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The relationship between ICA AB and Royal Ahold

A study on international ownership

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Preface

We would like to take the opportunity to acknowledge all people that have contributed to the realisation of this thesis. Primarily we would like to thank the respondents. The objective would not have been reached without their knowledge and participation. Especially we would like to give Roland Fahlin a proof of our gratitude for his interest in this thesis and in our research process.

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Problem background: The 1990's was a period of internationalisation within the retail sector. It was almost necessary to have a growth strategy with an international focus to be competitive on the retail market. The Swedish market-leading retail company ICA AB adapted to the increased internationalisation and developed an internationalisation strategy. In year 2000 the large Dutch international retail group Royal Ahold acquired 50 per cent of the shares in ICA AB. In connection with the transaction a shareholder agreement was established that was valid for 40 years and regulated the influence and control in ICA AB. In March of year 2013, Ahold divested its holdings in ICA AB to Hakon Invest, which is the financial organ within the ICA organisation. This led to that ICA AB today is owned solely by Swedish shareholders.

Problem discussion and objective: The objective of this thesis is to gain deeper knowledge in how two large companies within the retail industry cope with questions related to control and international partnership. This particular business deal evoked interest because of the interesting ownership structure, both within ICA AB and the relationship between ICA and Ahold. Deeper research into why Ahold became a part owner of ICA AB in year 2000, and why Ahold decided to sell the ICA AB-shares in year 2013 is the foundation for the problem discussion in this thesis. Further investigations are made on how a business relationship like this originates and how and why it is terminated, and why a typical Swedish company decides to join partnership with a large foreign player.

Method: Personal interviews have been conducted for the understanding of the problem discussion from the respondents' perspective. Without the personal interviews the authors believe that it would not have been possible to reach the level of insight that was necessary for the quality of this thesis. Therefore a qualitative method was applied and part of the theoretical framework was developed after the interviews, which indicates that an inductive method was used to approach the objective.

Observations: The observations are based on the four conducted interviews. The observations are divided according to a chronological order and important events to provide a pedagogic understanding of the content.

Conclusion: Both companies had understandable motives to start the cooperation in year 2000 mainly due to the business environment at that time. The cooperation involved a change within the ICA organisation, mainly within the management but it was a notable fact for all parts of the organisation. The decision to end the relationship in year 2013 was mutual and a result of the new business strategy of Ahold in combination with ICA HF's mission to secure the ICA-idea. Our conclusion is that this will benefit the ICA-idea and that the business areas that were not developed to its full potential during the time with Ahold now have the possibility to grow. An interesting question is how the listing of ICA Gruppen will affect the strategy of the company.

Suggestions for further research: This thesis was written during the period of time directly after the buy-back of the shares of ICA AB. Therefore it would be interesting to investigate how the new ownership structure is going to affect the control over ICA AB and whether the recent transaction was beneficial or not for ICA AB.

Since this thesis has a synoptically perspective it is possible to conduct deeper research into the ownership structure within ICA. Schuster (1989) examined the ownership relations within ICA from an agency theory in year 1989 but many structural changes have occurred since that period of time. Therefore it would be motivated to conduct a similar study, in particular after the most recent structural change.

1. Prologue

The following chapter provides a background and a problem discussion within the area of study which is followed by the objective and problem formulations of this thesis. Thereafter the limitations, the references and the definitions are presented.

1.1 Background

In year 2000, the large Dutch international retail group Royal Ahold (Ahold) acquired 50 per cent of the shares in ICA AB. The valuation of ICA AB amounted to SEK 31.3 Billion (Prospectus, ICA HF, 2000). ICA and Ahold were both members in the European purchase alliance “Associated Marketing Service” (AMS) and therefore their paths had crossed earlier. Through the AMS, ICA and the Dutch retail chain of Ahold, Albert Heijn, had a purchase alliance before the transaction (Kylebäck 2007).

In connection with the transaction a shareholder agreement was established that stated, among other conditions, that all shareholders involved with holdings in between 30 to 70 per cent would have equal controlling influence in ICA AB (Hakon Invest Annual Report, 2005). Originally three companies were involved in the deal: the Dutch company Ahold that held 50 per cent of the shares, the Swedish company Hakon Invest (former under the name of ICA Föbundet Invest AB) that held 30 per cent of the shares and the Norwegian company Canica A/S that held 20 per cent of the shares. A few years later the holdings in ICA AB held by Canica A/S was acquired by Ahold and Hakon Invest (Hakon) in turn bought half of these shares from Ahold (Wirsäll & Fahlin, 2007). Until February in year 2013 the shares of ICA AB was held to 60 per cent by Ahold and to 40 per cent by Hakon and both companies exercised joint controlling influence in ICA AB (Hakon Invest Annual Report, 2005).

The transaction between ICA and Ahold was a result of the internationalisation of retail companies in the 1990’s, since internationalisation nearly had become a condition for profitability and growth. Investors on the capital market had other, more lucrative sectors to invest in that forced the retail companies to be competitive. The company structure within the retail sector in Western Europe was already established in a pattern that made it difficult for new actors to entry the markets. This left two main attractive options for a retail company to expand its business: either through cooperation with a national or regional actor or to expand individually across country borders (Kylebäck, 2007).

During the 1980’s and the 1990’s the retail industry started to turn its gaze towards the Nordic region, including the Baltic States. By that time the region consisted of over 30 million consumers and a majority of these consumers was considered to have a high purchasing power. Advantages with the Nordic region were the high purchasing power among the consumers and a stable political and economic environment. In addition the Nordic region was culturally and physically close to many of the large retailers’ home environments. A disadvantage with the Nordic region was the maturity on the retail market and the low growth potential in comparison to the Eastern countries, due to a combination of the small population and a low GDP-growth (Kylebäck, 2007).

In February 2013 it was decided that Hakon would acquire the entire holdings of Ahold in ICA AB to a price of SEK 20 Billion, which made Hakon the majority shareholder in ICA AB (Press release, Hakon Invest, 2013-02-11). In year 2011 ICA was the largest retailer in Sweden (Fri Köpenskap, 2012). The company group of ICA has business activities in several countries and consists of several business areas. The company group of ICA is active in Sweden, Norway and the Baltic States. The business areas are divided into five subsidiaries according to their type of business. The subsidiaries are ICA Sweden, ICA Norway, Rimi Baltic, ICA Bank and ICA Real Estate. According to the company group of ICA its operations can be divided into four cornerstones: stores, supply chain, real estate development and financial services.

In connection with the transaction in year 2013 Hakon Invest changed name to ICA Gruppen to reflect the new orientation towards ICA within the new business group. After the transaction Hakon holds 90 per cent of the shares in ICA AB and the Swedish investment company Industrivärden hold the remaining 10 per cent of the shares in ICA AB. This provides investors the opportunity to invest in ICA AB through the share of ICA Gruppen (ICA Gruppen, 2013).

1.2 Problem discussion and objective

The ICA organisation occurs frequently in Swedish literature on retail and trade. The organisational structure has been investigated from different perspectives throughout history. A great share of the literature deals with the uniqueness in the business idea of ICA and its advantages and disadvantages have been analysed from different perspectives. One example is Schuster (1989) who examined the significance of the unique ownership structure for ICA from an agency theory.

A noteworthy parameter is why ICA, a company that is typically perceived as “Swedish” among the general public, with a unique and successful business idea disposed half of the company’s total shares (50 per cent) to a foreign investor. ICA’s historical and present dominant position on the Swedish retail market leads to the question of why a successful and profitable company would accept an external influence from a large foreign investor.

A vital part of the partnership was the shareholder agreement between the companies that mainly regulated the extent of controlling influence in ICA AB between the parties. This shareholder agreement evoked interest further regarding the partnership. It stated that Ahold could not exercise controlling influence in ICA AB until the year of 2040, even if the company held over 50 per cent of the shares in ICA AB. The agreement was favourable at ICA’s behalf in comparison with Ahold and the partnership terminated earlier than calculated for.

According to Ahold the official reason for the sale of the shares in ICA AB, and thereby the termination of the partnership, was that the company’s holdings in ICA AB no longer were in alignment with the growth strategy of Ahold (Ahold, 2013). Although this was the official reason for the sale an assumption can be drawn that other underlying factors affected the decision. This assumption is drawn from the size of the deal and the interesting parameters that shaped the conditions of the cooperation. This thesis provides a detailed description of how a business relationship like this originates and how and why it is terminated.

For the ability to understand the relationship focus lies to some extent on how the structural changes of ICA AB has affected the development of the company and how the development was affected by the

partnership with Ahold. For increased understanding it is vital to provide a background and description of the companies involved and to map out the triggering factors that resulted in the relationship between the two companies.

A number of more precise questions were derived from the background description and the problem discussion to answer the general question of how a business relationship of this sort originates and how and why it is terminated.

- Why did Ahold have an interest in ICA?
- Why did ICA have an interest in Ahold?
- What were the underlying thoughts of the shareholder agreement and how did it affect the cooperation?
- Did the foreign ownership affect the ICA organisation?
- How has the management of ICA AB differed with two main owners?
- How has the development of ICA AB progressed with the influence of Ahold?

Once these questions are answered, we want to conduct further research into the valuation of the transactions in year 2000 and year 2013 on how the price of the ICA AB-shares was derived.

The objective of this thesis is to provide deeper knowledge in how two large companies within the retail industry manage questions related to company structure and international partnership. This particular business relation evoked interest partly because of the magnitude of the transactions and because of the importance of the transactions for the Swedish economic history.

The findings from this thesis are applicable in studies of other situations with similar characteristics. Besides the main objective of the thesis the contribution is provided through its uniqueness within the subject. The business transactions between ICA and Ahold and the relationship between the two companies have not yet received the full amount of attention as previous research of the ICA organisation and the retail industry.

The method that is used to answer these questions and how the objective of this thesis will be reached are further explained in section two.

1.3 Limitations

This thesis does not focus on the details in the valuation process of a merger or an acquisition. This area of study is extensive and would divert the focus of this thesis from its main objective. In connection with this the authors presume that the reader has some basic knowledge of merger- and acquisition activities. The values of the transactions are not compared because of the impact the time frame between the transactions has on the value of money. The prices of the transactions are mentioned throughout the thesis to provide the reader with a notion of the size of the transactions and to facilitate the separation/identification of the two transactions. The prices of the transactions are illuminated to provide a comprehensive image of the transactions.

The thesis investigates only the relationship between ICA and Ahold and does not take into account comparisons with other similar business deals. If other business deals had been accounted for the thesis would have a different character and it would have provided a general view of this type of deals instead of the focus on one particular transaction.

1.4 References

In this thesis the APA (American Psychological Association) Referencing System is applied.

The theoretical basis of this thesis consists of historical literature on the companies involved in the transactions, theories on the internationalisation decisions of companies and historical theory on internationalisation and networks within the Swedish retail industry. In addition to this, theory on the meso-level and theory on federative organisations are described. The theoretical section concludes with a short presentation of how the type of management developed during the years 1940 to 1980 in the United States and how this has affected the modern company.

1.5 Definitions

Ahold: Royal Ahold (Koninklijke Ahold N.V.)

Hakon: Hakon Invest AB (former ICA Förbundet Invest AB)

ICA: The entire ICA organisation

ICA AB: The company group of ICA, including the retail business that operates the daily retail business together with the independent retailers, the real estate business of ICA and the ICA Bank. From 2013 ICA AB is a part of ICA Gruppen. ICA AB is used as simplifying abbreviation for the reader's ability to separate the different units in this thesis.

ICA Gruppen: The newly established company group name of Hakon Invest (since 20th of May 2013)

ICA HF: The Association of ICA-retailers (Sv: ICA Handlarnas Förbund)

IFAB: The financial organ of the ICA organisation. The company changed name to Hakon Invest in year 2005. (Sv: Ica Förbundet Invest AB)

2. Method

In this chapter the scientific method is presented and motivated together with a motivation for the choice of theoretical framework. Thereafter the selection of respondents is motivated followed by an explanation of the analysis of the observations. Finally the criteria of validity and reliability are applied to the chosen method.

2.1 Scientific basis

The objective of this thesis was to investigate and to map out the reasons and underlying thoughts behind a major strategic business decision in the retail sector. The focus of this thesis lied with two decisions within ICA: firstly, a decision that involved to form a joint venture with a foreign partner and secondly, to terminate the joint venture and thereby to form a new business strategy. The objective was not to query the decisions made by the decision makers in the companies involved, it was rather to provide deeper knowledge in the subject of ownership reforms and to investigate two of the largest company transactions in Swedish history.

This thesis was created from an inductive method, which means that the thesis has an exploratory character rather than a proving character (Holme & Solvang, 1997). Initially no assumptions existed concerning the problem formulation. Holme & Solvang (1997) refers to Glaser & Strauss (1967) in the description of an inductive scientific basis as following:

“The empirical results form the foundation of a theoretical perception that is closely related with the phenomenon that we are studying” (Translated from Holme & Solvang, 1997. p. 57).

The inductive method applied to this thesis because the objective was not to test an existing theory on a real case, it was rather to study a real case and investigate if any existing theory was applicable on the empirical observations.

2.2 Scientific method

This thesis was written from a qualitative method. According to Solvang & Holme (1997) a characteristic feature of the qualitative method is that the method places the researcher in close vicinity to the research object. The objective for the application of a qualitative method is to attempt to see the world from the viewpoint of the research object’s perspective, or to investigate the problem of the thesis from the *inside* instead of solely studying the problem from the outside. This provides a deeper insight and knowledge into the research question. Solvang & Holme (1997) refers to Lofland (1971) when they describe how a problem formulation should be designed when a qualitative method is applied:

- A physical and social closeness to the research objects should exist

- A true and valid reproduction of the events should exist according to the researcher's *objective* opinions
- The report should contain marked explanatory descriptions
- The report should contain direct quotes to show the individual's way of expressing itself

The main motive for the choice of qualitative method was that it was the best fit for the problem formulation. When the problem formulation was created we were aware that a great deal of published information already existed on the area of study. Therefore it was decided early in the research process that personal interviews would be performed in an attempt to reach a deeper and nuanced knowledge in the subject and for the ability to have an "inside" perspective of the subject.

In addition to the aforementioned motives for applying a qualitative method, we chose to conduct personal interviews due to the following reasons. Firstly, all respondents have a deep insight and knowledge into the retail industry and into this specific case, which makes a personal interview the best choice mainly for the interviewer but also for the respondent. A personal interview allows the interviewer to observe the respondent's reactions and to perceive the nuance in the answers. Secondly, a personal interview also gives the respondent a chance to express him- or herself in a more natural way (in comparison with, for example, a phone interview).

2.3 Selection of theoretical framework

The thesis contains of a detailed history of ICA. This is important since the company's present position and relationships could be explained to a great extent by its past. The organisational structure of ICA has evolved from several historical events. The comprehension of these events is important for the ability to understand the strategic decisions of ICA and thereby to understand the context of this thesis. The historical backgrounds of Ahold and of Hakon are not as relevant for the companies' positions today and therefore their histories are not described to the same extent. Information on the transactions was derived mainly from newspaper articles and the literature on the ICA organisation. The aforementioned theoretical framework helped us retain deeper theoretical knowledge on the subject, and more importantly, helped us form the interview questions for our personal interviews with Göran Blomberg, Anders Hallgren, Roland Fahlin and Claes Ottosson.

The second part of the theoretical framework consists of theories on the internationalisation process of a company in combination with theory on the meso-level for the ability to understand the structural perspective of the thesis. This literature is a tool to understand why a company decides to expand internationally and how the expansion is possible, and why it occurs more frequently.

The third part of the framework consists of literatures on the federative organisation. The description of the federative organisation is an important part of this thesis for the reader's ability to understand the ownership structure of ICA AB. This theory was applied to the analysis as a tool to understand the strategic line of thought of ICA. The theory is important for the ability to understand the history of ICA and it becomes further interesting in the context of the initiative and the termination of the partnership with regard to the decision-making.

Finally, the presentation of the concept of management is provided to understand how the concept has developed during the past centuries. The focus lies on Chandler's (1977) classical work of "The

visible hand” and Deetz’s (1992) concept of “managerialism” is briefly explained to inform that different types of interpretations exist of the management concept. However, the latter concept is not developed further because it is not directly related to the objective of the thesis.

After the interviews were conducted and the empirical observations was compiled it became evident that the meso-level, the internationalisation process and the theory on federative organisations were of great significance for a deeper understanding of ICA AB and the transactions, and therefore the theories were added to the theoretical framework. All the aforementioned theoretical frameworks are not explicitly mentioned and analysed in the findings. This is because the theory is provided for the reader to have a general understanding of what level the research objects are located and to understand from what perspective this particular case is an interesting topic. Furthermore, the theories provide the reader with the opportunity of an individual interpretation of the relation between ICA and the selected theories.

2.4 Selection of respondents

The empirical observations of this thesis were derived from personal interviews conducted with four people holding different positions within the ICA organisation. The respondents were the following: Anders Hallgren, Göran Blomberg, Roland Fahlin and Claes Ottosson.

Anders Hallgren (Hallgren) started his career within the ICA organisation in year 1983 as a journalist for the magazine ICA-Nyheter. Since year 1990 Hallgren has possessed several positions as Communication Manager for different parts of the ICA organisation and today he is the Association Secretary for ICA HF. With his background and his current position within ICA HF, Hallgren has great insight in the organisation and great knowledge about what factors that affects the organisation.

Göran Blomberg (Blomberg) has since the year of 2009 held the position as the CFO of Hakon Invest. Through his work position Blomberg had good insight in the transaction in year 2013 because he had the main responsibility for the financing of the transaction. This made Blomberg the perfect respondent to clarify the question marks concerning the transaction in year 2013.

Roland Fahlin (Fahlin) operated as the CEO/ Group Manager of ICA HF from year 1986 and was by the time of the transaction with Ahold in year 2000 also the Chairman of ICA AB. During the years of 2000-2001 Fahlin in addition to previous mentioned positions also held the position as the CEO of ICA AB for a transition period. Due to his positions in year 2000 when the first deal with Ahold was realised, Fahlin was one of the architects behind the transaction and the shareholder agreement and therefore had great insight in all matters concerning the transaction. Fahlin retired from ICA during year 2001 and became a member of the Supervisory Board of Ahold. Fahlin retired from Ahold in 2004. With this background Fahlin had great potential to provide the information needed to understand the turn of events concerning the transaction between ICA and Ahold in year 2000.

Claes Ottosson (Ottosson) began his retailer career in year 1990 in Gothenburg and has since 2009 been the owner of the store ICA Kvantum Hovås. In addition to his retail position, Ottosson is a trustee in the board of ICA HF since the year of 2000. Ottosson’s contribution to the empirical observations is motivated by the possibility to give his perspective as a retailer on the turn of events between the years of 2000 and 2013.

Blomberg was the first potential respondent in thought due to personal contacts. When contact was established with Blomberg, he suggested and referred to Hallgren as an additional potential respondent. Further, Hallgren suggested and referred to Fahlin and Ottosson. At the initial stage of the construction of the thesis we considered to attempt to have the views of both Ahold and of ICA of the transactions. We attempted to find a contact at Ahold through our respondents, but as the thesis developed we realised that the main focus should be on the perspective of ICA, mainly with regard to the time we were assigned to write the thesis and to the academic level and to the size of the thesis. As a result, the idea of providing both views of the transactions was abandoned at a relatively early stage of the process.

2.5 Interview preparations

The main foundation for the interview questions is the theoretical material regarding the history of the ICA organisation and the published information about the transactions in year 2000 and year 2013. From this theoretical material the interview questions have been derived to create a wider understanding for both the reader and for us as authors in our work to interpret the events that occurred before the transaction in year 2000 and the events between the years of 2000 to 2013.

The interviews were conducted in the beginning of May, which can be perceived as relatively late in the process. However, this provided us time to prepare and collect information from secondary sources about the topic, which was advantageous since we had the opportunity to read up on the subject and study the information before we conducted the interviews.

Individual questions were created for each and every respondent since the respondents possess different types of information depending on their role within the ICA organisation as explained in section 2.4. The questions were divided into three parts depending on which period of time they related to. The time period of the years between 2000 and 2013 was divided into the categories; *Royal Ahold enters the picture*, *The time with Royal Ahold* and *After the buy-back of the ICA-shares*. The reason for the categorisation was to give the respondents a chronological order of the questions, and to provide the possibility of assembling the empirical observations in a chronological and pedagogic order.

The interview questionnaires contained several questions but space was provided for supplementary questions and to allow the respondent to talk freely about the subject. The respondents received the questions before the interview to provide the possibility for them to prepare answers and for us to collect concerted answers. The interview questionnaires are presented in appendix 1, 2, 3 and 4.

2.6 Analysis of the observations

For the ability to present correct information given by the respondents in the interviews, a recorder was used and notes were taken during the interview. Directly after the interviews the records and notes were compared and transcribed. Since a risk exists to unconsciously interpret the observations and make personal assumptions when reflecting statements, the respondents received the opportunity to read through the interviews afterwards and approve the empirical material. The results from the interviews were composed to what in this thesis is named empirical observations.

Furthermore, the empirical observations were compared to the theoretical framework and in the findings, theories presented in the theoretical framework were applied to the empirical observations and further analysed. The findings consist of a comparison of the empirical observations and the theoretical framework.

2.7 Reliability and validity

It is of importance that the gathered observations in a research project meet two criteria: the observations should be *reliable* and *valid*. The demand for *reliability* involves questioning the observations: do the observations provide the information that it initially was gathered to provide and how representative is the information derived from the observations for our study? However, this is not as important for the application of a qualitative method as in the application of a quantitative method (Solvang & Holme, 1997).

The demand for *validity* is of greater importance in the application of a qualitative method. On one hand it could be perceived as *easier* to gather valid information in a qualitative study because of the researcher's closeness to the research object. On the other hand, a greater risk exists in this type of method because the researcher could misunderstand the situation, or the signals sent by the respondent (Solvang & Holme, 1997).

2.7.1 Reliability

What could be questioned in this thesis with regard to reliability in the empirical framework is the level of objectivity in the answers from the respondents because of the respondents' positions within the ICA organisation. This was acknowledged throughout the thesis. However, we would not have received as satisfying and explanatory answers without the knowledge of the respondents, and this knowledge is difficult to attain from someone that does *not* have or have had a position within the ICA organisation. In addition to this we asked ourselves if the possibility exists to find a respondent with a purely objective view, with no regard to the subject of the thesis. Our answer was that this would probably not be possible, and therefore it was no question for us to proceed with the selected respondents.

In an attempt to achieve the viewpoint from the most important angles on the subject, and thereby to achieve the highest possible level of validity, we decided to add a fourth respondent in the form of a retailer. However, this retailer was one of the trustees of the board of the ICA association, which had to be considered in the interpretation of his answers. We perceived that his answers were affected of his position within the ICA organisation and that this affected his answers from the perspective of an individual retailer. We do not imply that a need exists for scepticism towards the respondents' answers only that it is of importance to recognise that the respondents represent their organisations when they answered our questions.

2.7.2 Validity

As previously mentioned, it is not theoretically difficult to obtain valid information in a qualitative study from the aspect that there is no general reason for questioning the level of truth in the respondent's answers. However, we perceived it challenging when we performed personal interviews to have an objective interpretation of the respondent's answers due our relatively low knowledge in the subject in comparison to the respondents' long experience within the field of study.

The majority of the interview questions had an open-ended character. This was an advantage for the respondents because they were allowed to express their opinions in the answers. This was at the same time a challenge for us as researchers: it involved a great deal of interpretation. Questions with a closed-ended character would have facilitated the interpretation of the empirical data. However, we believe that questions with a closed-ended character would have lowered the quality of the empirical observations since this thesis has a descriptive objective. Questions with a closed-ended character are generally less objective and therefore the respondent's answer to this kind of question is generally less descriptive (Solvang & Holme, 1997).

3. Description of the retail companies involved in the transactions

In this section the background and theories are provided for the ability to understand and interpret the observations.

3.1 ICA AB

3.1.1 The ICA-idea

ICA HF defines the ICA-idea as: “Individual retailers’ voluntary collaboration between the “part-ness” (Sv: “delhet”) and the wholeness” (Translated from The Association of ICA-retailers, 2013). “Part-ness” is a word that not yet exists neither in the Swedish vocabulary nor in English vocabulary, but ICA HF applies the word to show that the individual retailer is a part of a wholeness perspective. This idea is the core of the business strategy of ICA and leads to dynamism between the individual retailers and the common resources within the organisation (The Association of ICA-retailers, 2013).

The “ICA-agreement” that was established in year 1971 is a second core of the ICA organisation. It regulates the financing of the stores and was a result from discussions on how the financing of the stores would be operated to have a minimal impact on the individual freedom of the retailers (Wirsäll, 1988). Today the agreement is a cooperation- and financial agreement that applies to the location of the store, since it is the location of the store that involves the greatest risk for the future retailer. This risk-taking of ICA is compensated by the retailer in the form of royalties to ICA that depends on the size of the turnover of the retailer’s store (The Association of ICA-retailers, 2013).

The ICA-agreement involves that a liable company is set up for the store and the retailer initially provides 9 per cent of the required initial capital and the ICA organisation provides the remaining 91 per cent of the capital. The retailer also provides risk capital in the form of subordinated debentures. As time pass the retailer successively acquires the remaining amount of shares from ICA, except for one share. This share is maintained by ICA to secure the right to the location of the store in the event of that the retailer decides to sell the company (The Association of ICA-retailers, 2013).

3.1.2 The early stages of ICA

The history of the company that would evolve into the largest retailer in Sweden, ICA AB, started in the Swedish city Västerås in the year of 1917 when Hakon Swenson founded the company AB Hakon Swenson (“Hakonbolaget”). Hakonbolaget was the first purchasing central in Sweden, which at that time had a leading position within the Swedish retail sector. Hakon’s idea was that individual retailers and wholesale firms should cooperate to obtain the same economies of scale as those of the retail chains and the consumer cooperation (sv: Konsumentkooperationen), mainly with regard to the purchasing activities of their businesses (Wirsäll, 1988). This idea would later on be referred to as “the impossible idea” (sv: “Den omöjliga idén”) because it involved the ability to combine the retailers’ will to individually manage their businesses with their ability to cooperate with each other (Wirsäll & Fahlin, 1997).

AB Hakon Swenson was a purchase central which is not the same type of business as a wholesale firm. This is because a wholesale firm did not typically have the same large amount of retailers as shareholders as Hakon Swenson’s company had at that time, and therefore Hakon favoured the term “purchase central” over “wholesale firm”. The former is what is used in this thesis. A typical feature

of the purchasing central was that the retailers were represented in the board where they were able to take part of the long-term strategic decisions (Wirsäll, 1988).

By the year of 1938 four large individual purchase centrals existed or were to set up business in Sweden: AB Hakon Swenson, Speceristernas Varuinköp (SV), Eol AB and Nordsvenska Köpmanna AB (Wirsäll, 1988). A large number of retailers had become shareholders in these individual purchasing centrals and the need emerged for a joint body for better cooperation among them. AB Hakon Swenson was the largest central and it was Hakon himself that initiated cooperation between the four purchasing centrals. As a result, the four aforementioned companies founded Inköpscentralernas AB ICA in year 1939 as a jointly owned company with the aim of using all opportunities of benefits through coordination among each other. Through this the ICA-organisation (Sv: ICA-rörelsen), which is a comprehensive term for the purchasing centrals and their members, as it is known today was born (Wirsäll, 1988).

Loyalty towards each other among the cooperating companies was a central theme and it was established in the contract, of the jointly owned purchasing central (Inköpscentralernas AB ICA), that the four purchasing centrals were not competing for each other's customers. Each distributor acquired a symbolic amount of shares in the other three distributors' companies to prove that they had the same interest at heart. All four companies provided one quarter of the required initial capital needed to set up Inköpscentralernas AB ICA, regardless of the economical size of the company. In connection with this ICA HF (Sv: ICA Förbundet) was created in the year of 1940 to prove the ideational community of ICA (Wirsäll, 1988).

3.1.3 Hakongiven in year 1948

The Hakon-deal (Sv: Hakongiven) was established in AB Hakon Swenson in year 1948 as a result of American influences and it was a ground-breaking event for the Swedish retail sector. *Hakongiven* was revolutionary in how it radically changed the mode of operation within the sales process from the wholesale sector to the retail sector. The program became the building block of a member manual with four chapters that dealt with the history of ICA, an idea program for the organisation, a cooperation plan and regulations for rewards. The retailer became a member in the organisation when it signed a contract where it committed itself to follow the intentions of the manual. The program of ideas consisted of six points that further on became the building blocks for ICA's corporate culture and the guidelines for the mission of ICA Förbundet (Wirsäll, 1988).

A part of Hakongiven was the increase in efficiency for the members of Hakonbolaget. The increased efficiency would be achieved through an order premium and a member bonus. The latter depended on the size of the annual purchases, and had the form of a five-year saving fund. The saving funds were the first step for the ICA organisation to its own capital provision besides the capital stock. The capital that the company stored from the saving funds was viewed as a contribution investment from the members of the purchasing central to secure the continued existence of the ICA-movement. It was in year 1948 that the members' shareholding in a purchasing central for the first time was seen as a verification of their membership in the purchasing central. At this time the cash dividends were set at a maximum of eight per cent per year because the retailers should earn money from operating their stores and not on their shareholdings in a purchasing central. This action program was later on implemented in the three other purchasing centrals (Wirsäll, 1988).

In year 1962 the ICA-organisation established a common action program and the retailers became members of ICA Förbundet instead of the individual purchasing centrals. It involved a concentration

of the ideational part of the ICA organisation to ICA HF and all practical and business-associated activities were concentrated to Inköpscentralernas AB ICA (ICA AB) and to the regional purchasing centrals. An agreement was established in the retailers' favor to regulate the cooperation within the retail chain (Wirsiäll, 1988). In year 1964 all stores that belonged to the ICA organisation introduced the same ICA-sign to the stores (Wirsiäll, 1988). This was the same symbol that is in use today.

3.1.4 ICA 1970 - 1990

In year 1972 the regional cooperating companies changed names to ICA Eol, ICA Essve and ICA Hakon AB (Nordvenska Köpmanna AB merged with Hakonbolaget in year 1965 (Wirsiäll, 1988)). This new structure within the company meant that ICA HF received the controlling influence over the entire ICA organisation. ICA HF represented the retailers and had the controlling influence in ICA AB and this guaranteed the retailers' influence in ICA AB and in the ICA organisation forever. In year 1983 the retailers received increased influence as they became able to take part of the regional companies' capital growth. It was the aforementioned three companies together with ICA AB (old Inköpscentralernas AB ICA) that belonged to the same company group up until the year of 1989 (Wirsiäll, 1988).

“ICA 90” is the name of the project that involved a shift in strategy of ICA AB from having a diversified strategy to a concentration on the core business. The board believed that the leadership model within the company group was too complicated. It had become difficult to coordinate the companies on a national level (Wirsiäll & Fahlin, 2007). The board saw a need for an increased focus on issues concerning retailers and that the retailers needed to focus more on their ownership role within the company (Wirsiäll & Fahlin, 1997).

The board of the ICA organisation that consisted of four persons, one CEO from each regional company and one from the parent company ICA AB and in ICA HF, decided to divide the company's business activities on a national level according to its different functions instead of maintaining the current regional division (Wirsiäll & Fahlin, 1997). This re-structuring project received the name “ICA 90”. The ownership structure was changed from the four regional companies (Eol, Essve, Hakon and ICA AB) into a centralized ownership structure in the new parent company ICA Handlarnas AB (Fahlin & Wirsiäll, 2007). The companies were divided into functions according to retail trade development, wholesale trade and other businesses (Bergholm, 2008). In year 1992 ICA acquired 30 per cent of Hagen Gruppen (Hakon Gruppen). It was the CFO of the retail business of ICA Handlarnas AB that had established contact with the owner of Hakon Gruppen, Stein Erik Hagen (Hagen), since the two had got acquainted with each other during international industry seminars. Later on these holdings in Hakon Gruppen increased to 45 per cent. In the beginning of year 1999 ICA acquired the remaining amount of shares in Hakon Gruppen and used shares in ICA AB as payment. This led to that Hagen became a large shareholder in ICA AB with 26.5 per cent of the total shares (Wirsiäll & Fahlin, 2007).

3.1.5 The potential listing of ICA AB

The discussion regarding a potential listing of the ICA AB-share started in the winter of 1997. The discussions were long and intense but the board of ICA HF eventually agreed on the project to list ICA AB on the stock exchange. The main argument why the board of ICA HF decided to list the company was that the internally regulated dealing of ICA-shares held back the value of the firm. Through an introduction to the stock exchange ICA would gain access to risk capital and the share would be traded

at a market value. What was also considered during the discussion was the increased risk for disagreement among retailers as the business group continued to grow. Such disagreement could risk the successful organisational structure within ICA and cause severe damage within the company. Another factor that contributed to the discussion was the problems ICA had faced with the Swedish Competition Authority because of the new competition laws within the EU. ICA realised that it had to reconsider the organisational structure since it did not fit with the new regulations (Wirsäll & Fahlin, 2007).

The part of the board that opposed the idea of listing ICA AB claimed that a listing of the company would contrast the core values of ICA. According to the opponents a great risk would be that the retailers would lose focus on their business and concentrate on the wealth for the shareholders instead. The opponents were also worried about the risk of to what extent the financial environment would be the controlling factor for the organisation instead of the retailers and the customers (Wirsäll & Fahlin, 2007).

According to Gometz, Ramseyer & Grundvall (1997), a company has to account for extensive costs in connection with a listing. One such cost is for example adjustments of the board. The stock exchange requires a board with external members and for this ICA would be forced to adjust its board to the new rules. Another type of adjustment that a listing requires is that the company's financial reports have to follow certain rules (Gometz et al., 1997). ICA had prepared for these adjustments and had started to adjust the company's Annual Report, accounting procedures and reporting routines. However, this process was not unnecessary since the preparations came in hand when starting the relationship with Ahold (Wirsäll & Fahlin, 2007).

In general the greatest advantage with listing a company on the stock exchange is the access to capital that the stock exchange offers. Therefore it can be beneficial for companies to enter the stock exchange while the companies are expanding and growing. Through a listing of the company it gains access to the market for risk capital (Gometz et al., 1997), and this was one of the reasons why ICA HF brought up the issue for discussion (Wirsäll & Fahlin, 2007).

3.2 Hakon Invest

IFAB decided to list its shares in year 2005 and in connection with this the company decided to change its name to Hakon Invest. The name Hakon Invest AB is inspired by the name of the founder of the ICA organisation, Hakon Swenson. The purpose with the change of name was partly to show the company's new orientation as an investment company and a way to clarify that the Hakon-share was separated from the operations of ICA. The company wanted to demonstrate to the stakeholders that it was *not* the ICA-share that was listed on the stock exchange. Hakon Invest AB was listed at NASDAQ OMX Stockholm and was a part of the Large Cap list since December 2005 until May of 2013 when it changed name to ICA Gruppen (Hakon Invest, 2013).

In year 2005, simultaneously as the listing on the stock exchange, Hakon expanded the business of previous IFAB to further include long-term investment in unlisted retail companies in the Baltic states and the Nordic region. Before year 2005 the business of IFAB had solely focused on the management and further development of the ICA-idea (Hakon Invest, 2013).

ICA HF is the main owner of Hakon. Until February 2013 the holdings of ICA HF in Hakon amounted to 67 per cent and the outstanding shares and the remaining 33 per cent is allocated to Swedish- and foreign institutes and private investors (Hakon Invest Annual Report, 2006).

Hakon is a Swedish-based investment company that owns and develops companies within the retail sector. Hakon's vision is to be the leading developer for companies in the retail sector in the Nordic region and in the Baltic States. The company's investment focus lies on established companies within the retail sector that has potential for development and faces new challenges. Examples of portfolio companies where Hakon has invested are Cervera (home- and kitchen design), Hemtex (textiles) and Forma Publishing Group (publisher). (Hakon Invest, 2013)

The company supports its portfolio companies through an active and responsible ownership, and the company supplies with capital, competence and contacts and uses its many years of experience to make its portfolio companies successful. The reason why Hakon owns holdings in companies in other Nordic countries, and in the Baltic States is because the company aims to have a balanced risk profile in its portfolio. Hakon's main strategy is to own at least 50 per cent of the holdings in its investment companies so that the company has controlling influence (Hakon Invest, 2013). An exception from this is Hakon's holdings in ICA AB that only reaches up to 40 per cent, but because of the shareholder agreement between the owners of ICA AB, Hakon has joint controlling influence in ICA AB.

Today the focus of Hakon has shifted from the focus of its other investment companies towards ICA AB. This is a result of the transaction between Hakon and Ahold when Ahold divested its entire holdings in ICA AB to Hakon. Today (2013) Hakon therefore owns 90 per cent in ICA AB. Because of the large holdings in ICA AB Hakon decided to change the name of the business group from Hakon Invest AB to ICA Group AB (ICA Gruppen AB). The remaining 10 per cent of the ICA AB-shares are held by Industrivärden. This clearly shows a more distinct orientation towards their holdings in ICA AB. The other investment companies of ICA Gruppen will be named "non-food activities" in the new organisation structure (Hakon Invest, 2013), which also clarifies the shift of focus. A chart of the ownership structure of ICA AB is provided in Section 9.2, Figure 3.1.

Industrivärden is one of the largest investment companies in the Nordic region within the industrial sector. The business strategy of Industrivärden is that, through an active ownership in Nordic industrial companies, to provide a return to its shareholders that is higher than the average rate of return on the Stockholm stock exchange over a longer time horizon (Industrivärden, 2013).

3.3 Royal Ahold

The history of Royal Ahold began in the mid nineteenth century with a store owned by the Heijn family. In year 1897 ten stores belonged to the Albert Heijn-company. In the early years of the twentieth century it was relatively common for individual retailers to buy items from wholesale distributors, re-pack them in their own store and sell them under the store's or company's name to assert the customers that the goods had a certain quality. By the year of 1911 the Albert Heijn-stores had its own brands of coffee and biscuits and also produced its own bread. (Dawson, Larke, Mukoyama, 2006).

Until the start of the Second World War II in year 1939 the company expanded through minor acquisitions of other small family-owned companies. In year 1955 the company opened its first self-

service store in Rotterdam and this was the start of an expansion that would stretch over the following decade when the average size of grocery stores and the company's domestic market share grew throughout the 1960's. (Dawson, Larke, Mukoyama, 2006).

In year 1970 the company opened its first store with a size of more than 2500 square feet and during the beginning of the decade the company started other independent, specialised chains of stores such as a health and beauty chain (Etos) and a wine and spirit chain (Alberto). Increased information on article numbers and scanning was assembled, and Albert Heijn was personally engaged in the European Article Number Association and frequently visited other countries for updates on the latest developments. (Dawson, Larke, Mukoyama, 2006).

In year 1973 the name of the company was changed from Albert Heijn to Ahold to reflect the now broader base of the company (Ahold is an abbreviation of "Albert Heijn Holding"). Now Ahold was the largest retailing company in the Netherlands and for the ability to grow further the company had two choices: either to grow by diversification domestically or accomplishing growth through entry into foreign markets. Ahold chose to expand their business in foreign markets (Dawson, Larke, Mukoyama, 2006).

Today, the company operates over 3000 stores and employs 225,000 people. The company has a customer base of approximately 80 Million customers (Ahold, 2013).

3.3.1 Business strategy of Royal Ahold

By the end of the 1990's Ahold was the world's third largest retail company group with subsidiaries in Europe, Latin America, Asia and North America (Kylebäck, 2007). In 1989 the company had approximately 45 per cent of the total market share in the Netherlands. During that period of time "Ahold had a solid base in the United States that contributed significantly to the company's overall sales and profits" (de Jong, DeJong, Mertens & Roosenboom, 2007, p. 333).

The aim of Ahold was to compete in the same field as Walmart and Carrefour, which were the two largest retailing companies in the world at that time. The growth strategy of Ahold was to achieve growth by acquiring large store chains in foreign markets, but these chains would maintain their own local identity, local management and their own name. The company was going to accomplish this growth through expanding their business in the United States and through the aforementioned acquiring strategy (de Jong, DeJong, Mertens & Roosenboom, 2007).

The possibility of pursuing this strategy was dependent on the investor relations. In 1992 a new CEO, Cees van Der Hoeven, was appointed that became the driving force for the improvement of the investor relations. He implemented a number of projects for this purpose and the projects displayed results; the company ranked number one several years in a row in a recognized survey conducted by an investor relations consultant firm, in every investor category. The expansion was primarily financed through external equity and debt (de Jong, DeJong, Mertens & Roosenboom, 2007). In year 1999 Ahold had almost 4000 stores, an annual turnover of EUR 33.6 Billion, more than 300 000 employees and over 30 Million customers each week (Prospectus, ICA HF, 2000). A descriptive graph is provided in Section 9.2 as Figure 9.3 to display the value of the Ahold-share in comparison to those of Wal Mart and Carrefour from year 1989-2003. It is notable how the share value plunged during the years of 2002/2003 as a consequence of the company's financial crisis. The financial crisis was due to an over-statement in the balance sheet of one of the company's subsidiaries in the U.S that had an

annual turnover of SEK 170 Billion. Ahold had activated a type of revenue from suppliers in the American company as a receivable in the parent company's balance sheet. However, the contribution was never paid by the supplier. The overstated receivables in combination with illegal accounting features of an Argentinian subsidiary lead to that Ahold was prohibited to consolidate its subsidiaries in its balance sheet. When this was announced it was described as a "bomb hit" for the investors. An author, Jeroen Smit, who conducted research on the area, stated that Ahold had expanded too fast in combination with an absence of control in acquired companies in the Nordic region, the United States and South America (Kylebäck, 2007).

3.4 Description of the transactions between the ICA organisation and Royal Ahold

3.4.1 The transaction in year 2000

In year 1999 Ahold contacted ICA regarding Ahold's interest in a potential cooperation between the two companies. The suggestion from Ahold included becoming part owner in ICA AB together with IFAB (ICA Förbundet Invest AB) and Canica. Ahold was interested in buying 50 per cent of ICA AB (ica-historien.se - Roland Fahlin, 2008). IFAB was the financial organ within the ICA organisation at that time.

The proposition from Ahold came during the same time as ICA planned to list the ICA AB-share to the Swedish Stock exchange. Ahold stated that cooperation between ICA and Ahold would be more advantageous for ICA than a stock introduction. The proposal from Ahold meant Ahold was ready to acquire the equal amount of shares to a more beneficial price than ICA would receive for the shares on the stock exchange (ica-historien.se - Roland Fahlin, 2008).

A relationship with Ahold was evaluated as industrially motivated based on the following factors according to the prospectus that was communicated to the shareholders in ICA AB:

- ICA and Ahold had a common ground in the question about local adaption and entrepreneurship
- New opportunities would rise for ICA on the international market
- Increasing purchasing volumes would lead to more competitive prices
- Ahold had a clear customer-focus and the same thought of mind as ICA regarding consumer- and quality questions
- Synergy effects were expected within a large number of business areas, e.g. the development of stores, private labels, marketing, distribution, and within employee development.
- The conditions for future growth would be improved
- The future three part owners of ICA AB (Ahold, IFAB and Canica) had a similarity in both the national culture and in the business culture. This would provide a good foundation for future cooperation.

(Prospectus by ICA HF, 2000)

Based on the above-mentioned expectations the ICA organisation viewed a relationship with Ahold as more beneficial for the ICA organisation than a listing of the ICA-share. Therefore ICA agreed to accept the offer from Ahold in December of year 1999 (Prospectus by ICA HF, 2000).

The transaction was constructed as a joint venture and the outcome was the company *ICA Ahold Holding*, which was established as the parent company to ICA Ahold AB (Prospectus, 2000). The owners of ICA Ahold Holding were Ahold (50 per cent), IFAB (30 per cent) and Canica (20 per cent of the shares) (Hakon Invest, 2013). The purpose of ICA Ahold Holding was to regulate the ownership between the three owners (Prospectus by ICA HF, 2000).

In the transaction one ICA AB-share was valued at SEK 821.31 per share, excluding a dividend of SEK 103.7 per share. In all together this equals a total valuation of ICA AB to SEK 31.3 Billion (Prospectus by ICA HF, 2000).

3.4.1.1 The shareholder agreement

In connection with the transaction a shareholder agreement was established that stated the conditions for the ownership and control of ICA AB. This agreement is an important part of the transaction because its particular conditions about control in ICA AB.

The shareholder agreement was established in year 2000 between the current three owners, which were Royal Ahold, Hakon Invest, and Canica A/S. In the year of 2004 the shares of Canica A/S (20 per cent) was acquired by Ahold, and Hakon in turn acquired half of these shares from Ahold. Consequently, Ahold held 60 per cent of the shares and Hakon held 40 per cent of the shares in ICA AB. Due to the changes in ICA AB's ownership structure some modifications were made to the original contract.

The agreement contains the following conditions:

- As long as the joint owners' shareholding of ICA AB ranges in between 30 – 70 per cent of the total shares of ICA AB, the companies have joint controlling influence which means that there has to be unity among the parties in the decisions at the companies' Annual General Meetings of shareholders and within the boards of directors
- The Boards of Directors of ICA AB should consist of eight members and four deputy members that are chosen on the Annual General Meeting. Royal Ahold and Hakon Invest has the right to nominate four members and two deputy members each.
- The termination of the agreement may be made no earlier than the end of 2040
- The companies are subject to a right-of-first-refusal-clause that permits them to acquire shares at market price in connection with a transfer of shares. In a situation like this Hakon Invest could choose to acquire all the shares in ICA AB or to acquire an amount of shares that makes the company's holdings in ICA AB equal to 50 per cent.
- If the shareholdings of ICA HF in Hakon Invest would decrease to less than 50 per cent which would lead to that another party receives shareholdings of more than 50 per cent of the shares in Hakon Invest, Royal Ahold has the right to acquire Hakon Invest's shares in ICA AB. (ICA-Handlarnas Förbund's Article of Association states that the organization is obligated to hold at least 51 per cent of the shares in Hakon Invest)
- The business activities of ICA AB are to be developed further within Norway and the Baltic region. Therefore the parties may not conduct business in these areas that compete with that of ICA AB (Hakon Invest Annual Report, 2005).

3.4.2 The transaction in year 2013

In September of year 2012 Ahold announced that the company were considering strategic alternatives for its holdings in ICA AB. In February of year 2013 it was officially announced that Hakon would acquire the 60 per cent of the shares in ICA AB held by Ahold for a price of SEK 20 Billion (Press release, Hakon Invest 2013-02-11). The transaction was finalised in the 27th of March in year 2013 (Press release, Hakon 2013-03-27).

The official reason why Ahold decided to sell its holdings in ICA AB was that Ahold in year 2011 adopted a new growth strategy that involved a focus on the holdings where Ahold had the controlling influence for the ability to create value. Due to the shareholder agreement between ICA and Ahold, Ahold only had joint controlling influence in ICA AB and no opportunity existed for Ahold to acquire controlling influence (Hakon Invest, 2013). Therefore the holdings in ICA AB did not fit with the new strategy of Ahold (Press release, Ahold 2013-02-11).

The result of the buy-back is that ICA and Hakon creates a business group named ICA Gruppen that will be the new parent company of ICA AB, and as a consequence, Hakon changed its name to ICA Gruppen. The shares of ICA AB are to 90 per cent held by ICA Gruppen and the Swedish investment company Industrivärden holds the remaining 10 per cent of the shares. The change of name is mainly to show the increased focus on ICA within the business group (Press release, Hakon Invest 2013-02-11).

The transaction will not change the collaborations that existed between ICA and Ahold before the deal (Press release, Hakon Invest 2013-02-11).

4. Theories on internationalisation and management control

4.1 Background to internationalisation

The decades after the Second World War was characterised by tough regulations on the capital market and it was difficult to move capital on an international level. This resulted in that effective international capital markets did not exist. In Sweden it was particularly difficult for foreign investors to enter the Swedish stock market. A great part of Swedish shares were so called secured shares and these were closed to foreign ownership. The only way to buy Swedish shares was to buy the free shares that were not secured. However, the foreign owner that wanted to acquire these free shares still had to overcome obstacles such as tough currency control. The Swedish rules for foreign acquirement belonged to the toughest among the developed industrial countries (Johansson, 2007).

In the 1980's the Swedish capital market faced several deregulations. As a consequence of this, Sweden was by the end of the decade a part of a world where capital floated more freely and trade regulations became more liberal. This was the beginning of what we today call *internationalisation* or *globalisation*. One result of these regulations is visible on today's Swedish stock exchange as a great part of foreign ownership. This structure was not possible before the deregulations (Johansson, 2007).

The openness in the Swedish economy has contributed to that Swedish companies in great measure have been a part of the international reconstruction of the industrial business that the globalisation has resulted in. It is therefore natural that large companies with great international exposure have been impacted by this change, and it is also natural for them to form agreements with international companies. (Johansson, 2007). This is one of the reasons why ICA chose Ahold as its partner because ICA received access to a strong and established international base for purchases through the cooperation with Ahold (Wirsiäll & Fahlin, 2007).

In the year of 1970 Stanley C. Hollander presented his ground-breaking framework on the motives for internationalisation in the retailing industry (Quinn, 1999). According to Hollander (1970) the motives can be divided into three categories. A motive can be *inadvertent* (i.e. countries changing their borders), *commercial* (i.e. profit orientated) or *non-commercial* (i.e. social, political, personal, ethical) (ibid).

In connection with these three categories, an internationalisation can additionally be explained by two fundamental approaches to internationalisation discussed by Hollander: reactive and proactive internationalisation. *Reactive internationalisation* refers to internationalisation as a result of saturation and decreasing opportunities in the home market. *Proactive internationalisation* on the other hand states that internationalisation is a result of firms' willingness to exploit international opportunities, before the domestic market reaches saturation (Quinn, 1999).

Several studies have been conducted on the area that describes internationalisation in the retail industry and the studies have all tended to promote either one of reactive or proactive internationalisation. However, more recent studies have shown that internationalisation occurs because of attractive features of a foreign economic environment and not as much because of the situation on the domestic market (Quinn, 1999).

4.2 The meso-level

Glete's research (1987 & 1994) refers to a social level that exists in between the macro level and the micro level, which he refers to as the "meso-level". Areas that are included in the meso-level are syndicates, cooperation activities within the same sector and regional cooperation activities. Glete describes the meso-level as "a level of action for several micro-units, a level constituted by transaction and information costs for these micro-units" (Glete, 1988. p. 331). He uses the meso-level to explain industrial reformation on the macro level. His work mainly concerns how different industries reform into something better, into something more competitive than it was before. Glete's theory states that industrial structures are dynamic and are exposed to a continuous origination and re-creation (Lennerfors, 2009). Glete refers to Scott (1979) when explaining that the growth of multi-dimensional companies has become a problem for microeconomics and therefore the concept of the "mesoeconomics" has been established to circle these companies (Glete 1995).

A well-established meso-level does not necessarily result in development and could show signs of inefficiency. However collaboration between dynamic players can create multiplication effects, which activates a development process beyond what an individual player might have accomplished. The foundation for that sort of collaboration could be that players with different types of experiences, networks and information come together and benefits from each other's recourses. The ability to construct business ideas on this level of collaboration and then perform the ideas in a successful manner is often the same thing as to "create" the meso-level. Concrete this could signify to bring several companies together to one greater company, weaving together a network between suppliers and clients, or identify development blocks in need of coordinated contributions. Entrepreneurship on the meso-level is often described as innovative (Glete, 1995). Glete also mentions the research on the separation of ownership and control conducted by i.e. Jensen & Meckling (1976). Glete meant that an official owner of a company is not necessarily the one with controlling influence over the company. "Ownership does not have a natural correlation with control any more". (Lennerfors, 2009. p. 16).

Naturally development blocks and networks existed before the establishment of the meso-level; however the increasing pace in the technological development gave the variables of the meso-level a new meaning. The ability to construct a meso-level and thereafter to act on it therefore became central for many companies. The boundaries of ownership and organisation structure became strategic in a new way through industry- and finance companies' successive concentration and structural change. These boundaries became important since tension can arise from the difference in what owners finds optimal to own, and what the management finds optimal to introduce in the same organisation.

4.3 The federative organisation

There is no general definition of a federation. In the Anglo-Saxon political science the signification of the word 'federal' is broad and general and refers to an organisational system where separate states are united in a superior political system at the same time as the states maintain their fundamental level of freedom. It is important to separate the organisational principal of federations from the actual mode of operation used by the federal organisations (Svensson, 1992).

Svensson (1992) provides a description of the basic features of a federative organisation. A distinctive feature of the federal organisation is that individual organisations are united under certain established agreements in an organisational system. The individual organisations can be referred to as the member organisations and the organisational system can be referred to as the federative organisation. The

reason for this sort of organisation is that the member organisations should be able to achieve their common interests in the most efficient manner. An important feature of the federative organisation is that the members of the federation maintain their fundamental level of freedom with regard to certain decisions (Svensson, 1992).

According to Svensson (1992) a central organisation is created within a federative organisation to represent the member organisations in certain matters and this central organisation has specified tasks and limited resources that can be modified by the member organisations. The most important task for the central organisation is to coordinate the activities that are most effectively performed jointly by the member organisations. The central organisation could also have the assignment to develop and maintain the federal organisation or to coordinate the member organisations' activities from a holistic perspective (ibid).

Another significant feature of a federative organisation according to Svensson (1992) is that the organisation is permeated with a belief system that is characterised by a positive attitude towards collaboration and collectivism that unite the member organisations. Therefore an important feature of the organisation is that a common language is used that is strongly connected to the ideology. The central organisation maintains this belief system that is the core of the organisation by "formal contracts, agreements or rules that define the relationship between the member organisations and the central organ" (Translated from Svensson, 1992. p. 6). Furthermore, this organisational system requires a balance of power where the power is measured by the level of resources that a party controls. If one member organisation exercises more power in comparison to the others or if the central organisation exercises more power in comparison to the member organisations, the power balance is off (ibid).

4.3.1 Leadership- and control issues in a federative organisation

Due to the typical features of a federative organisation issues arise within the leadership- and control area. Tensions can arise between the member organisations, and between the central organisation and the member organisations. The member organisations are obliged to have a loyalty towards the central organisation and individual deviations among the member organisations are only allowed as long as the differing opinions do not affect the central organisation or the wealth of the collective. This is in conflict with the member organisations' claim of their own interests and survival (Svensson, 1992).

The main issue according to Svensson (1992) between the parts of the organisation are the conflicting interests between the wholeness perspective and the perspective of the members of the organisation. This means the general reality within the organisation is perceived differently of the parties in the federation, depending on if the party belongs to the central organisation or to the member organisations. This in turn leads to that the perception of reality is not evident and this increases the demands on the management of both parties. The member organisations have to aim to achieve their own goals but at the same time to consider the survival of the entire federation. The central organisation has to consider the "wholeness-interest" and strive for the survival of the entire organisation at the same time as it allows the member organisation a certain level of autonomy (Svensson, 1992).

The aforementioned issues involve concepts like "effectiveness" and "profitability" and the author states that these terms do not have an evident definition in federative organisations as it does in uniform organisations because of the two differing perspectives (ibid).

Svensson (1992) makes a distinction between uniform organisations and federative organisations. A uniform organisation has a hierarchical structure. In Section 9.2, Figure 9.2 a table is displayed that describe typical features of the uniform organisation in comparison to a federative organisation.

Federative organisations are common in Scandinavian industries such as retailing and food. In other parts of the world, i.e. Canada and in the United States, federative organisations in primary- and second level systems of co-operatives in are more common within certain sectors (Jonnergård, 1993).

4.3.2 ICA as a federative organisation

Schuster (1989) believes that the theory on federative organisations is best applied to the collaboration between the regional companies that existed within the ICA organisation until the early 1990's. Because of the re-structuring within ICA during the 1990's when the companies merged into one centralised organisation, the federative theory in this thesis is applied on the stores and their relationship to ICA HF. This means that stores are viewed as the member units and ICA HF is viewed as the central organ that coordinates economical- and organisational matters. The ICA organisation is viewed as the federative organisation.

4.4 The management concept

The authors Enquist & Javefors (1996) define the concept of management through the theories of Chandler (1977 & 1990) and Deetz (1992). The aforementioned authors divide the theories of the management concept according to the focus on control, on coordination and on the level of interchangeability. In this section a brief explanation is provided of the factors of control and coordination of the management concept.

The authors explain Chandler's (1977) theory as the creation of "a new managerial class (Enquist & Javefors, 1996. p. 18). Chandler's theory is named "The visible hand" and draws on the classic work of Smith on the invisible hand. The reason for the title of Chandler's work is because his point states that the traditional market-mechanisms Smith refers to, is now to find inside of the company and are to a certain extent a result of management decisions instead of visible in the form of natural functions within the economy. Chandler (1977) means that the new managerial class developed when the companies transformed from the form of "single-unit enterprises" to "multi-unit enterprises". When the companies expanded, a need emerged for managers to control and coordinate the expansion. The single-unit enterprises could be internalised in the larger companies because it was possible to coordinate the different functions of the company despite that the activities were separated from each other in geographical terms. This coordination would not have been possible unless a hierarchical management structure was established. According to Chandler (1977) this managerial class had two main tasks: "to allocate resources for future production and to coordinate the flow of goods and services" (Enquist & Javefors, 1996. p. 18).

The background of the new managerial class leads the authors to the question of what impacts the new structure had on the modern company structure:

"What consequences has emerged due to that the management has taken over the task of managing the resource distribution of the company? And what relation do this new managerial class have to the main owner and how has the owners' behaviour changed?" (Direct translation from Enquist & Javefors, 1996. p. 18).

Enquist & Javefors (1996) refers to Deetz (1992) in their definition of “managerialism”. This is according to Deetz (1992) the management’s wish to exercise power and control through the emphasis of efficiency and the normalised view on conflicts. According to the author the managerialism includes all members of an organisation that become affected and develop from the phenomena of managerialism. However, this theory is not further developed in this thesis.

5. Empirical observations

In this section the empirical observations from the personal interviews are presented. The section is divided in a chronological order.

5.1 The period of 1990 – 2000

Fahlin used the expression *structural control* to give an increased understanding of the ICA-organisation, since the structure of the organisation is commonly perceived as difficult to understand for the majority of stakeholders. It is frequently questioned why ICA has been standing so strong during the last 50 years and Fahlin's explanation for this is that ICA has control over its basic resources, which Fahlin defined as a structural control. The structural control means that the company has control over the network of stores, the resources for distribution and the IT-resources. Several other companies choose to outsource these business activities. This became evident in Sweden in April 2013 when the transport association decided to go on strike. Other large retailers in Sweden announced that the companies would experience difficulties with the suppliers within the next few days. ICA did not have any problems related to this because the company has not outsourced its resources for distribution. Fahlin considered the resources for distribution to be a core activity within the company. However, Fahlin said, ICA may have control over its resources for distribution but on the other hand the organisation does not have the same control over the retailers.

5.1.1 Restructuring within the ICA organisation

Fahlin explained that the 1990's were a phase of internationalisation characterised by a few large players, difficulties in entering new markets and slow market growth. Therefore ICA implemented a strategic shift for ICA AB to adapt the company to an internationalisation. The strategic shift involved that the company divested its diversified businesses such as Lindex AB, Svea Choklad and Duka (porcelain and home-design). Many of the retailers had a strong connection to these brands and therefore some of them had difficulties with accepting the sales of the companies. However, this did not affect the company's new strategic direction since the board, where the majority consisted of retailers, approved the decision about the new strategy. Fahlin explained that before year 1998 two formal boards existed within the ICA group; one board for ICA AB and one board for ICA HF. These boards consisted of the same members and kept a joint protocol. Decision-making was only divided in what Fahlin referred to as "special cases". This means that the retailers are represented in the board and Fahlin meant that strategic suggestions usually are communicated from the management to the board and not the other way around. Until year 1998 the board of the group was considered as one single board, "the board of ICA". After year 1998 ICA HF and ICA AB had to be separated when ICA was planning for the stock exchange.

Fahlin explained that earnings from the sales of the diversified companies was used in year 1992 to solely acquire holdings in Hakon Gruppen in Norway since it appeared to be more difficult to invest abroad than the management had expected. The management of ICA sensed that the company would need to have business activities in Norway because they had noticed that foreign stakeholders were interested in the Norwegian market. This was the indirect reason why ICA acquired a Norwegian company. This is explained further in the next section "Ahold".

When we asked Ottosson about his thoughts concerning the listing of the ICA-share in year 2000 he answered that he and other retailers had a skeptical attitude towards the listing of the share and what it would lead to. He said that with hindsight it was wise not to pursue with the listing of the share because he felt that the company was not quite ready for a listing. During that time the company did not function in the same way as it does today. Various opinions probably existed among the retailers, but all retailers agreed that they wanted a better liquidity in the share. Fahlin commented that the shares in ICA AB, owned by the retailers at the time, were traded internally (tied to ICA Förbundet) and were not tradable publicly. The retailers were obliged to buy a certain amount of shares that was dependent on the size of the turnover in the stores. This led to that the share did not develop nor provide any return and functioned only as a way of “storing” capital within the organisation. ICA grew as a company and it was no longer possible to continue with the same situation for the share.

5.1.2 Royal Ahold

Fahlin explained that during the 1990's the business strategy of Ahold was to own a large store chain in every country in which Ahold was active, or to acquire a store chain with the possibility to become the market leader of that country. During this period the company conducted business in mainly Europe and the United States, but also in Asia (China and Malaysia) and South America, and Ahold was discussing to enter Central America.

Ahold did not have operations in Northern Europe and therefore the company started to investigate its possibilities in Norway in Hakon Gruppen before turning its eyes towards Sweden. Fahlin stated that ICA became the natural choice for Ahold because of ICA's leading position on the retail market.

According to Fahlin there was a background to Ahold's interest in ICA AB that he refers to as an “official secret”. This involved that before Ahold showed interest in ICA AB, Ahold attempted to acquire Hakon Gruppen in Norway during the first half of the 1990's. This meant that when Ahold first tried to set up business in Scandinavia the company was not able to because Hakon Gruppen declined the company's offer. ICA provided a better proposition than Ahold to Hakon Gruppen in year 1992, and therefore Hakon Gruppen accepted ICA as its business partner despite the previous offer from Ahold. This was a part of ICA's “Nordic strategy” and was Fahlin's answer when we asked him if any other opportunities existed to expand the business in Northern Europe.

5.1.3 Strategic options of ICA AB

Fahlin's answer to if there existed any other possible strategic partnerships was that the Finnish retail company Kesko was the only large and potential partner for ICA besides Ahold. The reason for this was that Kesko has developed from similar circumstances as those of ICA. ICA admired Kesko because of its company structure that made it possible for Kesko to enter the stock exchange early. Kesko's company structure collapsed as a consequence of the world war. When the war was over, Kesko was shattered and the company received help through knowledge and ideas from ICA. This evolved into a strong friendship between ICA and Kesko and the two companies have almost considered each other as partners. However, Fahlin said, a major change occurred during the 1990's when the international competitiveness became more evident. During Fahlin's time within ICA there were some speculations about merging with Kesko. During the Ahold-deal the management of ICA made probing investigations to see if Kesko was willing to join the cooperation but it was realised that the company did not fit into the idea.

Fahlin explained that a cross-ownership existed between ICA and Kesko, which meant that the two companies subscribed shares in each other. This led to that during a short period of time Kesko was the second largest shareholder in ICA AB after ICA HF, with holdings of seven per cent of the shares. Further on Kesko faced problems with the competition laws within the EU due to their diversified business. Kesko did not want to risk further issues and therefore the cross-ownership came to an end. The end of the cross-ownership was unrelated to the Ahold-transaction. The issue that made cooperation between ICA and Kesko impossible was that the companies would never be able to agree on what company that should have the controlling influence. Fahlin explained the situation as; “It was difficult to decide who should decide”.

5.1.4 ICA AB and Royal Ahold

In year 1999, one year after the announcement of the listing of the ICA AB-share the CEO of Ahold, Cees Van Der Hoeven (Van Der Hoeven), contacted Fahlin and announced his interest in ICA AB. Van Der Hoeven and Fahlin were familiar with each other from European retail associations and Fahlin illuminates the general importance of personal contacts that was a prerequisite for this particular deal as well. He meant that if the few parties involved at the initial stage (Hagen, Fahlin and Van Der Hoeven) had not trusted each other the discussions would have collapsed.

Despite his relation with Van Der Hoeven the interest of Ahold was surprising to Fahlin because neither he nor anyone else had expected an external stakeholder to show interest in ICA AB. Ahold was interested in acquiring 50 per cent of the shares in ICA AB. According to Fahlin, evidently ICA became interesting to Ahold after ICA's acquisitions in Norway where Ahold failed to invest during the early 1990's.

Fahlin explained that despite that Ahold showed interest in ICA AB and that discussions about a possible partnership had begun, ICA continued with its listing process and the discussions with Ahold were not made official. At this early stage the only persons within ICA that was a part of the discussions with Ahold were Stein-Erik Hagen (Hagen) and Roland Fahlin. Hagen was a part of the discussions because he was the second largest owner of ICA AB, since the ICA acquisition of Hakon Gruppen, and also based on his previous contact with Ahold. The reason for the intimate discussions and why Fahlin was unable to announce the discussions to the organisation was that Ahold was a listed company. A listed company must be transparent and inform its stakeholders about important strategic decisions and therefore it was only possible for Ahold to have probing conversations with Fahlin. If Fahlin had revealed the discussions with Ahold it would have damaged the investor relations of Ahold and the company would have cancelled the discussions. A condition for the discussions to proceed was that the process would be approved by Bengt-Åke Billing, the chairman of ICA HF at that time. After his approval a small group of six people, including Fahlin and other board members of ICA was assembled to proceed with the conversations with Ahold.

The result from the proceeding conversations, explained by Fahlin, was that the persons within ICA involved in the discussions had no other choice but to keep the discussions on a level without any obligations to make them public. This meant that ICA as an organisation had to operate two projects simultaneously. Officially the strategic move for ICA was to list its share on the stock exchange in Stockholm, but Fahlin and his small group simultaneously proceeded with the idea discussions with Ahold. ICA could not announce to Handelsbanken, its main bank for the listing project that ICA “might” not proceed with the listing. Both parties had obligations towards stakeholders, which meant

that all conversations would have to be idea discussions for the companies to have no obligations towards stakeholders to make the conversation official before any decisions were made.

When asked about the secrecy of the affair Fahlin explained that he has never been told that the affair with Ahold was managed incorrectly. Because of the openness within the ICA organisation a risk existed in the possibility of that information would leak out to the rest of the organisations and therefore to external parties. From a retailer's perspective, Ottosson was not surprised that the Ahold-transaction initially was operated under secrecy because he is aware of that this sort of affairs have to be handled in secrecy. When the management presented the affair to the retailers the general reaction from the retailers was positive and Ottosson did not perceive that anyone among the retailers had a negative attitude towards the affair. The retailers that had knowledge about the discussions to enter the stock exchange perceived Ahold as a more beneficial option than the listing. Ottosson agrees with the fact that the general reaction among the retailers was positive.

5.1.5 Risks and advantages associated with the transaction

According to Fahlin two main risks existed in the cooperation with Ahold besides the general risks of cooperating with another company. Firstly, the management of ICA was concerned that Ahold would not have an understanding of the ICA-idea and as a consequence of this the company would not understand the concept with the retailers that operate their own stores. The risk was found in the potential disagreement between Ahold and the retailers. Secondly, another risk was related to that the retailers would not understand the strategy that Ahold had set out for ICA. Both of these risks could damage the relationship between ICA and Ahold. Therefore it was important for the development of ICA AB that both parties had an understanding for each other.

Hallgren explained that a fear existed among the retailers that Ahold would not understand the concept of ICA, and he believes some of the retailers felt slightly insecure in year 2000 when the deal was presented and that the retailers had some concerns that Ahold would want to buy-out the retailers and create own store chains. However, there has never been such a condition from Ahold, and if the company had made the suggestion, the representatives of the ICA organisation in the company board would have voted against the proposition.

Fahlin described that the anticipated advantages with forming a relationship between Ahold and ICA outperformed the advantages of a listing on the stock exchange. Both Fahlin and Ottosson described the main advantage as the synergies that the relationship created. From the perspective of ICA these synergies were mainly located to increased purchasing power and a gain in knowledge. The increased purchasing power was derived from Ahold's strong position on the international retail market and Ottosson said that he had noticed that his store could offer more competitive prices due to the increased purchasing power.

Three of the respondents mentioned a third advantage in how Ahold is developed from its front figure Albert Heijn (who started the store chain Albert Heijn in the late 19th century) in the same way that ICA has developed from Hakon Swenson. Albert Heijn had the same philosophy as Hakon Swenson that according to Hallgren and Blomberg meant that Ahold had a good understanding of the ICA-idea, but according to Fahlin Ahold had some difficulties in understanding the idea.

According to Ottosson, another advantage with the cooperation was the development of the wholesale business where he as a retailer received a more evident role at wholesale level. Ottosson perceived that the organisation operated more effectively with a higher degree of orderliness since the logistics within the organisation improved during the partnership. In general Ottosson believes that the organisation has become more effective within all fields. At the time before the partnership with Ahold, ICA made its earnings from the real estate and the wholesale movement did not provide its potential return.

5.1.6 The decision of the business transaction in year 2000

Instead of entering the stock market ICA decided to let Ahold acquire 50 per cent of ICA AB. According to Hallgren one advantage with an industrial partner, like Ahold, instead of a large number of small shareholders was that Ahold would be a better alternative than the stock exchange for the development of ICA. Hallgren also mentioned a second advantage in that the price that Ahold offered for the shares outperformed the calculated market price of the shares. One reason for this was the unstable environment on the stock exchange in year 1999 in comparison with year 1998 when the proposition to list the share was made official.

Fahlin explained the valuation process of the transaction in year 2000. The price tag of all shares in ICA AB amounted to approximately SEK 31.3 Billion. Due to the uncertainty on the stock exchange in year 1999 it was difficult to calculate an expected market value of ICA AB. Ahold wanted to secure that their offer to ICA would outperform a theoretical market value. Ahold therefore understood that a premium had to be included in the price for Ahold to be certain that ICA would accept the offer. The amount was derived mainly from the business plan that ICA had established for the listing in year 1999. This business plan stretched five years into the future and helped Ahold in the forecast of future earnings and cash flows of ICA AB. By reviewing the business plan Ahold noticed the sustainability within ICA AB and how ICA had a long-view horizon in its strategic planning. Another factor included in the valuation was the real estate assets of ICA AB including the assets of the Norwegian companies. This showed that Ahold not only focused on the assets in Sweden but in all countries of operations.

The SEK 31.3 Billion was divided into three parts; SEK 15 Billion remained within IFAB and Canica, SEK three Billion were paid to the former main owners (ICA HF and Canica), SEK nine Billions were paid to the other shareholders of ICA AB (mainly retailers) and SEK three Billions were paid by Ahold for new issued shares in ICA AB (i.e a capital increase in ICA AB).

When the management of ICA announced the decision about the partnership with Ahold to the remaining part of the organisation Hallgren explained that the retailers had a good understanding of the decision. According to Hallgren the positive reactions could also be explained by the financial factor of the price that Ahold offered for the shares. Before Ahold's offer the price of the shares was set by ICA HF at SEK 170 per share. However, the possible price for the shares on the stock market was never finally defined. When Ahold acquired the shares the retailers that owned shares in ICA AB received SEK 924 (including a cash dividend) per share, which obviously was a good deal for the shareholders. In addition to this the cooperation with Ahold offered employees the possibility of international exchanges since Ahold had its base in the Netherlands and in the United States.

5.1.7 The shareholder agreement

Fahlin, who was the architect behind the transaction with Ahold, explained to us the thoughts behind the establishment of the shareholder agreement.

The agreement, that contained articles concerning the length of the agreement and the ownership situation, was established to prevent Ahold from gaining controlling influence in ICA AB and to protect the ICA-idea. The length of the agreement stretched to year 2040 (40 years) and was established because both parties wanted the cooperation to be a long-term relationship. The article concerning the ownership situation stated that every shareholder with holdings in between 30 to 70 per cent of the ICA AB-shares received joint controlling influence in ICA AB. The risks that Ahold would gain controlling influence in ICA AB existed due to the fact that Hagen could sell his shares to Ahold, and give Ahold the controlling influence with 70 per cent of the shares. This is the explanation for the upper limit of 70 per cent of the holdings. The reason for the lower limit is that IFAB held 30 per cent and IFAB wanted to secure the ability to always have controlling influence.

The shareholder agreement stated that the board should consist of 50 per cent of members from IFAB and Canica and to 50 per cent of members from Ahold. Canica and IFAB had a separate agreement about distribution of votes on the board. This meant that Canica had to be in agreement with IFAB and communicate with IFAB in questions related to the board. With this distribution of votes all board members had to be in agreement for a decision to be finalised. This meant that the power lied at the party that declined a proposition.

5.2 The period of 2000 – 2013

5.2.1 The financial crisis of Royal Ahold

The effect of the accounting crisis that emerged for Ahold in year 2002/2003 was in greatest extent shown in the change of board and management of the group of Ahold. Fahlin describes that Ahold decided on changing its business strategy, which meant that it would only retain its holdings where the company had controlling influence. The reason why Ahold decided to keep the shareholdings in ICA AB at that time was because the holdings in ICA AB was a stabile asset, worth more than the equity value of Ahold directly after the crisis. This was due to the fact that the price of the Ahold-share dropped from EUR 11 to EUR 2.5 overnight (see Section 9.2, figure 9.3) for a graph of the Ahold-share). Fahlin meant that during this period ICA AB was the most stable of Ahold's holdings and Ahold did not want to divest holdings that had potential to create value for Ahold in the future. During this time Fahlin played with the thought that ICA could have bought Ahold, but Fahlin also states that it would never had been operable because an official sale of Ahold would have increased its value. Besides this he added that the retailers probably would have rejected the proposition.

Hallgren explained that the severity of the crisis was respected but the relationship between Ahold and ICA HF was not notably affected.

5.2.2 The relationship: the financial perspective

The major reason for the good cooperation between ICA and Ahold is that both companies had the same interest in the development of ICA AB. However, according to Blomberg, it was two business areas within ICA AB where the opinions differed; within the ICA Bank and the Norwegian business. Ahold had a restrictive view on the banking business and believed that the bank should be a risk-free business while Hakon believed that the bank is a natural supplementary business within ICA AB and that there lies many business opportunities within the banking business. The member card of ICA (“ICA-kortet”) has 3.5 Million users and Blomberg meant that this is a large potential client base for the bank. In addition to this ICA already has a bank transaction with every customer who charges its ICA-card with money that the customer use later on when purchasing items in the ICA-store. The development opportunities lie in that every customer do not utilise all services that the ICA Bank has to offer.

The second business area with differing opinions between Hakon and Ahold is the business in Norway. Ahold wanted ICA to retreat from Norway since the profitability in that area had decreased during the last few years. Ahold did not have a strategy that was in alignment with operating a business that did not generate an, according to Ahold, satisfying profit in the short term. Blomberg, however, stated that Hakon saw the strategic advantages of retaining the business in Norway because the company in general has a longer-term perspective. The consequence of this was that Ahold was not motivated to make the investments in Norway that Hakon considered to be required for the Norwegian business to grow.

According to Blomberg there have been differences in the strategic horizon between the companies. These differences lies in that ICA HF has an exceptionally long-term perspective that stretches over one hundred years into the future and therefore this also applies to Hakon, while Ahold’s perspective is shorter than that of Hakon. This has resulted in differences between the strategic goals of the companies. Ahold’s strategic goals had a stronger focus on financial results and key ratios while Hakon’s goals are more adapted to the business environment. One example of this is the aforementioned differing views on the business in Norway. The philosophy of Hakon is that during periods with high investments the company has to account for that profits may be lower for a period of time, while it was believed that Ahold put a stronger emphasis on achieving satisfying numbers, regardless if the company makes heavy investments or if it re-invests the profit into the company. Both companies have had the same main objective throughout the cooperation; both parties wanted what was best for ICA AB. The differences existed in the approach on how to accomplish this objective. Hakon is aware of its exceptional long-term view and is certain that the company always is going to be the party with the longest-term interest in a business cooperation through its influence from ICA HF. Hakon had the patience to allow ICA AB to grow organically while Ahold generally had a stronger focus on large equity/debt ratio and large cash dividends.

According to Blomberg the business cultures in the Netherlands and in Sweden are relatively similar, but in the case of Ahold the business culture could be perceived as more of an “American” business culture since the company has approximately 50 per cent of its business located in the United States. This has been a challenge for ICA and Hakon. Blomberg described Ahold’s way of operating business as more “Americanized” in comparison with ICA. Ahold showed tendencies to manage the company through control functions such as reports, figures and numbers, and there was a focus on responsibility within different positions in the company. Blomberg said that the explanation for this could be found

in the American corporate culture, where it is more common to manage a business by control functions.

Ottosson agreed with the fact that demands for reports increased in connection with the cooperation, but has an understanding for this since he is aware of the obligations for information to the public of a listed company. He explains this is what it is like with everything related to the stock exchange, that it involves a greater “reporthysteria” if one would put it in negative terms. However, Ottosson explains a positive feature with this; it gives the retailer a routine that involves control of the key figures for the business, and the results of the store are followed in a more evident way. Ottosson believes that the demand for reports has been more advantageous than disadvantageous.

When asked if the higher demands for reports affected the employees in the store, Ottosson answered that he believes that this demand had not been very notable for the employees. He said that this also applied to the retailers; ICA uses a software system that directly derives the results from the stores, which implicates that the retailer is not affected by the increased demands for reports.

5.2.3 The relationship: the retailers' perspective (through ICA HF)

According to Hallgren the cooperation between the companies has functioned better than the majority perhaps expected. He explained that the main reason for this was the companies' common interest in generating profits for ICA AB and Ahold strived for ICA AB to reach its full potential. This factor had a positive influence in the decision-making environment. An area that has contributed to this positive environment is the business-like philosophy of Ahold, which meant that Ahold had an understanding of the ICA-idea. This understanding was the foundation for the positive results development within ICA AB during the last 13 years. The result of ICA AB has increased each year but not at the expense of the individual stores. Hallgren meant that a theoretical way of increasing the results of the organisation could be to raise the transfer prices for the retailers and therefore be able to display a good result. However, this is not the case within ICA AB since the individual stores have presented good results and transferred them to the parent company. The good results in the stores as well as in the parent company are according to Hallgren clear evidence that the cooperation with Ahold has been beneficial for ICA.

Another factor that according to Hallgren contributed to prevent disagreements between the companies is the structure of the board of ICA AB. Since Hakon had 50 per cent of the votes and Ahold had 50 per cent, all board members had to be in agreement for a decision to be finalised. This meant that the power lied at the party that declined a motion. Both companies were aware of this and therefore knew that it would be pointless to make a motion that the other party would not accept. This led to that the companies had to be strategic to some extent in their way of accepting the motions of the opposite party if they were keen on having a future motion approved, which they suspected that the other party would be doubtful about. Hallgren explained, that just like in a marriage the parties had to make compromises but Hallgren believed that over all there has been a good way of doing business together.

Ottosson, in his position as a retailer, has never noticed any disagreement within the company group management and has the same line of thought as Hallgren. Ottosson said there is a possibility that “things have been happening in a slower manner” (Ottosson) but this has not been noticeable in the store. Ottosson's comment on the level of insight in his position as a retailer is that the retailers cannot be informed about the decisions that are made in the company group board. Since ICA (through Hakon) and Ahold are two listed companies it is not possible to inform the organisations on every

decision. It is even more impossible to inform *only* the ICA-retailers since they only belong to one of the two represented parties in the company group board.

Hallgren explained that because of the aforementioned similarity, the business culture of ICA AB has been intact and not affected by the foreign owner; the business culture of ICA has rather been treated with respect. Ahold understood that it was something special about the ICA-idea and had great respect for, and interest in, preserving the idea because of how it has been successful during a long period of time. The fact that the idea has been preserved shows the strength in the idea. Hallgren believed that the idea has inspired Ahold more than Ahold has been tearing on the idea.

Hypothetically thinking, if the shareholder agreement between Hakon and Ahold would have lasted until year 2040, Hallgren still did not believe that Ahold would have taken advantage of its position as the owner with controlling influence and bought out the retailers, because the positive results of ICA AB speaks for themselves, and the disagreement that would have occurred had with high certainty created too many problems for the action to be worthwhile for Ahold.

Ottosson explained that Ahold (through Albert Heijn) operate the stores in a slightly different way in comparison to ICA. In the Netherlands the stores have a more narrow and structured assortment with a larger share of private labelled brands in comparison with the ICA-stores. In the Netherlands the operation of the stores is highly effective. The idea of how to operate a store is not different from that of ICA but the operation is executed in a different manner. The two companies have studied each other's stores and from this attempted to combine the best factors out of two worlds, but it is difficult to try to implement a Dutch market concept in the Swedish market. The Netherlands has a higher population density than Sweden, which means that the Dutch stores have a higher demand for effective use of the store space. In his position as a retailer Ottosson did not feel constrained during the time with Ahold but he agreed with Blomberg and states that Ahold was unwilling to develop the banking business.

When asked about Ahold's visibility in the decision-making within ICA AB, Hallgren answered that Ahold definitely was visible in the decision making process because of the joint venture and the structure of the votes in the company board. Of course there were periods with lower visibility from Ahold. One example of this was during the accounting crisis of Ahold in year 2002/2003. The company's focus was then naturally to primarily solve the problems on the company's home field. During this period the company's engagement in decisions concerning ICA AB was lower than normal. This accounting crisis was a problem that solely concerned Ahold and therefore ICA HF was not affected.

5.2.4 The relationship: the management perspective

When we asked Fahlin about what substantial changes that were related to the partnership with Ahold he answered that there was a radical change within ICA AB and the company would not be what it is today without Ahold. After the deal was sealed in May of the year 2000 nothing was the same within ICA AB and the management of ICA AB collapsed in August of 2000. A lot of technicalities happened during the first period of the partnership. One of these technicalities was that Ahold wanted its name to be a part of the parent company name and Fahlin tried to explain how "outrageous" it would be to remove the ICA-name from the Swedish market. A compromise resulted in the company name ICA Ahold AB.

The company group had a joint board and the design of ICA AB changed after the merger with Ahold. Ahold did not want a company group management, because the company had its base in the Netherlands and wanted a Dutch personnel manager that had control over the appointment of managers within the company group. Fahlin said that ICA, the old well-established, Swedish company, suddenly had a Dutch CFO and a Dutch general HR-manager due to the demands from Ahold. The CFO was a good fit for the company, however, the HR manager was not a good fit and he resigned from his post after a short period of time.

Fahlin was surprised that Ahold had an understanding of that ICA is a type of federation and that Ahold understood the ICA-idea. Later on it was evident that Ahold understood the basic features of the ICA-idea but not the entire concept. This was shown in the fact that Ahold had issues regarding the retailers within ICA. These issues involved that Ahold had trouble with trusting the retailers to 100 per cent; Ahold had difficulties with understanding that the retailers had other interests besides the monetary aspects, which were the retailers' personal engagement in the stores. This is a result of the long-term confidence within the ICA organisation for the retailers. Fahlin explains that as a result of the lack of confidence from Ahold the retailers became sceptical to Ahold as a part owner.

The positive effect of the relationship was that Ahold contributed to the development of designing an improved strategic plan for ICA Maxi and ICA Supermarkets in comparison to what the ICA organisation would have been able to succeed with on its own. Ahold also provided with logistic solutions for food-centrals that Ahold used in the Netherlands. One example is the central for packing meat in the Swedish city Västerås, which is copied directly from Ahold.

5.3 The period of 2013 and the future

5.3.1 The buy-back of the shares

The decision about Ahold's sale of the ICA-shares was mutual since both companies had the same interest in mind. ICA HF would probably have made the same proposition in the future since ICA HF's strategy involved to eventually acquiring controlling influence over ICA AB and Hakon preferred a solution like this.

Blomberg explained that Ahold divested its holdings in ICA AB as a strategic action because the company preferred shareholdings in companies where it could exercise controlling influence. Hence, the reason for the termination of the joint venture was not because Ahold felt like ICA was not profitable enough or that it was a bad investment.

When ICA HF realised that Ahold wanted to sell its shares in ICA AB, Hakon directly felt that it wanted to acquire the shares from Ahold, Blomberg explained. To secure the ICA-idea a need for tighter control existed of the shareholders in ICA AB, so the company would not get "trapped". In other words: ICA HF wanted to protect ICA AB from a situation where a shareholder with inappropriate interest received the controlling influence in ICA AB. The shareholder agreement between Hakon and Ahold was valid until the year of 2040 and if the ownership structure had been the same in year 2040 as it was in 2012, ICA HF would have lost the control in ICA AB to Ahold. This could have been a threat to the business model of ICA AB. The business model acts to preserve the idea about free storeowners in cooperation.

When we asked Blomberg if the announcement from Ahold about selling its shares in ICA AB was surprising, Blomberg answered that the *time* for Ahold's announcement about the sale was surprising to Hakon, but not the announcement itself. The time for the announcement was surprising because Hakon believed that Ahold would want to find a solution for ICA AB's problems in Norway before the company divested its share in the company. Therefore Hakon believed that the announcement from Ahold would come later.

Ottosson believed that the announcement of the end of the partnership with Ahold came as a surprise to the retailers, but Ottosson, that is a trustee of the board of ICA HF, had been working on the transaction for a long time before the announcement was made. There had been preparations for an announcement like this because of the aforementioned mission of the board of ICA HF. Since the shareholder agreement was valid for 40 years there has always existed preparedness in ICA HF to prevail the ICA idea for a longer period of time. In the event of the possibility that Ahold wanted to change their ownership in ICA AB, Hakon Invest was listed on the stock exchange in 2005 to serve as a financial tool for the association so that it would have access to capital for the ability to preserve the association's interest in ICA AB.

Blomberg explained that Ahold is a company without an evident, characteristic owner. Instead Ahold is controlled by numerous shareholders with small holdings (the shareholder with the largest holdings owns approximately 5 per cent of the shares). In other words this characterises Ahold as a company with a diffuse ownership structure. Examples of owners of Ahold are financial institutions. The opposite of this is if a company has an evident and characteristic owner (concentrated ownership structure). An example of this is H&M with the Persson-family as owners.

Blomberg believed that the reason why Ahold decided to sell the shares in year 2013 is because the chairman of the board of Ahold wanted to solve the company's situation with the ICA-holdings before he retired. When a company has a diffused ownership structure it is difficult to know when these sorts of suggestions are to be announced because it is the management or the board that makes these sorts of decisions. Blomberg explained that this means that the decisions are not part of a particular, clear strategy and therefore the decisions usually surprise the stakeholders.

5.3.2 Industrivärden as an additional shareholder

The reason why Industrivärden became a large shareholder in ICA AB is an important question for the deal. Blomberg explained the reasons for this as following:

“What could be questioned about the ICA-idea is that all retailers are members of ICA HF, they run their own stores and their objective should logically be to earn as much money as possible. ICA, that governs the wholesale organisation, has two different kinds of revenues: partly from that they sell goods to the retailers and partly from royalties and profit-sharing revenues. When business is good in the stores, more capital flows into the ICA-business. The person who only has an interest in the wholesale-organisation of ICA wants that the profit revenues and the revenues from selling goods to the stores should be as high as possible. From the viewpoint of the retailers there is a possibility of having another opinion on this.” (Blomberg, 2013)

The meaning of this statement is to ensure that the ICA-model is exposed to competition from many directions as well as it is important that the wholesale business within ICA survives. It is important to create credibility for ICA as a company. Therefore it is important show that ICA AB, the company that the public is going to invest in, has a commercial interest and that there is an interest of making as

much money as possible within that area of business as well. It is important to show the public that Hakon do not have any intention of putting the revenues that ICA AB generates straight into its own pockets. Because of these two factors ICA HF and Hakon considered wise to have a reliable, well-known, distinct and external shareholder. However, Industrivärden will never be able to acquire controlling influence in ICA AB.

Industrivärden is a Swedish investment company with a long-term perspective view on their investments, which is a strategy that is in alignment with ICA's strategy. ICA had not announced interest for an additional business partner. It was Industrivärden that established contact with ICA and announced that the company had an interest to invest in ICA AB. The reason for Industrivärden's interest was because the company needed some diversification in its portfolio, since the majority of its shareholdings are located within the industrial sector. The advantages with Industrivärden as a large shareholder are that the company has a good reputation on the stock exchange and it has Handelsbanken as main bank, which is also the case for ICA AB.

5.3.3 The valuation of the buy-back

The valuation process of the ICA-shares prevailed during several months of negotiations, Blomberg explained. Since 85 per cent of the total value of Hakon's portfolio could be derived from the company's shareholdings in ICA AB, a market value of the shares could be derived from the stock exchange through its valuation of the Hakon-share. The liquid assets of ICA AB were added to the equity value. In other words it was possible to evaluate the equity value of ICA AB from the equity value of the Hakon Invest-share. The equity value of 60 per cent of the ICA AB-share was established to SEK 20 billion. This resulted in the equity value of 100 per cent of the shares amounted to SEK 33 billion.

The stock analytics in Sweden valued 100 per cent of the shares in ICA AB to SEK 40 Billion, but the analytics in the Netherlands (that valued the Ahold-share) had a different view of ICA AB. The Dutch analytics valued the company (100 per cent) to SEK 25 - 30 Billion. This denoted that the equity value of 60 per cent of the ICA-shares that was finally established at SEK 20 Billion was worth SEK 15 - 18 Billion according to the Dutch stock exchange. In other words the Dutch stock analytics valued ICA AB at a lower price than ICA AB's actual equity value in Sweden. This was an advantage for Hakon when they entered the negotiation process.

In general, retail companies receive lower valuations abroad in comparison to the valuations in Sweden. Hakon proceeded with the valuation from the line of thought: if Ahold would try to sell its ICA-shares to another investor, how much would this investor be willing to pay? Hakon's Swedish advisors calculated the value to SEK 30 Billion and Ahold's Dutch advisors calculated the value to SEK 40 Billion. Besides from the differences in the valuations Ahold was trapped in the shareholder agreement that limited the company's options in how to divest its holdings in ICA AB. This made Hakon the best candidate for the transaction and the price for 60 per cent of the shares in ICA AB were established at the value according to the Swedish stock exchange, SEK 20 Billion. The numbers described in the past two parts are reference values that the market used to evaluate the transaction when the affair was made public.

A noteworthy part of the transaction was that Hakon acquired 60 per cent of the shares in ICA AB to the price of SEK 20 Billion. According to the Swedish stock analytics ICA AB had a total market

value of SEK 40 Billion. This means that the SEK 20 Billion actually should have been SEK 24 Billion if the price had been based on the Swedish stock analytics' evaluation of the shares. In the Netherlands, Ahold had received SEK 20 Billion for shares that according to the Dutch stock analytics were evaluated to SEK 16 Billion. When the deal was announced the stock value of both Ahold and Hakon increased by SEK 5 Billion each. This is explained as a lock-in effect, which released SEK 10 Billion in value. It was a successful deal for the parties involved; no one had reason to complain since the market value of both parties had augmented, and in connection with the sale Ahold earned 20 Billion in cash by releasing a non-favourable holding from its point of view. Hakon pays the SEK 20 Billion through paying out 1 Billion in cash and by borrowing the remaining SEK 19 Billion through a bridge financing from the Swedish banks Nordea and Handelsbanken.

5.3.4 Other strategic options for the future of ICA AB

Before deciding on the deal with Ahold two other options for the future of ICA AB were investigated.

It was investigated if a more favourable majority owner existed for ICA AB instead of Ahold, for example a venture capitalist. Calculations were made and it was realised that a venture capitalist would not invest in ICA AB since it would be impossible to combine a mortgage of Ahold's holdings in ICA AB and receive a satisfactory return. A prerequisite to make a satisfactory profit on a levered investment is to have controlling influence in the company and thereby have access to 100 per cent of the acquired company's cash flow. Since Hakon's shares in ICA AB were not for sale, it was not possible to guarantee a size of the dividends to a potential investor. If it had been possible to distribute 100 per cent of ICA AB's net income, the venture-capitalist might have been an option but since Hakon has the right to veto in all decisions concerning the dividends because of the shareholder agreement, no venture capitalist would have the courage to enter the discussion and would not offer a satisfactory price for the shares.

The other alternative was to list Ahold's holdings in ICA AB on the stock exchange in Stockholm. This would have resulted in that investors had two options to acquire ICA AB-shares. One option to invest in ICA AB would have been to invest through the share of Hakon since the company has 40 per cent of ICA AB listed through the Hakon-share. The other option would have been to buy the ICA AB-share directly on the stock exchange. This alternative was rejected since it would have made Hakon an intermediary. The reason why Hakon did not want to proceed with neither of these options was because Ahold had been forced to endure a time-consuming and expensive listing process on the Stockholm stock exchange. Ahold would not have received the payment for the listing until the fall of 2013 and Ahold had been forced to sell the shares on the stock market to receive the SEK 20 Billion. This had with great certainty involved cash rebates for the investors since it already existed another owner with joint controlling influence over ICA AB that owned 40 per cent of the shares in ICA AB, which would have made the share less attractive to the investors.

If Ahold would have listed its 60 per cent of the shares as ICA AB, Hakon Invest would still have maintained their profile as an investment company. According to Blomberg, Hakon Invest wanted to abandon its profile and reduce the investment business.

5.3.5 The future of the ICA Organisation

To fit with the future strategy of the new company group (ICA-gruppen) the holdings in particularly Cervera (products within kitchen and dining) and Hemtex (home textiles) will be investigated to see if they fit as a part of the business within the category “non-food”.

ICA is careful not to make any changes in how the business will be operated in the future. The listing will give private investors an opportunity to invest in the ICA-model and it is important to emphasise that investors not will invest in individual ICA-stores. However, a great deal of the revenues is derived from the retailers through profit sharing from the stores. There will be a continuous strategic focus on the core business since ICA AB has a very long-term strategic horizon. ICA AB is only managed by long-termed strategies, and will therefore not adjust after the short-termed market demands.

It is important for a company to have the ability to make investments, but it is also important for shareholders to get a satisfactory return on their investments without allowing this to affect the company’s development and growth in the long term. Hakon have announced to the market that the dividends will be at the same level as before, but Hakon has been careful with communicating exact numbers since the company has a new board and it needs to map out a new strategy for the size of the dividends. ICA Gruppen wants the dividends to have the same size as those of Hakon have had historically. ICA Gruppen wants to prove to the external market that it is a trustworthy company. The company is striving for wholeness, for one complete model. It is always going to be questioned what interests are most important to ICA Gruppen.

According to Hallgren a common misunderstanding among stakeholders is that ICA HF’s ownership in Hakon with 63.7 per cent decreases to 53.7 per cent in connection with the buy-back of the shares in 2013. This is not true. On the opposite, ICA HF’s holdings in Hakon (ICA Gruppen) increase. Before the buy-back ICA HF owned 40 per cent of the shares in ICA AB through ICA HF’s holdings in Hakon of 67 per cent. Indirectly this meant that ICA HF owned 27 per cent of ICA AB. After the recent deal ICA HF will directly own 51.3 per cent in ICA AB, which means that ICA HF’s shareholdings in ICA AB increases from 27 per cent to 51 per cent and by that ICA HF’s influence in the decision making for ICA AB increases.

Blomberg believes that the actuality that ICA AB today is 100 per cent owned by Swedish companies is beneficial for preserving the ICA-idea. Since the belief in the idea is strong and since the idea is the foundation for the entire ICA-organisation it is important to protect the idea and make sure that no external part can affect it in any way. Ottosson does not believe that the new ICA Gruppen will involve major changes for his business; he believes that it is going to be “business as usual” (Ottosson). However, he believes that some advantages will become evident. He believes that the ICA Bank is going to be allowed more space and become a more competitive bank.

Ottosson explains that change within the real estate business of ICA will become evident. Ahold had demands that the value of the real estate company was not allowed to increase too much – historically the company has sold real estate at the same value as the company has bought real estate. This will not be handled in the same way in the future; on the opposite it is going to be possible to maintain the ownership influence in the important business locations.

“This is obviously an advantage for many retailers that were forced to sell their real estates to, in a worst case scenario, a pension fund that only has the real estate in its portfolio but does not do anything with the estate.” (Ottosson)

Ottosson do not believe that there is going to be changes from the perspective of the store. Cooperation existed between ICA and Albert Heijn before the partnership and Ottosson strongly believes that the purchase cooperation will continue. He does not see reasons for an ending of the cooperation even though the companies no longer are in a relationship. The companies will not have as intimate relation as before but the companies separated as friends. Ottosson believes that there are only winners in this case and no one has criticised the deal. Ottosson believes that ICA AB became a more competitive and better company as a result of the cooperation with Ahold. It has resulted in an improved profitability and an improved orderliness for the company.

6. Findings

In this section the theoretical framework is applied to the empirical observations as an explanatory tool to answer the problem formulation presented in section one.

6.1 Ahold's interest in ICA AB

Ahold viewed ICA AB as a possible strategic asset to expand its business in Northern Europe. Since Ahold's business strategy was to acquire already existing market leaders in retail markets all over the world, it was natural for the company to expand in the Nordic region because it did not have any business activities in the area. If this would be applied to Quinn (1999) who refers to Hollander's work (1970), this strategic move by Ahold could be classified as a commercial motive, which means that the motive for the expansion and the partnership is based on profit orientation. Quinn (1999) also explains that internationalisation within the retail industry occurs mainly because of the attractive features of a foreign economic environment. This was in alignment with the strategy of Ahold during the 1990's since it was based on foreign acquisitions in attractive markets. The reason for the expansion of Ahold could be viewed as a proactive decision according to Hollander (1970) since the internationalisation was not a result of saturation on the home market of Ahold; it was rather an active choice to expand. This does not apply for ICA AB since the company's goal of the partnership not was to expand the business internationally.

ICA caught the interest of Ahold partly because of its position on the Swedish retail market but also due to its holdings in Hakon Gruppen in Norway. ICA succeeded on acquiring a large part of Hakon Gruppen, something that Ahold had failed to do a few years earlier. Through ICA, Ahold realised the possibility to have access both the Swedish and the Norwegian markets. Besides, ICA and Ahold were members in a common purchasing organisation (AMS) and this meant that the two companies were familiar with each other *before* the partnership began.

A third contributing factor to Ahold's interest in ICA AB was the implementation of structural change within ICA AB to enter the Stockholm stock exchange. This was advantageous for Ahold since it spared Ahold from having to implement structural changes within ICA in the event of a partnership. In addition to this ICA had established a business plan that stretched five years into the future and this facilitated Ahold's calculations for profit in a potential partnership with ICA. We assume that the business plan strengthened Ahold's decision and that Ahold was attracted by the structural control within ICA AB.

6.2 ICA's interest in Ahold

ICA had already developed a Nordic strategy that involved expansion of its business in the Nordic region. According to Kylebäck (2007) the 1990's was characterised by internationalisation and ICA understood that the organisation had to adapt to the environment in the retail market, which is the background to the Nordic strategy. However, internationalisation appeared to be more complicated than the management had calculated for which lead to the small investment in Denmark and the business in Norway. Except for this the internationalisation process of ICA did not develop any further and with this in mind it is understandable why the internationally anchored Ahold appeared as an attractive business partner for ICA. As mentioned before, the companies already had a relation through

AMS and this naturally was a reason for the initial contact. ICA's interest in expansion outside of Sweden can also be strengthened through Quinn's (1999) statement that internationalisation in the retail market is usually an effect of attractive foreign market features. ICA expected to gain synergy effects within the organisation from a partnership with Ahold. These synergies were located to purchasing- and negotiation activities. The partnership with Ahold provided a stronger market position for ICA in the international retail market.

The similarity in national and business culture of the three companies (Ahold, IFAB and Canica) was one of the main arguments for the partnership communicated to the shareholders. However, the similarity in business cultures between Ahold and ICA could be questioned since Ahold had a high level of international operations, which implies that Ahold probably had a "general" kind of business culture without typical features. In a comparison of ICA's business culture and that of Ahold, the companies state that the similarities are found within Albert Heijn and ICA AB. However, it is important to recognise that Ahold is an abbreviation for Albert Heijn Holding and therefore some of the characteristics of the Albert Heijn-culture in turn have an impact on Ahold. Since Ahold had a strategy not to interfere with the operational activities of its subsidiaries the company had to adapt to the local business cultures. This was possible because of the size of the company, which with high certainty allowed the different parts of the company to adapt to the local business environment to a certain extent.

Another prerequisite for ICA's acceptance of Ahold as a business partner was that Ahold had to understand the basic ideas of the ICA organisation. Ahold had to understand the concept of the individual retailers that operated their own stores and that the management did not interfere with the retailers' individual businesses. It was important for ICA that Ahold understood that ICA was a kind of federation, which meant that the retailers had some individual freedom and that the decision-making process could not be purely hierarchical within decisions that concerned the retailers' businesses. When entering the relationship, both ICA and Ahold were in agreement that what is performed jointly in a more successful way should be carried out jointly and what is at its best performed individually should remain an individual task for the retailer.

On the one hand, the ICA-idea had its disadvantages for the new business partner in the uncontrollable factors related to the individual retailers. On the other hand we assume that despite the disadvantages, the concept of ICA was an advantage for Ahold because of the profitability of the ICA-idea and the experience and knowledge among the retailers. The retailers are experts in their local markets in a different way from i.e. a franchisee and therefore Ahold believed in the concept of ICA despite the risks involved in the concept. The strong beliefs on the ICA-idea among the members of the ICA organisation made ICA a strong organisation and this was also an advantage for Ahold.

6.3 Conditions for the cooperation

The shareholder agreement was mainly a result of the need to prevent the ICA-idea by establishing regulations for influence and control in ICA AB. ICA was aware of the strategy of Ahold and had suspicions that Ahold eventually would want to acquire controlling influence in ICA AB and therefore ICA initiated the regulations. These regulations were favourable at ICA's behalf and it is interesting to consider why Ahold accepted these ownership regulations. The regulations are clearly not beneficial for Ahold and therefore we asked ourselves what factor was so important in Ahold's interest in ICA AB that the company agreed on these terms. Another interesting factor is that Ahold paid SEK 16

Billion for 50 per cent of the shares without real possibilities to acquire controlling influence in ICA AB within the next 40 years. We assume, like Ottosson, that the reason for the initial acquirement of 50 per cent was the hope of Ahold to gain controlling influence in ICA AB in the future of the relationship. Otherwise it is difficult to understand why the company did not acquire a smaller holding in ICA AB. There must have been something very beneficial in ICA that made Ahold willing to accept the terms of the agreement. If the company had not accepted the terms, no relationship would have been established. The question to ask is: what contribution did ICA AB provide to the operations of Ahold?

We believe that ICA's main contribution to Ahold was mainly its network and the access to the Scandinavian market. As mentioned in Kylebäck (2007) and by Blomberg, Scandinavia neither provides the optimal geography nor demography for engagement in the retail business. On the other hand, the consumers in mainly Norway and Sweden possess a strong purchasing power. This meant that Ahold needed a well-established actor on the retail market to be able to permeate the Scandinavian market. As Fahlin said, it was not difficult to find ICA in the search of a potential business partner, especially because of ICA's cooperation with Hakon Gruppen in Norway.

The price tag of the transaction in year 2000 included a premium for the shareholders of ICA AB. This is another evidence of the strong determination of Ahold to form a relationship with ICA and to enter the Scandinavian market. The company aimed to secure that the shareholders of ICA would find the offered price attractive enough to abandon the idea of entering the stock exchange.

The agreement stated that the board of ICA Ahold Holding should consist to 50 per cent of representatives from Ahold and to 50 per cent of representatives from IFAB. Ahold tried to gain as much influence as possible by assigning a Dutch CFO and a Dutch HR-manager. The HR-manager did not function well within the company and this could be a sign of differing opinions between ICA and Ahold with regard to the HR-questions within the company. The 50/50-relations could also be a typical feature of the federal organisation, where a central body is formed to coordinate the member unit's interests. In ICA AB this central organ is ICA HF and ICA HF was a part of the board of ICA Ahold Holding through IFAB. IFAB was a security for ICA HF, and therefore for the member units, to communicate their opinions and interests to the top of ICA Ahold Holding.

6.4 Effects of foreign ownership in ICA AB

From the empirical observations from the perspective of ICA HF, we can tell that the perception within the association is that the ICA-idea was an inspiration for Ahold. This inspiration was greater than Ahold's impact on the ICA idea.

From the financial perspective Ahold had an impact on the routines of ICA AB due to Ahold's "Americanized" business culture in comparison to that of ICA. It is natural that Ahold has an "Americanized" business culture since a large share of the company's business activities is located in the United States. Since Ahold had such influence in ICA AB it was natural that this culture affected the company. Besides this, the needs for reports were not only a result of the "American" business culture of Ahold but also a result of that Hakon and Ahold were listed companies and this increases the general demand for the provision of information to the stakeholders. However, from the observations we could perceive that Hakon occasionally felt that the needs for reports were overstated.

From the retailer's perspective the organisation became way more effective with Ahold as partner. This could be explained by Ahold's international experience and the aforementioned synergies that the partnership involved.

6.5 Differences in the management of ICA AB with two main owners

The management situation within ICA has changed with regard to the decision-making process. The 50/50-relationship in the board required that all parties had to agree for a decision to be finalised. According to our observations, this meant that no party made a motion that it was certain that the other party would decline. This probably affected the level of creativity and efficiency within the board. Our reflections on this is when there is a need for strategic planning in how to make a motion, we believe that a higher risk of inefficiency exists. If one party has to agree on a motion from the other party as a strategic action to have an own motion accepted in the future, the decision-making might be based on strategy rather than on the decision that is the best for the particular situation.

The construction of the management and of the board changed as a result of the partnership. Since Ahold did not want a company group management, the company assigned a Dutch HR-manager and a Dutch CFO for the ability to have a certain control over the company group management. The Dutch HR-manager was assigned to control the appointment of managers within the company group. This provided Ahold with a certain amount of influence despite the 50/50-relationship in the board because, as Fahlin explained, it is common that the management makes motions to the company board and not the other way around. An interesting question related to this matter is if the majority of the shareholders controlled ICA AB or if the company is mainly controlled by the top management. Since ICA is a federation, the natural answer would be that the member units take part in the important strategic decisions and have influence on the operations. However, there is no guarantee this is the case of ICA and Ahold. Logically thinking, the ICA organisation consists of a large number of retailers with various sizes of their businesses and various shareholdings in ICA AB. This implies that the influence is not equally divided among the retailers. An interesting question is therefore how the retailers that are represented in the board of ICA HF communicate the voice of all retailers in the organisation. This question becomes interesting in combination with the amount of general influence of ICA HF in ICA AB.

6.6 The influence of Ahold in the development of ICA AB

From the management perspective Ahold had an improved strategic plan for ICA Maxi and ICA Supermarkets than the ICA organisation would have created on its own. We assume that due to Ahold's experiences from other store chains around the world the company had experience in how to operate larger stores and therefore Ahold's strategic plan for ICA Maxi was better than ICA could provide itself.

From the retailer's perspective it was noticed that the partnership with Ahold resulted in a higher efficiency within all areas that were related to the operations of the store. This was partly because of the higher demands for reports but also because of the profit-oriented and short-term perspective of Ahold. In order to achieve a high profit within a shorter period of time efficiency within the

organisation is vital. It is this in combination with Ahold's experience of operating stores in many different countries that we believe is the reason for the increased efficiency within ICA AB.

The development of ICA AB has been constrained in two areas: within the ICA Bank and the Norwegian business. If Hakon would have been the single owner of ICA AB, we can derive from our observations that more resources would have been invested in these business activities. From the observations it was evident that ICA wanted to make larger investments within these areas in comparison to Ahold. An assumption that could be drawn from this is that these two areas therefore have developed in a slower pace during the time with Ahold. However, none of the respondents mentioned *how* these activities could be developed if Ahold had been willing to make larger investments.

What also could be considered in the area mentioned above is how strong the connection is between the banking business and the retailing business. The fact that Ahold did not have financial services as a part of its own business strategy may have contributed to the low interest in the banking business of ICA. Our interpretation is that Ahold viewed the banking business within ICA as a venturesome activity that Ahold would not receive satisfying profit from to make it worth the investments that was required to develop the bank. We believe that Ahold had a solely commercial interest in ICA AB and since the bank would not benefit Ahold directly, only indirectly through ICA AB, Ahold had no interest in investments in the bank. Ahold wanted the bank to be a risk-free business and by offering financial services to a greater extent this would increase the risk within the business. Ahold did not have its own banking business and therefore the ICA Bank would only be visible in Ahold's balance sheet as a growing figure that the company could not control.

In the prospectus from ICA to its shareholders in year 2000 one of the goals with the cooperation with Ahold was that ICA wanted to gain a stronger position on the international market. On the one hand, this expectation was realised through ICA AB's stronger position in international negotiations and purchases. On the other hand, we believe that ICA probably had higher expectations on Ahold's engagement in the Norwegian business because of the Ahold's initial interest in Hakon Gruppen.

6.7 The transaction in year 2013

The official reason why Ahold wanted to divest its holdings in ICA AB was the change of growth strategy within the company. The new strategy was born from the company's financial crisis in year 2002/2003. At that time Ahold kept its holdings in ICA AB but divested other holdings where the company did not have controlling influence. ICA AB was viewed as a value-adding asset within Ahold. We believe that with the increasing profitability of ICA AB the value adding process decreases for Ahold. Ahold was not able to control the asset and therefore the growing contribution of ICA AB in the balance sheet of Ahold rather became a burden than an advantageous asset. With regard to Ahold's previous accounting crisis, we assume that this led to an increased cautiousness regarding these types of assets.

The main reason of the buyback of the shares from Hakon's point of view was that Hakon wanted to secure the survival of the ICA-idea. It is notable that the ICA-idea has survived during many decades of structural changes and this makes the idea a valuable asset for the organisation. The need from the ICA organisation to protect it is therefore natural. The fact that the majority of the ownership of ICA AB is located within the Swedish company group ICA Gruppen the ICA-idea is secured from external

influence, which makes investors on the market more attracted to the ICA-share. It is evident that Hakon has a genuine interest in preserving the ICA-idea but the company also has a commercial motive for the buy-back of the shares as well.

It now exist greater possibilities to develop the ICA Bank as a result of the arrangement with Industrivärden. We believe that the knowledge within the banking sector from Industrivärden's holdings in Handelsbanken could be beneficial for ICA in the event of a further development of the ICA Bank. However, the contribution from Industrivärden depends on the level of collaboration between ICA Gruppen and Industrivärden.

6.8 The role of ICA in the meso-level

We believe that the purchasing organisation AMS belongs to the organisational level that Glete (1987, 1994) refers to as the meso-level. The network was the base for the initiation of the discussions on a partnership between ICA and Ahold, which demonstrates the significance of networks with regard to financial decisions. The relationship would not have been possible without the confidence that the parties early involved had in each other. In general, retail companies import a major share of their commodities and this leads to high dependence on international suppliers. An internationally anchored relation is an obvious advantage for a retail company like ICA AB with its physical location in Scandinavia. From this perspective Ahold was the optimal partner because of the Netherland's international history.

With the definition of the meso-level provided by Glete (1987, 1994) as a foundation, an interesting perspective is how the meso-level can be solely applied to the ICA organisation. It is possible to view the ICA organisation as a network of businesses that cooperate to achieve a higher efficiency within certain operations in comparison to if these operations would be performed individually. Due to this fact the business idea of ICA (the ICA idea) adapts well to the meso-level since the foundation of the ICA idea is similar to the definition of the meso-level within the economy. However, since the ICA organisation has its core in the different companies of ICA, it is possible to view the adaption of the meso-level theory on the cooperation within ICA as a combination of the micro- and the meso-level.

Ahold's strong position in the retail industry was a result of the wide network Ahold had created within the industry. This is yet another example of how the meso-level is evident within the economy and the synergies, which were verified in our findings, between ICA and Ahold is a proof of how collaboration can result in competitive advantages in comparison to performing certain activities individually. The meso-level becomes evident both in the joint operations within ICA and in the cooperation between ICA and Ahold. Both types are examples on how cooperation can create advantages for both parties.

Another evident proof of how ICA operates within the meso-level is the results from the recent transaction. Nordea and Handelsbanken provide the bridge financing, and the other large shareholder in ICA AB besides Hakon is Industrivärden. The portfolio of Industrivärden consists to 23 per cent of holdings in Handelsbanken (Industrivärden, 2013). Therefore we assume that it was no coincidence that Industrivärden approached Hakon and announced interest in ICA AB. ICA AB is also a contribution to the level of diversification of the portfolio of Industrivärden since the company's portfolio mainly consists of industrial companies. The aim of the ownership in ICA AB of Industrivärden is not to have the same business relationship as the previous between ICA and Ahold.

This is because Industrivärden does not have the prerequisites to act as an active and influential owner in ICA AB, partly because its orientation as an investment company and because its holdings in ICA AB amounts to 10 per cent of the shares. This means that the companies cooperate within the meso-level of the economy but it is yet to explore how the two companies may benefit from each other and how the ownership of Industrivärden is going to contribute to the ICA organisation.

Another evidence of the meso-level in our findings is the different views of Norway and the bank. The differing opinions between ICA and Ahold are evidence of how a well-established meso-level can show signs of inefficiency despite the conditions for an effective collaboration are fulfilled. It becomes evident that difficulties exist in attempts to benefit from the meso-level even if two companies appear to have similar characteristics and share the conditions for successfully maximizing the structural efficiency.

Our interpretation of Chandler's (1977) "The visible hand" is that when the ICA organisation as it is known today was formed, the company transformed from a single-unit enterprise into a multi-unit enterprise. However, the individual purchasing centrals acted as a sort of multi-unit enterprises since their operations also focused on coordination activities within the retail business but within the ICA organisation the companies was internalised into a wider structure. However, the modern ICA organisation involves the same characteristic but in a larger scale. Chandler's theory is that the management received a new role within the economy and replaced the market mechanisms that were introduced by Smith in his work on the invisible hand; the economic structure today is highly dependent on management decisions rather than inherent market mechanisms. This could be applied to the long-term strategy of ICA which involves that it will not only adapt to the market's short-termed demands for profit. This shows that the organisation is controlled by strategic decisions within the management.

7. Discussion

In this section the main findings with regard to the problem formulation of this thesis are presented. The section is concluded with suggestions for further research.

7.1 Concluding remarks and personal reflections

Thirteen years is considered a long time in the retail sector and therefore it is interesting to reflect on the length of the agreement that was established between the parties in year 2000. Hence, a question to ask is why the relationship ended only thirteen years after the institution of the relationship. It appears that both parties believed in the durability of the agreement due to the established length of the contract. With this as a background, the research on why the relationship came to an end becomes increasingly motivated.

Through our findings we have discussed a number of factors that lead to the initiation of the relationship. Our conclusion is that the main reason why Ahold showed interest in ICA AB was because of ICA AB's position on the Scandinavian retail market. A contributing factor to the interest of Ahold was the unsuccessful attempts of the company to enter the Norwegian market. We believe that Ahold viewed Scandinavia as a profitable market because of the relatively low level of foreign acquisitions in the retail sector at that time, and the base of Ahold was located in physical closeness to Scandinavia. ICA AB met the requirements from Ahold with regard to the potential of becoming an even larger player within the Scandinavian retail market.

Based on our own reflections in combination with the observations we believe that Ahold entered the relationship with the anticipation to eventually have the control in ICA AB. As stated before, the company would not have agreed to the conditions of the contract if the company was not convinced that ICA AB would be beneficial for the long-term operations of Ahold. Our conclusion is that ICA AB had an interest in Ahold mainly because of Ahold's provision of an international platform and increased respect on the retail market. In addition to this the financial aspect of the transaction is not to neglect with regard to the beneficial price for the shares offered by Ahold. During the year of 1999 the environment on the stock exchange showed volatility and therefore the offer for the shares with a fixed price from Ahold appeared increasingly attractive to ICA and its shareholders. From an accounting perspective the valuation of the recent transaction is an interesting area since Hakon already had controlling influence in ICA AB. A notable factor is that Hakon paid for the survival of the ICA-idea. However the focus of this thesis has neither been on the valuation processes nor on a comparison between the two valuations, and therefore the content of the thesis does not provide the foundation to draw any detailed conclusions regarding the valuations. One reason for why this is not accounted for is the impact of value of money over time.

From the observations on other strategic options for ICA before the transaction with Ahold in year 2000 we believe that to join a partnership was the best alternative for the development of ICA AB and to disperse the ownership of the ICA organisation. This belief is mainly based on the unstable situation on the stock exchange in year 1999 but also on the cooperation with Kesko that may had developed, but that was cancelled due external and internal factors.

From our findings in combination with the theoretical framework we have concluded that the relationship between the companies faced some difficulties. An evidence of this was that Hagen retreated from the cooperation. We have not investigated this matter any further but an assumption can

be made that his rejection was due to some sort of disagreement, or decreased faith in the relationship from his side. A notable factor is that Hagen sold his holdings in ICA AB shortly after the financial crisis of Ahold. On the other hand, one of the expected advantages for ICA AB in its cooperation with Ahold was synergies from Ahold's strong position on the retail market. According to our findings these synergies were achieved, which reflects a positive aspect of the relationship. A factor of the relationship that could be perceived as a negative effect was the "Americanised" company culture of Ahold and its increased demands for reports. However, from the retailer's perspective this aspect could also be perceived as something beneficial.

During the relationship it became clear that Ahold had a short-term perspective in comparison to Hakon (and ICA HF). How this affected the relationship is evident in the differing views on the ICA Bank and the operations in Norway. We find it interesting to consider why the two parties entered cooperation when both knew that they probably had different intentions in the end. It is also interesting to ask how Ahold had the courage to become an owner in such a strong and autonomous company like the ICA AB through the ICA organisation.

A conclusion that can be derived from the end of the relationship is that the end of the cooperation was announced by Ahold, and a notable factor is that Hakon was surprised by the time of Ahold's announcement of the decision, but not by the announcement itself. According to us this observation proves that ICA was aware of the risk of a decision like this from Ahold. It is also proved through the conditions that were established in the shareholder agreement, where Hakon has secured its controlling influence over ICA AB, in the case that Ahold would want to change its ownership in the company. Another main reason for the buy-back was that Hakon wanted to change the company's business orientation towards a larger focus on the holdings and business activities in ICA AB.

Secondly, we do not believe that it is a coincidence that Industrivärden became an additional large shareholder in ICA AB. This is because of Industrivärden's holdings in Handelsbanken, which together with Nordea was one of the main financiers of the transaction in year 2013. In connection with this we believe it is natural for Industrivärden to contribute with its knowledge on the banking business within ICA. As an investor a positive development within all operations of ICA is beneficial.

Since we established earlier in this thesis the general reason for internationalisation is not due to maturity on the home market, but rather a result of an explicit internationalisation strategy. This in turn would naturally be the result of management decisions. It means that organisational structures with foreign ownership are not inevitable consequences derived from classical economic theory, but rather a result of active management decisions. We believe that the aforementioned statement applies to ICA and Ahold as well.

Our personal reflections on the future of ICA Gruppen are that from the aspect of a future development and growth of ICA, the Swedish ownership in ICA AB is a positively contributing factor. Within the Swedish retail sector it is common with the federative type of company structure. Hence, the ICA-concept will have the ability to develop despite the financial demands from the stock exchange since the investors are familiar with the concept and have evidence of ICA AB's profitability. A contributing factor is the strong beliefs in the ICA-idea within the management of ICA Gruppen. The management will not allow the short-termed demands for profit from the stock exchange affect the long-term strategy of ICA Gruppen. However, it is not to neglect that the Swedish stock exchange gives foreign investors the possibility to invest in the listed companies. This means that the small shareholders in ICA AB could be foreign investors as well as Swedish investors. How

this ownership of a diffused character will affect the ICA-share and ICA Gruppen is for the future to decide.

From our historical knowledge of the ICA organisation in combination with our detailed observations that helped us derive our findings, we believe that the decision to end the relationship in year 2013 was highly motivated, from the perspective of ICA HF's mission of securing the ICA-idea. Throughout this thesis we have used the term "relationship", which is defined as "the way in which two or more people or things are connected, or the state of being connected" (Oxford dictionary, 2013), since we have assumed that the companies have been in a kind of relationship. However, the aspect of *how* the companies were connected could be investigated more deeply. The new business group that was formed in 2013 has a strong focus and belief in the ICA-idea and it is yet to see how the management will maintain the balance between the demands from the market and the preservation of the ICA-idea.

7.2 Suggestions for further research

This thesis was written during the period of time directly after the buy-back of the shares of ICA AB. Therefore it would be interesting to investigate how the new ownership structure will affect the control over ICA AB and whether the recent transaction was beneficial or not for ICA AB. Up until year 2013 the ICA AB-share was not listed on the stock exchange. However, through Hakon's majority ownership in ICA AB the company is going to be more affected by the stock exchange. Further research can be focused on how the market demands on the Hakon-share will affect the management of ICA AB.

Since this thesis has a synoptically perspective it provides the possibility for deeper research into the ownership structure within ICA. Schuster (1989) examined the ownership relations within ICA from an agency theory in year 1989 but several structural changes have occurred since that period of time. The ICA-idea has been the core of the organisation throughout history but an interesting area of study is how this idea has adapted to the structural changes. Therefore it would be motivated to conduct a similar study as that of Shuster since the impact of Ahold has involved several changes for the ICA organisation.

The impact of the change in ownership structure in connection with Ahold as a part owner is briefly discussed in this thesis in combination with a brief theoretical framework on classic management theory. However, this topic could be extended and developed in further research projects. Due to the academic level of this research not enough space was provided to develop this subject any further.

From an accounting perspective the valuation of the recent transaction is an interesting area of study since Hakon already had controlling influence in ICA AB. A notable factor is that Hakon paid for the survival of the ICA-idea. Therefore a more detailed explanation of the valuation process of the shares could be conducted. From a financial perspective research could be conducted on how the ICA Bank develops with the influence of Industrivärden. This study would be interesting to conduct further on when the potential development of the bank has become visible and it is possible to compare its development from year 2013 and forward.

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9. Appendix

9.1 Interview questionnaires

9.1.1 Anders Hallgren

Appendix 1 - Interview questionnaire Anders Hallgren

Stockholm: 2013-05-02

Describe your time within the ICA organisation.

2000: Royal Ahold enters the picture

1. Did you have any knowledge about the Ahold-deal in year 2000? If not, what is your opinion about how the deal was kept in secrecy?

2000 – 2013: The time with Royal Ahold

2. How do you think that the collaboration with Ahold has worked out? Anything particular that has operated well or less well?
3. According to you, what are the greatest similarities between Royal Ahold and the ICA organisation?
4. In what way have Ahold been present in the decisions that have been made? Have they perceived as an active owner? Who have driven the development of ICA; Ahold, Hakon or both two together?
5. ICA have no official plans of expanding outside northern Europe but was though very international anchored via the stock exchange through the share of Ahold; Amsterdam, New York, Stockholm. Contrast; Your own thoughts about why one wanted such international anchoring as possible but at the same time protect the typical Swedish “ICA-idea”. Did this affect the “ICA-idea” in some way? The four mainstays.
6. Did the business culture of ICA have any effect on the relationship with Ahold, or have the culture been affected by the collaboration? Comparison between year 2000 and today. Can one tell any substantially difference?
7. How did ICA Förbundet react to Ahold’s accounting problems? Did ICA Förbundet thought different about the relationship after the problem had been uncovered?

2013: After The buy-back of the ICA-shares

8. The holdings of ICA Förbundet in Hakon Invest decreases from 67.3 per cent to 57.3 per cent as a result of the purchase of the remaining shares in ICA AB. How are the reactions within the association? What types of discussions have been brought up?

9.1.2 Göran Blomberg

Appendix 2 - Interview questionnaire Göran Blomberg

Stockholm: 2013-05-02

Describe your time within Hakon Invest

2000-2013: The time with Royal Ahold

1. How do you think that the collaboration with Ahold has worked out? Anything particular that has operated well or less well?
2. What similarities do you believe exists or did exist between the ICA organisation and Ahold?
3. Has there any time meant extra difficulties working with a foreign business partner? Differences in opinion or resembling? Anything that you believe can be explained with help of cultural differences?

2013: After the buy-back of the shares

4. What would you say is the general reason for the buy-back?
5. Did it come as a surprise that Ahold wanted to divest its holding in ICA AB? Or did Hakon Invest suspect that Ahold were giving second thoughts about its holding in ICA AB?
6. Can one call the decision for mutual? Did Hakon Invest also have thoughts about changing the owner situation?
7. Why Industrivärden as additional owner in ICA AB?
8. Which factors had most effect on the valuation of Ahold's holding in ICA AB? How can the 20 Billion be derived? Who pays the 20 Billion?
9. When Roland Fahlin suggested a listing of the ICA-share in 1998/1999 one was afraid that the dealers financial interest would focus more on the shareholding than on the store it self. And that the financial market would navigate the business instead of the dealers and the customers. Is this something that has been taking into account this time?
10. Claes-Göran Sylvén commented in an article published in DN that other alternatives that were discussed deals with listing only the Ahold-part of the ICA-share or that some other company would buy Ahold's holdings. What are your comments about this?

9.1.3 Roland Fahlin

Appendix 3 - Interview questionnaire Roland Fahlin

Stockholm: 2013-05-03

Describe your time within the ICA organisation.

2000: Royal Ahold enters the picture

1. What do you think was the reason for Ahold's big interest in ICA in the first place?
2. What were the thoughts about running two projects at the same time (Listing the ICA-share vs. relationship with Ahold) – were one afraid of that the ICA organisation would lose confidence in the management or that the employees would feel “brought behind the light”?
3. Why was it so important that the Ahold deal was kept in secrecy? Was it the content of the deal that wasn't supposed to leak to the organisation? Was one afraid of that the information would leak outside the organisation?
4. It was “a small group of confidence among the dealers in the board” that handled the deal with Ahold – exactly how many people were involved in the decision about inviting Ahold to buy 60 per cent of the shares in ICA AB?
5. Did ICA Förbundet have any own thoughts about potential business partners to increase their market share in northern Europe? Were there other candidates to the holding in ICA AB?
6. What substantial changes occurred for ICA AB in connection with Ahold's part ownership?
7. The payment to the ICA-owners in connection with the deal amounted to 9 Billion – what about the remaining 21 Billion (30 Billion all together)? From where can the 21 Billion be derived? Were there any specific factors that were focused on?
8. What was the background for the term to maturity (40 years) for the shareholder agreement? Why was the limit put to 30-70 per cent for joint influence?
9. What risks do you believe existed around a relationship with Ahold?
10. In what way did the advantages with a cooperation with Ahold concur the advantages with a stock exchange listing?
11. How could you be sure about that the offer from Ahold was better than the stock exchange's valuation of the shares? What factors were included in the valuation?

2000-2013: The time with Royal Ahold

12. Which similarities existed or exist between the ICA-organisation and Ahold according to you?
13. How do you think that the collaboration with Ahold has worked out? Anything particular that has operated well or less well?

14. Did the thoughts about the relationship between ICA and Ahold change after that Ahold's accounting problems had been brought into light?
15. ICA have no official plans of expanding outside northern Europe but was though very international anchored via the stock exchange through the share of Ahold; Amsterdam, New York, Stockholm. Contrast; Your own thoughts about why one wanted such international anchoring as possible but at the same time protect the typical Swedish "ICA-idea". Did this affect the "ICA-idea" in some way? The four mainstays.

9. 1.4 Claes Ottosson

Appendix 4 – Interview questionnaire Claes Ottosson,

Gothenburg: 2013-05-16

Describe your time within the ICA organisation.

2000: Royal Ahold enters the picture

1. Did you consider the listing of the ICA AB-share to be a good idea when it was topical in the years of 1998 – 1999?
2. What were your thoughts on the secrecy of the initial stages of the deal between ICA and Ahold in year 2000?
3. How was your reaction when you were informed that Ahold would become a part-owner in ICA AB in year 2000?
4. How did you perceive the other retailers' reactions on the news about the partnership between ICA AB and Ahold?
5. In your position as a retailer, did your situation change when Ahold became part-owners in ICA AB? If "yes", do you have an example?

2000-2013: The time with Royal Ahold

6. Did you perceive that Ahold's ownership in ICA AB increased the demands for producing reports for your business?
7. By the event of disagreement between the main owners of ICA AB, was this something that you noticed in your position as a retailer? Did you feel like you had insight in the events in the management level of ICA AB?
8. Did you perceive that Ahold had a different line of thought with regard to how a store should be operated in comparison to ICA? Have you, in your position as a retailer, ever felt limited during the time with Ahold in comparison to the time before Ahold became a part-owner?

2013: After the buy-back of the shares

9. Did the news that Hakon Invest would buy back the ICA AB-shares come as a surprise to you? How do you perceive that other retailers have reasoned about the ownership situation?
10. What is your line of thought with regard to the new ICA Gruppen? Do you believe that this new company group is going to involve a big change for you in your position as a retailer in comparison to the last 13 years?

9.2 Descriptive tables

Figure 9.1 Ownership structure of the ICA organisation, 2013



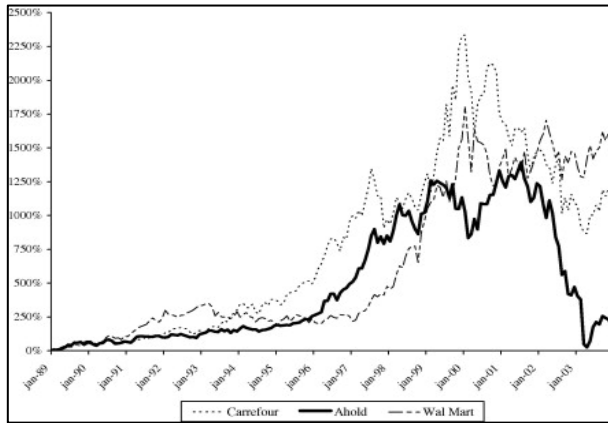
Source: ICA Gruppen, 2013

Figure 9.2 Differences between a federative organisation and a uniform organisation

Characteristic	Uniform organisation	Federative organisation
<i>The units' relation to a common goal</i>	The units are consciously organised to reach the organisation's general goals/targets	The member organisations have individual goals but common goals exist as well
<i>Location of the overall decision making</i>	At the top of the organisation	A subject of ratification to every unit
<i>Location of the authority</i>	At the top of the organisation	Stays within the member organisations
<i>The structural work distribution</i>	Constructed to reach the general goals/targets	The units may agree on the work distribution
<i>Responsibilities towards a common management system</i>	Norms bind loyalty towards the general management system	Moderate obligation to follow the general management system
<i>The dictated collective orientation of the units</i>	The units are expected to orient their actions to primarily reach the goals for the entire organisation instead of their own sub targets	Great autonomy but also a collective orientation with consideration to the general organisation's well-being

Source: Directly translated from Svensson (1992), refers to Warren (1967)

Figure 9.3 The Ahold-share 1989-2003



Source: de Jong, DeJong, Mertens & Roosenboom, 2007