

The acquisition and integration of zanussi



The acquisition of different companies always indicates a change for both the acquiring and the acquired organisation and the people within. To successfully combine and integrate Elektrolux and Zanussi it is essential to consider both organisations' formal and informal structures which are heavily influenced by their culture. Culture develops on the one hand nationwide but also specifically in an organisation.

Building up trust is important to develop a working informal network, which supports the formal structure. Thus positive influence is taken on the selected behaviour of people within what Breton and Wintrobe call "bureaucracies". This behaviour is characteristically competitive, especially in such times of major change.

This change should be managed step-by-step and is described by Quinn as logical incrementalism. It builds "the seeds of understanding, identity, and commitment into the very processes" (Quinn, p145) and is the underlying strategy which makes integration successful.

After Elektrolux announced the acquisition of Zanussi, both organisations and people within were confronted with many changes which created tensions or misfits that called for new visions. (Normann in Quinn, p99)

As a first step, mission values and guiding principles of Zanussi were made public to the employees in the Mission Statement. (Exhibit 3 in Case Study, p914) From the bottom-up they should understand step-by-step in a learning process (Normann in Quinn, p99) what behaviour was generally expected and correct. Bennis and others (in Quinn, p101) also agree that "programs to achieve significant change must be phased and largely undertaken

bottom up, but the legitimacy of alternatives must be affirmed by the support of key people at the top." Besides the new Mission Statement, education and training programmes were undertaken to diffuse the new philosophy and policy.

Thus the rules for building up an effective network are made visible. This network supports the formal structure. Breton and Wintrobe also assume that "relationships between superiors and subordinates in bureaus are generally governed by exchange and trade and not by the giving of orders and directives."

Exchange can only take place, if property rights are existing and are supported by "trust" (Breton and Wintrobe, p4)

Trust is essential for the functioning of networks and has to be built up incrementally.

One effective way of building up trust is by making "symbolic moves" (q, 111). In addition to this, the "most important changes are often those which signal a change in attitude at the top of an organisation." (Riccardo and Cafiero in Quinn, p112). Elektrolux made extensive use of these symbolic moves.

One was that Elektrolux took over several prior commitments of Zanussi, although they were considered as disadvantageous for the joint strategy (Case, p900).

Right after signing the final agreement, the complete Zanussi top-management was released. Replacing only one senior manager below the <https://assignbuster.com/the-acquisition-and-integration-of-zanussi/>

top-management, Elektrolux's purpose was to give a clear signal of the need to change working practices.

To communicate these changes, Mr. Rossignolo was seen as the perfect change agent, because he is Italian and knows the Swedish organisation culture. But he also had to build up trust with the Italians, who considered him closer to Sweden than Italy. In response to this attitude, an external consultant was brought in. As Mr. Estes says, "you don't try to ram your conclusions down people's throats. You try to persuade people what has to be done and provide confidence and leadership for them." (Quinn, p136) By this Mr. Rossignolo set a sign that he does not want to take one party's side, but that he is neutral and therefore he increased the Italian's trust in his person.

According to the mission statement, Elektrolux central value is "transparency", or openness. To integrate this in Zanussi's culture was one of the major tasks the Swedish had to achieve. Conflicts were part of the Italian's daily life. Seniority and loyalty to individuals were seen as more important than competence or commitment to the company. They were also not convinced of need for change and thought financial problems were due to former owners mistakes.

The Italians feared losing their power not only to another company, but even worse to one from a foreign culture. In response to this attitude, Hans Werthen set a sign to the Italians when he said: "We are not buying companies in order to close them down, but to turn them into profitable ventures... and we are not Vikings, who were Norwegians, anyway." (Case,

p901) Impressively, he demonstrated that openness is a practical part of the new culture.

With the same openness, Elektrolux gained the trust of the important Unions, who have a high influence in the Italian organisation culture. Without the approval of the Unions, it would have been difficult to take over Zanussi.

Openness is a general Elektrolux attitude, but as Quinn describes, there are " sound political or informational reasons for not announcing a strategy in its full pristine glory at this early stage." Although not very glorious for the workers, it can be assumed that Elektrolux knew very well that they would have to make redundancies, because no acquisition can be made without. But as " effective change managers [they] recognise[d] the impact their incremental decisions and action patterns have on credibility [...] and tried to keep in mind the symbolic implications each individual act had." (Quinn, p118)

Elektrolux solved the central problem of redundancies incrementally. Their plan was to gain the trust of the Unions by promising not to make any redundancies to successfully acquire Zanussi without opposition of the Unions. Having one foot in the door, they could start making redundancies step-by-step. They took into account that their credibility would suffer negatively proportional to announced redundancies. Although this strategy was accompanied by some strikes and heavy re-negotiations, they still had reached their goal, which was to acquire Zanussi.

Although the problems with the Unions had negative impact on Elektrolux reputation, generally it can be said that they effectively communicated their openness and in turn gained trust by the unions and the Italians.

Therefore, building up trust is essential when integrating the two companies.

Breton and Wintrobe suggest that "selective behaviour" (p6) is next to trust a second issue in organisational bureaucracy. The subordinates chose from a range of behaviour which reaches from always inefficient to always efficient. Therefore, selective behaviour is the outcome of a trading process, where the outcome is determined by the price offered by superiors for efficient informal services.

As example for this serve the front-line managers and professional employees of Zanussi, which fully approved the change in the organisation and demanded a higher degree of involvement. They were rewarded with a special training programme.

Building teams and task forces, positively influenced the selected behaviour of the people within the new organisation in several ways and helped to integrate both cultures.

As one CEO (in Quinn, p139) said: "If good people share the same values, they will instinctively act together. We must know how people will respond intuitively when they are thousands of miles away. [...] If we [...] communicate openly, our actions will be sensible and cohesive." As Leif Johannsson describes, they "were able to adopt a completely new way of

thinking [...] which emerged from the discussions and recommendations of the task forces [...]" (Case, p908)

The Italians welcomed the " exchanges, and have learnt a lot from them." (Case, p911)

And as the change agent Rossignolo said: " We adopted the Swedish work ethic." (Case, p 907).

" The selection of key people was clearly the most important single ingredient[...]" (Quinn, p138) and furthermore, " the power interactions among key players is important. Each player has a different level of formal authority, referent power, information control and personal credibility." Quinn describes the process of " partial consensus" (Q132) which is achieved first within groups and then introduced into organisation.

Therefore and according to the Swedish style, the top management of Zanussi was replaced and put together into teams with the Swedish top managers. It was important to build first at this level a mutual understanding, later also on other levels.

With the formal meetings, the managers from both cultures were forced to communicate systematically. Later they brought lower level executives into strategic processes on a more comprehensive basis." (Quinn, p140) This was in response to the increasing demand of the line people to get involved, and also to make them " know how we are planning to get where we are going." (General Motors executive in Quinn, p140).

Looking more specific at the strategy in selecting the key personnel and the distribution of power in the organisation leads to what Breton and Wintrobe call the "bureaucratic competition" (p8). They describe competition within and between bureaus and also for network ties as characteristic for organisations.

As example for the notion of competition serves the problem which arose with the middle management.

According to the Swedish acquisition style, the top management is replaced, but the middle management kept. Zanussi's acquisition strategy is exactly the opposite.

Being accustomed to an authoritarian style, the Italians had to adopt Elektrolux's democratic and decentralised decision making policy. The lower management appreciated the new possibilities of promotion and therefore demanded higher involvement. They are like the top-management at the end of the organisational hierarchy and can only gain influence. The top-management, naturally to their competition for control, appreciated that they had not "a single Swedish manager imposed on top." Whereas the middle management feared the loss of control over their subordinates and property rights.

To trigger the competition in the middle management, Elektrolux established direct communication between the top managers and the front-line managers, by-passing the middle management when necessary. Plus, they launched the special training programmes for them. Again, they wanted to set a signal and to stimulate the middle managers' competition for membership in networks.

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At the end of the Case Study (p 911), a senior manager of Zanussi was concerned, that the middle management may be more bureaucratic and less open" and that they " must develop bridges at the middle and [he frankly does] not know how easy or difficult that may be."

The middle managers felt threatened by the change and the by-passing enforced this feeling. It is difficult to build up trust in such a position.

Therefore to " avoid undercutting intermediate managers, such bypassing must [...] be limited to information gathering, with no implication that orders or approvals are given directly to lower levels. [...] Line managers are less tempted to screen information when they know bypass channels are operating." (Q, p106) As described in the case and mentioned before, " lower levels are also stimulated by the possibility that they may be able to " talk to the very top"" (Q, p106), which can be seen as positive integration effect of the by-passing strategy.

As second example, the longstanding competition between Elektolux and Zanussi in the sales and marketing division conjured several integration problems in the common organisation. Both sides were unsatisfied with the new strategy in this sector which attacked the power position of the managers. It can be argued that the change of power structure was to quickly and normally " major strategic changes tended to take many years to accomplish.". (Q, p133) Psychological commitment of and control over the sales and management departments were not advanced enough to integrate the strategy.

" There [are] too many unknowables in the total environment for managers to program or control" (Quinn, p121) To respond to such unforeseen issues, which can arise internally or externally, the firm has to remain flexible. (according to Quinn, p122).

Elektrolux responded to the question of flexibility with a small corporate headquarter, decentralised subsidiaries, few hierarchy levels and task forces. As there is no " standard method for treating acquisitions" (Case, p896) it allows Elektrolux to respond to the individual circumstances in Zanussi very effectively.

As conclusion can be said, that the successful integration of the Swedish and Italian cultures has to be undertaken incrementally. Trust and openness are the key for gaining a mutual understanding and commitment to the joint company. With team working, symbolic actions and extensive communication it is possible to integrate not only the organisations but also the individuals. All this helps to build up a network, which supports the formal structure. Mr. Rossignolo's statement that the Italians " adopted the Swedish work ethic" (Case, p907) is similar to Leif Johansson's, who said that the Swedish " adopted a completely new way of thinking." (Case, p908) and shows that the merger of Elektrolux and Zanussi was in respect of culture and exchange successfully.