

Hostile takeover and ethics assignment

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Executive Summary When one company (called the acquirer or bidder) acquires another company (called the target), then it is called takeover. Takeover can be of two types: Friendly Takeover and Hostile Takeover. In Friendly Takeover, the bidder informs the target of their takeover plans. If the target feels that the takeover will help its shareholders, then it generally accepts the takeover offer. A Hostile Takeover is an acquisition in which the company being purchased doesn't want to be purchased, or doesn't want to be purchased by the particular buyer that is making a bid.

Members of management might want to avoid acquisition because they are often replaced in the aftermath of a buyout. They are simply protecting their jobs. The board of directors or the shareholders might feel that the deal would reduce the value of the company, or put it in danger of going out of business. Then, how can someone buy something that's not for sale? Hostile takeovers only work with publicly traded companies. That is, they have issued stock that can be bought and sold on public stock markets. A stock confers a share of ownership in the company that issued it. If a company issued 1,000 shares, and say Mr.

X owns 100 of them, then he owns a tenth of that company. If he owns more than 500 shares, he owns a majority or controlling interest in that company. When the company makes major decisions, the shareholders must vote on them. The more shares you have, the more votes you get. If you own more than half of the shares, you always have a majority of the votes. In many respects, you can control the company. So a hostile takeover boils down to this: The buyer has to gain control of the target company and force them to

agree to the sale. The two primary methods of conducting a hostile takeover are the tender offer and the proxy fight.

A tender offer is a public bid for a large chunk of the target's stock at a fixed price, usually higher than the current market value of the stock. The purchaser uses a premium price to encourage the shareholders to sell their shares. The offer has a time limit, and it may have other provisions that the target company must abide by if shareholders accept the offer. Sometimes, a purchaser or group of purchasers will gradually buy up enough stock to gain a controlling interest (known as a creeping tender offer), without making a public tender offer.

This bypasses the Williams Act, but is risky because the target company could discover the takeover and take steps to prevent it. In a proxy fight, the buyer doesn't attempt to buy stock. Instead, they try to convince the shareholders to vote out current management or the current board of directors in favor of a team that will approve the takeover. The term " proxy" refers to the shareholders' ability to let someone else make their vote for them — the buyer votes for the new board by proxy. Often, a proxy fight originates within the company itself.

A group of disgruntled shareholders or even managers might seek a change in ownership, so they try to convince other shareholders to band together. The proxy fight is popular because it bypasses many of the defenses that companies put into place to prevent takeovers. Most of those defenses are designed to prevent takeover by purchase of a controlling interest of stock, which the proxy fight sidesteps by changing the opinions of the people who

already own it. The most famous recent proxy fight was Hewlett-Packard's takeover of Compaq.

The deal was valued at \$25 billion, but Hewlett-Packard reportedly spent huge sums on advertising to sway shareholders. HP wasn't fighting Compaq — they were fighting a group of investors that included founding members of the company who opposed the merge. About 51 percent of shareholders voted in favor of the merger. Despite attempts to halt the deal on legal grounds, it went as planned. In a Hostile Takeover, all the stakeholders of the target company suffer at the expense of the acquirer company.

The employees run the risk of losing their jobs; the shareholders run the risk of losing their investment in case the price of the shares fall; the suppliers run the risk of being discontinued from giving further supplies. Sometimes it is the shareholders of the target company who help in the hostile takeover by selling their shares to the target company for personal gain. This project will explore whether hostile takeover is unethical; and the different unethical practices involved in a hostile takeover. The main sector on which this project will focus is the Information Technology sector.

Background Mergers and Acquisitions have become the rule of the day for corporate growth. With many large corporations awash in cash and the slow nature of internal growth, many companies are on the lookout for takeover targets. This also sometimes serves as the barometer of general economic conditions. Throughout the globe, mergers and acquisitions have increased. In Canada, it jumped 47 percent to a near-record \$166 billion in 2006 amid “

ideal market conditions. ” In India it jumped by almost 80 percent in the last two years.

Despite the massive job cuts that ensues such activity, corporate claims there is nothing inherently improper about such activity. “ The increased efficiencies that are often generated are beneficial to economic growth over the long term and thus society is the better for this,” is what they reason out. Care should be taken to ensure that those individuals affected are treated fairly and equitably as they are forced to find new employment opportunities, but conceptually this is no different than introduction of new technologies that benefit society while negatively affecting some.

What this means in practice is that changes should be, if at all possible, done gradually so that affected workers have time to train for and secure other employment. While voluntary takeovers present few ethical issues hostile takeovers are a different matter. With companies finding few willing partners pressure tactics are often exerted on unwilling targets. Oracle’s US\$ 10. 5 billion hostile takeover bid for Peoplesoft or Barrick Gold Corp. ‘ s US \$10. 4-billion ultimately successful bid for Placer Dome Inc. , is just the latest example.

Any form of pressure tactics and coercion on others, whether done personally, through others or even through the media, is unethical. It will be unethical even if the price paid is above market value, by overvaluing an entity. While unethical, such tactics do not label one an evil person whose testimony would not be accepted in a court of law. Presumably the willingness to pay for the object of desire demonstrates some form of honesty. In addition continued pressure to sell would cause needless mental

anguish to others. At times pressure tactics would be forbidden even in the context of a willing buyer and seller.

In certain transactions it is self understood that bargaining is part of the sales process and thus there would be no problem putting in a lower bid than the asking price. However once an offer is rejected attempts to try and convince the party to accept the same offer would be unwarranted. Similar restrictions are placed on sellers. Absent explicit instructions it would not be unethical for a telemarketer to try and sell you something. If however you indicate your desire to be left alone it would be unethical to continue with a sales pitch. Nonetheless such pressure would only be allowed in general terms.

Undue pressure for a particular cause is not justified as the donor can rightfully say that while I must give charity I don't have to give to this particular cause. So, we see, one of the mantras of success of corporations is full of unethical issues. In this report, we discuss and analyze the various unethical points of view of hostile takeovers, and draw inferences from them.

Abstract When any financial transaction takes place, each person involved in that transaction wants to be financially rich as much as possible. When shareholders invest in a company, they are making a financial transaction.

They want their company to grow, make profits so that they make dividends and the prices of the shares they hold go up. Or in other words their financial asset should go up. This obliges the managers and the board of directors, that is the decision makers of the company to do everything to ensure that the shareholders become and stay as rich as possible. Thus, the enterprise,

which is expected to maximize the returns to its shareholders, at least in the longer terms, should invest in resources, at the start of the enterprise, like tools, buildings, lands, livestock, or other assets which will help in generating profit for the company.

These necessities though do not mean that the company should always act selfishly or that they should break the law. But, it does warn that the other players may act selfishly and they may ignore the ethical consequences of their behaviour. Those assumptions made, nothing slows the hostile takeover machines on the road to total liquidation, total debt, total bankruptcy, of all business. Let us assume only a raider materializes, bent on making money and also that he finds a company that is worth more dead than alive.

Then all the raider need do is obtain control of the company to ensure himself an enormous profit on the transaction. The amount, by which the value of the assets if sold exceeds the present expectation of profit from continued operation, tends to be increased if the company has any fiends lying fallow, forests, oil fields, or Research and Development operations geared to develop new technology to compete with the Japanese. Anything held for the future increases the profit to be made from buying up a majority of the outstanding stock and immediately selling off all the assets.

But do the stockholders really want to sell the stock to the raider? If we see from the stockholders point of view, he bought the stock to make money from the dividend it yields and also to increase the amount of money he holds in form of the share price. The more the share price increases, the

more money he is holding. Let us see how the raider purchases the shares of the target company. The raider offers a premium over the current share price and asks the current shareholder of the company to sell their shares.

Some shareholders do sell their shares, with the fear that in case the raider changes its plan and don't go ahead with the acquisition, and then the share prices will fall again. But most of the other shareholders wait for further increase of the share prices. The raider increases the premium a few times in short duration and then finally settling at a particular price which is feasible for him. Once he gets enough shares (51%) to take the control of the company, he then proceeds with the acquisition. This process though looks to be very simple, but there are some undesirable practices involved in this.

We will discuss and analyze them in the fifth section (Analysis and Inferences). Does the target company just sit watching the raider gather the required amount of share and then let their company be acquired? The answer is NO. There are many techniques the target company implements to deter the hostile takeover. Some of the techniques which are mentioned below also raise some ethical questions. We will discuss and analyze those ethical issues in the fifth section of the report. Here the definitions of those techniques are given: 1.

Golden Parachute: It is a contractual agreement between the employer and employee stating that the employee will receive certain benefits if the employment is terminated by the employer. 2. Poison Pill: It refers to the strategies implemented by the target to increase the likelihood of negative results over positive ones, if the raider is successful in acquiring the

company. These strategies are: ??? Shareholder rights plans: The target company issues rights to existing shareholders to acquire large number of new securities, usually common stock or preferred stock.

The new rights typically allow holders (other than the bidder) to convert the right into a large number of common shares if anyone acquires more than a set amount of the target's stock. This dilutes the percentage of the target owned by the bidder, and makes it more expensive to acquire control of the target. ??? The target adds to its charter a provision which gives the current shareholders the right to sell their shares to the acquirer at an increased price (usually 100% above recent average share price), if the acquirer's share of the company reaches a critical limit (usually one third).

This kind of poison pill though can not stop a determined acquirer, but at least can make it more costly. ??? The target increases its debt to equity ratio, but taking large debts in an effort to make the debt load too high to be attractive ??? the acquirer would eventually have to pay the debts. ???

Peoplesoft guaranteed its customers in June 2003 that if it were acquired within two years, by its rival Oracle Corporation, and product support were reduced within four years, its customers would receive a refund of between two and five times the fees they had paid for their Peoplesoft software licenses.

The hypothetical cost to Oracle was valued at as much as USD 1.5 billion. 3.

White Knight: It may be a corporation, a private company, or a person that intends to help another firm. When the raider decides to acquire the target firm, the white knight comes in the picture and offers a takeover bid to the

target. It is actually a friendly acquirer of the target firm, and it might defeat the undesirable entity by offering a higher and more enticing bid, or strike a favorable deal with the management of the object of acquisition.

A good example of white knight is Severstal in the Mittal Steel's hostile takeover on Arcelor. In this white-knight arrangement, it was decided that Arcelor will purchase the nearly 90% stake of Severstal, in return the latter will receive Arcelor shares and by purchasing more with cash, it will ultimately have a 32% stake in Arcelor. Another good example is in 2008; JP Morgan Chase acquired Bear Stearns allowing Bear Stearns to avoid insolvency after Bear Stearns stock price suffered a precipitous decline, with its market capitalization dropping by 92%. 4.

Crown Jewel Defense: When the target is threatened by the raider of a possible hostile takeover, then the target sells off its most attractive assets to a friendly third party or spin off the valuable assets in a separate entity. It makes the raider less attracted to the company assets. For example, a telecommunications company might have a highly-regarded research and development (R) division. This division is the company's "crown jewels." It might respond to a hostile bid by selling off the R&D division to another company, or spinning it off into a separate corporation.

While companies fight tooth and nail to prevent hostile takeovers, it isn't always clear why they're fighting. Because the acquiring company pays for stocks at a premium price, shareholders usually see an immediate benefit when their company is the target of an acquisition. Conversely, the acquiring company often incurs debt to make their bid, or pays well above market

value for the target company's stocks. This drops the value of the bidder, usually resulting in lower share values for stockholders of that company.

Some analysts feel that hostile takeovers have an overall harmful effect on the economy, in part because they often fail. When one company takes over another, management may not understand the technology, the business model or the working environment of the new company. The debt created by takeovers can slow growth, and consolidation often results in layoffs.

Another cost of hostile takeovers is the effort and money that companies put into their takeover defense strategies. Constant fear of takeover can hinder growth and stifle innovation, as well as generating fears among employees about job security.

Methodology This project will mainly focus on the Hostile takeovers in the Information Technology field. One of the biggest recent such hostile takeover was by Oracle, which acquired Peoplesoft in January 2005 for a sum of 10.3 billion USD. This project involves abstract from different sources like books, journals, case studies and online materials. It also involves interviewing higher management and developers from Oracle and other acquiring company who are in the sales and product department to understand the viewpoint of the acquiring company.

It also has an interview of the financial strategist of a target company, which earlier had acquired other companies by friendly takeovers but later is acquired in a hostile bid (and as a result of which the person had to quit his job). Are Hostile Takeovers Ethical? There are many issues of undesirable practices in a hostile takeover. They can be summed up to be the followings:

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1. The acquirer buys substantial number of shares through clandestine transactions at high prices.

The majority of shareholders do not realize what is going on and do not get an opportunity to dispose off their holdings at the same favorable terms. 2. The acquirer forces the shareholders to a hasty decision through the veiled threat that if they dither for long, the acquirer may, no longer, be ready to buy the shares. This threat is credible because once the acquirer has obtained a controlling shareholding, he need buy no more. 3. The acquirer resorts to a two step takeover. In the first step he acquires sufficient shares at premium rates to achieve partial control.

From this position of strength, he then proceeds to squeeze out the remaining shareholders through gradual purchases, preferential allotment and other means. The second step becomes a relatively cheap operation for the acquirer. 4. Closely related to the above, is the attempt to make the takeover self financing, in what is often called a `bootstrap' takeover. In the second step of the takeover operation, the acquirer diverts the target's own funds to himself by merger by open or surreptitious credit and by fraudulent transfer pricing methods.

To facilitate this operation, the acquirer may force the target to sell part of its assets or tap its unutilized borrowing capacity. 5. Insider trading by the acquirer, the target's management and their advisors/associates. The logic of the takeover boom may be pure simplicity; the ethics is a little more difficult. There are a series of signs by which we may recognize situations that demand moral scrutiny: pain to individuals, loss of freedom or dignity

for individuals, injustice, and damage to the common good, violation of accepted moral principles, and betrayal of humanity's highest ideals.

Hostile takeovers result in abrupt termination of employment and pensions, jobless futures, vast wealth for fast-moving shareholders and expropriation for others, significant sectors of the economy teetering on the edge of bankruptcy, abrupt termination of all (non-monetary) debts and understandings in the local community, and the publicly trumpeted triumph of pure greed over faithfulness, for instance, scrutiny may begin forthwith.

Thus the joblessness, the dissolution of headquarters and wholesale termination of personnel after takeovers, done to raise cash quickly to service the enormous debt incurred in the process, is no different (at least to the unemployed) from other joblessness, brought on by plant closings for economic reasons, obsolescence of skill due to technological change, competition or other market changes. If we accept the free market system at all, we cannot select nondiscriminatory disemployment as the prohibitable evil.

Onwards, then; what about the injustice of two-tier pricing- full value for 51% of the stock, significantly less for those who move more slowly and get squeezed out at the back end? But why is it unjust to buy only what you want to buy? Suppose as a purchaser for oranges, I make a (fully public) announcement that I will pay a dollar an orange for oranges delivered to my doorstep before Friday a week, but only a quarter an orange thereafter ??? what's wrong with that? (or with the stipulation that I'll only pay full price for 200 oranges so if you deliver more I'll have to prorate your batch? So

described, it certainly sounds innocent enough. Is it worth it to pass a law against it? What other business practices would be adversely affected by any law that would curb two-tier pricing? The injury to the economy occasioned by the vast debt (\$1.4 trillion corporate debt load, according to the same article) carries somewhat more credibility as an evil. We have depended, perhaps more than we know, on the prudence of corporate directors to keep American companies in condition to weather hard times- cycles, recessions, new competitive pressures, etc.

We expect them to keep a thin layer of fat on their companies, so that in lean days the belt can be tightened without cutting the company in half. One thing we expect them to do, for instance, is keep the company's debt under control so that service on the debt will not be so large as to bankrupt the company in a sudden downturn. It is this debt that is "getting out of hand" in the takeover mania; companies are reaching the point where they may find it difficult to survive at all, let alone develop and install the new tools and techniques they will need to catch up with the Japanese.

This aspect of takeover activity should surely be curbed in the national interest. The only limit on debt is the risk perceived by the lender to himself, and lenders here, the most experienced in the country sure that the assets of the company will be sufficient to pay off the debt, do not seem to be worried. These happy lenders are under the charm of the new no-fault money back guaranteed society, and are certain that while individual bankruptcies may be a risk, massive default will be picked up by the Government and no one will really suffer in the end- in short, the perception of the lender may be fatally flawed.

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Damage to the local community falls into the same category as damage to employees; any economically dictated plant closing does the same damage, and legislation to curb these closings, popular as it may be in the legislatures of the affected states, does nothing except hinder inevitable movements of capital and labor into better employment elsewhere, and create a drag on the economy as a whole. Analysis and Inferences From the four interviews that I have conducted for this project, I got a deep insight on the unethical practices in Hostile takeovers, what can be possible solution to prevent hostile takeovers.

In an acquirer company, while the lower level employees like developers do not think about ethical nature of the business, the senior level employees do give it a thought. But they feel that the company has to grow both organically and inorganically, each having its own pros and cons. They are confident about their company decisions and feels though there is a bit of initial friction when the people from the target company join the acquirer, but things get eased out with time. The picture is very different for employees who were part of the target companies. They feel that hostile takeover is highly unethical.

It not only affects the employees, but also the shareholders and other stakeholders. So, it is desirable that hostile takeovers should be curbed, if not totally stopped. There are many ways in which this can be achieved: ??? Through tax reform: Current tax laws encourage debt and discourage equity, and they have actually helped fuel takeovers. So, the tax reforms should discourage debts and encourage more equities so that when the acquirer has to acquire a company, it has to pay a lot to acquire so much equity. ??? <https://assignbuster.com/hostile-takeover-and-ethics-assignment/>

Greater restraint should be imposed on the financial institutions which fund the takeovers by issuing the junk bonds. The Securities and Exchange Commission should frame more and better rules for mergers and acquisitions, so that more regulations are there. ??? Change the attitude of the institutional investors. ??? Reward the management for long-term performance. ??? Alter accounting conventions so as not to discriminate in favor of acquisitions over research and development and capital expenditures. ??? Prevent abusive takeovers in which companies with a history of good and responsible management are taken over for sake of busting them up and extracting immediate financial gain.

Identified Value Additions While working in Oracle for 5 years, from 2002 to 2007, I never realized that hostile takeovers can be interpreted in so many different ways. While the developers (non-managers) do not worry much about the ethics in business, the management does give it a thought. Interacting with different people gave me an opportunity to understand different people's perspective on both friendly takeovers and hostile takeovers and the ethics behind them. The steps by which hostile takeovers can be curbed were also a great learning for me.

In future, when I work for a company and in case it is involved in any hostile take over bid, then I will use these learning to justify why hostile takeovers should be discouraged. References 1. www. en. wikipedia. org 2.

Globalisation and Business Ethics By Karl Homann, Peter Koslowski, Christoph Luetge 3. Business Ethics by Alan R. Malachowski 4. Case Studies in Business Ethics by Rabbi Jay Kelman CA 5. How Hostile Take Over works by www. money. howstuffworks. com Appendix ??? Interviews Interview 1: <https://assignbuster.com/hostile-takeover-and-ethics-assignment/>

The first interview is with Mr. Joseph Mathew. He was the director of the financial strategy team in a target IT company (company names are not mentioned at his request) in Bangalore before it was taken over by an acquirer in the hostile bid in early 2005. An MBA in finance, he had worked for the company for around 7 years before he had to quit his job after the hostile takeover. He was one of the masterminds behind one friendly takeover done by the target company earlier. Mr. Paradisis preferred a direct interview, since as answering the questions in the mail would take him a lot of time. This interview was taken when he visited Kolkata for his personal work in the weekend of August 9. (The voice recording of the interview is with me.

If the voice recording file is need, please let me know. The names of the companies are mentioned in the voice recording). The following is the transcript of the interview: Me: Good Morning Sir! Takeovers have become the mantra for the success of the corporate these days. Do you think growing by taking over other companies is healthy? JM: In today's world, the competition is very severe. You never know when one company suddenly comes up and takes away the market share from you. You never know when suddenly your competitor comes up with a better product, and you lose your market share to them.

If you have to grow, if you have to survive in this competition, if you need to secure your base, you have to devise strategies like takeover. It's a wild sea out there; the bigger fish have to eat the smaller fish for survival and for staying ahead from the competitors. Me: But Sir, don't you think it is an unethical way of surviving or staying ahead? JM: Well it depends upon the kind of takeover. When you go for a friendly takeover, you inform the target
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company about your plans. You work out the details with them. It is a mutual understanding between the two players.

The benefits for both the companies are worked out before you proceed. On the other hand, a hostile takeover is just the opposite. The acquirer just wants to go ahead without even thinking what will happen to the target company. They are too selfish to see their own benefits. Thousands of people lose their jobs in a big hostile takeover. Those who have been loyal to the company for several years are sacrificed. In most of the cases, the senior analysts or architects of the target, after being shown the door by the acquirer find it difficult to shift to another job.

They are specialized in a particular area, which was the forte of the target and hence it really becomes difficult to find the same role and the same area in another company. Me: Sir, apart from the employees, do you think anyone else is affected by a hostile takeover? JM: A hostile takeover has a negative effect on a lot of people, employees just being one of them. While some shareholders do gain from the hostile takeovers, others are forced to sell their shares to the target company and sometime even at a much reduced price. This is true especially for those shareholders, who till the very end determine not to sell their shares to the acquirer.

Me: Why do you think these shareholders won't sell their shares to the acquirer till the very end? Why don't they sell it when the acquirer is offering a premium? JM: Well, there are some shareholders, who not only have financial interest in the company, but they are attached emotionally to the company as well. This may sound a bit awkward, but they may have been

benefited from the company so much, that they don't want any other company to come and acquire their company. They are the ones who are forced to sell their shares to the acquirer once the latter has got a majority of shares of the target.

This led to a huge disparity in wealth between the shareholders who sell the shares early and those who sell it at the very end. Apart from the shareholders, the suppliers of the target company suffer a huge loss.

Especially for those suppliers, who supplies to only one company, which is acquired by another company. Me: Sir, so what would you suggest if you need to prevent the hostile takeover? JM: That's a very good question. It's very difficult to prevent hostile takeovers. But may be the government and the other regulatory bodies can do something to curb it.

There should be tax reform ??? note that by encouraging debt and discouraging equity, the tax laws have actually helped fuel takeovers. So, the tax reforms should discourage debts and encourage more equities so that when the acquirer has to acquire a company, it has to pay a lot to acquire so much equity. Then, greater restraint should be imposed on the financial institutions which fund the takeovers by issuing the junk bonds. Also, the Securities and Exchange Commission should frame more and better rules for mergers and acquisitions, so that more regulations are there.

Apart from the government and other regulatory bodies, other should also play a part in curbing hostile takeovers. Change the attitude of the institutional investors, reward management for long-term performance, alter accounting conventions so as not to discriminate in favor of acquisitions over

research and development and capital expenditures. Also, prevent abusive takeovers in which companies with a history of good and responsible management are taken over for sake of busting them up and extracting immediate financial gain. Me: Thank You Very Much Sir, for your time and the valuable inputs.

JM: (Smiling) it's my pleasure! Interview 2: The second interview is with Mr. NSS, who is the Principal Product Manager of a firm that had acquired another big player of the same industry through a hostile takeover bid. This questionnaire had been sent to him by e-mail, to which he replied through an attachment. (The original mail is with me, if I need to show the proof, I can forward the mail. The names of the companies not mentioned in this report as per Mr. Sreenivas' request. However they are mentioned in the mail). Me: Do you think Hostile Takeovers, especially in IT sector, are Ethical?

NSS: I personally feel that the IT sector and in specific ERP segment (I can speak for this) is in for something like a consolidation. Today we see that an enterprise is looking to minimize on cost and also number of interaction points with ISVs but still get good VFM and support (very important) ??? as a result of this, driven by the market need; large ISVs are tending to expand their reach by acquiring/taking over (hostile or non-hostile does not matter much) smaller software companies based on their areas of focus and areas in which there is no organic product or existing product line has not shown desired growth ??? investment vs. evenue. In summary, I feel that this is a good strategy for growth and will pay-off in the longer run. This phenomenon is not just confined to the ERP market but also to BPO and other IT services too. Me: As you are working in this company for a long time, do you see a <https://assignbuster.com/hostile-takeover-and-ethics-assignment/>

change in your thinking, perception or respect towards your company, before and after the takeover? NSS: There is a certainly some amount of change in my views on the company ??? nothing bad. Thought process has changed from being more technology driven in creating an ERP solution to more of industry and business process oriented.

As for my perception on the company's business and outlook to industry ??? I am pretty much confident about the way things are happening today and the vision shown by the management team. It is pretty much evident that in addition to organic growth we are looking at in-organic growth and that always comes with pros & cons. Respect for this company has always been high for me and has not diminished or image tarnished by the recent changes. Me: Do you feel any difference in working with your colleagues and in working with those employees who were earlier a part of the target company but now a part of your company (after the takeover)?

NSS: Yes, there is certainly some difference in working with folks who have come in from the target company. I attribute this to the fact that they never worked in a true Off-Shore modal, they are used to working with Vendors out of US but not as extended team / employees. There are challenges in communication and openness, and we & they need to overcome the Alien feeling ??? which takes sometime but has to eventually happen and is happening. There is lack of acceptance from them initially but that is going off now.

Me: As a manager of a team, you might have subordinates who were a part of the target company and now in your company. Do you feel any difference

in managing those people in comparison to people who were a part of your company from the beginning? NSS: Cannot comment on this one. Me: Do you feel that the employees who were a part of the target company earlier and now a part of your company are treated differently by the higher Management than those who were in your company before the takeover? NSS: Individuals are treated on their merit.

It all depends on the product and the people you have got after the acquisition, so that decides who is treated like what ??? having said that I have not seen any major discrepancy in the way folks from the two companies are treated post acquisition. Interview 3: The third interview is with Mr. AG. He is the Principal Sales Manager of XYZ and currently posted in Gurgaon. This questionnaire had been sent to him by e-mail, to which he replied through an attachment. (The original mail is with me, if I need to show the proof, I can forward the mail. The names of the companies not mentioned in this report as per Mr.

Gairola's request. However they are mentioned in the mail). Me: Do you think Hostile Takeovers, especially in IT sector, are Ethical? AG: IT industry is like any other industry and a hostile acquisition in IT industry is quite similar to a hostile acquisition in any other industry. Hence, it would totally depend on the companies who are involved. Also, I would say that a lot depends on where is it happening and how strong is the market regulator / commission in that country. In my experience, I don't think that the Hostile Takeovers are ethical.

Me: As you are working in XYZ for a long time, do you see a change in your thinking, perception or respect towards your company XYZ, before and after the takeover? AG: Yes, I do see a lot of change in my perception about XYZ. The strategy to acquire a lot of companies has started working in XYZ's favor and competition feels threatened. Inorganic growth has helped the company grow. However, from the personnel front, I would say that at XYZ, people have definitely been impacted because of the acquisitions and this has changed my perception of the company.

Me: Do you feel any difference in working with your colleagues and in working with those employees who were earlier a part of MNO but now a part of XYZ (after the takeover)? AG: No I do not see any difference. Me: As a manager of a team, you might have subordinates who were a part of MNO and now in XYZ. Do you feel any difference in managing those people in comparison to people who were a part of XYZ from the beginning? AG: Yes, as a manager there is some difference and that is primarily because of the differences in company policies.

Also, in a specific case (though not a direct reportee), I had to convince the person that he will be treated fairly by us. Me: Do you feel that the employees who were a part of MNO earlier and now a part of XYZ are treated differently by the higher Management than those who were in XYZ before the takeover? AG: No, I haven't seen such a difference, at least in the development organization. Interview 4: The fourth interview is with Mr. TSM, a senior applications developer in a big MNC (person and company name hidden to maintain privacy), which acquired another MNC recently.

The questionnaire had been sent to him by e-mail, to which he replied. The following is the excerpt from his reply: Me: Do you think Hostile Takeovers in general are Ethical? TSM: Its business, Ethics doesn't come into the picture. Me: Would your perception change if the Hostile Takeover is in the IT sector? TSM: No. Me: As you are working in XYZ for a long time, do you see a change in your thinking, perception or respect towards your company (XYZ), before and after the takeover? TSM: My perceptions have nothing to do with me working for any company, they are mine, and the fact that XYZ was involved in takeovers, has no bearing on it.

Me: Do you feel any difference in working with your colleagues and in working with those employees who were earlier a part of MNO but now a part of XYZ (after the takeover)? TSM: Yes, there obviously is, you are always trying to make an effort to make ex MNO employees comfortable, You go out of your way , very conscious of what you say. But things ease out with time as people get integrated into the mainstream. Me: Do you feel that the employees who were a part of MNO earlier and now a part of XYZ are treated differently by the Management than those who were in XYZ before the takeover?

TSM: Management treats people differentially only how important people are to their scheme of things; I never experienced any deviation from this principle. Me: Finally, if you have anything to add regarding the same from your experience in XYZ, kindly do so. TSM: The bottom line is you have to be prepared to anticipate and accept; change is inevitable. I feel it's a bit naive to bring morality issues into business. Business has always been about

competition, survival of the fittest, if someone does something unfair, it's your mistake not to be on guard.