

# Who are the real winners and losers in rjr nabisco takeover

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Most of us looks at LOBO transactions from outside and have completely different viewpoint how these transactions are done. *Barbarians at the Gate* presents an insider's perspective. We somehow have these believe that when there is billions of dollars involved in transactions, CEOs, investors, investment bankers make their decisions based on numbers, trying to be objective to make rational decisions and very seldom let their subjectivity such as their ego to drive their decisions.

However after reading the book, I realize how wrong we all are. This paper focuses on what the management team did wrong that cause them to fail and who are the real winners from this transaction. Why management team lost When Ross Johnson proposed a levered buyout, he was sure he would win. He thought that RJR's directors would give him the deference due a chief executive, never realizing that the board would have no choice legally or morally but to treat him as an outsider.

The following factors highlights why management team lost. Remaining Equity: The board tried to keep the company as unbroken as possible. able to minimize the negative effect on employees. However the management team planned to keep only the tobacco business and sell the entire food business after the acquisition. Employees' benefits: Management focused only on employees who would stay and did not care about employees who would lose their jobs.

Ross Johnson did a mistake during one of his interviews regarding potential layoff in the Atlanta headquarters by saying " those workers had portable jobs and could find employment elsewhere". Losing board's trust: Even

though Johnson insisted that some portion in queue TTY would be divided among workers, only six names emerged besides his own. Too much for too few, this is what the directors thought, which shocked them. In the end, Ross Johnson lost the battle when he refused to guarantee the benefits of those same workers.

Choice of bankers and lack of clarity. Choosing only one banker whom Ross Johnson's friend suggested was a big mistake. Ross Johnson did not have a clear overall approach and was consistently following Shearers Salmon's advice. Why KIRK won Clear strategy: Recruit every significant player so that the other bidding groups would not be able to retain them and left the management-Shearers bidding group with only one available player, Salomon Brothers, with significant access to capital market.

Reading board's mind: Keeping its options open, KIRK did not disclose fully its long-term plans and tried consistently to read the board's mind and to act based on it (for example, guaranteed severance and other benefits for employees who would lose their jobs, or the announcement to plan to hire Paul Stinch as the chairman and CEO in order to mitigate the uncertainties regarding the business as, since he has been with company previously and showed due diligence in his position). Who are the real winners and losers?