Strategy recommendation

Business

Newell Company had a 20-year track record of building shareholderInterco-case/” class=” ilgen”> value through successful acquisitions of companies such as Sharpie pens (2). Rubbermaid Incorporated, which had recently topped Fortune’s list of the most admired companies, and it included No. 1 spot in 1993 and 1994 (4).

Rubbermaid was very profitable and growing quickly with a long history of innovation and a reputation as a smart brand marketer before 1994. Also because Newell and Rubbermaid both sold household products through essentially the same sale channels, and the merger transaction would be accomplished through a tax-free exchange of shares (1).

Therefore, the acquisition of Rubbermaid seemed like a deal from heaven for Newell. However, I do not think merger with Rubbermaid is a good idea for Newell after read through the case. I think it “ would pose a formidable challenge to the company’s demonstrated capacity to integrate and strengthen its acquisitions” (1), and all those challenges will outnumber opportunities from several aspects. Firstly, even though Newell and Rubbermaid were both selling a lot of household basics products to the same customers, the two companies had fundamentally different bases of competition.

Newell competed on the basis of superior service to its mass merchandise customers and low-cost production (3), whereas Rubbermaid competed on the basis of the brand and innovation (5). Their production costs and processes were different and their value propositions were also different. Thus, I think Newell and Rubbermaid were actually in two different businesses and both company’s strategies would not work for each other in the long term. Secondly, Newell was a company with the relatively slow growth of the product markets.

Newell's corporate goal for internal growth was only three per cent to five per cent annually, and its actual internal growth in the past five years had averaged about five per cent (2). Comparing to Newell, Rubbermaid earned its early reputation by setting aggressive goals for 15 per cent growth in revenues and profits (4).

Even during Rubbermaid poorly performance, its strategy reflected an uneasy balance of not necessarily consistent ambitions (5). Thus, Newell and Rubbermaid had an opposite culture, and a company's culture is something that often difficult to change.

Lastly, although Newell had made many acquisitions over the years, merger with Rubbermaid was something that entirely different. Rubbermaid was ten times the size of the largest acquisition Newell had previously attempted. Because of Rubbermaid's extraordinary unrealistic financial targets, Rubbermaid had made its business look a whole lost prettier than it really was (4). All in all, I would not recommend Newell Company merger with Rubbermaid Incorporated.