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Business Model Communication and Financial Performance in cross-national acquisitions

Margit Malmrose¹ and Rainer Lueg²

Abstract

Purpose: The purpose of this study is to explore the link between external business model communication and financial performance for ten cross-national acquisitions by Danish companies.

Methodology: We tie stakeholder and shareholder theory to Magretta's (2002) model, which capture a holistic approach to the analysis of newsletters and financial data. We further apply Fairclough's (1992) critical discourse analysis and regression analyses to analyze the communication process and the accounting data after the acquisition, respectively.

Findings: The study identifies a lack of business model communication in an acquisition process. Furthermore, our analyses show that 15 years after the acquisitions, the acquirers have generally not established substantial links between their own business models and the business models of the acquired companies. As to the quantitative analyses, above average narrative communication has a weak link to company performance. Antecedents of good communication are the number of stakeholders that have to be addressed, as well as the anticipated disruptive events after the acquisition.

Research limitations: The analytically indicated links between external communication and financial performance have limitations due to a small sample and due to the complex organizational set-up where the acquired organizations' financial performance is quickly absorbed into the parent company.

Originality: This study is novel in its approach of applying a longitudinal qualitative as well as quantitative approach to business model identification in mergers and acquisitions. Furthermore, it provides linkages and discussions of business model conceptualization with stakeholder and shareholder theories.

Keywords: business model change; corporate communication; performance measurement; discourse analysis; comparative case study; Denmark; mergers and acquisitions.

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Introduction

This study investigates the relationship between how a cross-national acquisition is conveyed officially and the different financial statement data. We explore the public newsletters of the event to see how the cross-national acquisition is communicated. We have special focus on the inherent business purpose of the acquisition and thus its influence on, as well as its presentation of, the company's business model. The data is historical in the sense that it represents a time span with much focus on cross-national acquisitions in a Danish context, namely 1998-99. It furthermore follows up on the existence of the companies after 2010. According to Magretta (2002), the concept of 'Business Model' was a buzzword during the internet boom. Therefore, although our sample does not consist of internet businesses, the late 1990s is of particular interest when investigating the actual application of business models in official statements, while at the same time comparing it to the financial state of both the mother company as well as the acquired company.

We apply Magretta's (2002) model in this analysis since it precisely focuses on this time period and we seek to 'tell a good story' (p. 87), thus aiming at integrating stakeholders and financial results. In the particular event of an acquisition, the narrative supports the communicated value of the acquisition, whereas the financial data support a sustainable financial motive behind the acquisition. These two perspectives are interrelated and together they capture the platform of a business model which connects financial results with the underlying value creation (Nielsen and Roslender 2015). This becomes particularly essential during organizational changes such as an acquisition. Numerous approaches exist to develop, sustain and analyze a company's business model (Magretta 2002; Stahl 2004; Osterwalder and Pigneur 2005; Zott et al. 2011), e.g. the Business Model Canvas (Osterwalder and Pigneur 2010). However, no research has yet investigated the role of business models during acquisitions. Since Magretta's (2002) model acts as a loose frame, her model proves viable in investigating such a scarce and unexplored area.

Acquisitions require careful planning and communication due to the changing elements involved. This study is original in the sense that it focuses on the specific

circumstances of cross-national acquisitions capturing both a business model change during acquisition, but also a cross-national synergy attempt between two originally separate business models. In addition, we investigate a longitudinal success factor of the outcome of the acquisition. This demonstrates whether the original message and the business model have in fact turned out to be sustainable. Thus, the paper investigates (1) *How a business model is communicated externally at the time of acquisition?* (2) *How the story told correlates with the parent company's financial results during and after the acquisition?* And (3) *How are the original acquisitions sustained 12 years after the acquisition?*

Denmark represents an interesting setting with a boom in foreign acquisitions beginning from around 2000. Denmark is a relatively small nation with a limited number of large companies. However, during the past 20 years, Danish companies have built sustainable global competitiveness and reputation, as stated in the Global Competitiveness Report 2011-2013: "*the country benefits from what is one of the best-functioning and most transparent institutional frameworks in the world (5th) and an excellent infrastructure for transport as well as electricity and telephony. Denmark also continues to receive a first-rate assessment for its higher education and training system, the positive result of a strong focus on education over recent decades*" (The World Economic Forum 2011, p.2). The size of Denmark along with the global growth makes Denmark an interesting choice for representing foreign acquisitions. We chose ten mid-size/large Danish companies that underwent mergers and acquisitions between 1998 and 1999. We adopted the list from the Danish Competition Authority. The years 1998-1999 illustrate a period with attention on mergers and acquisitions, which fostered an increased focus from the Danish Competition Authority. Likewise, the late 1990s was a time following after the evolution of the information technology which changed the power structures in companies (Ströh and Jaatinen 2001; Terreberry 1968; Morgan 1997) and introduced the concept of 'Business Models' (Magretta 2002). Information became easily accessible for companies, particularly during the 1980s and 1990s resulting in a globalization boom, and thus forced organizations to legitimize themselves towards several stakeholders (Meyer and Rowan 1977; Nørreklit and Wit

2001; Madsen 2000; Morgan 1997). We analyze the ten companies' press releases accompanying their merger with other companies in order to investigate how the organizations handled the external communication. Likewise, we investigated the financial statement data in the years following the acquisition, and compared the data to the quality of the external communication.

The remainder of the paper is structured in the following way: First, we conduct literature reviews on M&As as well as on the role of stakeholders and shareholders in business model communication. Second, we explain the methodology of our study. Third, we present and discuss our results. The analysis is divided into three topics; the legal announcement communication; the correlation of communication to the financial results; and the definition of the current state of the acquired company within the parent company.

Literature Review

How messages are received and perceived can be crucial for organizational survival (Clutterbuck 2001), and in cross-national acquisitions the urgency of communication increases. Discourses are shaped through written and spoken language (Fairclough 1992, 2001, 1995), and the meaning of the business model through discourses becomes vital. For example, Apple has proven to be a dominant international success story in creating the true narrative, which has enabled sustaining power and thus financial success (Bergvall-Kåreborn and Howcroft 2013; Montgomerie and Roscoe 2013). Thus, legitimacy is a crucial part of communication, both through narratives and financial statements (Durocher 2010; Brown and Forster 2013; Holm and Zaman 2012), and the company's business model is a major part of legitimizing the internationalization process (Johansson and Abrahamsson 2014). The organization's emphasis on communicating its international actions, such as an acquisition is crucial. It is challenging to assess the degree of legitimacy, as well as the presentation of the business model, through newsletters, fiscal reporting, and webpages. Nevertheless, there are some pointers to what constitutes a well communicated message (Fairclough 2001; Ferguson 2000) as well as what characterizes a good business model (Osterwalder and Pigneur 2005; Osterwalder

2004). Despite an increased focus on communication, few studies have shown interest in this area (Clutterbuck 2001). Segars and Kohut (2001) investigate the communication on financial performance to the shareholders through newsletters and CEO letters. Their study examines the content of the CEO letters, searching for themes, and correlating the themes with the financial performance of the company. Their findings suggest a classification of low and high performance organizations and their themes. This proposes a link between external communication of the organization and their accounting data exposed through their financial performance. Adding the M&A dimension, a supplementary focus is on the post-merger integration phase where the CEO and the managers have often been identified as poor communicators at the time of the acquisition (Clemente 2001).

The central part of our study is the particular situation of acquiring a cross-national company. Several elements are crucial in this setting. The processes of an organizational change are often challenging in various ways. It is of particular importance that emphasis is put on the legal announcement of the acquisition (Cartwright and Cooper 1996). This review will focus on the two angles of the study; the communication (narrative) part, and the financial performance identified through financial statement data, both of which are important elements of a business model and according to Magretta (2002), they are two tests which should add up for a successful business model. Additionally, we relate the narrative and the financial data with the business model change. Many sources propose that the term business model *change* can be used interchangeably or as a supra/sub-concept (Ahlgren Ode and Lagerstedt Wadin 2019). We specifically use the term business model change in line with Malmrose et al. (2014). They approach the business model change concept from a performance management perspective that assesses different states of business models. This perspective belongs to the general field in business models that emphasizes value creation, value capture, and a clear link to strategy (Zott et al. 2011). This distinguishes us from other perspectives that focus on the processes instead of the outcomes of the business model change (Kringelum and Gjerding 2018; Wirtz and Daiser 2018, 2017).

Stakeholder theory and the story to be told

According to Magretta (2002), it is important to tell a good story when approaching the customer and wishing to add customer value. The idea is to emphasize the elementary importance of the organization's existence. Nielsen and Roslender (2015) highlight that the business model adds to the understanding of how in particular relationships with customers are prerequisites for shareholder value. This has also appeared to be the driving force of Apple which, on the contrary, has put little emphasis on a sustaining and balanced supplier relation (Bergvall-Kåreborn and Howcroft 2013). However, according to a more traditional understanding of stakeholder theory, stakeholders are equally significant in a continuous legitimization of the organization's existence. Freeman and Reed (1983) identified three groups of stakeholders; formal or voting, economic, and political. The formal group is the stockholders, the directors, and the minority interests. The economic group is the suppliers, the debt holders, the customers and the unions, and the political group is the government, the consumer groups, and others. Magretta (2002) states that *'a successful business model represents a better way than the existing alternatives'* (p. 88). Thus, it becomes relevant to capture investors, employees, and other vital stakeholder groups in the narrative story of an acquisition situation. Therefore, we document the inclusion of stakeholder groups in the legal announcement.

Another important stakeholder group is the competitors. The organization might want to withhold some information from the public and the external interest groups because it does not want the competitors to have access to internal strategic knowledge (Li and Sun 2012). The acquisition is often a competitive move, and therefore prior announcements are not made. Legitimacy becomes even more vital in this discussion. Accounting as well as business model research often integrate the role of legitimacy through the financial statements (Durocher 2010; Holm and Zaman 2012; Jan et al. 2017). The increased power and knowledge that the ordinary customer gains through the easy information access such as the internet has resulted in changes in the organizational strategies (Ströh and Jaatinen 2001; Terreberry 1968; Nichols 1998). This is also due to a widespread application of business

models during a period where the personal computer and the internet emerged (Magretta 2002). It is therefore significant for organizations to incorporate external legitimated structures, because the organization is built on a relationship with the external environment (Morgan 1997; Meyer and Rowan 1977; Nørreklit and Wit 2001; Svendsen and Laberge 2005; Magretta 2002). Meyer and Rowan (1977, p.346) comment that "Organizations are structured by phenomena in their environments and tend to become isomorphic with them". Nørreklit and Kølsen de Wit (2001) speak of how "The firm itself does not act: its employees do", "the company is not identical with the top management's intentions and actions but is created through the synthesis of the actions performed by the individuals in the company". In other words, several stakeholder groups, and in particular the employees, play an active role in the organizational identity. This highlights the need to extend the Magretta (2002) framework by acknowledging other stakeholder groups in the business model change.

Legitimacy with the external environment has additionally led to programs such as the Corporate Social Responsibility (CSR). Companies use such programs to gain good reputation and thereby competitive advantage (McWilliams and Siegel 2000; Brown and Forster 2013). A further attempt to measure the different stakeholders' values has been made through organizational data mining. It is a tool to help managers spot patterns and trends that may help improve an organization's strategic plan and corporate sustainability (Ajami et al. 2003). Similar performance measurement systems such as total quality management, balanced scorecard, quality circles, and various types of performance measurement packages (Jakobsen et al. 2011b) have developed in order to handle the organization's intangible assets. Likewise, other studies have shown reported stakeholder management to be positively related to organizational financial performance (Sonpar et al. 2008; Choi and Wang 2009; Tse 2011). Therefore, incorporating how the companies tell the stories of their business model is important (Fielt 2013). The legal announcement of the acquisitions should reflect this; both in order to legitimize the organization but also in order to sustain value for stakeholders in the future.

Shareholder theory and the numbers to be counted

Another aspect of the Magretta (2002) business model definition is the numbers. Magretta (2002) focuses on tying the narrative to the numbers and thereby stating that there should be a balanced connection between the story of the organization and its financial performance. Magretta (2002) further states that spreadsheets have made it possible to model businesses before they are launched, and they are therefore essential in establishing a positive return possibility. Yet, financial performance found in accounting data is often seen as a sole measure for performance where value maximization is the goal. According to Jensen (2002), the stakeholder theory makes managers unaccountable for their actions and makes the managers lose focus because they are so busy fulfilling different stakeholders' interests. He believes in enlightened value maximization with stakeholders' tradeoffs in mind. As several other authors state (Nørreklit et al. 2008; Tse 2011; Sundaram and Inkpen 2004), multiple performance measures limit the focus on the true value of the company. Jensen (2002) argues that multiple objectives limits the core focus. A similar view is mentioned by Friedman (1970) who argues that the organization's social responsibility is to make a profit. Friedman (1962) contends that the primary responsibility of a company is to maximize the wealth of its shareholders. By doing this, the company contributes to society's social welfare by selling products thus creating employment and thereby growth in the economy. This is the classic view of value maximization and agent theory where the ultimate goal and belief is an ideal world (Covalesski et al. 2003). The two methods of pursuing this goal is to generate future cash flows and to control costs (Tse 2011).

There is criticism that shareholder theory does not sufficiently incorporate or consider behavioral aspects of managers who are often not rational (Tse 2011; De Bondt et al. 2008). Managers are risk takers focusing on maximizing their own gains and not that of the shareholders, especially when their performance is linked to an incentive scheme (Low 2009). Additionally, studies show that managers are overly confident, often overestimating their own abilities (Shefrin 2007), and they have a so-called 'better than average effect' (Russo and Schoemaker 1992). This overconfidence and the link of performance to incentive schemes have been blamed for the recent financial crisis (Tse 2011).

Though the financial numbers are important in a business model context, the critics of the shareholder theory – in the light of the financial crisis – support the argument that focus should be on other stakeholders as well, when pursuing the creation of organizational value. Studies on linking shareholder value maximization to corporate social responsibility (Martin et al. 2009) illustrate the possibility of connecting the shareholder perspective to business model numbers and its narrative. With the business model, we seek to capture the value drivers of the company in order to understand how to perform financially. Both the stakeholder and the shareholder theories have the objective of creating a financially sustainable company. The approaches are different, but in a business model context, we can draw benefits from both views and thus enlighten and understand our aim of the business model creation.

Mergers and Acquisitions

The concern for stakeholders becomes increasingly complex in the situation of an M&A with two different corporate cultures, often with different nationalities, which makes a stakeholder perspective further relevant in order to legitimize the actual business acquisition. Unfortunately, a high rate of M&As is unsuccessful. A study by Sinetar (1981) shows that between 50 and 80% of all M&As are financially unsuccessful. This has recently been confirmed by an article by Forbes claiming that approximately 50% of all mergers do not succeed (Sher 2012). These unsuccessful M&As are often due to the neglect of post-closing integration of the different corporate cultures (Lynch and Lind 2002). Tying this to a business model perspective, an M&A failure illustrates a failed business model. According to Magretta (2002, p. 90) *'When Business models don't work, it's because they fail either the narrative test (the story doesn't make sense) or the numbers test (the P&L doesn't add up)*. Most M&As are seen as having financial or value-maximizing motives mainly to maximize shareholders' wealth (Cartwright et al. 1995), which then would fail in the narrative test. The managers' overconfidence has also been suggested to exist during M&As where managers feel that they have grander skills than others in extracting values from acquisitions leading to over-estimated synergies in acquisitions (Doukas and Petmezas 2007). Achieving synergies may be even more challenging in international M&As. In addition to the different corporate

cultures, international M&As also deal with two sets of national belief systems. In particular, subjective logic and social logic are challenging in larger international organizations. A model presented by Nørreklit (2000) illustrates how only a small area of different subsidiaries in multinational organizations is based on common logic and assumptions. Social logic arises from common ideas, interpretations, and patterns of thought used by a group, but only a fraction of this social logic is shared in cross-border operations (Nørreklit 2000). Therefore, planning and cross-cultural awareness are crucial when acquiring a foreign company. Global organizations have to work especially hard to develop a strategy that will deliver the right message and thereby create circulating stories that are consistent with the corporate culture and vision (Solomon 1999). Harrington (1996) states that an ethical balance across stakeholders is ideal. Thus to succeed financially in an M&A situation, it becomes even more urgent what the story is, who the story includes, and to whom the story is addressed.

Despite the challenges and complexities of M&As, international M&A activity is continuously increasing. In 1999, the year of this study's acquisitions, cross-border M&A activity grew by more than one third, to a total value of \$720 billion (Child et al. 2000). There are also other advantages than merely shareholder maximization. An additional advantage of a foreign acquisition is a rapid entry into another market with access to distribution channels, existing management experience, established brand names, and reputation (Douglas et al. 2001). This reputation is particularly important when establishing the business models of the foreign acquisitions. There is little extant literature, however, that specifically deals with foreign M&As and business model changes. In general, Aversa et al. (Aversa et al. 2017) suggest M&As as a legitimate mean to add to a company's business model portfolio. Yet, the authors believe that companies have not made use of M&As to the optimal extent. In their conceptual paper, Sohl and Vroom {, 2017 #6549} specifically conjecture how a high degree of *relatedness* of the acquired business model might positively affect the acquirer's performance. This conjecture is not fully shared by the conceptual work of Christensen et al. (Christensen et al. 2016), there are thus no signals of consent in this scarce stream of literature. The authors argue that M&As with unrelated business models support companies in profitably

disrupting the market, and that alignment of existing and acquired business models counteracts this end.

Methods and Data

Various approaches exist to research the narrative presentation of the acquisition. This study seeks to analyze newsletters released at the legal announcement of the acquisition along with a longitudinal view of the external communication through webpages and an accounting focus through financial statements (Abrahamsson et al. 2019). Fairclough's (1992) critical discourse analysis is applied and combined with a content analytical approach (Phillips 2002). Critical discourse analysis is a social semiotic tool that focuses on the social dimensions of the *linguistic* meaning in any media of communication and the production, the interpretation, and the implications in social processes as cause and effect of the ideology. Fairclough (1995, p.65) says that "*The representation of discourse in news media can be seen as an ideological process of considerable social importance [...] and that the finer detail of discourse representation, which on the face of it is merely a matter of technical properties of the grammar and semantics of texts, may be tuned to social determinants and social effects*". Thus the small technical linguistic details have a social effect and moreover reflect the larger social determinants, and therefore newspaper articles are highly suitable for analyzing business model themes and changes in the external communication. It is a flexible tool that allows the user to identify issues on different levels.

Furthermore, a discourse analysis focuses on the content of the text, and what the sender decides to communicate to external stakeholders. This type of content analysis is useful in examining trends and patterns in what corporations hold and value and it enables stakeholders to receive information on strategic preferences (Ajami et al. 2003). The analysis addresses three different categories of information; (1) the information itself, the kind of information and the amount of information that the acquirer provides, (2) the language used, as in what types of words, grammar constellations, and the linguistic approach, based on Fairclough's critical linguistic discourse level of text analysis (Fairclough 1992); and (3) the discursive practice which illustrates the first hand impression of the communicated text, such as the number of newsletters released, the

availability, the length of information, the longitudinal persistence in information giving, and the inclusion of stakeholders.

We compare the results from the discourse analysis to accounting data. The accounting data consist of stock prices before and after acquisition of the parent company, the revenues, the EBIT, the assets, the number of employees, and the number of nations in which the parent company is represented.

Data

We selected ten Danish companies from a list of legal mergers and acquisitions (M&As) in Denmark in 1998-1999, listed by the Danish Competition Authority. The acquisitions happened in the same period. A single nation sample eliminates any confounding external factors in our analyses. We have gathered all publicly available written communication from the ten companies (electronically or on paper, according to availability) (Abrahamsson et al. 2019). The time span stretched from the announcement of the M&A up to 15 years after the M&A. The written communication includes M&A-related news releases; publicly available company newsletters; company webpages; and the companies' annual reports. We drafted a scorecard that maps the content and form of the news releases. It conveys how the speech genre unfolds, which stakeholders it includes, as well as whether or not the text is structured and informative. In addition, we collected financial information from the acquired company as

well as the parent company both before and after the acquisition, along with a longitudinal examination of the development of these accounting data (Abrahamsson et al. 2019). We accumulated the scores from the discourse analysis in order to compare them to the accounting data.

The narrative scorecard

We developed a scorecard in order to make the news releases comparable. This scorecard comprises Fairclough's three main analytical areas: information, language, and general impression. Due to the general information availability, it is crucial that the organization is direct, accurate, and inclusive in its information giving (Nye 1999; Cartwright and Cooper 2000). The indicators are chosen according to Fairclough's (1992), Cartwright and Cooper's (2000), and Dwyer's (1999) recommendations while integrating business model reflections on the elements chosen. The scorecard encompasses and analyses information such as the exact time of acquisition, the price of the acquisition, the information on the acquired firm, the plans, the corporate and national cultural challenges, the continuous information during the acquisition (information level and frequency), the motivation, as well as the possibility for asking questions and giving feedback. While these elements mainly feature factual circumstances, the motivation relates to the ability of presenting, in a comprehensible manner, how 'the pieces of the business fit together' (Magretta, 2000 p. 91). In other words, what is the interest in this acquisition? If the information is available and/or addressed,

Danish company	Acquired company (country)	Date on announcement of acquisition (newsletter)
Danisco	Sidlaw Plc (UK)	December 17th, 1999
Icopal	Izolacja S.A. (Polen)	January 27th, 1999
Danfoss	Woodley Electronics Group Ltd (UK)	January 1st, 2000
NEG Micon	TAIM E'olica S.A. (Spain)	May 26th, 2000
Radiometer	Proscience PTY Ltd (Australia)	July 26th, 2000
Vest-Wood	Sweedoor (Sweden)	December 22nd, 1999
DFDS	Lisco (Lithuania)	April 23rd, 2001
GN Great Nordic	ReSound Corporation (US)	May 10th, 1999
Vestas	Italian Wind Technology S.r.l. (Italy)	July 21st, 2000
Falck	Nederlandse Veiligheidsdienst (Holland)	June 10th, 1999

Table 1: Company and acquisition information

a score of 1 is given. If it is not available, a score of 0 is given. The language analysis and the scores are based on language importance highlighted by Kaye (2010) and Dwyer (1999) such as the kind of language used (positive, sympathetic, official, monologic), the style of the newsletter, the use of examples, the jargon, the clichés, or the metaphors along with the use of understating powerful words; for example whether the language is active or passive. The analysis focuses on the positive attributes of the language style, which is crucial to support the representation of a clear business model (Fielt 2013). Thus, the linguistic scores are set such that 1 illustrates a suitable communication language. For example, the use of a certain jargon is seen as a negative communication approach since it may be difficult for outsiders to comprehend (Cartwright and Cooper 2000; Dwyer 1999). Therefore the score of 1 is achieved by no use of jargon. The overall impression comprises the length of newsletter, the readability, the layout, the emphasis of main points, the clear message, that the newsletter is persuasive as well as being inclusive of the stakeholders, the employees, the shareholders, and the customers. This is particularly vital in communicating the business model. The presentation of why this acquisition is beneficial and thus better than the existing way is addressed by main points and an overall clear message (Magretta, 2002, p. 88). In other words, it has to be communicated clearly how this acquisition creates value (Fielt 2013). The different stakeholders are crucial in the legitimization of the business model and in particular the customers in relation to value creation (Fielt 2013; Magretta 2002). Thus, the information and general impression reflect the narrative/the story told and the available financial numbers, whereas the language analysis is more technical and represents the supportive discursive part.

We compare the comprised scores with the financial statement data and the organizational variables described above, in order to identify links between the financial performance and the communication during a foreign acquisition process.

Results

Firstly, we analyze the newsletters through a discourse analysis. Secondly, we show the different financial organizational measures. We compare the two parameters to see if there are any links between them. Finally,

we follow the acquired company and its development during the next 15 years in order to get a longitudinal impression of the success of the acquisition and the business model change.

The communicated narrative in the newsletters

Similarities exist as to how the companies score when it comes to information, whereas there are larger diversions regarding the linguistics and discursive practices. Out of 33 possible points, the highest score is GN Great Nordic with 27 points.

Great Nordic has a general inclusive flow when presenting information and using linguistics, which are stated as crucial parameters in communicating the company's business purpose in the business model literature (Fielt 2013). On the other hand, Radiometer only scores 15 and generally has a poorly written statement.

Of the ten companies, seven are within some type of electronic or development industry, whereas the remaining three companies are in the industries of construction, logistics, or services. This factor alone shows a discursive practice that the electronic and development organizations are the most sophisticated (Abrahamsson et al. 2019). They constantly improve their portfolio by, among other things, acquiring foreign companies during the years 1998-2000.

The first distinctive feature of the newsletters is that three out of the ten newsletters are written in Danish. Considering that it concerns an acquisition of a foreign company, this does not give a good impression or inclusion of the acquired company and its stakeholders. The newsletter provides information on the location, the timing, and also e.g. on the size of the acquired company, and the number of employees. The acquisition price, however, appears in only half of the newsletters. Likewise, only one newsletter reflects upon the cultural and corporate challenges, though with a solution oriented focus and a note of timing of the different parts of the integration. The other newsletters do not address this concern. Finally, but most importantly, the newsletters generally lack the inclusion of the customers in their statements. Only one company, Danfoss, includes the customers in their presentation of an acquisition. This indicates a lack of innovative strategies stemming from external impulses, which are

Firm Scorecard	1	2	3	4	5	6	7	8	9	10
	Danisco	Icopal	NEG Micon	Radiometer	Vest-Wood	Falck	DFDS	GNGreat Nordic	Vestas	Danfoss
Information										
Time of acquisition	1	1	1	1	1	1	1	1	1	1
Price of acquisition	1	1	1	0	0	1	1	1	0	0
Acquired Firm Information	1	1	1	1	1	1	1	1	1	1
Future Plans/Strategy	1	1	1	1	1	1	1	1	1	1
Corporate and national cultural challenges	0	0	0	0	0	0	0	1	0	0
Continuous information during the acquisition	1	1	0	0	1	0	0	1	0	0
Motivation	1	1	1	1	1	1	1	1	1	1
Feedback/further info	0	1	0	0	1	0	1	1	1	0
	6	7	5	4	6	5	6	8	5	4
Linguistics										
positive language	1	1	1	0	1	1	1	1	1	0
sympathetic language	0	0	0	1	0	1	1	1	0	0
non official language (not focused on laws and paragraphs)	0	1	0	0	0	1	1	1	1	1
non monological language (inviting for dialogue)	0	0	0	0	0	0	0	0	0	0
Style match reader	1	1	0	0	0	0	1	1	1	0
Use of metaphors	0	0	0	0	0	0	0	0	0	0
No use of jargon	1	1	1	0	0	0	0	1	1	1
No stock phrases	1	0	1	1	1	1	1	1	1	1
No cliches	0	1	0	1	1	0	1	0	1	1
No run on sentences	0	1	1	1	1	1	1	1	1	1
High affinity and intensifying adjuncts (powerful language)	1	0	0	1	1	1	0	1	0	1
No ambiguous words	1	1	1	1	0	0	1	1	0	1
Use of concrete nouns	1	1	0	0	1	0	0	1	0	1
Active wording	1	1	1	1	1	1	0	1	1	1
Spelling	1	1	1	1	1	1	1	1	1	1
No unknown abbreviations	1	1	0	0	0	1	0	1	1	1
	10	11	7	8	8	9	9	13	10	11
Discursive practice (first hand impression)										
length of newsletter	1	1	1	1	1	0	1	1	1	0
readability	1	1	1	0	0	0	1	1	0	1
layout	1	1	1	0	1	1	1	0	1	1
highlighting main points	0	1	0	0	1	1	0	0	0	0
clear message (direct discourse representation)	1	1	1	1	0	0	1	1	0	1
persuasive and positive	1	1	1	0	1	1	1	1	0	1
Stakeholder inclusion:										
employees	0	0	0	1	1	1	0	1	0	1
shareholders	1	1	1	0	1	0	0	1	0	0
customers	0	0	0	0	0	0	0	0	0	1
	6	7	6	3	6	4	5	6	2	6
Total score	22	25	18	15	20	18	20	27	17	21

Table 2: Assessment of Business Model communication with a discourse analysis scorecard

typically driven by customers (Malmrose et al. 2014). Thus, the acquisitions are not mentioned to be driven directly by customer demands.

The discursive practice generally indicates that the companies continuously inform during the acquisition process, that they use several types of information, that they consider the readability, and that they send a direct message to all stakeholders. All newsletters state the fact of the acquisition and therefore it may appear to contain authoritative language which is a closed unified language system, using static linguistic in a single voice (Bakhtin 1986). It gives a neutral message, and then the receiver may decide for him- or herself how to process the message. Creating the possibility for the reader to give feedback or ask questions may add positive traits to the organization since it will signal interest in its surroundings and stakeholders (Cartwright and Cooper 2000; O'Hair et al. 1998). Five of the ten newsletters give the possibility of feedback or questions. Stakeholder inclusion, however, is scarce. As mentioned above, only one newsletter includes the customer, a few include the employees, and half of the newsletters address the shareholders. However, all newsletters focus on sales and the financial consequences of the acquisition, highlighting the market growth, the sales increases, and the increase in assets. Thus, indirectly, there can be purposes stemming from external (the customers) or internal (the employees) shareholders through knowledge sharing impulses, which have previously been documented to drive business model change (Malmrose et al. 2014).

The linguistics is overall positive which emphasizes opportunities, using words like "advantages" and "prospect". However, these types of words mostly relate to financial figures, e.g.:

"GN Great Nordic estimates that ReSound Corporation has significant growth potential and considerable synergies will be realized both within production and sales" and "The acquisition is part of GN Great Nordic's goal that Group companies take leading positions with the highest profit margins in their respective sectors".

Thus, we find a lack of narrative storytelling, and the use of sympathetic language is scarce. On the contrary, we detect a financial enthusiasm in most of the

newsletters. Restructuring and hiring/firing situations remain absent. Except from GN Great Nordic, where the closest to a sympathetic language is: *"During this period a number of obligations must be fulfilled according to the privatization agreement for LISCO, amongst others related to the staff"*. This indicates a focus on the numerical aspects of the business models, whereas the narratives and the storytelling are infrequent.

The text embeds social practice and social form to participate in constructing a social reality (Fairclough 1992, 1995; Wittgenstein 1953). Therefore, the type of language used is vital when the organization wants to signal that the external stakeholders are involved. The authoritative speech genre suggests a general top-down communication line within the organization and a focus on the financial performance. It also neglects the business model as a total entity by disregarding the narrative story that tells about the company and its knowledgeable assets through the employees and the customer relations.

The influence of the narrative communication on financial data

We compare financial growth and employee information to the scores of the information level and the quality of the newsletters. Information from the acquired subsidiaries has created obstacles due to different nationalities and the fact that, at the point of data collection, some of the parent companies had already fully integrated the acquired companies. However, with assistance from employees, whom we contacted, made it possible to get most of the information. In cases of non-official information, they provided us with an estimate. The information gathered is separated into information on the parent company and information on the acquired company.

The parent company

We study the following measures on the parent company: Score M&A communication; the change in EBIT; the change in assets; the number of countries; the number of employees; the share capital. We explain all variables in the footnote of Table 3. The table shows the descriptive statistics, the result of the correlation analysis with *Score M&A communication* with all other variables, and the variance explained between them (R^2). Since our sample consists of only ten companies,

we opted for the non-parametric Spearman correlation analysis. We could only identify large-size effects, because the statistical power of a ten-company-analysis is by definition low (Cohen 1988). To avoid *false negatives* (i.e. stating a relationship is not significant even though it really is), we do not report p-values. Instead, we analyze if the coefficients point into the most sensible directions.

We measure the success of the acquisition by the development of EBIT of the acquiring company two years after the acquisition. We deduct the development of EBIT two years before the acquisition (*difference in difference approach*) as an appropriate benchmark of how the company performed previously (Wooldridge 2009). While seven of the ten companies had an absolute

positive development in EBIT, only four of them outperformed their benchmark (which is what we measure). We find that good communication is positively related to the benchmarked EBIT ($r=0.159$) and that it explains almost 10% of the EBIT's variance ($R^2=0.095$). Further factors than good communication explain the rest of the variance.

We further tested four variables to check the validity of the EBIT finding. We argue that above average communication on the acquisition purpose, indirectly presenting the business model change, is especially important during an acquisition if the company needs to convince a large number of stakeholders (including shareholders), all of which are considered crucial in business model innovation (Malmrose et al. 2014; Christensen et al.

Variable name	Comparison to "Score M&A Communication"		Descriptive statistics				
	Coefficient	R squared	N	Mean	Standard deviation	Min	Max
Score M&A communication	1.000	n/a	10	20.400	3.688	15	19
Change in EBIT	0.308	0.095	10	-53.1%	1.435	-391%	145%
Change in assets	0.281	0.090	10	26.1%	0.298	-11.0%	77.2%
Number of countries	0.268	0.035	10	33.5	22.741	5	80
Number of employees	0.410	0.043	10	26,461	66,392	1,700	215,000
Share capital	0.171	0.028	10	611.3	533.0	6.0	1,502.8

We opted for an non-parametric correlation test with all variables and Score M&A communication due to the small sample size. We report Spearman's rho as the correlation coefficient. We do not report significance levels, because with this small sample size, significance levels might lead to false negatives (Cohen 1988). The variables in the table are defined as follows:

Score M&A communication	is measured using a scoring system for the information, linguistics and discursive practices the acquiring company applies in its newsletter announcing the merger in either 1998 or 1999.
Change in EBIT	measures the change in EBIT of the acquiring company in percentage points two years after the acquisition, net of the change in EBIT two years before the acquisition in percentage points. Thereby, we account for the benchmark the company has to beat with the acquisition ("difference-in-difference-approach").
Change in assets	measures the increase in assets after the acquisition in percent.
Number of countries	measures the number of countries in which the Danish acquiring company is active.
Number of employees	measures the full-time-equivalents of the Danish acquiring company at the time of the acquisition.
Share capital	measures the market capitalization in million Danish kroner of the Danish acquiring company at the time of the acquisition.

Table 3: Relationship of Business Model communication on financial performance measures

2016). As expected, we find that companies communicate better if they need support for growth (reflected in the change in assets; $r=0.281$; $R^2=0.090$), are active in more countries ($r=0.268$; $R^2=0.035$), have a higher number of employees ($r=0.410$; $R^2=0.043$), and have a higher market capitalization, i.e. more shareholders ($r=0.171$; $R^2=0.028$). These findings support the findings of Abrahamsson et al. (2019) that the stock market awards the frequency of business model innovation which corresponds to the number of countries represented particularly. The number of nations where the organization is represented appear to be relevant, since the more experienced the organization is in different national contexts, the more likely it is that it would consider its mode of communication, and how it legitimizes itself with the different stakeholders across cultures (Kostova and Zaheer 1999). For example, Icopal and Danfoss have nicely written newsletters compared with many of the others, and both of these organizations are, at the time of the acquisition, represented in 50 nations or more. Radiometer with the poorest drafted newsletters only operates in 14 nations. The number of employees within the organization is an alternative way to estimate the size and representation of the organization.

4.2.2 The acquired company

We had access to the number of employees of the acquired company as well as to the revenue development of the previously independent companies one year after the acquisitions. As for the acquiring companies, we find that there is better communication if the acquisition target has many stakeholders, measured in the number of employees (not reported in a table; $r=-0.236$; $R^2=0.026$). Three out of the ten acquired companies develop a direct fall in revenue. Interestingly, we find that decreasing revenues are related to above average communication ($r=-0.281$; $R^2=0.063$). We conjecture that the acquiring companies anticipated this decrease and tried to prepare stakeholders for this by using strong communication. Of course, this is only a tendency. As an opposing example, Vestas acquired the largest company, Italian Wind Technology S.r.l. with 7,000 employees. However, Vestas did not communicate in any extraordinary mode in the newsletter, and it did not mention the employees or the particular situation of the acquisition and its influence on the employees in Italy.

The aftermaths: the acquisitions 15 years down the road

The acquisitions took place around the turn of the millennium. We have analyzed all the parent companies' annual reports, along with the acquired companies, 15 years later. Danisco sold Sidlaw again in April 2001 due to decreasing profits. Danfoss shut down Woodley Electronics Group from the UK. Three other companies (NEG Micon, Icopal and Vestwood) became M&A targets themselves and now belong to venture capital companies. Vestas bought NEG Micon. The parent companies Radiometer, GN Great Nordic, and Falck completely integrated their M&A targets SenDX Medical, Resound Corporation, and Veiligheidsdienst, respectively. The final two companies have sustained their names due to either branding or other local advantages of maintaining a degree of independence. However, they operate in the same fiscal accounts as the parent companies.

The acquisition process is complex, and the analysis has shown various outcomes. Some companies have been able to stay within their operating areas and thereby sustain a similar business model as before the acquisitions. Other companies may have given the parent company a boost in its financial results the first couple of years, after which they seemed to disappear into the parent company's core values, business areas and thereby changing to the business model of the parent company. Only two acquired companies have been able fully to sustain the business provided through their original names; Lisco, taken over by DFDS, operates ferries under the original names and services, and Italian Wind Technology S.r.l., taken over by Vestas, retains statements in their name and locations in Italy.

In a long term perspective, it becomes clearer that the acquired companies go through company turnarounds and business model changes due to the acquisitions. The companies' narratives vanish during or after the acquisitions. The companies' financial numbers either decrease or disappear through integration into the parent company (alternatively: further takeovers, shutdown, liquidation), so after a few years, they cannot be analyzed separately.

In two of the companies, the term business model is explicitly applied as a concept explaining the companies'

values and business. It is noteworthy that the two companies now belong to private equity funds. These equity funds operate within a more professional environment and with a different professional focus (Robertson 2009). They have invested in the companies with the intention of selling them with profits in later years, which may explain this more focused professional approach. Vest-Wood even names their own model 'the Vest-Wood model', *"An important cornerstone for continued controlled growth is a coherent process-oriented business model, the Vest-Wood model which expresses the ideal principles that will structure the organization"* (From the corporate web-page).

None of the other eight companies focus on their business model or the acquired company's business model during the acquisition in their newsletter or later in the integration process and the final definition of the organization. This again suggests that the acquisitions have failed the narrative test (Magretta, 2002, p. 90) and have rather focused on the financial value and not necessarily on any other type of business values such as for example well-educated employees, customer value, or market knowledge. It also aligns with the findings of Abrahamsson et al. (Abrahamsson et al. 2019) who suggest that stock markets only react positively to large and well-communicated business model changes.

Discussion and Conclusions

The aim of this study has been to provide insights into the presentation of the business model, focusing on narratives and financial results during a cross-national acquisition, comparing this communication with the financial results and how the acquisition has been sustained in a longitudinal perspective. While we are not able directly to determine the application of an internally applied business model in the acquisition process, we are able to discuss the external presentation of the business purpose of the acquisition which would demand that it is of crucial importance that innovative impulses are represented during a business model change, such as the customers and the employees as highlighted by Malmrose et al. (2014). Thus, in this discussion, we contribute to an unexplored business model area of external representation of business changes compared with financial data. We synthesize

the theoretical narrative storytelling and the financial data presentation (Magretta, 2002) mirrored in shareholder and stakeholder considerations.

Segars and Kohut (2001) argue that a causal link exists between the quality of written communication and financial performance. In this study we have indicators of such a link. Yet, it is not clear nor univocally since, we e.g. observe Icopal where the external presentation of the business change was strong but the benchmarked performance was negative, and the opposite observation was found for Radiometer with a weak external presentation of the acquisition, yet the financial results were positive. Additionally, large discrepancies exist in the stakeholder attention, where most companies, except Icopal and GN Great Nordic, devote little attention on stakeholders. Thus, this study firmly identifies an intense complex setting where other factors influence the business model presentation through communication and financial success. One of the only consistent findings is the external presentation quality which is related to the number of stakeholders (the employees in the acquiring and target companies; the number of countries where the company is active; the size of the shareholder base) and the prospect of disruptive future events (growth in assets at the acquiring company or decline in revenues at the target company). Yet, the reason for these consistent findings may be found in the fact that these organizations typically have in-house resources such as communication and human resource employees to support acquisition activities.

From a business model perspective, a remarkable dominant discourse is the financial data in the newsletters. Simultaneously, the narrative stories and the communication of the complete business model is to a large extent neglected. It may be discussed whether the business model belongs to a legal announcement in an acquisition newsletter, but according to Osterwalder (2004, p.16) the business model should combine the organizational stakeholders and this forms the link between the business strategy, the business organization, and the information communication technology. It is also debatable to what extent the business model of the parent company should be aligned with the acquired company. However, the corporate business strategy has large elements of positioning the

company and its subsidiaries in the market (Porter 1980), and is therefore crucial in a specific organizational context change which most acquisitions represent, whether this is on corporate or subsidiary level. As Magretta (2002, p.5) states *"Profits are important not only for their own sake but also because they tell you whether your model is working."* Therefore, a business model is far more than financial indicators, and this was also emphasized recently by Nielsen and Roslender (2015). In case of an acquisition this appears to be a relevant notice. With the interrelatedness of narrative storytelling and financial performance, a hybrid emerges to stakeholder theory in this discussion. This study supports the notion that the communication process often neglects stakeholders. Yet, they are still essential for the organization, in particular in recent years due to the financial crisis (Tse 2011). The communication in the newsletters and the obvious aims of the acquisitions belong to the realm of shareholder theory, and in most cases revenue also increased. However, none of the stories told appeared to be strong narratives. This could have been the reason for the actual implications that the companies had to be sold again or even closed down indicating a lack of sustainability of the acquisition. The strong focus on financial performance undermined the importance of the intangible story telling which appears to be a continuous problem for many organizations (Biondi and Rebérioux 2012). In at least half of the cases, the acquisition did not become a financial success in terms of positive returns

and increased assets, as often highlighted as the aim in the newsletters. This supports the need for a refocus on stakeholders and the core business model in specific situations such as organizational changes and acquisitions (Shefrin 2007; Russo and Schoemaker 1992; Tse 2011). The increased complexity in social practice due to technology advances, globalization, and information access (Fairclough 1992; Morgan 1997; Ströh and Jaatinen 2001) are additional reasons for an increased pressure of legitimacy where the organizational business model is pivotal.

Though this study identifies a lack of business model communication in an acquisition process, the analytically indicated links between external communication and financial performance have limitations due to a small sample and due to the complex organizational set-up where the acquired organizations' financial performance is quickly absorbed into the parent company.

Despite its limitations, this study has entered an unexplored area of a stakeholder and shareholder view integrated in the business model change communication which calls for further future research. Rich academic literature exists in both theoretical areas and would thus enable such research. Moreover, future research on business models in more specific situational contexts, such as acquisitions, is called for, in order to add to the more scarce business model theoretical groundings.

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