# Furman selz

The firm had a unique approach to everything - from hiring employees, selecting clients to providing services. As the firm grew in size and in revenues, its founders realized the need for professional management. This brought about the very first change - in form of Edmund Hails. With a highly structured and consistent approach, Hajji set out to re-form the entire system and expand the company with the help of Steve Belcher, COO.

The new P&L's (Profit ; Loss system) and Compensation system were Ingredients of this change management process. During the acquisition process, Farman Sell witnessed drasticculturehinges from the Orlando Clan culture to a Bureaucracy one. Farman Sell was acquired by Xerox Financial Services Inc. In 1987. On one hand, the people of Farman Sell were put-off by the bureaucratic style and on the other hand, the firm enjoyed being under the umbrella of a big brand.

Following the 'Black Monday' of 1987, the financial services sector was badly hit and even though the performance of Farman Sell was above average, Xerox decided to sell its financial services unit and once again, Farman Sell became a private company owned by the firm's management and a group of employees. Edmund Hajji took over the reins and quickly distributed company stocks to key employees in order to retain them. The firm then focused on aggressive hiring of new talent and expansion of Its business.

Farman Sell became a very sought-after company to work with. In 1995 the Federal Reserve relaxed the Glass-Steal regulations, which had emerged as a way to control the banking industry after theGreat Depression. Then there were few restrictions when commercial banks want to combine with security business and vice versa. As a result, many mid-sized investing banks were looking to merge with larger rims and therefore attain growth and the possibility to participate in larger deals.

As business grew across various dimensions, Farman Sell realized that they were 't competitive and they lost a lot of deals because of smaller size of the firm, limited equity and the businesses that were increasingly becoming global, especially when there was huge growth In mergers and acquisitions. This Is when INNING Barings acquired Farman Sell, pursuing an international expansion strategy in both banking and Insurance. The acquisition made by INNING shows clear failures in the 3-Stages Model of Merges and Acquisitions.

In the first stage, " Pre-Combination", there Is a lack of the cultural assessment needed by the HRS department. It Is needed to evaluate the philosophies and values of both companies, and therefore understand among toners, ten learning styles, relative value AT stats Consolers or ten value AT teamwork versus the individual performance and recognition. Thus, it would be easier for both companies to develop a plan for managing the process of the M; A. In the INNING case, there seems to be a lack of this pre-combination assessment, in that the company wanted to climb up the rankings without investing moremoney.

They din 't understand that the company the day before the acquisition was the same as the day after. INNING Barings had most of its business in commercial banking and insurance, with absolutely no business lines in areas of Investment banking. Almost immediately, tension started developing between managers of INNING Barings and Farman Sell because there were differences in agreement on key business issues. The complexities in structure of INNING were not taken well by former Farman Sell employees.

Regarding the second stage, " Combination-Integrating the Company', there are several decisions that would help n the process of the acquisition. Firstly, there was no integration manager, who is a key person - not in running of the business, but in attaining a higher percentage of retention of the acquired managers and key employees and at the same time in achieving the businessgoalsearlier. Second, INNING group decided to have 2 co-leaders in the new company and this created confusion. The workers felt that they din 't understand the expectations that INNING had.

In order for a M&A to succeed, it is necessary to have a strong leader who can manage the new business combination ND avoid uncertainty, lack of direction and the adjournment of important decisions. In this second stage, clear and positivecommunicationis extremely important. It is also necessary to identify key employees and develop the incentives process in order to retain them. It is evident that INNING did not realize the importance of investing time and money into the newly formed relationship with Farman Sell resulting infailureto achieve common ground while making business decisions.

Lack of communication usually leads to confusion, reduced productivity, a high level of uncertainty and low morale. The situation was worsened by the departure of key management personnel, one after the other, in a very short p of time. The problem can be attributed to poor integration post acquisition. It seems that INNING understood who the key players were, and positioned them in different departments, such as Steve Blob (Research), Bill Shutter and Chris Moore (CorporateFinance), who along with Bill Torsos were called the " troika" and developed a new incentive system to ease the complexity created.

The problem arose when as a consequence of the Russian debt crisis, only a small number of top performers received bonuses and most of other employee din t receive anything, even though INNING Barings had no part in the Russian problem. As a result of pessimism and the problems with bonuses, many talented people left the company. Statistics reveal that about 70-80% of mergers fail to provide value to the company. The people driving the business are the single most important factor determining the success of a merger or acquisition and this fact cannot be ignored.

The 6th Principle for Managing Change shows us the importance of thedifferent stakeholdersin the company when it under goes changes. The company needs to understand who are these key stakeholders and prioritize them. While the senior management of Farman Sell was supporting the acquisition there were many employees across several levels of management that fold under the category of Skeptics. I nose are ten people winos n seas nave to De reassess Tort smooth transitioning. Looking at the Change Curve we see several reactions of employees of Farman Sell - from initial shock to denial and anger.

It is evident from the fact that people felt betrayed when they realized that they were ; t going to be an independent subsidiary. At the same time, HRS personnel at Farman Sell were not forth coming in haring information, because they were angry at how things had been handled. Finally, everything led toDepression, when a lot of key employees left the company. If INNING had invested sufficient money and effort towards smooth integration, the curve could follow the intended path to acceptance, discovery and integration.

Now that Farman Sell has already been acquired by INNING Barings, we strongly recommend that INNING invests additional funds as well as effort for a smooth integration and sustainability. This includes looking into various issues: * Management issues * Talent recruitment, compensations and rewards Alignment of HRS policies * Defining a vision for the newly acquired company * Identifying procedures that work well with both parties * Identifying cultural barriers to progress In addition, internal communication is also a critical tool.

A seamless communication will ensure that people do not become pessimistic and lose confidence. It will reassure employees and instill a greater sense of belonging. In cases of M & A, involving cross-border deals, cultural differences, legislative complexities, local know- how and ways of doing business all provide obstacles to smooth transitioning and progress. A lot more sensitivity is required when affecting such deals - both pre acquisitions as well as post-acquisition.

For example, the newly formed teams may face inter-personal conflict and not be clear about its responsibilities and goals. Ideally, post an acquisition, efforts should be made to allow the acquired firm retain its best management practices and values that are important to its managers. This will help create greater harmony in operations. In addition, a feedback taken from different levels of management can help identify problem areas and allow senior managers find ways to resolve them.