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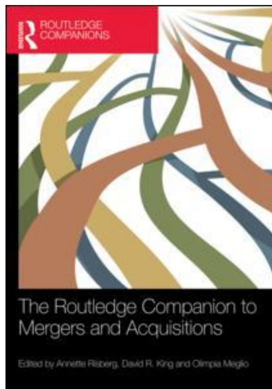

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Acquisitions as an adaptation strategy

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2
Acquisitions as an adaptation strategy

Christina Öberg

Introduction

Why do companies engage in acquisitions? Research frequently discusses mergers and acquisitions (henceforth, acquisitions) as a means to reach new markets and to develop new products and competences (Kaul 2012; Trautwein 1990; Walter and Barney 1990). Alternatively, acquisition motives include managers trying to gain personal or career-related benefits (Gomez-Mejia and Wiseman 1997; Grinstein and Hribar 2004). These motives indicate that acquisition research largely takes a company-centric perspective (cf. Kelly et al. 2003) focused on planning or risk taking (e.g. Chaffee 1985; Mintzberg 1973). Meanwhile, adaptation motives focus on environmental reasons for an acquisition (cf. Haleblian et al. 2009) that includes a company's context in making decisions. This suggests a need to consider acquisitions as a strategic tool to respond to and adjust to changes in a company's network, where adaptation refers to how a company's strategy reconciles its ambition with contextual changes (Mintzberg 1973; Ronchi 1980). A network refers to groups of companies directly or indirectly connected by means of business arrangements (Anderson et al. 1994). The network approach constitutes a theoretical point of view that describes company interconnections as an influence on individual company decisions and outcomes (Ford and Håkansson 2006; Håkansson 1982). In focusing on acquisitions as an adaptation strategy that considers a company's network, the chapter seeks to explain how one acquisition follows after another, or how acquisitions respond to change. Advantages of applying a network approach include explaining mutual adaptation and the spread of acquisitions to additional parties (Hallén et al. 1991; Havila and Salmi 2000).

The chapter contributes to previous research by developing an alternative explanation for why companies acquire. In general, studies that examine environmental reasons for acquisitions focus on how business connections between companies or individuals affect the choice of target (e.g. Finkelstein 1997; Pfeffer 1972) or refer to macro-economic changes as explanations for acquisition frequencies (e.g. Haleblian et al. 2009; Heeley et al. 2006). By comparison, this chapter focuses on customers, suppliers, and competitors that may also provide external explanations for acquisitions. It also contributes to research on adaptation by providing observed examples and alternative explanations to why acquisitions occur in waves (cf. Harford 2005).

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Theory

A large stream of acquisition research has focused on motives. Depending on the theoretical lens and the perspective taken, explanations for acquisitions include market imperfection, hubris of managers, and revenue enhancement/cost reduction (Seth et al. 2000; Trautwein 1990). Efficiency goals to lower costs or market expansion to increase revenue by entering new markets are among the most frequently mentioned motives when an acquisition is announced (Kelly et al. 2003; Öberg 2004), and these motives are consistent with horizontal acquisitions of firms in the same or similar industries. Motives described by Carpenter and Sanders (2007) cover risk reduction from diversification, increased market power, and other synergy-related motives that reinforce an assumption of rationality underlying most acquisition motives. Meanwhile, hubris and empire-building motives suggest that managers plan acquisitions for their own benefit (Grinstein and Hribar 2004; Trautwein 1990).

Various motives have been linked to different trends (Weston and Weaver 2001) and also to different types of acquisitions. Prior to and during the 1970s, many firms used acquisitions to diversify. More recently, technology acquisitions offer access to unique resources or knowledge (Chen 2008; Graebner et al. 2010; Hennart and Park 1993; Prabhu, Chandy and Ellis 2005; Puranam et al. 2006). Additionally, an increase in international acquisitions suggests market-entry motives. Vertical acquisitions involve upstream acquisition to ensure the supply of raw materials and their quality, or downstream acquisitions to access customers or ensure the quality of a company's distribution and service (Argyres 1996; Díez-Vial 2007). Table 2.1 summarizes different acquisition motives.

Again, a shared feature of the acquisition motives mentioned in most research is that they are company-centric, with limited attention paid to the context of the firm. Literature that refers to environmental reasons for acquisitions focus on two main areas: 1) how the choice of acquired party results from connections at a company level or contacts between individuals (Haunschild 1993; Pfeffer 1972), and 2) descriptions of macro-economic factors that affect the acquisition frequency (Matsusaka 1996). Neither of these environmental explanations considers adaptation to changes in a company's network as a motive for acquisition.

Table 2.1 Summary of acquisition motives

Motives	*Explanation*	*Theoretical lens*
Efficiency gains (cost reduction); market expansion (revenue enhancement); new competences	Rationalistic from company's point of view: the acquisition is performed to increase scale or scope of the business	Strategic management
Diversification/risk reduction	The acquisition is performed to spread risk and thereby reduce owners' exposure to certain industries.	Finance/strategy
Market power; market imperfections; wealth transfer	Acquisitions are performed to gain competitive advantage and offset the free market forces	Economic theory/ Neo-classical theory
Hubris/empire-building	Rationalistic from managers' point of view: they are to gain personal or career-related benefits	Organizational theory
Emerging and multiple motives	Motives are constructed as the acquisition evolves, or several motives are combined	Strategy and related

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Strategy as adaptation

The strategic management field has gone through several cycles of development (Baden-Fuller and Volberda 1997; Floyd and Wooldridge 1999) with a recent focus on the impact of networks (Castells 2000). This change within strategic management as a field reflects how strategy is embedded in company structures and context (Granovetter 1985). For example, strategic decisions are not made in isolation, but their formulation and implementation considers internal and external stakeholders of the firm (Freeman 1984; Mintzberg 1978).

In considering approaches to strategy, Mintzberg (1973) distinguishes between entrepreneurial, planning, and adaptive modes. The entrepreneurial mode indicates strategy-making based on risk-taking and visionary ideas. Meanwhile, the planning mode refers to a future-oriented view for achieving goals. These approaches are similar to Chaffee's (1985) strategies of linear (planning), and adaptive and interpretive strategies, where the interpretive strategy relates to how frames rather than directives are given to the organization. Adaptation describes how a firm reacts, acts, and copes, rather than attempts to master its environmental context (Cyert and March 1963; Lindblom 1959). Chaffee (1985) also identifies adaptation as a mode that considers stakeholders (cf. Freeman 1984). In stakeholder theory (Freeman 1984), a firm's context is understood as other companies; customers, suppliers, and competitors that comprise a network that influences strategy implementation (cf. Håkansson and Ford 2002; Håkansson and Snehota 1989).

Alternate strategies involve either confronting a firm's network to create opportunities (Mintzberg 1973) or conforming to it with adaptation (Håkansson and Ford 2002). Literature has suggested that adaptation is an inferior approach to strategy, but that perception is changing. For example, Ronchi (1980) describes adaptation as the intersection between the company's capabilities and changes in the environment to uphold a firm's position (cf. Hallén et al. 1991; Johanson and Mattsson 1992) and recent research suggests a possible rejuvenation of adaptation (Hammer et al. 2012). Viewing organizations as an open system with a focus on coordination and co-evolution between firms, emphasizes the embeddedness of social, political, cultural, and institutional influences on firms (Gavetti et al. 2007; Granovetter 1985), and it offers insights into adaptation.

Acquisitions as an adaptation strategy

Acquisition research has just begun to consider stakeholders' influence (Anderson et al. 2012) and how an acquisition impacts customers and suppliers (Havila and Salmi 2000). While it is recognized that acquisitions can trigger change (Anderson et al. 2001; Halinen, Salmi and Havila 1999; Havila and Salmi 2000), this research has not focused on how firms adapt to their network with acquisitions. An exception involves research treating acquisitions as patterns of change (cf. Dahlin et al. 2005; Hertz 1998), studies using resource dependency to explain acquisition as reflecting changes in resource exchange patterns, and research examining patterns of change in a sequence of acquisitions (Shi and Prescott 2011). Still, existing research remains focused on an acquirer (company-centric) and not how different companies adapt to one another.

Acquisitions as an adaptation strategy would mean that an acquisition is carried out to meet with contextual changes. The changes become the triggers, and the acquisition the response to such triggers, or the reverse to how it has been described in most network studies on acquisitions. In addressing the context as consisting of stakeholders or network parties (Ford and Håkansson 2006; Freeman 1984), the adaptation becomes translated into how explicit activities of other firms lead the company to acquire. Compared to the arguments in research on

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dependence (Finkelstein 1997; Pfeffer and Salancik 1978), it involves acquiring parties other than the one upon which the company is dependent. It also contrasts with explanations of waves in that firms and not necessarily macro-economic factors trigger acquisitions. Acquisitions as an adaptation strategy introduce new insights into why acquisitions are performed and also connect acquisition studies with network studies, stakeholder theory, and the adaptive strategic mode.

Method

A case study methodology was used to examine an adaptation explanation for acquisitions based on changes in a firm's network. A case study allows for capturing acquisitions and their context to consider connections between the different activities (Yin 1994). The chapter uses multiple cases with the intention to provide additional dimensions and comparison among the cases (Eisenhardt 1991). Three acquisition cases were selected based on how they describe adaptation to customers, suppliers, and competitors. They were taken from previous research conducted by the author over the past ten years in different projects on acquisitions, where the selection criteria were to find cases that illustrated adaptations to different parties. Conversational interviews were the main data-capturing method in the study. The interviews were performed with representatives of the acquirer, acquired party, and customers and suppliers to the focal firms. The interviewees included CEOs and financial, marketing, sales, and procurement managers, or they worked as users or maintenance staff of the companies.

Between 2003 and 2012 a total of 58 interviews were conducted (see Table 2.2). To provide a longitudinal perspective, some interviewees were approached again with a time lapse between the first and second interview. Based on the interviews' informal character (McCracken 1988), they were adjusted for each interviewee and also involved the follow up of aspects mentioned during the interviews. Interviews covered, but were not limited to the following areas: general descriptions of the acquisition; why and when it was performed; integration and the outcome of it; and descriptions of different companies surrounding the firm and their mutual impact on the acquisition and its outcome. Interviews were complemented with secondary data, including: annual reports, newspaper items, and internal documentation (cf. Welch 2000). Secondary data provided a timeline of events for each acquisition, the verification of details, and a comparison of motives provided in press releases and those shared by interviewees (cf. Öberg 2004).

Table 2.2 Case interviews

	EuroLifter acquiring USLifter	*AutoInternational acquiring Solution*	*EuroLifter acquiring MediterraneanTruck*
Acquirer	CEO, CFO, sales managers, sales and marketing staff (25 interviews)		Overlapping with Case 1
Acquired party		CEO, development manager (3 interviews)	CEO, procurement manager, etc. (3 interviews)
Customers	Procurement, production managers and maintenance staff from 15 different customer companies	R&D manager, procurement manager, etc. (11 interviews)	
Suppliers	Sales manager for 1 supplier company		

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In the analysis procedure, the interviews and secondary data were used to produce case descriptions that were also approved and corrected by the interviewees. Direct quotations in the final case descriptions intend to highlight central items of the cases (Eisenhardt and Graebner 2007). Next, the interview material was searched for descriptions consistent with an adaptation strategy. These occurrences were coded and compared on a within-case basis (Pratt 2009). The codes represented how the adaptation was described, what parties it involved, and how it linked to the overall acquisition. This part of the analysis was performed in several cycles, moving between the empirical material and previous research, and also included the search for explanations of the adaptation and their relation to present theory (Dubois and Gadde 2002). Conflicting findings were either seen as results of differences in perspectives, or approached to find an explanation. As a final step, the different cases were compared to see whether the explanations of adaptation were linked to different stakeholders, or if shared reasons could be found. Adaptation was also challenged in this stage by other explanations of the acquisitions, in order to test its explanation value. This last point is discussed in the discussion section in terms of whether other motives may explain the acquisitions, and it is concluded how adaptation adds understanding beyond such motives.

Case studies

This section presents three case studies, each illustrating adaptation to customers, suppliers, and competitors, respectively.

Case I: Adapting to customers—EuroLifter acquiring USLifter

In the late 1990s, EuroLifter acquired USLifter. The acquirer and its target were both manufacturers of a specific type of material-handling equipment. At the time of the acquisition, EuroLifter was the third largest player on the European market and USLifter was the market leader in the US. The two companies were of similar size, and EuroLifter had for several years looked into how to strengthen its position in the US. EuroLifter saw its customers increasingly globalizing their business, and a trend of US companies moving into Europe using either greenfield investments or acquisitions.

> We experienced globalization, meaning that some customers started crossing the Atlantic; whether it was USShopping moving outside the US, or EuroFurniture to North America or EuroFood to South America. Here we experienced trends that would make a global presence an advantage.
>
> *(CFO, EuroLifter)*

The intention was that USLifter would represent the US market and South American customers, while EuroLifter would do the same for the customers' European presence. Hence, USLifter would also become a regional supplier to EuroLifter's customers, and vice versa. The acquisition created the world's largest lifter manufacturer in the specific type of material-handling equipment, and it increased EuroLifter's US market presence. As such, the acquisition responded to how customers internationalized their businesses.

Following the acquisition, some global deals were negotiated with customers, but customers had different aspirations, and USLifter was kept largely independent of EuroLifter. There were differences in preferences for the two main markets that divided customers into two different categories. Customers that expanded through organic growth tended to use the same

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equipment, regardless of geographical region. If the company originated from Europe, European variants were also requested in the US, and conversely for companies having the US as their starting point. If the customers had grown through acquisitions, there was the trend that they required US variants in the US, and European variants in Europe, and this created the best fit with EuroLifter's way of thinking about the market. However, those customers that expanded with acquisitions often found it more difficult to actually negotiate global deals, and suppliers rarely changed. This meant that EuroLifter did not gain many new customers following the acquisition.

Case II: Adapting to suppliers—AutoInternational acquiring Solution

At the beginning of the new millennium, AutoInternational acquired Solution. AutoInternational was a car manufacturer based in Europe, and Solution was a young firm producing software for cars. The acquisition would allow for AutoInternational to have access to that technology and earn revenues from it, if the software was used by other car manufacturers. The acquisition coincided with several acquisitions in the car industry and among its suppliers driven by an outsourcing trend among car manufacturers. To meet the associated demands, suppliers made horizontal acquisitions. For example car manufacturing suppliers sought acquisitions to gain needed technology and negotiation power, and to have the size and capacity to meet customer needs. As part of this trend, suppliers took on increasingly more of the manufacturing and development, increasing their power relative to car manufacturers. As a result, car manufacturers lost knowledge, or did not stay up to date on current manufacturing techniques.

> 80–90 percent of their [the car manufactures'] employees have a mechanical background. But already today, electronics account for one third to 40 percent of the value of the car. The software is almost five to ten percent. And if you calculate it that way, 40 percent of the engineers should be within electronics. But this is not the case, and it will take them ten years to adjust. That is why they [the car manufacturers] have been forced to outsource much of this development to their suppliers. And they themselves are only integrators. They are only project managers. They say: "We develop a new car," but they do not. They are in charge of the time table and allocate money to others, who do the job. This has in turn resulted in suppliers growing and becoming very dominating.
>
> *(Founder I, Solution)*

The car manufacturers increasingly realized their loss of power in comparison with the suppliers. As a consequence, they started to take on making more of the cars themselves. This included placing orders at suppliers for parts rather than entire modules. Acquiring companies that developed components was another step toward regaining power and control. AutoInternational's acquisition of Solution was aimed at making it less dependent on suppliers. While the target was not a powerful party, it meant that the acquirer, in addition to other acquisitions, could provide solutions that it had previously outsourced to suppliers. It also meant that AutoInternational integrated new knowledge.

Following the acquisition, Solution was largely kept independent to allow the small firm to develop its technology and enable the potential for it to sell to other car manufacturers. However, Solution was increasingly regarded as a competitor to other car manufacturers. Solution also found it difficult to integrate its offerings with hardware produced by suppliers. In the end, suppliers developed competing solutions and marketed them to car manufacturers.

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Case III: Adapting to competitors—EuroLifter acquiring MediterraneanTruck

When EuroLifter (same company as in Case I) acquired MediterraneanTruck, EuroLifter had moved to become the largest manufacturer of its material-handling equipment. MediterraneanTruck was the dominant player in its domestic market and produced a different variant of equipment. Customers were largely segmented by industry, with food producers and logistics firms using products manufactured by such companies as EuroLifter, while the manufacturing industry used equipment produced by companies such as MediterraneanTruck. Acquisitions were used by industry participants to enable offering both variants of equipment.

> GermanLifter has had [since the mid-1980s] a full product range consisting of both variants. MidEuropeTruck, being obsessed with what GermanLifter does, copied GermanLifter's strategy and made acquisitions in Germany and the UK, of GermanTruck and UKTruck, which provided them with the other variant than the one the company itself provided so they could become as full-ranged as GermanLifter.
>
> *(Deputy CEO, EuroLifter)*

The reason was to enable cross-selling and meet customer needs. For example, manufacturing industry customers on occasion need the variant generally used by logistics firms and food producers, and vice versa. This had the consequence that customers started to do business with manufacturers offering the rival variant of equipment. As long as the variants were manufactured by different companies, this was a marginal issue. However, as soon as competitors in the same product niche were able to provide both variants, this meant lost sales from customers buying from competitors. EuroLifter acquired MediterraneanTruck to become a full-range supplier. Additionally, MediterraneanTruck had acted as a sales representative for EuroLifter in its domestic market. The trend among competitors to acquire such material-handling companies meant that EuroLifter saw the risk that it would lose its sales representation on that market if a competitor acquired MediterraneanTruck.

> And at the same time, we realized that MediterraneanTruck might slip through our fingers, as there were others striving for a similar goal: to consolidate and find a market for their products. And as I see it, if MediterraneanTruck had been acquired by a competitor, we would have had to say good-bye to the beautiful distribution position we had built on MediterraneanTruck's domestic market, and would have returned to a very weak position.
>
> *(Former CEO, EuroLifter International)*

Following the acquisition, MediterraneanTruck started to produce its variants for EuroLifter. In addition to MediterraneanTruck's domestic market, EuroLifter largely owned its distribution network, enabling sales organizations throughout Europe to start selling EuroLifter-branded equipment manufactured by MediterraneanTruck. Meanwhile, MediterraneanTruck continued to represent both brands in its domestic market. Although the acquisition meant that MediterraneanTruck increased its unit sales from 2,000 to 5,000 annually, MediterraneanTruck's products were considered inferior to competitors' and the gains did not entirely reach expectations.

Discussion

As shown in Table 2.3, the case studies support viewing acquisitions as a strategic tool to adapt to customers, suppliers, and competitors. Instead of completing acquisitions to meet changes for

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a single actor, the actions of customers, suppliers, or competitors contributed to an acquisition being made to respond to changes among networks of customers, suppliers, or competitors. In the case of EuroLifter's acquisition of USLifter, several customers internationalized their businesses. AutoInternational's acquisition was the consequence of how suppliers had increased their power through increased modularization and technological development. EuroLifter's acquisition of MediterraneanTruck resulted from how EuroLifter's main competitors in the European market had diversified into related product niches. Rather than seeing the acquisition as adaptation in a specific relationship (Hallén et al.1991), adaption through acquisition resulted from changes on a network level.

The cases also suggest that acquisitions resulted from trends in each party's industry. For example, customers internationalized their business as other customers did; suppliers acquired other firms to acquire technology and scale, and manufacturers of material-handling acquired firms to offer competing products. Previously, acquisition trends have been described as acquisition waves (Harford 2005; Weston and Weaver 2001), indicating how acquisitions with a specific orientation appear in groups of several such acquisitions. However, acquisition waves have rarely considered the industry level (Haleblian et al. 2012). Research has also not considered acquisitions as leading to acquisitions among customers and suppliers. This suggests that adaptation to a firm's network may provide a better understanding of observed acquisitions. To explore this idea, several questions are considered.

Could the studied acquisitions be explained by traditional company-centric motives? Looking at the three case studies, the motives coincide with company-centric explanations. EuroLifter's acquisition of USLifter meant a geographical expansion and the strengthening of a market position (Chen 2008; Trautwein 1990). AutoInternational's acquisition of Solution explains how new capabilities were sought by the acquirer (Ahuja and Katila 2001; Prabhu et al. 2005).

Table 2.3 Case summaries

	EuroLifter acquiring USLifter	*AutoInternational acquiring Solution*	*EuroLifter acquiring MediterraneanTruck*
Horizontal/vertical acquisition	Horizontal	Vertical (acquisition of party in a position between acquirer and suppliers)	Horizontal (complementary product)
Adaptation to	Customers' globalization	Suppliers' increased power and suppliers holding the knowledge needed to manufacture cars	Competitors' acquisitions
Reason for adaptation	Opportunity to expand to new customers and add sales among current ones	Regaining power and knowledge (consequence of outsourcing strategy)	Imitating competitors
Indirect adaptation to	–	(Competitors)	Customers
Reason for indirect adaptation	–	Imitating competitors	Coping with customer losses

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EuroLifter's acquisition of MediterraneanTruck indicates diversification as a motive (Chatterjee and Lubatkin 1990; Limmack 2003; Markides and Ittner 1994). In the associated press releases, reference was made to traditional motives (cf. Kelly et al. 2003; Öberg 2004), suggesting that the acquirers wanted to portray themselves as driving the acquisitions rather than simply adapting to change. This reinforces the importance of methodological choices in acquisition research (Meglio and Risberg 2010) and the advantage here of using case studies to identify adaptation as a motive.

What is behind acquisitions as an adaptive strategy? The cases describe adaptation as adjustments to respond to activities by customers, suppliers, and competitors. Instead of making adjustments based on their requests (cf. Hallén et al. 1991), acquisitions represent a way to deal with external change. However, acquisitions are not the only mode of change used (Öberg and Holtström 2006), and organic growth can also involve adaptation. Still, an adaptation corresponds to imitating a strategic intention of another party (cf. DiMaggio and Powell 1983; Ordanini et al. 2008). For example, meeting geographical expansion of customers with geographical expansion, as illustrated by EuroLifter's acquisition of USLifter (cf. Meyer 2006) technological development and the need for new competences being met with the acquisition of new knowledge as illustrated by AutoInternational's acquisition of Solution, and diversification into a related product niche being met with similar diversification by the acquirer, as illustrated in EuroLifter's acquisition of MediterraneanTruck.

What does adaptation add to current research? Adaption indicates how acquisitions are embedded in the context of other firms (Granovetter 1985). A company acts as described by Lindblom (1959) in a complex context and reacts to occurring issues rather than masters the context. Adaptation creates a link to different strategic actions that go beyond company-centric explanations or planning modes (Chaffee 1985; Mintzberg 1973) and it reflects recent developments in strategy research (Castells 2000; Furrer et al. 2008; Gavetti et al. 2007; Hammer et al. 2012). By integrating a network approach, the complex context of a firm and choices to pursue acquisitions can be explained by considering other stakeholder activities (cf. Chaffee 1985). In summary, adaptation helps to explain why individual acquisitions occur and also why they frequently occur among companies in an industry.

What patterns of adaptation are seen? Previous research has described the spread of change among business partners (Havila and Salmi 2000), using supply chain (Hertz 1998) or random patterns (Dahlin et al. 2005), and sequences of acquisitions (Shi and Prescott 2011). The cases studied indicate adaptation to upstream (EuroLifter's acquisition of USLifter), downstream (AutoInternational's acquisition of Solution), or competing parties (EuroLifter's acquisition of MediterraneanTruck), and they represent supply-chain rather than random patterns (cf. Dahlin et al. 2005). In comparison to Hertz (1998) and Havila and Salmi (2000), the firms in the case do not continue to add new parties upstream or downstream in the supply chain. Instead, the cases suggest acquisition according to the following patterns: 1) previous activities by the acquiring firm or companies at the same supply chain position lead to strategic changes among suppliers or customers that the acquiring firm adapts to, or 2) activities by firms in either an upstream or downstream supply chain position that parallels parties at the same supply chain position explain the acquisition. Adaptation as a response to competitors is illustrated in EuroLifter's acquisition of MediterraneanTruck, while it also included adaptation to customers. The case of AutoInternational's acquisition responded to growing supplier power due to outsourcing and points to how companies may have created the situation they later adapt to.

How can the adaption be explained? Though there are multiple explanations, the cases suggest that the strategic intention (reach a new geographical market, add knowledge, or diversify)

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involved *imitation* by the acquirer, which may involve grasping opportunities or defending current positions (copying or coping). EuroLifter's acquisition of USLifter indicates that it copied its customers' globalization as a voluntary, strategic movement, where adaptation reflects a firm regarding itself as a follower rather than a leader of strategic activities (Haleblian et al. 2012; Mintzberg 1973). The other two cases suggest how the acquirer performed the acquisition to defend its position (Johanson and Mattsson 1992), either driven by how the party that was adapted to challenged it, or based on the indirect adaptation. This suggests that adaptation involves *coping* strategy, or responding to threats to a firm's continuity; of customer losses; of competitors' actions; of supplier power; and anticipated threats to access to resources.

Conclusion

This chapter describes and discusses acquisitions as an adaptation strategy, with a focus on adaptation to changes in a firm's network. The chapter extends literature on sequences of acquisitions and patterns of change (Shi and Prescott 2011) through seeking their explanation and describing adaptation to network parties, and it offers implications for management research and practice.

Research implications

Foremost, an adaptation perspective offers an improved explanation for acquisitions by placing acquirers in the context that impact them (Granovetter 1985; Haleblian et al. 2012). Acquisition as adaptation also enables viewing acquiring firms as responding to other parties through copying or coping. Coping reflects challenges based on restrictions on resources or the defense of a network position. Meanwhile, adaptation to customers can be seen as a more voluntary copying of strategies.

Most companies are followers (Haleblian et al. 2012) and they are dependent on other parties for resources, outputs, development, and ideas. This applies both in their strategy formulation and its realization (Levitt 1966). Studying acquisitions as an adaptation strategy provides new explanations for why acquisitions occur and it connects ideas from adaptation, network, and acquisition research. Compared to other studies on environmental reasons for acquisitions (Haleblian et al. 2009), this chapter focuses on the activities by actors within a firm's network to explain acquisition activity. Acquisitions as an adaptation strategy indicates that acquisitions respond to changes in network relationships.

Managerial implications

Adaptation signals the need to analyze the context of the firm and consider its consequences for the company. For managers, viewing acquisitions as adaptation can provide better outcomes. This likely requires managers apply to stakeholder analyses to determine how external actions (currently and in the near future) will impact the firm (Freeman 1984). In other words, adaptation means a company cannot make company-centric decisions without calculating the consequences for other parties and their subsequent response. In the planning for an acquisition, the following questions should be addressed:

1. What parties do we need to consider in accomplishing our goal?
2. How will this be received by customers, suppliers, and competitors?
3. What are the implications of acquisition goals, and responses for target integration?

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Limitations and further research

It would be interesting to study what external events drive firm adaptation with acquisitions and compare the frequency of company-centric and adaptation motives behind acquisitions. Drawing on Mintzberg (1973) and Chaffee (1985), the three modes of strategy could be used to frame different acquisition motives and to compare features of acquirers and acquired parties, to see whether certain acquirers or acquisitions are based on adaptation. The implication of different acquisition motives on outcomes could also be examined. This may enable identifying when employing an adaptation strategy would be advantageous. Another opportunity involves recognizing that acquisitions consist of several phases (Calipha et al. 2010), with value creation largely determined in the integration phase (Haspeslagh and Jemison 1987). It would be interesting to study adaptation in the integration phase so as to see how companies adjust to customers and suppliers (cf. Spedale et al. 2007; Öberg 2008).

A limitation of the chapter is that it only examines three case studies. In contrast to the cases presented here, the need for adaptation may be greater for small firms, and this represents an opportunity for future research. Research can also verify findings and handle contextual limitations from the cases presented here. Research could also focus on capturing patterns of acquisitions (Shi and Prescott 2011) on the network level. In closing, viewing acquisitions as adapting to external change offers the potential for greater insights than the company-centric approach traditionally used.

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