

Successful post acquisition change management flashcard



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Second, the organization must demonstrate the ability to effectively manage the change process, from detailed investigation of its past and present.

These are the fundamental premises on which the change management is based (Bold, 2010: 871). In the new global economy, as the rules of business are changing, the rate of growth of Merger and Acquisition has acquired a new pace. However the growth in mergers and acquisitions and activity around the world, the volume of capital at stake, and the frequency of merger and acquisitions stand in sharp contrast to the failure rate which is being observed. Summer, 2009: 6) Although acquisitions constitute the most frequently used manner through which multinational corporations undertake local or foreign direct investment, the majority of these transactions are not successful (Rooting, 2007: 98). The research identifies key difficulties that may cause the high failure rates acquisitions, and develops a typology of strategies to facilitate the management of these problems. A descriptive framework is advanced which suggests that the performance of acquisitions is a function of successful cultural combination during the post- acquisition integration process.

In today's rapidly changing world, executives ignore mergers, acquisitions and other innovative partnerships at their peril. Financial leaders should not forego acquisitions; they should forego handling them so poorly (Denoting, 2012). The hometown happens frequently now in the worldwide business, the environmental changes will come about growing hard and ask for a solution. Also, the manner that the processes are conducted is crucial for the future of the organization. The lack of planning concerning the post

acquisition is an issue for business and disadvantage could be avoided and allow the development of the organization.

The present investigation will be done with the purpose of understanding how change management contributes to the definition of Post-Acquisition integration and also how leadership can use such learning to guide a successful post-acquisition integration strategies. The study aims to examine how organizations may successfully combine different cultures in acquisitions, applying the theories of change management that organizations need to achieve efficiently their goals, realizing the synergies and obtain or consolidate the sustainability of the competitive advantage.

Also, the research will identify key reasons for companies succeeding better than others in achieving an effective Management of Change and the contributions of the theoretical framework used for this purpose. This understanding will allow one to expand on significant conclusions and positive reflections for further studies on this matter, as well as potentially identify areas of improvement. Organizational and predisposition skills are critical for the success of this type of activity, having a clearly defined transition philosophy to guide you is critical.

Decisions have to be made quickly and consistently to ensure that employees have faith in the success of the transition. It is therefore crucial for executives and the integration team, with the important input of the Human Resource function, to understand the nature and influence of corporate cultures. Most of acquisitions and their business partnerships end in failure and all strategic initiatives fall short of their intended goals. There

are a significant number of studies about the failure, the process and the importance of acquisitions.

But, what and how to do to stay away from failing it is the pertinent question that they have to ask as managers and researchers. For many companies acquisitions are primarily a financial engineering exercise rather than a strategic one. It is said that “ culture eats strategy for lunch. ” Well, it also eats acquisitions (McKinney 2010: 9). Understanding the patterns and different types of organizational change allow people in organizations to shift from being “ reactive” to becoming “ active” participants in change processes.

Once able to be “ active” in the change process, leaders, workers and executives can guide the organization through change to ensure greater success (Nicole, J. C. 2011: 835). The phenomenon motivates and gives passion to contribute in the body of knowledge with a framework to guide organizations to succeed when implementing some change and facing problems. 2. Preliminary literature review Despite the importance of mega-trends of mergers ; acquisitions all over the world, relatively little research on mergers and acquisitions has appeared in the literature.

Many researchers have attempted to discover evidence about a part of the whole acquisitions process. Previous research has investigated corporate acquisition issues within a one-dimensional framework (Arizona et al. (2011 : 248). Managers in all sorts of organizations face difficult choices in choosing what, why and when different business improvement strategies should be applied. Many approaches are available, which exhibit various degrees of

overlap, reinvention and claims of universal application (Anderson et al. 06: 13). Organizations which are in the process of choosing a business improvement methodology should avoid an “ off the peg” selection of popular choices. There is a need to ensure that methods are carefully selected and tailored to suit the specific organizational need. It is unlikely that a methodology that has worked effectively in a given organization can be replicated in another without considerable adaptation.

How to be one step ahead for competition and survival of the organization recognizes change process, react positively in distinct circumstances, evaluating weak and strong points of the organization according to environment changes and study them realistically, and manage a change project as a one of the most important change agents efficiently. 2. 1 .

Change Management Theory I see world solution NAS created Tanat companies experience multiple changes In ten business field. Changing management is passing from one to another state especially in management and organization managing that deal with employee’s resistance (Collar. 013). Changing management is models that try to prepare employees and organization for continuous learning and growth by a mixture of leadership styles. Changing managers are those who think about future, know destination, have enough self confidence for changing and wait for helping and teaching to others to make changes. Efficient managers should create strategies in order to planning, guiding and controlling of the changes. We can’t control changes but we can prepare ourselves for them. According to Headway (2011: 7) “ If you think that changing meaner threat, you would never be creative”.

Use them as opportunities to reach your goals. Each changing is not improvement although each improvement counts as changing. Making change in a group or organizational behavior is hard since what should be changed at this level are habits. Outcomes of the changing should be informed to the employees, in order to encourage them. If communication fails management fails. The participation of employees at the change plan would reduce their resistance against change. How careful to change lead to the successful implementation within an entity (Stares et al. 013: 60).

Change management is a complex and non-linear endeavourer. A strong sense of imagination, creativity and patience is required if one is to persevere though the process (Newman. 2012: 3). Environment has a great impact in organizations that they can adapt and be shaped by it at the same time (Ivan and Castellated, 2010: 3). According to Difference (2006: 9) changes happen due to the need to increase efficiency and reduce costs, or to increase profits and growth, with the purpose of ensuring the continued existence of the company.

Now it is considered going through changes as an “unavoidable necessity” and managers feel as there is “no alternative”. Experts talk about having “efficient” management in order to be able to cope with those forces of change due to the complexity of the world and environment where companies are in. Increases in complexity are suggested to be owed mainly to globalization, speed of innovation, and intensive-competitions (Ivan and Castellated, 2010).

Strategic alignment within managers is critical for long-term survival for all firms (Menstrual and Revenuer, 2010: 10); therefore, it is relevant to <https://assignbuster.com/successful-post-acquidition-change-management-flashcard/>

mention that big change plans are not decided by just one individual but by a committee of people involved in the company and willing to work for it. In this environment of big changes and transitions from one atmosphere to another, it is essential to understand the challenges organizations encounter. Managers need to have strategies to keep the organizations in a competitive level compared to the market. However, there still remain many challenges to handle.

Reality is that having a strategy is not the only thing to do in order to be successful, but also how to execute it. Studies show that there is a high rate of failure when executing organization strategies with success, that number is around 70 per cent and some others suggest that companies only achieve a 60 per cent of accomplishment. In general terms, experts identified some common problems in reaching a success level in M&As; the next drawing explains the most relevant ones: 2 Calculations: Financial analysts often cite a curious statistic: 70 percent of mergers, acquisitions and other business partnerships end in failure.

This, for sure, is “curious” because management experts are also fond of noting that 70 percent of all strategic initiatives fall short of their intended goals. Regardless, at the beginning of 2012, merger and acquisition activity was on the rise. According to a report from PAW’S, M&A values for the previous year were said to exceed a trillion dollars, a 15 percent increase over 2010. And forecasts for 2012 are optimistic: a study conducted by KEMP and The

Wharton School of the University of Pennsylvania of 825 executives, entitled Executives Show Guarded Optimism about M&A in the Year Ahead, shows that nearly seven out of 10 companies planned to make at least one acquisition in 2012, up significantly from 2011. In the first six months of 2012, the number of corporate M&A deals jumped to nearly 5,900, up from about 5,100 in the first six months of 2011, according to research firm Ideological (Denoting. 2012: 35). The Case for Acquisitions After significant study, the case for pursuing acquisitions is clear.

Several years ago, the Boston Consulting Group examined organizations with sustained strategies of growth through acquisitions. Analyzing about 700 large U. S. Public companies over a 10- year period, the study found that companies that focused on and made acquisitions achieved the highest shareholder returns, outperformed companies that solely focused on organic growth, created more value for shareholders and grew market share more quickly than their competitors. An even stronger argument for acquisitions can be found by looking at companies like Cisco Systems Inc. Which has for many years pursued a strategy of growth through acquisition. Cisco has stayed relevant over an extended period of time. While 87 percent of its peers in the Fortune 500 have disappeared over the last 17 years, Cisco remains vibrant. In an interview with broadcast Journalist Charlie Rose, the company's CEO John Chambers revealed that since he joined Cisco in 1991 , the company has completed 150 acquisitions, accounting for 50 percent of the company's revenue today, and a 1,000 percent return for shareholders on their investment over that period of time.

Though Cisco briefly stumbled recently, its stock is back on the move, and Chambers is back to his acquisitive ways with the recently announced acquisition of ENDS Ltd. ENDS is part of Coco's strategy to win the race for market share in the fast-growing cloud computing and online video marketplaces. There is significant evidence that Cisco and others have created strategic value through acquisitions. The example above gives reasons to formulate or benchmark some models for sustainability of organizations to succeed like Cisco in acquisitive strategies to growth.

2. 2. 1 . Why Acquisitions fail?

The typical reasons for failure fall into four categories:

- * Financial engineering issues: For many companies acquisitions are primarily a financial engineering exercise rather than a strategic one.
- Organization and culture issues: a study by McKinney & Co. , found 92 percent of respondents believe that greater cultural understanding in advance of a merger would have been significantly beneficial.
- * Leadership issues: In the same McKinney study cited above, nearly half of respondents said poor leadership was to blame when M&A efforts fell short of their intended goals.
- Strategic issues: Study after study identifies the lack of clear strategic rationale for an acquisition as being a factor that leads to failure.

The aim of this research is to prevent the issues above in making acquisitions successful and reverse the trend for organizations. The research will develop a framework of organizational change management to sustain the performance of organization after an acquisition to satisfy all stakeholders. There are several ways in exploring to find out the one which suits the best the problem.

Acquisitions are most successful when they come about as part of a strategic planning process. A good strategic planning process results in the alignment of a senior leadership team around a window of opportunity in the marketplace, as well as the strategies a company decides to pursue to capitalize on that opportunity. They are not only looking at whether an acquisition is creative, but whether it can help the company achieve its growth, product innovation and other operating objectives faster. All large-scale change requires buy-in from individuals across an organization.

Unfortunately, many leaders, if they set out to win employees “ support at all, only speak to people’s minds, not their hearts”. Rarely do leaders paint a clear picture of what success looks like for the integrated organization.

Without an emotional pull, employees are unlikely to devote the time, energy and commitment required to put the organization’s success front and centre (Cotter et al. 2008). An acquisition is a large-scale change, and large-scale change cannot be led with the same methodology as smaller changes that can be handled by the existing hierarchical organization.

Smaller changes can be addressed with a project or change management approach. Large-scale, strategic change, on the other hand, requires a more transformational process. Bottom line: mergers and acquisitions are not the problem; the high failure rate of acquisitions is the issue, just as the high failure rate of most large-scale change initiatives is a cause for concern. Ignoring mergers, acquisitions and other business partnerships is akin to arguing that organizations should stop attempting to transform or accelerate their competitive position.

The key, simply, is to do it right: acquire more, fail less. 2. 2. 2. Acquisitions and Mergers as Change for the Organizations Acquisitions and mergers have become increasingly popular in business practices and parent-subsidary relationships are increasingly evident around the world. Since the second half of the 20th century, mergers and acquisitions (M; A) have established themselves as an increasingly significant means of foreign expansion and strategic renewal for firms seeking to enhance their positioning in a globalization competitive landscape (Terzaghi, 2010).

Calculations Introduce change to an organization at strategic, procedural and individual levels. Employees are the change recipients in an organization and their commitment to the change will determine the success of the change implementation (Nazi, More. 2012). Chou et al. , (2008) indicated that employee perceptions of whether the takeover deal is seen as an opportunity or a threat, greatly affect employee reactions to an acquisition. Research shows that M; A can have a negative human impact, largely in the form of attitudinal declines, such as lowered commitment and unproductive behavior.

Many studies consider human capital as a key element to an effective merger and acquisition management. 2. 3. Human Resource In a merger ; acquisition, role of an HR has emerged as a very critical function. At each stage of merger and acquisition process, HR plays a strategic role. The importance of role of HR part in integration of the merged companies should not be taken lightly and should be handled very carefully and with due planning (Smith. 2012).

It's surprising to know that the Human resources function tends to be only peripherally involved in much of the acquisitions process. However, there is evidence to suggest that bringing HER onto the leadership team earlier in the acquisition makes sense. Every acquisition leads to the integration of the acquired firm to the culture of the new parent firm, every stage of the integration process is the new way forward for HER department to make the acquisition successful. 2. 3. 1 .

Growth In this phase, role of HER is to identify the key human resources in the acquired many, setting up retention strategies to retain the critical talent, and to create the development plans for the people to prepare them to achieve the required corporate growth. Other issues which would need consideration would be reward and recognition programs, team development, and integration of compensation and benefit programs, so as to ensure the competitiveness to attract and retain the desirable employees. 2. 3. 2.

Economies of scale Most of the times, it has been linked to firing of people. However, for us, achieving synergy, analyses must be done to understand that what the end-game organization could look like and which positions are truly needed. Once this stage is completed, assessments must be done to decide who would remain and who would leave the organization (Anderson, Macadam. 2006). 2. 4. High performance organizations: I nee recent economic downturn NAS caused tremendous venereal In ten Dustless world. It has spurred many companies to self-analysis and further organizational improvement.

As a result, there is an increasing interest into the factors that determine sustainable organizational success (Wall, 2012). Managers all over the world are trying out various improvement concepts, seeing mixed results. One likely reason for this is the lack of consensus on the organizational characteristics that lead to high performance. Another reason may be that research into high performance is predominantly conducted in US companies, making it seem less relevant to management practice outside the North American continent.

It seems that there is no consensus among researchers on whether or not business fundamentals have changed, leaving as yet the following question unanswered: What organizational or business models might be proposed, whether existing in the past or at present or drawn from scratch, as potential solutions to the problem of signing the firm for sustainable high performance in changing circumstances?. (Freeman and Solo, 2009) " Performance levels may fall because of confusion about new roles, reduced morale or deliberately obstructive behavior" (Schroeder, 2012).

For a newly acquired organization, the priority is to be able to make good use of employee skills to increase the position of the enterprise in the industry sector. It has been seen that a loss of valuable human resources after an acquisition reduced levels of performance among those that feel alienated or demoralized by any real or received failure to acknowledge the value of how they have done things in the past. 3. Research Problem and objectives Being in a changing world and dynamic environment, both individuals and organizations have been pushed to manage and adapt to changes.

For companies in particular, changes can cause difficulties in their processes and performance. There are organizations that have to go through bigger changes such as Mergers and Acquisitions. Of course when a change like Mergers and Acquisitions occur, the impact is not only at the beginning or during the process, but also after the transaction has been done. Post-Acquisition Management in Cross-border transactions is especially critical for leaders to understand the importance of an effective Change Management due to the dimension of the change.

Changes such as an Acquisition may lead to a negative impact in the organization if not managed efficiently and failing after going through all the process. The focus of this thesis will be divided in two main parts: firstly, to explain the key contributions of an effective Change Management in Post-Acquisition and secondly, to explain how leaders can adopt practical steps for an effective post-integration process. The first part, will be purported by diverse theories such as Change Management Theory, complexity theory, cultural management, learning theory, among others, that explains the definition of change and what it entails (Cotter. 002). After the general characteristics of Change Management, theories with particular focus in Post-Acquisition will be explained. Here, the intent is to be aware of the implications and applicability of the selected theories to the real business situations. Later, two case studies will be compared in order to identify ten reasons why some companies have succeeded and others have not as effectively as others, in managing change.

After presenting the facts mentioned before, the second part of this research will focus in providing practical steps to leadership in managing effectively <https://assignbuster.com/successful-post-acquisition-change-management-flashcard/>

post- integration cross-border transactions based in the findings analyzed in the case studies. Problem Statement This thesis aims to understand the importance of successful implementation of Change Management in Post-Acquisition transactions, by answering the following questions: What contributions can change management and leadership theories make to an understanding and management of post acquisition integration processes?

And what practical steps should managers adopt in ensuring effective post-

acquisition integration? 4. Research design This thesis it has the purpose of understanding the importance of Change Management in Post-Acquisition Cross-border transactions. The strategy will be conducted by analyzing in an interpretative posture the theory related to Change Management and the role of leadership in this facet, with the inclusion of comparative case studies in the subject, in order to develop positive reflections for further studies.

The selection of case studies is in order to investigate the way traders have handled such phenomenon. Such case studies work as a framework for detailed analysis of the situation under consideration. A case study is defined as a ' detailed investigation, often with data collected over time or a period of time of one or more organizations, with a view to provide an analysis of the context and the processes involved in the phenomenon under study.

The reason for deciding to use case studies in the topic of Change Management, it is because " subscribes to the view of human behavior that cannot be meaningful understood with as simply as ruled-governed acts" (Quad. 2010: 88). Being exposed to previous case studies of the phenomenon will provide to me the foundation to expand my investigation in

the subject and also by the support of applicable theory to the subject. That level of understanding will clarify my own ultimate presumptions in regard the case studies and locate out the symptoms for specific deficiencies possibly found and also information that I was not aware of.

The two case studies will work as ' replication of the logic of actions and strengthen the findings of my research by identifying the pattern-match among the cases supported by relevant theoretical framework. With the pattern-match logic the creator of knowledge can compare an empirical based pattern with several alternative predictions. Such comparison among cases will be also compared with a theoretical replication as well (Quad. 2010: 89). 5. Research Methods 5. 1 .

Data collection Data collection will be handled by the use of case studies reviewed during the course AT tents program Ana Trot ten dataset Trot ten multiversity . Nine criterion Tort ten selection of the case studies it is guided by the Criteria for Assessing Good Quality Case Research. This will allow me to be explicit in the type of information I want to et from those case studies and how I will obtain that information. Also, will be useful for me to clarify my theoretical propositions to understand the phenomenon and therefore, present weighted findings to the reader.

I will work with recommended and problem-oriented selection of cases, since I will use cases analyzed during this . course and the ones that focuses in the specific problems to target found in the university database. The technique to collect that data it is mainly from secondary information, however, my position as an interpreter of documented case studies will low me to be as an

observer' of the actors and researchers, but not in the sense of the Analytical and Systems approach, where the observer might be face-to-face with the actors, it will be as if I was putting myself in the situations described in the cases.

This means, that when analyzing the case studies I will simulate being in that specific situation and read the ultimate presumptions of the actors and the prior researchers when they expressed their thoughts in order to understand them.

5. 2. Data analysis The approach will be to analyze the data collected by an analytical generalization here as creator of knowledge aim to test the validity of research outcome with the use of theories against theoretical network that surrounds the phenomenon and research questions.

Having an abducting approach of "matching theory with reality" (Dubos and Gaddes, 2002: 6) the objective will be to discover new things, if there are new ones, or at least a refinement of existing theories rather than inventing new ones when I confront the theory selected with the reality (case studies).

5. 3. Limitations Finally, it is important to sum up the limitations this project has. I will emphasize the next I consider very relevant for my purpose. Creating knowledge using Actors approach implies being an "observer" of the reality that it is being constructed, and even contributing to that reality.

Such interaction involves the use of "dialogue" with the actors, among other forms of communication including face-to-face contact. The highlight of dialogue in this approach is due to the fact that it leads to a more intensive interaction with actors and read their reactions more directly. However,

given that the case studies will use where other creators of knowledge were engaged in that direct level of contact, It can argue that the level of understanding it might get, can be considered limited or less in comparison to being directly involved in the case under study.

Another valid argument it is that, the research it is based on the personal assumptions of the prior creators of knowledge, meaning that my interpretations will be influenced by the impressions of previous researchers regarding the situation. Let assume that the personal assumptions of the writers of the case studies are aligned consistently with my own personal assumptions due to the fact that are investigations.