Alternative solutions

To develop alternative solutions for the LEI and Shang-wa merger, two mergers were benchmarked for this analysis, the Chrysler-Daimler-Benz merger of 19XX, and the Renault and Nissan merger of 1999. The Chrysler-Daimler-Benz merger failed, primarily because of unmitigated cross-border cultural differences (Davis, Sapers, and Moquin, 2003) The Renault and Nissan merger was more successful, partly because they mitigated cross-border issues by keeping the two companies separate to a certain degree, and through their aggressive cost-cutting strategies.

Additionally, Renault and Nissan created new jointly owned distribution subsidiaries soon after the merger. These subsidiaries were only aligned with the newly formed organization, and without alligence to either Nissan or Renault (Madslin, 2005). From benchmarking, four possible alternative solutions were examined that lead towards the objective of a merged company with higher profits than could be achieved independently.

The three solutions were evaluated against four criteria: How does this consider and mitigate cross border issues? How does this cut costs? How does this increase shareholder wealth? How does this lead to the integration of LEI and Shang-wa? and, How does this position the new company for growth with the least debt and the most assets? The closer the alternative was to increasing share price, the higher the score received. The two highest scoring solutions were selected for risk evaluation.