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Royal Ahold:
International growth and acquisitions

On October 13 2004, the Securities and Exchange Commission filed fraud and other charges in the United States District Court for the District of Columbia against Royal Ahold and three former top executives, including CEO and Chairman Cees van der Hoeven, thus terminating the career of the once-powerful leader.

Tangled in an accusatory web of fraud and securities violations, Van der Hoeven and his colleagues are dismissed and permanently barred from serving as officers or directors of public companies. Neither denying nor admitting any wrongdoing, Van der Hoeven is forced to resign from the company he so passionately grew into a multinational empire.

The beginning of growth

With its profound domestic success, in the 1970s the Board of Dutch supermarket chain Ahold[1] realises that the size of its native Netherlands limits its growth potential and decides to venture abroad. Targeting the US, Ahold identifies the 'Sunbelt', the southern region of the United States, as representing considerable growth potential. After looking at 18 grocery chains, the management team decides on BI-LO, a supermarket chain in North and South Carolina with 93 stores and 6,000 employees. BI-LO considers Ahold to be an attractive acquirer as the latter values existing management's experience and input, and the acquisition is finalised in 1977. Ahold indeed decides to keep the management team intact and sends a team from the Netherlands out to BI-LO with two clear goals. The first is to introduce BI-LO to some of Ahold's successful practices, such as buying directly from the source rather than using intermediate suppliers. The second objective is to identify how BI-LO consistently manages to double Ahold's domestic margins and replicate its success.

This first acquisition proves seminal in formulating Ahold's future strategy. Through it, Ahold discovers that, rather than impose its modus operandi on acquisitions, there is tangible value in learning from other companies and, by exchanging perspectives and processes, the two businesses will both be better placed to identify best practices and improve their competitive offerings. Despite some cultural misunderstandings between management teams, the companies learn much from each other and BI-LO contributes significantly to Ahold's profits.

The contribution is so considerable, in fact, that in 1981 Ahold decides to buy another company in the US: Giant Food stores, with 28 supermarkets in Pennsylvania. Due diligence is thorough and lengthy and for eight months all members of Ahold's management conduct on-site visits, examine the entire company, and even pose as secret shoppers. Once again, Ahold management decides to leave local management in place and relies on their knowledge and

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