued that the fulfilment of promises made to customers is the foundation for retaining customers and maintaining relationship with them (cf. Berry 1995). Results of this study revealed instances in the acquired firm's value propositions and value deliveries where promise was ineffectively managed, i.e. the customer experienced overpromises and under-deliveries (i.e. value promised not kept and enabled). The service-dominant logic to marketing argue that supporting value creation for customers requires *making promises* in order to create the engagement with the customer, *keeping promises* in support of the creation of value-in-use, and *enabling promises* to deliver on making and keeping promises (see Bitner 1995; Grönroos 2009). Thus, value proposition (e.g. through the use of strategic events such as M&A) can be seen as value promise but what is important is treating it to mean more than just making a promise to keeping and enabling the promise (see Figure 22 based on ideas from Bitner 1995 and Grönroos 2009).

In sum, key network management is based on three basic elements: identifying the network, employing strategies to manage it, and adopting operational level methods to manage them. In addition, the issue of both a focal actor and a key network having relevant capabilities in order to realise opportunities is central to key network management. In this study, six variables have been identified as antecedents to effective key network management in an M&A context: *competence of acquired firm, acquisition experience, competitors' response, environmental dynamism, marketing mix* and *promise management*. However, corresponding to key network management elements, marketing mix and promise management seemed to have relative strong impact on developing and applying operational level methods for managing the actors of a key network. The next section discusses the influence of acquisition on future relationship development of acquired firm's customers for retention.

5.6.5 The influence of acquisition on future relationship development of the acquired firm's customers for retention

The third sub-question was "*how does the cross-border acquisition affect the future relationship development of the knowledge-intensive acquired firm's customers for retention?*". This research question was analysed with regard to how the acquisition influence–or is perceived to influence future relationship development and dormancy management of the acquired firm. However, general results on relationship development and dormancy management were presented before the discussion on the specific influence of acquisition on the future relationship development of the acquired firm's customers.

Generally, based on the nature of the project-based business in the maritime industry, developing relationship with *existing and new customers* requires that the acquired firm always has *something (new) and concrete to present to the customer* (cf. Roberts, Baker & Walker 2005), and to also *create unique customer experience*, and *show more interest in the customers' business* if they intend to further develop the relationship with them (cf. Meyer & Schwager 2007; Verhoef et al. 2009). In addition, the need to *develop personal relationships* (cf. Duck 1994; Halinen & Törnroos 1998; Ward & Dagger 2007), *build wider network* (cf. Borch & Arthur 1995; Beckman et al. 2004; Reagans & McEvily 2003; Uzzi 1997) and *continuously invest* (e.g. frequent customer visits, solving customer' problems not directly related to ongoing projects, and if possible doing so with support from other partners) (cf. Dyer & Singh 1998; McEvily & Marcus 2005; Rowley et al. 2000) in the customer relationship is critical to sustaining it. In support of the need to build wider network, Borch and Arthur (1995) argue that increased interdependency makes it critical for a firm to focus on strategic relations to a larger set of actors in the task environment.

On the other hand, due to the high level of workload fluctuation involved in project-based businesses in the maritime industry, the frequency of dormant customers is relatively high and therefore the need for a superior customer relationship management (CRM) is required (cf. Ryals 2005; Verhoef 2003). This would ensure that customer relationship is kept active when a project is completed, and to lower the risks of eventually losing the customers (cf. Griffin & Lowenstein 2001; Homburg et al. 2007). Results show that *sharing new experiences* (e.g. through frequent dialogue, visits and meetings with customers), *financial support* and the provision of *wider product range* resonated most among other variables regarding recapturing management efforts. Additionally, the issue of trust and a recapture strategy was emphasised as vital starting points between the acquired firm and its dormant customers (cf. Griffin & Lowenstein 2001; Tokman et al. 2007).

Further, results imply that dormant customers were relatively easy to recapture compared to focusing only on acquiring new customers and servicing existing ones. Indeed, dormant customers involved in the study explained that they did not have any immediate service/product needs or requirements for the acquired firm but that they would definitely consider the acquired firm as soon as they have business needs. Moreover, they emphasised that based on the acquired firm's competence, they were ready to recommend/refer its service to other prospective or dormant customers if required (cf. Lado & Wilson 1994; Swan et al. 1985). The last point indicated that the dormant customers – particularly those who have not explicitly defected from the acquired firm and are without current service/product requirements/needs for the acquired firm – are likely to contribute indirectly to its financial/revenue base through positive word-of-mouth publicity (cf. Kumar, Petersen & Leone 2007). The latter action from dormant customers is believed to result from prior customer experience with the acquired firm (cf. Degbey 2015), which in turn has a strong determining effect on customer trust and commitment to accept recapture efforts/offers (cf. Morgan & Hunt 1994; Moorman et al. 1992). *Having touched on the general results on relationship development and dormancy management in the acquisition case, the discussion turns now to how acquisition specifically affects the relationship development of the acquired firm's customers.*

The *establishment of a new subsidiary* by the acquired firm following the M&A purposely to extend its product/service portfolio to EPC projects has gained visibility among the customers and thus affected customer relationship development. Nonetheless, the formation of the new subsidiary by the acquired firm did not result from structural integration with the acquirer, but it can be regarded as a post-acquisition integration variable, as it formed part of the post-acquisition integration action. In fact, the results show that there was limited structural integration, thus consistent with knowledge-intensive acquisitions (cf. Puranam et al. 2006). Likewise, the *establishment of a new subsidiary* by the acquired firm was quite different from a related prior M&A study, which showed that organisational restructuring negatively affected customer development and/or management, as it involved the combination of previously independent businesses into a single corporate structure and the integration of diverse business models, processes and systems (cf. Kato & Schoenberg 2014).

Indeed, the establishment of a new subsidiary as a result of the acquisition positively affected the acquired firm's customers, as it enhanced *expansion in product range* and created a *wider network* through the acquirer. This result is also consistent with recent empirical works that established a causal chain between post-acquisition integration actions, key customer relationship variables such as product portfolio breadth and customer retention and/or market-related performance (cf. Homburg & Bucerius 2005; Kato & Schoenberg 2014). In this study, the aforesaid causal chain, for example, was shown by the result that indicated that the first full EPC project has been completed and delivered, and additional new customer orders have also been placed.

Additionally, the *acquired firm's autonomy/post-M&A independence* (cf. Haspeslagh & Jemison 1991) as an acquisition action positively affected the relationship development with the acquired firm's customers. The acquired firm's autonomy/post-acquisition independence provided the acquired firm an adequate level of *flexibility in the use of resources* (cf. Gupta & Roos 2001), the latitude to develop new innovations together with customers (cf. Roberts et al. 2005), and the ability to make *investments* into the relationship (cf. Dyer & Singh 1998), thus enabling them to enhance existing and new customer relationship development as well as to recapture dormant customers (i.e. second-lifetime relationship development – cf. Stauss & Friege 1999) through EPC projects. As discussed earlier in this section, there seems to be a link between the preservation approach/post-M&A independence, the key relationship development variables identified above (e.g. continuous invest) and customer retention. The positive outcome of the acquired firm's autonomy/post-M&A independence on customer retention potentially explains M&A scholars' frequent warning about negative internal organisational impacts of complete integration, such as reduced employee commitment and employee turnover (cf. Krug & Hegarty 2001), which may, in turn, negatively impact market-related performance (cf. Kato & Schoenberg 2014).

Adding to the above, as the post-M&A integration phase is usually characterised by a strong internal orientation of managers (cf. Hitt, Hoskisson & Ireland 1990), customer orientation of integration is also required to influence the extent to which integration outcomes are realised (cf. Homburg & Bucerius

2005; Kato & Schoenberg 2012). Moreover, as noted elsewhere in this study, contextual ambidexterity is vital in complementing the preservation approach, so as to minimise negative acquisition influences (e.g. on the various competing and complementary demands) on the relationship development of the acquired firm's customers (cf. Meglio et al. 2015; Schweizer 2005).

Further, financial resources positively impacted customers' relationship development post-M&A. The provision of financial resources by the acquirer enabled the creation of a new subsidiary, which in turn provided more choice for customers through wider product offerings (cf. Wathne, Biong & Heide 2001). The financial resources resulting from the M&A also provided customers a perceived sense of alternative project financing source – considering the huge financial investment required by these highly specialised and technical projects – and also served as a resource to further develop and manage active and dormant relationships (cf. Pfeffer & Salancik 1978).

Furthermore, *limited internal communication* negatively impacted customer relationship development post-M&A. Limited internal communication resulting from tighter control on information within the acquired firm following the M&A poses a challenge to effective relationship development (cf. Balmer & Dinnie 1999; Clemente & Greenspan 1997). This acquisition action has raised concerns, especially among project managers, who are often in regular contact with customers in the course of projects. Moreover, since they are now confronted with limited information, they are less positioned to offer adequate and meaningful rapid response to customer queries/concerns (cf. Kato & Schoenberg 2012). Further, limited internal communication is likely to negatively influence the aforementioned creation of a unique customer experience, personal relationship and interest in customers' business – which are important relationship variables identified earlier in this section that influenced the acquired firm's customer relationship development (cf. Berry & Parasuraman 1991; Degbey 2015; Meyer & Schwager 2007). And this, in turn, may negatively impact the development of such customer relationships. *The above discussions (sections 5.6.1–5.6.5) are concluded with a brief reflection.*

It is important to conclude this discussion chapter with a reflection specifically with regards to what other companies can learn from the research and the circumstances in which things happen in the maritime (e.g. shipbuilding) industry. A recent MacGregor publication's editorial comment avers that many industries are undergoing major changes in the way their business works. But more importantly, these changes are determining variables of how firms create value for their customers, now and in the future. For example, in the maritime sector in Europe, it is noted that an increasing number of shipyards are focusing on becoming final assembly production facilities and project management organisations, while the fleet ownership structure is changing too, with European ownership diminishing (Saurama 2015).

The above assertions about service providers such as engineering firms in the maritime industry – who engage in highly technical, specialised projects that are highly complex in nature and require huge financial investment – particularly in Europe show unstable and difficult times (driven mostly by market forces, regulatory changes and the urgent need to innovate). However, despite the fact that M&A are regarded as disruptive, this Chinese-European case has taught us that they can also bring stability to a firm that finds itself in an unstable environment and confronted with strong internal challenges, thus requiring interdependence to minimise uncertainty (cf. Pfeffer & Salancik 1978). If such firms choose M&A to create value or spur growth, then first and foremost, the need to understand the role of customers and how their retention is conceived in such a dynamic, highly specialised market would be critical to realising value (cf. Degbey 2015).

This view contrasts with the strong internal focus in traditional M&A practice and research (cf. Hitt et al. 1990). Retention of customers in such a critical event setting requires a focus on both *temporal* (indicated by the tenure of relationships) and *contextual* characteristics. That is to say, enhancing value through these customers requires the balancing act of *dynamic stability* and not merely considering these B2B relationships as being characterised by long-term status and stability (cf. Evans & Laskin 1994). The need to understand the coexistence of competing and complementary demands (e.g. coexistence of existing, dormant and new customer dimensions) is vital to enhance value (cf. Birkinshaw & Gibson 2004; Wang & Rafiq 2014). Furthermore, these results can inform other companies – especially knowledge-intensive, project-based businesses in different industries, about the need to insist on the kind of integration approach they pursue, as, observed in this case, one that ensures independence and guarantees autonomy and opportunity to innovate without alienating customers (cf. Haspeslagh & Jemison 1991; Puranam et al. 2006). Moreover, the need to understand both network dynamics and network management (cf. Degbey & Pelto 2015; Havila & Salmi 2000; Möller 2013; Ojasalo 2004) and the development of active relationships and dormancy management are crucial to improving value through customer retention in M&A. The results of this study can truly provide insight into customer retention strategies for related firms undergoing M&A transitions within the maritime industry and other related industries with similar characteristic features.

5.7 Empirical model of customer retention in cross-border M&A

As already noted, acquisitions are contextually driven; the dimensions of the performance indicator employed in this study are theorised on the basis of contextualised explanation (Welch et al. 2011), which is also consistent with the critical realist view of causation (Sayer 2000). Thus, through a contextualised explanation, the study provides viable insights into the development and implementation of strategies for customer retention in M&A. Specifically, it examines how post-acquisition actions influence the acquired firm's customers by offering an empirically derived integrated framework for analysing its effect on their retention (see Figure 24).

This integrated empirical model (see Figure 24) suggests customer retention in M&A as a multidimensional phenomenon. The combination of the various customer dimensions provides a holistic understanding of M&A performance via customer retention. As shown in Figure 24, the multidimensional conceptualisation of customers reveals "*managing dynamic stability*" as a unique feature of customer retention in the acquired firm. The label dynamic stability implies that with an M&A event or other major strategic/critical event for that matter, customer relationships such as existing, dormant or new become disruptive, and the relationship stability thus become dynamic, with a requisite need for management so as to restore stability once again. In addition, as acquisitions are contextually driven (e.g. Öberg & Holtström 2006), relationally impacted (e.g. Anderson et al. 2001) and integration-approach oriented (e.g. Haspeslagh & Jemison 1991) with effects on customer retention (e.g. Kato & Schoenberg 2014), the various customer dimensions are undoubtedly impacted by all three sets of influencing variables identified in Figure 24.

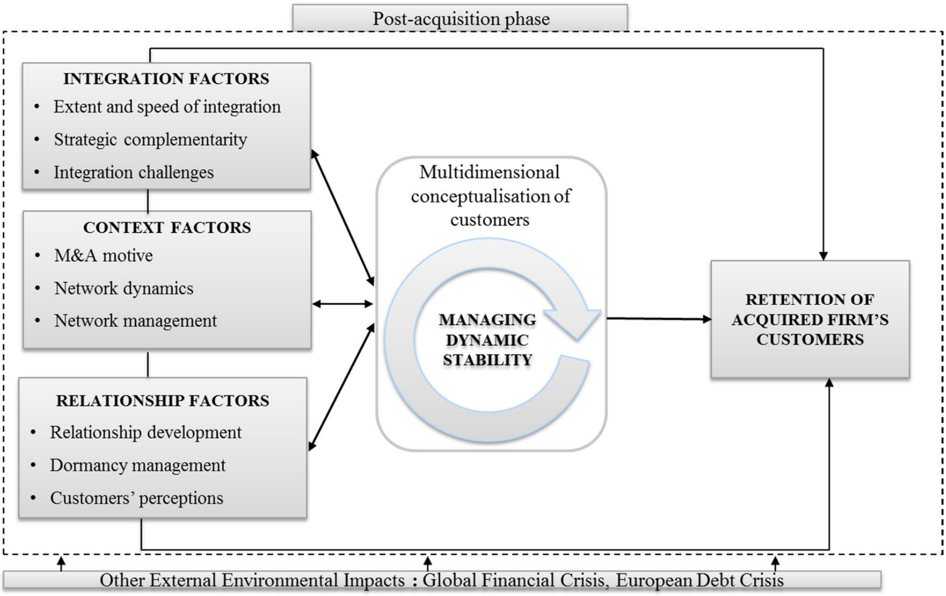

Figure 24 Integrated framework for customer retention in cross-border M&A

Specifically in the M&A setting, the impact these influencing variables of M&A exert often lead to the reconfiguration of resources, activities and actors in the merging firms and also of connected parties outside its boundary (cf. Degbey & Pelto 2013, 2015; Öberg et al. 2007; Havila & Salmi 2000). This point is characteristic of network thinking, which views business markets as interconnected relationships of different actors controlling heterogeneous resources and conducting interlinked activities (Gadde & Håkansson 2001; Håkansson & Johanson 1992). In addition, the impact of these M&A actions on the acquired firm's customers may also require certain adjustments in the pair or network of exchange partners (firms), such as in their relationship-specific investment, knowledge sharing routines and complementary resource endowments to ensure effective retention of customers (cf. Dyer & Singh 1998). Even so, these adjustments can be, and are often, conceived as processes that extend throughout the firm and concentrate on the creation and leveraging of linkages and relationships with external marketplace entities, particularly customers (Zablah et al. 2004). These assertions are reflective of CRM approaches and helped shape the design of this empirically derived integrated framework for customer retention in cross-border M&A.

Furthermore, Figure 24 shows that within the post-acquisition phase, there exists a reciprocal linkage (shown by *two-way arrows*) between the three umbrella influencing factors of customer retention (indicated by integration, context and relationship factors and their sub-variables) and the multidimensional conceptualisation of customers for effective retention of the acquired firm's customers. This shows that the influencing factors of customer retention are affected by the multidimensional conceptualisation and vice versa. Indeed, the integrated empirical model (see Figure 24) combines the initial theoretical framework (see Figure 12), modified on the basis of the empirical results and the multidimensional conceptualisation initially derived from the pilot study and later expanded in the Chinese-European cross-border M&A, thus serving as a viable framework for analysing how post-acquisition actions affect customer retention.

As can be observed in Figure 24 above, there are other forces from the external environment that exert influence on the merging parties and their connected parties. Moreover, such forces, such as the lingering global financial crisis and the European debt crisis, are beyond the control of the aforementioned actors and thus impact their business activities. This integrated framework (Figure 24) does not claim to capture all influencing variables that impact customer retention of the knowledge-intensive (engineering), projectbased business acquired firm; nonetheless, it is believed to be comprehensive enough to offer an explanation for the performance of M&A, especially that of the acquired firm post-M&A. The framework does offer a solid foundation for scholars seeking to develop a more comprehensive framework with regards to the impact of post-acquisition actions on the acquired firm's customers –that is, on their retention. Further, it is a vital tool for practitioners engaged in M&A.

6 CONCLUSIONS

6.1 Academic contribution

Despite the high relevance of customer retention for B2B suppliers (in this case, acquired firms), research insights into this domain, particularly in the M&A context, remain scarce. To address this research void, recent studies focusing, for example, on post-acquisition integration's influence on customer-supplier relationships (Kato & Schoenberg 2014), on M&A performance measures (Degbey 2015; Zollo & Meier 2008), and on the importance of customers in M&A (Öberg 2008) have all acknowledged the relevance of customer retention in the M&A performance literature and practice. However, no conceptualisation of customer retention thus far has combined the different dimensions and enriched that combination with empirical evidence from B2B markets in an M&A context. This conceptualisation, unlike prior ones (see Degbey 2015; Zollo & Meier 2008), is desirable for providing a deeper understanding and making explicit (through the influencing factors) the different dimensions of customer retention, particularly for knowledge-intensive/engineering project-based businesses in the M&A context.

Thus, the focal study addresses the abovementioned research gap and contributes to the M&A literature by extending the conceptualisation of customer retention in M&A from single-dimensional to multidimensional and also by identifying key influencing factors of customer retention in M&A. Specifically, this study highlights the following academic contributions; nonetheless, *the main contribution of this research is in the field of M&A. First*, the study contributes by extending the conceptualisation of customer retention from single-dimensional to *multidimensional* in the context of M&A and demonstrates the implications of *multidimensionality* in the empirical case. This conceptualisation encompasses three customer dimensions: existing customers, new customers and dormant customers. That is to say, the *multidimensional* conceptualisation simply highlights that customer retention in M&A is the joint CRM of new customers, existing customers and dormant customers. Indeed, this expansion in our understanding also certainly helps in terms of M&A performance measurement via customer retention.

Prior research on customer retention in general has studied retention as a single-dimensional and independent task (cf. Dong et al. 2011). Thus, this contribution broadens the current conceptualisation of customer retention in the M&A literature beyond the central focus on existing (continuing) customers. Based on the logic of a single-dimensional conceptualisation, the prior operationalisation of customer retention focuses mainly on the assessment of only the proportion of lost customers post-M&A (see Zollo & Meier 2008) to understand its implications on M&A performance/success. Indeed, except for its orientation to the long-term horizon, the view of Zollo and Meier (2008) on conceptualising customer retention in the M&A literature has largely taken the path embraced by conventional CRM research, which assesses customer retention as the number of active firms' customers at the end of a financial year expressed as the proportion of customers who were active at the beginning of the year (see e.g. Dawkins & Reichheld 1990). However, the approach to customer retention espoused in this study goes beyond the narrow and innate focus on mainly understanding existing customer retention (see Coyles & Gokey 2005) to also include winning back/recapturing dormant customers and gaining new customers. In sum, the *multidimensional* conceptualisation highlights customer retention as the joint CRM of new customers, existing customers and dormant customers. In other words, and more importantly, the multidimensional conceptualisation signifies that *customer retention is about managing dynamic stability* (i.e. the simultaneous balancing act between stability and dynamics within the customer dimensions).

Second, a key contribution to the M&A performance literature is the development of an *integrated framework for analysing the effect of post-acquisition actions on the acquired firm's customers.* The integrated framework developed in this paper expands our theoretical understanding on the linkage between acquired firms and customer retention in a post-acquisition setting. Specifically, the framework identified three broad/umbrella influencing factors of customer retention in M&A, which are interconnected in many respects. This is the first serious attempt to identify the influencing factors of customer retention in the M&A context and to empirically validate this linkage.

It is worth noting that previous work has essentially focused on the outcome variable: customer retention as a single dimensional concept; however, the developed framework here has shown that it is multidimensional and that the three broad influencing factors jointly impact each of these (three) dimensions of customer retention. Moreover, theoretical insights and empirical findings show that there are interconnections between these three dimensions, particularly in the M&A context. However, the limited studies that exist on this performance indicator – customer retention (e.g. Degbey 2015; Zollo & Meier 2008) – have failed to identify the interconnections between the three dimensions, thus indicating a gap in our understanding, which the developed framework attempts to fill. Nonetheless, the framework does not present and discuss an exhaustive list of all possible influencing factors of customer retention in M&A, but it does indeed shed light on important factors to examine when analysing the effect of post-acquisition actions on the acquired firm's customers.

Third, the study also develops a typology for managing relationship-dynamic stability in M&A by focusing on how to manage the interactions among the various customer dimensions on the basis of context and relationship tenure in M&A. More generally, on the basis of this typology, it is suggested that customer retention strategies/typologies must focus not only on the *temporal* aspects of retention (e.g. short-term versus long-term) but also on the *contextual* aspects of retention (e.g. dynamics versus stability). For example, CRM research esteems the nature of customer relationships as largely long-term, yet theoretical and other attempts to address the *dynamic* nature of these relationships have been limited (cf. Evans & Laskin 1994; Möller 2013).

Thus, the typology helps shed light on the *contextual* aspect, which is an important but missing attribute of this core theme (i.e. customer retention) in CRM research (cf. Ahmad & Buttle 2002). The *integrated framework* (see Figure 24) and the typology (Figure 23) complement each other in analysing the effect of post-acquisition actions on the acquired firm's customer retention; thus the typology adds particularly to the handling of the interplay among the customer dimensions as a result of the multidimensional conceptualisation, while the integrated framework adds specifically to the influencing factors of customer retention. Although the integrated framework and typology are based on the unique features of the cross-border acquisition case analysed in industry and country settings, they may be applicable to other contexts, as well.

Fourth, a major contribution of this study to the M&A literature is the proposition to undertake research on dormant customers in M&A research. Hence, the concept of *customer dormancy management* (i.e. the process in which conscious attempts/efforts are made to revive dormant customer relationships) in M&A is introduced. The empirical case study demonstrates that the phenomenon of customer dormancy is more likely to occur in a sector or industry that engages in project-based businesses and that major strategic events such as M&A can impact/aid the management of customer dormancy. Thus, this finding brings into focus – particularly for a knowledge-intensive/engineering project-based business where there is a high propensity for customer dormancy upon completion of a business project – the importance of an M&A event in customer reactivation (e.g. reactivation of customer relationship and/or customer experience) through the immediate provision of resources and assets reconfiguration. The notion of recapturing dormant customers – although new to M&A performance research as an alternative source for seeking growth or a channel to allocate resources for growth – is already becoming more elaborate in the CRM literature, with empirical studies demonstrating its potency for enhanced firm performance (see e.g. Griffin & Lowenstein 2001; Homburg et al. 2007)

Fifth, the immediate mechanical provision of resources and assets reconfiguration as a consequence of M&A can also facilitate the acquisition of new customers (cf. Capron et al. 2001). The notion that customer retention in M&A is the CRM of recency (newness), adopted in this study has a novelty value; that is, it highlights that there exists an interconnection between existing and new customers, particularly in the M&A context and that this understanding is required to enhance customer development and maintenance. This contribution of the focal study is consistent with the work of Dong et al. (2011) in the CRM literature, which suggests that future studies examining customer retention efforts can be extended to cover new customers.

Sixth, an important theoretical contribution this study makes to M&A performance research is that "*context*" should be taken into account when espousing and adopting the strategy of customer retention in M&A (cf. Ahmad & Buttle 2002). This view is consistent with the notion that each M&A deal, as well as the B2B relationship, is unique in its content and context and therefore should be treated on that basis (cf. Degbey 2015).

Seventh, through the detailed conceptual review of the M&A literature, this study contributes by developing a unique synthesised table (see Table 4), which can be used as a framework for understanding different M&A profiles (cf. Bower 2001, Gadiesh & Ormiston 2002; Early 2004).

Eighth, this study also has *theoretical implications for the CRM literature.* It contributes by extending the conceptualisation of a dominant theme of CRM– that being customer retention, beyond existing customers, to the recapturing of dormant customers within the setting of a critical event. Thus, the study offers and enriches the extant CRM literature by advancing the concept of *customer dormancy management,* particularly for knowledge-intensive/project-based engineering businesses within a critical event context (i.e. M&A context). More broadly, the study supports and advances the understanding that there is a possible linkage between a major strategic event, such as M&A, and (reviving) dormant customer relationships. This contribution is perfectly aligned with the call in the CRM literature for research on the largely neglected phenomenon of customer relationship revival (see Homburg et al. 2007). Hence, insight into the role major strategic events such as M&A can play in recapturing/regaining dormant customers is provided to expand current CRM and the broader RM thoughts.

Moreover, in line with M&A as a process (cf. Jemison & Sitkin 1986a, b), this study builds on the process perspective of CRM and advances the CRM literature by emphasising the examination of the dynamic nature of stability among the customer dimensions for enhanced customer retention. *This helps* *contribute to the relevance of the company context to CRM research* (cf. Ahmad & Buttle 2002). For example, as the results of this study imply, customer retention (a core theme of CRM research) is strongly influenced by the major strategic/critical event (i.e. M&A) and the unique features of the maritime environment (e.g. knowledge-intensive, project-based businesses in the shipbuilding sector). Indeed, prior studies suggest that CRM research lacks clear assumptions about the *context* of exchange relationships (cf. Möller 2013; Pels et al. 2009). However, CRM research esteems the nature of customer relationships as largely long-term (i.e. more focused on the *temporal* aspect) but offers limited contribution to address the *dynamic* nature of these relationships (cf. Evans & Laskin 1994; Möller 2013).

Ninth, the study also contributes to the *emerging network management* theory. Examining interactions and interrelationships (such as those between merging parties and external stakeholders, for example, customers and their retention) (cf. Hitt et al. 1998) permits the analysis of post-acquisition actions beyond the current focus on the acquirer-acquired dyad, founded largely in the financial and/or strategy schools of thought, with typical focus on direct effects (King et al. 2004). The aforementioned view qualifies the notion of network thinking, and the current study demonstrates through its findings that network embeddedness and changes between merging parties and their customers (i.e. changes in network actors – structure, resources and activities – position) are likely to influence the existing third parties of the customer. Changes in the dyad may cause connected network changes, and this finding is consistent with earlier studies (see Degbey & Pelto 2013, 2015; Havila & Salmi 2000; Pelto 2013).

Moreover, to further expand on this essentially Industrial Marketing and Purchasing (IMP) business network view, the complementing effect of the strategic network view is important. The strategic network view can be interpreted as that networks should not simply be allowed to evolve through constant interaction and adaptation, as originally supported by IMP research (see Araujo & Easton 1996; Håkansson & Snehota 1989) but rather they can be orchestrated instantly through investment in network position and structure (see Borch & Arthur 1995; Degbey & Hassett 2016). Further, M&A events typically have the capacity to make this happen. This complementary effect demonstrated through M&A thus helps contribute to the emerging theme of network management.

Finally, this research also offers a *methodological contribution*. Whereas prior studies on customer retention in general have mostly adopted quantitative analyses based on positivistic philosophy, this study employs mainly qualitative analysis based on a critical realist philosophy. Particularly with regard to the context of M&A, where the focal study examines how post-acquisition integration impacts the retention of the acquired firm's customers – by focusing on influencing factors and its conceptualisation for retention measurement purposes – it can be considered novel and thus make a methodological contribution. Yet, as the critical realist research essentially allows the constant interaction of theory, context, empirical analysis and method with each other in the process, the resulting effect of such interactions poses a challenge in separating (and thus enabling somewhat intertwined linkages) contributions into theoretical and methodological (cf. Pelto 2013).

Nevertheless, following the critical realist logic, the focal study differs from prior exceptionally scanty studies that specifically discuss customer retention in the M&A context as a performance indicator (see e.g. Degbey 2015; Zollo & Meier 2008). First, by taking a critical realist viewpoint, the methodological contribution stems from identifying causal mechanisms as a means of providing an explanation to enrich the understanding of the phenomenon under investigation instead of aiming to establish any generalised cause-effect linkages for a largely contextualised phenomenon (cf. Easton 2010; Welch et al. 2011). Second, by purely employing qualitative case research data, the study demonstrates that the exploration of a complex, multifaceted social process event in its real-life context can be enhanced without simplifying matters by eliminating some variables while controlling and manipulating others (cf. Lindgreen 2001).

Third, as the study aims at theory development, a contextualised explanation was employed as a method to accomplish the theorisation. A recent study by Welch et al. (2011) argues for more contextualised explanation in theory building, as this would enrich the case study's potential for contextualisation and the strengthening of its explanatory power as well as to help decrease the dominance of inductive theory building in previous studies found particularly in IB research. This study most certainly contributes to this conversation through the development of a contextualised integrated framework for customer retention in M&A.

6.2 Managerial implications

Because M&A are unique strategic events and can certainly preserve, enhance, constrain or even disrupt business operations, with consequences for immediate and connected firms, customers, shareholders and society as a whole, the focal study carries important managerial implications.

While firms engaging in M&A activities have often shown more than 50% failure rates, the focal study's integrated framework – based on context driven, relationship driven, and integration action and challenge factors – provides a path to identify and measure the benefits of the strategy of customer retention as an indicator of M&A performance, thus helping to minimise the high failure rates. Indeed, this study raises critical implications for merging parties (particularly for the acquired firm). It demonstrates that customer retention is critical to merging parties, as it can be a considerable source of revenue retention and growth for overall acquisition success. More specifically, it demonstrates the need for merging parties (particularly the acquired firm) to identify with a thorough understanding the variables that customers view as critical.

First and foremost, the customers of an acquired firm should not be treated as a *project*, particularly in the case of an acquired firm that offers knowledge-intensive services to customers and interacts with them mostly through projects. The concept of *customers as people not projects* as well as making sure that personal relationships are developed with them are crucial. Projects are the *means of implementing your value propositions* to customers, and the customers are *the actual ends to realising your value.* For enhanced customer retention, managers should have a long-term orientation and not handle customers as merely a typical project (with a starting and finishing timeline). A technological or engineering view of customers is more likely to perceive relationships with customers in the form of successful implementation of projects, while a relational and/or customer-dominant view of business customers may recognise them as long-term partners with relation-specific investment, complementary resource endowment and interfirm knowledge-sharing routines (cf. Dyer & Singh 1998).

Second, specific key factors were found to exert great influence on customer retention in M&A, which B2B executives planning or involved in M&A should pay particular attention to when undertaking their post-acquisition actions. The following sets of factors are described as integration-related variables: *extent and speed of integration* (including the acquired firm's autonomy, contextual ambidexterity and customer orientation of integration), *strategic complementarity* (including project financing resources from the acquirer and the establishment of a new subsidiary by the acquired firm through the acquirer's financial support) and *integration challenges* (including cultural differences, communication, key employees' departure or perceived departure and competitive overlap with the customer). A collective insight from these integration variables is that the *particular integration approach employed matters* and that the one that ensures the acquired firm's autonomy (i.e. discretion over the acquired firm's operating decisions given to acquired firm managers – Datta & Grant 1990) without undermining its routines and processes (cf. (Haspeslagh & Jemison 1991; Puranam, Singh & Chaudhuri 2009) is more likely to impact any effect emanating from the aforementioned variables for improved M&A performance. Additionally, to minimise the impact of the integration challenges that emanate from the acquired firm's post-M&A independence on its customers, *contextual ambidexterity* can be employed by managers to enhance customer retention through mutual consideration, socialisation and planning with the acquired firm's customers (cf. Meglio, King & Risberg 2015). This, from a multidimensional retention point of view, shows that the various existing, new and dormant customers are capable of coexisting (cf. Schweizer 2005) and thus help complement the preservation approach (cf. Haspeslagh & Jamison 1991).

Further, it is important to add that drawing on *complementarities* between the merging parties can be a valuable source for providing new product/service innovations and to expand product lines in diversification-related motives (cf. Swaminathan et al. 2008). Thus, with diversification-related strategic motives of the acquired firm rather than consolidation, managers should place more emphasis on product/service line expansion (as empirically observed e.g. through the introduction of EPC turnkey solutions) and the development of new product concepts/designs by drawing on *complementarities* from the acquirer (e.g. financial resources and contract management complementarities) and highlight this to customers.

Third, an additional set of factors (see discussion section for details) emphasises that managers should pay attention to the *context* (including *M&A motive, network dynamics and network management*) and *relationships* (including *relationship development, dormancy management and customers' perceptions*) within which the acquired firm operates. Notable from this set of factors was the M&A strategic motive. For the acquired firm to enhance its M&A performance, it must be able to communicate clearly the strategic motive and benefits of the M&A to its internal and external stakeholders, such as employees and customers. One of the early tasks within the M&A process is to reassure loyal customers to reduce customer defection while simultaneously communicating to other stakeholders, such as key partners and employees, and also using the M&A event as a marketing tool by highlighting the key sources of enhanced value.

In addition, if the strategic rationale of the M&A (from the acquired firm's perspective) is market/customer-related or to improve growth through, for example, expanding product lines and increasing revenue, then a *preservation* integration approach (cf. Haspeslagh & Jemison 1991) should be encouraged to reduce the risk of distracting customer facing activities. Relatedly, and as empirically shown in this study, managers should recognise that a preservation approach also indicates that a low extent/degree of integration exists.

Fourth, managers should recognise that just as network approaches have improved our understanding of strategic events such as M&A (see e.g. Anderson et al. 2001; Degbey & Pelto 2015; Öberg et al. 2007), so has M&A

the ability to be used as a strategic tool to impact the network of a focal actor, and this impact may in turn positively or negatively influence customer networks (Degbey & Pelto 2013). In other words, firms can influence their networks through M&A in a way that enables them to improve on their network position and structure (Degbey & Hassett 2016). This view is consistent with the notion that the M&A event becomes a deliberate act to orchestrate the management not only *in* but also *of* the network. That is to say, managers should be aware that in this context, networks are not just allowed to evolve through constant interaction and adaptation, as originally supported by IMP research (see Araujo & Easton 1996; Håkansson & Snehota 1989). Instead, they extend beyond this view to constitute instant investment in network position and structure (see Borch & Arthur 1995; Degbey & Hassett 2016). This assertion is reflective of insights from the strategic network literature, and, together with the initial IMP perspective, they contribute to an emerging network management way of thinking (see Borch & Arthur 1995; Gulati et al. 2000; Jarillo 1988; Järvensivu & Möller 2009; Möller & Rajala 2007).

Fifth, managers should remember that internally driven agendas of post-acquisition integration actions should not derail a focus on customer-centric variables. The above implications also gained support from a prior study on customer and competitor responses to M&A (see Kato & Schoenberg 2012). Whether the spectrum of integration tasks ranges from complete preservation (wholly independent) to complete absorption (see Haspeslagh & Jemison 1991; Lees 2003), it is critical that managers be strongly driven by the needs of customers with respect to the product offering and customer service.

Sixth, managers planning or involved in M&A implementation should note that both behavioural and perceptual indicators are vital to customers in their assessment of the impact of M&A events both on their business activities and relationship with the merging parties. Nonetheless, *customers' perceptions* as revealed in the context of M&A events can become more powerful than even actual behaviours and can, unfortunately, lead to unintended consequences.

Seventh, an important managerial implication of this study suggests that a major critical event in the form of M&A can be used as a strategic lever/device by managers involved in M&A to revive/recapture dormant customers and hence develops a framework to systematically undertake the recapture activities. In fact, the marketing efforts used to recapture dormant customers can be considerable and thus potentially make one to question whether it is always recommended to recapture dormant customers. Considering firms operating in highly specialised and complex types of project-business settings, such as the maritime and other related industries, it is always recommended to make the necessary effort to recapture dormant customers. In addition, extant empirical studies (e.g. Griffin & Lowenstein 2001; Homburg et al. 2007) have also established its benefits to outweigh the costs, especially with regards to prospecting for a new customer as opposed to recapturing a dormant one. However, it may be difficult and costly in reality to recapture most, if not all, dormant customers. Therefore, once initial assessments or contacts have been made to establish the reasons for dormancy, the firm can decide whether or not to proceed. For example, if a customer becomes dormant based on the service provider's technical inadequacies or product/service deficiencies, especially in highly specialised/knowledge-intensive services, then it may be unlikely to recapture such a customer with that prior experience as opposed to dormancy driven by being sensitive to price, due to the completion of a project or other related drivers.

As can be seen from Figure 25, customer recapture efforts involve three central tasks: recapture analysis of dormant customers, recapture actions concerning dormant customers, and initiating controls of recaptured customers.

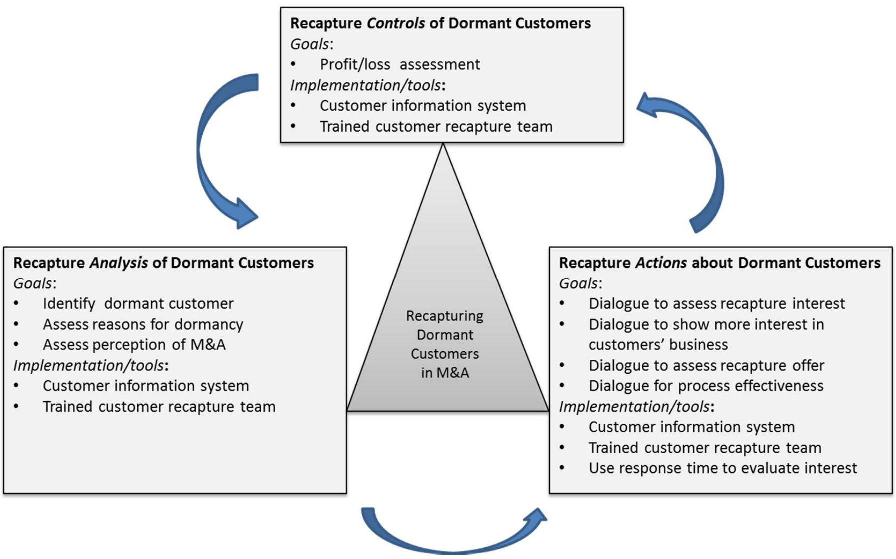

Figure 25 Framework for recapturing dormant customers in M&A

With the help of this guideline framework, whether or not a customer is revived is not essentially an issue of luck but rather dependent on how managers systematically plan and execute the recapture activities. One main piece of information for managers is that the perception of and/or response to the M&A event by customers is critical to the success of recapture efforts. Additionally, not only should the service provider focus on providing a recapture offer that is deemed fair by dormant customers, as suggested in prior studies (see e.g. Homburg et al. 2007), but the *interest* the service provider (i.e. acquired firm) shows in the customer's business is crucial, together with how it treats the recapture *dialogue* and processes. The need to dialogue in order to understand how to make the recapture process effective for each business customer is vital.

As can be observed from Figure 25 on the previous page, the implementation of the recapture task should not pose much difficulty in terms of how to reach these customers, since the data on each dormant customer can be retrieved from their past exchange records using the in-house customer information system. In addition, a specially trained recapture team should be assigned to this task – not just anyone from the firm. Also, during an M&A transition, there is the likelihood of an increase in customer dormancy, as customers may resort to "wait and see". One possible way to minimise the negative effect of this is to track *customers' response time*. In this way, the response time can be used as an additional tool to evaluate how well the integration has avoided hindrance/distraction in business operations and, consequently, helped to control customer dormancy, such as customer loss (cf. Very & Gates 2007).

Furthermore, the benefits of reaching out to dormant customers to revive relationships with them should not be bounded to only its expected direct financial rewards but should also be seen as an opportunity for the firm to obtain new learning from dormant customers recaptured to boost the understanding of how to avert any future customer lapse/defection. Equally, the evaluation of complaint and service data could also be used to avert or manage dormancy (cf. DeSouza 1992).

Finally, the study advises that managers should also examine retention through the various *phases* of the M&A event. *At the pre-M&A phase* (e.g. during the deal-making and transition), managers should mostly focus on existing customer retention. Since the transition period is fraught with high uncertainty, especially for almost all levels of employees in the acquired firm, effective communication to win the loyalty of employees is required (cf. Reichheld 1996) so that they are not distracted by the current event and become more internally focused instead of focusing on customers and handling any concerns they might have concerning business exchanges as well as the M&A event. Figure 26 shows a simplified managerial M&A phases approach to customer retention as a guideline for firms undergoing an M&A event.

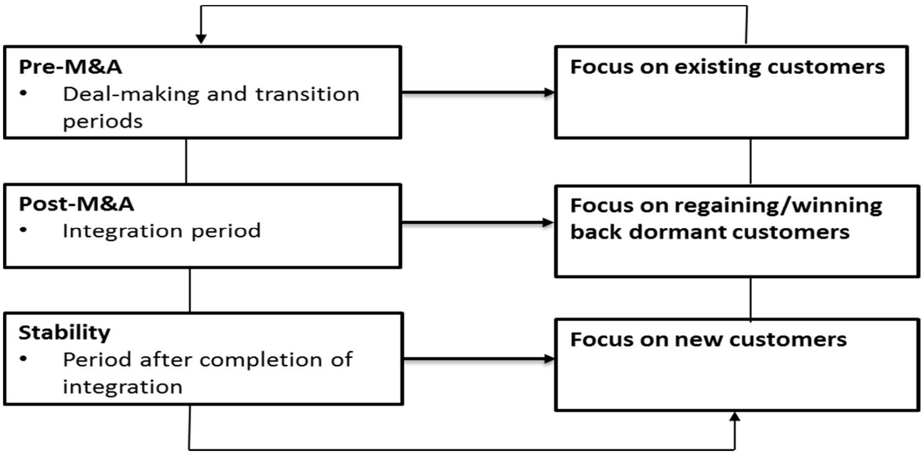

Figure 26 Simplified managerial M&A phases approach to customer retention

At the post-M&A phase (e.g. integration), managers should focus on regaining/winning back dormant customers by sharing new experiences with them and also informing them about resources gained as a consequence of the M&A event. This implication is consistent with the view that acquisitions are a means of reconfiguring the structure of resources or assets of the firm (cf. Capron, Mitchell & Swaminathan 2001). The *stability phase* is what the focal study describes as the phase that follows the completion of the post-M&A integration. The term "stability phase" is used in line with the various stages of the M&A process and should not be confused with the use of "relationship stability", as in the typology of managing relationship dynamic stability. At the stable phase, managers should prospect for new customers and expend resources to gain them. It is important to note that the various M&A phases' implications for customer retention are meant as a guide (for broad simplification) and should be employed with caution, and since customer retention is presented as a holistic model for all three customer dimensions, it can be pursued by examining the various dimensions simultaneously depending on each acquired firm's circumstance.

6.3 Limitations and suggestions for further studies

This study, like any, is bounded in its scope and hence offers prospects, and hopefully impetus, for future studies. This research takes a significant first step toward understanding customer retention in M&A, but it may be limited in some ways, such as the focus on a single firm within one industry. Future research should consider other firms outside of the focal industry (i.e.

maritime industry) in an M&A context. The focal acquisition case offers rich insights into the case study's geographic and industry settings, as it took place not more than three years ago (at the time of this research), and also provided valuable insights into the acquired firm's customer retention.

However, in the first place, the recent nature of the case study and the short duration of data collection (as a consequence of contractual constraints to obtain immediate customers' view regarding the M&A deal) offer a limited window of opportunity to track changes over a rather long time frame. A longitudinal, in-depth case study is required in future research endeavours to track the changes that relate to customer retention following an acquisition. In addition, the capacity of recollection is often a limitation associated with collecting reliable measurements for M&A research, as the capacity of recollection is known to decrease exponentially (cf. Sudman & Bradburn 1973). Nevertheless, as the main analysis of the thesis focuses on the post-acquisition integration phase in combination with data triangulation, the decrease in capacity of recollection does not pose any serious problem (cf. Bauer, Matzler & Wolf 2014).

Further, it is also critical to note that although the main issues discussed in this thesis may apply to similar firms within the same industry or other industries to a lesser extent in an M&A context, they are not necessarily universal – there might be firms/industries in an M&A context where no customer retention efforts are conducted under project-based business. In these firms/industries (as opposed to the results of this thesis), for instance, winning back dormant customers might not be a frequent concern in their customer retention efforts and hence not captured as part of customer retention. These issues and others discussed earlier in this study are worthy of thoughtful considerations not only for marketing/customer managers but also for key M&A leaders, and the analyses of these issues are now the task of future research.

Additionally, had the acquired firm not established and operated its business in China (the acquirer's country of origin) for a considerable number of years and thus familiarised itself with the cultural and business settings of China prior to the focal M&A, what would have been the prevailing logic in the acquired firm and among its customers? How would the latter scenario have influenced post-acquisition integration and consequently customer retention in the acquired firm? For example, a future comparative study examining customer retention from a similar perspective in the same industry without prior business experience in China would be valuable in deepening our understanding of the phenomenon. Also, it would be interesting to also conduct a study similar to this focal one by adopting the acquirer's perspective to determine if it would have made any difference in terms of findings regarding customer retention.

7 SUMMARY

Cross-border M&A – i.e. those undertaken between companies of different national origins (Jagersma 2005), such as the case investigated in this study, have increased in number over the last decades and now constitute about half of all announced M&A transactions globally (Clifford Chance 2013). Indeed, they (including domestic M&A) have become daily buzz words for practitioners and academics alike, highlighting their significance for scholarly and managerial practices. For example, the global value of M&A activities in 2013 alone exceeded US$2.3 trillion, greater than the gross domestic product of Brazil (GDP in 2013 US$2.24 trillion), which is the largest economy in Latin America and the Caribbean regions (Bloomberg 2013; The World Bank 2014). Additionally, in 2015, the total value of cross-border M&A has been steadily recovering after the Great Recession and has now reached US$721.5 billion – a 66.8% increase over the total value of cross-border M&A in 2014 (World Investment Report 2016).

Similarly, M&A success, despite its popularity and strategic importance, is disappointing – that is, usually half to three-quarters of M&A transactions fail to achieve the intended result (e.g. King et al. 2004; Meglio & Risberg 2011; Schoenberg 2006; Zollo & Meier 2008). A key reason for this disappointing outcome is the lack of focus on the impact of the M&A deal on customers, particularly the acquired firm's customers (e.g. Degbey 2015). This is mainly a consequence of the fact that both the acquiring and acquired firms become too internally focused on their features and their strategic and organisational fit for integration as well as synergy realisation (e.g. Chatterjee 1992; Datta 1991; Larsson & Finkelstein 1999). Particularly in knowledge-intensive acquisitions (e.g. acquired firm is a knowledge-intensive firm in the maritime industry), the internal focus is even more acute, where typically the acquired firm's engineers are the centre of focus (e.g. are regarded as the most important asset (cf. Dalziel 2007), and its customers are often neglected/regarded as secondary by the acquirer during the process (cf. Degbey 2015). As the results of this study show, however, customers are critical to the creation and growth of these types of firms (cf. Dalziel 2007), as they possess sticky knowledge of the context in which the service/product will be used (cf. Von Hippel 1994). Nonetheless, we lack understanding in the extant M&A literature on how the M&A deal actually affects the acquired firm's customers, particularly their retention. Thus, the aim of this study is to enhance understanding on *how post-acquisition actions affect a knowledge-intensive acquired firm's customer retention in a cross-border acquisition.* The study addresses this aim through the following three questions:

1. *How does the cross-border acquisition integration affect the knowledge-intensive acquired firm's customer retention?*
2. *How do the external and internal factors of the cross-border acquisition affect the knowledge-intensive acquired firm's customer retention?*
3. *How does the cross-border acquisition affect the future relationship development of the knowledge-intensive acquired firm's customers for retention?*

To answer the three questions above and obtain an in-depth understanding of the phenomenon under scrutiny, *theoretical pluralism* is adopted in studying the empirical case (cf. Dwyer, Dahlström & DiNovo 1995). Studies empirically examining customer retention in the M&A context are limited (cf. Degbey 2015), and thus a pilot study was conducted to provide pre-understanding and to generate a wider perspective of the existing literature on the phenomenon (cf. Polsa 2013; Poulis et al. 2013). This research is a single case study, employing a qualitative method, and the case in this research is a *Chinese-European cross-border acquisition in the knowledge-intensive field within the maritime industry*. The empirical case was analysed with integrated theoretical insights from the M&A integration literature and approaches, CRM and a network view to better understand the retention of the acquired firm's customers through the effect of post-acquisition actions on the acquired firm's customers and thereby help to inform the M&A performance literature. Thus, the findings of this research *contribute mainly to the field of M&A*. In providing such relevant contribution to M&A performance research, especially with regards to customer retention, integrating ideas and insights from CRM and network research is critical to better inform the M&A literature. It is possible to integrate ideas and insights from these literature streams, as they are proximate and compatible with taking from and expanding on the core concept of relationships, connections in them and their multiplex and temporal nature (cf. Michailova & Paul 2014). Although the contributions are mainly directed toward the field of M&A research, additional insights – with respect to the role M&A events can exert on these employed literature streams (see academic contribution) – are also offered to expand the current thinking in the literature on CRM and networks.

In this study, the pilot study and literature review on the phenomenon provided preliminary understanding on the impact of M&A on customer retention. A framework including three broad influencing variables of customer retention – relationship, context and integration factors – was developed on the basis of the review and pilot works. In addition, the framework also includes a multidimensional conceptualisation of customer retention. This framework was then applied to the analysis of the empirical case and modified accordingly to develop a new empirically derived *integrated framework to be employed in analysing the effect of post-acquisition actions on the acquired firm's customer retention.*

The central message conveyed by the study was that *customer retention is multidimensional in its conceptualisation and that retention in this context is not only about maintaining relationship stability; it is also about managing relationship dynamics. Simply put, customer retention in M&A is all about managing dynamic stability*. This claim was supported with evidence from the acquisition case – a major strategic event, where there was latitude to recapture dormant customers and to also gain new customers in addition to existing ones. The position held on this issue is meaningful and relevant, particularly in the case of major strategic events such as M&A: they are a means of reconfiguring the structure of resources or assets of firms (cf. Capron, Mitchell & Swaminathan 2001). In addition, *the study suggests that customer retention is mainly influenced by context-dependent factors* (by emphasising the importance of networks, e.g. network embeddedness, position and change and key network management), *relationship-specific factors* (by emphasising the importance of CRM, e.g. always offering something new to the customer) and *post-M&A integration actions* (e.g. by emphasising contextual ambidexterity and preservation/autonomy for the acquired firm).

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APPENDICES

Appendix 1: Sources of Data

Interviews - Primary data

A. Acquired firm interviews:

1. Director, Offshore Oil & Gas: November 1, 2013
2. Director, Sales and Marketing: November 1, 2013
3. Project Manager: November 6, 2013

B. Acquired firm customers' interviews:

1. Acquired firm customer A (Sweden) – Vice President (January 12, 2014) Project manager (January 11, 2014); Technical Project Manager (January 11, 2014)
2. Acquired firm customer B (Norway) – Vice President; Project Manager : January 22, 2014
3. Acquired firm customer C (Norway) – Project Director; Technical Manager: January 23, 2014
4. Acquired firm customer D (Norway) – Vice President, Deepwater Solutions: January 23, 2014
5. Acquired firm customer E (The Netherlands) – General Manager: February 26, 2014
6. Acquired firm customer F (The Netherlands) – Manager, Engineer: February 26, 2014
7. Acquired firm customer G (The Netherlands) – Marine Systems Engineer; Contracts Manager: February 27, 2014
8. Acquired firm customer H (Canada – USA office) **-** Vice President, Global Technical Services **:** June 13, 2014

Complementing secondary materials:

1. Business Intelligence Report (2013) from case company
2. Case company brochure
3. Documents from customer firms: including comprehensive experience overview – updated January, 2013, company quarterly magazine on industry actors and activities, 2013, Presentation slides on company history and business activities
4. Innovation and Networks – Fimecc Final Report 1/2014
5. Maritime industry seminar presentation slides and materials (7 separate documents): August 29, 2013.

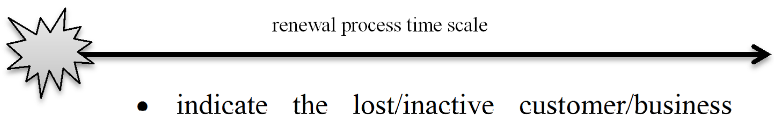
Appendix 2: Example of the interview guide

Interviews
The interviews of this thesis are presented per interview group below. Interviewees' company, position or title at the time of the interview as well as place and date of interview are given. Unless otherwise stated, all interviews are personal.

Interview guide – merger and acquisition (M&A) parties
Background information on interviewee
Position in company; Worked there since; Changes in position; Role in the acquisition(s).
The case company
Description of acquired company: When founded (history); Number of employees; Business areas (product/services etc); Geographical presence; general competitive environment
Pre-M&A phase: Areas of concern during the pre-phase
Description of the M&A: Motives or ideas behind the acquisition; The process
Post-M&A (Integration) phase: Integration phase; Speed/length of integration phase; Extent of integration between acquirer and acquired firm today and in what business areas; Your thoughts about the acquisition
Learning from the M&A: Effects; Result compared with prior to the acquisition; Compared with expectations.
M&A challenges and effect on acquired firm customers
Alternatives: What would have happened if the acquisition had not taken place? And what are your concerns going forward after the M&A?
Critical events: Draw on a timeline critical events *prior*- and *post*-M&A of your company. i.e., timeline of emergence and evolution of critical issues in M&A

Customers
1. How would your company define who its customer is, i.e. which features do you consider in describing who a customer is?
2. How do you initiate a customer relationship in your company?
3. How do you develop and maintain this relationship?
4. Is the relationship establishment/development and maintenance driven by gradual, sequential and predictable stages or an evolution of unpredictable states or a joining process focused on entry, positioning, re-positioning and exit?
5. How do you make a business proposition to a (potential) customer?
6. How do you enable (deliver) that proposition?
7. How do you ensure that your propositions are kept in order to meet the customer's expectation?

8. Have you identified any post-acquisition integration practices associated with “excelling at customer retention”?
9. What have you done during the integration or post –integration in order to retain existing customer base?
10. How did you manage OR what have you done to expand your customer base?
11. How did the “new marriage” help in regaining lapsed or lost customers?
12. Do you know if your company has a documented customer retention plan?
13. Any idea what your firm’s customer retention plan should specify? /Could you tell me about your company’s explicit, documented customer retention plan for the following: (a) existing customers (b) lost or lapsed or inactive customers (c) new customers?
14. Which of your customer/business group (s) have you observed dormancy/inactivity in? And why?
15. Could you indicate with customer/business group examples, (a) your approach or process of regaining/renewing lost/lapsed/inactive customers? (b) State also your strategic objective for each customer/business group identified?



- indicate the lost/inactive customer/business group
- indicate process and objectives

Customers of the acquired company *prior* to the acquisition: Type; Number; Long- or short-term/easily exchanged.
Customer strategy in the M&A: Processes; what information was used; certain customer groups targeted; variable when planning the acquisition.
In your opinion, what is it in your product/service that customer’s value, what underlies these customer values, how they change, and how customers feel about their relationship and communication with your company?
Relative to your competitors, how would you assess your customer relationship performance? What indicators underlie this assessment?
Customers today (i.e., *post* M&A): Type; Number; Long- or short-term/easily exchanged.
Changes: To what extent; Numbers; Certain customer groups lost/won; Effects of changed size of the company; Expected changes.
Customer reactions to the M&A: Reactions; Changes in the customers’ business.

The industry
The development in the industry in terms of M&A: Thoughts about these changes.
Competition: Type of companies; M&A activities among these, etc.
New environmental regulations: Thoughts about these changes

Interview guide – Acquired firm customers'
Interviewee: Position in company; Worked there since; Changes in position; Role in the acquisition(s).
The customer company: Business areas; Number of employees; Turnover
Initial information about the acquisition: Are you aware of the 'acquired firm's acquisition event? *When* were you informed about the acquisition and *how?* What initial reactions did you have?
Post-M&A phase:
Purchasing: Has the acquisition changed what is purchased? How?
Perceptual and behavioral metrics: Perceived changes following the acquisition? Effects for the customer company? Observable changes following the acquisition? How has the news about the M&A influence your business decision? / How has this acquisition changed your operations with the acquired firm? What steps have you taken to mitigate/counterbalance those effects? Could you state some important aspects of your business that service providers/suppliers' activities could impact both *negatively* and *positively*?
Competitive offers/competitors responses and procurement strategy: Did you receive business offers and made purchase decision from other service/product providers during the M&A transition? What motivated this decision? Was the change in procurement strategy driven by the acquisition? How? Changes in volumes, etc.?
External or internal factors: Has the acquisition provided any resources (external or internal) to your company? If yes, what kind of external/internal resource(s)? As a customer of the 'acquired firm', which variables or factors do you consider critical prior- and post-M&A to your firm's performance and relationship maintenance?
Business networks and value creation: How did the acquisition preserve, enhance or disrupt your business operation? Could you describe how the M&A impact/could impact your business networks?
Relationship to the acquiring/acquired party
Customer role: Customer since? How are the supplier's products/services used? Are other competing suppliers' products/services used as well? In what capacity? What decides which product/service to buy?
In your opinion, what is it in the acquired firm's product/service that you value, what underlies these customer values, how they change, and how you (as a customer) feel about their relationship and communication with your company?
Based on your experience of the M&A event, what would you say about the continuance of relationship with the ACQUIRED FIRM? On what grounds do you decide to maintain your relationship with the ACQUIRED FIRM?

Relative to other service providers, how would you assess the acquired firm's relationship performance? What indicators underlie this assessment?

Customer/business relationship:

- What does the relationship look like? How often do you meet? What interfaces are there? Individuals important for the relationship? Changes in interfaces? (Global) deals, etc.?
- Could you tell me how you approach the *development* of active business relationships in general?
- Could you tell me how you approach the *maintenance* of active business relationships in general?
- How has this acquisition influenced your relationship with the acquired firm as an existing customer? What would you like to see in order to further develop and maintain this relationship for the long-term?
- How has this acquisition influenced your relationship with the acquired firm as a new customer? Describe what you would like to see in order to further develop and maintain this relationship for the long-term?
- If you would like to develop and maintain active business relationship with the acquired firm, what requirements, resources etc. are critical?

What are your perceptions about current business relationship with the acquired firm/acquirer?

What have you done differently in terms of doing business with the acquired firm after the acquisition? What would you hope for in the future?

Challenges of acquired firm customer: Do you face any challenge as a result of this acquisition? What challenges are you facing now following the acquisitions? What challenges do you envisage in the future? Any proposed comments/suggestions to the acquired firm/acquirer regarding how to address (improve) these challenges for the benefit of all parties?

In your opinion as a customer, what went well with the M&A (between the acquired firm and acquirer)?

Interview guide – The industry as a context

What specific industry changes or requirements could impact both your business *negatively* and *positively*? What role can your business partners' such as the acquired firm play?

The development in the industry in terms of mergers and acquisitions: Thoughts about these changes.

Competition: Type of companies; M&A activities among these companies, etc.

New environmental regulations: Thoughts about these changes

Appendix 3: Categorisation of studies of M&A performance by performance indicators[19]

Reference	Integration Process Performance	Overall Acquisition Performance	Employee Retention	Customer Retention	Accounting Performance	Long-Term Financial Performance	Short-Term Financial Performance	Acquisition Survival	Innovation Performance	Knowledge Transfer	Systems Conversion	Variation in Market Share
Agrawal et al., 1992						X						
Ahuja and Katila, 2001									X			
Amit and Livnat, 1988					X							
Anand and Singh, 1997					X							
Barber and Lyon, 1997						X	X					
Beckman and Haunschild, 2002							X					
Berger and Ofek, 1995							X					
Bergh, 2001								X				
Bresman et al., 1999	X									X		
Brush, 1996					X							X
Bruton et al., 1994		X										
Buono et al., 1985	X	X										
Cannella and Hambrick, 1993		X			X							
Capon et al., 1988					X							
Capron, 1999	X	X										
Capron and Pistre, 2002							X					
Carow et al., 2004						X	X					
Chang, 1996					X							
Chatterjee, 1986							X					
Chatterjee, 1991							X					
Chatterjee, 1992						X						
Chatterjee et al., 1992							X					
Clark and Ofek, 1994					X	X						
Covin et al., 1997			X									
Datta, 1991	X	X										

[19] The table at appendix 3 (locus of attention on grey column) has been developed in part from Zollo and Meier (2008) review of empirical articles seeking to explain performance measures utilised in M&A literature published in top management and finance journals between 1990 and 2006, and the author's own literature review mainly focused on the use of customer retention as the core performance indicator in published journal articles in M&A research.

Reference	Integration Process Performance	Overall Acquisition Performance	Employee Retention	Customer Retention	Accounting Performance	Long-Term Financial Performance	Short-Term Financial Performance	Acquisition Survival	Innovation Performance	Knowledge Transfer	Systems Conversion	Variation in Market Share
Datta and Grant, 1990		X										
Degbey, 2015				X								
DeLong and DeYoung, 2007					X		X					
Eckbo, 1983							X					
Feea and Thomas, 2004					X		X					
Fowler and Schmidt, 1989					X	X						
Franks et al., 1991							X					
Haleblian and Finkelstein, 1999							X					
Hambrick and Cannella, 1993			X									
Harris and Ravenscraft, 1991							X					
Harrison et al., 1991					X							
Harrison et al., 2005						X	X					
Hayward, 2002		X					X					
Hayward and Hambrick, 1997							X					
Heron and Lie, 2002					X							
Hitt et al., 1991									X			
Hitt et al., 1996					X				X			
Hitt et al., 1998					X				X			
Holl and Kyriazis, 1997							X					
Homburg and Bucerius, 2006		X										
Hoskisson et al., 1993					X	X						
Hunt, 1990	X	X										
Jensen and Ruback, 1983							X					
Kapoor and Lim, 2005									X			
Krishnan et al., 1997					X							
Kroll et al., 1997							X					
Krug and Hegarty, 2001			X									
Kusewitt, 1985					X	X						
Lahey and Conn, 1990						X						
Larsson and Finkelstein, 1999	X	X										

Reference	Integration Process Performance	Overall Acquisition Performance	Employee Retention	Customer Retention	Accounting Performance	Long-Term Financial Performance	Short-Term Financial Performance	Acquisition Survival	Innovation Performance	Knowledge Transfer	Systems Conversion	Variation in Market Share
Loughran and Vijh, 1997						X						
Lubatkin, 1987						X	X					
Lubatkin et al., 1997						X	X					
Markides and Ittner, 1994							X					
Moeller et al., 2004							X					
Montgomery and Wilson, 1986								X				
Morck et al., 1988					X							
Morosini et al., 1998					X							
Palich et al., 2000					X	X	X					
Pangarkar, 2004							X					
Pennings et al., 1994								X				
Puranam et al., 2006		X										
Ramaswamy, 1997					X							
Ravenscraft and Scherer, 1987					X							
Schweiger and Denisi, 1991			X									
Seth, 1990							X					
Seth et al., 2002							X					
Shanley and Correa, 1992	X	X										
Shelton, 1988							X					
Shahrur, 2005							X					
Singh and Montgomery, 1987						X						
Slusky and Caves, 1991							X					
Thakor, 1999											X	
Travlos, 1987							X					
Travlos and Waegelein, 1992							X					
Vermeulen and Barkema, 1996								X				
Walker, 2000							X					
Wansley et al., 1983							X					
Walsh, 1988			X									
Walsh, 1989			X									

Reference	Integration Process Performance	Overall Acquisition Performance	Employee Retention	Customer Retention	Accounting Performance	Long-Term Financial Performance	Short-Term Financial Performance	Acquisition Survival	Innovation Performance	Knowledge Transfer	Systems Conversion	Variation in Market Share
Weber, 1996	X				X							
Zollo, 2009						X						
Zollo and Reuer, 2010					X	X						
Zollo and Meier, 2008				X								
Zollo and Singh, 2004					X							
Total	8	12	6	2	25	17	35	4	5	1	1	1

Appendix 4: Introduction letter to case company customers

Turun yliopisto
University of Turku

1 (1)

Introduction letter to customers and partners: Customer research in merger & acquisition (M&A)

Dear customer/partner,

We write to seek your participation in an independently funded customer research undertaken at the Turku School of Economics, University of Turku, Finland. We believe it is a great opportunity for the 'case company' and its customers/partners to understand each business party's and industry dynamics in order to improve performance and minimize future business-related risks.

Specifically, the study aims to understand how post-merger and acquisition (M&A) integration affects acquired firm's customers, and how this understanding and industry dynamics may enhance the present and future performance of business firms such as the 'case company' and its customers/partners.

This study will be carried out through face-to-face interviews from October to December, 2013. We hope that you can find approximately one hour to discuss the issues with the researcher. The researcher will contact you in order to find a suitable date and time for the interview. All participants will receive a summary of the findings in June, 2014.

If you have any questions or comments regarding the study, please do not hesitate to contact the researcher (william.degbey@utu.fi) or research supervisor, professor Nummela (niina.nummela@utu.fi) at the Turku School of Economics, University of Turku, Finland. We would like to thank you already in advance for your co-operation. Your input is valuable to this research and the goal is to achieve benefits for all parties (customers/business partners and the 'case company').

Yours faithfully,
William Degbey
(Researcher and Doctoral Candidate)

Statement of Confidentiality

The researcher guarantees that nobody's identity will be revealed, and anonymity is assured. Answers to interview questions and research findings' report will be integrated in a way that the identity of individual interviewees will not be disclosed.

NB: For the sake of confidentiality, the acquired firm's name is replaced with a pseudonym: 'case company'.

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Appendix 5: Introduction letter to case company representatives

Turun yliopisto
University of Turku

1 (1)

Research in merger & acquisition (M&A)

Dear "case company" representative,

"Case company" is participating in research concerning merger and acquisition (M&A). The study will benefit the "case company" to understand the impact of the merger and acquisition (M&A) event on its customers, and how this understanding and industry dynamics may enhance the present and future performance of the "case company". The research is independently funded customer research undertaken at the Turku School of Economics, University of Turku, Finland.

The study will involve face-to-face interviews (approximately one hour) of "case company" representatives and "case company" customer firms from October to December, 2013. The researcher, William Degbey (william.degbey@utu.fi) will be in contact with the interviewees to arrange the meetings.

As a result of this study, a framework that serves as a guideline or decision tool for managers involved in M&A activities will be provided. Further, executive summary of preliminary findings and recommendations on business areas requiring immediate attention will be provided to the "case company". Also, the "case company" will receive a summary of the final report in June, 2014.

Any question or comment regarding the study can be directed to me or research supervisor, Professor Niina Nummela (niina.nummela@utu.fi).

Thank you for your cooperation.

Yours faithfully,
William Degbey
(Researcher and Doctoral Candidate)

Statement of Confidentiality
The researcher guarantees that nobody's identity will be revealed, and anonymity is assured. Answers to interview questions and research findings' report will be integrated in a way that the identity of individual interviewees will not be disclosed.

NB: For the sake of confidentiality, the acquired firm's name is replaced with a pseudonym: "case company".

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