

PRESENTATION

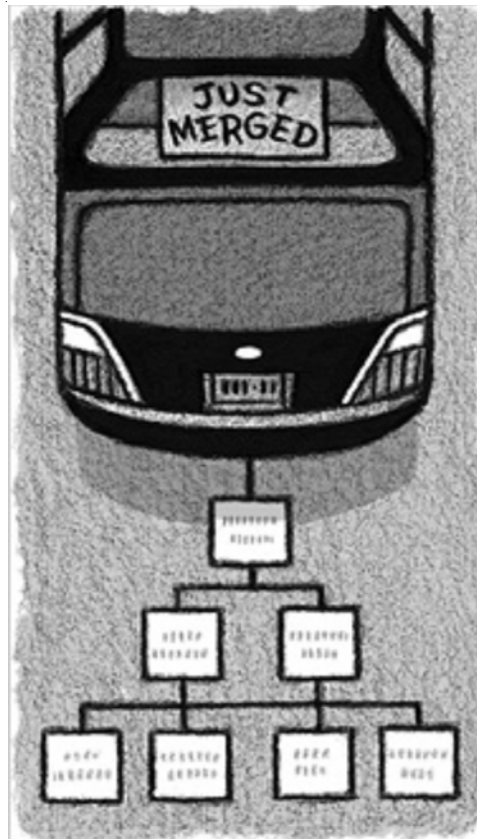
Reasons for Negligence of the HR Issue

- ➔ Lack of awareness that the human issues are critical most
- ➔ No spokesperson to articulate these issues
- ➔ The belief that they are too soft and therefore hard to manage
- ➔ There is no model or tool to understand and to manage the human issues

Reasons for Negligence of the HR Issue

- ➔ The focus while Mergers and Acquisitions are on other activities rather than on human issues
- ➔ The Human Resource department in many countries like Pakistan, India etc is not completely taken under considerations

The Fall of the Titans

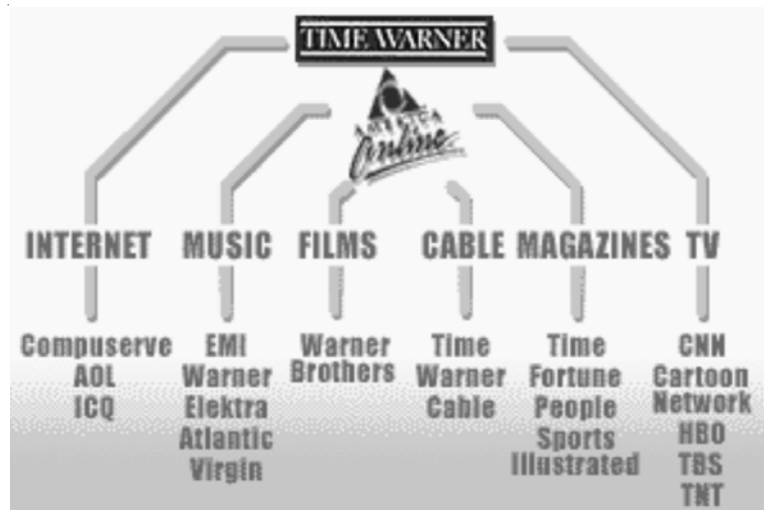


America On-line and Time Warner

- In January, 2000, the merger of AOL and Time Warner was announced
- AOL acquire Time Warner
- AOL contributed 64 percent and Time Warner contributed just 36 percent

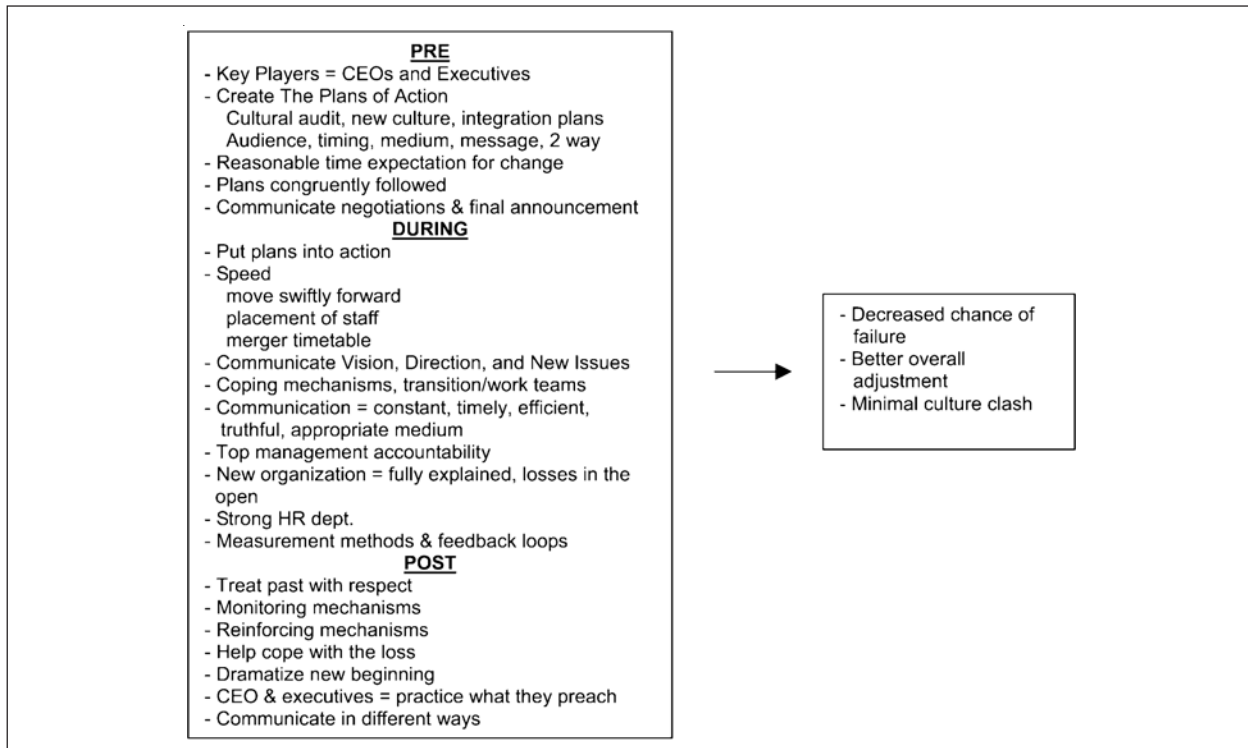
Reason for Merger

- Synergies
- AOL had more than 30 million subscribers and it was the dominant Internet service provider
- Time Warner had an impressive cable franchise



However, soon after merger, some cultural shocks were seen :

- Phenomenal difference in the work culture
- Atmosphere of arrogance
- Conflict of interests
- A sense of hubris prevailed in each of their meetings
- Misunderstandings even in using emails.
- The AOL'ers considered their colleagues at Time Warner lower-class internet guys
- Accounting scandals
- End of the mega merger of the century
- Annual loss of \$ 1 bn in its history
- Debacle in the business history of America



Reasons for failure of M & A's

- Poor cultural fits
- Poor organization fit
- Limited focus
- Failure of top management to follow up
- Inadequate attention to people issues

Role of HR in M&A

- Facilitates Transition Teams
- Educate Managers & Employees
- Reinforce the New Culture
- Involve in Planning, Transition & Integration Teams
- Reduce communication Gap
- Identify HR Issues & Carry Out an Effective HR Due Diligence
- Carry out effective HR Integration
- Help Line Managers to Communicate Effectively.
- Managing Individuals with Dignity
- Developing Actions to Retain Key Employees
- Help Clarify Roles
- Cultural Change

Synergy

- ☞ Synergy : Whole > Sum of its parts
- ☞ Corporate Synergy
 - Revenue Synergy
 - Cost Synergy
- ☞ Positive & Negative Synergy

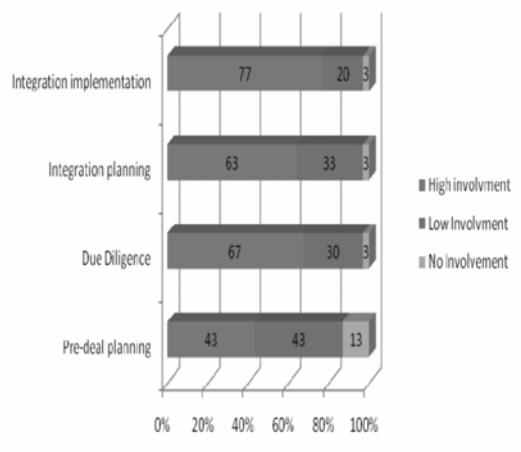
Warning Signs

- Employee attrition
- Decreased productivity
- Dissatisfied customers
- Communication problems

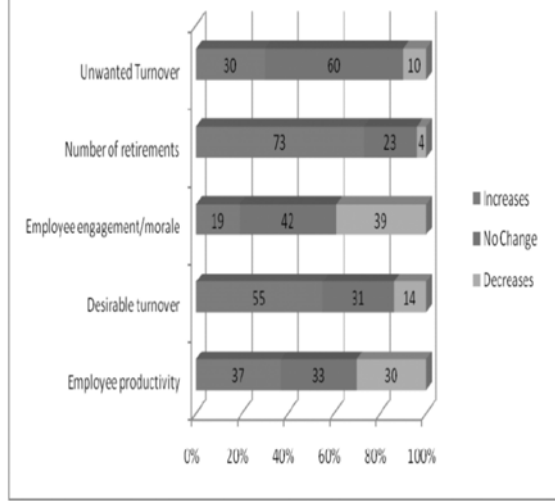
Consolidation and cost cutting may be great hazards to HR, but the opportunities are tremendous if you can convince the leaders of your value in bringing the combined company together

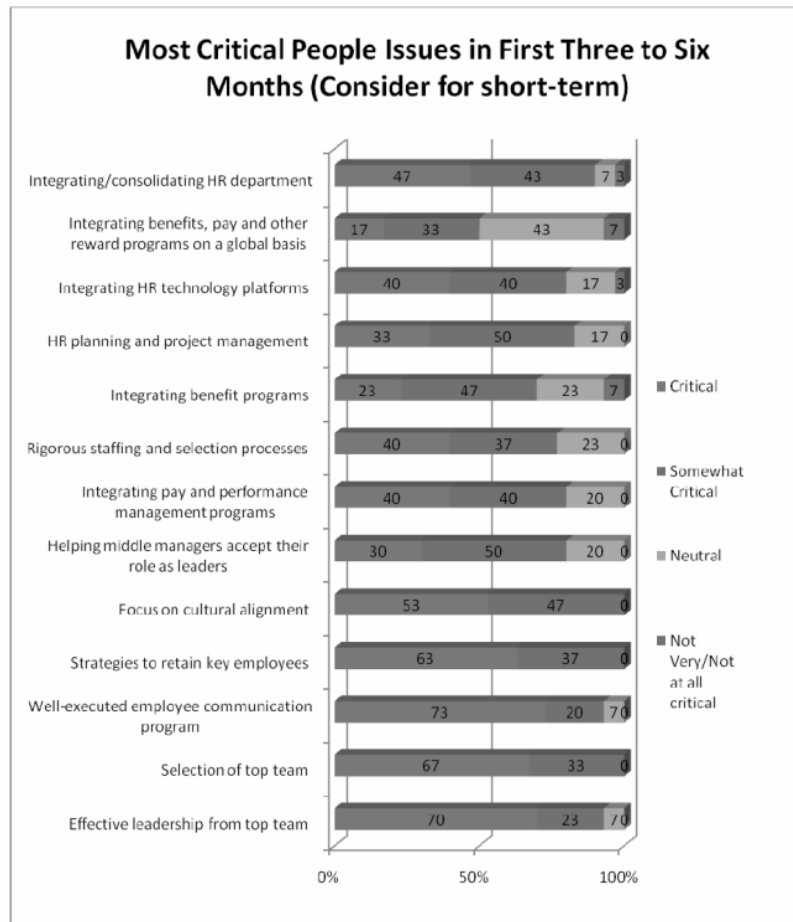
Survey

What is the level of HR involvement in M&A deal



What is the workforce impact of deals?





Putting it all together...

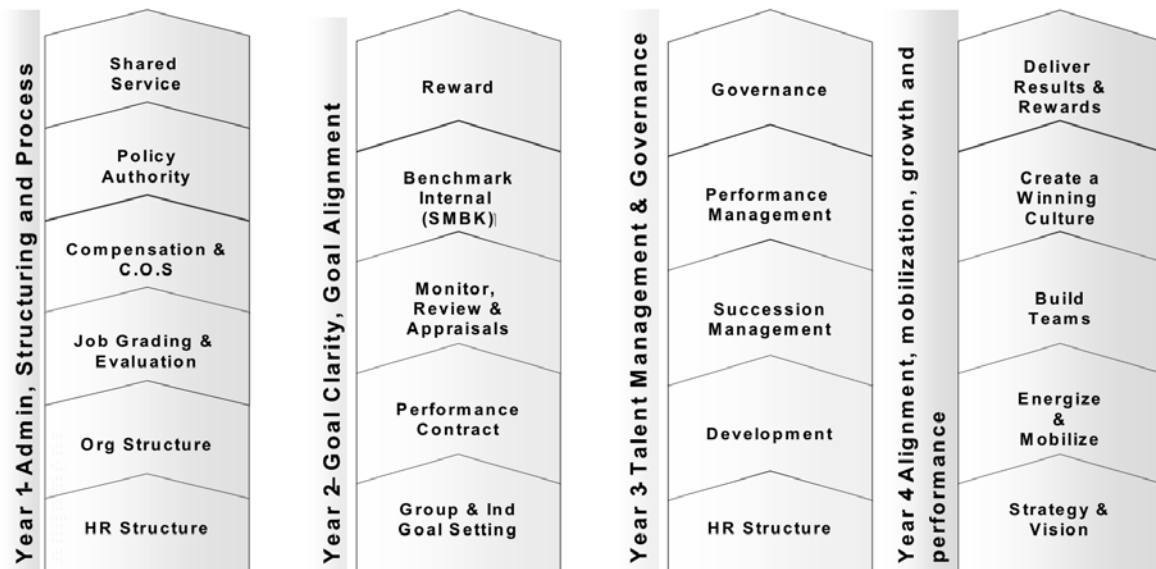
Ultimately, the survey presents heartening evidence that HR is poised to play an increasingly significant role in this arena, in part because of widespread understanding of the critical importance of people issues in M&A success.

- 7 Pitfalls in International Mergers**
- Preoccupation
 - List-making
 - Organizational proliferation
 - Infrequent and irrelevant communication
 - Triangulation
 - The relatives
 - The guiding light

Ways to Survive a Merger and Keep Moving Forward

- Expect that things will change
- Prepare for the expected or unexpected
- Investigate the differences
- Know your role
- Be prepared to conform
- Be open-minded
- Don't expect a melting pot
- Make change a survival issue
- Communicate and celebrate the new
- Recognize and value the old
- Build a structure to support change
- Start at the top
- Copy what you already do well

Integration - HR Road Map



Here we are hiding some successful and some unsuccessful mergers

CISCO

- Acquisition Strategy of CISCO
- Three step Process of Acquisition
- Analyzing the benefits of acquiring
- Understanding how the two organization will fit together
- Integration process

IBM

- ➔ Regular deal maker
- ➔ More than 60 acquisitions
- ➔ Team of employees for handling post deal issues

HLL & TOMCO

- ➔ TOMCO employees enjoyed better terms
- ➔ Argument By HLL Employees

Things to be remembered

- ➔ Maintain the underlying business while in transition
- ➔ Create a win-win situation
- ➔ Speed, the faster you move, the more likely you are to succeed
- ➔ Focus on the value-drivers
- ➔ Create a strong culture of personal responsibility

References :

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- www.coolavenues.com

Ms. Seema Agarwal

Marketing Issues Concerning Consolidation

In the absence of Ms. Seema Agarwal, Presentation made by Ms. Suman Mathur

Although a number of factors influence mergers and acquisitions, the market is the primary force that drives them. With market uncertainty and shrinking opportunity, investors need to value the sales and marketing plan of an acquisition just as much as the Profit & Loss. For Mergers and Acquisitions to be successful, the acronym **M&A** yields to a new definition: **Marketing & Analytics**. Greater enterprise value can be realized through a more specialized marketing focus during due diligence. Companies should pay closer attention to sales trends, competitor's influence, and really cross examining where the desired sales/market growth will come from - using the right blend of analytics and technology. Not only can new value be created post-close, but more importantly deal disasters can be avoided through a deeper dive into marketing due diligence pre-close. Comprehensive analysis of sales trends and brand health is becoming a requirement for successful merger and acquisition execution. After a merger, is the alliance going to tap the new segment or is it going to dominate an existing market, is also an issue for the merger. But that depend on purpose of parties undergoing the merger. Distribution channels also considered while merging with the another party to get hold on availability of products. Existing distribution channels of one company helps in reducing the cost on developing distribution channels. Due to merger product portfolio enhances giving benefits to the customers. Moreover due to prestige issues quality of product also improves. Due to mergers new market places can be tapped. For foreign companies get Indian markets open and Indian companies get exposure to the global market. Various marketing issues are described in the presentation.

PRESENTATION

“You can have brilliant ideas, but if you can not get them across,
your ideas will not get you anywhere”

Lee Iacocca

- Most M & A take place due to market share considerations, amongst other things.
- Post-merger, this may or may not materialize
- At the time of actual M & A the mood is optimistic.
- There may or may not be due diligence on post-merger implications.

“If there is a clash of cultures either within the companies or
in the market place, the optimism will not work”

The success story - TATA Tea acquiring Tetley

TATA TETLEY

☞ **Merger implications:- Position in the value chain 305 mn GBP**

- Tata Tea –pre acquisition:-40% of turnover came from packet tea /tea bags
- Tetley – pre acquisition:- 100% of turnover came from tea / tea bags
- Consolidated – post acquisition:- Company has moved up the value chain-84% of turnover came from packet tea/tea bags.

☞ **Merger Implications:- Increased Outsourcing**

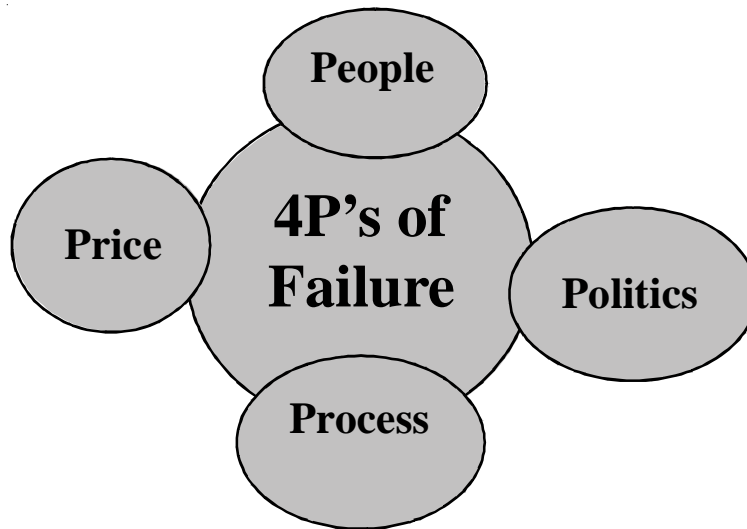
- Tata Tea –Preacquisition :Produced 95% of its tea requirement in- house
- Tetley – pre acquisition :Outsourced entire requirement from 35 different countries, with an estimated procurement of 3 million kilograms of tea every week
- Consolidated – post acquisition :Today, 70% of Tata Tea’s tea requirement is outsourced from 20 different countries, thus reducing the risk associated with fluctuation in production arising out of various factors.

☞ **Merger Implications:- Predictable Margins**

- Tata Tea –pre acquisition:- Margins highly correlated with tea cycle
- Tetley – pre acquisition:- Margins inversely correlated to tea cycle
- Consolidated – post acquisition- Margins hedged

☞ **Merger Implications:-Global Footprint**

- Tata Tea –Preacquisition :Predominantly domestic operations
- Tetley – pre acquisition :UK and USA account for bulk of sales.
- Consolidated – post acquisition :Global presence



PRICE

Too high price, 'Hubris' hypothesis (i.e., manager's over optimism in evaluating deals), inappropriate payment mechanism, ignoring 'due diligence' warning signs, overlook liabilities and risks, overestimate synergies, inaccurate assessments of the business model (revenue / cost drivers, market share, etc.)

HUBRIS:- overwhelming pride and insolence often bringing about retribution

- Process Failures**
- Absence of integration planning
 - Poor planning, poor / flawed implementation of integration plans
 - Failure to manage / control the 'unexpected'
 - Failure to achieve 'business fit'
 - Poor leadership
 - Communication / mis-communication issues oversimplification of integration issues
 - Flaws in plan execution
 - Failure to set up proper feedback systems
 - Ignoring feedback, etc.

- Political Issues**
- Top management politics, board room splits
 - Regulatory / government issues, regulatory interventions / forced modifications, public opinion mis-management

People Issues

Culture clash, flight of good people, ignoring impact and difficulties in transfer of 'organization capital', change management issues, attempting large scale changes without plans, failure to 'talk out' issues and resolve them.