Hr planning – merger

Business

Benefits That Will Be Experienced By the Four Companies: The Stonewall Company and the Canadian Wallboard Company, as the main wallboard manufacturing corporations that are merging would create greater shareholder value than if the two corporations operate separately. The two companies, as the result of horizontal merger, come together to gain a much bigger market share and have access to more customers in the target market, which in turn, strengthens their competitive positions.

2] There are some other strategic benefits that both companies could achieve through the merger. For example, because of operating synergy (also referred as economies of scale), the new bigger entity (after the merger of Stonewall and Canadian Wallboard) would to be able to save its cost through enjoying more purchasing power when purchasing raw materials and other necessities. Moreover, the merged organizations can share their office space and eliminate duplicate manufacturing facilities.

And a merger usually results in employee lay-off as positions become redundant in the new entity so that some labour costs could also be saved. Marketing budgets might be trimmed to achieve etter efficiency as well. Furthermore, if the cost of business operation is lower, that cost will be passed on to the consumer, resulting in a stronger competitive advantage as the wallboard market is very price sensitive.

[3] A merger would also enable both companies to achieve better efficiency in their business operations based on the fact that two organizations work Jointly.

Examples as have one head office rather than two; eliminate duplication of functions such as finance and accounting, supply chain, and marketing within each organization to the benefit of the combined new entity. Those business functions could be very costly especially for Stonewall which is under heavy financial pressure and the new entity would be better able to afford the necessary activities of those supporting functions of a going concern. [4] Moreover, Stonewall and Canadian Wallboard can offer a greater range of products and services after the merger because their products may be complimentary.

The merged new entity will be able to make use of the best skills and knowledge from both companies and make up for shortfalls in the individual companies' competencies. [5] There might be tax advantages associated with mergers.

For example, If Stonewall has previously sustained net losses, those losses can be offset against the profits of the Canadian Wallboard that it has merged with, which bring about a significant benefit to the newly merged entity. 6] To British Wallboard, the biggest achievement through this merger is that they successfully get rid of its liability – Stonewall (which is in trouble because of economic situation and its internal issues as employee parent company, will share the same benefits as Canadian Wallboard through the merger in terms of cost efficiency and great value generation. Besides, it can further enhance its market penetration in Canada, and enjoy the economy of scales for its subsidiaries' manufacturing activities through the merger. It can also further diversify its products portfolio as Stonewall also offers vinyl siding products.

Furthermore, mergers can help US Corp. to deal with the threat of multinationals and compete on an international scale.

[7] 2. What are the risks to each of the four companies of this merger? (10 marks) Along the course of merger, all the four companies may face risks: The immediate risk associating with the merger is oncerning merging the two different cultures of Stonewall and Canadian Wallboard. During merger, culture shock may occur when key practices such as decision-making practices, compliance and autonomy, leader behaviors and management style, which define the way of working, dramatically change.

Employees feel that their loyalty to companies are betrayed, and their status relationships are threatened. Culture shock will result in decreased productivity, lowered employee morale and trust to management, drained organizational adaptation, and less innovation. [8] Moreover, erger of the two companies carries along risks to human resources as it increases in insecurity among employees, lower levels of satisfaction at work, less affective commitment, and a loss of trust in the firms and management teams.

Those issues would lead to difficulty in bending cultures, reductions in service levels, poor motivation and loss of key people and clients, and eventually impede the ability of the two companies to achieve their longer-term objectives and result in the failure of merger. [9] Another major risk that Stonewall and Canadian Wallboard need to face n the merger processes results from the fact that the processes themselves are complex and time-consuming. The effects of a merger may last for years.