



UNIVERSITY OF GOTHENBURG  
SCHOOL OF BUSINESS, ECONOMICS AND LAW

**LEMONS & CHERRIES: THE IMPACT OF FOREIGN  
ACQUISITIONS ON THE REGIONAL EMBEDDEDNESS OF  
SMALL AND MEDIUM SIZED ENTERPRISES IN TERMS OF  
SOURCING PRACTICES**

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Supervisor: Mikael Hilmersson

Authors: Kyle T. Johnson and Paul Järvinen



## Abstract

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Prior research has highlighted that the highest performing SMEs (cherries) and the lowest performing SMEs (lemons) are most susceptible to be acquired by foreign MNCs, who then often invest in the acquired SME to fulfill a specific motive. However, there has been little research conducted as to how the regional activity and embeddedness of these SMEs is then impacted by these acquisitions, particularly in terms of their sourcing patterns. This study has sought to address this gap in theory by investigating the effects of a foreign acquisition of an SME on the SME's regional embeddedness through its sourcing operations. This was executed via a multiple case study of eight Swedish SMEs, in various industries, that had been acquired by a foreign entity over the period 2014-2019. Firstly, the results indicate that while an SME's regional embeddedness can be affected without any changes to its local sourcing patterns, when such changes do occur, positive or negative, the effect on the regional embeddedness of the SME is also positive or negative respectively. Additionally, the MNC's company culture and motives for acquiring are integral in determining the operational changes, particularly in sourcing, of the SME post-acquisition. Lastly, the amount of time that had passed since the SME was acquired was found to play no significant role in these changes, which are instead facilitated largely through the SME's motivation to sell, the MNC's motivation to acquire, and the MNC's company culture which informs the execution.

**Keywords:** Foreign acquisition, International business (IB), Multinational corporations (MNCs), Regional embeddedness, Small and medium-sized enterprises (SMEs), Sourcing

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Kyle T. Johnson

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Paul Järvinen

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## List of abbreviations

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**CBA** – Cross Border Acquisition

**EU** – European Union

**FDI** – Foreign Direct Investment

**FSA** – Firm-Specific Advantage

**M&A** – Merger and Acquisition

**MNC** – Multinational Company

**SEK** – Swedish Krona

**SME** – Small and Medium Sized Enterprise

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## 1. Introduction

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*In this section, the topic of the study is introduced. It starts with a problem discussion, in which several important factors are defined. Furthermore, a literature review is presented, where relevant theories and articles pertinent to the topic are discussed to outline the current scientific understanding of the topic. Then the research question and purpose are presented. The chapter ends with the delimitations of the study and the outline of the thesis.*

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### 1.1 Background

Over the last decade, small to medium-sized enterprises (SMEs) and Foreign Direct Investments (FDI) have risen substantially in number and profitability in Sweden (European Commission, 2018; Tillväxtanalys, 2017). In 2018, SMEs generated over 65% of employment in the non-financial business sector and sported a level of productivity above the EU average (European Commission, 2018). SMEs classically develop regionally and thus benefit from an embedded local network (e.g., Korsgaard et al., 2015). While varying by industry, due to the composition of a sector determining the business potential between firms, this regional embeddedness often manifests in the form of intercorporate linkages, heightened production flows, and greater sectoral variety (Květoň & Šafr, 2019). In the same period, Sweden has seen a rising influx of FDI into these SMEs (Tillväxtanalys, 2017). Furthermore, FDI into Sweden has increased faster than exports and production (ibid). Nevertheless, over the last 20 years, FDI has changed in shape and form (ibid). In continuing this analysis, this paper will utilize the traditional classification of an SME as set forth by the European Commission, whose individual classifications are in the footer below (European Commission, 2003).

The rise of both SMEs and FDI in Sweden is fundamentally connected, as SMEs are more frequently being acquired by foreign owners (e.g. Alvstam et al., 2019). During the 90s, FDI into Sweden was mainly manifested in large corporate acquisitions, and foreign ownership in large Swedish conglomerates increased rapidly (Tillväxtanalys, 2017). Today, however, there are few large international takeovers taking place in which foreign actors are acquiring Swedish businesses (ibid). This begs the question of why FDI has increased faster than most other economic indicators. This is due to the fact that many SMEs are being acquired by multinational companies (MNCs) (ibid). According to a study conducted by The Swedish Agency for Growth Policy Analysis (Tillväxtanalys) in 2017, these SMEs are mainly located in and around the big city regions of

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Micro-sized company: staff count < 10, turnover ≤ 2 million EUR.

Small-sized company: staff count < 50, turnover ≤ 10 million EUR.

Medium-sized company: staff count < 250, turnover ≤ 50 million EUR.

Stockholm, Gothenburg, and Malmö, and the acquiring MNCs are mostly from big, developed economies, neighboring countries, as well as China.

It is necessary to mention that during this study, the coronavirus pandemic began to emerge as a significant economic disruptor, and, as a result, affected the operations of many businesses globally (Jones et al., 2020). While this study is primarily focused on the developments of SMEs and their regional embeddedness as a result of a foreign acquisition over time and is therefore not predictive, the long-term effects of the coronavirus in the future are not foreseen to be a significant disruptor for the findings of the study itself. It is, however, pertinent to note that both local SMEs and large MNCs have made adjustments across their global production networks in fighting this pandemic and that these adjustments have both affected the availability of cases for this study and caused temporary, but fundamental changes in the supply chains and general operations for these companies, which include impacts on their sourcing practices.

#### 1.1.1 Effects of Acquisitions by MNCs on SME Operations and Strategies

In their study of cross border acquisitions (CBAs), Malhotra and Gaur (2014) demonstrate that when an MNC executes a CBA, the amount of control it imposes on the acquired firm follows a U-shape in relation to geographic distance. This inherently means that when the MNC comes from a country which is a considerable distance from the acquired firm, it will usually take a higher stake of control over the firm in a related industry (ibid). Furthermore, the same goes for firms stemming from a nearby country with low knowledge discrepancy (ibid).

Foreign acquisitions tend to improve productivity among SMEs, as they are provided with resources from the MNC network, restructure their operations, and experience knowledge spillovers (e.g. Alvstam et al., 2019). Furthermore, wages tend to rise, often due to the hiring of highly qualified staff as well as general wage increases to make up for the risk of working for a newly acquired company (Tillväxtanalys, 2017). These improvements in productivity and wages are substantially greater in small companies, where the number of employees is less than 50, than in other cases (ibid).

Furthermore, the chance of being acquired typically increases with age, size, and absence of ownership stakes from other MNCs (Nicholls, 2011). There are exceptions to this, however, as less productive and/or smaller SMEs also average a higher chance of being acquired than companies with average performance, in order for the MNC to reallocate resources, knowledge,

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and technology for more productive use (ibid). These less productive companies (called “lemons”) are typically acquired since they are perceived as having an unused potential that could be utilized via structural changes and influx of funding and know-how (Tillväxtanalys, 2017). This demonstrates a tendency of MNCs to cherry-pick (or perhaps “lemon-pick”) both the best-performing and least-performing SMEs when investing, following a J-curve (Griffith et al., 2004; Hanley & Zervos, 2007).

### 1.1.2 Regional Embeddedness of SMEs

The effect on the region of a foreign acquisition of the firm may be detrimental, as the acquisition of an SME raises the chances of the firm being moved away by between 3 to 7 percentage points over a period of one year (Nicholls, 2011). Nevertheless, there may be significant improvements stemming from the acquisition in terms of employment and job creation, should the acquiring firm invest heavily in the SME (Griffith et al., 2004). Furthermore, the SME, being locally embedded, typically keeps its client base from before the foreign acquisition since this is built on historical relationships between supplier and customer (Alvstam et al., 2019), and this is, therefore, not necessarily harmed by the acquisition.

Several studies have drawn the conclusion that being embedded in a local network helps the SME to grow and develop. A study by Korsgaard, Ferguson, and Gaddefors (2015) was undertaken on rural entrepreneurs in Denmark and the way their context impacted their opportunity creation. These entrepreneurs sought to bridge their local resources and context with non-local strategic networks in order to reap the benefits of both places (ibid). The entrepreneurs stressed the importance of being locally embedded as a means of leveraging the context to the fullest before searching for external resources (ibid). Moreover, as demonstrated by Ratajczak-Mrozek (2014), the locally embedded relationships that facilitate international expansion among SMEs are not only the relationships with their customers but also with suppliers and other local actors. These personal relationships help companies identify new opportunities and facilitate their seizing of these opportunities successfully, especially in the case of a lack of resources or reputation for the SME in question (ibid).

Regional embeddedness can be seen as being composed of two layers, *structural* and *circumstantial*, where *structural* includes the tangible and intangible elements that are critical inputs for the firm, and *circumstantial* includes the linkages within the locality (Bryson & Salder, 2019). However, the embeddedness of the firm is an adaptive and evolving phenomenon, which is

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evident in that firms that survive in small and medium-sized towns generally show a growing disconnection with the local communities and start to look more and more for customers and suppliers elsewhere (ibid).

In order to get a unified view of regional embeddedness for the purpose of this study, the authors have conceived their own definition based on the aforementioned articles (e.g. Bryson et Salder, 2019; Griffith et al., 2004; Korsgaard et al., 2015), as their definitions vary slightly. Thus, regional embeddedness is defined as “*the extent to which the firm makes use of the local environment for promoting the firm’s own development and satisfying its needs*”. As per Bryson and Salder (2019), regional embeddedness is considered a factor that is constantly evolving and thus might manifest itself differently in firms that were acquired several years ago as opposed to firms that recently had a change of ownership. This definition is further supported by Nicholls (2011), who demonstrated that a takeover increases the risk of the firm moving away from the local community. In this paper, the words “local” and “regional” are used interchangeably to refer to the same distinction.

### 1.1.3 Sourcing as defined for this study

Sourcing is defined as *the obtaining of goods and components from a specified or understood source* (Oxford English Dictionary, n.d.), for which SMEs often use their local networks (e.g., Bryson & Salder 2019; Korsgaard et al. 2015). Sourcing, in this sense, includes such activities as purchasing and outsourcing, which in essence means that the SME acquires the necessary component from the market instead of internalizing the making of said component. Therefore, being acquired by an international entity such as an MNC might drastically affect this, since the acquisition typically streamlines the operations of the SME (e.g., Alvstam et al. 2019). To a large part, one can suspect that its effect is dependent on the reasoning for the acquisition by the MNC. According to the transaction theory of the firm, as presented by Coase (1937), a company will internalize an activity if it can perform it cheaper than the market, i.e. a supplier. The internalization theory is revised and further extended by Narula et al. (2019), which also includes the contingency of governance as a factor. This means that, in addition to the classical view, which fundamentally states that whenever the firm can execute an activity at a lower cost than the price for having it done by the market the activity will be internalized, the framework also includes the firm-specific advantages (FSAs) of the MNC and the SME in question, and to what extent there is a fit between these and the local market (ibid). Though this theory is not necessarily related to sourcing, it means that the MNC internalizing the SME wants to access their FSAs, and therefore

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might focus on integrating them in the MNC network in terms of sourcing as well (ibid). This is supported by the fact that most SMEs that have been acquired tend to perform observably better (e.g. Hanley & Zervos, 2007) since the FSAs of the SMEs that are internalized by the MNC correspond to the local market and are enhanced through the support of the MNC.

Thus, for the purpose of this study, sourcing is defined as “*the use of extra-SME sources for the acquisition of goods or services for the intention of advancing the business of the firm*”. For the same reasons as for regional embeddedness, the authors have highlighted their understanding of the definition in order for the reader to receive an unambiguous definition of what is being studied in this thesis. This definition covers everything in terms of sourcing and not only focuses on purchasing material for production but also services or components that are required for the functioning of the firm.

## 1.2 Problem Discussion

The reason for an MNC to invest in another country has traditionally been explained by John Dunning’s eclectic paradigm, stating that the MNC is seeking to make use of locally bound assets (Dunning, 2000). The MNC can thus be engaged in *resource seeking*, *strategic asset-seeking*, *market-seeking*, or *efficiency-seeking* FDI, which can take place as either an acquisition or a greenfield investment (ibid). However, according to Chen (2008), the acquisition can be further divided into either full control or partial control, depending on the motives of the MNC. The MNC can either seek to acquire the capability and know-how of the firm, called *capability procurement*, in which case it will take full control of the firm, or strategic considerations such as growth, called *strategic procurement*, in which case it will only take partial control of the firm (ibid).

When becoming a subsidiary to an MNC, the new subsidiary typically faces the challenge of balancing the intra-MNC and the local networks and thus needs to be embedded in both relationships (Meyer et al., 2011). This is called *multiple embeddedness* and means that there might be discrepancies stemming from the strategy imposed by the parent firm and the local context in which the subsidiary is operating (ibid). These differences can be caused by organizational inertia, which means that the MNC might have developed a way of operating in its home market and tries to implement this in the host country (ibid). However, if the MNC is not aware of the local environment, this might prove fruitless. Therefore, this needs to be considered when considering the level of integration that an MNC can achieve via the internalization model (Narula et al. 2019). The level of integration of the SME into the MNC network is assumed to impact the degree to

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which the SME is regionally embedded, and these factors are opposite ends of the embeddedness spectrum. Therefore, the degree to which the new subsidiary is integrated within the MNC network is of importance to this study. The discrepancies of this relationship will be further examined within the theoretical framework chapter.

Furthermore, the subsidiary might have established a local network of suppliers and business partners, which has led it to consider itself more as a local player than as part of the MNC network (Meyer et al. 2011). This can especially be the case if the subsidiary is an acquired firm, potentially an SME, for which the local network is of utmost importance to doing business (ibid). The impact of the acquisition of SMEs by international firms has been studied thoroughly, but mostly in the way the acquisition impacts ownership structures, financial transfers, and knowledge spillovers (e.g., Alvstam et al., 2019, Hanley & Zervos, 2007). Some studies have also considered the effect on productivity and employment (e.g., Griffith et al. 2004), and a few studies touch upon the impact on the local region (e.g., Bryson & Salder, 2019). Furthermore, a number of studies show how the regional network, and the extent to which the SME uses it, plays an important part in the development and growth of the SME (e.g., Korsgaard et al. 2015). However, there is a gap to fill in terms of how the acquisition of the SME affects its relationship with the local community. Sourcing serves as a direct display of the level of regional embeddedness of the firm, and thus, if the firm starts using the MNC network for its sourcing shortly after the acquisition, it is easy to use sourcing as an indicator of the change in regional embeddedness.

One can then question what observable impact there may be on the regional embeddedness of an SME when acquired by a more extensive foreign entity, and how that impact may manifest through changes in sourcing as a result of the acquisition. Considering that FDI has increased as dramatically as it has in Sweden, in addition to the fact that there has been a rising amount of acquisitions of SMEs in Sweden (Tillväxtanalys, 2017), there is a clear need to study how these evolve, shape, and form the SMEs' relations to their surroundings. Moreover, as a direct effect of the COVID-19 crisis, many policymakers in the EU fear that firms at risk of going bankrupt, especially in strategically significant sectors, might be acquired by companies from countries that are at a greater stage of economic recovery (Harper, 2020). This is particularly the case with China, whose firms are often backed up by the state (ibid).

The European Commissioner Margrethe Vestager has encouraged stakeholders in firms to ensure that these takeovers do not happen (Espinoza, 2020), and the EU is working on protecting firms in

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distress by encouraging governments to take ownership of said firms (Harper, 2020). Furthermore, as a cause of the crisis, SMEs are particularly vulnerable, considering their often-low financial stability and dependence on larger firms for business (Economist, 2020). For example, in the US, 54% of non-sole proprietor firms with fewer than 500 employees have either already closed or are expected to shut down within the coming weeks (ibid). Therefore, considering the changes the coronavirus will cause local economies all over the world, and the potential of strategic takeovers by Chinese state-backed firms, an example being the recent acquisition of stocks in the airline Norwegian (Ewald, 2020), it is even more pertinent than before to study the impact foreign acquisitions of SMEs have on the local community.

Today, there are 1.2 million companies in all of Sweden (Tillväxtverket, 2019). 96% of these are companies with ten employees or less, and companies with less than 250 employees (all SMEs) make up 99.9 % of all companies (ibid). Hence, they hold an important share of all jobs in Sweden today and play a crucial role in the country's economy. With the increased amount of foreign SME acquisitions in Sweden today (Tillväxtanalys, 2017), it is important to know how this might affect the local communities and, in the grander scheme, the economy of Sweden. Furthermore, it is evident that the changes do not happen overnight (e.g., Alvstam et al., 2019; Nicholls, 2011), and therefore the time perspective of how long these changes might need to be implemented is also considered. Acquired firms, for example, have a statistically higher risk of relocating over the course of a year (Nicholls, 2011). Hence, it is crucial for policymakers, local governments, SME managers, and local business communities to know how to cope with these acquisitions and decide whether to go through with them or not, as well as to academics who might want to further study the effects and forces at play within these relationships, especially since the corona crisis has completely changed the economic landscape of the world and the power dynamics vis-à-vis certain foreign firms. The research will add to the literature on MNC-SME relationships within the fields of economic geography, international business, and management.

### 1.3 Research Question

Based on the discussion and literature review, the research question is thus:

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*How does an international acquisition of an SME affect that SME and its regional embeddedness from a predominantly sourcing-oriented perspective?*

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### 1.4 Purpose of the Study

The purpose of the research is to develop an increased understanding from an SME perspective into how a foreign takeover impacts SMEs in relation to their local communities from a perspective that predominantly considers sourcing. As the change in ownership and financial availability might significantly alter and enhance the capacities and reach of the small firm, it is pertinent to figure out how this plays out in reality and examine *if* and *how* the firm alters its engagement with the local environment in congruence with its engagement with the MNC network.

### 1.5 Delimitations

This study is delimited to SMEs, within Sweden and of Swedish origin, which are in a state of post-acquisition by a foreign entity. The firms studied have not been defined by sector, as the time needed for finding suitable cases to interview in a specific sector was inadequate for this pursuit, largely as a result of the strenuous circumstances of the coronavirus pandemic on the time and availability of the potential cases. The interviewed people are representatives for SMEs and microenterprises that have been acquired by foreign firms in order to get a picture of what has changed in terms of sourcing since the takeover occurred. Furthermore, our main focus was on companies that had at least been a local actor for a year before being acquired in order for them to have some degree of regional embeddedness as per the research question. The firms had been acquired at some point in the five-year period of 2014–2019.

### 1.6 Outline of the thesis

This study is composed of six chapters, of which its contents are composed of an *Introduction*, *Methodology*, *Theoretical Framework*, *Empirical Findings*, *Analysis*, and *Conclusion* in addition to *Works Cited* and *Appendix* sections.

*Introduction* - This chapter introduces the subject matter and its pertinent background information, in addition to its relevance to the current worldly circumstances as featured in the problem discussion. The research question and purpose are then introduced, as well as delimitations.

*Methodology* - This chapter highlights our approach in the conducting of our qualitative multiple case study. Specific details are provided regarding our approach, analytical process, ethical considerations, and the steps taken to ensure the validity, reliability, and overall quality of our data before it is analyzed. This chapter is thus placed before the theoretical framework to facilitate the structural flow and introduce our developed methods before the devised conceptual framework.

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*Theoretical Framework* - This chapter further recognizes the existing research on acquiring foreign acquisitions, regional embeddedness, and SME sourcing operations. The chapter thus builds the conceptual framework with which this study has been conducted and ends with a series of primary insights coupled with an illustrated model of the topic.

*Empirical Findings* - This chapter presents each of the eight studied SMEs. In coordination with the established theoretical framework, the pertinent information regarding the SMEs will be listed by the motives for the acquisition, the foreign acquisition itself, the MNC-SME relationship, the SME's sourcing patterns, regional embeddedness, and lastly a table summarizing the given case.

*Analysis* - This chapter features the analysis of the information provided in the empirical findings. This analysis utilizes the established conceptual framework to evaluate the applicability of the initial framework to the reality of the findings. The chapter subsequently ends with a developed framework based on this analysis.

*Conclusion* - This chapter presents the answer to the research question posed in the introduction, including the findings of the study along with its implications and the concluding remarks of the authors. Lastly, the study's contributions, limitations, and implications for future research are given.

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## 2. Methodology

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*In this section, the methodology chosen to conduct this study is introduced. It outlines the way the data has been collected and discusses why this manner is the most appropriate for the study. First, the chosen method is discussed with the data collection following. Furthermore, the case study methodology is discussed, and lastly, the ethical considerations are presented.*

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### 2.1 Qualitative study

For this thesis, the choice had been made to conduct a qualitative study focusing on the verbal information gathered from cases via interviews. This was necessary in order to understand the underlying processes for how the acquisition of an SME affects its relation to its surroundings and why these effects come to be. It additionally allowed the authors to not only get a grip of what the actual outcome looked like, but also figure out why the results are what they are by focusing on spoken words and language, and not necessarily on hard data (Eriksson & Kovalainen, 2008a).

Qualitative studies are typically exploratory by nature, meaning they are used in order to explore poorly defined phenomena and thereby establishing new theories (Eriksson & Kovalainen, 2008b). As the proposed analysis of the effects of foreign acquisitions on the regional embeddedness of SMEs regarding sourcing is an exploratory topic, this method of study is most suitable. Nevertheless, using a qualitative approach means that the researchers need to have a strong understanding of the underlying methodology and theory so as not to generalize prematurely and draw biased conclusions (Diefenbach, 2008). Hence, subjectivity, the difficulty in replicating the research, and generalization problems are aspects that are frequently criticized in qualitative research methods (Bryman & Bell, 2011). All this taken into account, with the research question being “*How does an international acquisition of an SME affect that SME and its regional embeddedness from a predominantly sourcing-oriented perspective?*”, a qualitative approach is deemed the most appropriate in order to answer the question.

### 2.2 Abductive Methodological Approach

In the execution of this thesis, we were inspired by an abductive approach, meaning that we started off reviewing the current literature in order to develop an understanding of the subject, and then turned to the empirical reality for further insights. This means that the conceptual framework, presented in section 3, was first established based on the extant knowledge on the subject, and was then further developed as new evidence was brought to light.

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Abduction utilizes aspects of both inductive and deductive approaches, meaning that explanations to phenomena are based on the categories and ideas that are distinguished via the answers provided by the units of study (Eriksson & Kovalainen, 2008c). This means that we have also continuously revisited the literature and checked its validity with the empirical findings, as is the case with a *systematic combining* (Dubois & Gadde, 2002). For example, *motives* did not come up as an evident factor during the initial literature review and was thus left as a sub-section of *foreign acquisition* at first. However, as new sources emerged, it was added to the framework before the analysis was conducted. After the analysis had been done, and the final analytical propositions had been conjured, the framework was further developed in accordance with the new findings. This is necessary since “*the main objective of any research is to confront theory with the empirical world*” (Dubois & Gadde, 2002, p. 555), and therefore the framework needs to evolve as new, unexpected but pertinent observations are encountered in the collection of data (ibid) For example, the *motives* of the SME owners for selling their firm were added and the aspect of *time* was removed from the final developed framework, in accordance with the analysis of our findings. Moreover, the *culture* of the MNC was also added. Though this was already suggested by the sources mentioning the time perspective, it became evident throughout the analysis that it would have to be added in the developed framework as its own aspect to consider. The developed framework, which is an outcome of the analysis, is presented at the end of the analysis, as per Eisenhardt (1989).

### 2.3 Case Study

This study uses a multiple case-study methodology, which typically focuses on analyzing phenomena occurring during a limited timeframe at one or more geographical locations and is ideal for maximizing generalizability within the parameters and limitations of this study (Bryman & Bell, 2011; Hillebrand et al., 2001). This is done via an analytic generalization (Yin, 2013), where each of the cases provides results and ideas that can be applied to other situations. Since there are eight cases in this study and each case is a replication, this, coupled with the previous literature, forms a valid base to strengthen the analysis and analytic generalization (ibid). We thus hope our results go beyond those of a working hypothesis and that the insights gained from this study might prove valuable as things stand. This methodology especially suits exploratory studies, and since this is the case of this thesis, to answer the research question, the case study approach is therefore chosen.

As customary, this study uses several primary and secondary sources of data, such as interviews (primary) or numerical data, and previous studies (secondary) (Eisenhardt, 1989), in order to

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triangulate and thus provide more points of view and cross-check the data (Eriksson & Kovalainen, 2008a). For example, the official figures have been cross-checked with both the interviewees and their published reports in order to ensure their validity.

Case studies have been subject to criticism for being unscientific and unreliable as evidence (ibid) but have also been lauded for their use in constructing theories that are based on actual events and real-life scenarios, which is ideal for business research (Eisenhardt, 1989), and hence for this study. Eisenhardt (1989) also suggests several ground rules for evaluating the quality of the theories built on case studies, such as assessing whether the frameworks and theories based on the case studies are “*good theory*” (Eisenhardt, 1989 p. 548), meaning that the theory should be verifiable and built on logical reasoning. Therefore, we have ensured that the secondary sources, on which we have based our literature review and thus our conceptual framework, have come from peer-reviewed articles in highly ranked journals, mainly 4\* and 3\* from the ABS list of journals. The insights provided by these articles laid the groundwork for our conceptual framework, presented in section 3, providing good theory for the analysis of the primary data.

Another important aspect is that the final theory should appear at the end of the study, and thus manifest as the final product of the study (Eisenhardt, 1989). This is further argued by Diefenbach (2008), who states that even though the case study, specifically in the case of semi-structured interviews, provides methodological liberties to the researchers, the methodology needs to be well-grounded and thoroughly developed in order for it to be of good quality. Therefore, at the end of the analysis chapter, the framework is developed and altered in accordance with the findings and analysis provided throughout the study.

Despite the drawbacks, case studies can be used as a theory testing and theory generating method by using logical argumentation to explain causal relationships (Hillebrand et al. 2001). In this case, we evaluate whether the acquisition of the SME changes its sourcing practices and thus impacts its level of regional embeddedness. This causal relationship is examined in the cross-case analysis in section 5.7, where changes in sourcing and regional embeddedness make up the X and Y-axes of the matrix, respectively. As opposed to statistical generalization, which is based solely on large samples and statistics, logical argumentation allows for theory testing and generalizations applied to a population-based on a smaller number of observations while reinforced by plausible and reasonable arguments (ibid). These generalizations are presented as propositions following the cross-case analysis and are based on the findings of said analysis. It suits a case study approach,

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as each new observation requires extensive resources and time to be studied and thus limits the sample size significantly (ibid).

### 2.3.1 Data collection and semi-structured interviews

#### Semi-Structured interviews

Considering the scope of the study, in which data on the development of foreign-acquired SMEs must be acquired to analyze the acquisition's impact over time, interviews are the best fitting data collection method for answering the research question. Therefore, the primary data collection for the qualitative study has been carried out via semi-structured interviews, which can be referred to as an interview guide with questions covering the main themes of the interview (Knight, 2013). These interviews allow for follow-up questions and questions not included in the interview guide and offer some freedom to the interviewee to answer in a way that is not bounded by the narrow scope of the question asked by the interviewer (Eriksson & Kovalainen, 2008d). Furthermore, it gives the interviewer flexibility to cover topics that are not necessarily covered by the interview guide but might be pertinent to the interview at hand in order to understand the desired information (ibid). This also necessitates that the interviewer is somewhat skilled at asking "follow up" questions in order to extract the relevant answers (ibid).

Apart from the extensibility in data collection provided by interviews, they arguably also allow for greater flexibility in the following analysis of the data, which is argued by Yeung (1995) to be important in the ever-changing environment of international business. Considering that most studies in the field of international business deal with transnational relationships as this study does, qualitative interviews are considered the most fitting method of data collection by Yeung (1995) as they help get around the validity and reliability issues in qualitative methodology. Qualitative, semi-structured interviews allow for a "deeper dive" into the processes and mechanisms of international business by ensuring the flexibility to adapt to changing contexts of business operations and academic research based on geographical location (ibid). Therefore, qualitative semi-structured interviews were deemed the best method for answering the research question at hand, and this deeper dive was frequently made during the interviews when the interviewees provided ancillary information that helped to frame the topic in question.

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## Interview Design

The main purpose of each interview question is that it should help to answer the research question (Yeung, 1995), and thus the design of the overall interview guide is important. Although the semi-structured interview guide does not necessitate overly structured questions, the questions that are included must cover the topics needed to resolve the research question. Most interviews were attempted to be carried out in-person between interviewer and interviewee, to best interpret the statements, clarifications, and verbal and physical language of the case subject. However, six out of the eight have been conducted remotely as a direct result of the emergence of the coronavirus pandemic, due to which the university regulated the switch from face-to-face interviews to virtual means of interviewing. While it is difficult to replace the in-person interview in terms of qualitative research and data collection for the aforementioned reasons, multiple studies have found Voice over Internet Protocol (VoIP) methods to be a more than viable alternative to in-person contact due to visual and audio connectivity, with the largest challenges manifesting in technical difficulties and a potential lack of user familiarity with the software (Lo Iacono et al., 2015; Mirick et al., 2019).

Ultimately this study maintains an exploratory epistemological status, as it seeks to break new ground as mentioned before and is not ancillary to more quantitative methods being employed at a later stage (Bryman & Bell, 2011). However, the use of other literature and findings in order to triangulate the data collected and strengthen the analysis has been adopted by comparing our primary data with the secondary data in a method consistent with those recommended by Eriksson and Kovalainen (2008a). Thus, we have been able to discern whether our findings fit with the gap in the literature that we want to fill, whether it confirms or rejects the findings in surrounding elements. For example, our findings support the previous literature in certain aspects, such as the general lower local network engagement followed by the acquisition, and also sometimes complement it, as in the general reason for the owners to sell the companies; Alvstam et al. (2019) mentioned that medium-sized enterprises usually sell their companies to slim down and focus on their core activities, whereas our interviewees mainly sold to grow and find new customers.

As a result, the primary data has been collected via semi-structured interviews, as previously mentioned, and we have accordingly devised an interview guide, presented in appendix 8.3, covering specific topics through some clearly defined questions that allow for the interviewer to give elaborate answers and for the researchers to pose follow-up questions (Bryman & Bell, 2011).

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The questions were divided into four categories, namely *Foreign Acquisition*, *MNC-SME Relationship*, *Sourcing*, and *Regional Embeddedness*, in order to cover the four main parts of the conceptual framework. *Motives* were added to the framework as its own part after the interview guide had been designed, but before the analysis had been carried out. This is in line with the design guide provided by Knight (2013) and allows us to cover what we need to answer the research question. As per Knight (2013), the questions were designed in order to provide the information that was necessary for the analysis and arrive at an answer to the research question. Furthermore, the interview guide also contained general questions for the interviewee to answer, as well as an invitation for the interviewee to provide their general view of what were the critical events that led up to the acquisition. These parts provided background information as well as got the interviewees to start talking and become more comfortable in their part of the conversation.

The secondary sources providing the basis for the literature review consists of articles from highly acclaimed journals from the ABS list of journals, such as *Journal of International Business Studies*. Any numbers and figures provided in the interviews were triangulated by looking at the financial statements of the firms. The articles were mostly pertaining to keywords such as “*regional embeddedness*”, “*foreign acquisition*”, “*SME*”, “*MNC*”, “*Sweden*”, “*sourcing*”, and “*mergers and acquisitions*”. Over the course of the study, the terms “regional” and “local” were used interchangeably to refer to the same distinction, both in the text of the thesis and while searching for relevant secondary sources.

### 2.3.2 Case Selection

This study is focusing on SMEs, which is based on the European Commission’s (2003) definition of an SME. However, medium-sized companies have already been studied in Sweden to some extent (Alvstam et al., 2019), and the effects of an acquisition on employment, productivity, and wages are most evident in companies with fewer than 50 employees (Tillväxtanalys, 2017). Thus, these companies are considered “small companies” (European Commission, 2003) and, therefore, the greatest effects in terms of other factors might be presumed to be more evident in them. The cases have, however, been selected among all SME categories due to the scope of the study.

For this study, we selected the samples based on a few criteria in order to produce a new theory (Eriksson & Kovalainen, 2008a). This means that the cases should be similar enough to garner comparative data between the cases and thus observe the patterns on which to base the theory; however, the theory still cannot be considered generalizable for the entire population since it is not

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grounded in statistical sampling, but must rather be developed based on analytic generalization (ibid). According to Eisenhardt (1989), the logic for sampling should thus be based on a replication logic rather than a sampling logic, meaning that the cases should be replicable rather than based on hypothetical theories. Nevertheless, the sampling is evidently also influenced by feasibility and access, meaning that we can only choose cases within our reach (Eriksson & Kovalainen, 2008a).

For the case study to be generalized, critical variables need to be used to limit the field in which the generalization is applicable (Hillebrand et al. 2001). The variable on which we base our sampling is that the company:

- *is an SME as per European Commission (2003)*
- *has been acquired by a foreign MNC in the last five years*
- *must have a sourcing or purchasing operation within the company*
- *has not already had global operations since its inception*

The study makes no attempt or implication of extending the generalization outside of these boundaries. However, the analytic generalization that we conduct, as per Yin (2013), will hopefully provide insights that can help explain other cases in similar situations. We have limited our cases only to those which have been acquired by a foreign MNC in the last five years, as it was most intuitive to capture this specific period of time in which more SMEs were purchased by foreign MNCs as mentioned in the background (Alvstam et al., 2019; Tillväxtanalys, 2017). We also seek to investigate the influence of time in this study and believe that widening our range of time would risk the case comparability as older SMEs in the study might be fully integrated compared to younger SMEs. Additionally, as mentioned in the above limitations that COVID-19 has provided us from a feasibility perspective, this period provided the most cases available.

One could argue that the study could be more specific in selecting only cases concerning SMEs involved in manufacturing, as such companies are more likely to be involved and/or reliant on sourcing on average (De Clercq et al., 2015). We have nevertheless chosen to undergo this study utilizing the cases most available to be researched within the presented limitations (e.g., the COVID-19 pandemic) that fit well within the parameters of the variables, and which cover a variety of timeframes within the five-year limit, regardless of the specific industry in which they operate. One might then raise the criticism of comparability between cases, particularly if two

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given cases operate within two different industries but are nevertheless analyzed with the same framework. We recognize the merit of this argument but reject the idea that it nullifies the quality and findings of our study. We have chosen to analyze the impact of the foreign acquisition of an SME on its regional embeddedness, or local activity, in terms of sourcing specifically because sourcing has been determined to be a strong natural indicator of a company's regional embeddedness via inter-corporate linkages (Kveton & Šafr, 2019). We believe this relationship exists regardless of industry, as the study is fundamentally concerned with the regional activity and embeddedness of an SME's sourcing policies, whether they are sourcing raw materials or consultants. Nevertheless, the ways in which the industries of each SME may impact this process will still be considered to some extent in the analysis, as each SME is subject to its own specific contexts and subsequent intra-case analysis.

Eight cases have been selected based on these criteria in order to be able to get a grasp of the underlying patterns. While only one case may hypothetically be enough to generate a theory, its applicability would be questionable. Each new case, or replication, that provides similar results strengthens the argumentation and the replicability and generalizability of the theory (Hillebrand et al. 2001). Therefore, fewer than eight would be deemed too few to get a good picture of the forces at play and analyze them to appropriately construct a basis for a theory. However, considering the timeframe of the study, which has been executed over a period of five months, more than eight would be too many to manage within the qualitative limits of the researchers.

The interviews have mainly taken place with people who know the internal processes of the company prior to and after the acquisition in order to discern how the relationship with the local community has developed. Where possible, the CEOs of the companies have been interviewed since they can be presumed to know best how the company functions and has functioned in the past. Furthermore, since the study is not an intensive study where we seek to get deep information about each case, but rather an extensive multiple-case study where we seek to understand the underlying functions of the process (Eriksson & Kovalainen, 2008a), only interviewing one person per company is deemed enough, provided this interview contributes all the information needed in order to understand the pattern in question that will help us answer our research question.

The cases have mainly been found by looking at case references on different consulting firms' websites, but also through contacting people in different business regions throughout Sweden. The companies' employee numbers and turnover were also scrutinized on "*allabolag.se*" to make sure

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that they were truly SMEs. Furthermore, in order to ensure the case companies validity, the companies had to first respond positively to two questions:

1. *That they had been acquired by the specific MNC in the published year.*
2. *That they had been engaged in sourcing activities over the last five years.*

### 2.3.3 Cases

Table 1 summarizes the interviews done for this study, including company names, name of interviewee, their position, location, date, medium used, and duration of the interview. Unless otherwise specified, the colors consistently featured in the tables and figures throughout the paper have been chosen for their aesthetic value, and in no way represent distinct meanings.

<b>Company</b>	<b>Acquiring Company</b>	<b>Person Name</b>	<b>Current Position</b>	<b>Location</b>	<b>Date</b>	<b>Medium</b>	<b>Duration</b>
<i>AGVE</i>	Murata Machinery	Jakob Dannemark	CEO	Gothenburg	18/03 2020	Skype	60 min
<i>AirSon</i>	E.ON Energy	Dan Kristensson	CEO	Ängelholm	20/03 2020	Microsoft Teams	50 min
<i>Barex</i>	EET Europarts	Johanna Pettersson	Sales Manager	Gothenburg	19/03 2020	Skype	40 min
<i>Company X</i>	A Canadian Firm	Company Employee	Site Manager	Gothenburg	12/03 2020	In person	55 min
<i>Consensum</i>	Ynvisible	Tommy Höglund	Managing Director	Linköping	24/03 2020	Skype	60 min
<i>Rullpack</i>	Plasta	Edmundas Šameto	CEO	Gothenburg	24/03 2020	Skype	65 min
<i>T-Engineering</i>	Dongfeng Motors	Klas Lundgren	CEO	Trollhättan	05/03 2020	In person	84 min
<i>UmanDiagnostics</i>	Quanterix	Niklas Norgren	CEO	Umeå	18/03 2020	Skype	40 min

**Table 1. List of Cases**

### 2.4 Data analysis process

After the interviews had been done and recorded, they were transcribed and compiled in chapter 4 (Empirical Findings). The findings are presented in two ways, namely both as summaries of what was said during the interviews, and direct quotes in order to highlight certain aspects of the

findings. In chapter 5 of the paper (Analysis), the findings are analyzed through the lens of the conceptual framework, which is presented in chapter 3 (Theoretical Framework). The conceptual framework is thus the theoretical pre-understanding of the subject and reflects the perception that was known to us before the analysis was done. Any developed understanding and new insights that were acquired during the analysis are presented in the developed framework in section 5.8. These analyses aim at finding the distinct patterns provided by the interviews in order to arrive at conclusions that might be drawn. Since the paper is of an exploratory qualitative nature, no statistical tests and regressions have been run during the course of the analysis, but the findings have instead been analyzed through the framework which in turn has been based on previous literature and logical reasoning, per Eisenhardt's (1989) *good theory*.

A cross-case analysis is given at the end of the analysis. For the matrix, as is described in more detail in section 5.7, the X-axis shows the change in the SMEs' local sourcing, while the Y-axis shows the effect on the SMEs' regional embeddedness. This was done by first analyzing the peculiarities of each case in order to place it correctly in the matrix via an intra-case analysis. This intra-case analysis is also based on the motives for acquisition and the time that has elapsed since the acquisition. These cases were then analyzed in contrast to each other in an inter-case analysis. In accordance with the inter-case analysis, propositions were then made to highlight what the analysis had shown. As described in 2.2, the analysis further resulted in a developed framework, which explains the findings in a more accurate fashion than the conceptual framework that was presented in section 3.

## 2.5 Research Quality

The quality of one's research and accumulated data is fundamentally important in any given study, but the question of credibility is particularly powerful when conducting a case study (Farquhar, 2013). The inherent qualitative nature of the case study is often considered in academic circles to be subjective and difficult to measure as a result of its susceptibility to human interpretation and error (Diefenbach, 2008). In order to maintain a standard of credible quality in the execution of this study, particular attention to reliability and validity is paid. Solidifying the trustworthiness of the materials presented in this study to both the reader and the research community is vital in ensuring the continuity, or even applicability, of this work's contribution to the field (Bryman & Bell, 2011; Farquhar, 2013).

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### 2.5.1 Validity

For the purpose of this study, Bryman & Bell (2011)'s definition of validity has been adopted and applied as a lens through which to analyze its outcome, of which there are three subcategories that may be applied as a qualitative case study. These three categories are found in construct validity, internal validity, and external validity.

The data collected during this study has been accumulated from various companies meeting the parameters set in our research question in a manner that is consistent with the research question posed. This is to ensure *construct validity*, which relies on the sampling and variables featured within the test to be applicable and accurate in determining the desired conclusion (Yin, 2012).

In order to ensure that the *internal validity* of the study was achieved, the authors checked official figures of the companies that were interviewed on *allabolag.se* and triangulated these findings, as per Farquhar (2013), by asking the interviewees for the same figures. Since internal validity is difficult to ensure, due to its being susceptible to human error (Bryman & Bell, 2011), the authors have also made sure to constantly cross-check their findings by comparing the responses with those of the other cases in order to find plausible causal relationships (Farquhar, 2013), meaning that one event led to the other. This is demonstrated in the cross-case analysis in section 5.7. Lastly, to further ensure internal validity we have transcribed our interview process, through which all information exchanged during the interview has been recorded and assembled within a document for further review. This document has then been shared with the interviewee afterward for their confirmation and approval before being finalized for formal use in the study, which is also congruent with the study's ethical considerations.

*External validity* manifests in the generalizability of a study's results, particularly whether they can be generalized beyond the context of the research conducted (Bryman & Bell, 2011). Due to its limited scope of research units and inherent shortcomings in external validity as compared to a survey study, this extensive multiple case study eschews the approach of statistical generalizability and adopts an approach of theoretical generalization, as previously argued for. Bryman & Bell (2011) cite the topic of external validity as the primary driver behind the use of representative samples in research to better attempt to capture this "generalizability". For this reason, the methodology for this research has been designed to ensure the specificity of its contents and conclusion to the research question asked, and thus maximizing generalizability within the parameters and limitations of this study. Moreover, specific attention is paid to the analytic

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generalization, as mentioned in section 2.3 per Yin (2013), with the hope that the analysis can shed some light on the underlying process discussed in the thesis. This is shown in the cross-case analysis, which leads up to propositions made through the analytical generalization of our findings.

### 2.5.2 Reliability

In this study, in order to ensure reliability, data collection and interviews have been conducted with near-strict adherence to the interview guide, though some variation might have occurred as follow-up questions to interview-specific situations were deemed necessary in order to gain the requisite understanding of each case. However, since ensuring reliability within a study must be done through well-documented consistency and thoroughness (Farquhar, 2013), in a broader sense, the same arrangement has been followed in every interview. Arguably as essential as validity in inspiring trustworthiness and credibility in a given study, the criterion of reliability faces inherent challenges when applied to a qualitative analysis relying on data collected primarily from interviews and individuals (Yin, 2012). Nevertheless, we have done our utmost to ensure that the repeatability, being the core of reliability (Bryman & Bell, 2011), of the study has been maintained by following the interview guide as much as possible through our interview process.

### 2.6 Ethical Considerations

In the execution of this study and particularly its data therein, the authors have taken specific care to adhere to established ethical standards in the interviewing and data collecting process. Following standards dictated by Bryman and Bell (2011), participation in the study endeavor was entirely voluntary and unforced, and all subjects participating were fully briefed and informed regarding the objectives and scope of the research. These interviews follow the principle of informed consent as detailed by Eriksson & Kovalainen (2011) and thus shall avoid any harm, risk, or deception to any actors involved while also maintaining and encouraging full respect and good faith to those same individuals. In order to achieve this, we designed an interview consent for that the interviewees had to sign, in which they were provided with their rights regarding the interview as well as detailed information about what the interviews would be used for. Full discretion and anonymity were offered in good faith for each contact, and the opportunity to provide approval and/or corrections on provided drafts of works concerning the data was encouraged. Additionally, those contacted for interviews had the freedom to decline to be recorded, and the interviews were conducted in a manner that did not invade the privacy of the participants nor overstep the aforementioned boundaries of ethical academic study (ibid).

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### 3. Theoretical Framework

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*This section discusses the pre-analysis scientific understanding of the main factors that make up this study, namely foreign acquisition, the MNC-subsiary relationship, sourcing, regional embeddedness, and time. The section ends with a framework through which the empirical data will later be analyzed. This framework has been further developed at the end of the study in order to determine its validity and make changes where needed, as per Eisenhardt (1989) and Dubois & Gadde (2002).*

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#### 3.1 MNC-Motives for acquiring firms internationally

Every company that acquires another firm has its own reason for doing so. However, what generally leads an MNC to invest in another country is typically explained by Dunning's eclectic paradigm, which states that the MNC focuses on using its ownership and internalizing advantages to access location-specific advantages in the host country (Dunning, 2000). These location-specific advantages can take the form of market size, asset-specific advantages of the acquired firm, and locally-bound resources, such as natural resources that cannot be moved or found in another area, which the firm seeks to make use of, depending on whether the firm is market seeking, strategic asset seeking, efficiency seeking or resource seeking (ibid) Furthermore, according to Chen (2008), the MNC can either seek to acquire the capability and know-how of the firm, called capability procurement, which often entails the MNC taking full control of the firm, or strategic considerations such as growth, called strategic procurement, in which case the MNC will only take partial control of the firm. Strategic procurement is thus defined as "*strategic considerations other than capability procurement*" (ibid).

Moreover, MNCs that acquire SMEs typically acquire the least productive "lemons" as well as the most productive "cherries" (Nicholls, 2011; Tillväxtanalys, 2017), following a J-shaped curve (Nicholls, 2011). Furthermore, the size of the SME has a positive correlation with its chance of being acquired (ibid). Most of the small companies in Sweden that are already acquired seem to have been so for their technical knowledge that is then shared with the MNC network (ibid), which hints at strategic asset-seeking (Dunning, 2000) but as previously stated, this might differ depending on the reason of the acquiring firm.

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## 3.2 Foreign Acquisitions and their initiating factors

### 3.2.1 MNC Internationalization and its effect on SME operations

There has been a large amount of research on the reasons that large firms internationalize and the underlying mechanisms and difficulties this entails (e.g., Johanson & Vahlne, 1977). Moreover, an MNC with an extensive network of subsidiaries might benefit indirectly from their knowledge stock and thus reduce the liability of foreignness and/ or outsider-ship in the local market (Hutzschenreuter & Matt, 2017), and this might be argued to be a reason for an MNC acquiring the local SME in question. However, these studies do not consider the regional embeddedness of the firm nor discuss how the subsidiary's relationships with the surroundings change.

In their article, Birkinshaw and Prashantham (2018) develop a framework for assessing the compatibility between an internationalizing MNC and the SME with which it is hoping to cooperate. This framework is based on the MNC employing either an exploratory strategy, where the MNC is looking for an embedded relationship with the SME, or an exploitative strategy, which entails an arms-length relationship with the supplier (ibid). Further, these strategies are compared to the SME's willingness to grow internationally or consolidate in the home market (ibid). The framework is used to decide the fit between the MNC strategy with the SME's ambitions, put into the context of collaboration, e.g., that the SME supplies the MNC with a service or product that does not exist within the MNC (ibid). The concept of collaboration is based on the division of labor within the value-chain and entails that the MNC does not seek to internalize the activity (ibid).

This view of the MNC-SME relationship stands in contrast to the internalization theory, which is fundamentally based on transaction economics, as presented by Coase in *The Nature of the Firm* (1937). The internalization theory is revised and further extended by Narula et al. (2019), the revised version of which also includes the contingency of governance. This means that in addition to the classical view, which fundamentally states that whenever the firm can execute an activity at a lower cost than the price for having it done by the market the activity will be internalized, the framework also includes the FSAs of the MNC and the SME in question, and to what extent there is a fit between these and the local market (ibid). The framework states that when there is a mismatch between the FSAs of one of the firms and the local market, the firm would be able to access them in the market (ibid). If the market imperfections of FSAs are high for the MNC but low for the SME, the MNC will most likely internalize the SME (ibid). However, if it is the other

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way around, then the MNC will plausibly opt for quasi-internalization, meaning that the two firms' FSAs will be recombined to some extent (ibid). The framework further allows for market failure, resulting from both firms' FSAs being incompatible with the market while at the same time being unable to purchase the needed activities on the market (ibid).

The internalization theory and the value chain theory are in stark contrast to each other since they are based on different philosophies about what the relationships between MNCs and SMEs are like. Since this thesis is focused on SME takeovers by MNCs, the basis for the relationship is acquisition and thus based on the transaction theory of the firm. Nevertheless, the motives behind the acquisition can vary, both from the MNC perspective and from the perspective of the SME. Thus, the value chain theory is still valid to a certain degree, as this might better explain why either firm would enter into the collaboration, to begin with. Moreover, an MNC that acquires an SME, whether it be a lemon or a cherry, will often invest heavily in said SME in order to reap the benefits of the acquisition (e.g. Nicholls, 2011). Furthermore, these investments may lead to substantial changes in the operations of the SME in order to become efficient and fulfill the goals set by the motives for the acquisition (Alvstam et al. 2019). This is indicated by the fact that foreign-owned SMEs are generally more efficient than domestically owned SMEs (Tillväxtanalys, 2017) and therefore, the streamlining will impact the operations of the SME in several aspects, which in turn may affect its sourcing and regional embeddedness.

### 3.3 The MNC-Subsidiary relationship and its post-acquisition implications

Birkinshaw and Hood (1998) investigate in their article the study of subsidiary evolution, which they outline as "*the process of accumulation or depletion of resources/capabilities in the subsidiary over time*". The study presented in the article specifically analyzes how subsidiaries change roles, the factors influencing this change, and if there exists a pattern of change over time that is potentially impacted by managerial processes (ibid). An important finding within the article is the notion that subsidiaries must be allowed a degree of autonomy in their decision making to pursue their own development and capability-enhancing initiatives, though Birkinshaw and Hood (1998) stress that this autonomy must be earned and maintained through relationships and a strong track record. The article also highlights the presence of a need for the MNC to select subsidiary managers capable of maintaining a given subsidiary's prospects (e.g., for the subsidiary to remain open to endeavors rather than to close itself off) (ibid). In this sense, employees of the subsidiary must be entrepreneurial to a degree. The article focuses solely on dominantly/wholly-owned

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subsidiaries that are in a post-market entry stage (ibid). A limitation of the article's contents, however, is that they do not explicitly account for cases of M&As (ibid). That is, the analytical framework provided by Birkinshaw and Hood (1998) considers a more gradual and incremental development of resources and capabilities as opposed to new capabilities being "appended" via an acquisition. While nevertheless valuable as a theoretical framework, the lack of precision in this context must be considered when applying the given perspective to the acquired SMEs (ibid).

Moreover, when the MNC acquires a local firm, the direct level of control it imposes depends on whether the local firm is contingent on using its capacity and know-how, or whether it is simply used as a strategic tool for future growth (Chen, 2008). In the former case, the MNC will generally opt for full control of the firm, in the later partial control (ibid). Moreover, the level of control the MNC will impose is also contingent on the distance the acquired firm is from the country of origin on the MNC (Malhotra & Gaur, 2014). The amount of control it imposes on the acquired firm follows a U-shape in relation to geographic distance. This inherently means that when the MNC comes from a country that is a considerable distance from the acquired firm, it will usually take a higher stake of control over the firm in a related industry. Furthermore, the same goes for firms stemming from a nearby country with low knowledge discrepancy (ibid).

### 3.4 A look at SME sourcing behavior

The transition into transformational global sourcing, or sourcing methods that significantly alter the home organization, is deliberate, and its scope relies on the ability and agenda of a company's managers (Jensen & Petersen, 2013). In addition to the findings of Jensen & Petersen (2013), Agndal (2006) determined in his study of 10 Swedish industrial SMEs that its managers of SMEs were often reluctant to source abroad, a sentiment which seems to align well with the corresponding literature on local networks and SMEs natural disinclination towards internationalization, such as that written by Cerrato & Piva (2012) and Hennart et al. (2019). When SMEs did enter foreign purchasing markets, they most often favored those directly nearby their domestic market as opposed to those further away- with exceptions being found in cases of substantial cost savings (Agndal, 2006). Furthering on this trend were Agndal's (2006) findings that those SMEs who did source abroad most often did so reactively and not proactively, citing high domestic costs, a lack of product/resources available domestically, and pressure from internal and external influences.

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Agndal (2006) does, importantly, conclude that while the process of sourcing abroad can be defined as need-driven and opportunity-driven, there is no one overarching pattern regarding its specificities that is found across all firms. This is nevertheless helpful in categorizing the intentions of those SMEs who have altered their sourcing operations as a result of the international takeover, whether as a derivative of the MNC-subsidiary relationship development or the foreign acquisition itself. It is additionally possible, if not likely, that these intentions might often coincide with each other rather than being simply one or the other, as a business could just as likely be acquired for its knowledge and technological resources in addition to its strategic location geographically, and subsequently might engage in sourcing for a variety of reasons thereafter (Dunning, 2000).

As previously mentioned, SMEs are generally reliant on their local networks for growing and expanding (e.g., Korsgaard et al. 2015), but their focus on sourcing locally and sticking to the community from whence they emerged generally disappears as they develop and increase in size (Bryson & Salder, 2019). In an article published in 2015, De Clercq et al. showed that SMEs are more prone to sourcing locally if they are immersed in the local community, i.e., have strong regional embeddedness, have extensive knowledge of the local specific factors, and feel a strong sense of patriotism towards their country.

SMEs are not a homogenous community but include companies of various sizes, ranging from 0 to 249 employees (European Commission, 2003). Despite that microenterprises make up the largest part of SMEs, most generalizations have so far been focused on medium-sized companies (Ozmen et al. 2014). Micro enterprises, consisting of fewer than ten people, often act as individuals in their purchasing behavior and are prone to impulse purchases without extensive contemplation being done before (ibid). Many studies have also shown that SMEs do not engage in strategic purchasing, meaning that purchasing is aligned with the overarching strategic goals of the company, thus requiring an active managerial approach for the activity (Pressey et al. 2009), nor do they consider purchasing an important activity in relation to the rest of the activities in the company (Quayle, 2002). However, many smaller firms consider engaging in cooperative purchasing, where supplier and customer cooperate as a way of improving purchasing practices, but very few do so today and those that do often do it poorly, being on the receiving end of purchasing practices in these relationships (Mudambi et al. 2004).

A study by Cerrato & Piva (2012) stresses that, as a result of globalization and the increased introduction of foreign competition, SMEs must be aware of the important role that

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internationalization in their purchasing practices might play in their potential growth and their continued survival. This awareness could result in a potential motive for an SME to sell to a larger, more established MNC to facilitate this growth and survival (ibid). Hennart et al. (2019) also note the reluctance of many such firms to incorporate external management sources better versed in international skills to facilitate internationalization. They cite that the dominant academic view is that family management discourages internationalization as a direct result of this reluctance in combination with a lack of resources, as these businesses do not wish to dilute their control (ibid).

#### 3.4.1 The role of industry in a firm's sourcing patterns

Although the study is not tailored to one specific, governing industry across all studied cases, it is unavoidable to consider the impact that a firm's industry may have on its sourcing activity. In building on the trends identified by Agndal (2006), Jensen & Pedersen (2011) identify a logical pattern regarding the determination of firms' location strategies when outsourcing. In drawing from previous literature, Jensen & Pedersen (2011) propose a framework in which location strategies are dependent upon industry, intention, and scope of activity. Outlined in their proposal is the logic that manufacturing is relocated to low-cost destinations, which have historically been diverted to East Asia in the late 1900s and early 2000s, and R&D and more service-based tasks subsequently to high-cost destinations (ibid). This pattern of logic can be adapted with common rationality to firms in general: an SME in a more service-oriented industry may not have as great a need for sourcing materials, while an SME in a manufacturing-based industry will.

### 3.5 Regional Embeddedness and SME engagement with local networks

Regional embeddedness, as previously mentioned, is defined for the purpose of this study as *the extent to which the firm makes use of the local environment for promoting the firm's own development and satisfying its needs.*

#### 3.5.1 Relationship between SME and region

In the context of business strategizing and management, a firm's network horizon is also defined as a boundary-related concept detailing the size of an actor's view of their network (Anderson et al., 1994). This focal firm can thus be thought of as a "center of the universe" point, and its network horizon spans all other firms and relationships of which the focal firm is aware, regardless of their value to the firm (ibid). The network horizon boundary thus changes over time in response to the firm's development (Huemer, 2017). The network horizon is complemented by the network

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context, which is composed of those firms and relationships that the central firm regards as important and is typically shared by firms that are close to each other in the same network (Anderson et al., 1994). The horizon and its context will both evolve and shift borders based on the central firm's priorities and strategizing, derivative of the resources, interconnectivity, and interactions between the central firm with others in its network (Huemer, 2017). Any given firm has a finite amount of resources to strategize and operate with, however, and thus it is plausible that a dramatic change in a firm's network horizon and context, as a result of a firm's acquisition, will result in a shift in priority for these resources towards firms outside of the previously-established network and context (ibid).

Cerrato & Piva (2012) also found that the presence of foreign shareholders has a high positive correlation with the number of regions in which a firm operates, lending support to the network horizon and context theory by Anderson et al. (1994) and Huemer (2017). In their study on the relationship between growth in sales and competitiveness and the networks in which entrepreneurial firms engage, Lechner and Dowling (2003) also found that firms engage in relations with partners of different sizes, which then generate different kinds of networks. These networks, additionally, are typically embedded regionally and long-term, which leads to the development of trust between the firms (ibid). These external relations generally form the core of the network around which the entrepreneurial firm grows and develops, and the authors highlight the importance of having the previously mentioned mix of different kinds of relationships (ibid). These findings are of interest to this thesis as they show to what extent having strong ties in the local community helps entrepreneurial firms to grow. Nevertheless, the authors also demonstrate that there is a cap for how many strong ties a firm might include in its network, and therefore the mix of different kinds of relationships is stressed as being important in order to keep the growth going (ibid). Moreover, according to Kveton and Šafr (2019), the more economically developed regions have a higher degree of embeddedness, though the inter-corporate linkages between firms are determined by the economic composition of the sector and region.

In their article focusing on entrepreneurship in small and medium-sized towns in England, Bryson and Salder (2019) argue that embeddedness is composed of multiple layers, Structural and Circumstantial, where Structural includes the tangible and intangible elements that are critical inputs for the firm, and Circumstantial includes the linkages within the locality. The embeddedness of the firm, however, is an adaptive and evolving phenomenon, which is evident in that firms that survive in the small and medium-sized towns showed a growing disconnection with the local

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communities and more and more started to look for customers and suppliers elsewhere (ibid). This notion of being locally embedded as a way of growing is further strengthened by Korsgaard, Ferguson, and Gaddefors (2015), who studied rural entrepreneurs in Denmark and the way their context impacted their opportunity creation. These entrepreneurs sought to bridge their local resources and context with non-local strategic networks in order to reap the benefits of both places (ibid). The entrepreneurs stressed the importance of being locally embedded as a means of leveraging the context to the fullest before searching for external resources (ibid). Moreover, as demonstrated by Ratajczak-Mrozek (2014), the locally embedded relationships that facilitate international expansion among SMEs are not only the ones with their customers but also with suppliers and other local actors. These personal relationships help companies identify new opportunities and facilitate their seizing of these opportunities successfully, especially in the case of lack of resources or reputation for the SME in question (ibid).

Iurkov and Benito (2018), more specifically, study how the MNC's position in its home market network affects its geographic scope and argue that this domestic embeddedness might prove to be a double-edged sword in internationalization. A strong focus on the domestic networks provides the firm with extensive FSAs that are mostly locally bound and thus might be difficult to leverage in an international context (ibid). However, weaker ties to the home market networks might help the MNC develop FSAs that are not constrained to the domestic market and thus might aid in internationalization and decrease the impact of liability of foreignness (ibid).

### 3.5.2 Multiple embeddedness of the SME-subsidiary

As previously highlighted by Meyer et al. (2011), an MNC's subsidiary must navigate the challenge of multiple embeddedness and balance its intra-MNC relationship as well as the local relationships. As a result, discrepancies generated from the strategy imposed by the parent firm and the local context in which the subsidiary is operating may arise (ibid). These differences might be caused by organizational inertia, which means that the MNC might have developed a way of operating in its home market and tries to implement this in the host country (ibid). However, lack of awareness regarding the local environment may generate challenges for the MNC in this execution (ibid). The subsidiary may also be regionally embedded with a local network of suppliers and business partners, which may have resulted in its navigation towards a more locally allied perspective in its institutional duality (ibid). This would be particularly challenging if the subsidiary is an acquired firm, potentially an SME, for which the local network is of utmost importance to doing business (ibid). This theory is based on an agent theory of the firm, where the

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MNC is the principal, and the subsidiary is the agent (ibid). This is of interest to this study since it demonstrates that the MNC and the subsidiary might have different objectives and that the cost of these objectives can be demonstrated as conflicts between the two players. Furthermore, highlighting how the assertion of control through the integration of the acquired firm into the MNC network plays out is the core of what this study aims to show (ibid).

Moreover, evidence shows that a foreign takeover of a local firm might be detrimental to the regional embeddedness of the firm since acquired firms have a higher risk of being closed down and relocated (Nicholls, 2011). There is also evidence of takeovers increasing productivity within the acquired firm, however, as well as employment and technological development as the acquiring MNC invests in the firm as is consistent with Nicholls (2011) and Tillväxtanalys (2017).

### 3.6 Time as an influencing factor

According to a study published by PWC, most successful M&As manage to integrate a few functions within the first six months after closing the merger and fully integrate the two companies within one year (PWC, 2017). Moreover, the study states that time is of the essence, as a long integration process might make employees thwarted and negatively inclined towards the merger (ibid). Nevertheless, studies have shown that some prefer speedy integration, whereas others opt for a slower one, and that either can work, but additionally, the MNC culture and its fit with the one of the SME is important for this process (Bauer & Matzler, 2013; Child et al. 2003). However, it is safe to presume that, in general, companies that were acquired a long time ago have come further in the integration process than companies that were recently acquired. Nevertheless, since each case is different, it is interesting for us to study companies that have been acquired at different points during the five-year period of 2014 - 2019 and observe the impact time has had on their sourcing operations. This study does not seek to determine whether the M&As have been successful per se, but rather what impact they have had on the regional embeddedness of the firms through changes in their sourcing operations both in the immediate terms and the five-year term. Thus, it is of more importance to understand how far in the integration process they have come, than whether the acquisitions delivered a successful outcome.

### 3.7 Conceptual Framework

The conceptual framework is the basis for the analysis since it is the framework through which the empirical data will be filtered in order to draw conclusions. The framework is built around previous insights, based on the categories previously identified.

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### 3.7.1 Insights & Framework Model

#### Motives:

The level of control imposed on the firm is dependent on the motive of the acquisition (Chen, 2008). Full acquisitions are typical of capability procurements, and partial acquisitions are typical for strategic procurements (ibid). Furthermore, the eclectic paradigm explains some motives as to why FDI is done (Dunning, 2000); however, it does not differentiate between greenfield investments or acquisitions. These motives will both impact and facilitate the international takeover of an SME, the process of which is represented by an arrow in Figure 1, for without any motive, there will be no takeover. Motives are, therefore, instrumental in understanding the process and circumstances surrounding the takeover itself, as they will directly initiate the foreign acquisition and impact the resulting MNC-SME relationship, which are both defining components of the takeover process.

#### Foreign Acquisition:

The large, productive “cherry” SMEs and the small, less productive “lemon” SMEs have the highest chances of being acquired- following a J-shaped curve (Nicholls, 2011; Tillväxtanalys, 2017). MNCs that invest generally want to acquire local specific advantages (Dunning, 2000) and to integrate a specific activity (Coase, 1937; Narula et al. 2019). MNCs that engage in acquisition typically invest in the acquired firm, raising productivity, employment, and technology access (Alvstam et al. 2019; Tillväxtanalys, 2017). The acquisition might also be a step to reduce the liability of outsider-ship by tapping into the local knowledge stock (Hutzschenreuter & Matt, 2017). The foreign acquisition is part of the overarching term “*International Takeover*” in Figure 1, which encompasses all changes brought about within the SME with regards to its integration to the MNC through the acquisition itself and the subsequent MNC-Subsidiary Relationship.

#### MNC-Subsidiary Relationship:

The subsidiary of an MNC generally strives to be independent of the parent company to a certain degree and does what it can to gain in charter according to subsidiary evolution (Birkinshaw & Hood, 1998). The level of control imposed by the MNC will depend on the motive of the acquisition and the distance between the acquired firm and the country of origin of the MNC (Chen, 2008; Malhotra & Gaur, 2014). MNC-Subsidiary Relationship is also part of the term “*International Takeover*” which was described in the previous section. This process, including

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MNC-Subsidiary Relationship and Foreign acquisition, will impact the sourcing practices of the firm, which is illustrated by the arrows in the figure.

#### Sourcing:

SMEs only enter foreign purchasing markets by need-driven or opportunity-driven initiatives and tend to do so reactively rather than proactively (Agndal, 2006; Jensen & Pedersen, 2011; Jensen & Petersen, 2013). Many SMEs do not engage in purchasing as a strategic activity, but rather act as individuals motivated by industry, intention, and scope of activity (Jensen & Pedersen, 2011; Ozmen et al. 2014; Pressey et al. 2009; Quayle, 2002). This is because purchasing market entry relies on the ability and agenda of an SME's managers, who generally show reluctance to eschew their regional connectivity and local resources in favor of internationalizing (Cerrato & Piva, 2012; Hennart et al., 2019; Jensen & Petersen, 2013). These need-driven initiatives which may trigger an SME to source globally can be defined by a lack of domestic resources and product availability. Opportunity-driven initiatives, subsequently, tend to manifest for reasons of cost-efficiency and pressure from management and/or customers (Agndal, 2006).

Depending on the autonomy, which is influenced by the composition of the takeover, the SME's sourcing operations may be impacted. The two arrows connecting Foreign Acquisition and MNC-SME Relationship to the SME's Sourcing inform that this is directly attributable to the takeover itself, as the purchasing operations of most SMEs depend on their individual managers, who generally do not enter international purchasing markets over local purchasing markets unless driven. The arrow going from sourcing to Regional Embeddedness demonstrates the hypothesized relationship that sourcing practices affect the SME's subsequent regional embeddedness.

#### Regional Embeddedness:

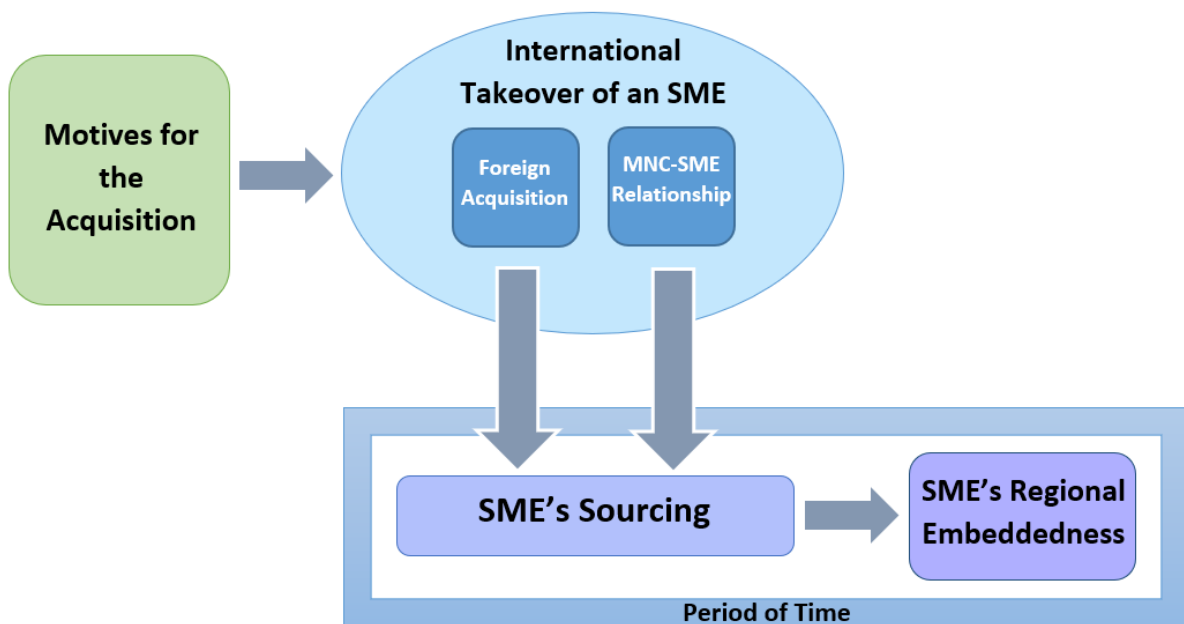
SMEs use their local relationships to grow and do business (Bryson & Salder, 2019; Korsgaard et al. 2015; Lecher & Dowling, 2003). SMEs, over time, start focusing on getting other customers than those in the immediate surroundings (Bryson & Salder, 2019). However, the subsidiary of an MNC must deal with multiple embeddedness, which means that it needs to be integrated into its local community to a certain degree as well (Meyer et al. 2011). The composition of the sector in which the SME is active will determine the business relationships between itself and other firms (Kveton & Šafr, 2019). Overall, an SME's network horizon and network context will evolve over time, and a significant expansion of both, as a result of foreign acquisition, may result in less priority for the local region in the SME's operations (Anderson et al., 1994; Huemer, 2017). If an

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SME's local sourcing operations are thereby affected as a result of the acquisition, for whatever reason, this will accordingly impact the SME's regional embeddedness as depicted by the bottom arrow in the conceptual model.

### Time:

Some studies point to the necessity of a fast integration process of no more than a year (PWC, 2017); however, most seem to take into account that the integration process is dependent on many factors, such as company culture of the acquiring firm, and should thus be done on a case by case basis (Bauer & Matzler, 2013; Child, 2003). The changing of sourcing patterns and its subsequent effects on regional embeddedness will take place over varying periods of time, depending on the composing factors of the takeover itself (ibid). Thus, time is represented in Figure 1 as an encompassing body around sourcing and regional embeddedness.



**Figure 1. Conceptual Framework Model, Compiled by Authors**

Figure 1 should be viewed sequentially, with the motives for the acquisition impacting and initiating the entirety of the takeover itself- the composition of which will inform the SME's operations post-acquisition and potentially disrupt its regional embeddedness through any changes to its sourcing patterns.

## 4. Empirical Findings

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*This section introduces the findings from the semi-structured interviews. Each company is briefly introduced and the result of the interviews for each part of the theoretical framework is given. In the end, a summary of each company's development since the acquisition, as provided by the interviewee is presented.*

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### Explanation of the summary tables

As will be noticed in each table, the structure is not in line with the main headings of the theoretical framework. This is because the interviews often touch upon ancillary themes related to the precise topic of study. This means that additional information throughout the interviews is provided that is pertinent to understanding the actual topic but that does not fit within the template provided by the framework. Therefore, the headings in the tables are designed to better summarize the information provided in the interviews and properly divide it by category. In the tables, the overarching term “International Takeover”, meaning “Foreign Acquisition” and “MNC-Subsidiary Relationship”, is given by “Effects on Operations”, “SME’s Position within MNC Network”, and “SME’s Level of Autonomy”. This division also makes the tables more presentable, since each section would otherwise be too cumbersome and difficult to read. Furthermore, in the tables the information is presented in the order it appears in the interviews. Therefore, “Time” is presented first, unlike in the theoretical framework where it comes last.

### 4.1 AGVE

The company was founded in 1985 as a manufacturer of electronic components for autonomous vehicles for industrial use. A few years later, they also started to produce complete vehicles, along with the components and software that made the vehicle run. In 2012, the current CEO, Jakob Dannemark, who is also the interviewee, acquired the company and started selling the vehicles to the end-users as well. In 2018 the company was acquired by the Japanese family-owned firm Murata Manufacturing. The firm has around 50 employees and a turnover of 93 million SEK (8,6 million euros). The interview was done over Skype.

The interviewee is Jakob Dannemark, who worked with M&As at Volvo for a long time before deciding to move on. He became an owner of AGVE, along with a colleague of his, in 2012. They decided to sell the company to Murata Manufacturing in 2018, but he remained the CEO after the acquisition. Mr. Dannemark and his colleague decided to sell due to the changing climate in the industry. After a few years, big companies started to acquire small to mid-sized companies, and

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they realized that they would become too small to stay competitive. By using the consulting firm Ernst & Young in 2017, and after a process of meeting potential buyers, Murata became the buyer, and the previous owners made a big profit.

#### 4.1.1 Motives

The company was acquired by Murata in order to gain access to AGVE's technological know-how and to use the facility as a knowledge center for long term R&D projects. Hence, the acquisition was mainly motivated by efficiency seeking as well as strategic asset-seeking as per Dunning (2000). This acquisition is also characterized as a capability procurement as per Chen (2008).

#### 4.1.2 Foreign Acquisition

Before the acquisition, AGVE was mainly focused on becoming profitable in order to sell the company. Therefore, working there was a lot more stressful than now, especially considering the fact that their work was mainly project-based. Now, on the other hand, the work is more long term and more focused on R&D.

The acquisition was well perceived within the company since it guaranteed the firm's long-term survival, which is how the selling of the company was communicated to the employees. Especially considering the current situation, having a strong owner is well perceived within the company.

*“But even more important, we have an extremely strong owner. So, we don't need to be afraid of losing the job here. Then- and that is, of course- this is only due to the fact that we had sold the company. If I had been the owner today, we had been already sitting here looking at how many people we potentially should lay off, and that is not the case for us today. [...] We can be calm[...] we are extremely strong, and that was the main reason for selling.”*

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Another noticeable change is that they have set up a joint long-term R&D team with Murata. Today 10 percent of AGVE's employees work on long term R&D. It took a long time to set up the joint R&D team, however, which is explained by the Japanese culture, according to Jakob. He says that everything was very thorough and well planned before being implemented. Apart from that, there were no transfers of technology or employees to AGVE from Murata.

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### 4.1.3 MNC-SME Relationship

The Murata network is a big network with over 8000 employees in many different companies. AGVE is considered an important technology center within the network, charged with long term R&D development. However, they are not very important from a turnover perspective, since other businesses sell for much more. Nevertheless, according to Jakob, AGVE is very much independent from the parent company and free to do what they want. As CEO, he is required to send reports to the parent company but can otherwise operate freely. Once again, the Japanese culture is used to exemplify why that is.

*“You know, you may have heard about this 100-day plan that you can hear about particularly from American companies, meaning that when you acquire a company, you have 100 business days to make a big impression. You know, do the changes to tell them what you want to do. They [Murata] are more like a 100-year type of plan.”*

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The relationship with the parent company is very good, and even though the parent company is much larger than AGVE, this has not caused any strains on their relationship. According to Jakob, this is because Murata is family-owned, which lets them have the management style they want without external pressure.

Nevertheless, despite being independent, they still have a directive from the parent company saying that they are to “*develop the organization of the future*”. That means that they can grow the company by hiring new people despite not increasing their sales figures. However, this does not make it difficult in terms of balancing the operations in the local area with being a part of the Murata Group. They have much flexibility, and Murata is not pushing them on profitability. Had Murata done that, it would have conflicted with the strategy of developing the organization of the future, and those posed a conflict of interests.

### 4.1.4 Sourcing

Today the relationship with the suppliers is a lot better than before. When Jakob bought the company in 2012, the firm was almost bankrupt. Back then, they would have to make down payments in order to get their deliveries. As they started to grow, they became a safe customer, and now with the acquisition, having the backing of a large firm, they are an even more stable customer. Today they source all the materials they need in their manufacturing, such as mechanical

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parts, frames, batteries, etc. Their main sourcing partners are in Sweden, various European countries, and the USA. The suppliers have remained the same after the acquisition, also the local ones located in Gothenburg. They have not had any directives to change their suppliers from the parent company. Hence, they do not currently source anything from within the Murata Group.

#### 4.1.5 Regional Embeddedness

AGVE has suppliers in Gothenburg, and according to Jakob, the local region is very good for companies in the industrial sector since the quality and output is there. Companies that need high quality and low volumes in their manufacturing can find everything they need and do not need to source from Asia. However, Jakob is not engaged in any specific networks, be it business or non-business related.

*“I don't have the time. This is too much coffee drinking to me.”*

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The situation was the same prior to the acquisition. The relationships they have are mostly at an arms-length distance. According to him, being part of different business networks is mostly beneficial if one is an employee looking for a new position, but not if one is the CEO of the company. Hence, he does not feel as if AGVE is very much part of the local community, nor is it mostly a “Gothenburg company”. The business is global and competes on a global scale, even though there are some local competitors as well. These competitors focus more on other markets, however. AGVE has thus not changed its relationship to the local market in any significant way since the acquisition.

*“I didn't focus on it (the local community) that much before, and I haven't changed it afterward, either.”*

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#### 4.1.6 Summary of AGVE's Acquisition

<b>AGVE's Acquisition by Murata Group</b>						
<b>Time of Establishment vs. Time of Acquisition</b>	<b>Motives for Acquisition</b>	<b>Effects on Operations</b>	<b>SME's Position within MNC Network</b>	<b>SME's level of autonomy</b>	<b>Effects on Sourcing</b>	<b>Effects on Regional Embeddedness</b>
Established in 1985.  Acquired in 2018.	SME acquired for technical knowledge in manufacturing. (efficiency seeking, strategic asset seeking; capability procurement)	Focus shifted from growth to long-term R&D. Margins fell from about 15% to 4 or 3%. New employees hired. Increased customer base.	Strong technical specialization with heavy R&D focus. Not financially important nor very integrated.	The SME has a great degree of autonomy, with low degree of integration in the group.	No effects on the sourcing habits of the SME were identified. Local suppliers were used before and are still used.	SME operates mostly as before, with a decrease in an already low degree of regional embeddedness and engagement.

**Table 2. AGVE Acquisition Summary**

#### 4.2 AirSon Engineering AB

AirSon Engineering AB is a Swedish project-based SME operating in contracting and consulting services in energy, building technology, and controlled indoor climates. The SME was established in 1981 by Jan Kristensson and was later sold to his son Dan Kristensson in 2012 and is located in Ängelholm, Sweden. Its operations largely consist of advising and contracting within energy and installation. AirSon specializes in designing more complicated projects and plans, working with high intensity, high-density buildings within the pharmaceutical industry, food industry, microelectronic industry, and various research facilities. They are often responsible for all of the mechanical parts within these factories. In January of 2019, the company was sold to the German energy company E.ON SE.

The interview was done remotely over Microsoft Teams on March 25<sup>th</sup>, 2020, with Dan Kristensson, the company's current CEO, who purchased AirSon from his father in 2012. Kristensson himself negotiated the sale of the company to E.ON SE and is intimately familiar with both AirSon's operations leading up to, during, and after the acquisition in addition to having experience with research companies within the energy industry itself prior to his time at AirSon.



#### 4.2.1 Motives

E.ON acquired AirSon to perpetuate their energy sales as the largest private energy company in Europe, but sporting a less than 10% market share in Sweden. E.ON was then able to use AirSon as a spearhead to go into new and existing companies and create new clientele, thus increasing market share. AirSon was also a strategic gain for E.ON in terms of knowledge in energy reduction, which AirSon did quite efficiently. The acquisition was thus motivated by market seeking as well as strategic asset-seeking as per Dunning (2000). Furthermore, this could be considered a capability procurement as per Chen (2008).

#### 4.2.2 Foreign Acquisition

Kristensson describes an initial surprise that E.ON contacted AirSon in the first place, admitting that he had initially said no because the company had no real desire to be in a larger, more “conformity-based” business model. E.ON contacted AirSon in the summer of 2018 and asked if they were interested in selling, and then later asked again during August. A price was proposed, after which E.ON followed up with due diligence. Later, in December of 2018, E.ON announced that everything was as expected and repeated the offer, which was accepted. Another due diligence task force was deployed, which came back at the end of January. On the 28<sup>th</sup>, Eon came back with an offer, which Kristensson then accepted.

No noteworthy directive changes have been implemented within AirSon as a result of the acquisition, enjoying a fair bit of independence from E.ON in accordance with their initial desire. AirSon has, however, gained a significant increase in its clientele base from E.ON. Kristensson points out that there have been “upticks in every indicator”, and that E.ON has not tried to enforce any changes within the company. E.ON additionally did not bring in any new technologies or new employees to AirSon’s operations. There is even the potential that E.ON may have increased AirSon’s portfolio, but this was refuted by Kristensson shortly after he brought it up.

*“They (E.ON) did come with a bunch of new customers. Big ones.”*

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AirSon says no to about 60% of new inquiries due to their current resources and successful level of growth. AirSon is, as of March 2020, fighting to employ enough new people and employ them at a rate adequate enough to build the culture. Kristensson describes that this is a particularly

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difficult challenge, as AirSon tends to hire the “top 3 top 3” of all engineering students or the top three students of the top three universities in Sweden.

#### 4.2.3 MNC-SME Relationship

Kristensson admits that AirSon maintains an excellent relationship with E.ON and one that is very independent. One of the large changes for AirSon and Kristensson, in particular, is that reports are done every month, which are not asked for but are done regardless in order to keep things flowing and efficient. Discussions are currently underway as to whether or not AirSon will use eventually the technology systems that are in use by E.ON and slowly integrate AirSon’s methods with Eon’s way of doing business in terms of Human Resources and general operations, but AirSon resists this, to an extent. Kristensson highlights that AirSon currently does not align with E.ON’s purchasing process because that is a “pivotal part of their business”, and it is evident that there is anxiety towards being forced to do so regardless. There is a need to adapt their way to E.ON’s policies, but a strong resistance towards changing their purchasing processes lest they jeopardize their ability to profit. As a result, AirSon tries to maintain a low profile “beneath the radar” of the E.ON network. The strategy employed by AirSon is thus to create a business case that is strong and efficient enough to incite no need or desire to make any significant changes in their operations. It is additionally worth noting that the chairman of the board who initially made the purchase of AirSon recently had to leave E.ON, but there is an anticipation that the replacement will not make any big changes, either.

*“We are being left alone in a good way. There are no cracks in the relationship.”*

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#### 4.2.4 Sourcing

E.ON naturally wants competitive rates with each purchase from suppliers, but AirSon does not want to enforce this to a strict degree as it would likely jeopardize their turnaround and quoting rate. Kristensson points out that AirSon’s operations ultimately do need to balance competitive rates with efficiency. AirSon is mostly sourcing subcontractors within ventilation, piping, control systems, building management systems, and sub-consultants. The company will also source certain types of capital equipment as well, the most common of which is air handling units and cooling units. AirSon carries a number of ‘preferred suppliers’, which are local and trusted, and AirSon is highly reluctant to change these.

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*“To be honest, we don't align. We keep our way of doing purchases because that is a pivotal part of our way of doing business. So, if we change to the E.ON way, we would, you know, lose our ability to earn money[...] We need to adapt our way of purchasing to the E.ON policies, but we don't need to change altogether into their way of purchasing, because that would change our company's ability to earn money too much. So, we are just adapting so we don't break or lose any goodwill.”*

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#### 4.2.5 Regional Embeddedness

Customers are largely not in the local area, and AirSon itself only has one customer in Ängelholm. Kristensson describes their customer base as a mixed bag, with 60-70% of AirSon's customers being abroad and around 40% in Sweden, largely in the Southern half. AirSon sports a few preferred suppliers, as it is stressed that there needs to be a good degree of alignment and trust early on. These preferred suppliers are local and have been maintained even before the current CEO purchased the suppliers. E.ON has not told them to change these in any way, and AirSon does not currently have any suppliers within the E.ON group. Kristensson remarks that this might “hopefully change later”, but E.ON does not, as of right now, have so many suppliers within this field of business, as E.ON mostly utilizes solar panels, but those are not typically purchased by AirSon.

AirSon is not active in any regional networks, and Kristensson himself commented that he does not like business networks as they are limited. Kristensson also admitted that he does not have enough time, as he is currently too occupied with projects. Kristensson stressed that he does like the local region (West of Skåne), however, as a hugely dynamic region. Additionally, there is an extremely strong feeling that AirSon is well-integrated within the region and sports a big “fan club” within the local community, though they “might have no clue what we actually do”. Kristensson outlines a strong sense of local pride that they have a smart, capable engineering company.

AirSon apparently does have a good local business network, though Kristensson himself is not in it whatsoever. Kristensson ultimately discloses that it's “too early to say” whether or not E.ON will jeopardize AirSon's embeddedness. There is a worry that E.ON may want to dilute the power of the Ängelholm office and shift this power to E.ON's new office in Malmö. Kristensson ended the interview by talking about AirSon's hiring process and the feeling that creating a culture is a

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“delicate matter”. Ultimately, while AirSon currently enjoys a large degree of independence from E.ON, there is a fear that intermixing with a non-intellectual-based large company will jeopardize the culture.

#### 4.2.6 Summary of AirSon’s Acquisition

AirSon’s Acquisition by E.ON						
Time of Establishment vs. Time of Acquisition	Motives for Acquisition	Effects on Operations	SME’s Position within MNC Network	SME’s level of autonomy	Effects on Sourcing	Effects on Regional Embeddedness
Established in 1981.  Acquired in 2019.	Acquired to increase MNC energy sales and market share in Sweden. Also acquired for SME’s energy efficiency. (market seeking, strategic asset seeking; capability procurement)	Large increase in clientele. SME now sending sales reports and engaging in weekly meetings with MNC. Potential for MNC to restructure SME’s operations for integration.	SME has evolved into an important “point of contact” for MNC through SME’s customer base.	Excellent level of independence from MNC with large effort to keep it that way. Worry that MNC’s interference with the SME system would jeopardize operations.	Small conflicts regarding sourcing policies, as SME’s policy is inconsistent with MNC’s.	SME very well integrated and popular locally, but not active in any networks. Worry that E.ON may dilute influence of Ängelholm office to direct resources elsewhere.

**Table 3. AirSon Acquisition Summary**

#### 4.3 Barex

Barex was a distributor of auto-ID products, such as handheld computers and barcode readers, located in the Gothenburg area and was started in 2005. It was a small company with 13 employees, selling for about 100 million SEK (9.2 million euros). In February 2016, Barex was acquired by the Danish EET Europarts group and has since then been fully integrated into EET.

The interview was done on Skype with Johanna Pettersson, former CEO of Barex, who is currently working as a sales manager for EET. She has thus experienced the whole transition first-hand and was a great fit for an interview. She had worked at different positions in Barex between 2007 and 2016, the last two years as CEO, and now is part of the EET team that is made up of former Barex.

#### 4.3.1 Motives

Barex was acquired in order to help EET get into the auto-ID segment in Sweden and add Barex's products to their offer. Thus, the acquisition was motivated by strategic asset seeking, as per Dunning (2000). It can also be considered a capability procurement as per Chen (2008).

#### 4.3.2 Foreign Acquisition

EET started talking to Barex in autumn of 2015, and everything went fast. In February 2016, the acquisition was completed. The owners of Barex decided to sell in order to focus on other companies they owned. The employees were not informed about the decision to sell until the last week, and thus the acquisition was met with a lot of confusion and disbelief. Many employees did not understand why the company was being sold since they considered the company to be doing well. Johanna, the CEO, was only brought into the decision in December of 2015. She did have two months to think it through, however, and understood why the decision had been made. Nevertheless, many employees were skeptical, but Johanna made sure most of them stayed on for at least a year after the acquisition. In the first week, people from Denmark came to the office to inform them about the changes that were going to be made. For example, Barex was going to start selling the products of EET as well. Other noteworthy changes were that Barex was going to focus on only the Swedish market, as before they had sold to, for example, Norway as well, and they were going to start reporting to the Stockholm office of EET. Therefore, decision making is not as fast as before. Moreover, they lost the warehouse workers, since EET keeps their stock in Denmark.

From EET's point of view, they acquired Barex in order to sell more in Sweden and grow in the auto-ID segment of products. Thus, the motives were mainly market-seeking and efficiency seeking, as per Dunning (2000).

#### 4.3.3 MNC-SME Relationship

Now in the EET network, Barex, which has been fully integrated, is focused only on sales in Sweden together with the other EET offices in Stockholm and Malmö.

*“Actually, for me and all others in Sweden [...] we only work in Sweden and you don't talk so much with other countries and don't work so much together with them. Sometimes you discuss something, but mostly it's with the ‘concerned mother’ in Denmark, and only Sweden otherwise.”*

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Since there are many steps in planning and that it takes much time to decide, it is evident that Barex, as a small branch, does not have a very powerful position within the network. Barex has a lot of contact and cooperation with the other branches located in Sweden. Moreover, their relationship with the parent company in Denmark is good, though the Danish do business differently. All the major decisions are taken in Denmark, since finance, marketing, purchasing and IT are located there. Nevertheless, Johanna feels as if they are as independent as they would like, and if there are conflicts between Barex's wishes and those of the parent company, they can always reach an agreement after some discussion. Barex does have to abide by the decisions made in Denmark, however, and these decisions can sometimes affect the actions they can take locally. If they want to make a major decision locally, for example, they require the parent company to approve of it. Moreover, there has been a positive shift in Barex's position within the MNC network. In the beginning, nobody really knew the Gothenburg branch (Barex), but now Johanna is a well-known person, even though the title has not changed since the start.

#### 4.3.4 Sourcing

In terms of sourcing, there have been many changes since Barex was acquired. There was previously more freedom to buy according to the customers' needs since they were closer to the customers and could make decisions fast, whereas now at EET there is a stronger focus on KPIs and statistics. Thus, there has been a shift in focus away from fast decision making, towards more formal tools of management and purchasing.

*“In Barex, it was really easy for us to decide what to purchase and how much and when and how long can it be in the stock and everything like that[...] In EET, you have a lot of more KPIs, and they look a lot of... Yeah, it's only statistics, and we have to buy them.”*

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At EET Gothenburg, they still source the same things as they did for Barex: auto-ID parts and IT products. However, their sourcing partners have changed. At Barex, they had suppliers in Europe, but no local suppliers in the Gothenburg area. Now, they buy all their products from the EET group, which, on the other hand, has taken over the previous suppliers of Barex. During the integration period, Barex had to change some of their suppliers to the ones already within the EET group, especially cutting off ties with smaller suppliers because EET told them so. This was not always well perceived, but in the end, they had to abide by the decisions from the parent company.

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#### 4.3.5 Regional Embeddedness

When asked about the local region, it is evident that the regional embeddedness that existed with Barex has disappeared.

*“I think we don't feel so local anymore. We just have an office here. [...] We were much more local when we were Barex. We could do more decision-making here. But the suppliers weren't so local, but we can- we could do more local things. But now it's more like we have an office here, and nothing more.”*

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Before being acquired, they were much more locally embedded, as they could make their own decisions about how to solve problems that could arise. Furthermore, they had strong ties to the local network, as some of their clients were local, though their sourcing partners were not. Furthermore, Barex was a part of Business Region Gothenburg, a local organization dedicated to business development within the Gothenburg region, and received much help from them. Now, on the other hand, they no longer have any connection to them but have had to focus more internally on their position in the EET group. However, Johanna expresses an understanding of not gaining so much from local networks if one cannot make the important decisions oneself but has to confer with the parent company first to make sure they have the green light.

Moreover, as Barex was much more engaged with the local region and was founded in Gothenburg, the company had the label of being a “Gothenburg Company”. Now, however, the Swedish HQ is in Stockholm, and EET has more of a Stockholm label than a Gothenburg label. These changes happened quickly, over the course of a few months. The big change happened when EET Gothenburg moved away from the offices of Barex, in which their sister company was also located, and moved into their own premises. That is when they stopped socializing with other local businesses and started focusing more on the EET group’s operations.

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#### 4.3.6 Summary of Barex's Acquisition

<b>Barex's Acquisition by EET Europarts</b>						
<b>Time of Establishment vs. Time of Acquisition</b>	<b>Motives for Acquisition</b>	<b>Effects on Operations</b>	<b>SME's Position within MNC Network</b>	<b>SME's level of autonomy</b>	<b>Effects on Sourcing</b>	<b>Effects on Regional Embeddedness</b>
Established in 2005.  Acquired in 2016.	SME acquired for SME's product offer. (strategic asset seeking; capability procurement)	SME was integrated into MNC. The branch started to only sell within Sweden and started selling MNC's products.	Completely integrated branch that must comply with MNC's strategy. Swedish head office in Stockholm.	SME quite independent, but still must align with parent's directives.	Suppliers moved to the MNC, and SME now sources only from them. No local sourcing pre-acquisition, however.	Extensive shift from local focus to MNC focus, but not due to shift in sourcing. No interaction with the local region. Not a "Gothenburg company" anymore.

**Table 4. Barex Acquisition Summary**

#### 4.4 Company X

The interviewee asked that the company name and his/her name be anonymous for this study. Hence the company is called "Company X" and may also be referred to as "the company" in this section. The company develops and sells revenue management software to telecommunication companies to handle their interconnect and roaming business. The company was acquired by a Canadian firm in October 2018, after having operated on its own for ten years. The acquisition process started in January of 2018 and went on for a while with lawyers being involved and was then put on hold for a while. In July of 2018, the process was restarted with remote meetings and documentation sharing, office meetings, local interviews et cetera. Everything was still on a management level, and the employees were not involved. By October the deal was done and everything was announced internally, and in November there was an official press release announcing the deal.

The interviewee is a site manager at Company X, whereas previously, they were the project office head and responsible for service delivery. The company sells for approximately 25 million SEK (2,3 million euros) and has 11 employees. The acquiring firm is also active in the IT-sector. The interview was conducted face-to-face at the office of Company X.



#### 4.4.1 Motives

The Canadian firm decided to acquire Company X in order to integrate Company X's product into their portfolio and continue the development of it. Hence, the acquisition was motivated by strategic asset seeking, as per Dunning (2000). Furthermore, in accordance with Chen (2008), the acquisition is considered a capability procurement.

#### 4.4.2 Foreign acquisition

As mentioned previously, the acquisition was motivated by strategic asset seeking. Before the acquisition, working at Company X was characterized by efficiency, ease of changing directions, and making decisions. The company was small, and everyone knew each other. Post-acquisition, there is still a degree of flexibility in the office; however, some major decisions need to be discussed with the head office in Canada. A few other noteworthy changes that happened were that a few people in the office got new positions within the MNC-group. Moreover, the company is in the process of changing their IT-infrastructure provider away from a local supplier, towards using the MNC's infrastructure.

The company is still implementing some of the more practical and basic things which did not happen overnight, such as changing the company logo on the door. However, the company was fast in terms of announcing the acquisition to the employees, customers, and suppliers, but this did not change the day to day work. Nevertheless, the company is in the process of becoming fully integrated into the MNC network. For example, they quickly changed their email addresses to the ones used by the MNC, and they are adapting their product to being compatible with the ones sold by the MNC. The integration process is running smoothly, according to the interviewee.

The acquisition was not well received on a personal level among the employees, though they understood that in order to grow, the acquisition was necessary. However, many employees, including the interviewee, started working at Company X because they wanted to work in a small business environment. He/she mentions though that there are perks with working at a large company. In the end, only one employee ended up leaving the firm. The acquisition has mostly been positive to the company since they both kept their old clients and have gotten new ones. The owners wanted to make sure that their lives' work would keep on running mostly like before and still be able to grow.

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The MNC did not bring in new employees, only remote management. However, a company that had been acquired by the MNC a few years ago is going to move into the same premise as Company X, which means that some new people will be around, though working on different things, which is positively perceived at Company X. The interviewee lost their position as a result of the acquisition but got a different job within the same company. No new technologies were brought into the company as a result of the acquisition, and everyone is still working on the products they sold before. The MNC bought Company X for *their* products, not in order to push them to work on the MNC's own products.

#### 4.4.3 MNC-SME Relationship

The position of Company X in the MNC network means that they are now part of the Nordics operations of the MNC and thus answer to the office in Stockholm. The SME has, therefore, become an integrated branch of the MNC network. The interviewee says that they have a good relationship with the other MNC network companies; however, that Company X had to be better integrated into the network than many others.

*“We needed to be integrated better than others because we had a competing product. The other companies- they have more been ‘moved-ins’ and worked as before. Same processes, everything. Nothing was really changed.”*

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Nevertheless, there is good cooperation between companies in the network, especially in terms of R&D. They have many remote meetings with other offices, an example being with the Australia office where Company X has located one of their employees who is indispensable for them in terms of R&D. This is perceived as a very positive aspect of the acquisition.

The management of the company, on the other hand, is run more or less the same as before the acquisition. The interviewee says that the acquisition was necessary in order to grow more. Considering also that many managers got good positions within the MNC after the acquisition, Company X is still able to be fairly independent and move in the directions they want to. Nevertheless, the acquisition changed the way they sell their products. Previously they used distributors and had local collaborations with big telecommunications companies, whereas now they sell directly through the MNC. This is considered a good thing by the interviewee since they now do not need the middleman to reach out to their clients. Furthermore, they now have more

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power vis-à-vis their clients since they have the backing of the MNC. However, their position within the MNC network has not changed in any noteworthy way since the acquisition. They have trained a few people and given up the sales part, but apart from that, there is nothing noteworthy.

#### 4.4.4 Sourcing

The company has some outsourced staff in Ukraine working on quality assurance. They test the quality of the products that the company develops and have been doing so for about seven to eight years now. They might change that since they are now part of the MNC, but it has not happened yet.

The local IT-infrastructure was outsourced a few years back to a local company. The contract runs out at the end of the year, and the company will start using the MNC's IT infrastructure when the contract ends. The migration towards the MNC infrastructure has begun and will be finished at the end of the contract. The collaboration with the local company has been going well, however. However, the MNC has an IT-policy that the company has to follow, and that is why they are moving towards using their IT-infrastructure. The directive was not well received at first, but in the end, they anticipate that it will work out nicely.

*“Like with all the changes, people were very reluctant to change. ‘Why are we doing that, that's gonna be bad’, and everything. But now, it's working well. Even things that were impossible to do before. ‘It's, oh, it's working quite good this way.’ So, I think it's more of having our own set of tools. Our own. We can handle everything ourselves now that it's being shared.”*

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#### 4.4.5 Regional Embeddedness

The company does not have a lot of local customers, but in terms of office location and the possibility to employ people, Gothenburg is a great place for the company. The interviewee mentions the different universities as an example. However, there are no big local networks to which the company adheres, mainly large international roaming focused networks such as GSMA. They have participated in fairs at the universities, however, and had people doing their final thesis work for them. They do not have any competitors in the local area, nor any real collaborations. The company is part of GSMA, and locally they work to some extent with Ericsson at Lindholmen, but the latter collaboration is not as important as it was before the acquisition. However, the

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interviewee foresees that the introduction of 5G and the Internet of Things (IoT) is going to make local partnerships more important in the future.

As of now, the acquisition has changed their relationship to the local networks. As previously mentioned, they changed their IT-sourcing partner, and have cut down on their collaboration with Ericsson. Hence, their engagement in the local community has decreased as a result of the acquisition. The interviewee mentions that some of the changes happened overnight since everyone realized that they were not as dependent on the local region in order to manage things, such as sales, and instead could turn to the parent company for help. Furthermore, despite still having a contract with the IT-supplier, the interactions with them have decreased significantly since the acquisition. However, since the company has been around for a long time, they still feel embedded locally, as if they are a Gothenburg company and part of the local community. They have, for example, been in touch with hotels and other training companies that are interested in IT. Otherwise, they do not socialize with other companies in the area.

#### 4.4.6 Summary of Company X's Acquisition

<b>Company X's Acquisition by Canadian Firm</b>						
<b>Time of Establishment vs. Time of Acquisition</b>	<b>Motives for Acquisition</b>	<b>Effects on Operations</b>	<b>SME's Position within MNC Network</b>	<b>SME's level of autonomy</b>	<b>Effects on Sourcing</b>	<b>Effects on Regional Embeddedness</b>
Established in 2008.  Acquired in 2018.	SME acquired for its superior product to integrate it with the rest of MNC's portfolio. (strategic asset seeking; capability procurement)	Lower SME efficiency and flexibility in decision-making. Employees got new positions within MNC. Strong focus on R&D via cooperation with other branches. Larger sales base.	In the process of becoming fully integrated. Important role for having a strategically important product.	SME has a good degree of autonomy, but they have had some directives from the MNC.	The SME has changed their local supplier for IT-infrastructure and is moving towards using the MNC's instead.	They have stopped using their local supplier and also ended some local partnerships for other ends.

**Table 5. Company X Acquisition Summary**

## 4.5 Consensum

Founded in 2018 as a labor of love for the field of printed electronics, Consensum/Ynvisible Production AB is a Swedish producer and manufacturer of screen-printed electronics. The SME itself is located amidst a cluster of companies related to the printed electronics industry in Linköping, Sweden. Ynvisible was a customer of Consensum for quite some time and raised a significant amount of money in their plans to evolve to roll-to-roll mass production and scale up their own product. The CEO of Consensum AB then took discussions with Ynvisible, and eventually, Ynvisible accepted to evaluate the company. Consensum AB was only one and a half years old when it was bought up by Ynvisible in August 2019. Only three people worked for Consensum at the time of the deal, with a turnover of around 3.5 million SEK (322 thousand euros).

The interview was done remotely over Skype on March 24<sup>th</sup>, 2020, with Tommy Höglund, the Vice President of Sales and Marketing for Ynvisible and Managing Director for Ynvisible Production AB (Swedish Unit). Höglund was one of the owners of Consensum AB when it was purchased by Ynvisible but was not directly involved in the operations and decision-making process during the acquisition. His deep familiarity with Consensum's general operations, reasonings, and subsequent position within the company post-acquisition, however, make him a very credible interviewee.

### 4.5.1 Motives

Consensum was acquired because Ynvisible wanted to scale up its production to roll-to-roll manufacturing and was already a previous customer of Consensum, and thus familiar with the potential for a productive acquisition. As a result, the acquisition was motivated by efficiency seeking as per Dunning (2000). It can also be seen through the lens of strategic procurement according to Chen (2008).

### 4.5.2 Foreign Acquisition

Consensum AB was acquired by Ynvisible, a company that was founded in Portugal but whose mother company is from Canada. According to Höglund, Consensum's operations were that of a typical start-up work environment with only three people- very dynamic and often shifting types of work. Höglund notes that their operations were undertaken with a very entrepreneurial mindset.

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*“This was, perhaps, not the smartest business decision if you're an investor and looking for a return on investment in the short to medium time range. But we did this investment, and really made it with our hearts, to try to grow this technology field in Sweden since Sweden has a strong position when it comes to the research and development side in the field of printed and organic electronics.”*

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The acquisition itself was perceived quite well, with everybody on board as it was an opportunity to grow the business and its sales. Consensum AB did not experience any significant changes upon the acquisition. Through extensive communication with Ynvisible regarding Consensum’s goals, it was agreed that Consensum had their processes and could keep working with its set-up. More of a focus on growing the business did occur, and sales have subsequently increased. Ynvisible bought into the equipment and processes that Consensum had and saw that it was useful for scaling up as intended. Consensum has additionally been working a bit with Ynvisible’s electrochromic display technology they have introduced.

#### 4.5.3 MNC-SME Relationship

Ynvisible is a small start-up itself, so Consensum shares a very tight collaboration with them, and the companies often communicate with each other on a daily basis, including the other units within the Ynvisible network. There is the perception that Consensum has an important position within the Ynvisible network and indeed remains as independent as they would like without any real “overreach” from Ynvisible. Höglund did admit that there are some restrictions in the decisions Consensum can make in so far as investments, but they are quite free altogether.

Consensum’s relationship with Ynvisible does not significantly affect their actions locally, if it does not, in fact, strengthen its abilities to collaborate with other local companies as a result of its growth. There are no cases of Ynvisible restricting local activity, and Consensum’s position within the Ynvisible group has not changed since they were first acquired. Thus, it has not been difficult for Consensum to balance its operations between Ynvisible and the local area of Linköping.

#### 4.5.4 Sourcing

Consensum’s primary sourcing targets consist of screen-frames, inks, services for the printing and conversion line, testing, etc. These are some of the core competences of Ynvisible productions in Linköping, so they are very free to do this in the way they think is best so long as they keep within

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their budget. Höglund revealed that their suppliers are a mixture of both regional and local actors. There is a cleanroom area within their facility for which the necessary ventilation is done via local services, but their screen-rolls are from a UK company. The ink is also internationally sourced.

*“I would say that, since we are working in this specific field, we don't purchase much locally, so to say. Pretty much everything is bought from international vendors.”*

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Ynvisible did not have a production line before they acquired Consensum. They did not have any knowledge that they could add to Consensum, so Consensum essentially had the free reign to determine how to conduct their own sourcing operations. Consensum itself, conversely, does not source anything outside of some occasional IT work from within Ynvisible's network.

*“It can be a challenge to source different things when you're a start-up. Lack of trust can lead to a necessity for down payments and stricter requirements.”*

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#### 4.5.5 Regional Embeddedness

There is a very evident feeling that Linköping is a strong business region, particularly in the “high tech” area. Consensum is positioned between the Linköping and Norrköping region because of its strategic location next to key research groups. Höglund was passionate in describing the feeling that the business itself “originated from research”. Although they are not as active socially in the regional area any more now that there has been an increase in sales, more so on an international level now than ever before, there is still the feeling that they are well-connected locally. Consensum is involved in collaborative networks, which they feel are, on their own, quite important from the perspective of recruiting and new potential customers. Additionally, Höglund stressed the importance within their industry to be updated on the latest research and development taking place at Linköping University and one of the strongest research groups in the world in the field of printed and organic electronics.

Ultimately, Consensum feels that they are “absolutely” a part of the local community, but Höglund felt that it would be exaggerating to say that they are “important”. In terms of collaboration, Consensum rents out some of its space to other local businesses and collaborates with other local businesses where possible, as was “part of the Consensum idea” in Höglund's words. This region

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has a very strong cluster in the printed electronics industry, and there is conversely, much collaboration between organic technologies.

*“We’re global and we’re local. We’re here for a reason, and that is all because it was possible due to the strong research at Linköping University and the start-ups originating from that environment. Yes, these start-ups do collaborate with each other, and together end up creating the small mass that is printed electronics, and together we create something that is important for global actors. The local knowledge that has been created between these research institutes and the start-up companies make the local network will be very strong.”*

#### 4.5.6 Summary of Consensum’s Acquisition

Consensum’s Acquisition by Ynvisible						
Time of Establishment vs. Time of Acquisition	Motives for Acquisition	Effects on Operations	SME’s Position within MNC Network	SME’s level of autonomy	Effects on Sourcing	Effects on Regional Embeddedness
Established in 2018.  Acquired in 2019.	SME acquired for expansion of MNC’s roll-to-roll manufacturing. (efficiency seeking; strategic procurement)	SME’s system left in place, but focus shifted on growth. Increased sales.	Both companies relatively small. SME maintains an important position as a producer.	Great level of autonomy and independence from MNC in congruence with plans communicated during the acquisition.	Little to no effect on SME’s sourcing. MNC did not have a production line nor anything to source to SME pre-acquisition.	Less connected with the region’s social networks as a result of increased global sales, but greater potential for collaborations between companies.

**Table 6. Consensum Acquisition Summary**

#### 4.6 Rullpack

Rullpack is an SME located in Reftele in the plastics region of Småland. The company produces plastic bags, mainly for use in garbage bins, construction works, shops, and hospitals. Rullpack has about 50 employees and a turnover of around 21 million euros (approximately 228,3 million SEK). The company was acquired in March 2019 by the Lithuanian company AB Plasta, which operates in the same business but is more specialized in recycling. AB Plasta was already present in Sweden when they decided to acquire Rullpack and integrate them into their group.



The interview was done on Skype with the manager and CEO Edmundas Šameto, who had previously worked within the Plasta Group and was sent to Rullpack in July 2019 when the previous management team quit. Thus, he is relatively new to the company but has a good grasp of how things have changed since the acquisition.

#### 4.6.1 Motives

AB Plasta acquired Rullpack in order to take over their production line. Furthermore, Plasta wanted to increase their market share in Sweden and gain additional clients in other countries, such as Norway. Thus, the acquisition was motivated both by market-seeking and efficiency-seeking as per Dunning (2000). Hence, the motive as per Chen (2008) is strategic procurement, since AB Plasta was already present in Sweden and simply wished to grow in the market.

#### 4.6.2 Foreign Acquisition

Rullpack was on the brink of bankruptcy as a “lemon” when AB Plasta decided to make their move, as Plasta realized that Rullpack would not be able to turn down their offer. According to Edmundas, the company was going bankrupt due to erroneous management decisions and a lack of knowledge of the industry.

*“Ah, there was some wrong management decisions. There was a lack of experience in the plastics. So, that was the main reason, because Plasta is around 60 years of experience in recycled materials and overall production. So, we brought a lot of experience in the company.”*

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Since the company was on the brink of bankruptcy, the acquisition was perceived well among the employees, since their jobs would be saved. However, the management team at Rullpack quit shortly after the acquisition due to the changes that were made. According to Edmundas, they did not trust the new owners, nor communicated with them in a good way.

The changes that happened were so that Rullpack had to evaluate their supplier. Rullpack now mainly buys their recycled materials from Plasta. Rullpack also had to make technological changes in the machinery, implement other material changes, start selling Plasta products, and so forth. Furthermore, they are continuously implementing changes in Rullpack. These changes, however, have not been forced through in a stressful manner, but they have rather been introduced slowly.

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There were some difficulties with the language barrier at first, since Edmundas does not speak Swedish, but he was happy that the Swedish workers tried to communicate in English with him. Moreover, he had had many meetings with the workers' union since there was a learning curve for him to adapt to Swedish labor laws, but these meetings had been positive.

#### 4.6.3 MNC-SME Relationship

Within the Plasta group, Rullpack plays an important part. The company produces about half the output of the parent company but has approximately a tenth of the number of employees, which points to a high degree of automatization, a point stressed by Edmundas. Furthermore, the plan is to introduce more operations into Rullpack so that it will do the same things as the Plasta parent company, namely recycling, scrapping of plastics, cleaning of plastics, et cetera.

Moreover, since Edmundas was originally from the parent company, he was put at Rullpack in order to implement the plans proposed by the parent company. Due to this, Edmundas and Rullpack (by extension) have a good connection to Plasta. The relationship does not restrict Rullpack from operating in the way it wants, though Edmundas' aims for the company are the same as those of Plasta, which he emphasizes. The only restriction they have is that they have to buy recycled materials from Plasta, which is not negative in any way according to Edmundas since Plasta offers them the highest quality to the lowest market price. They have other suppliers for recycled materials as well, as a backup in case Plasta cannot deliver for whatever the reason. Moreover, the relationship with Plasta does not affect Rullpack's actions locally. Instead, the acquisition has been received positively by Rullpack's previous clients since they also knew Plasta and were thus happy that they can now purchase Plasta products via Rullpack.

Edmundas states that he is as independent as he would like. However, if Rullpack wants to make a financial decision including more than 50 000 euros, they are going to need the support of Plasta since it will be considered an investment. Nevertheless, Rullpack's position within the Plasta group has improved since it was acquired since the companies now have developed a sense of responsibility towards each other. However, in business terms, Rullpack still treats Plasta as any other supplier, and there is no problem balancing the operations within and outside of the group.

#### 4.6.4 Sourcing

Today Rullpack mostly sources materials, such as granules, to make plastics. Most of their suppliers are located in Europe and the Arab countries. They have some local suppliers, but a lot

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has changed since the acquisition. Previously, Rullpack had many more suppliers in the local area, but Edmundas had to make an evaluation and prioritize price more than before.

*“They [Rullpack] used more local suppliers. They used more. And when I came, I started to change this because Swedish pricing is higher and you can get almost, almost the same quality, if not really lower prices.”*

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According to Edmundas, there are companies in Sweden that are able to offer lower prices, but most of the suppliers are located abroad. However, Rullpack still has some local suppliers, since it is necessary to use them sometimes as they can deliver faster than other suppliers. Otherwise, however, one can still get the same quality from abroad at a lower price. Edmundas states that sourcing is easy, and there have not been any problems in terms of sourcing. Prior to the acquisition, there were no problems either, as far as Edmundas knows. However, considering that he made changes in their supplier list because of pricing and that Rullpack was going bankrupt before the acquisition, this statement seems odd.

Moreover, Rullpack is focusing less on the local region, as can be seen by their shift in suppliers, towards focusing on Plasta as an important supplier. According to Edmundas, whereas Rullpack did not source from Plasta at all before the acquisition, they now source about 25 % of all their material from Plasta, since recycled material has become an important business for them. As previously mentioned, the directive to source recycled materials from Plasta was well perceived within Rullpack since this is financially beneficial to them.

#### 4.6.5 Regional Embeddedness

Rullpack is, as previously mentioned, located in the “plastics center” of Sweden. Rullpack does engage in business with some of the local companies; for example, they have some business collaborations and help each other out with small things as well as compete in the market. They sometimes also share their experience with one another. However, Edmundas tries to keep an arms-length distance to the other companies.

*“They're not vital for me. Anything could be done without them, of course. But sometimes, they help a lot to decrease the time of, for example, getting stuff inside here. For say, for example,*

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*spare parts or some things for production to get less damage.”*

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Edmundas also thinks that the level of collaboration between Rullpack and the other companies is the same as before, since many of the companies in the area, according to him, are very closed. Furthermore, he states that Rullpack kept its doors closed to other businesses before as well. When asked whether he felt locally embedded, as if the company had important ties to the local community, the answer was unambiguous.

*“What do you mean the ‘local community’? I don't care! For me, the local community does not give me too much. I only try to lean on the services I'm using from the local community. I mean, for fixing things, buying things, and having all the small companies that help to run my factory.*

*Otherwise, other places... companies... they don't give me much.”*

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Hence, local companies provide some maintenance services to the company. Otherwise, the relationship with the Plasta group is considered much more important than Rullpack's relationship to the local region. Rullpack is thus very much focused on running a profitable business that sources what it needs when it needs it without focusing excessively on keeping the sourcing local or networking within the local community. However, Edmundas mentioned that one of the benefits of running a Swedish company is that Swedish people like to buy Swedish products and are oftentimes prepared to pay a premium to ensure that the products are produced in Sweden.

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#### 4.6.6 Summary of Rullpack's Acquisition

<b>Rullpack's Acquisition by AB Plasta</b>						
<b>Time of Establishment vs. Time of Acquisition</b>	<b>Motives for Acquisition</b>	<b>Effects on Operations</b>	<b>SME's Position within MNC Network</b>	<b>SME's level of autonomy</b>	<b>Effects on Sourcing</b>	<b>Effects on Regional Embeddedness</b>
Established in 1976.  Acquired in 2019.	SME acquired for production facility and customer base. (market seeking / efficiency seeking; strategic procurement)	Previous management team of SME quit. Large tech upgrades in SME production line. Edmundas sent from MNC to manage SME.	SME considered large and important subsidiary with future expansion plans.	Degree of autonomy, though SME's goals are aligned with those of parent.	Extensive change in suppliers, many local ones removed. MNC became an important supplier to SME.	Not much interaction with local region, just at "arms-length" distance and business relationships. Local suppliers removed.

**Table 7. Rullpack Acquisition Summary**

#### 4.7. T-Engineering

T-Engineering is a Swedish project-based engineering SME located amidst a cluster of engineering and automotive companies in Trollhättan, Västra Götaland. Initially a spinoff from SAAB automotive, the company specializes in the design and development of automotive projects, particularly in the area of engine control systems and car electronics. Software development is their primary activity, but this is often merged with various hardware produced from all over the world. From its start as a 16-employee operation in 2012, T-Engineering has grown to currently employ 82 workers at their location in 2020 in addition to a rotating number of contractors and has a turnover of roughly 140 million SEK (12.9 million euros).

The interview was done in person on March 5<sup>th</sup>, 2020, with the founder and CEO Klas Lundgren, who previously owned T-Engineering and had additionally worked within SAAB before its founding. Thus, he is familiar with T-Engineering's operations and decision-making before, during, and after the company's acquisition by the Chinese car manufacturer Dongfeng in 2014.

##### 4.7.1 Motives

T-Engineering was acquired by Dongfeng for their prowess and knowledge of engine control systems, particularly with hybrid and electric vehicles. T-Engineering's ability to produce and design software for engine control systems with applications for gasoline, hybrid, and fully electric

vehicles, in combination with its status as a young start-up, were the catalysts in Dongfeng's acquisition of T-Engineering for knowledge development and strategic practice of managing a company abroad. Hence, the acquisition was motivated by efficiency seeking and strategic asset seeking, as per Dunning (2000). Dongfeng wants T-Engineering to "lead the way" in this sense as "Western Experts". Thus, it is also evident that T-Engineering was acquired due to capability procurement (Chen, 2008).

#### 4.7.2 Foreign Acquisition

Dongfeng had been the largest customer of T-Engineering since their foundation in 2012 and made a bid to acquire 70% of the company only a year afterward in 2013. Full ownership of the company was acquired by Dongfeng Motors in 2014, which conversely has an extensive network of subsidiary companies and a turnover of 934 billion SEK (85.2 billion euros). There was a very gradual change in terms of T-Engineering receiving more and more support from Dongfeng and congruently becoming more strategically involved. Due to their specialized operations and small team in comparison to Dongfeng Motors, T-Engineering was and is able to move quickly and dynamically in contrast to the slower, more bureaucratic operations of Dongfeng. As a result of this specialization and increased cooperation with Dongfeng, T-Engineering have found themselves slowly becoming the "celebrities" of Dongfeng, and as a result, have received a bit more control over what they want to do. Dongfeng has become more of a development center while T-Engineering still maintains "fantastic freedom". According to CEO Klas Lundgren, he has "never worked in a friendlier organization" than this one.

*"I think that is also why we have freedom: because they are using us to learn. They typically ask us things like "what is working?", "what is not working?", and "how can we learn from it?"*

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The acquisition itself was not a major change. Among the largest changes was that T-Engineering gained the ability to make full strategic decisions with help from Dongfeng. Dongfeng actively wants to invest and help, but this is a long process, and the approval for any significant investments is not necessarily quick at all due to the government-owned nature of Dongfeng Motors. The speed of some joint operations has thus changed, but not in a significantly impairing manner. The acquisition has brought in a large number of projects, and additionally brought in more than a few new employees and access to a fantastic customer network through Dongfeng's connections both

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internally and externally. T-Engineering itself is now more focused on developing the new technology within Dongfeng.

*“We get involved in all the fun projects.”*

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#### 4.7.3 MNC-SME Relationship

T-Engineering has maintained a good relationship with the rest of the MNC Network, with top leaders from Dongfeng HQ on the T-Engineering Board. Dongfeng Motors is an expansive company with numerous subsidiaries, however. There is still the presence of competitors within the company (e.g., Honda, Nissan, etc.). Despite the presence of competition, there is still significantly close cooperation between T-Engineering and Dongfeng Motors. There is an active exchange of workers between Sweden and China, with representatives from Dongfeng Motors at the office in Trollhättan and engineers and consultants from T-Engineering working on-site in China.

*“So today we have one person on-site to help us, I would say, and he is really here to help us. Of course, he sends a report back. So, if we do something wrong, I'm sure they would know... but we don't, so that is no problem.”*

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#### 4.7.4 Sourcing

While Lundgren stressed that T-Engineering is not a production company and, therefore, does not source in the same manner as the typical company in the automotive industry, T-Engineering does prefer to buy and source locally to develop those networks. Their sourcing patterns encompass 20-25 overhead staff, mechanics, service personnel, engineers, software, and IT. Interestingly, Dongfeng was quoted as ‘definitely encouraging’ T-Engineering to outsource locally, as China wants “Western Experts”. T-Engineering was not engaged in any local sourcing before the acquisition at all, however, being more focused on their own operations as a small start-up. T-Engineering additionally does source within Dongfeng itself to a limited extent, mostly comprising car activity, tooling work, in-house automotive parts, and electronic parts from some of Dongfeng’s subsidiaries.

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*“If we were a production company, this would be very different.”*

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T-Engineering did not have a long history necessarily before being obtained, so their sourcing history pre-acquisition was not expansive. Aside from encouraging the company to source locally, Dongfeng does not often direct T-Engineering to source in a certain way. According to Lundgren, it has been done in the past but is not often necessarily successful, so there is veritable care not to adopt a system that does not work effectively for Dongfeng or T-Engineering. One example of this is, upon receiving the investment, there was a list of suppliers provided that had the same type of equipment. Dongfeng did approve of the fact that T-Engineering switched to Lenovo, but that was more of a coincidence than a coordinated effort.

#### 4.7.5 Regional Embeddedness

T-Engineering often sponsors clubs and schools within the region, often bringing students in for summer work from Chalmers in Gothenburg. Finding the right people is considered to be extremely important, so T-Engineering considers these regional relationships quite valuable. With this said, labor for T-Engineering is usually more competence-based than regional-based. There is also the sentiment within the company that T-Engineering is a fantastic exporter and has enjoyed increased regional networks as a direct result of the success of their business. T-Engineering is trying to be involved as much as possible regionally.

*“We’re still very much Trollhättan.”*

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With regard to the acquisition, the way T-Engineering engages with its local community has not changed, but it has developed as T-Engineering has grown. Trollhättan is a small city, so people do know people and regional networks are quite notable- but things are still kept “professional” between companies, not so close to reaching a “family and friends” level. Still, the network of employees and companies within Trollhättan is substantial enough that both cooperation and competition can be veritably observed- particularly in contrast to the neighboring city of Gothenburg. There are multiple local companies that T-Engineering has collaborated with, such as Arcor, AVL, and Systemite, and local builders have been utilized for every significant investment. This “small town” networking is mostly viewed as positive but is considered by

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Lundgren to be a bad thing in terms of resources, as stealing employees is the source of much competition.

*“We’d never go to Gothenburg to find something if we can find it here (...) Gothenburg has harder competition within the industry.”*

#### 4.7.6 Summary of T-Engineering’s Acquisition

<b>Time of Establishment vs. Time of Acquisition</b>	<b>Motives for Acquisition</b>	<b>Effects on Operations</b>	<b>SME’s Position within MNC Network</b>	<b>SME’s level of autonomy</b>	<b>Effects on Sourcing</b>	<b>Effects on Regional Embeddedness</b>
Established in 2012.  Acquired in 2014.	SME acquired for its knowledge / know-how and strategic development of MNC. (strategic asset seeking, efficiency seeking; capability procurement)	Expansion of SME’s projects in scale, number of employees, and SME-MNC cooperation.	Small, but important subsidiary in a vast internal network of competitors within MNC.	Great level of autonomy as encouraged by MNC.	Increased sourcing capability locally and globally.	Increased connectivity with region. “More money, more friends”.

**Table 8. T-Engineering Acquisition Summary**

#### 4.8 UmanDiagnostics AB

UmanDiagnostics AB is a Swedish SME operating in the field of in-vitro diagnostics with a focus on neurological diseases. The SME itself is located in Umeå, Sweden, and its operations largely consist of producing an enzymatic two-site immunoassay for quantitative determinations of NF-light in human cerebrospinal fluid, which ultimately helps inform patients of disease at an early phase. The framework of the company was founded in 2006 as a spinoff company from Umeå University, resulting from the thesis work of Niklas Norgren, its founder, former CEO, and now General Manager. In 2020, there are currently eight people working in the company with an approximate turnover of 21 million SEK (1.9 million euros) in 2018. After working together with Quanterix Corp. for a number of years and developing an excellent working relationship as one of

their largest providers, UmanDiagnostics AB was finally acquired by Quanterix on July 1<sup>st</sup>, 2019 for the purposes of knowledge and resource acquisition.

The interview was done remotely over Skype on March 29<sup>th</sup>, 2020, with Niklas Norgren, the founder, former CEO, and current General Manager of UmanDiagnostics AB. Norgren has been working with UmanDiagnostics AB since 2006 and is intimately familiar with the acquisition and the events leading up to, during, and after it.

#### 4.8.1 Motives

Quanterix reportedly was seeking access to the antibodies utilized by UmanDiagnostics and was additionally seeking the knowledge from the company, as UmanDiagnostics had been in business since 2006 and had developed a good reputation. Accordingly, the acquisition was motivated by efficiency seeking and strategic asset seeking, as per Dunning (2000), and furthermore by capability procurement (Chen, 2008).

#### 4.8.2 Foreign Acquisition

UmanDiagnostics had been working together with Quanterix for a number of years, as Quanterix was one of the largest customers. A close relationship between the two businesses had emerged, and Norgren describes the acquisition as more of a merging/partnership than an outright buyout.

Norgren described UmanDiagnostics to be a quite nice place to work at, with its employees working towards common goals as a team in an altogether easygoing atmosphere. In a fashion similar to many Swedish SMEs, there is a relatively flat hierarchy that encourages the input and feedback from each employee, should they want to give it. Following this, the acquisition was received quite positively. Norgren described that the employees were excited and generally felt it was the next step towards the company's development. Among the more noteworthy changes witnessed post-acquisition is that Quanterix is a public company traded on the NASDAQ stock index- so UmanDiagnostics is required to report the appropriate financial data to Quanterix, who can then report their quarterly finances. Aside from this, Norgren describes very little actual changes within UmanDiagnostics.

*“I think that has to do with how Quanterix looks upon acquisitions, okay. They do not want to change anything which works fine. So, they don't feel the need for micromanagement in any way.*

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*We are doing what we do the best and we are working together with Quanterix to improve.”*

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UmanDiagnostics has the responsibility for its own budget, but they do share common goals with Quanterix with regards to progress and future plans. Quanterix does not employ “everyday” control over UmanDiagnostics, but Norgren does highlight that they have recurrent meetings and sales reports to Quanterix. Quanterix additionally has complementary technologies to UmanDiagnostics, but these technologies have not been integrated into the company, as UmanDiagnostics intends to continue on its current technological platform. UmanDiagnostics has, however, gained a significant sales platform with Quanterix, and has ultimately become a much larger organization.

#### 4.8.3 MNC-SME Relationship

Quanterix quite recently acquired another US company, so UmanDiagnostics is not the only “daughter” company, but Norgren did not give any implication that UmanDiagnostics felt explicitly different to work at or operate post-acquisition. From Norgren’s own perspective, both companies represent different branches of the Quanterix group. The acquisition has imposed some changes, but day-to-day business is proceeding as usual and thus UmanDiagnostics is quite satisfied with its current independence. UmanDiagnostics’ actions have not been impacted locally, and Norgren expressed that, on the general term, UmanDiagnostics can very much act locally in the same way that they did before. What directives Quanterix has given have been accepted within the company without any significant complaints, but these directives have introduced no major changes. Additionally, no major changes have occurred in the position of UmanDiagnostics within the MNC-network, but this could also be due to the recency of the acquisition.

*“It hasn’t been difficult at all to balance operations between the MNC and the local area.”*

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#### 4.8.4 Sourcing

UmanDiagnostics does not purchase a whole lot locally, as Norgren informs that “more or less everything” is bought from international vendors. There is a weekly cleaning of the premises, which is still necessary and naturally employs services that are local. Raw materials, however, are done on the national or international level, and raw materials for production are the most-sourced goods by UmanDiagnostics.

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*“There simply are not any vendors [locally] which can offer the raw materials that we need. They are, to the major part, international.”*

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UmanDiagnostics has had and continues to have no difficulty finding vendors for sourcing before or after the acquisition, and Quanterix has not imposed any restrictions on them in doing so. As UmanDiagnostics is in the field of in-vitro diagnostics, they are subject to harsh legislation, which governs that they are not necessarily free to do and choose whatever they want when sourcing raw materials, and as such, their vendors are under quite strict guidelines. UmanDiagnostics cannot easily make any changes regardless, or else it will have an impact on the CE labeling of their product. There have been no directives from Quanterix for UmanDiagnostics to switch to adopt Quanterix’s own guidelines.

#### 4.8.5 Regional Embeddedness

There is the perception from UmanDiagnostics’ side that the local region of Umeå is a great place for business. The local university is seen as a great resource for talent acquisition, and Norgren is quite active with the local network in Umeå - particularly the biotech business incubator and the Uminova science initiatives which develop new companies in their industry. The local networks that Norgren is involved in are primarily business-related, but Norgren considers these networks quite important as they afford both him the ability to interact with companies in similar situations and the ability to seek help when in the start-up and knowledge-gaining phases. It is worth noting that UmanDiagnostics does not have any *specific* relationship to the local network. They started as a business in the biotech incubator, so they consider themselves an alum of that field. UmanDiagnostics ultimately gains the possibility to use “common knowledge” by interacting with these networks.

*“It's a great place to conduct business. We don't have any customers here- our customers are somewhere else- but we have the university, which is great for educating people that can be hired in different companies here.”*

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Norgren ultimately carries the perspective that the businesses in the local network around UmanDiagnostics often help each other out, even though they might not do so in an “everyday” fashion, but by assisting in answering questions from other businesses and the light sharing of

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knowledge. UmanDiagnostics' relationship to the local network itself has not changed since the acquisition by Quanterix. In terms of regional embeddedness, Norgren describes that little to no changes have occurred as a result of the acquisition. Norgren does then highlight that the growth and development of the company have led to UmanDiagnostics not needing to be a major part of the network, as they now have their own organization which is working smoothly. When UmanDiagnostics was in the start-up phase, Norgren describes that they were more dependent on the local networks in business development and general advice (agreements, legal questions, expansions).

Lastly, there are no competitors in the local region, and UmanDiagnostics itself does not collaborate with any local companies, but they are "quite close" with other companies with much socialization with other businesses in the area. Despite the decrease in reliance and focus on the local network, UmanDiagnostics feels that, fundamentally, they are indeed embedded locally, and "absolutely" a part of the local community.

#### 4.8.6 Summary of UmanDiagnostic's Acquisition

<b>UmanDiagnostics's Acquisition by Quanterix</b>						
<b>Time of Establishment vs. Time of Acquisition</b>	<b>Motives for Acquisition</b>	<b>Effects on Operations</b>	<b>SME's Position within MNC Network</b>	<b>SME's level of autonomy</b>	<b>Effects on Sourcing</b>	<b>Effects on Regional Embeddedness</b>
Established in 2006.  Acquired in 2019.	SME acquired for expansion, knowledge, and access to specific protein. (strategic asset seeking, efficiency seeking; capability procurement)	Significant new sales platform and growth. SME now required to have recurrent meetings and sales reports to MNC.	Perspective that the SME represents a branch of the MNC group. No major change in relationship thus far.	Satisfactory level of independence from MNC. Able to go about business as usual.	No effect on sourcing. MNC has not imposed any kind of restrictions or demands. Relatively inflexible.	Growth of SME has led to less reliance on local networks, but changes with regional relationships as a result of the acquisition are minimal.

**Table 9. UmanDiagnostics Acquisition Summary**

## 5. Analysis

*This section analyzes the data presented in the empirical findings, through the lens of the conceptual framework. Firstly, the impact of the motives on the acquisition is discussed, then the time aspect of the changes in operation is examined, followed by the changes in sourcing, and lastly, the ensuing changes in regional embeddedness are analyzed. At the end of this section, a cross-case analysis is presented, and the conceptual framework is developed in order to better explain the observed reality.*

### 5.1 Motives' impact on Foreign Acquisition

As previously stated, according to Dunning (2000), there are four main motives for an MNC to invest in a foreign market, in this case, through acquisition, these being *market seeking*, *efficiency seeking*, *strategic asset seeking*, and *resource seeking*. These four motives, along with the two motives proposed by Chen (2008), *strategic procurement* and *capability procurement*, underlie the motive section of the conceptual framework and are therefore used in the analysis. Therefore, each acquisition has had a motive behind it that has an impact on how the acquiring firm will integrate and manage the SME. Tables 10 and 11 below illustrate the motives behind each acquisition.

**Spread of Motives for Acquiring SMEs in Study as per Dunning (2000)**

	Market Seeking	Efficiency Seeking	Strategic Asset Seeking	Resource Seeking
<b>Companies</b>	- AirSon - Rullpack	- UmanDiagnostics - Consensum - T-Engineering - AGVE - Rullpack	- AirSon - UmanDiagnostics - T-Engineering - AGVE - Company X - Barex	- N/A

**Table 10. Spread of Acquisition Motives per Dunning (2000)**

**Spread of Motives for Acquiring SMEs in Study as per Chen (2008)**

	Strategic Procurement	Capability Procurement	
<b>Companies</b>	- Rullpack - Consensum	- AGVE - AirSon - Barex	- Company X - T-Engineering - UmanDiagnostics

**Table 11. Spread of Acquisition Motives per Chen (2008)**

As described by Chen (2008), the level of control imposed on the firm is contingent on the motive of the acquiring firm, whether it be to procure new capabilities and know-how, or whether the subsidiary is meant to be used as a strategic pillar e.g., for growth. All the interviewed firms were fully owned subsidiaries, and thus, according to Chen (2008), they are supposed to have been acquired for capability improvement. This holds true for many of the firms, as was particularly

evident during the interviews with AGVE, Company X, and T-Engineering. These reasons also fall within the strategic asset seeking motive, as proposed by Dunning (2000).

However, there was also evidence of some firms having been acquired for what could be seen as strategic motives, as per Chen (2008), despite being wholly owned and not partly owned, where the parent would use the firm as a growth engine and not just a capability. These patterns were evident in the interviews with Consensum and Rullpack. The motives for acquiring these two can also be regarded as efficiency seeking (Dunning, 2000), however, suggesting that the relationship between being fully owned and the motives proposed by Chen (2008) may not be as clear cut, as there are other definitions of motives. Moreover, there seem to be other factors that also are at play which may explain the fully or partly owned acquisitions. For example, the U-shaped curve as per Malhotra & Gaur (2014), which stated that the further away or closer the MNC is to the acquired SME will influence the MNC's level of control, may help to explain this. The firm acquiring Rullpack was from Lithuania and the firm acquiring Consensum was from Canada. These countries' respective locations are close enough and far away enough from Sweden to be considered at the extremities of the U-shaped curve, and thus this may help explain why the respective firms are fully owned.

Moreover, a topic that often emerged was that there had been some sort of supplier-client relationship between the SME and the MNC. Examples of this are Consensum with Ynvisible, T-Engineering with Dongfeng Motors, and UmanDiagnostics with Quanterix. This is interesting, as it demonstrates that the personal relationships between the two firms, often the owner and/or founder of the SME, and the MNC can be important in order to make the sale happen, which is explained by the liability of outsidership (Hutzchenreuter & Matt, 2017). While not a motive in and of itself, these relationships and the communication therein are powerful as facilitating tools for the acquisition. However, it is also important to consider the reasons for the owners for selling their firm. Although this was not initially considered at the outset of the thesis, it is something that came up in every interview when the interviewee gave their account of the acquisition.

According to Alvstam et al. (2019), most acquisitions of medium-sized Swedish companies happened because of the owners wanting to slim down and further enhance their capabilities in their primary functions. However, as can be seen from the interviews, the selling of companies among the interviewed SMEs happened because of many different reasons. Most of them, however, mention the growth aspect as the primary reason for having sold the company, but since

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the interviewees are mainly small companies, these findings might complement Alvstam et al. (2019)'s notion of medium sized firms motives of downsizing and efficiency as primary motives for selling.

Additionally, as illustrated by the case of AGVE Group, the attitude of the owner, who, in the case of smaller firms is often the CEO, plays a crucial role in the selling of the company. In their case, the owners themselves actively searched for a buyer by employing external help. This was a way of reducing the liability of outsider-ship and tapping into a network of buyers (Hutzschenreuter & Matt, 2017). However, it also demonstrates that the industry in which the firms operate and the external environment, such as the structure of the market, is of vital importance since they happened to have a lucrative firm in a changing market that suited their selling of the firm.

### 5.1.1 Primary takeaways

Most SMEs acquired for strategic asset seeking and efficiency seeking motives (Dunning, 2000). Most were also acquired for strategic reasons and two for growth reasons (Chen, 2008). Moreover, the SMEs that were acquired for growth were still wholly owned and not only partly owned, as Chen (2008) suggested that they would be. This might be because the owners were either in a market close to Sweden or far away, as the two extremes tend to mean that the owner will take a larger stake in the acquired firm (Malhotra & Gaur, 2014). Moreover, the SME owners' motives for selling the firms are important, but there was no general rule as to why they decided to sell, though Alvstam et al. (2019) suggest this is due to them wanting to slim down and focus more on their primary functions. However, this might be the case for medium sized firms in general, but since we looked at all SMEs, this needs to be considered case-by-case and thus may provide complementary information to Alvstam et al. (2019). The owners of SMEs are often also the CEO and therefore their attitude to selling holds is of importance for decision making.

## 5.2 Foreign Acquisition

### 5.2.1 Changes in Operations at the SMEs

When analyzing changes in the general operations of the studied SMEs, some trends can be observed. Without exception, every acquisition had a noteworthy impact on the operations of its SME, even in cases where that impact was purely passive and positive such as the acquisition of T-Engineering. The introduction of regular meetings between the SME and its acquirer occurred in nearly every case. This is to be expected since the extant literature mentions that MNCs typically

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invest in acquired SMEs (e.g. Nicholls, 2011). In the case of T-Engineering, the company culture of Dongfeng Motors played a crucial role in how these positive changes occurred, since they wanted them to keep using local labor. This is in accordance with Child et al. (2003), and Bauer & Matzler, (2013) who mention the cultural fit in M&As and its influence on the process.

Nicholls (2011) further noted that these acquired SMEs suffer a 3-7% chance of moving away from their regions over a period of one year. While not explicitly moving, three of the studied SMEs lost previously established employees as a direct result of their acquisitions and subsequent integrations, though there is some difference between them as to when this occurred. In the case of Barex, acquired for strategic assets (Dunning, 2000) and capability (Chen, 2008), the acquisition resulted in the immediate removal of the warehouse labor force at their Gothenburg location as it was no longer necessary. Subsequently, the induction of Barex into a new company network and turbulent changes mentioned in the previous section ultimately contributed to a significant change in how Barex executed its operations, and three to four employees ended up leaving over the year thereafter. The integration itself not only resulted in Barex's selling of strictly EET products, but also an operational shift to only sell within Sweden, all of which occurred in an extremely short time frame of less than a month. This shows that the motives of the acquiring firm play an important role as to what changes may occur as a result of the foreign acquisition, such as unnecessary labor being laid off.

Company X, also acquired for strategic assets (Dunning, 2000) and capability (Chen, 2008), additionally experienced an employee loss shortly after the company was acquired. Those remaining received new positions within the MNC and engaged in a stronger focus on R&D at the cost of their efficiency and flexibility in decision-making. The day-to-day business did not change quickly so as not to jeopardize the efficiency of the company, but no other major changes have occurred as a direct or indirect result. This seems to be explained by the fact that the company was acquired due to its FSAs (Narula, 2019), and not necessarily as a growth engine for the company, meaning that the integration process mostly focused on integrating these into the already existing MNC portfolio and not necessarily change the way things were working around the company (ibid).

Lastly, Rullpack, which was acquired for its market and efficiency potential (Dunning, 2000), and was also a strategic procurement as per Chen (2008), when it was nearly bankrupt in 2019, experienced a significant change in both operation and culture as well as a dramatic loss in its

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former management post-acquisition as a direct result. These changes occurred over a few months, and the company is still in the process of transitioning today. The most noteworthy changes featured thus far have been extensive technological revamping in the production line and the introduction of a new site manager from the acquiring company. These can be expected to be due to the acquisition being made for the MNC to gain market shares and use Rullpack as a growth engine. This means that the changes in operations can be explained by Rullpack, being a lemon, having unused potential that can be exploited through the structural changes and financial inflows oftentimes seen in this type of acquisition (Tillväxtanalys, 2017; Nicholls, 2011).

A pattern is additionally visible in the growth of each SME's sales platform, even in those SME's resistant to dramatic change such as AirSon. Six out of the eight SME's interviewed (AGVE, AirSon, Company X, Consensum, T-Engineering, and UmanDiagnostics) all experienced significant elevations in their sales and clientele which subsequently impacted their operations and, in some cases, shortened their capacities for regional activity as their network horizons & contexts grew (Anderson et al., 1994; Huemer, 2017). This growth and subsequent directing of resources to sales ultimately speaks well for the development and stability of the companies but raises questions not only with regards to the regional connectivity of these SMEs but also in some areas of autonomy if the SME is dependent on the acquired company for this sales platform.

### 5.2.2 Primary takeaways

The SMEs perceived positive effects on their operations. There had been reluctance and confusion among employees when some of the firms were sold, but the acquisitions generally brought new clients and expanded sales volumes, which enhanced their network horizons (Anderson et al., 1994; Huemer, 2017). This was mostly perceived well among the employees, though in some cases employees ended up leaving the company. In one case, there had been substantial changes to the operations, but these changes were necessary since the company was on the brink of bankruptcy and thus had to make changes to their operations. This is all in line with current literature, which states that acquiring firms generally invest in the acquired ones (e.g., Nicholls, 2011). Furthermore, the motives and company culture of the MNC are important as to how the acquisition plays out in the changes imposed, as this might affect how the FSAs of the SMEs are aligned to those of the new parent company (e.g. Chen 2008; Narula et al., Bauer & Matzler, 2013).

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## 5.3 MNC-Subsidiary Relationship

### 5.3.1 Autonomy

As per the transaction theory of the firm, as laid out by Coase (1937), a firm integrates activities that it can perform better than the market. Furthermore, Narual et al. (2019) show that in addition to just the cost of the activity, it is also necessary to take the FSAs as well and their fit to the local market into account. This is necessary in order to understand how integrated the firm is going to be in the MNC network, as well as taking the motives for the acquisition into account (Chen, 2008; Dunning, 2000), and the company culture (Child et al. 2003) and cultural fit between the firms (Bauer & Matzler, 2013). The integration process was still ongoing in some of the companies, such as Company X, but in other cases, it was already done. Depending on the motives, and the fit of the FSAs to the local market, the integration process was either easy or required more time. This would eventually lead to different levels of autonomy within the SME.

The degree of an SME's satisfaction with their independence can be used as a spot indicator for potential conflict in cases where it is low, as subsidiaries generally strive to be independent of the parent (Birkinshaw & Hood, 1998). In all cases, the companies were happy with their current level of independence. Nevertheless, there had been issues in some of the companies during the integration process, which highlight some difficulties with the adaptation to the new situation. For example, at Rullpack, where substantial changes had been made, the old management team had quit. Furthermore, there had been issues between Edmundas and the union. However, the identified motives for the acquisition were "market seeking" and "efficiency seeking". Thus, it is reasonable to presume that Plasta would like to make the SME run as efficiently as possible to gain market shares, which would mean making substantial changes to the operations since the firm was on the brink of bankruptcy at the time of the purchase. Moreover, with regards to satisfaction and the natural push to gain charter according to the subsidiary evolution theory, some SMEs perceived their position as having evolved since they were first acquired and have thus expanded in charter (ibid).

In other cases, though, there was no change in charter, as the companies were generally completely independent from their owners in their day-to-day business and mostly had only formal contact with the parent company. Once again, this needs to be perceived through the lens of the motives (Chen, 2008; Dunning, 2000) and the company culture and time perspective of the acquisition (Child et al., 2003), as well as the cultural fit between the firms (Bauer & Matzler, 2013). This means that companies that acquired the SMEs for only their strategic asset and capability

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procurement, with an underlying company culture that does not micromanage everything and push for integration, will most likely see independent SMEs within the network that develop in their own technological direction. This was the case of AGVE and T-Engineering, the latter of which received considerable investments from its MNC Dongfeng Motors, through project orders, in a manner consistent with Nicholls (2011) and Griffith et al. (2004). However, other SMEs that were acquired because of the same motives outlined their overall strategy with the parent company but ran their day-to-day operations in the same way, such as UmanDiagnostics. This shows the importance of the company culture in these cases.

Moreover, according to Malhotra and Gaur (2014), equity control of the firm is linked to geographic distance in the form of a U-shaped curve. This means that MNCs whose home markets are located far away will take a higher stake in the acquired firm in order to impose control and that MNCs originating in home markets located close to the acquired firm will assume a greater stake in the acquired firm. The most evident case for this was Barex, which had been fully acquired by a Danish MNC in 2016 and since then fully integrated into the MNC network. In the case of Barex, however, the interviewee mentioned that whenever a disagreement arose between their ideas and those of the parent company, they were able to work it out. However, she also mentioned that they had to listen to the parent company and know that they support the decisions. However, this is not perceived as a real obstacle, though sometimes decision making can take a lot of time. The limitations to the decision making for the SMEs was the main problem that came up during the interviews. Several of them were used to making the decisions themselves in a fast-paced small business environment without having to confer them upon a higher instance. Nevertheless, it was seldom seen as a big issue, nor did it violate the feeling of autonomy among the SMEs.

### 5.3.2 Sizes of the MNCs and SMEs

Although the size difference between the firms was not specifically studied in this case study, from the findings, it might be presumed that the size of the acquiring firm vis-à-vis the size of the acquired firm will play a role in how the relationship plays out. To begin with, Consensus was acquired by another start-up, Ynvisible, which means there was no important size difference between the two firms, and thus the acquisition almost took on the role of a merger instead of a takeover. At the other end of the spectrum, T-Engineering was acquired by the behemoth Dongfeng Motors for Dongfeng to get a hold of their technology. However, their company culture made the acquisition slightly anomalous, as T-Engineering was both allowed and encouraged to maintain their own autonomy from Dongfeng.

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A typical theme of the acquiring firms, however, is that they are larger and want to access the location-specific advantages maintained by the acquired firms (Dunning, 2000). We found evidence for this in several of the interviews, such as T-Engineering with Dongfeng, UmanDiagnostics with Quanterix, and AirSon with E.ON. In only two of the cases did we find that the larger MNCs wanted to gain more market shares via reducing the liability of outsider ship as per Hutzschenreuter & Matt (2017), namely those of AirSon with E.ON and Rullpack with Plasta. This might be due to the fact that Sweden is a relatively small market since many of the firms have a vastly greater home market (Dongfeng in China; Canada for Ynvisible and the buyer of Company X), or they already had a presence on the Swedish market and simply wanted to reduce competition or expand their portfolio (Barex with EET Europarts).

Previous literature has shown that the biggest, most productive SMEs (cherries), as well as the smallest and least productive SMEs (lemons), have the highest chance of being acquired (Nicholls, 2011; Tillväxtanalys, 2017). Only two of the firms had less than ten employees (Consensum and UmanDiagnostics), and only two had a turnover of fewer than two million euros (Consensum and UmanDiagnostics). Though turnover is not necessarily an indication of productivity, since the age of the firm and industry limitations need to be considered, our findings are in line with the previous literature in terms of this, as most of the interviewees were larger firms with higher turnover.

Nevertheless, the literature also states that firms with fewer than 50 employees typically also see the greatest improvements in terms of productivity and employment from their parent companies (Tillväxtanalys, 2017). However, from what we have found, no noteworthy changes have been identified in the smallest companies, as this is most likely contingent both on the size difference of the firms and the motives for the acquisition and corporate culture in the acquiring firm. For example, no notable changes in the system of operations of Consensum had taken place, which Tommy Höglund interpreted as being due to their small size, but they shifted their focus towards growth and sales.

Moreover, in the case of T-Engineering, no changes in their system of operation had either taken place, apart from a big increase in orders from the parent company. However, no influx of finances or technology had occurred. This is not in line with the previous literature, and Klas Lundgren admits that the situation between T-Engineering and Dongfeng is an oddity since Dongfeng is run utilizing full competition within the group and low levels of cooperation. This means that the

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corporate culture (Bauer & Matzler, 2013) may affect to an important extent the effects of the acquisition, even on smaller firms that are acquired.

### 5.3.3 Primary takeaways

SME position within the network varied from case to case. This was very much contingent on the motives for the acquisition and company culture, where several of the SMEs which were acquired for strategic asset seeking were turned into tech centers and a few were fully integrated in order to implement strategy and gain market shares (e.g. Dunning, 2000; Child et al., 2003). This is also in line with Narual et al. (2019) and their expansion on the transaction theory (Coase, 1937), which maps the level of integration in the MNC network, and Bauer & Matzler (2013) who discuss the cultural fit in M&As.

All SMEs experienced a ‘satisfactory’ amount of autonomy and saw no real conflict between the SME and MNC managerial teams excepting Rullpack (Birkinshaw & Hood, 1998). This is dependent on their position in the network, i.e., whether they are fully integrated or not. Moreover, the acquiring firm’s business culture is of importance, since this is related to the degree of control it will impose (Bauer & Matzler, 2013, Child et al. 2003). This is also affected by the motives for the acquisition, where our study implies that the tech centers are generally allowed a great degree of freedom in order to innovate and develop more research for the parent company. The level of autonomy and the position of the managers themselves in the MNC network is suggested to be dynamic and evolve over time, which might add to their charter further down the line as was already ongoing in some cases (Birkinshaw & Hood, 1998). Many integration processes are still ongoing. Furthermore, the size of the acquiring firm did not seem to matter in the acquisition, though most of the SMEs had several employees and should be considered “cherries”, meaning that most of our cases were well-performing SMEs of some size. Only one case was a lemon, which suggests that cherries are more often acquired than lemons.

### 5.4 Changes in sourcing behavior

As previously mentioned, five of the SMEs were acquired in 2019 and had thus not had a very long time to integrate into the MNC. However, already some patterns are discernable.

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<b>Company</b>	<b>Had local suppliers prior to acquisition</b>	<b>Had international suppliers before acquisition</b>	<b>Changed suppliers due to acquisition</b>	<b>Had local suppliers after acquisition</b>	<b>Started to focus on MNC Network for suppliers</b>
<i>AGVE</i>	Yes	Yes	No	Yes	No
<i>AirSon</i>	Yes	Yes	No	Yes	No
<i>Barex</i>	No	Yes	Yes	No	Yes
<i>Company X</i>	Yes	Yes	Yes	No	Yes
<i>Consensum</i>	Yes	Yes	No	Yes	No
<i>Rullpack</i>	Yes	Yes	Yes	Yes	Yes
<i>T-Engineering</i>	No	No	No	Yes	Yes
<i>UmanDiagnostics</i>	No	Yes	No	No	No
<b>Total Yes</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>4</b>

**Table 12. Analysis of Impact on Supplier Locations by Company**

As can be seen from Table 12 above, most SMEs had local suppliers prior to being acquired by the MNCs, which is in line with the literature review on the importance of the local networks for SME growth (e.g., Korsgaard et al. 2015). However, what is also interesting is that most of the companies, to some extent, also relied on international suppliers for their operations. According to Agndal (2006), most SMEs tend to focus on sourcing locally before going global, and if they do so, it is mostly reactively, and either need-driven sourcing or opportunity-driven sourcing. Moreover, studies have shown that entry into the purchasing market is contingent on the experience and intentions of the SME's managers, who often are reluctant to abandon their regional embeddedness and local supplies in order to internationalize (Cerrato & Piva, 2012; Hennart et al., 2019; Jensen & Petersen, 2013). In these examples, most of the companies that sourced internationally instead of locally did so because of need-driven sourcing, since the products and resources that made up their operations necessitated international sourcing.

However, an outlier to our study is T-Engineering, which did not engage in any specific sourcing operations prior to the acquisition. However, as the acquisition made them scale up their operations, and more money started to flow in, sourcing of staff and other supplies became possible for them. They started sourcing mainly local talents as outsourced staff for their operations and had experienced difficulties when outsourcing to, for example, Europe. This is in line with what the previous studies had noticed in terms of the parent company investing in the acquired SMEs to make them more efficient (Alvstam et al. 2019; Tillväxtanalys, 2017).

Furthermore, according to Pressey et al. (2009), many SMEs do not align their purchasing operations with the overarching goals of the company, nor is it considered a prioritized activity, according to Quayle (2002). Our findings do not support these studies, as most of the SMEs reportedly did consider their operations with the suppliers to be of utmost importance. Since most of the MNCs realized this, they often let the SMEs keep their suppliers after the acquisition. In some cases, though, there were conflicts with the SME wanting to keep their suppliers and the MNC deciding otherwise. In these cases, however, the SMEs had to abide by the MNCs' directives, revealing conflict as the SMEs strive to gain autonomy as per Birkinshaw and Hood (1998). Nevertheless, this was not a common theme and cannot be presumed to generally occur based on our findings.

In one case, however, the statements by Pressey et al. (2009) and Quayle (2002) were supported. For Rullpack, it was mentioned that the previous owners had engaged in local sourcing to a greater extent than was currently being done, and the changing of suppliers was among the first things Edmundas did as he took over the company. According to Edmundas, the company was going bankrupt when it was acquired, and many of the suppliers were not price competitive enough and were therefore removed. The SME's new suppliers, some still being local, offer the same quality for lower prices, according to Edmundas. Although no clear evidence for the previous management team prioritizing purchasing to a lesser extent than the current one is shown, since they might have wanted to keep their original local suppliers for other reasons (e.g., local embeddedness), Edmundas' current purchasing strategy seems to be more in line with what would be expected for strategic purchasing.

Another visible pattern, while not for every company nor always to the same extent, is that several SMEs began relying more on their MNC for their sourcing operations. The fact that acquired companies become supported by the MNC network in other factors has already been shown by other studies (e.g., Nicholls, 2011), and therefore it is safe to presume that it would also happen in terms of sourcing. Company X, for example, canceled their contract with the IT-infrastructure provider in order to migrate to the MNC system, and Plasta became one of Rullpack's most important suppliers. Nevertheless, no clear generalizability in terms of only motives, as per Dunning (2000) and Chen (2008), can be used to explain this shift in focus. Moreover, no clear time aspect can be seen. In the case of T-Engineering (which was acquired in 2014), this shift has happened recently, and they assume it will grow in the future. For Company X, the migration to the MNC's network was a natural step in their integration process, which had been ongoing for

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about a year and a half. In the case of Rullpack, the focus on Plasta happened when Edmundas was put in charge in 2019, and in the case of Barex, it happened quite quickly in their integration process.

It is also important to examine the company culture (Bauer & Matzler, 2013), as the integration strategy the MNC chooses to employ will affect the sourcing operations of the SME in conjunction with the changes seen in other aspects of the operation of the SME. Therefore, it can be presumed that an MNC that seeks to fully integrate the SME into the MNC network will also seek to direct changes in the sourcing patterns of the SME. Since many of the firms that have been interviewed had been acquired quite recently, it is possible that there will be a shift in sourcing partners for several of them in later stages in their integration process. This was also expressed by some of the companies, such as AirSon and T-Engineering, who mentioned that in the future they might start sourcing more from the parent company. Thus, the shift in sourcing might not only spring from parent company directives, but also the wishes of the SME itself.

#### 5.4.1 Primary takeaways

Only three SMEs had their local sourcing affected by the acquisition, either as a result of the SME's integration into the MNC network or due to the cost-effectiveness of their previous sourcing practices. The findings of Pressey (2009) and Quayle (2002) were not supported by our findings, as the SMEs considered their sourcing practices vital to their overarching strategy. Motives (Dunning, 2000; Chen, 2008) and parent company culture and cultural fit (Bauer & Matzler, 2013; Child, 2003) play an important role in adjustments to the sourcing practices and any changes in the SME's operations in general, while time does not seem to.

### 5.5 Changes in Regional Embeddedness

#### 5.5.1 Effects of Sourcing and Time

For the purpose of this study, regional embeddedness has been defined as *“the extent to which the firm makes use of the local environment for promoting the firm's own development and satisfying its needs”*. Though the primary focus has been on sourcing, it is important to note that this employment of the local region for the benefit of the firm's needs can take shape in different ways and shapes, for example, by using different networks to achieve one's goals.

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<b>Company</b>	<b>Change in focus on local suppliers</b>	<b>Number of years since company was acquired</b>
<i>AGVE</i>	No change	2
<i>AirSon</i>	No change	1
<i>Barex</i>	No change	4
<i>Company X</i>	Relationship entirely ended	2
<i>Consensum</i>	No change	1
<i>Rullpack</i>	Less focus on local suppliers	1
<i>T-Engineering</i>	More focus on all suppliers	6
<i>UmanDiagnostics</i>	No change	1

**Table 13. Analysis of Local Supplier Focus vs. Time by Company**

As visible in Table 13, only two of the eight interviewees reported a decrease in their focus on local suppliers after the acquisition. In the case of Company X, it meant switching to using the parent company's IT infrastructure and discontinuing their use of the local supplier, whereas, in the case of Rullpack, there was a clear move of switching suppliers towards using more price-competitive ones. Furthermore, these companies were acquired quite recently, both within two years, and have, to a certain degree, lost their focus on the local region in terms of sourcing, and subsequently seem to have suffered a reduced level of regional embeddedness.

However, Barex, which did not have any local suppliers prior to the acquisition, still also felt as if they had lost their local embeddedness since the acquisition despite not altering their sourcing operations. According to Kveton & Šafr (2019), the industry in which the firm operates will determine its relationship with other firms. This means that even though Barex did not necessarily have any local suppliers before the acquisition, they might still have had a different kind of relationship with the local community, which also came up during the interviews. This also supports previous literature, which states that SMEs often use their local community to grow and gain access to customers (e.g., Bryson & Salder, 2019; Lecher & Dowling, 2003). This, however, was not the case for the other companies that were interviewed. Once again, the fact that it is necessary to take the industry in which the firms operate into account, as per Kveton & Šafr (2019), in order to understand their relationship with the surroundings becomes evident from this.

Moreover, T-Engineering actually became more embedded after the acquisition, since they grew fast financially and invested the money in using local suppliers to help with their projects. Despite that subsidiaries often face multiple embeddedness (Meyer et al. 2011), there was no problem in terms of T-Engineering as they were encouraged by the parent company to source locally when the need arose. This further supports the idea that it is necessary to take the company culture and

cultural fit between SME and MNC, and the motives for the acquisition into account in order to understand how the directives from the parent company might turn out (e.g. Child et al., 2003; Dunning, 2000).

There were instances where the institutional duality (Meyer et al., 2011) of the SMEs became evident, as they had to balance the local operations and their relationship to the MNC. This strive for flexibility is also impacted by the SME's charter within the MNC network (Birkinshaw & Hood, 1998). Though the companies mostly reported high degrees of autonomy, there were still instances where they were constrained by their parent companies and had to shift their sourcing practices inwards and, in some instances, get rid of their local suppliers. Thus, institutional duality is reportedly a factor at play among the cases, as evident with Barex, Company X, and Rullpack, though it seems to be more influenced by the motives and company culture (e.g. Chen, 2008; Bauer & Matzler, 2013) of the MNC than by the time perspective.

Ultimately, the data reflects that some SME's (Company X, Rullpack) suffering a decrease in regional embeddedness as a result of their acquisitions largely did so as a result of negative disruptions in their local sourcing, while T-Engineering became more regionally embedded as they engaged in more local sourcing. Other firms, suffering disruptions in their regional embeddedness without any changes to their sourcing, however, such as AGVE, Barex, Consensus, and UmanDiagnostics, have done so as a result of other factors. While each case is individual, these factors effectively boil down to the acquiring MNC's company culture and the MNC's motives for the acquisition itself (e.g. Bauer & Matzler, 2013; Chen, 2008). We can assume that changes in an SME's local sourcing then impacts an SME's regional embeddedness, but this regional embeddedness can also be influenced without any sourcing changes.

### 5.5.2 Industry in which the firm operates

Mentioned in Chapter 1 was the point that regional embeddedness can vary by industry as the composition of a sector will determine the business potential between firms, but that regional embeddedness ultimately will often manifest as intercorporate linkages, heightened production flows, and greater sectoral varieties (Květoň & Šafr, 2019). This point seemed to be proven true, as the spread of industries featured within our study had varying noteworthy circumstances. The spread of industries is outlined in Table 14 as a reference point for the following analysis.

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<b>Firms</b>	<b>Industry</b>
<i>Rullpack</i>	Plastics
<i>Barex</i>	Auto-identification Technology
<i>Company X</i>	Telecommunications
<i>AGVE</i>	Autonomous Industrial Technology
<i>T-Engineering</i>	Automotive Technology
<i>Consensum</i>	Biotechnology
<i>UmanDiagnostics</i>	Health Technology
<i>AirSon Engineering</i>	Heating, Ventilation, and Air Conditioning (HVAC)

**Table 14. Spread of Firms by Industry**

Those SMEs located and participating in a cluster, such as Consensum, T-Engineering, and UmanDiagnostics to some degree, all reported a strong sentiment of being locally embedded as a firm of their respective regions; with the notable exception of Rullpack. Excepting Rullpack, these same companies additionally had little change outside of growth to their sourcing policies as a result of their respective acquisitions, however, and, in the case of T-Engineering, their sourcing activity overall actually improved, which allowed them to source from more local suppliers. Rullpack, like T-Engineering, was heavily invested in by its acquiring company in a manner similar to that described by Nicholls (2011) but was also directed to drop a significant amount of its local suppliers, as they were found to be replaceable despite Rullpack's location in the midst of a plastics industry cluster. Important, as well, is that these SMEs represent different industries, respectively. T-Engineering is an automotive engineering SME located in a cluster of automotive engineering businesses in Trollhättan, Consensum is a printed electronics producing SME located amidst of a cluster of printed electronics companies in Linköping, and UmanDiagnostics is an in-vitro diagnostics SME in the medical industry, located within a research cluster for biotechnology and medical science in Umeå.

Some of the industries studied saw more specific requirements regarding their sourcing patterns, leading to the inflexibility of the acquiring company to make severe changes without jeopardizing the profitability of the acquired SME. This is seen in UmanDiagnostics' production of in-vitro diagnosis equipment in the Health Technology industry, for which any large alterations to their suppliers would potentially jeopardize their CE certification. Other companies seemed to find no such limitations, such as Rullpack in the Plastics industry, who, as mentioned previously, had their sourcing partners roundly altered due to more cost-effective alternatives being available elsewhere. It then stands to reason that companies relying on more raw materials in their operations may be likely to see more flexibility and subjectivity to change their sourcing patterns than companies that rely on more refined, industry-specific materials.

### 5.5.3 Engagement in Local Networks

An insight of this study's conceptual framework was that SMEs will utilize their local relationships to grow and do business but over time will begin to focus on customers other than those in the immediate vicinity (Bryson & Salder, 2019; Korsgaard et al. 2015; Lecher & Dowling, 2003; Ratajczak-Mrozek, 2014). This statement is interesting, as its confirmation is evident in the form of increased SME sales platforms, which generally resulted in more resources being diverted to companies external to the regional area. This is as predicted by the network horizon and context perspective presented in the theoretical framework, which stated that a significant expansion of both, as a result of a foreign acquisition, may result in less priority for the local region in the SME's operations (Anderson et al., 1994; Huemer, 2017). As mentioned in the analysis of operational changes in section 5.3, 75% of the SME's studied experienced an influx of clientele from their acquisition, which often then resulted in a shift in focus towards more global customers. The only exceptions for which this was not immediately the case were UmanDiagnostics, who had no customers in their local area to begin with, and Barex, who was specifically directed to only focus on selling in Sweden post-acquisition. Even Rullpack, who was not observed to have gained a significantly larger sales platform post-acquisition, did engage in more external activity from the region due to its shift in sourcing patterns and introduction of more global suppliers than local.

Ultimately, it is important to distinguish the idea of business activity from the idea of local engagement. A company does not necessarily have to buy or sell regionally in order to be active regionally, as was the case with a number of the studied SMEs. AirSon's customers were largely external, with only one actual customer in its local city of Ängelholm, and while the CEO Dan Kristensson was not active in many local networks, nevertheless considered himself and his business extremely well-integrated and connected to them. UmanDiagnostics, as another example, did not operate much within its local region but was active with its local research cluster and local business development programs such as the biotech business incubator- an activity which fell off as a result of its acquisition.

Our empirical findings ultimately show that 50% of the SME's studied seemed to experience a direct decrease in local network engagement across the board (business, participation, and socialization). Despite the respective developments of each SME post-acquisition, it can be determined that from a regional perspective, AGVE, Barex, Company X, Rullpack, and UmanDiagnostics are now less regionally embedded as a result of the acquisition.

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### 5.5.4 Primary takeaways

Květoň & Šafr (2019)'s notion of sectoral and industrial composition of a region influencing an SME's relationships seems accurate, as those SMEs located and participating in an industrial cluster reported higher regional connectivity. This is excepting Rullpack, which was among the acquired SMEs that experienced a decrease in local network engagement and are less regionally embedded from the acquisition. This decrease was largely a result of both disruptions in sourcing and the acquiring MNCs' company culture and motives for the acquisition itself (e.g. Bauer & Matzler, 2013; Dunning, 2000). Changes in sourcing thereby have direct impacts on an SME's regional embeddedness, but an SME's regional embeddedness can also be impacted without any sourcing changes. Three-quarters of the SMEs studied experienced an influx in the number of customers post-acquisition, which naturally expanded their network horizon and context, resulting in less potential focus on their previous customers and local suppliers- though only two of the eight SMEs directly reported less focus on local suppliers (Anderson et al., 1994; Huemer, 2017). The aspect of time played little to no conclusive role in these decreases.

### 5.6 The evident insignificance of Time

As mentioned in the methodology chapter, the study encompassed eight Swedish SMEs in varying industries acquired over a five-year radius in time from 2014 to 2019. These SMEs are additionally split by varying times of initial establishment spanning a 43-year radius from 1976 to 2019. Table 15 illustrates the split of SMEs from time of establishment to time of acquisition, the specific numbers of which will be broken down further in the following chapters.

<b>Company</b>	<b>Time of Establishment</b>	<b>Time of Acquisition</b>
<i>AGVE</i>	1985	2018
<i>AirSon</i>	1981	2019
<i>Barex</i>	2005	2016
<i>Company X</i>	2008	2018
<i>Consensum</i>	2018	2019
<i>Rullpack</i>	1976	2019
<i>T-Engineering</i>	2012	2014
<i>UmanDiagnostics</i>	2006	2019

**Table 15. Spread of SMEs by Time Established vs. Time Acquired**

#### 5.6.1 Time elapsed since company was acquired

Previous studies within the field of acquisitions have pointed to the necessity of a fast integration process of no more than a year (PWC, 2017). The primary consensus, however, does recognize that the integration process is dependent on many factors, such as company culture of the acquiring

firm, and should thus be done on a case by case basis (Bauer & Matzler, 2013; Child, 2003). Most companies that were interviewed were acquired in 2019, and our case samples stretch over the five-year period of 2014 - 2019. This is due to several factors. First and foremost, as previously mentioned, the companies that acquired the SMEs most likely had different motives for acquiring the companies (Chen, 2008; Dunning, 2000). Moreover, the company culture of the acquiring firm has also been suggested to have an impact on its management of the acquisition by one of the interviewees (Bauer & Matzler, 2013). These two underlying factors will impact the way SMEs are integrated into the MNC-network and potentially stop operating as independent entities. Moreover, as a process, integration takes time, which has been suggested by several of the interviewees, particularly Rullpack and T-Engineering.

This suggests that companies that were acquired several years ago might have been fully integrated into the MNC-network and become a standard branch, as opposed to recently acquired ones that might have retained some sort of previous company identity. Barex, in fact, had already ceased to exist as a company at the time of the interview and is now fully integrated into EET Europarts. This means that it is more difficult to find companies that were acquired a long time ago, and thus the sample should be skewed towards more recently acquired ones, as these might still operate under the names of the SME and not the MNC.

An exception to this is T-Engineering, which was acquired in 2014. They still operate as an independent company, though somewhat supported by their parent Dongfeng Motors. Despite having been fully acquired with the motive of strategic asset seeking (Dunning, 2000) and capability procurement (Chen, 2008), they are still largely autonomous, having retained their company name and identity. This is explained by the company culture in Dongfeng.

This suggests that apart from motives, it is crucial to include the company culture into the integration process, which is suggested to happen over an extended period of time, as suggested by Bauer & Matzler (2013) and Child (2003). Hence, companies that were acquired several years ago will have become more integrated than companies that were acquired recently. It might be assumed that the company culture of the acquiring firm underlies the motives of acquiring the firm. However, this does not hold up, since companies with vastly different cultures might still have the same underlying motives which lead the integration process to play out completely differently, which is evident from several of the interviews, with specific mentioning from AGVE and T-Engineering. Furthermore, Klas Lundgren from T-Engineering did suggest that Dongfeng is not

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like a typical Chinese company, which indicates that companies from the same country are not all identical in terms of operations and culture. This conclusion is also supported by Child et al. (2003), which studied several cases of cross border acquisitions. They further mentioned that other important aspects were the financial situation of the acquired firm at the time of purchase as well as the international experience of the acquiring firm.

Nevertheless, the evidence from the interviews supports the fact that all integration processes are different and should be looked at on a case by case basis as per Bauer and Metzler (2013). They further mentioned that the cultural fit between the SME and MNC are of importance (ibid). For example, Rullpack, which was acquired in 2019, had already implemented several changes to their operations as an effect of the acquisition, such as extensive technological changes in the production line. T-Engineering mostly continued to operate as previously, although they were acquired in 2014. There was also evidence of the opposite having taken place that followed the general logic of firms being more integrated as time goes on. UmanDiagnostics, which was acquired in 2019, has so far not seen any major changes to their operations, whereas Barex, which was acquired in 2016, has been fully integrated into the parent company. Therefore, a case-by-case basis is the best for studying the post-acquisition integration process and its subsequent effect on sourcing and thus regional embeddedness. No general rule for what effect time actually has on the integration can be provided based on the evidence of our findings.

### 5.6.2 Primary takeaways

With regards to the previous studies which had implied the necessity of a fast integration process of no more than a year, there was little evidence found within our study to suggest that this was a substantial requirement, which previously had been proposed (PWC, 2017). The company culture and motives of the acquiring firm are integral in truly understanding how the integration process will play out over time, which ultimately implies that each acquisition is to be evaluated on a case-by-case basis Bauer and Metzler (2013), Child et al. (2003). Ultimately, there was no demonstrated evidence suggesting that the time period the company had been within the MNC network would affect the sourcing practices of the SME. However, the company culture of the MNC seemed to play a more significant role (ibid).

### 5.7 Cross-case analysis and propositions

In the cross-case analysis matrix below, each SME is presented in accordance with the evident impact on its changes in local sourcing (X-axis) and the changes in its regional embeddedness (Y-

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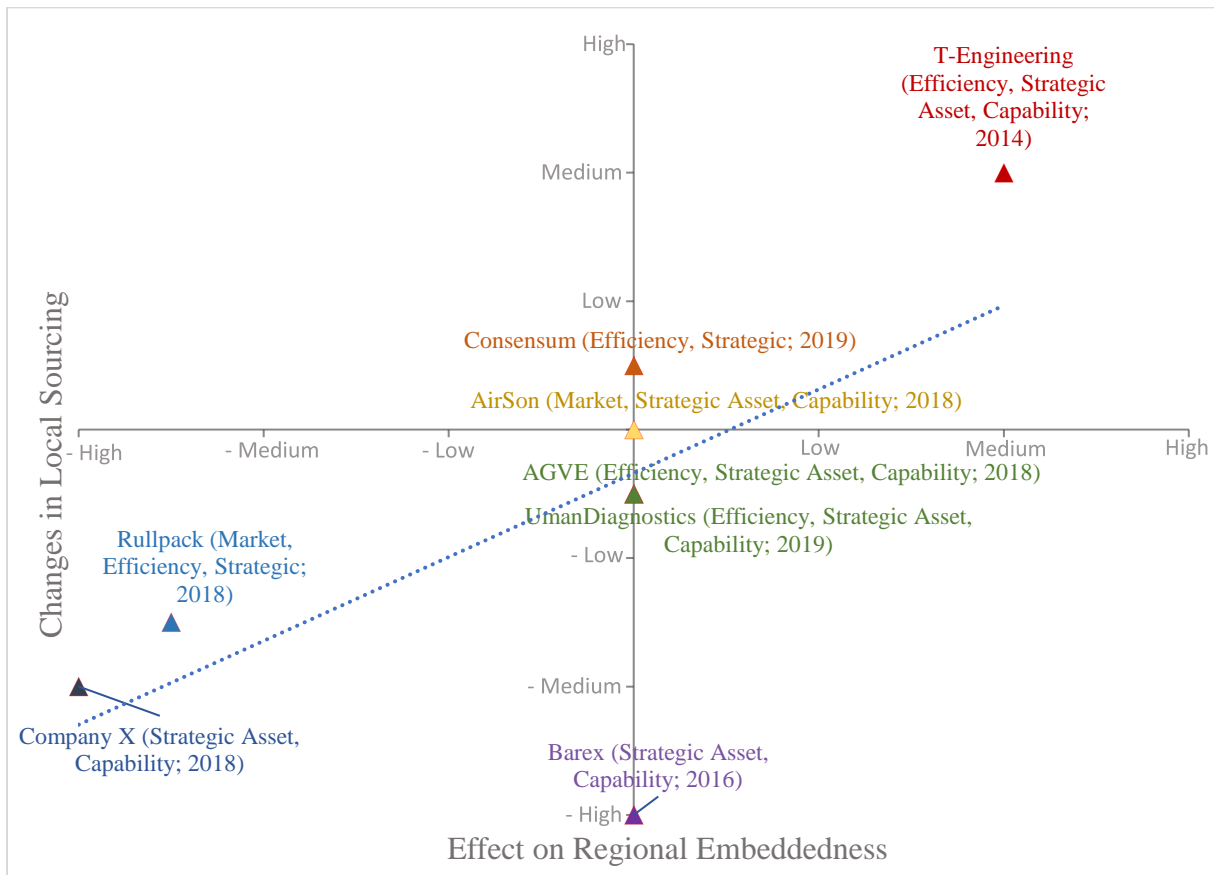


axis). This cross-case analysis is done as a way to finalize the analytical generalization used in the analysis. Thus, the main use for it is to present general propositions that present the main insights of the study. In parentheses next to each company name the motives for its acquisition are given, both according to Dunning (2000), written as *Efficiency*, *Strategic Asset* and *Market*, and to Chen (2008), written as *Capability* and *Strategic*. The year each SME was acquired is also presented in the parentheses.

As the aim of the study is to examine the effect that changes in an SME's local sourcing has on an SME's regional embeddedness as a result of its acquisition, these two terms have been chosen as the titles for each axis. These are the two factors that best reflect the direct aim of the study and provide an answer to the research question. The "high", "medium" and "low" grades are based on the reported degree of change in local sourcing and regional embeddedness that has followed the acquisition. Furthermore, the negative sign before these degrees indicate that the effect has been negative, e.g., "negative low" on "regional embeddedness" indicates that the interviewee reported a slight decrease in connectivity with the local region. In order to grade the qualitative information gathered from the interviews, Table 13 (page 80) was used as a reference for the changes in local sourcing. However, for regional embeddedness, a subjective estimation based on the information provided in the interviews was performed, as the qualitative information cannot be quantified and evaluated based on numerical data. Table 16 below summarizes the meaning of each grade in the matrix of Figure 2.

<b>Effect</b>	<b>Local Sourcing</b>	<b>Regional Embeddedness</b>
<b>High</b>	Major increase	Major increase
<b>Medium</b>	Medium increase	Medium increase
<b>Low</b>	Slight increase	Slight increase
<b>Center</b>	No effect	No effect
<b>- Low</b>	Slight decrease	Slight decrease
<b>- Medium</b>	Medium decrease	Medium decrease
<b>- High</b>	Complete discontinuity	Complete discontinuity

**Table 16. Matrix Grading Scale**



**Figure 2. Changes in SME Local Sourcing vs. Changes in SME Regional Embeddedness (Resulting from Acquisition), Compiled by Authors**

Based on the findings in the cross-case analysis in Figure 2, four propositions have been designed in order to capture the main discoveries of the analysis. The first two findings are pertinent as general statements and should be considered in future research, whereas the last two are incorporated in the developed framework in Figure 3. Thus, the analytical insights are demonstrated by the propositions that follow.

Proposition 1: An SME's regional embeddedness can be affected without any changes in local sourcing patterns.

The regional activity of an SME can be altered both positively and negatively by several factors originating from the acquisition, such as redirected resources, changes in the firm's focus, and shifts in the network horizon and context, without any changes to the SME's local sourcing operations. This is evident in the cases of AGVE, Barex, Consensum, and UmanDiagnostics.

Proposition 2: When positive or negative changes in an SME's local sourcing patterns do occur, the effect on the regional embeddedness of the SME is also positive or negative.

When the amount of local sourcing increases, an SME will be more regionally embedded. When the amount of local sourcing decreases, an SME will be less regionally embedded. No SMEs experienced an increase in regional embeddedness following a reduction of their local suppliers- and inversely, no SME became less regionally embedded following an increase of their local suppliers. This implies a positive correlation in which changes to local sourcing is an independent variable and an SME's regional embeddedness is a dependent variable, but a more quantitative analysis would be needed to further investigate this, which is beyond the limitations of this study.

Proposition 3: The MNC's motives for the acquisition are vital in initiating and facilitating the acquisition process but are influenced by the MNC's company culture when determining the SME's operational changes.

The MNC's motives for acquiring an SME are integral in initiating the acquisition process and facilitating the resulting MNC-SME relationship, which itself then informs any changes in the SME's operations in general. In the cases of Company X, Rullpack, and T-Engineering, their sourcing activities were all impacted either positively or negatively and have evident corresponding changes in their regional embeddedness. All three companies were recipients of considerable investment from their MNCs in their capacity to operate. In the case of T-Engineering, however, the company culture of Dongfeng Motors encouraged the SME to be nearly completely autonomous- whereas Rullpack and Company X were both subject to directives from their MNC, including the alteration of their sourcing patterns. This implies that the company culture of the MNC is a significant aspect in determining the SME's operational changes from the acquisition.

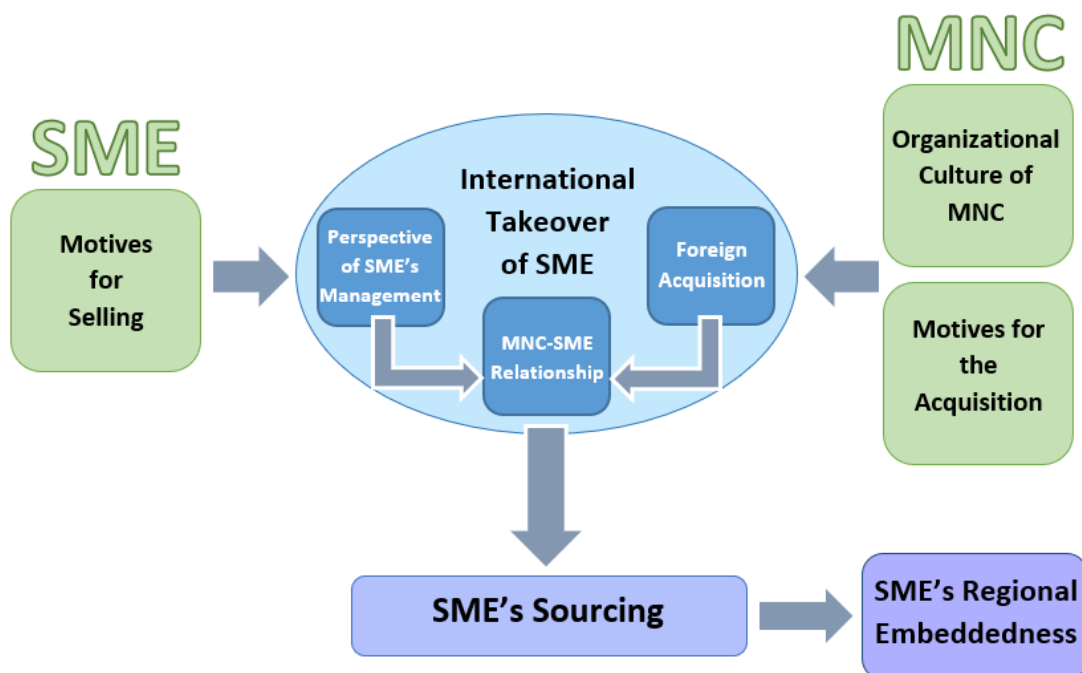
Proposition 4: The length of time from when an SME was acquired plays no significant role in impacting sourcing and / or regional embeddedness.

Of the eight studied SMEs acquired between the period of 2014-2019, there is no evidence to suggest any significant impact of time on the changes in local sourcing or regional embeddedness of an SME.

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### 5.8 Developed framework

In accordance with systematic combining as per Dubois & Gadde (2002), the framework has been revisited to further develop it to fit the empirical data. According to Eisenhardt (1989), the theory that is the result of the case study should be presented at the end of the study as a result of the analysis, and thus the developed framework is presented here rather than at the beginning with the conceptual framework. The developed framework contains several new factors. The managers of the SMEs are important to consider, as their attachment and engagement to the company, the company's operations, and the local area are extremely influential. As SMEs are so small, the impact of the manager has a huge effect on their sourcing activity and regional embeddedness. Secondly, the organizational structure and culture of the acquiring MNC, in addition to its motives for acquiring, are significant when evaluating the level of autonomy that the acquired company will have in addition to the severity of the changes to the SME's operations. MNCs often acquire SMEs to integrate specific activities, and the acquired subsidiary of an MNC will most often try to retain a degree of autonomy and independence from the parent company. We propose the level of control imposed by the MNC on an SME will depend on the motive for the acquisition, the distance between the acquired firm and the MNC's home country, and the culture of that MNC, all manifesting in the MNC-SME relationship. Lastly, the time aspect has been removed from the framework as its generalizability is lacking and must be viewed on a case-by-case basis.



**Figure 3. Developed Conceptual Framework Model, Compiled by Authors**

## 6. Conclusions

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*In this chapter, the answer to the research question “How does an international acquisition of an SME affect that SME and its regional embeddedness from a predominantly sourcing-oriented perspective?” is answered, and the final conclusions of the study are given. Furthermore, implications for research, management, and policymakers are also presented.*

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The answer to the research question “How does an international acquisition of an SME affect that SME and its regional embeddedness from a predominantly sourcing-oriented perspective?” is that from this study, there is sufficient evidence to suggest that when changes to local suppliers are made as a result of an acquisition, the firm’s regional embeddedness will also be affected either positively or negatively, depending on the increase or decrease of local suppliers respectively. However, an SME’s regional embeddedness can be affected without any changes in local sourcing patterns, and a foreign acquisition can directly impact an SME’s regional embeddedness via many other routes. Half of the companies studied, for example, reported a lower local network engagement after being acquired, and firms such as Barex had been completely integrated into the MNC network, which is consistent with Nicholls (2011).

The MNC’s motives for the acquisition are vital in initiating and facilitating the acquisition process but are influenced by the MNC’s company culture when determining the SME’s operational changes, including those of sourcing. The motives and company culture of the acquiring MNC are suggested to have the strongest impact on the integration of said operational changes, which additionally coincides with the work of Bauer & Matzler, (2013) and Child (2003). There was no particular evidence suggesting that the time period the company had been within the MNC network in and of itself would affect the sourcing practices of the SME, however.

Furthermore, as demonstrated in the developed framework, there were more factors than had previously been anticipated that would have to be considered in order to get the full picture. This implies that, whether changes in sourcing do occur and result in a corresponding change in the SME’s degree of regional embeddedness, there are also other factors at play that could arrive at or contribute to an increase or decrease of embeddedness. For example, evidence originating from the interviews also suggests that an acquired SME’s management and managerial perspectives play a significant role in determining the ultimate trajectory of both the foreign acquisition itself and its relationship with the acquiring firm thereafter. These perspectives, in combination with the motives and company culture of the MNC, will facilitate the basis for the MNC-SME relationship and influence the SME’s resulting autonomy and any operational changes in the SME.

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With this, this study contributes to the overall research on foreign acquisitions and their impacts on the regional embeddedness and sourcing patterns of SMEs, as well as to the overarching fields of economic geography, management, and international business.

### 6.1 Implications for practice

For the managers of the SME to reap the full benefits of the acquisition, extensive communication regarding their post-acquisition goals for the company should be communicated during the negotiation process. Among the studied SMEs, managers who stressed the importance of their local networks to their business during the acquisition process often retained a significant degree of autonomy in their decision-making locally than those who did not regard these networks as important. Naturally, there are several influencing factors in the process of the acquisition itself, which will dictate the overall MNC-SME relationship and the SME's functions thereafter. The perspective of the SME's management, however, influenced by their motives for selling, was analyzed to carry nearly as significant weight as the motives and organizational culture of the acquiring MNC in determining the final MNC-SME relationship and its implications.

Considering the significant impact of the recent corona pandemic on the economy, and our research showing what impact foreign acquisitions might have on the regional embeddedness of local firms, it is pertinent for policymakers, both local and national, to ponder on to what effects manifest when local firms end up under the management of foreign entities. Several of these firms may have the backing of states with vast resources that do not always operate with the same motives as democratic states, and for whom the acquisitions might be of strategic importance.

Policymakers concerned about an influx in foreign acquisitions in strategically significant sectors as a result of the COVID-19 pandemic should note that despite that the only company in our findings that had been acquired by a Chinese firm did not report a lower degree of local sourcing and regional embeddedness as a result of the foreign acquisition (but rather the opposite), this company is reportedly not a typical case in this regard. Therefore, more research needs to be done on the subject before conclusions regarding these circumstances can be drawn.

### 6.2 Limitations and future research

Due to complications surrounding the COVID-19 pandemic at the time of the study, in-person interactions, possibilities for travel, and the availability of cases were severely limited. Additionally, as previously mentioned in the delimitations found in section 1.5 of this study, the

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cases selected for analysis were SMEs, within Sweden and of Swedish origin, which were in a state of post-acquisition by a foreign entity. The firms studied were not defined by industry or sector, as the time needed for finding suitable cases to interview in a specific sector was inadequate for this pursuit largely as a result of the strenuous circumstances of the pandemic. Additionally, given the qualitative nature of our study and the limited number of participants, the generalizability of our results is naturally challenged. This challenge could be remedied by longer, quantitative, larger-spanning studies of a focused nature along the framework of our model.

Our findings suggest the relationship between international acquisitions, sourcing, and regional embeddedness established in the developed framework. As suggested by this study, there is a positive relationship between changes in local sourcing practices and changes in regional embeddedness as a result of a foreign acquisition. Therefore, it would be interesting to see if a better segmented quantitative analysis, which considers industrial differences and the other factors shown in the developed framework, could conclusively prove this. Since SMEs make up a large proportion of the economies of the world, learning more about how they act in an ever-changing global market is of utmost importance in order to make sound decisions regarding economic policy and support.

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## Appendix

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### Appendix 1. Main Analytical Takeaways

The table on the following page was used to summarize the most important findings of the study in a cross-case analysis. Over the course of the study, more evidence was brought to light in the MNC-SME acquisition process and its subsequent effects, and thus a developed framework that more comprehensively outlines the material has been established, as previously mentioned in section 2.2. The table below follows the same formatting as the summarizing tables in Chapter 4 *Empirical Findings*, as it was found to be most apt for directly analyzing the findings of each case together.

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<b><i>Impact of time on changes in sourcing</i></b>	Time did not play any significant impact on sourcing in general but must be viewed on a case-by-case basis (Bauer & Matzler, 2013; Child et al., 2003). Instead the company culture of the MNC is seen as more important according to our findings (ibid).
<b><i>Motives for Acquisition</i></b>	Most SMEs acquired for strategic asset seeking and efficiency seeking motives (Dunning, 2000). Most were also acquired for strategic reasons and two for growth reasons (Chen, 2008). The reason a given SME was sold was also found to be significant. Furthermore, the size of the acquired firm and the acquiring firm did not seem to make any difference, though only one could be considered a “lemon” when it was acquired as it was near bankruptcy. Moreover, the SMEs that were acquired for growth were still wholly owned and not only partly owned, as Chen (2008) suggested that they would be. This might be because the owners were either in a market close to Sweden or far away, as the two extremes tend to mean that the owner will take a larger stake in the acquired firm (Malhotra & Gaur, 2014).
<b><i>Effects on Operations</i></b>	The SMEs perceived positive effects on their operations and changes had been made This is all in line with current literature, which states that acquiring firms generally invest in the acquired ones (e.g., Nicholls, 2011). Furthermore, the motives and company culture of the MNC are important as to how the acquisition plays out in the changes imposed, as this might affect how the FSAs of the SMEs are aligned to those of the new parent company (Dunning, 2000; Chen 2008; Narula et al., 2019; Child et al., 2003, Bauer & Matzler, 2013).
<b><i>SME's Position within MNC Network</i></b>	SME position within the network varied from case to case. This was very much contingent on the motives for the acquisition, where several of the SMEs which were acquired for strategic asset seeking were turned into tech centers and a few were fully integrated in order to implement strategy and gain market shares (Chen, 2008; Dunning, 2000), and the company culture of the MNC (Child et al., 2003, Bauer & Matzler, 2013). This is also in line with Narual et al. (2019) and their expansion on the transaction theory (Coase, 1937), which maps the level of integration in the MNC network.
<b><i>SME's level of autonomy</i></b>	All SMEs experienced a ‘satisfactory’ amount of autonomy and saw no real conflict between the SME and MNC managerial teams excepting Rullpack (Birkinshaw & Hood, 1998). This is dependent on their position in the network, i.e., whether they are fully integrated or not. Moreover, the acquiring firm’s business culture is of importance, since this is related to the degree of control it will impose (Bauer & Matzler, 2013; Child et al. 2003). This is also affected by the motives for the acquisition, where our study implies that the tech centers are generally allowed a great degree of freedom in order to innovate and develop more research for the parent company. The level of autonomy and the position of the managers themselves in the MNC network is suggested to be dynamic and evolve over time, which might add to their charter further down the line as was already ongoing in some cases (Birkinshaw & Hood, 1998).
<b><i>Effects on Local Sourcing</i></b>	In the SMEs where acquisition affected local sourcing, it was either a result of the SME’s integration into the MNC network or that the SME’s previous sourcing practices were not competitive in terms of price. The MNC’s motives and culture played a large role here (e.g., Bauer & Matzler, 2013). Companies that did not have local suppliers before could also see a change in sourcing patterns for the same reasons. In one case, the parent company’s culture meant that the SME was encouraged to source locally as it was aligned with the motives for the acquisition. In summary: Motives and parent company culture play an important role, while time does not. Many of the SMEs already used international suppliers before being acquired, thus not in line with previous literature (e.g., Agndal, 2006).
<b><i>Effects on Regional Embeddedness</i></b>	Two of the SMEs divested in local sourcing and one invested. Many of the SMEs did not source locally at the time of the acquisition but still felt integrated with the local community, whereas others had strong business ties but no real engagement. This may depend on the makeup of the given SME’s industry (Kveton & Šafr, 2019) and the level of institutional duality (Meyer et al. 2011), as several SMEs reported stronger connections to their MNCs than to the local region, suggesting a shift in focus towards the MNC network. Several SMEs reported lower engagement to the local region, and two of those cases reduced their local sourcing. Sourcing is thus only one of many components that factor in. In other cases where lower local connectivity was reported, the acquisition itself was a factor, supporting that the expanded network horizon and context resulting from the acquisition were influential in shifting focus away from local firms (Anderson et al., 1994; Huemer, 2017). This is also tied to the acquiring firms’ motives and culture, as those firms that reported lower engagement due to the acquisition were also being more directly integrated into the MNC network.

## Appendix 1. Main analytical takeaways

## Appendix 2. Interview Consent form



UNIVERSITY OF GOTHENBURG  
SCHOOL OF BUSINESS, ECONOMICS AND LAW

### **Interview Consent Form**

#### **The Impact of Foreign Acquisitions on the Regional Embeddedness of Small and Medium-sized Enterprises**

Researchers: Kyle T. Johnson, Paul Järvinen

Research participant:

The interview will take roughly one hour. We don't anticipate that there are any risks associated with your participation, but you have the right to stop the interview or withdraw from the research at any time. Thank you for agreeing to be interviewed as part of the above research project.

This particular academic study is undertaken in fulfillment of the requirements of the Master's of Science program of the Gothenburg School of Business, Economics, and Law will deliver upon ethical considerations which dictate that interviewees explicitly agree to be interviewed and how the information contained in their interview will be used. This consent form is necessary for us to ensure that you understand the purpose of your involvement and that you agree to the conditions of your participation. Would you, therefore, read the accompanying **information sheet** and then sign this form to certify that you approve the following:

- The interview will be recorded, and a transcript will be produced
  - You will be sent the transcript and given the opportunity to correct any factual errors
  - The transcript of the interview will be analyzed by (name of the researcher) as research investigator
  - Access to the interview transcript will be limited to (name of the researcher) and academic colleagues and researchers with whom he might collaborate as part of the research process
  - Any summary interview content, or direct quotations from the interview, that are made available through academic publication or other academic outlets will be anonymized so that you cannot be identified, and care will be taken to ensure that other information in the interview that could identify yourself is not revealed
-

- The actual recording will be destroyed after the study.
- Any variation of the conditions above will only occur with your further explicit approval or a quotation agreement could be incorporated into the interview agreement Quotation Agreement

**I also understand that my words may be quoted directly. With regards to being quoted, please initial next to any of the statements that you agree with:**

	I wish to review the notes, transcripts, or other data collected during the research pertaining to my participation.
	I agree to be quoted directly.
	I agree to be quoted directly if my name is not published and a pseudonym is used.
	I agree that the researchers may publish documents that contain quotations by me.

All or part of the content of your interview may be used;

- In academic papers, policy papers, or news articles
- On our website and in other media that we may produce such as spoken presentations
- On other feedback events
- In an archive of the project as noted above

By signing this form, I agree that;

1. I am voluntarily taking part in this project. I understand that I don't have to take part, and I can stop the interview at any time;
2. The transcribed interview or extracts from it may be used as described above;
3. I have read the Information sheet;
4. I don't expect to receive any benefit or payment for my participation;
5. I can request a copy of the transcript of my interview and may make edits I feel necessary to ensure the effectiveness of any agreement made about confidentiality;
6. I have been able to ask any questions I might have, and I understand that I am free to contact the researcher with any questions I may have in the future.

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**Printed Name**

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**Participant's Signature**

**Date**

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**Researcher's Signature**

**Date**

---

**Researcher's Signature**

**Date**

**Contact Information**

If you have any further questions or concerns about this study, please contact:

**Researcher:**

Kyle T. Johnson

[PERSONAL CONTACT INFO OMITTED FOR PUBLIC COPY]

**Supervisor:**

Mikael Hilmersson

[PERSONAL CONTACT INFO OMITTED FOR PUBLIC COPY]

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### Appendix 3. Interview Guide

**Step 1:** Please draw a timeline and mark critical events over time, covering the periods before, during, and after the takeover.

#### **General Questions:**

- Name
- Years of employment within the company
- Titles and responsibilities
- What is your business?
- How old is the SME?
- When was the SME acquired?
- Total number of employees?
- Turnover of the SME?

#### **Foreign Acquisitions:**

- By whom were you acquired?
- Why were you acquired?
- How was it to work at this company before the acquisition?
- How was the acquisition perceived?
- Were there any noteworthy changes post-acquisition?
  - When did these changes occur? Did they happen overnight? How did you experience these changes?
  - If no changes -> Why do you think that is?
- Did the MNC bring in new employees? New technologies?
  - If yes, who/what? How was this perceived by you?

#### **MNC - SME Relationship:**

- What is your position within the MNC-network?
  - How do you perceive your relationship with the parent company?
  - Are you as independent as you would like?
  - Does your relationship with the parent company affect your actions locally?
  - Has your position within the MNC-network changed since you were first acquired?
  - Is it difficult to balance operations between the MNC and the local area?
-

**Sourcing:**

- What is your experience with sourcing?
- What are you sourcing now?
- Were you engaged in local sourcing prior to the acquisition?
  - Why/ Why not?
- If yes- are you still engaged in local sourcing? Why/ Why not?
- Had you experienced any challenges with sourcing before the acquisition? After?
- Have you had any directives from your parent company to change your sourcing partners?
  - If yes - How did you perceive those directives? Did you act on them?
- Do you source from within the MNC-network? Do you source everything from within the MNC-network or do you have other suppliers as well?

**Regional embeddedness:**

- What are your thoughts on the local region in general? Business environment?
- Are you active in any regional networks? Business-related? Non-business related?
- Do you think these networks are important to you? If yes, in what way?
- Do you consider your business to have any specific relationship to the local network?
- Has your relationship to the local networks changed since the acquisition? In what ways?
- Prior to the acquisition, were you a more active player in the local community? If changes have occurred, after how long did you start to notice these changes?
  - If your sourcing partner changed, how did this impact your relationship to the local community?
- Do you feel embedded locally? Do you feel as if you are part of the local community?
- Do local businesses help each other in some way?
  - If yes, how?
- Do you socialize with any of the other businesses in the area?
- Do you collaborate and/or compete with other local businesses?

**Is there anything else that you would like to add? Anything that we might have missed that you think is important?**

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