

# [Project management merger and acquisition](https://assignbuster.com/project-management-merger-acquisition/)

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## 1. 1 Introduction

This coursework will consider the topics of stakeholder expectations, project constraints, time, quality and cost, due diligence and the use of consultancy expertise in the wider context of analyzing how a project manager approaches the “ define and design stages” of a major merger and acquisition process involving the sale of marketing assets.

### 1. 1. 2 Define and design stage

The define and design stage of project management will be where the project goals, objectives and operational targets will be set out and agreed (Loosemore and Uher 2003 p. 136). These need to be integrated as every stage of the project’s life cycle is anticipated (Harrison and Lock 2004 p. 201). The define and design stage requires discussion of factors that will determine key outcomes of the project’s development. Factors such as the role of the project manager, the duties, responsibilities and powers of the project manager, the duties, responsibilities, and powers of key internal and external stakeholders, budgetary matters, cost issues, and quality issues are all very important to the define and design stage (Loosemore and Uher 2003 p. 136). As Harrison and Lock (2004 p. 201) state, the define and design stage in the context of contracts would, for example require the project manager to give a brief to an architect. Harrison and Lock (2004 p. 201) contend that the definition stage can be evaluated successfully through the use and application of the “ go, no go” test which will determine whether the project is on target at various stages of the define and design stage.

## 2. 1 Stakeholder expectations in the define and design phase

At the beginning of the define and design stage, the most important stakeholder, aside from the project manager will be the client. As Loosemore and Uher (2003 p. 136) state, it is essential for the project manager, and the client to communicate effectively during this key initial stage. Later, more stakeholders will join the “ mix” for example the design leader, and or various sub-contractors (Harrison and Lock 2004 p. 201), so it is essential that firm objectives, and expectations are set out as a result of the initial consultation between project manager and client (Loosemore and Uher 2003 p. 136).

Strategies that will assist the successful development of the expectations of the client and project manager during this key phase will include:

(a) devising a statement of key duties and responsibilities;
(b) agreeing the conditions of engagement of other stakeholders such as the design leader, if applicable, and the engagement of any external consultation;
(c) devising and agreeing a planned, staged set of objectives;
(d) devising and agreeing a project management plan;
(e) agreement on an initial budget;
(f) planning cost control, expenditures and contingencies.

Initial communication between the project manager and the client will determine the success of these factors (Loosemore and Uher 2003 p. 136). It would be advisable to ensure that appropriate records are kept of communications, so for example email records, and records of informal discussions. What will be key will be a comprehensive record of what has been initially agreed in terms of what the expectations of the client are, and it is advisable that this is formally recorded in a written document.

A key factor in the early stages of the design and define stage will be the role of the project manager (Harrison and Lock 2004 p. 201), which will need to be discussed, and set out clearly from the beginning of the define and design stages. As many management experts would surmise, this is the area of the project that has the potential to lead to expensive litigation, and project delay (Loosemore and Uher 2003 p. 130, p. 131, p. 132, p. 133, p. 134 and p. 135), so it is essential that the role of the project manager is clearly discussed, and agree from the beginning of the define and design stage.

As the project develops, factors like change control, teamwork and evaluation are likely to become important. Overall, the project manager will be expected to formulate an appropriate change control strategy as the define and design stage unfolds. Fundamental to the change control strategy are processes of organizational communication, teamwork, evaluation and operation management, and these must be aligned to the key strategic objectives of the company (Meredith and Mantel (2006) p8; Newton, R. (2005) p 103-118; Wysocki (2009) p 39-47, 109-120).

It may be useful to consider what the key stakeholder expectations will be in a newly formed corporate organization: employees will expect to be managed appropriately; managers will expect to be trained and supported in their roles; stakeholders will expect effective systems of communication and dissemination of information; investors may expect performance targets to be met or exceeded; shareholders will expect performance targets to be met or exceeded (Harold, K (2010) p 340 -346; Kelly, S. and Nokes, S. (2007) p 20- 25) and this is not an exhaustive list since it would be nearly impossible to extrapolate all of the stakeholder expectations that will emerge as the organization begins to form.

Stakeholders will have to be identified as a first step in the define and design stage. Stakeholders including employees (existing and new), investors (existing and new), management and consumers all need to be communicated with appropriately during the define and design stage (Berkun, S (2008) p. 42-46; Field, K. (1998) p 88-107, p163-170; Hobbs, P (2009) p 18-28). It is suggested that the best means of managing such a significant matrix of communication channels is to use some means of electronic communication to support it. To this end, it is suggested that an internal intranet and an external internet site, or sites are used to support the communication process between, and with different stakeholder groups within, and external to the organization as a merged entity. As Cox, D. notes (2010, p. 170) appropriate identification and management of stakeholder expectations through effective communication increases the probability of project success.

It is suggested that key processes such as procurement of contracts, recruitment, and appraisal will be much changed within the new entity that is required to be project managed. In light of these changes it is important to retain the efficacy of core functions within these processes (Meredith and Mantel (2006) p8; Newton, R. (2005) p 103-118; Wysocki (2009) p 39-47, 109-120). So, for example the procedure for conducting procurements, recruitment, selection and appraisal may need to be re-negotiated and or re-defined within different sectors of the newly formed business organization, so that it can be implemented consistently.

## 2. 2 Project constraints in the define and design phase

Several project constraints are apparent in the early stages of this project.

Of key significance is the role of the team (Berkun, S (2008) p. 42-46; Field, K. (1998) p 88-107, p163-170; Hobbs, P (2009) p 18-28). In the aftermath of a merger, existing teams may be changed considerably, and or require integration with other teams. This can lead to performance, and leadership issues. Changes will need to be executed smoothly, with appropriate planning and communication with key stakeholders in order to ease these potential issues. Selection and recruitment strategies may need to be re-formulated across the newly merged organization, and new managerial staff will require extensive training in processes that may be new to them as this will be important to reinforce any new managerial authority (Lock, D (2007); Maylor, H (2010) p 224).

In the define and design stage, it is suggested that the most important thing a project manager can do initially is to consult with well-placed individuals, such as existing teams, and managers in order to establish what the important issues are and how they should be approached: “ Taking a proactive approach means fighting the instinct to delay consultation because it is still early days and you don’t have all the answers yet or are worried about raising expectations. The reality, most likely, is that people’s expectations are already raised in some form or other, and that speculation about the project and the company is beginning to circulate. Early engagement provides a valuable opportunity to influence public perception and set a positive tone with stakeholders early on. Be clear upfront that there are still many uncertainties and unknowns, and use early interactions with stakeholders as a predictor of potential issues and risks, and to help generate ideas and alternative solutions on early design questions….…..(International Finance Corporation (2007) pp. 5)”.

One of the major risks that the project manager will have to consider will be the risk that a “ them and us” culture might arise across the organization based on hostilities between existing and new stakeholders who are required to work together in the newly formed organization, causing disruption to the efficacy of the company as a whole (Harold, K (2010) p 340 -346; Kelly, S. and Nokes, S. (2007) p 20- 25). Additionally, such negative consequences of poorly managed change can impact on retention rates in the organization as a whole (Lock, D (2007); Maylor, H (2010) p225), and this might add additional problems to the transitional problems that might be anticipated already. Steps such as improved communication between employees and management will mitigate the risk of these types of employee motivation, and leadership problems (Lock, D (2007); Maylor, H (2010) p 232). Using electronic systems like an intranet, which communicates correct and up- to – date information will ensure that key messages are delivered effectively to employees and other relevant stakeholders (Meredith and Mantel (2006) p8; Newton, R. (2005) p 103-118; Wysocki (2009) p 39-47, 109-120).

Stakeholder engagement will also be key in the define and design stage: “ Today, the term “ stakeholder engagement” is emerging as a means of describing a broader, more inclusive, and continuous process between a company and those potentially impacted that encompasses a range of activities and approaches, and spans the entire life of a project. The change reflects broader changes in the business and financial worlds, which increasingly recognize the business and reputational risks that come from poor stakeholder relations, and place a growing emphasis on corporate social responsibility and transparency and reporting. In this context, good stakeholder relations are a prerequisite for good risk management…..(International Finance Corporation (2007) pp. 2)”.

Appropriate consultation strategies will ensure that problems are anticipated, rather than dealt with when they crop up (Lock, D (2007); Maylor, H (2010) p 236). This delivers an important “ head- start” to the project manager, and indeed to the organization as a whole. It is important to emphasize the importance therefore of early stakeholder engagement, and the basis of this will be effective communication and consultation strategies (Lock, D (2007) p 29 -39; Maylor, H (2010) p 219-225).

As the define and design stage unfolds, the channels of communication that are required to be pursued are likely to become more and more complex as different stakeholders engage in the process. Loosemore and Uher (2003 p. 137) states that formal reporting strategies are helpful to control project constraints within the area of communication. This means that communication follows a more regimented mode, which places emphasis on formality, comprehensiveness and the importance of clarity as to the outcome of the communication process.

## 2. 3 Time, quality and cost in the define and design phase

Factors, such as time, quality and cost are matters that will likely dominate the initial stages of the define and design stage of the management of the project (Harrison and Lock 2004 p. 201). What is important to recognize is the fact that these are often fluid concepts, and they will be subject to change as to define and design stage of the project develops, and contingency must be made for these changes to be managed appropriately. The project manager will be responsible for the monitoring of the budget, and the determination of whether any contingencies need to be implemented. As is important in the early stages of the define and design stages of the project, expectations relative to time, quality and cost issues will need to be clearly defined, and agreed as they change, and so further formal discussions with the client are often advisable to ensure the avoidance of delay and uncertainty as the project develops. Time, quality and cost are important aspects of the merger and acquisition process (Loosemore and Uher 2003 p. 130, p. 131, p. 132, p. 133, p. 134 and p. 135). In several ways, these factors will underpin key objectives across the entire organization. As such it will be important to set time, quality and cost goals, and ensure that these are realistic, agreed in advance and based on consultation and consensus, where this is possible (Lock, D (2007) p 29; Maylor, H (2010)).

Cox, D. (2010) suggests that cost control and schedule control are key factors in the management of time, quality and cost. Realistic project budgets should be set in advance, based on realistic information and projections. Additionally, the project budget will need to be monitored as the stakeholders involved move out of the define and design stage, and so the define and design stage should incorporate an appropriate system to ensure that cost control, quality control and cost monitoring, and quality monitoring are possible.

The management of time, quality and cost in the define and design stage may also require a system of performance reporting to be devised. As Cox (2010, p. 171) notes this involves periodically collecting data and comparing it with “ baseline”, and “ actual” data, perhaps drawn from the wider industry, or notional data that original projections were based upon. Performance reporting will allow for time, quality and cost issues to be flagged up at an early stage to notify key stakeholders whether, and what type of intervention may be required.

## 2. 4 Due diligence in the define and design phase

Due diligence is one of the most important issues facing management in the early stages of a merger and acquisition. It is one of the key risks that organizations can be exposed to during the process of merger and acquisition, since it exposes the new organization to a heightened risk of expensive litigation. In terms of a downstream oil company operation, one of the key challenges in this context will be communication with employees in the disparate structure of an oil company operation. Of course these risks can be mitigated by the project manager in the define and design stage. Accordingly, the project manager will need to gather key information on all existing employees so that risks can be evaluated in advance, and so that a plan of action can be set out, evaluated and implemented as the project moves out of the define and design stage (Lock, D (2007); Maylor, H (2010) p 219).

Managers will need to be trained, and key information about employees will need to be gathered and managed electronically to ensure that appropriate, and thorough processes of due diligence can be carried out effectively. This information may be gathered by the project manager in the define and design stage, and the project manager could assess what the best training, and communication strategies will be for the newly merged organization.

## 2. 5 The use of consultancy expertise in the define and design phase

Consultancy expertise is expensive, particularly for an organization in transition as this one is. Additionally, the usefulness of consultancy expertise can be a very variable factor in terms of its contribution to the overall success of the company (Maylor, H (2010) p 222). In the define and design stage, the project manager can ensure that the use of consultancy expertise is well-planned and assessed in terms of its value to the organization as a whole. Consultancy input is something that is susceptible to evaluation, and thus the project manager in the define and design stage can devise an appropriate system of evaluation to ensure that cost expenditure on this type of external expertise is monitored, and that costs are justified (Lock, D (2007); Maylor, H (2010) p 227).

## 3. 0 Coursework conclusion

This coursework has considered the topics of stakeholder expectations, project constraints, time, quality and cost control, due diligence and the use of consultancy expertise from the point of view of the project manager in the define and design stage of a major process of merger and acquisition.

The project manager, and the client are usually the key contenders at the beginning of the define and design stage. This is the point where communication is likely to be most critical, and clear, goals, boundaries, objectives, duties and responsibilities need to be set out. This is particularly key in the process of merger and acquisition which requires the management of numerous internal and external stakeholders engaged in the process in complex ways.

It is advisable to ensure that early communication is approached in a comprehensive and formal manner, since this is likely to minimize the risk of project delay as the define and design stage develops and enters more critical execution phases. It has been suggested that written communication is preferable in this phase, that formal reporting strategies should govern communication to a large degree, and that comprehensive records of discussions should be kept to ensure that what is agreed is explicit, and can be identified retrospectively.

As the project develops into more advanced stages of the define and design stage the project manager should adopt a consultative approach to ensure that problems are identified in advance, and particularly in the case of a merger and acquisition process consultation should engage internal and external stakeholders. Additionally, the project manager will need to adopt strategies that will allow for appropriate progress, and performance monitoring. Additionally, it has been suggested that the project manager will need to devise and implement strategies to ensure appropriate leadership, training, selection, recruitment, procurement, organizational communication and stakeholder engagement. As such the project manager in the “ define and design” stage will primarily be concerned with planning effective strategy in these areas and the mitigation of risks that are associated with change, and organizational transition.

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