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*Social capital is not for sale:
a supply network perspective on mergers and acquisitions*

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Social capital is not for sale: a supply network perspective on mergers and acquisitions

Abstract

Purpose—Mergers and acquisitions (M&As) often lead to significant changes in the focal supply networks, hence disrupting firm-level relationships. Little is known about the supply network implications of M&As, which can be a major issue especially for firms acquiring competitors that share suppliers, customers and associated resources. Using social capital as a theoretical lens, this research aims to investigate the implications of an acquisition on supply network relationships.

Design/methodology/approach—The acquisition of a large truck manufacturer by its competitor is investigated using an exploratory case study methodology. A total of 24 interviews were conducted across 10 companies in the focal supply network with an analysis of financial data.

Findings—The findings from the study provide evidence that firms seeking to acquire such relationships cannot directly buy the social capital embedded within those relationships. They identify pre-acquisition characteristics and post-integration factors to understand how the supply network as a whole draws on the structural, cognitive and relational dimensions of social capital to address discrepancies in the merging network.

Originality/value—This study depicts an empirically grounded, theory-based account of a post-acquisition supply network integration process, showing how an M&A can drastically impact customer and supplier network relationships. The main contribution of this paper lies in extending our understanding of how social capital cannot be simply transferred from one organisation to another during an M&A. Rather, this work illustrates how social capital in supply networks is transformed by considering the pre- and post-acquisition social capital dynamics of the merging networks.

Keywords: mergers and acquisitions, supply networks, supply chain management, social capital, case study

1. Introduction

Mergers and acquisitions (M&As) are often used by firms to access new resources through the acquisition of, or merger with, a competitor, supplier or customer. Accessing these resources post-merger (or acquisition) is clearly a supply chain management (SCM) issue as it can lead to changes in sourcing and logistics. The acquisition of Whole Foods by Amazon led to an increase in the delivery of food facilitated by e-commerce channels and a reduction in sales through traditional stores (Keohane et al., 2017). Thus, an M&A can have positive and negative impacts upon the supply chains of a firm post-acquisition.

The resources that a firm accrues through inter-firm relationships are commonly referred to as 'social capital' (Bourdieu and Wacquant, 1992; Koka and Prescott, 2002). Social capital as embedded within inter-firm relationships is context-specific, idiosyncratic and sensitive to changes within the supply network (Dyer and Singh, 1998). In particular, M&As may impact social capital through influencing supply network¹ relationships. Social capital is co-created in a collaborative manner (Son et al., 2016; Whipple et al., 2015), hence the acquirer needs to understand the role of the supply network to yield the intended benefits from the acquisition. Whilst the social capital perspective is beginning to receive attention at an inter-organisational level (Batt, 2008; Johnson et al., 2013; Son et al., 2016), there is still limited empirical research to aid in understanding the supply network aspect. This is an issue for firms acquiring competitors that share suppliers, customers and associated resources as the M&A can act as a 'shock' to existing practices and relationships within supply chains.

The extant research on M&As primarily focuses on intra-organisational matters, such as organisational and strategic fit (Cartwright and Schoenberg, 2006), from the internally focused resource-based view (RBV) perspective as a basis of competitive advantage (Barney, 1991; Lavie, 2006) or from the perspective of the absorptive capacity (AC) of an acquiring firm (Björkman et al., 2007). Conceptualising M&As as a firm-level phenomenon—utilising RBV or AC as a theoretical lens—largely overlooks the inherent inter-firm dynamics that derive from companies being embedded in networks of inter-organisational relationships (Granovetter, 1985). This suggests that social capital is an appropriate lens through which to examine the impact that an M&A has upon the supply chains of a post-acquisition firm.

The overall research objective of this study is to investigate the implications of an acquisition in the UK trucking industry on supply network relationships. Using social capital as a theoretical lens, we investigate the ways in which merging companies configure their relationships and resources within the post-acquisition supply network. The work studies the impact of M&As on the three dimensions—structural, cognitive and relational—of social capital in a supply network (see Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Thus, the following research question is adopted:

RQ: How does an acquisition impact the structural, cognitive and relational dimensions of social capital within a supply network?

In this paper, then, we contribute to the literature by exploring M&As and social capital from a supply network perspective. In this regard, we undertake a retrospective case study (Miller et al., 1997; Voss et al., 2016). The selected case is of a truck manufacturer that acquired a competitor and their dealership network. The case serves to illustrate how the complexities of the acquisition in terms of pre- and post-acquisition

¹ Supply networks are defined by Choi and Krause (2006) as all the 'inter-connected companies that exist upstream to any one company in the value system' (p. 638).

factors hindered the development of social capital during the integration period and how the resultant lack of social capital in part explains the post-acquisition performance. We contribute by extending the understanding about how social capital cannot be simply transferred from one organisation to another during an M&A but rather that relationships also need to be transformed by considering the pre- and post-acquisition social capital dynamics of the merging networks.

The remainder of the paper is structured as follows. The next section discusses the literature on M&A implications for supply networks and social capital as the applied theoretical lens. The research design is presented in the third section, detailing the case selection, data collection and analysis. The fourth section presents the case study findings, dividing the case into pre- and post-acquisition situations. The findings start with pre-acquisition social capital dimensions, followed by the acquisition process, and then the influence on post-acquisition social capital dimensions. Finally, in the fifth section, we discuss the theoretical contributions of the work, managerial implications, limitations and avenues for future studies.

2. Literature review

M&A activity continues to receive extensive coverage in the international business, strategy and change management domains, to name a few. Notwithstanding the vital contributions these and other domains have made, the rather limited coverage M&As have received to date in the SCM domain is striking. Thus, in this paper we seek to begin addressing this gap by exploring M&As and supply networks using a social capital lens to understand the implications for the different dimensions.

2.1 Implications of M&As for supply networks

The extant research on the organisational drivers of M&As shows that the great variance in M&A success remains largely unexplained (King et al., 2004; Stahl and Voigt, 2008; Kato and Schoenberg, 2014). M&A-related organisational disruptions are generally discussed in terms of intra-organisational issues, such as culture and identity, reduced job satisfaction and increased turnover of staff (e.g. Krug and Aguilera, 2005; Kato and Schoenberg, 2014; Marrewijk, 2016). These challenges are particularly evident in an absorption M&A strategy involving the full consolidation of both organisations as opposed to a 'preservation' strategy, where the firms will be operating autonomously and separately from each other (Haspeslagh and Jemison, 1991).

The existing research has studied the extent to which business relationships are transferable and whether customer and supplier relationships can successfully be adopted through M&As (Öberg and Holtström, 2006). This research stream provides evidence of major positive and negative perceptual changes towards the merging organisations from both customers and suppliers (Anderson et al., 2001). Positive impacts include obtaining new customers, expanding market share and exploiting innovative networks (Trautwein, 1990). The list of unexpected negative effects on networks includes the loss of trustworthiness and reputation as well as integration issues (Bocconcelli et al., 2006; Öberg et al., 2007). For instance, Kato and Schoenberg (2014) studied a large international merger and identified service performance, customer-orientation, flexibility, account management, employee turnover and product/service breadth as the key aspects impacting customer relationships.

'[T]he outcome of any acquisition depends on how well managers succeed in recognizing external relations and on whether established business relationships can be taken over' (Anderson et al., 2001, p. 579). The studies on the effects of M&As on supply

networks are limited and have mainly focused on the implications for customer relationships (Kato and Schoenberg, 2014) and in particular on the 'acquired' company's relationships (Bocconcelli et al., 2006) during the post-merger period. Bocconcelli et al. (2006) acknowledge a need for future research in exploring the impact on the 'acquiring' company. They argue in their research that senior management, in all cases studied, failed to consider the impact of acquisition on the inter-firm relationships or the role of these relationships in the acquisition outcomes for the integration period. In this respect, there is a need then to understand the impact of acquisitions on supply network relationships from the perspective of the acquiring company. Next, the theoretical lens used in this research is explained.

2.2 Social capital as the applied theoretical lens

'Social capital' is the collection of resources that a firm accrues by virtue of possessing a network of inter-firm relationships (see Bourdieu and Wacquant, 1992; Koka and Prescott, 2002). It is argued that such networks are a product of investment that 'can be obtained only by virtue of a social capital of relationships (or social obligations) which cannot act instantaneously, at the appropriate moment, unless they have been established and maintained for a long time' (Bourdieu, 1986, p. 24). Inter-firm relationships are thus seen as an example of social capital (Koka and Prescott, 2002; Johnson et al., 2013) for two reasons. Firstly, firms interact, exchange information and create knowledge through relationships (Burt, 1997). Secondly, these interactions result in the formation of obligations, norms and expectations that are considered to be the essence of social capital (Putnam, 1995; Nahapiet and Ghoshal, 1998; Koka and Prescott, 2002). To fully understand the concept of social capital, there is a need to move away from dyadic conceptualisations to include the wider network within which companies are embedded (Granovetter, 1985; Matthews and Marzec, 2012). Inter-firm relationships do not exist in isolation but are part of a larger network (Harland et al., 2004), and the interconnectedness of these relations is an important consideration in understanding social capital (Hartmann & Herb, 2015).

Nahapiet and Ghoshal (1998) distinguish social capital in terms of structural, cognitive and relational dimensions, allowing for operationalisation in empirical settings. The first dimension, structural capital, refers to the position of a firm in a network of relationships (Granovetter, 1973), which provides benefits to the firm in terms of information and resources (Coleman, 1990; Koka and Prescott, 2002; Edelman et al., 2004; Hartmann and Herb, 2015). This dimension is particularly concerned with the patterns of relationships connecting the focal firm to the wider network (Burt, 1997; Burt, 1992). Network ties, structures and configurations represent facets of social capital since the density and connectivity of a firm's position in the network determines its access to external resources and competences (Tsai and Ghoshal, 1998). Accordingly, structural capital builds on the collection of the relationships (Granovetter, 1985) of the focal company.

The second dimension, cognitive capital, refers to the shared languages, representations, codes, narratives and systems of meaning amongst different actors and groups in a social context (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Firms that share similar means of communication are generally better positioned to become strategic partners and have an increased breadth and depth of information exchange as a result of an in-depth understanding of each other's business needs (Tsai and Ghoshal, 1998). Accordingly, overlapping cognitive capital may facilitate companies in building mutually beneficial relational capital, which is the third dimension of social capital.

Relational capital refers to the trust, obligations, expectations and identification that are created and leveraged through relationships (Nahapiet and Ghoshal, 1998). These

relationships form the social context within which all economic actions of companies take place (Granovetter, 1985) and are influenced by the other two dimensions (Carey et al., 2011; Preston et al., 2017). For example, differing cultures and identities may create tensions in the relationships that can be further enhanced by structurally overlapping networks. Increased relational capital within supply networks can result in reduced manufacturing costs and increased speed and flexibility as well as improved operational efficiency (Krause et al., 2007). Within an inter-organisational context, repeated interactions between firms over time are viewed to be integral to the development of relational capital (Cousins et al., 2006; Gulati, 1995; Kale et al., 2000; Hartmann and Herb, 2015), and it is argued that the over-embeddedness of relationships can lead to strong bonding social capital (Adler and Kwon, 2002). This *bonding* is important for building common values and norms with a network but might also result in unwanted consequences. For instance, it can generate a culture of conformity and compliance amongst the groups creating a homogenous network, hence deterring members of the network from embracing innovation when faced with significant changes from established norms (Edelman et al., 2004; Eklinder-Frick et al., 2011; Ansari et al., 2012). To mitigate risks associated with the over-embeddedness of relationships, it is important for firms to develop *bridging* forms of social capital (Adler and Kwon, 2002). According to Granovetter (1973), this is performed through weak ties, which create the conditions to bridge connections between different groups.

Prior research suggests clear links between social capital and relationship performance (Bernardes, 2010; Cousins et al., 2006; Schoenberg, 2006; Krause et al., 2007; Villena et al., 2011; Lee, 2015; Whipple et al., 2015; Son et al., 2016; Preston et al., 2017). However, this impact is argued to be non-linear and has generally been described as curvilinear because too much social capital can harm performance (Son et al., 2016; Villena et al., 2011; Zhou et al., 2014). It is argued that 'the accumulation of social capital improves performance up to a point [until] the risks associated with over-embeddedness offset the benefits' (Son et al., 2016; p. 17). For instance, a heavy reliance on a customer or a supplier relationship may lead to opportunistic behaviour, which harms the focal company.

It is important to consider social capital as dynamically co-created between the firms involved in a business relationship, which can affect performance (Adler and Kwon, 2002; Whipple et al., 2015). A lack of social capital amongst firms is usually depicted in terms of asymmetry, often including dynamics among the three dimensions of social capital. For instance, a lack of network ties (i.e. structural capital) or a shared vision (i.e. cognitive capital) can lead to differing expectations and asymmetric trust arrangements (i.e. relational capital). This can significantly harm relationships and potentially lead to lesser operational collaboration and diminished information exchange (Cousins et al., 2006; Krause et al., 2007; Carey et al., 2011; Matthews and Marzec, 2012; Johnston et al., 2013; Preston et al., 2017). In terms of the interdependence among the three dimensions, prior studies have largely considered the structural and cognitive dimensions as antecedents to relational capital, arguing that the two former positively influence the latter (Carey et al., 2011; Preston et al., 2017). Moreover, there is evidence that suggests different forms of social capital can have significant implications for performance (Bernardes, 2010; Lee, 2015).

Due to the fundamental nature of social interaction, the resultant social capital that will exist in a newly established relationship is *co-created* by the parties involved (Son et al., 2016; Whipple et al., 2015), and so the end result is far more complex to predict than simply adding up the resources of the two parties involved. Further, we suggest that M&As have the capacity to impact supply network relationships and to influence different

dimensions of social capital. This impact can be either positive or negative, depending on the context, management and integration strategy. In particular, the post-M&A integration process is expected to involve a re-configuration of relationships and resources in terms of the three different dimensions of social capital—structural, cognitive and relational. Hence, the post-acquisition social capital of the merged network is expected to be different to the sum of the pre-acquisition social capital.

Table 1 provides a synthesis of the literature on social capital and the different dimensions. Next, we outline the research design to explore the different dimensions of social capital within different supply networks in the context of an M&A.

Table 1. Synthesis of literature on social capital.

Dimension of social capital	Elements	Description	Indicative references
Structural	Network ties	<i>Ties provide access to resources.</i>	<i>Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Coleman, 1990; Koka and Prescott, 2002; Edelman et al., 2004; Hartmann and Herb, 2015</i>
	Network configuration	<i>Overall configuration of ties</i>	
	Appropriable organisation	<i>Can often but not always be transferred</i>	
Cognitive	Shared codes and languages	<i>A common language facilitates ability to gain access to people and their information.</i>	<i>Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Bolino et al., 2002</i>
	Shared narratives and systems of meaning	<i>Myths, stories and metaphors provide means for creating, exchanging and preserving rich sets of meaning.</i>	
Relational	Trust	<i>Cooperation leads to trust and vice versa.</i>	<i>Nahapiet and Ghoshal, 1998; Fukuyama, 1995; Putnam, 1993; Coleman, 1990; Cousins et al., 2006; Petersen et al., 2008; Carey et al., 2011; Kale et al., 2000; Lawson et al., 2008; Gulati, 1995; Hartmann and Herb, 2015</i>
	Norms	<i>Represents a degree of consensus in the social system</i>	
	Obligations and expectations	<i>A commitment to deliver against an expectation in the future</i>	
	Identification	<i>A process through which people associate themselves with a group</i>	

3. Research design

3.1 Retrospective case approach and selection

The case study research method was deemed appropriate given the exploratory nature of the research question and the scarcity of existing research on the topic (Edmondson and McManus, 2007; Flyvbjerg, 2006). A case study should enable phenomena to be observed in their natural contexts, and it is deemed a suitable method for answering ‘what’ and ‘how’ questions (Voss et al., 2002). Accordingly, it fosters an understanding of the interaction between the phenomenon and its context (Yin, 2009), which is what this research aims to do. Meredith (1998) argues for the adoption of a single case study methodology when conducting exploratory research as it is able to fully explore the depth of the research, which is necessary for the elucidation of the tacit and intangible nature of social capital (Johnson et al., 2013). It is also appropriate to use the single case study

(Yin, 2009; Siggelkow, 2007), where ‘the objective is to capture the circumstances and conditions of an everyday or commonplace situation [...]. The lessons learned from these cases are assumed to be informative about the experiences of the average person or institution’ (Yin, 2009, p. 41). Thus, in line with these rationales (Meredith, 1998; Voss et al., 2002; Yin, 2009), it was decided to focus on a case study with the primary motivation to provide an in-depth understanding of the M&A implications for supply networks. In a similar vein to Kato and Schoenberg’s (2014) study, the acquisition case studied had a significant impact on the truck manufacturing industry as it is made up of a few large firms.

Theoretical sampling was used to select the case (Yin, 2009; Corbin and Strauss, 2015). For the purposes of this research, we utilise a retrospective (Miller et al., 1997) M&A case whereby it is possible to study the supply network implications on social capital. The research question also dictated the need for access to other firms in the network, primarily since social capital is co-created in a collaborative manner (Adler and Kwon, 2002; Whipple et al., 2015) and secondarily to avoid biased perspectives or misrepresentations of inter-firm relationships (Son et al., 2016). We therefore purposefully selected a case meeting all the necessary criteria identified above. To this end, we studied a truck manufacturer (hereafter referred to by the pseudonym ‘QualityTruck’) and its dealership (supply) network, which had acquired a competitor (hereafter referred to by the pseudonym ‘PriceCo’). This study benefitted from long-term engagement with the case company and its network. The focal firm provided a good level of access, and, even more crucially, we were able to negotiate access to some of its customers and dealers which were impacted by the acquisition.

3.2 Data collection

The data collection mostly consisted of semi-structured interviews with QualityTruck and ex-PriceCo employees as well as respondents from dealerships and customers (see Table 2 for overview). In addition, we undertook a thorough review of financial performance and supporting data sources, including annual reports and internal systems as well as marketing and online material. The study was conducted over a period of 18 months. The wealth of data sources enabled data triangulation, thereby improving reliability (Yin, 2009). In particular, the analysis of financial data from annual reports helped to provide further support for performance implications by corroborating the claims of the respondents, which is important for a retrospective case (Voss et al., 2002) and reduces potential bias from respondents (Huber and Power, 1985). The annual reports that were analysed ranged over 12 years, starting from two years prior to the acquisition to nine years after—that is, from year -2 to year 9, with year 0 being the acquisition year. In addition, market data on commercial vehicle (truck) sales in the UK within this period were analysed to form an understanding of the company’s financial performance in comparison to the market developments. A total of 24 semi-structured interviews were conducted across 10 different companies: 12 interviews within the case company, 8 interviews across 5 dealers and 4 different customers were interviewed. Table 2 shows the interviews conducted across the different organisations and the job titles of respondents. A tandem interviewing approach was also utilised, with at least two researchers being present in each interview (Huber and Power, 1985). In addition, Appendix A details the interview guide.

Table 2. Details of the interviews.

Interview number	Organisation	Job title
1	QualityTruck HQ	CEO
2	QualityTruck HQ	Head of After Sales
3	QualityTruck HQ	Head of Parts Business
4	QualityTruck HQ	Communications Manager
5	QualityTruck HQ	Business Development
6	QualityTruck / East Midlands	Key Account Manager
7	QualityTruck / East Midlands	Customer Relationship Manager
8	QualityTruck / East Midlands	Commercial Manager (ex-PriceCo)
9	QualityTruck HQ	Human Resources (HR) Director
10	QualityTruck HQ	Repair & Maintenance Manager (ex-PriceCo)
11	QualityTruck HQ	Head of Network Development (ex-PriceCo)
12	QualityTruck HQ	Head of Service & Support
13	Dealer A / North West	Owner Director (ex-PriceCo)
14	Dealer B / South East	Managing Director
15	Dealer B / South East	Service & Business Development Manager
16	Dealer B / South East	Parts Manager
17	Dealer C / East	Managing Director
18	Dealer C / East	After Sales Director
19	Dealer D / London	Managing Director (ex-PriceCo)
20	Dealer E / London	After Sales Manager
21	Customer A / West Midlands	CEO
22	Customer B / East Midlands	Fleet Manager
23	Customer C / East Midlands	Small Fleet Owner
24	Customer D / London	Owner-Driver

3.3 Data analysis

To analyse the data, we adopted the principles of template analysis (King, 2012). For the initial coding template, a conscious decision was made to include only the main categories of the interview protocol at the highest level to avoid introducing bias into the coding process. Thus, the initial coding template was composed of two aggregate categories: pre- and post-acquisition network social capital. These categories were substantiated by structural, cognitive and relational capital dimensions as second-order themes. All transcribed interviews and associated company-related documents were reviewed and re-reviewed by the research team to extract the codes relevant to the manifestations of social capital and network performance related to the acquisition of PriceCo. The three dimensions of social capital were used as second-order themes, with the identified themes being coded as associated first-order categories. New themes were added when the analysis identified findings that did not fit the existing structure (Miles et al., 2013). For instance, motivations for the acquisition by QualityTruck of PriceCo emerged as a second-order theme during the initial coding, but this was not part of the original template.

During the analysis, the research team compared and contrasted emergent categorisations with insights and assumptions in the extant literature in an iterative fashion (Dubois and Gadde, 2002). In addition, investigator triangulation was used to improve the validity of the findings, which meant cross-checking the results from the

analyses by different investigators (Denzin, 1989). The following joint discussions amongst the research team resulted in the checking and validation of first-order categories, and, where necessary, respondents were contacted via phone or email for further clarification. In addition, feedback workshops were held with executives at the case company (QualityTruck), which allowed for the validation of our findings. Overall, this process resulted in the refinement of the linkages between first-order categories, second order themes and aggregate themes and also helped ensure the credibility of the findings (Guba and Lincoln, 2015).

In the final step of the analysis, we presented the findings from this study to senior and operations personnel in workshops and informal meetings, which led to further elaboration and clarification of the points raised. Drafts of earlier versions of the paper were also circulated with senior management of QualityTruck and presented at academic conferences for discussion (cf. Vangen and Huxham, 2003). This resulted in various changes, such as clarifications of the relationships between the themes forming the three types of social capital and the way the findings are presented. The deliberate decision to include different data sources—being informants, companies, annual statements and United Kingdom (UK) trucking market data—allowed us to corroborate the findings to further enhance reliability (Denzin, 1989; Voss et al., 2016).

The empirical findings show that the acquisition studied in this research had drastic implications for the networks, which practically resulted in a large-scale reconfiguration of network partners, relationships and resources. Next, we present the findings from the study.

4. Findings

In this section, we begin by presenting the case company situation to contextualise the social capital of the merged network. Following this, the description of the pre-acquisition social capital of the two networks and the rationale for the acquisition of PriceCo by its competitor QualityTruck are outlined. After this, we provide a detailed account in our analysis of the implications of acquisition on the merged network with a focus on the three social capital dimensions and the impact upon performance. Similarly to Nahapiet and Ghoshal (1998), we consider each dimension independently, in both pre- and post-acquisition contexts, whilst acknowledging that several facets are likely to be interrelated, which we discuss in the subsequent section.

4.1 Case context

The focal case company QualityTruck operates in the commercial vehicle industry. The company is historically known for its excellence in product quality and technological innovation. It is currently one of the leading commercial vehicle manufacturers in the UK and is part of a large multinational organisation. QualityTruck’s product range includes heavy trucks, medium trucks, buses, coaches and specialist trucks. The trucking industry in the UK is heavily regulated: each commercial truck is required by legislation to go through a formal Ministry of Transport inspection every six weeks. Thus, efficient and effective maintenance of the vehicles is of paramount importance to vehicle operators.

The service offering of QualityTruck is predominantly centred on the repair and maintenance of vehicles and includes warranty, inspections, preventative maintenance, driver training, finance and fleet management. An extensive dealer network carries out these service activities and is formed of independent firms which are largely responsible for delivering the repair and maintenance services to customers on behalf of QualityTruck to ensure vehicles are roadworthy given the legal requirements. Many customers therefore

opt for a service contract when they purchase a new truck, which extends to include mandatory testing and related servicing.

The target company, PriceCo, a competitor of QualityTruck, operated at the lower end of the market and with a lower market share. However, PriceCo had a long history within the UK trucking industry with a considerable dealer network covering the breadth of the country (see Table 4 for detailed chronological details of the acquisition).

Next, the pre-acquisition social capital for both QualityTruck and PriceCo is presented.

4.2 Pre-acquisition social capital of the two networks

4.2.1 Pre-acquisition structural capital

Prior to the acquisition, QualityTruck's network included strong links with business-to-business customers (mainly within the Greater London and southern England regions), such as international fleet owners and logistics services firms. The interactions with these customers were governed by detailed formal contracts. However, the company struggled to develop strong links with small and medium-sized customers across the United Kingdom, which accounted for a significant share of the market. In addition, QualityTruck lacked dealer network links and customer base in northern England and Scotland.

Whereas, PriceCo enjoyed historical links with small and medium-sized as well as family-owned businesses across the UK. However, the company struggled to develop links with large fleet owners and business-to-business customers, which only constituted a small part of their portfolio. PriceCo's network held one of the most comprehensive coverages of the entire UK in terms of dealerships.

4.2.2 Pre-acquisition cognitive capital

Within the network of QualityTruck, the quality of the product and proud history of firm's engineering excellence was clearly evident as a shared value. The value propositions, the dealer network and other marketing material largely emphasised the rich history of innovations in terms of truck parts and technologies. In addition, QualityTruck offered a wide range of services to its business customers who valued repair and maintenance services as important as the truck itself. As such, the dealer network shared the understanding of the significance of service for QualityTruck customers. QualityTruck also valued its intellectual property and was very protective of parts and technical knowledge, prohibiting dealers from sharing information and technology with customers.

PriceCo's network had a long history of being associated with a British manufacturer. This key value was echoed across the network, where many customers and dealers were proud to do business with one of the last standing British brands in the market. Historically, PriceCo allowed dealers a large degree of autonomy in terms of service processes as well as parts and technology. Consequently, the dealers did not have a joint understanding of services. The common culture within the PriceCo network was described as being a 'price-driven' business, where the price and features of the product were the focus, and services were not seen as a fundamental part of the business.

4.2.3 *Pre-acquisition relational capital*

QualityTruck had a formal, process-driven and non-flexible approach to its relationships with the network. The customers of the firm placed their trust in the quality of the products and the consistency of the services, and the interactions were largely driven by the content of the contracts. Due to the history of the company and the brand, the corporate identity was shaped by ‘engineering excellence and innovation’, where cost was seen as secondary to quality (AR 1). This was well documented across the strategy documents and vision and value statements. The dealer network’s key obligation was to achieve consistent and superior service delivery to QualityTruck customers. Whilst this required the dealers to strictly follow the standardised service procedures, QualityTruck acknowledged and recognised superior performance by providing additional business and nominating dealers for industry awards.

PriceCo’s approach to managing relationships with its customers and dealers was described as trust-based, flexible and not contingent on formal processes or contracts. This also entailed being accommodating to customers’ requests. It developed closely coupled relationships with small to medium-sized customers, which were known to be loyal to the PriceCo brand. Although PriceCo struggled to match the technological innovations of its competitors over the years, the firm attempted to mitigate this through being more accommodating of customers’ requests. The dealer network’s key obligation was to maximise the number of vehicles sold whilst meeting the customers’ needs in terms of specifications and requirements.

The pre-acquisition social capital along the three dimensions discussed above is summarised in Table 3.

Table 3. Pre-acquisition social capital of QualityTruck and PriceCo networks.

Social capital dimensions	Pre-acquisition social capital of the networks
<i>QualityTruck's network</i>	
Structural Capital	<ul style="list-style-type: none"> - Evident network configuration and ties with customer base within the south of England and around Greater London - Lack of interaction and ties with the customers in northern England and Scotland - Network links and interaction with large business-to-business customers - Lack of links with small and medium-sized family-owned customers
Cognitive Capital	<ul style="list-style-type: none"> - Shared vision and value of engineering excellence and product quality - Shared understanding of intellectual property concerns; protective of parts and technical knowledge - Common goal of emphasising both product sales and service delivery - Process-driven relationships with the network underpinned by the service excellence and product quality - Similar values are shared across the network of dealers on the importance of product and service quality
Relational Capital	<ul style="list-style-type: none"> - Non-flexible, formal and process-driven customer and dealer relationships - Business customers trust the product quality and the consistency of services - Corporate identity of engineering excellence; and cost is seen as secondary to quality - Employees and the dealership network proud of product quality built up over time - Key network obligation is to achieve consistent and superior service delivery across network
<i>PriceCo's network</i>	
Structural Capital	<ul style="list-style-type: none"> - Existing network configuration across the entire UK - Network ties mainly with family-owned or small business customers - Lack of ties to large business-to-business customers
Cognitive Capital	<ul style="list-style-type: none"> - Shared proud history of being a British manufacturer echoed across the network - Historically customers said to be treated as 'kings' in respect to accommodating requests - Common culture described as being price-driven
Relational Capital	<ul style="list-style-type: none"> - Trust-based, flexible and accommodating relationship approach evident within the network - Historical and closely coupled relationships with small and medium-sized customers - Established corporate identity of flexible and relational exchange with customers not driven by processes or contracts - Key obligations within the network include maximising the number of vehicles sold

4.3 Acquisition process

Prior to the acquisition, QualityTruck was looking to extend its network of dealerships within the UK market, and, at the same time, there was a push from its headquarters towards providing additional service packages to customers as services were seen as a key source of revenue generation. Hence, QualityTruck began an M&A process that resulted in the acquisition of one of its competitors, PriceCo. QualityTruck was positioned at the higher end of the market and emphasised product quality and service, whereas PriceCo’s main strategy was to compete on purchase price and placed little emphasis on after sales service. The merger process was considered an acquisition, with the parent company of QualityTruck acquiring full ownership of PriceCo. Originally, QualityTruck’s acquisition strategy in respect to PriceCo was one of ‘preservation’—that is, operating the two brands separately but in parallel.

The main reasons behind QualityTruck’s acquisition decision were to, first, widen its market through increasing the reach of the network. Second, QualityTruck wanted to consolidate and standardise manufacturing to gain synergies through economies of scale. Third, QualityTruck considered it essential to extend service coverage. Fourth, it aimed to access PriceCo’s longstanding customer relationships in the UK. The latter two points were cited as key drivers because PriceCo had a considerable number of loyal fleet-operator customers:

What [QualityTruck] wanted in [PriceCo] was the special relationships with its customer base that none of the competitors had. [PriceCo] had a historical relationship with small family-owned businesses and an extensive network of dealers. Through this acquisition [QualityTruck] killed two birds with one stone and tapped into the family business markets while extending its dealer network to all parts of the country. (Owner-Driver, Customer D)

At the time of the acquisition, QualityTruck’s market share in the UK commercial vehicle industry was approximately 9%, whereas PriceCo had a 5% share. Prior to the acquisition, PriceCo’s market share had been in decline for many years, whereas QualityTruck had been experiencing steady growth.

As a result of the acquisition, the combined market share of the two brands was 14%, with 146 dealers owned by 110 firms. Since the acquisition, PriceCo has completely integrated into QualityTruck, and, today, the merged company functions under one brand name, and PriceCo-branded trucks are no longer manufactured. By year 8, the merged company’s market share was 10%, with 66 dealers owned by 28 firms. Table 4 details the key events within the QualityTruck–PriceCo network in the post-acquisition period.

Next, the resulting analysis of the case study is detailed during the post-acquisition period for the merged network along the three dimensions of social capital as well as the operational financial performance implications.

Table 4. Chronology of main developments in the QualityTruck–PriceCo acquisition.

Year	Main developments in the acquisition
Year 0	<ul style="list-style-type: none"> - QualityTruck acquires PriceCo. Synergies were expected in terms of increased market share, network coverage, service offering and economies of scale. Also, a personnel reduction of around 35% was expected to occur. - Dealer network: 146 dealers held by 110 different firms - Combined total market share: 14.0%
Year 1	<ul style="list-style-type: none"> - The acquisition brought significant financial burdens. The QualityTruck group's earnings, including operations outside the UK, decreased by 68% compared to the previous year: <i>[QualityTruck's] earnings during the period were affected by the very mixed situation among the divisions and special burdens caused by [PriceCo].</i> (QualityTruck Annual Report year 1 (AR 1)) - As a result, efforts were increased to improve operational efficiency: <i>[...] we are working intensively on utilising cost-reduction potential to the full, optimising product ranges and processes, reducing capital commitments and speeding up the application of [QualityTruck's product technology] to all vehicles.</i> (QualityTruck AR 1) - Total market share: 14.0%
Year 2	<ul style="list-style-type: none"> - Parts of PriceCo production in the UK closed and relocated to a different European country. - Back-office functions merged in the UK. Personnel reduction targets increased from 35% to 53%, later realised as 56%. - A new manufacturing concept was introduced whereby PriceCo products incorporated QualityTruck modules, with a view to improving operational efficiency. - Total market share: 11.7%
Years 2–3	<ul style="list-style-type: none"> - The original two brand 'preservation' strategy changed to a single brand 'absorption' strategy: <i>The intention was to run the two brands. [...] [In years 2–3] we were then put under a lot of pressure to merge the organisations.</i> (HR Director, QualityTruck) - As a result of the restructuring programme and the new manufacturing concept, PriceCo operations returned to be profitable at the end of year 2. However, significant discrepancies existed with the dealer network. - Total market share: 10.8%
Years 4–6	<ul style="list-style-type: none"> - Dealer network reorganisation gained momentum as a result of introducing incentive-aligning KPIs (key performance indicators): <i>Part of the problem was this demotivated network, so we had to think about how we'd re-motivate a network that we were going to change anyway.</i> (Head of Service and Support, QualityTruck) <i>We were going to get rid of half of them because they were very bad performers.</i> (Head of Parts Business, QualityTruck) <i>We had a bonus scheme for parts; we didn't have a bonus scheme for service. So we started to create Service KPIs for the dealer network in [year 5].</i> (CEO, QualityTruck) - As a result of these actions, the market share stopped declining and started to see some positive developments in year 6. - Total market share: 8.3%
Years 7–8	<ul style="list-style-type: none"> - The PriceCo brand was discontinued when the manufacturing plant in the UK shut down, including the production of parts. - Dealer network: 66 dealers held by 28 different firms - Total market share: 10.3%

4.4 Post-acquisition structural capital

The acquisition of PriceCo caused significant disruption to the structural capital for the whole network. The analysis identified a number of key factors that had impacted the structural social capital of the network in the post-acquisition period, including network complexity, dealer rationalisation and the consolidation of production, which are discussed in turn. These emergent findings can be seen as influencing factors for the dissonance in the structural social capital following the acquisition.

4.4.1 Network complexity

As a result of the acquisition, the QualityTruck dealer network configuration became more extensive and complex (see Appendix B). In regions such as Greater London and southern England, QualityTruck and PriceCo dealers operated in close vicinity to each other. These dealers were previously unable to service each other's brands due to a lack of brand-specific equipment and parts, know-how and skills, whilst manufacturer warranty restrictions also presented a barrier. Further, if seeking to undertake repairs of the other's brands, prices were much higher due to increased commissions on the original parts. However, these network ties changed as a result of the acquisition: the neighbouring dealers became part of the same network and thus 'started competing overnight' with similar prices, equipment and parts. These changes in the structural capital of the network had major negative effects on the relationships within and performance of the network in the eyes of the customers. For instance, the large business customers of QualityTruck initially welcomed the fact that the dealer network extended throughout the UK. However, the customers experienced major issues with dealers who had previously been PriceCo in terms of service delivery and consistency. These dealers were not trained to follow the standard service procedures of QualityTruck.

4.4.2 Dealer rationalisation

A major re-configuration of the network was deemed necessary following the issues faced in the network, especially to address the service delivery and consistency issues as well as to remove the post-acquisition competition between neighbouring QualityTruck and PriceCo dealers. This re-configuration of the network involved dealers acquiring one another, leading to larger dealerships responsible for a wider area, permitting the exclusivity of servicing customers in that area. This re-configuration constituted a 'knock-on effect' that resulted in the consolidation of 146 dealers with 110 different owners into 66 dealers with only 28 different owners (see Appendix B for a conceptual representation of changes in the network structure). This dealer rationalisation took many years to complete and was partly riddled with legal disputes between various dealers. QualityTruck actively encouraged this process by supporting better performing dealers in acquiring others.

In addition to the dealer consolidations, the newly merged organisations themselves required a major restructuring, involving a rapid reduction of personnel. This is reflected in the excerpt below (see also Figure 1, which outlines the number of employees in the focal companies):

I remember going to a meeting with the chief executive at the time, and going in with ninety-four people in the After Sales organisation, and coming out of the meeting with fifty-eight people in the After Sales organisation. We had to rationalise, and we had to integrate two systems, and we had to develop. (Head of Service and Support, QualityTruck, ex-PriceCo)

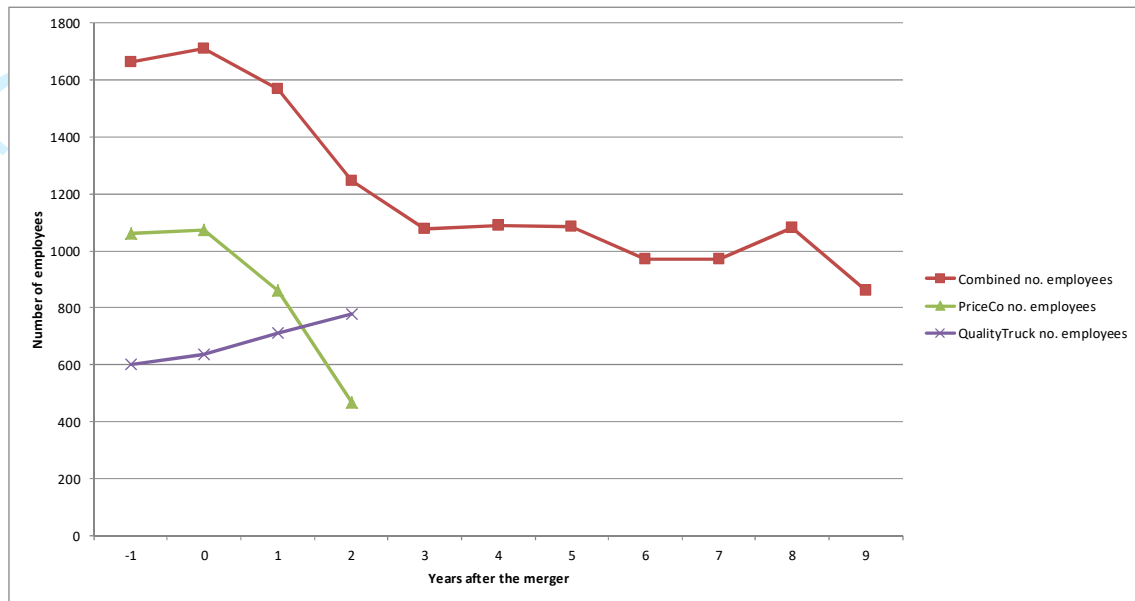


Figure 1. QualityTruck's and PriceCo's employee numbers were considerably downsized post-acquisition.

4.4.3 Consolidation of production.

The consolidation of manufacturing operations was seen as a driver for the acquisition to achieve economies of scale. Such consolidation constitutes appropriable organisation whereby the structural capital (in terms of established network ties and configuration) developed for the production of some components can also be transformed quickly and used for the production of other parts in the merged organisation. However, consolidation was initially only considered in relation to critical components, such as engine and chassis, and did not extend to include other components, such as suspension, steering and brake parts. After the acquisition, significant compatibility issues arose with the production of these critical components by the two companies. Various technical compatibility issues made it impossible to adjust the production systems and networks to achieve economies of scale. This led gradually to a decline in parts production in PriceCo's less productive plants, which ultimately culminated in the closure of PriceCo's production facilities. This consolidation also impacted PriceCo's productivity, which is detailed in Figure 2.

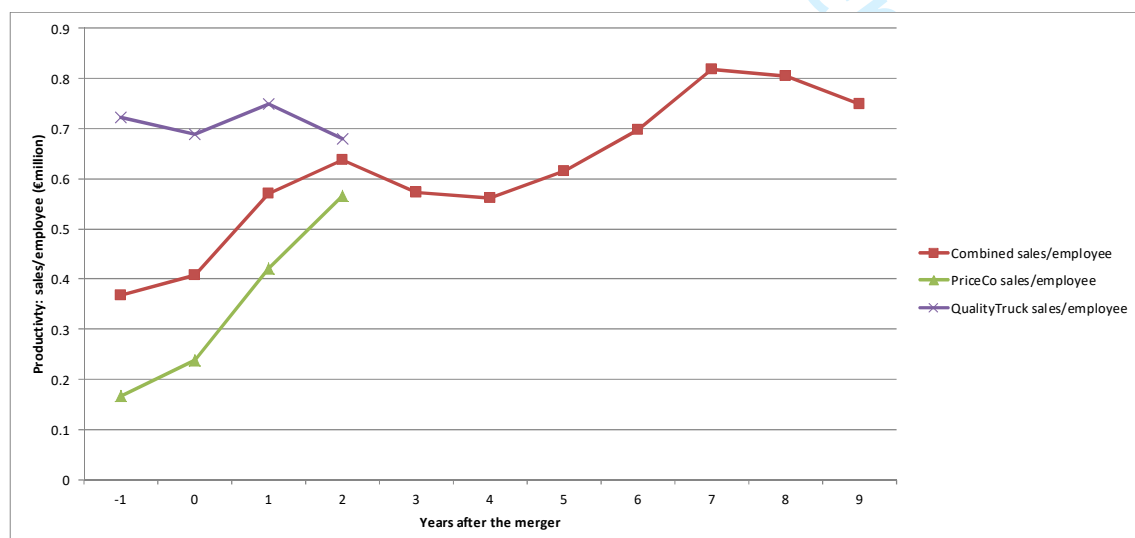


Figure 2. QualityTruck's and PriceCo's productivity measured as sales per employee.

4.5 Post-acquisition cognitive capital

The acquisition of PriceCo caused significant issues with the cognitive capital of the whole network, which deterred the development of shared goals, values, a common language and a shared understanding. The key factor for the dissonance in the cognitive capital as experienced in the network during the integration period included the differing corporate cultures that were underpinned by fragmented visions and values.

4.5.1 Differing cultures

QualityTruck and PriceCo operated in the same industry, as competitors with similar ranges of products, yet their strategic goals, market positions and value propositions were different. As a result of their different strategies and values, the organisational cultures of the two companies were very different. The strategic vision of QualityTruck and its network was focused on product quality and service excellence. Conversely, PriceCo's strategy had been predominantly based on product prices and features. Therefore, the integration of these very different cultures post-acquisition was deemed problematic.

The respective cultures of QualityTruck and PriceCo were reflected in their dealer network. As a consequence, similar values were not shared across the two networks. For example, this was evident from differing approaches to the protection of intellectual property regarding parts and technology:

[QualityTruck] protected its business, everything, all the proprietary parts were all held and all parts were numbered. In terms of after sales and parts element of the business, it was very, very protected. And then [PriceCo] was complete opposite. [PriceCo] was made up of kit parts that you could go and buy the parts anywhere in the UK, not exclusive at all. It was the dealer networks responsible for parts business so their dealers operated very differently. (Head of Network Development, QualityTruck, ex-PriceCo)

PriceCo had historically empowered its dealer network and allowed for significant autonomy in terms of brand representation, client management and delivery of repair and maintenance services. However, immediately after the acquisition, QualityTruck demanded that the dealer network abide by its brand representation and service requirements.

In addition, QualityTruck network developed a unified service language and terminology based on standardised support systems and mandatory training programmes, which were designed for the delivery of repair and maintenance service contracts. However, during the initial post-acquisition period, PriceCo dealers were not provided with such training and hence faced significant issues with their customers due to a lack of understanding regarding the service contracts. Similarly, the small and medium-sized PriceCo customers also struggled with the new ways of operating, which was a change from the prior understanding that had existed between PriceCo and its customers:

[After the acquisition] the customers also saw [QualityTruck] as being far from flexible towards their needs, refusing to budge over matters like engine or gearbox options... [QualityTruck] simply couldn't tune into family haulier's wavelengths. (Fleet Manager, Customer B)

In a short period of time after the acquisition, PriceCo lost a significant proportion of its small and medium-sized customers. Customers perceived PriceCo no longer as a British institution but simply an extension of QualityTruck, resulting in changes to the cognitive capital within the customer network. Over time, the merged network adopted

the goals, values and language of QualityTruck, ultimately leading to the discontinuation of the PriceCo brand.

4.6 Post-acquisition relational capital

As a result of the acquisition, differing employee and dealer identities and legacy obligations emerged as the key factors influencing relational capital in the network. These differences were not addressed during the initial post-acquisition period, hence deterring the development of mutual trust and shared norms, which led to differing employee and dealer identities and issues with legacy service obligations. We elaborate on these points below.

4.6.1 Differing employee and dealer identities.

Following the acquisition, QualityTruck failed to implement a support system to address the different identities of the two manufacturers and by extension their networks. Whilst PriceCo's network lacked an understanding of the importance of service provision, QualityTruck's network lacked an understanding of the need to foster trust-based, flexible relationships. In practice, this dissonance manifested itself in a number of ways. By way of example, PriceCo employees and dealers struggled to abide by the higher-level service delivery standards expected by QualityTruck.

A senior manager pointed to the lack of plans to address the differing identities during the pre-acquisition negotiation stage, despite this having been identified as a key issue to consider during integration. Post-acquisition, the focus of senior management shifted to internal organisational issues and dealer network consolidation. Respondents commented that customers were not adequately informed at the time about the changes. This, coupled with the issues of standardised service delivery across the network, resulted in a deterioration in customers' trust:

We have lost the trusting relationship with many customers because of never-ending fire-fighting of issues within the network due to the acquisition of [PriceCo]. We messed up the marketplace and lost many customers in the process. (Head of Network Development, QualityTruck)

The tensions stemming from different organisational identities were still evident more than a decade after the acquisition. Embedded in these identity differences were notions of 'us and them' as well as superiority-inferiority constructions, whereby PriceCo employees and dealers were considered as 'problematic' by some of the QualityTruck workforce.

The principal managers at dealer firms provided insights into the ramifications of dealer consolidations that further affected relational capital. Dealers acquiring other dealers led to changes in the structural capital and inhibited the development of relational capital due to the apparent differences in identities:

The people I took on the business didn't like [QualityTruck]. So there was a war of attrition going on between [QualityTruck] people and my people [i.e. PriceCo]. [...] We bought the [QualityTruck] dealer, and that's where the [problematic employees] came from. And they just didn't talk to each other, they didn't like each other, it all went downhill. (Managing Director, Dealer D, ex-PriceCo)

The lack of trust was also evident amongst the dealers. For instance, a respondent commented:

[Post-acquisition] there was an adversarial atmosphere amongst the dealers [...] We tried to work in a nice, open and trusting relationship, but we did not have that with our dealers. (Dealer B, Managing Director)

A dealer director within the network also noted how their managerial approach to customer relationship management changed after the acquisition, mentioning how they adjusted their norms of interaction with the customers.

4.6.2 *Legacy obligations.*

The acquisition resulted in a build-up of the maintenance contracts of both QualityTruck and PriceCo, which created further issues that hindered the development of shared norms and obligations within the network. Post-acquisition, these legacy obligations towards customers turned out to be a major issue for QualityTruck, since some of PriceCo's maintenance contracts were poorly designed and were far longer in term than the industry average of three years (some PriceCo contracts were even 10 years). This meant that certain contracts lost a significant amount of money nearing their conclusion as customers made monthly payments based on the maintenance needs of new vehicles for trucks that were over five years old. In turn, these legacy contracts resulted in managers being erroneously accountable for losses. Apart from causing significant financial losses, these contracts also reduced employee motivation and satisfaction as some managers had to endure years of losing contracts which was beyond their control. Since these contracts were legally binding, after the acquisition, QualityTruck remained committed to meeting the contractual obligations. The case firms were not able to develop a degree of mutual trust, shared norms and obligations with its dealers and customers in the initial integration period. This applied to both QualityTruck's acquisition of PriceCo as well as to the dealers' acquisitions of their competitors.

To summarise, QualityTruck sought to strengthen their network configuration, but failed to account for the impact of the differences in cognitive and relational dimensions compared to the acquired firm. After the acquisition, the firms failed to implement mechanisms and support systems to develop cognitive and relational capital with their dealers and customers. The lack of social capital contributed to major operational issues, which hindered the intended benefits of the acquisition being reaped, and, in large part, led to the complete absorption and discontinuation of PriceCo by year 8 (see also Table 4).

Table 5 provides further indicative excerpts from the data regarding the three social capital dimensions for the reader. Next, the impact of the acquisition on performance are discussed.

Table 5. Social capital dimensions, identified factors and illustrative excerpts.

Dimension of social capital	Identified factors	Illustrative excerpts
Structural	Network complexity	[QualityTruck] <i>did not have sufficient dealer support for our northern operations [...] the acquisition allowed us to use dealers even in remote locations in the northeast.</i> (CEO, Customer A) <i>We more than doubled our dealer locations overnight due to the acquisition. However, they did not really have a detailed plan on how to manage the complexity this created in terms of the key accounts.</i> (Key Account Manager, QualityTruck)
	Dealer rationalisation	[Post-acquisition] <i>they had 146 dealerships and 110 owners. I mean today they have 66 dealers and 28 owners. So they rationalised the network, they got bigger dealers, bigger territories, better run operations.</i> (Head of Parts Business, QualityTruck) <i>So [the CEO of QualityTruck] said, 'Can you take over this business [adjacent dealer]?' So we went and negotiated that [...]. And [QualityTruck] supported us with that, so we took over that business.</i> (After Sales Director, Dealer C) <i>We took over many dealers in our postcode area following the acquisition.</i> (After Sales Director, Dealer C)
	Consolidation of production	[QualityTruck] <i>tried moving their parts into [PriceCo], which we did for a period of time, to try and sustain it and make it viable and make it cost effective, but you cannot make trucks the way [PriceCo] used to do; it was heavily labour intensive, and when you see the production facility of [QualityTruck], and it's all robotised, and then you look at how [PriceCo] produced its parts, it would never work.</i> (Head of Parts Business, QualityTruck) <i>We envisaged to produce common parts for both brands which turned out to be not feasible at all following the initial trials.</i> (Business Development Manager, QualityTruck)
	Cognitive	Differing cultures <i>Putting those two organisations together, with the culture, was just incredible. [...] Because you had two different cultures, [...] you had different mentalities in your people....</i> (Head of After Sales, QualityTruck) <i>...two different cultures. So that was a basket case. There were factions at work within that.</i> (Dealer C, Managing Director)
Relational	Differing employee identities	<i>I know that there are still one or two of those old [PriceCo] guys kicking around. Personally I don't have a problem with it, but they are known as being slow, laborious. I don't think they are. But there was a guy I came across actually last week who just refused to do things. He was ex-[PriceCo], and of course everybody else was saying 'oh he's [PriceCo], they're all like that'.</i> (HR Director, QualityTruck)
	Differing dealer identities	<i>We have always identified with a personal approach to customer management. As many would agree this was the standard rule of engagement for [PriceCo]. But when we raised the [QualityTruck] flag and started servicing their trucks, we had to adopt a different approach where the expected behaviour was to follow a standardised service delivery. This was a steep learning curve for us and especially for the local customers.</i> (Owner Director, Dealer A). <i>...I had people pointing at badges on their overalls saying, 'I'm a [PriceCo] person, I do not do [QualityTruck]'. And I'd say, 'But we have a [QualityTruck PriceCo] badge outside, it's one brand. It's two products, but it's one brand now'. 'I don't care. I'm a [PriceCo] man. I've been a [PriceCo] man for 25 years'. I still get little hints of it.</i> (Managing Director, Dealer C)
	Legacy obligations	<i>They'd [PriceCo] done some deals ... and loss leader deals with some big customers. [...] and some of these deals were on very long contract terms, much longer that they were priced for if I'm honest. And it meant that towards the end of the contract life we were spending a huge amount of money maintaining vehicles. At the end of the day it was a contract that [PriceCo made], which is a company we took over. They entered into and obviously we had to accept the terms of that and see them through to the end.</i> (Head of Service and Support, QualityTruck) <i>[Post-acquisition] we were landed with loss making service contracts that still had two, three or even four years left on the contract with the customer paying the same premium over the contract period.</i> (Customer Relationship Manager, QualityTruck)

4.7 Post-acquisition network performance

The adjectives used by interviewees to refer to the acquisition included ‘hugely disruptive’, ‘difficult’, ‘costly’ and ‘disastrous’. Given the retrospective nature of this study, it was deemed necessary to verify the subjective accounts relayed and potential for ‘hindsight bias’ by checking these accounts with other publically available information. Based on the annual statements of QualityTruck the acquisition was deemed unsuccessful officially, as illustrated in the following quote from the annual report:

[...] this acquisition, which made a great deal of sense from the strategic point of view, [...] turned out to be an economic disappointment. (AR 1, p. 7)

To this end, we analysed the merged company’s financial figures to substantiate the qualitative findings and verify the accounts of the acquisition not being successful.

An examination of the combined sales of the two brands revealed they had dropped by a third in just two years (years 1–3) following the acquisition (see Figure 3; also Table 4). Later, the sales rose, which is partially explained by a favourable market situation and also by the measures taken after the post-acquisition problems were recognised. The overall market development is taken into account in Figure 4, which presents the development of the companies’ market shares.

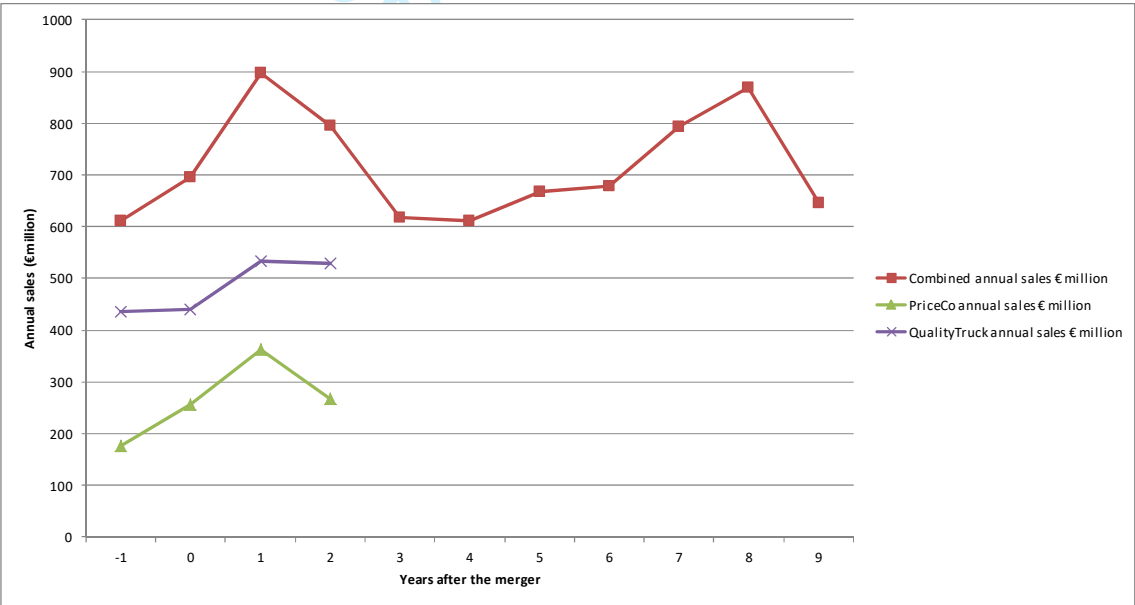


Figure 3. Annual sales dropped after the acquisition and picked up again from year 4, along with the rest of the market.

In the following years, the total market share for the merged business went from a peak of 16.3% in year 1 to only 8.3% in year 5 (see Figure 4). Senior executives from QualityTruck explained:

I would say everything was great until we bought [PriceCo], and then we tried amalgamating two different organisations. And that was a vertical learning curve, and I think we were probably ill equipped. We took two very large companies, in their own right. Put the two of them together and then expected that we’re still going to get [the sum of total sales], and that doesn’t work like that. (Head of Network Development, QualityTruck)

As seen in Figure 4, the combined market shares shrank every single year from year 1 until year 5, after which the measures taken by management improved the situation. The development in the market share showed a significant improvement between years 5 and

6, after which it stabilised at 10% for the following four years. During the difficult period, the merged company underwent significant rationalisations in its dealer networks and own organisations.

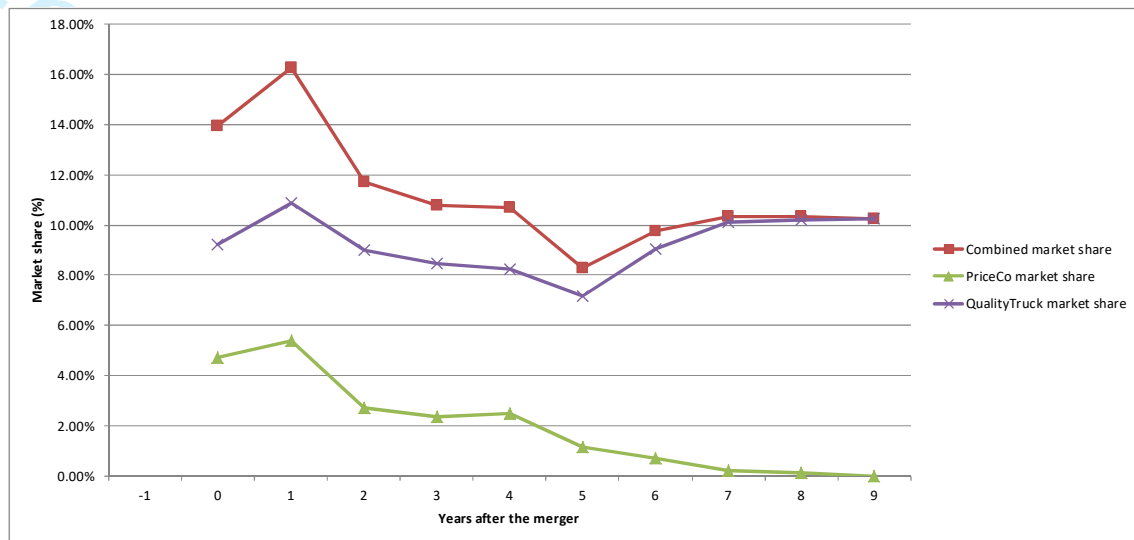


Figure 4. Market share development of QualityTruck and PriceCo.

From the inception of the acquisition, it took five years for the entire dealer network to agree on incentive-based KPIs for service provision. Once agreed, this allowed the network to begin to overcome the inconsistent service delivery, whereby a bonus scheme for service was created.

A common theme emerging from the interviews was the inconsistencies in service delivery performance across the networks during the post-acquisition period. This was mainly a result of poor dealer service or lack of customer understanding and flexibility:

These dealers were losing bundles of money; the customers [were] really fed up. They were really good at upsetting the customer. And we took them up, and it was a recovery exercise to bring that customer confidence back again, and start buying the [QualityTruck] trucks again, and they've just started. (Service and Business Development Manager, Dealer B)

Part of QualityTruck's post-acquisition financial losses were also related to the legacy contracts, which either led to expensive legal disputes or simply loss-making, long-term arrangements:

I just did a presentation yesterday; we've got one [PriceCo] contract left now, and I made a big case about this [PriceCo] truck. It's now ten years old I think. We're now four grand in profit because we've come up to a sensible level. In the presentation I said: 'Let's make our last [PriceCo] contract a profitable one', and they all laughed. (Repair and Maintenance Manager, QualityTruck, ex-PriceCo)

Overall, the findings provide evidence that inter-organisational relationships are not easily transferred through M&As but rather require significant effort to transform the relationships over time. The main determinant for QualityTruck's decision to acquire PriceCo was to access its structural capital through PriceCo's wider and more established dealer network and also PriceCo's special customer relationships with small and medium-sized operators. At the time, this was seen as a 'good fit' with QualityTruck's lack of network coverage in the northern parts of the UK and a lack of customer base in terms of

small-sized operators. Nevertheless, the differences in cognitive and relational capital between the two organisations, such as differing perceptions of service, fragmented visions and values and cultural differences were not taken into account prior to the acquisition. In addition, the post-acquisition operational and financial performance was influenced by incompatible service delivery systems that resulted in losses of service contracts, ongoing legal disputes and a decline in market share, leading to introduction of new KPIs across the network. Figure 5 consolidates the findings from the study and shows the interplay between the identified factors that influenced the post-acquisition social capital and performance.

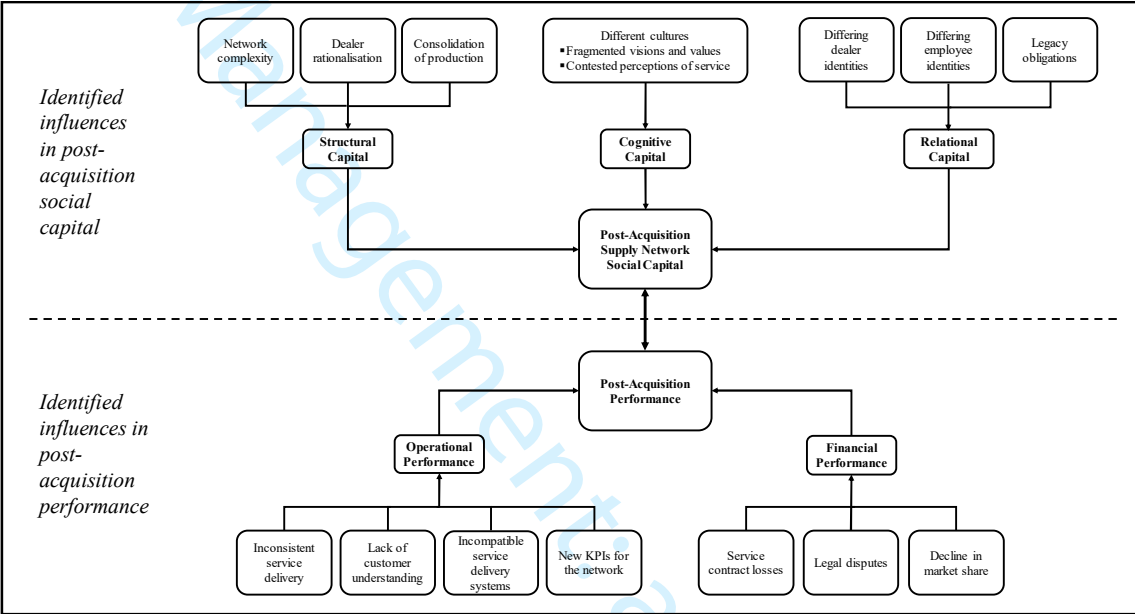


Figure 5. Post-acquisition implications for social capital and performance.

5. Discussion and conclusions

This is one of the first in-depth empirical studies examining the impact an M&A has on the supply network using a social capital perspective. In so doing, it builds on studies that explore M&As and inter-organisational relations (Anderson et al., 2001; Kato and Schoenberg, 2014) and social capital and networks (Hartmann and Herb, 2015; Johnson et al., 2013). In particular, the research leads to a number of contributions and raises important managerial implications for consideration.

5.1 Contributions of the study

This research makes a contribution to the extant knowledge by providing empirical insights into how structural, cognitive and relational capital change within supply networks due to an acquisition. The research shows how changes in structural and cognitive capital affects relational capital in the post-acquisition network. This was evident from the increased structural complexity within the dealer network coupled with the differing cultures of the merging networks. This resulted in a network with multiple, conflicting identities. Within the extant M&A research, there is a tendency to treat the structural capital of the network in isolation or to focus only on the cognitive capital of the merging firms (cf. Marrewijk, 2016). In this research, however, it took almost five years for the merged network to address the decline in performance by transforming the

relationships in the network. This happened when the dissonance in all three social capital dimensions was addressed. Thus, our study supports the assertion that the social capital of relationships '*cannot act instantaneously, at the appropriate moment, unless they have been established and maintained for a long time*' (Bourdieu, 1986, p. 24).

Developing a degree of consensus in the social system requires a significant amount of time and investment (Coleman, 1990; Nahapiet and Ghoshal, 1998). This study contributes to the understanding of how social capital cannot be simply transferred from one organisation to another during an M&A but that relationships also need to be transformed by considering the pre- and post-acquisition social capital dynamics of the merging and merged network(s). In this study, the case firms failed to address the dissonance and dynamic interaction between social capital dimensions and hence were not able to build mutual trust, shared norms, goals and values and common understanding across the network (cf. Tsai & Ghoshal, 1998; Adler and Kwon, 2002). When the acquisition disrupted the network, the embedded pre-acquisition social capital deterred the firms, and their associated dealers, from adapting to the change (Edelman et al., 2004; Eklinder-Frick et al., 2011; Ansari et al., 2012). Importantly, post-acquisition, the firms failed to implement appropriate support mechanisms to *bridge* the embedded social capitals of the merging networks (Adler and Kwon, 2002; Edelman et al., 2004), deterring the development of shared social capital and contributing to a downturn of operational and financial performance.

Finally, the research shows how social capital may influence performance in an M&A context. In this respect, the empirical findings contribute to prior research by arguing that M&A-related disruption in social capital dimensions is a potential hindrance to operational collaboration and performance (Cousins et al., 2006; Krause et al., 2007; Carey et al., 2011; Matthews and Marzec, 2012; Johnston et al., 2013; Preston et al., 2017). This assessment is based on the analysis of company financial performance data and annual reports. It would indicate that too much social capital can potentially harm operational performance due to exploitation by the embedded actor (Villena et al., 2011; Zhou et al., 2014; Son et al., 2016). An important caveat to add is that by no means are we claiming causality between the three dimensions of social capital and performance but rather consider this to be a fruitful line of inquiry in future research using the appropriate methods.

5.2 Managerial implications

The key managerial implication of this study is the identification of the importance of considering key supply network relationships for M&As. There is a need for managers to consider all three dimensions of social capital when deciding to acquire a competitor firm within the same industry. Managers should exercise caution in not only considering the tangible structural capital aspects of the wider network but also taking into account the more tacit aspects of cognitive and relational dimensions prior to and after the acquisition.

It is important to acknowledge how difficult it is to control the dynamics of the related network as an M&A might seem to be beneficial to one dimension of social capital whilst other areas may create problems. For instance, in this study, the structural social capital of the acquired dealer network complemented the network of the acquirer in the north of the UK. Yet in the Greater London area, the resultant network complexity caused conflict and confusion amongst dealers and customers, negatively impacting performance. Companies aiming to acquire structural capital, for example, need to consider the ways in which cognitive and relational capital may be affected by the possible tensions within the network created by the acquisition. This research demonstrates how the tensions stemming from different identities and rivalry within the network may have major

disruptive effects on the network's capability to provide its customers with the products and services they require, resulting in a downturn in operational and financial performance. Therefore, managers can benefit from utilising the research findings from this study as a potential guide when considering pre-acquisition characteristics and post-acquisition integration factors.

5.3 Limitations and further research

No research is without limitations. First, we recognise a clear limitation pertaining to it being a retrospective case requiring respondents to recall the acquisition. However, the recall period is in line with other studies that do not consider this excessive (Miller et al., 1997; Kato and Schoenberg, 2014). Moreover, we have taken steps to triangulate the data with numerous sources rather than solely rely on respondents and their memories. We would welcome studies that adopt a longitudinal processual approach in future research, focusing on the details of an acquisition process. This should allow for a clear articulation of pre- and post-acquisition drivers and inhibitors of M&As from a supply network perspective.

Secondly, we do not assume that the entire performance of the network is purely a result of, or attributable to, the network implications of the acquisition. We clearly acknowledge the complex organisational, legal and political dynamics that are embedded within any discussions related to network and M&A performance. For example, the data did not indicate the role that leadership plays in an M&A, but this may be present in other empirical settings and an area worthy of further research (cf. Sitkin and Pablo, 2005). Despite using data and investigator triangulation, in addition to carefully controlling for possible effects of other factors, there will always remain some residual uncertainty. Our study has this remaining uncertainty as one of its limitations. This, of course, applies to all types of research that examine the performance implications of any phenomenon. Future research may potentially utilise large-scale financial analysis to consider the implications of M&As on wider networks.

Finally, this study was based on the focal networks of two truck manufacturers. Hence, there is no possibility for statistical generalisations nor the intention thereof, yet theoretical (or analytical) generalisations are appropriate for such a study (see Yin, 2009). In the future, scholars may conduct multiple-case research on the supply network implications of M&As in different industries, across multiple contexts to further our understanding and build upon the findings presented in this paper. Overall, the M&A context is an opportunity-rich environment for SCM scholars, and this research serves as one of the initial attempts to contribute to enhancing our understanding of an increasingly popular business activity: M&As.

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Appendix A: Interview guide

Topics which are directly related to the corresponding social capital is indicated with (S) for structural, (C) for cognitive or (R) for relational capital to clearly indicate the linkages.

Company's name:

Interviewee's name:

Interviewee's position:

Context—organisation and operating environment

- Personal background and history
- Job role and responsibilities
- Organisation and operating environment

Topics covered in QualityTruck interviews

- Involvement in acquisition decision
- Motivations to acquire PriceCo
- Challenges and issues arising from the acquisition
- Structural implications of acquisition (Probes: changes in terms of access, complexity, proximity and regional density of the network) (S)
- Implications for the customer and supplier relationships (Probes: changes in terms of trust, expectations and identification) (R)
- People- and culture-related issues (Probes: Have you experienced any changes in terms of service culture, employee identities and behaviour?) (C & R)
- Operational and financial performance implications

Topics covered in dealer interviews

- What were the reasons for the acquisition?
- Were you informed in advance of the decision? What form did this take? (C)
- What were the implications of the PriceCo acquisition? (R)
- Have you bought or merged with a PriceCo dealer? (S)
- What were the structural implications on the supply chain? (S)
- How were your customer/supplier relationships affected? (R)
- (Probes: Have you experienced any changes in terms of service culture, employee identities and behaviour?) (C & R)

Topics covered in customer interviews

- Have you experienced any differences in your relationship with QualityTruck as a result of PriceCo acquisition? (R)
- Market outlook and reputation of the acquisition (R)
- Implications for network complexity (S)
- Issues related to consolidation of dealers (Probes: any changes in terms of information exchange, trust, expectations and relationship performance) (C & R)

Ending the interview

- Any other issues that have been overlooked?
- Permission to contact to clarify our understanding?
- Permission to contact the names indicated in the interview?

Thank the interviewee for their time and involvement in this research.

Appendix B: The development of network structure from pre- to post-acquisition periods

