



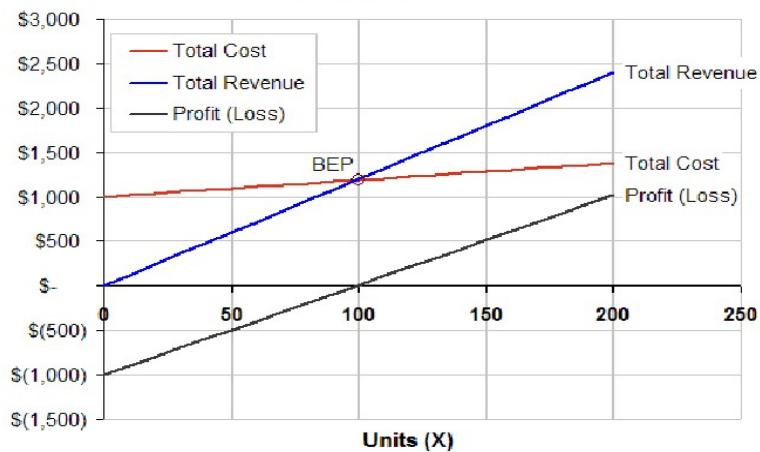
MERGERS AND ACQUISITIONS



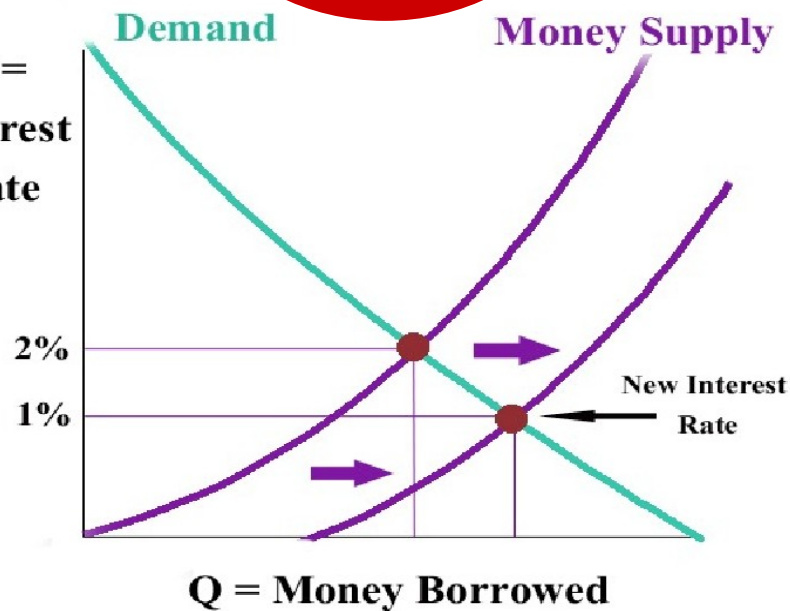
Lecture

07

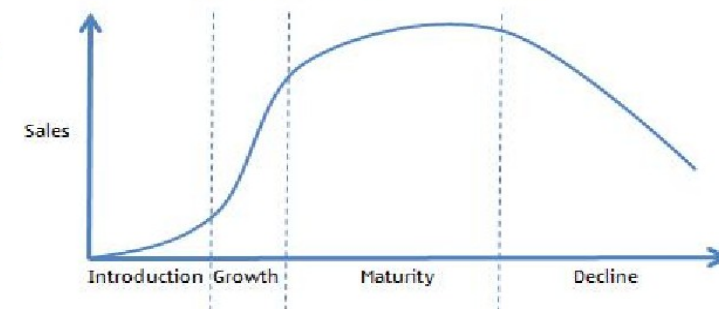
Break-Even Point



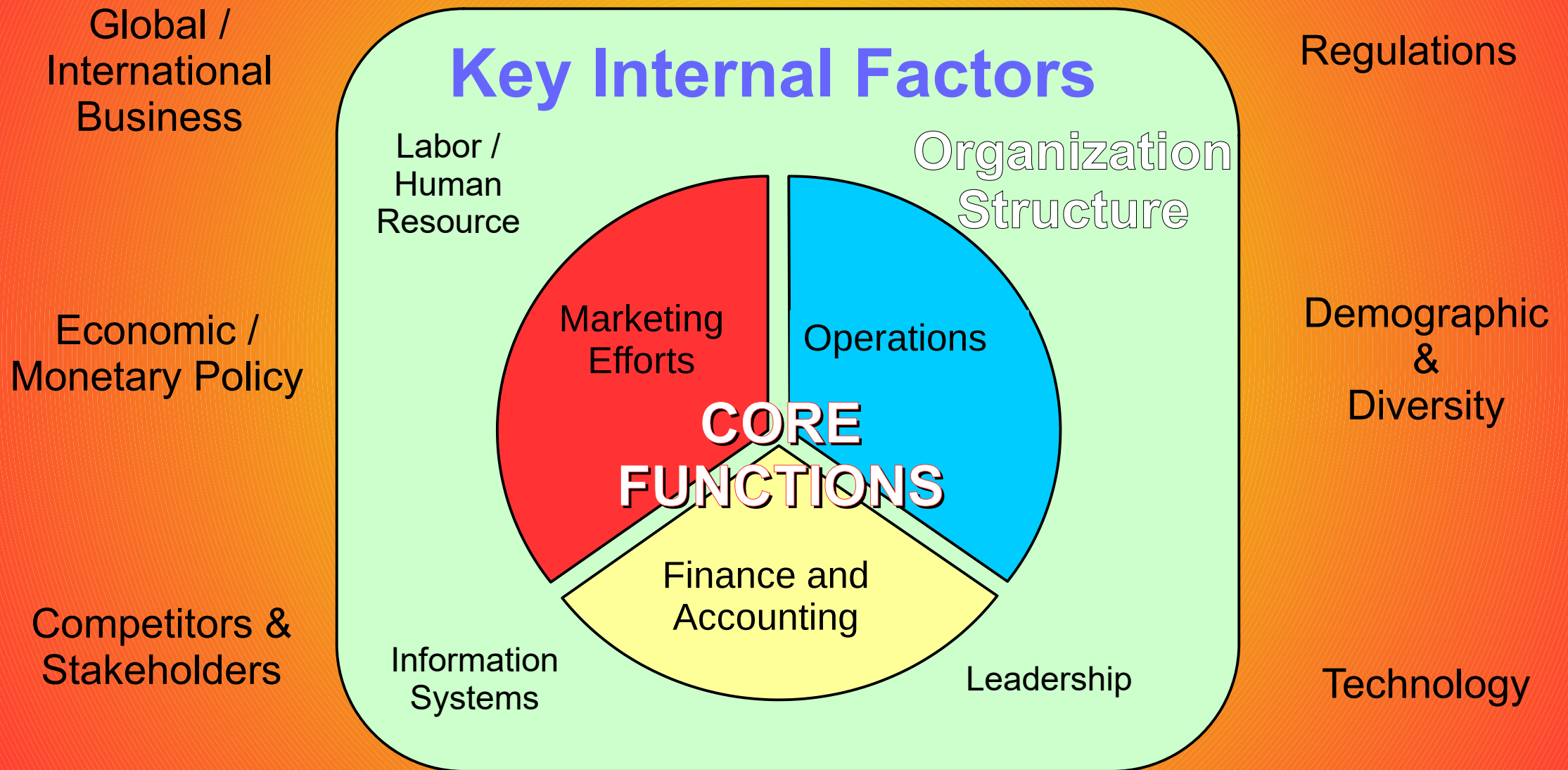
P =
Interest
Rate



Product Lifecycle Stages

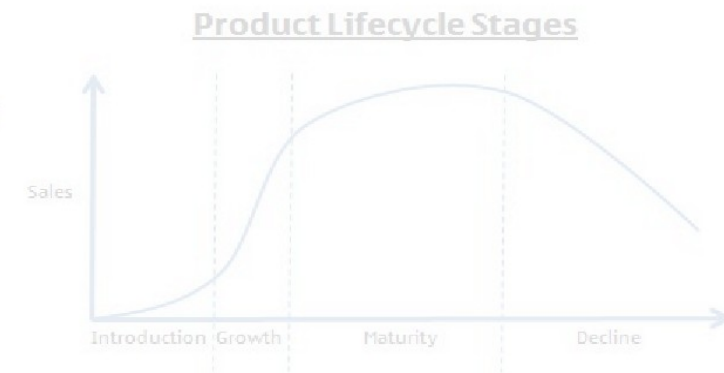
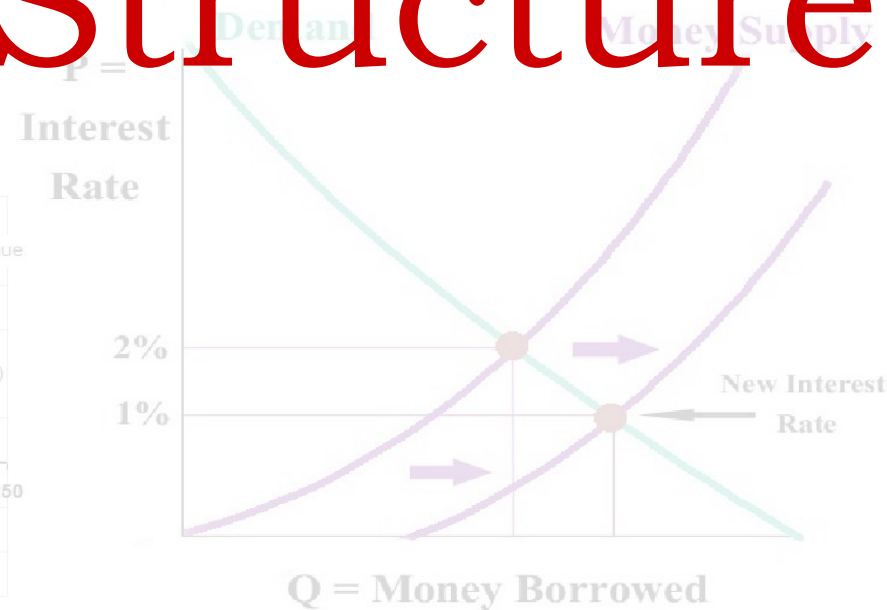
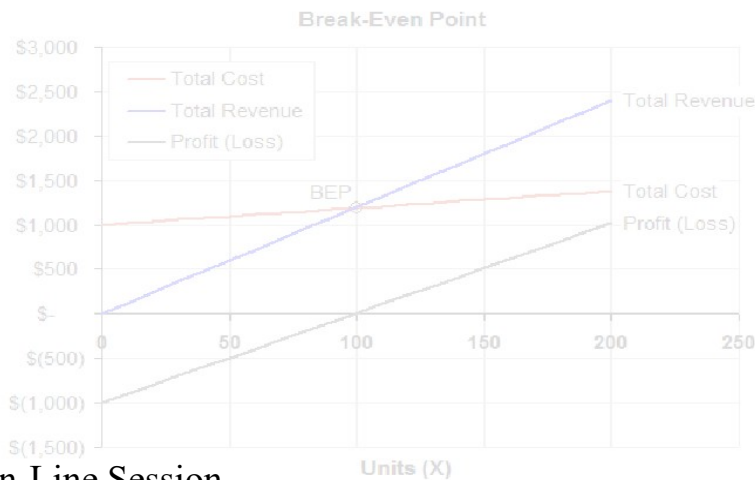


External / Social Forces



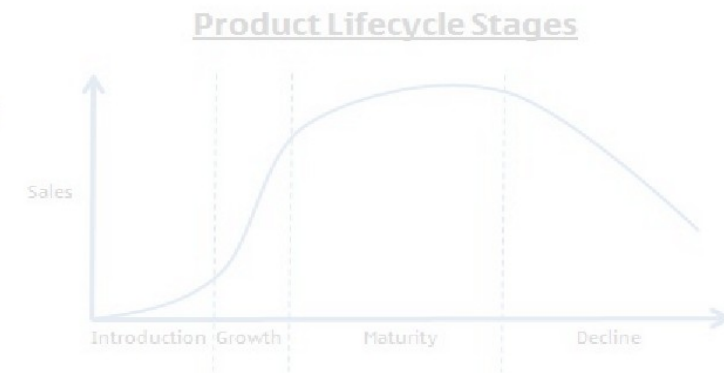
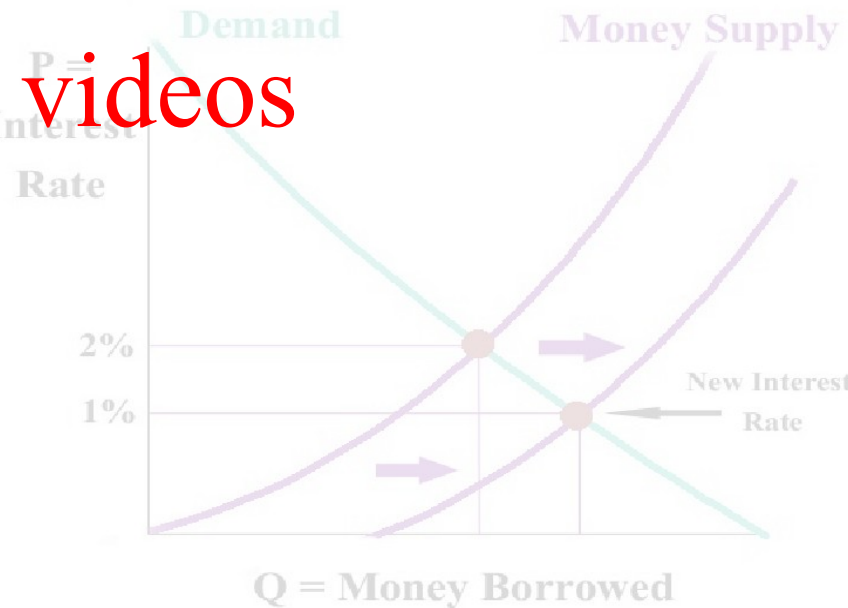
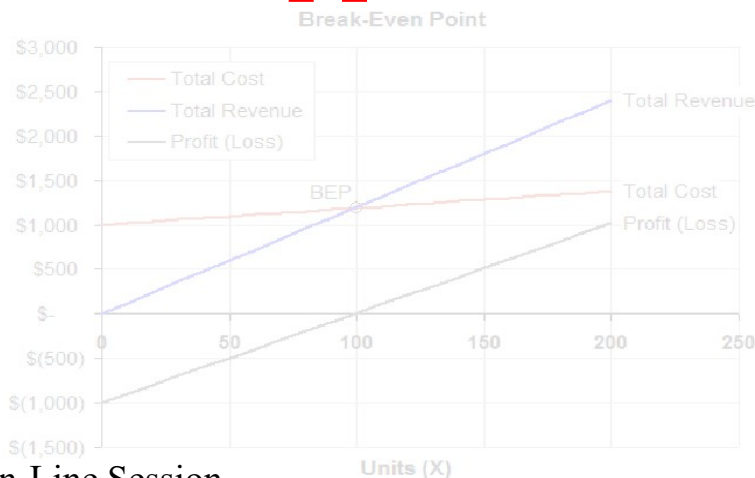
Introduction to Business

Organization Structure



Learning objectives

- ❖ The need for organization structure
- ❖ Horizontal differentiation
- ❖ Vertical differentiation
- ❖ Corporate culture
- ❖ Supplemental videos



The need for organization structure

- ◆ Lower operating costs



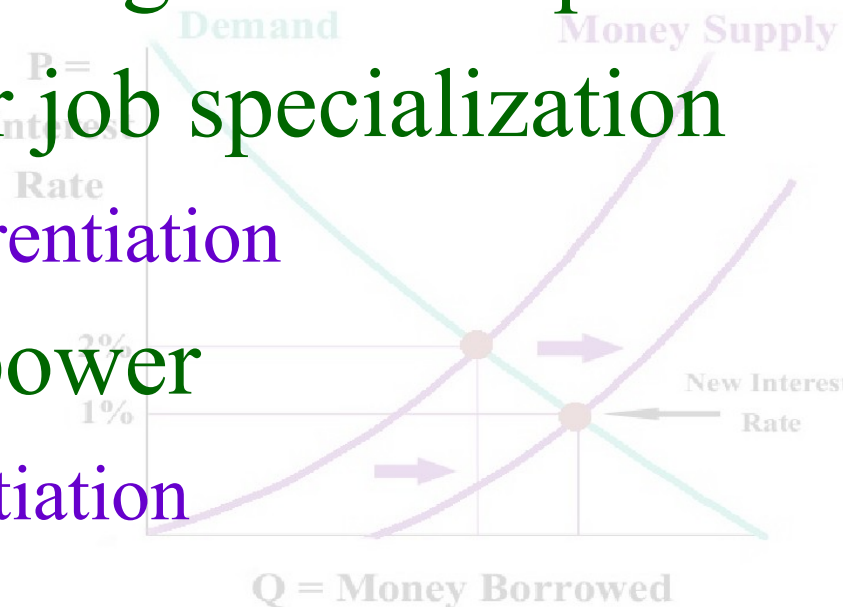
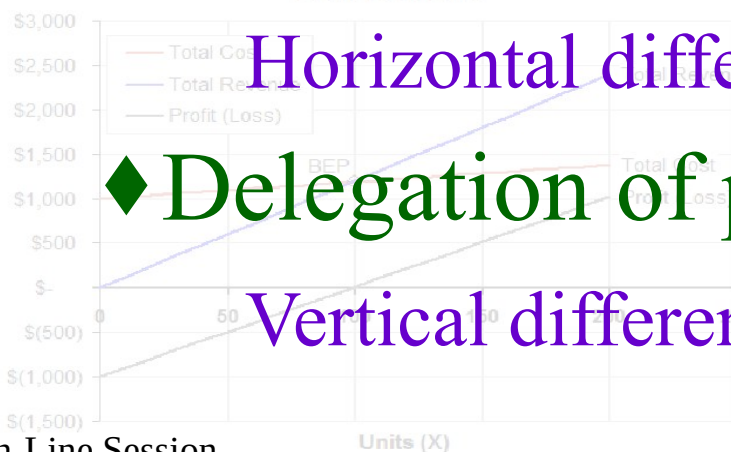
- ◆ Solves complex organization problems
- ◆ Opportunity for job specialization

Horizontal differentiation

- ◆ Delegation of power

Vertical differentiation

Product Lifecycle Stages



Fayol and Weber

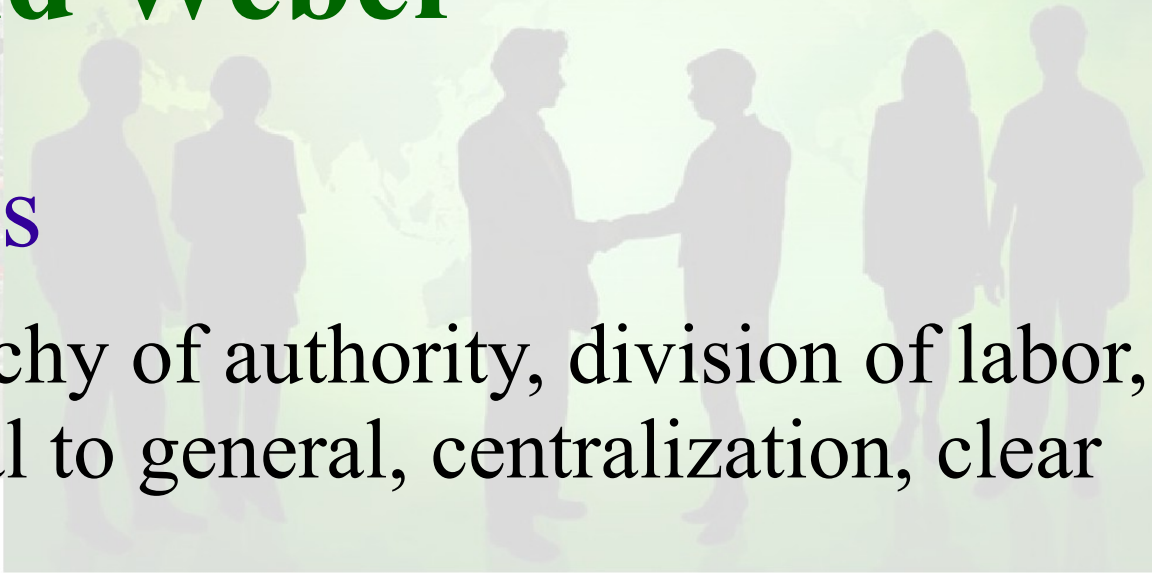
➤ Henri Fayol's Principles

- ❑ Unity of command, hierarchy of authority, division of labor, subordination of individual to general, centralization, clear communication channels.
- ❑ Employees have no more than one boss.

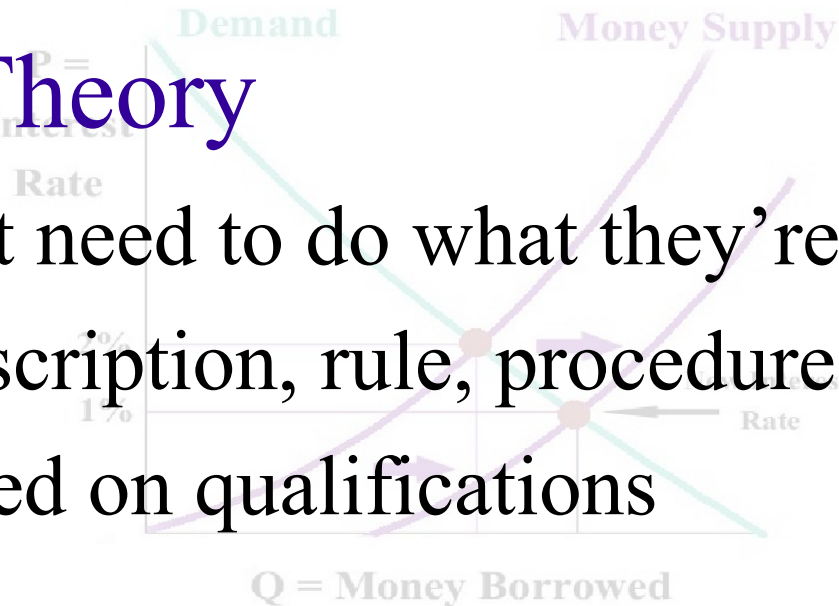
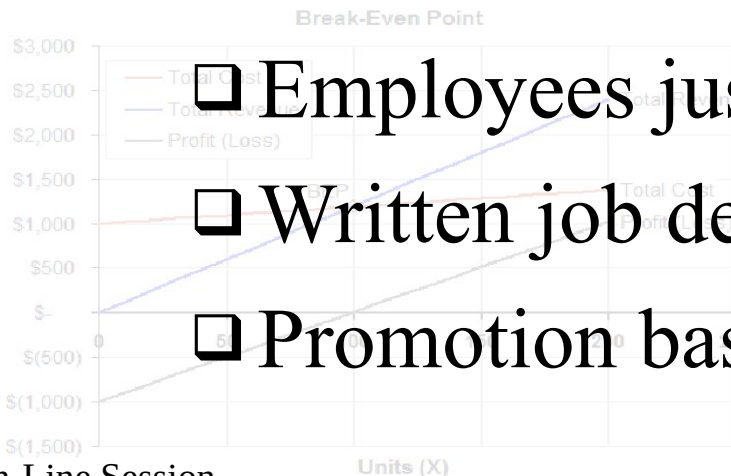
➤ Max Weber's Theory

- ❑ Employees just need to do what they're told
- ❑ Written job description, rule, procedures, policies
- ❑ Promotion based on qualifications

MERGERS AND ACQUISITIONS



Product Lifecycle Stages



Horizontal differentiation

- ◆ Opportunity for job specialization
- ◆ Different forms of horizontal differentiation

- Simple / entrepreneurial

- Functional

- Product

- Geographic / location

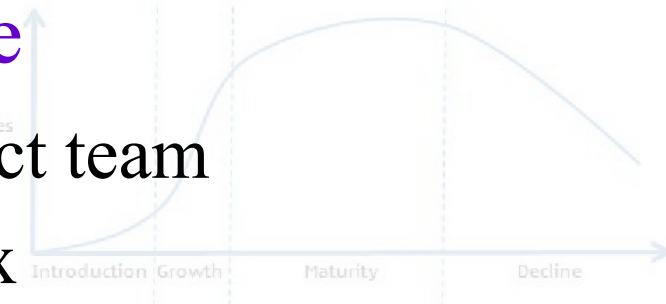
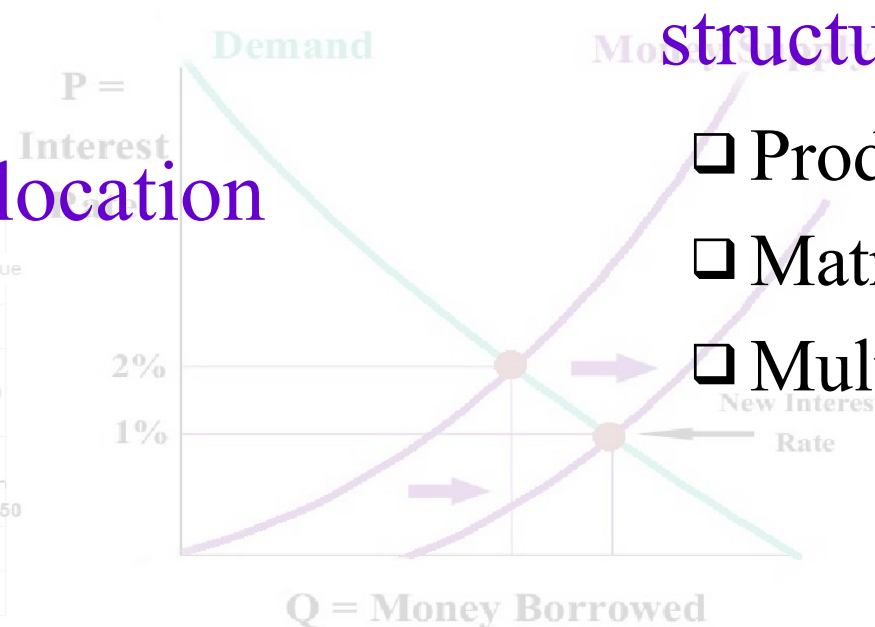
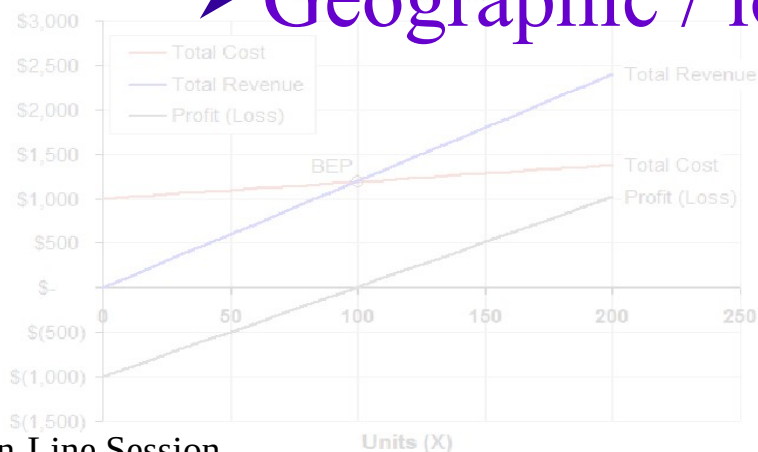
- Market / customer

- Modern organization structure

- ☐ Product team

- ☐ Matrix

- ☐ Multi-divisional



Job specialization

➤ Result of job design

Distinct tasks assigned to different people

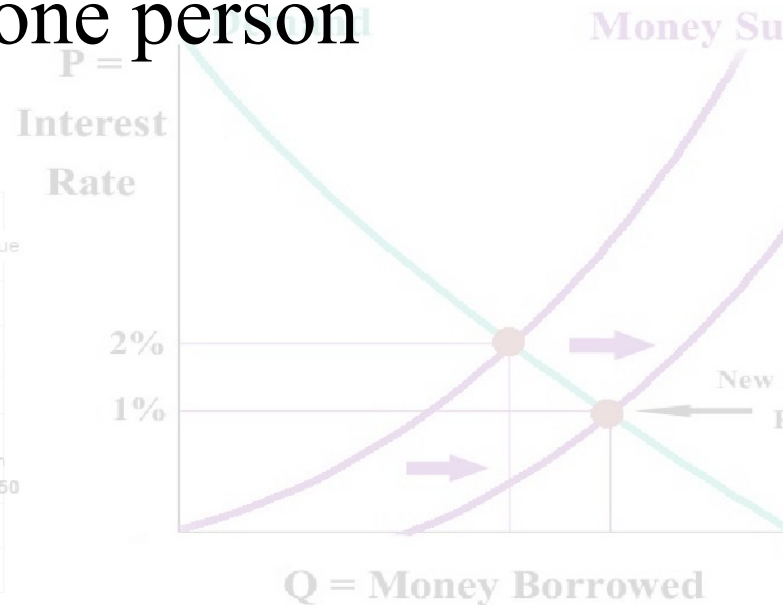
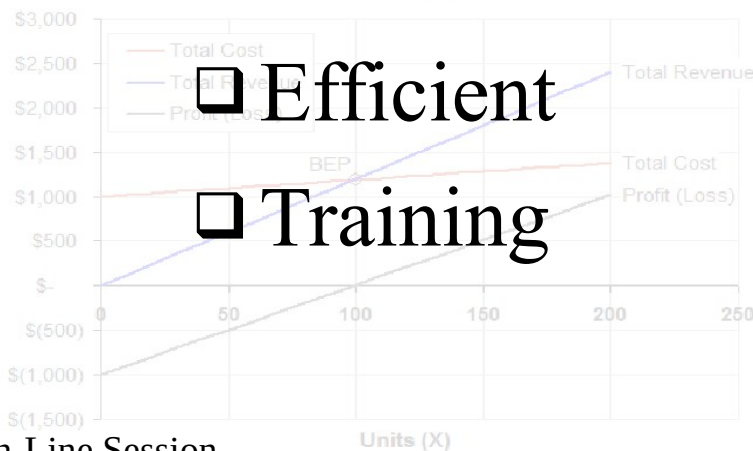
➤ Rationale

❑ Too large for one person

❑ Skill level

❑ Efficient

❑ Training



Result of job specialization

➤ Risks

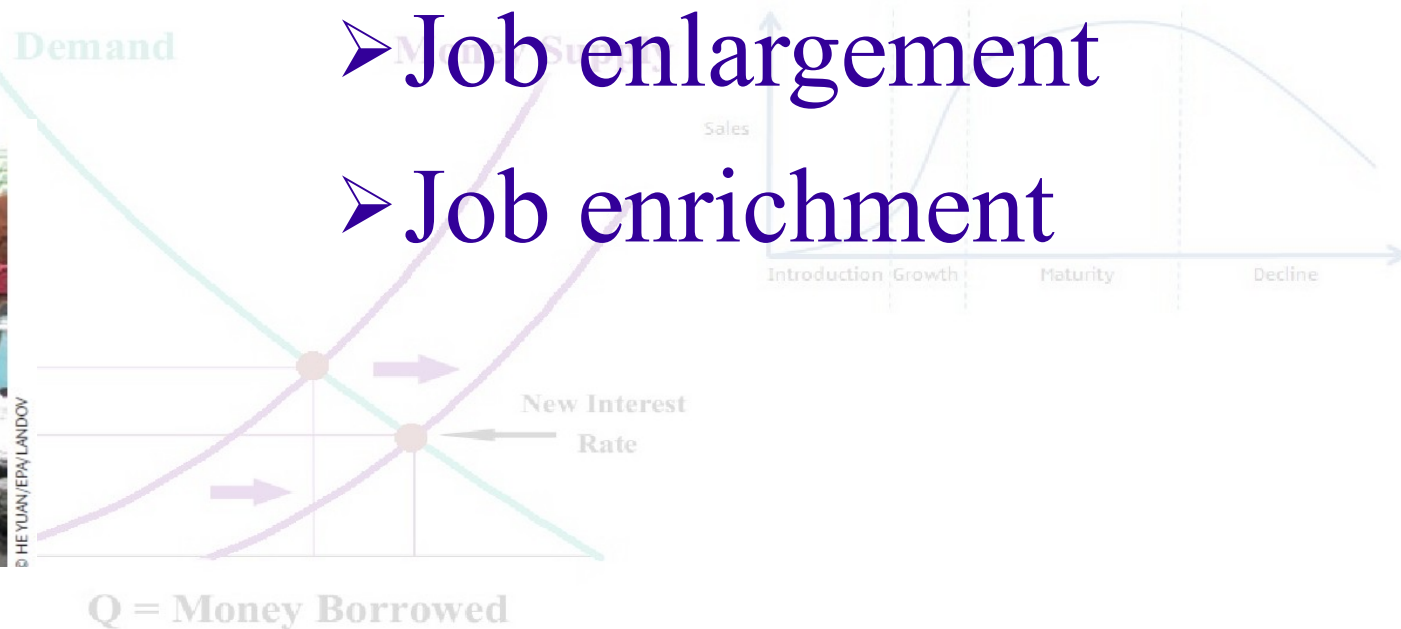
- ❑ Boredom
- ❑ Higher absence rate
- ❑ Sabotage
- ❑ Less accountable

➤ Alternatives

- ❑ Job rotation
- ❑ Teach new skills
- ❑ Identify new roles

➤ Job enlargement

➤ Job enrichment

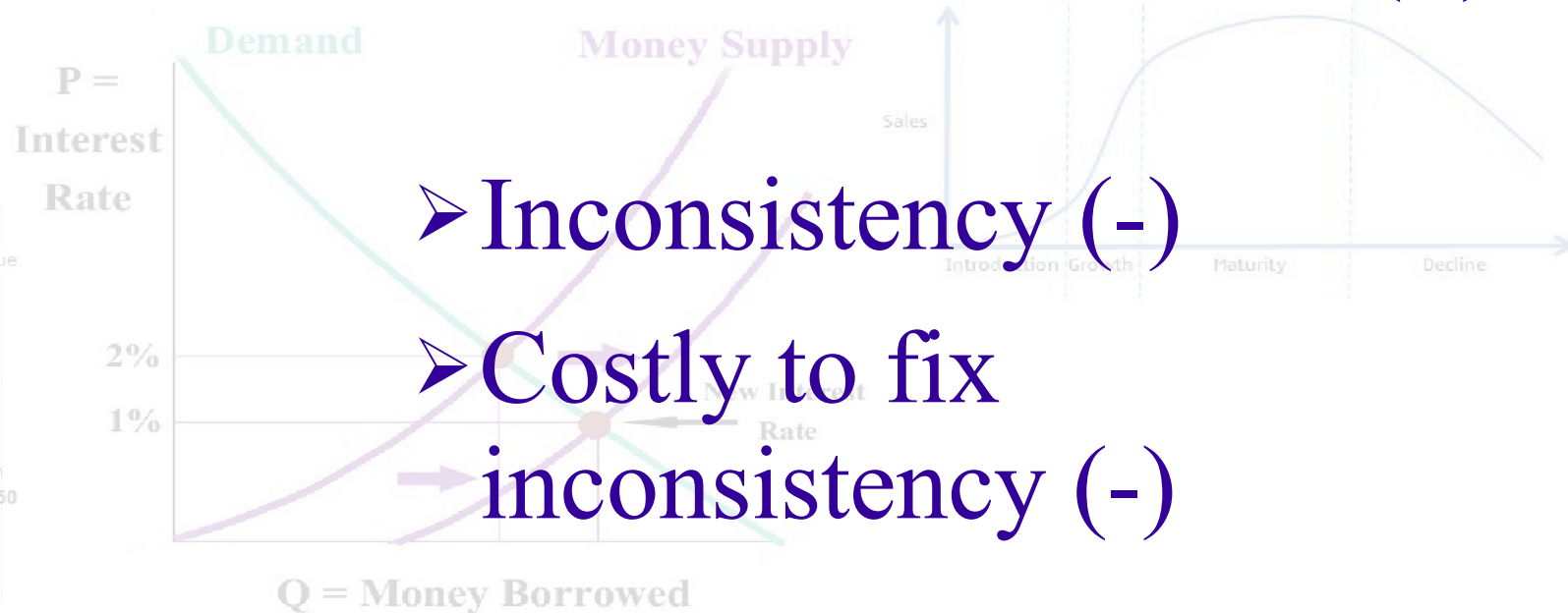
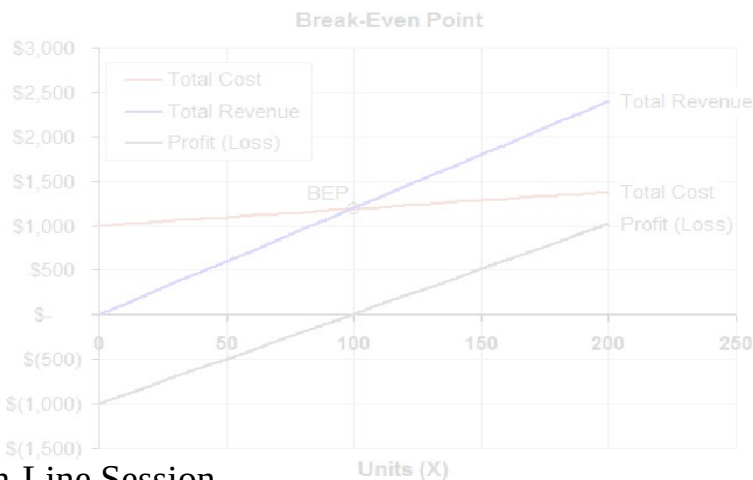


Simple / entrepreneurial

CEO

Jack of all trade

- Very young company
- Simple (+)
- No bureaucratic cost (+)



- Inconsistency (-)
- Costly to fix inconsistency (-)

Functional

CEO

Research and development

Sales and marketing

Manufacturing

Material management

Engineering

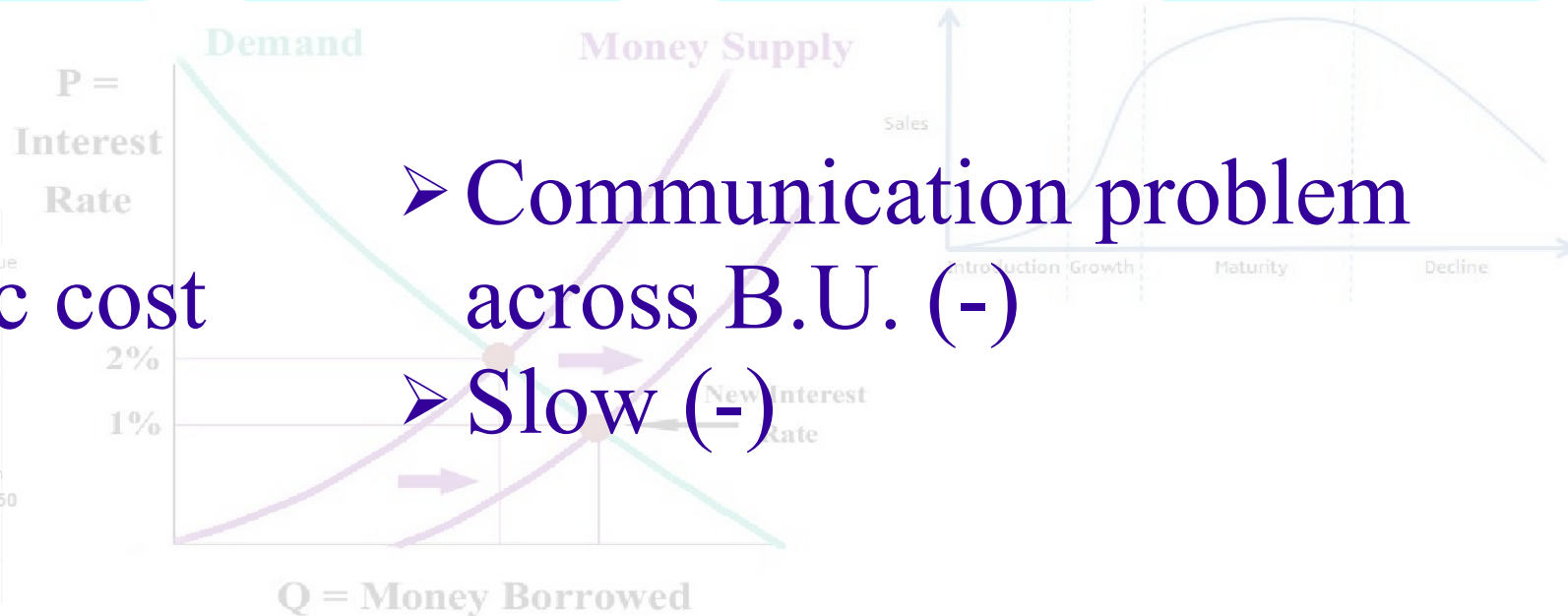
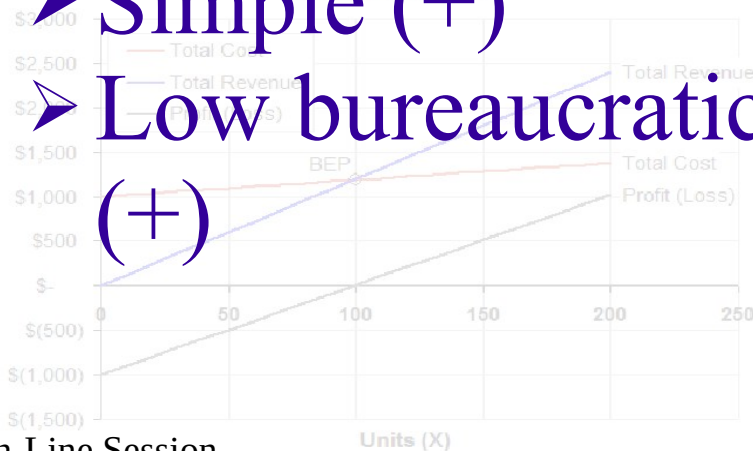
➤ Small or new

➤ Simple (+)

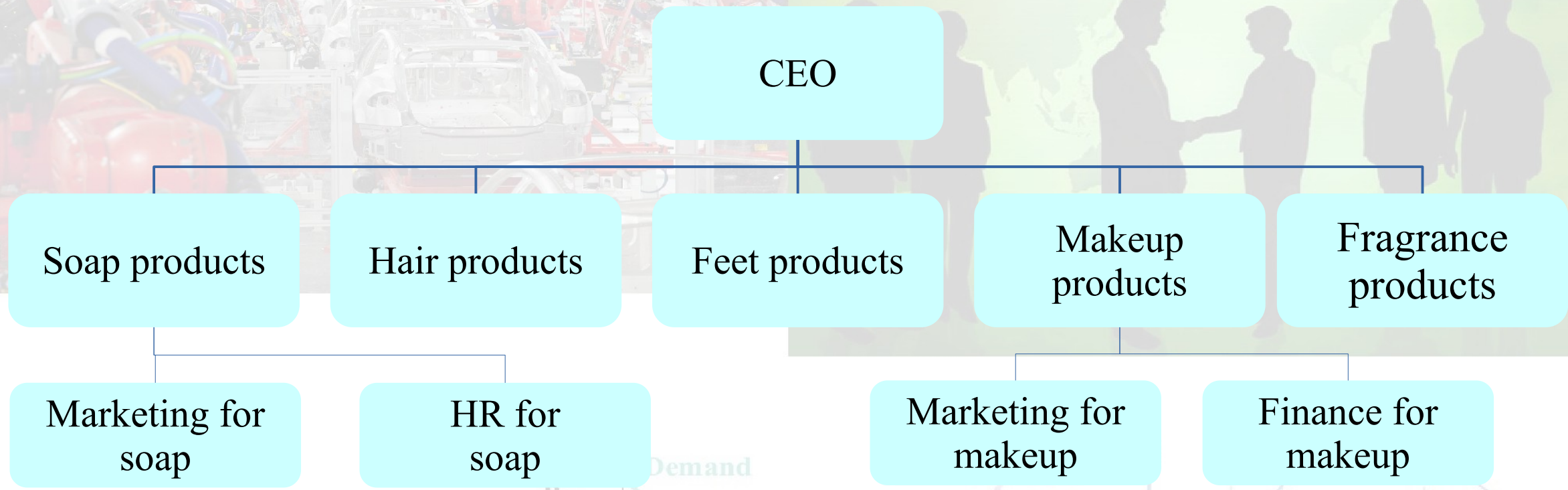
➤ Low bureaucratic cost (+)

➤ Communication problem across B.U. (-)

➤ Slow (-)

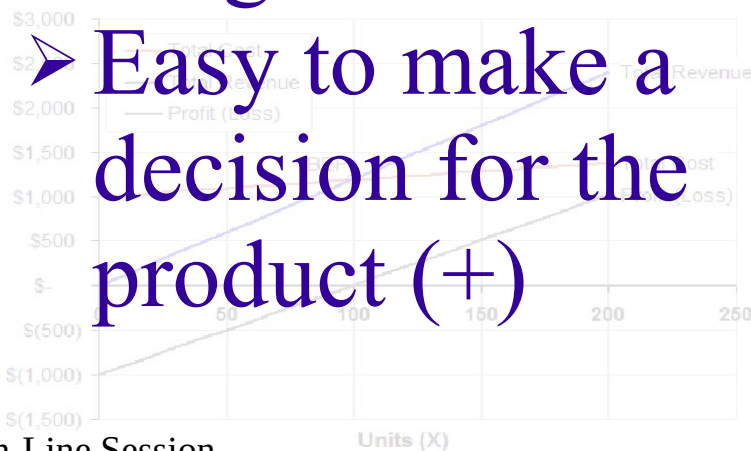


Product

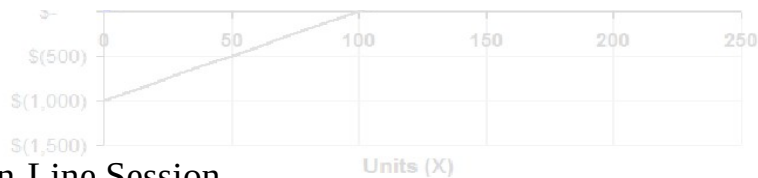
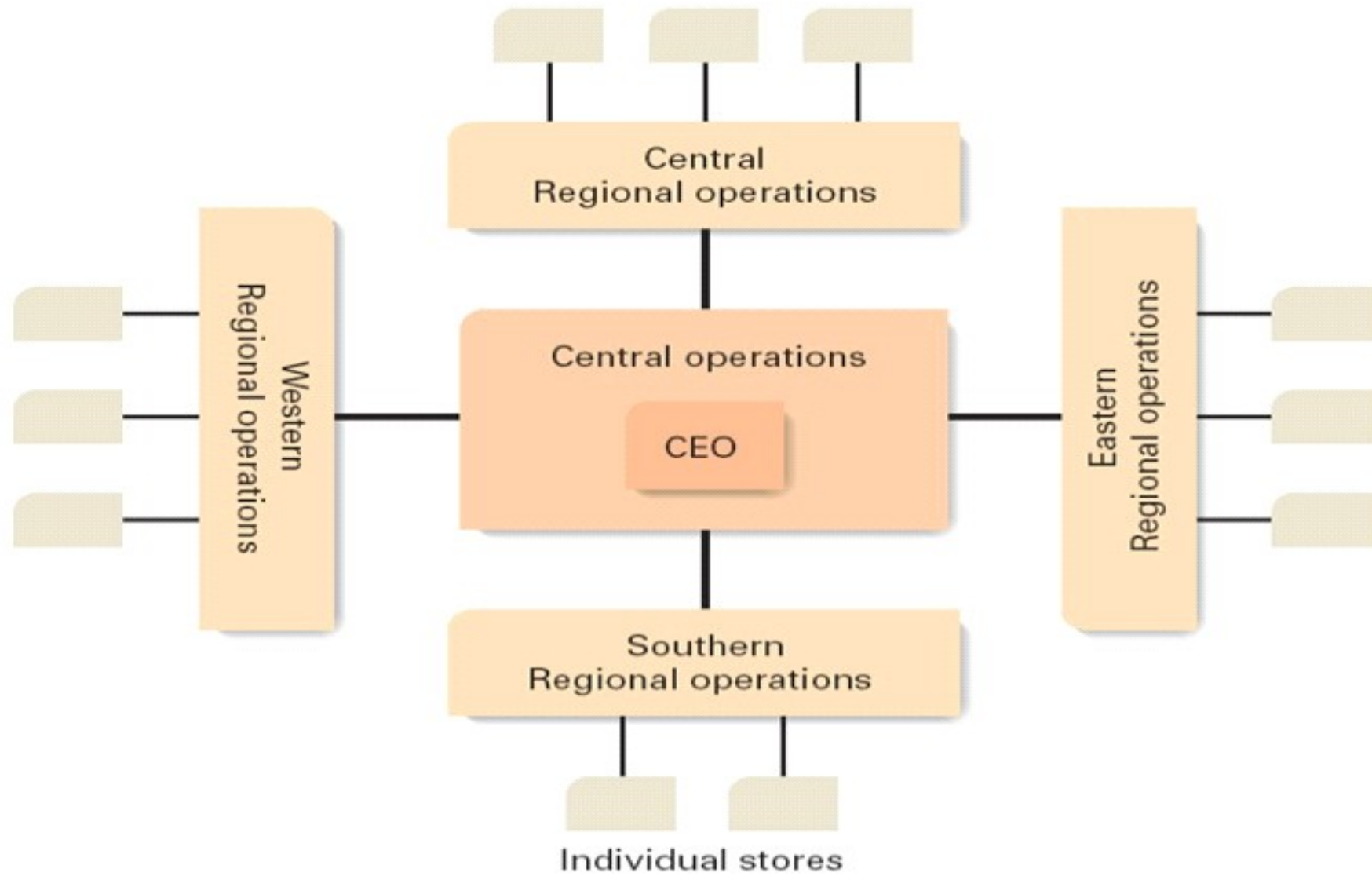


- Larger and older
- Easy to make a decision for the product (+)

- Resource duplication (-)
- Product over company (-)



Geographic Structure



Product team

CEO

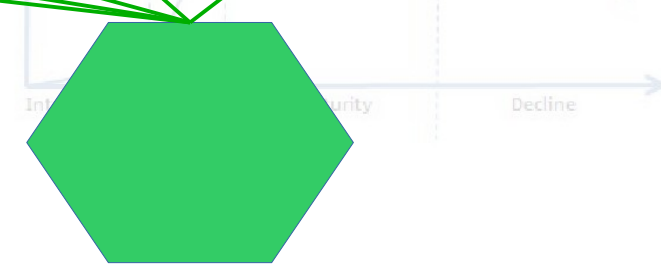
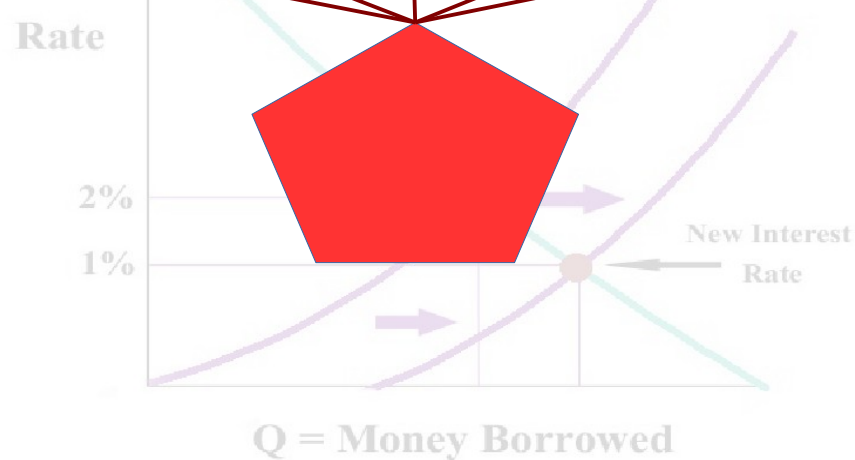
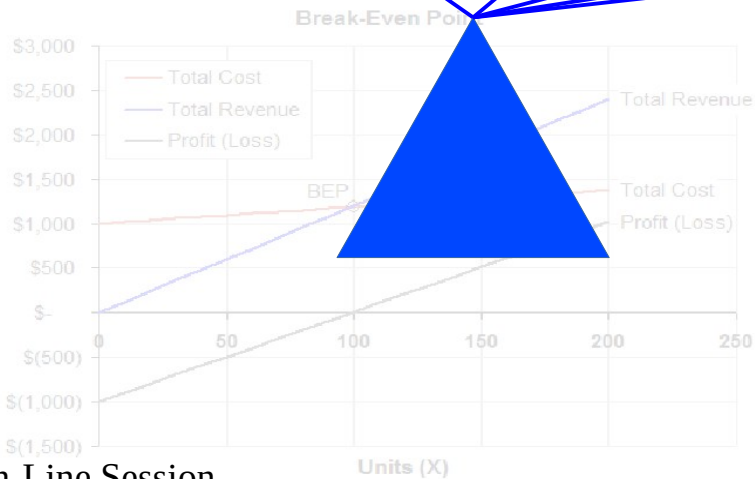
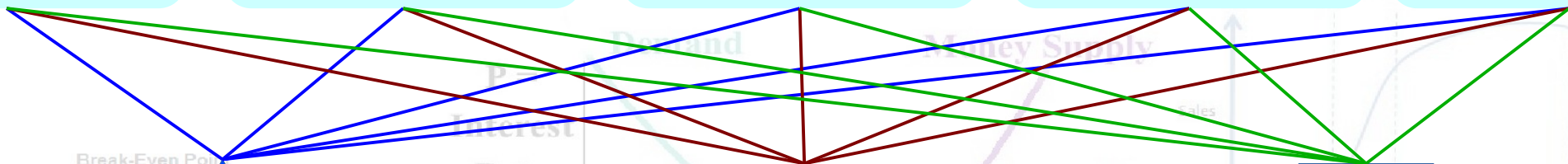
Research and
development

Sales and
marketing

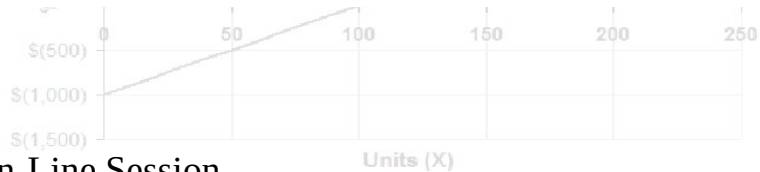
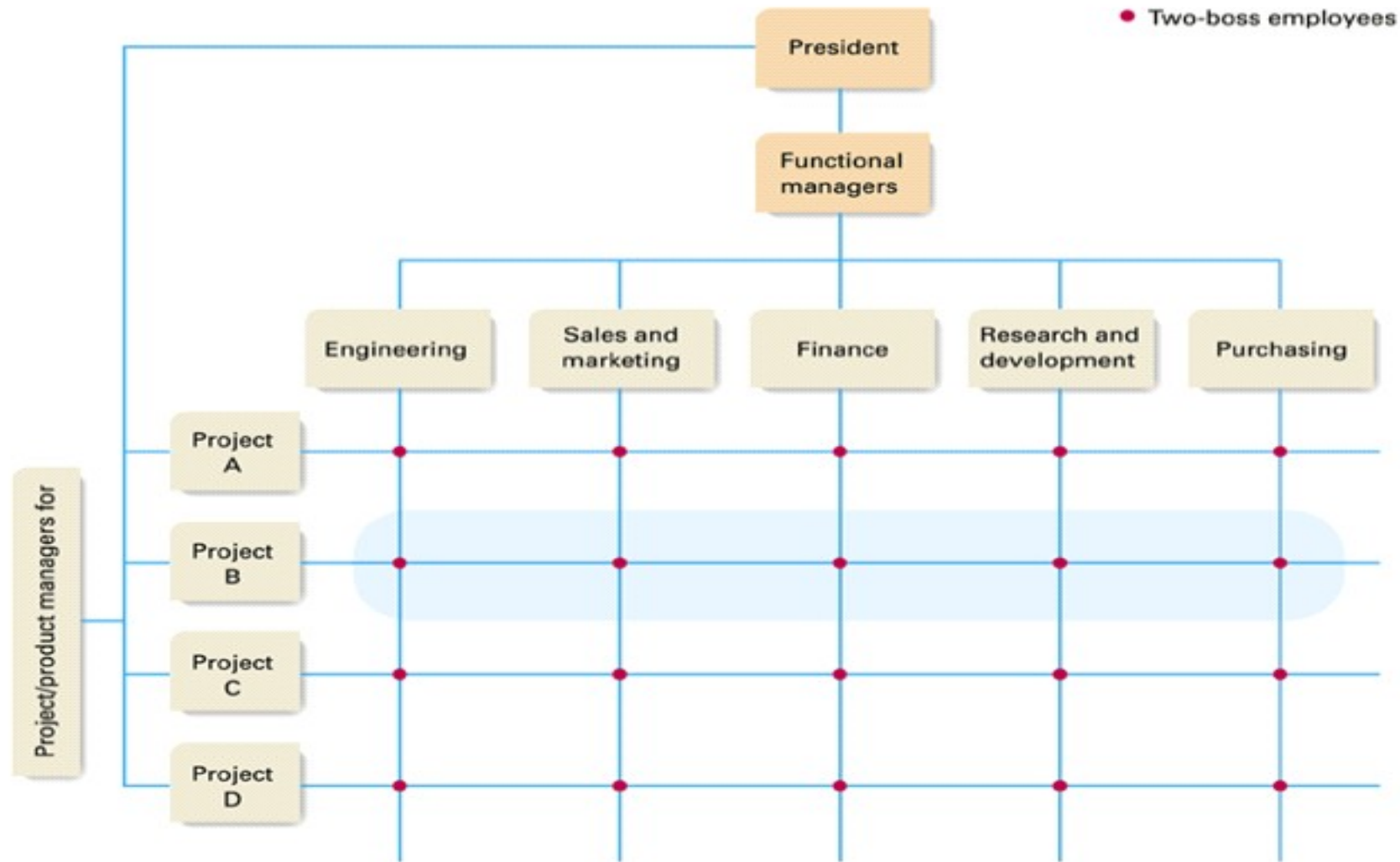
Manufacturing

Material
management

Engineering

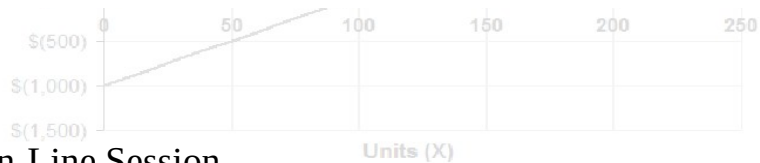
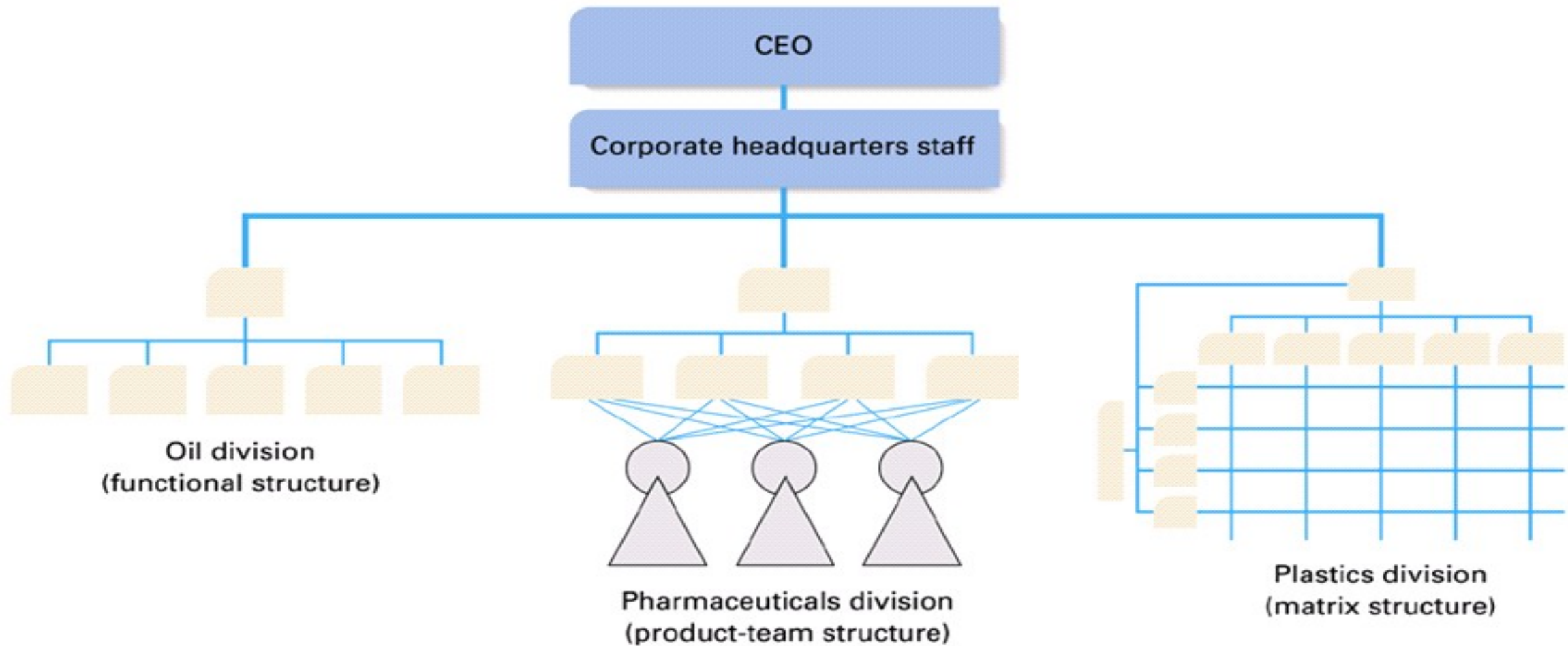


Matrix Structure



Multi-divisional

Typical Chemical Company

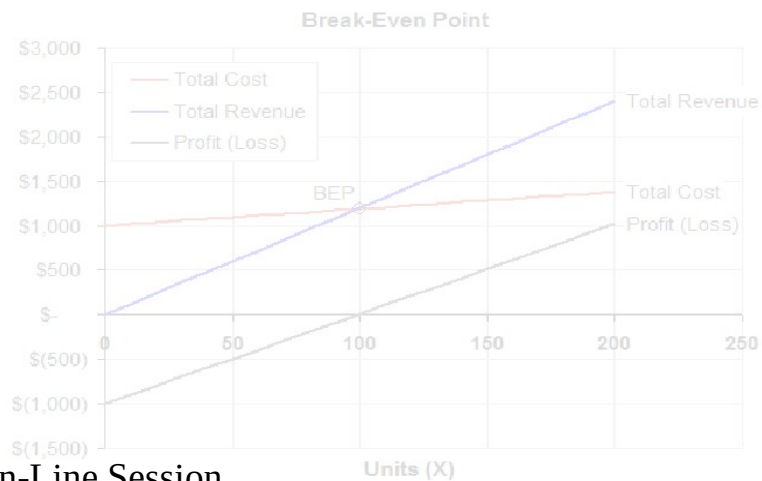


Vertical differentiation

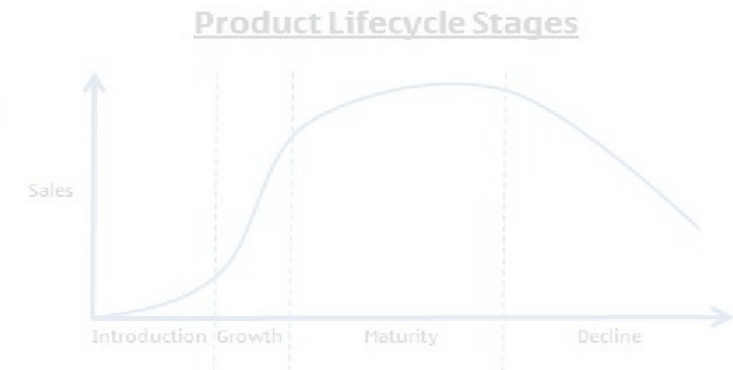
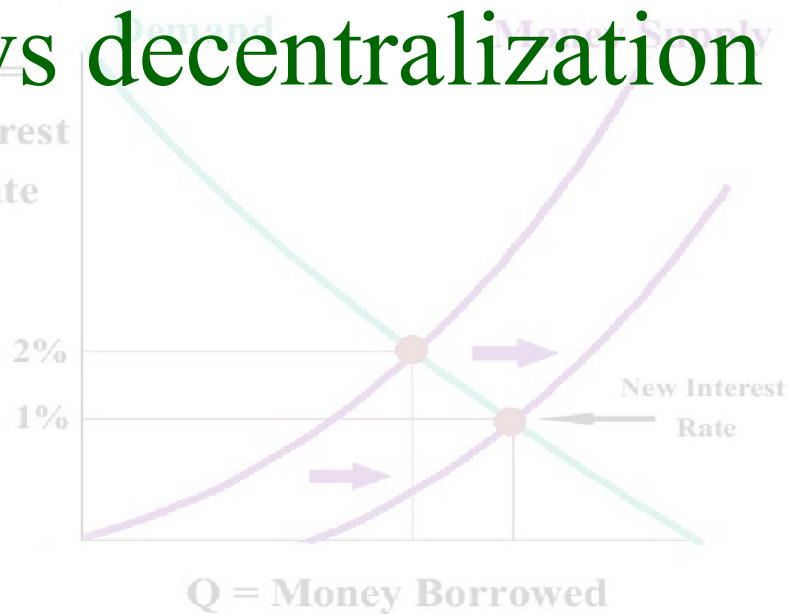
◆ Span of control

◆ Tall vs flat

◆ Centralization vs decentralization



Interest
Rate



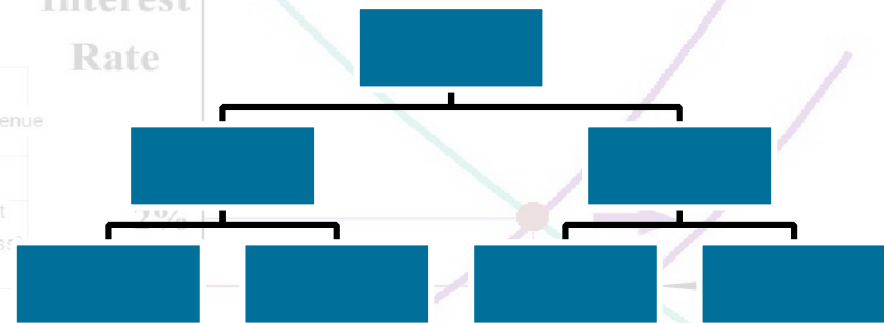
Span of control

➤ The number of workers who report directly to one manager

❑ Wide span – large number of subordinates to one manager



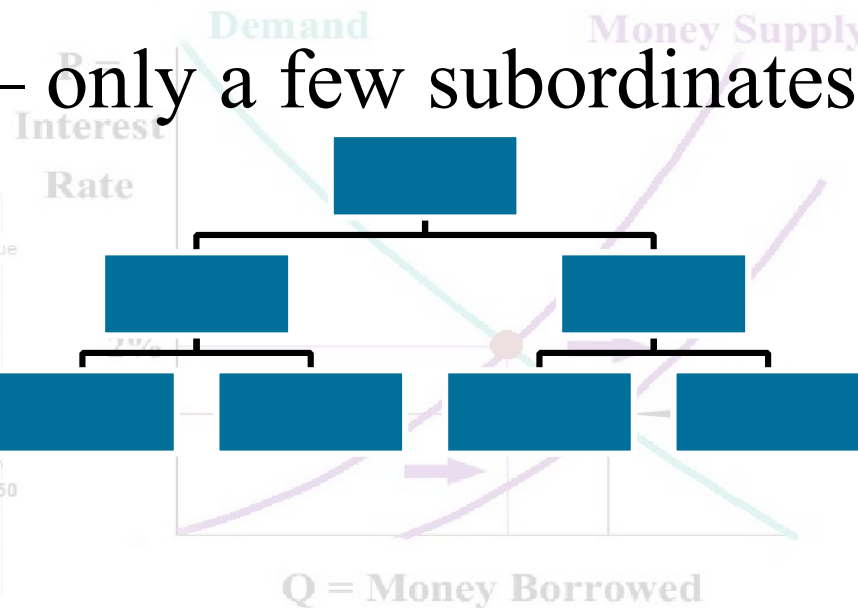
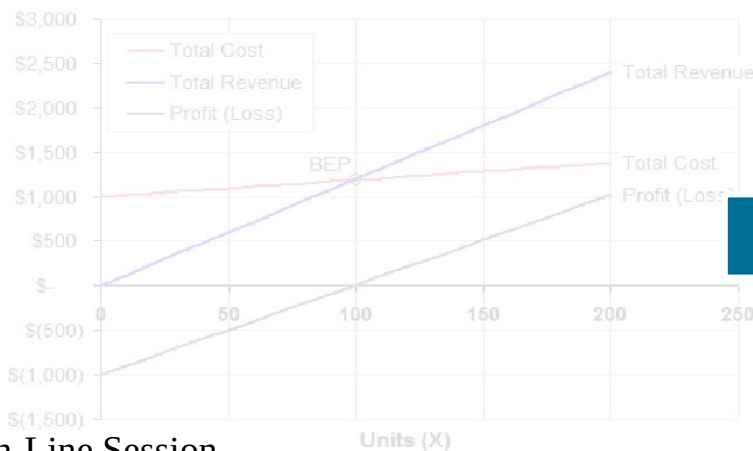
❑ Narrow span – only a few subordinates to one manager



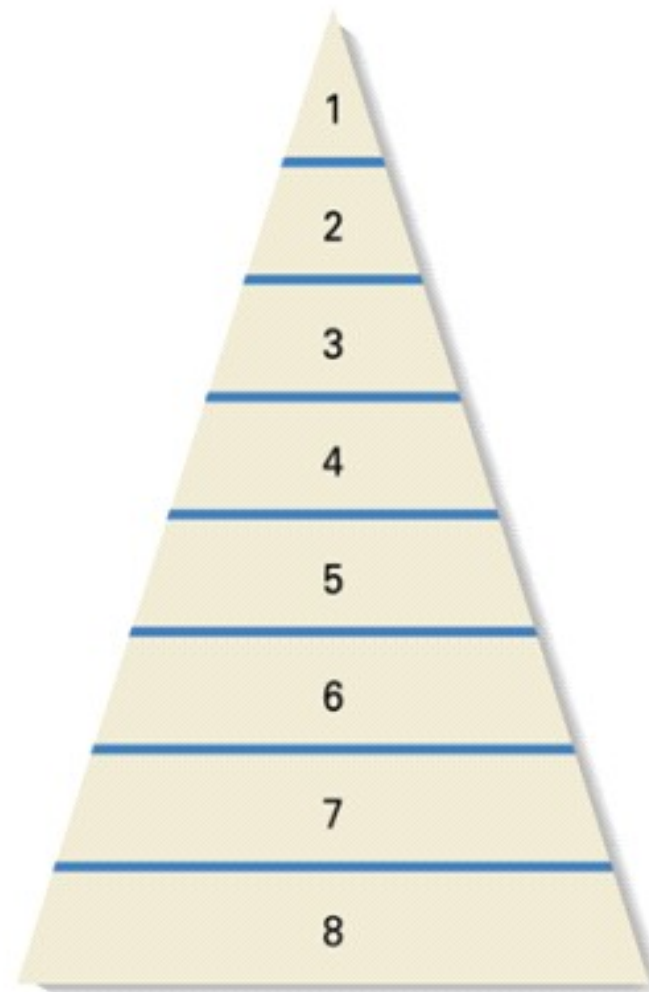
Product Lifecycle Stages



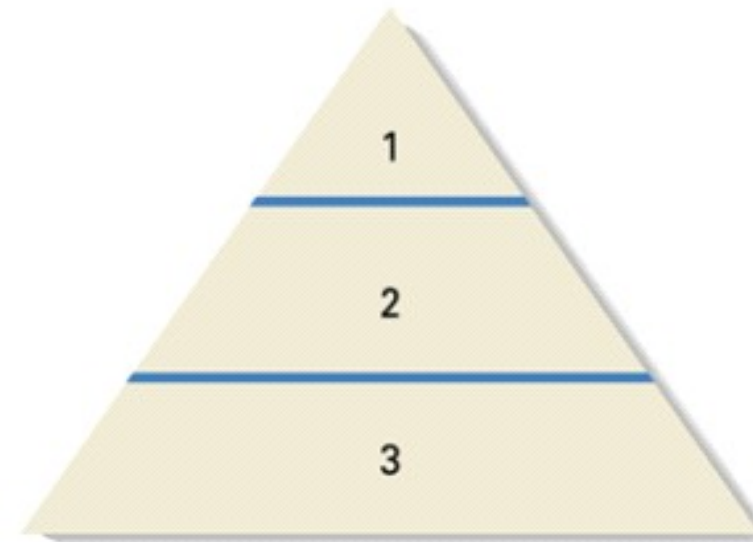
Break-Even Point



Tall vs flat



Tall Structure
(8 levels)



Flat Structure
(3 levels)



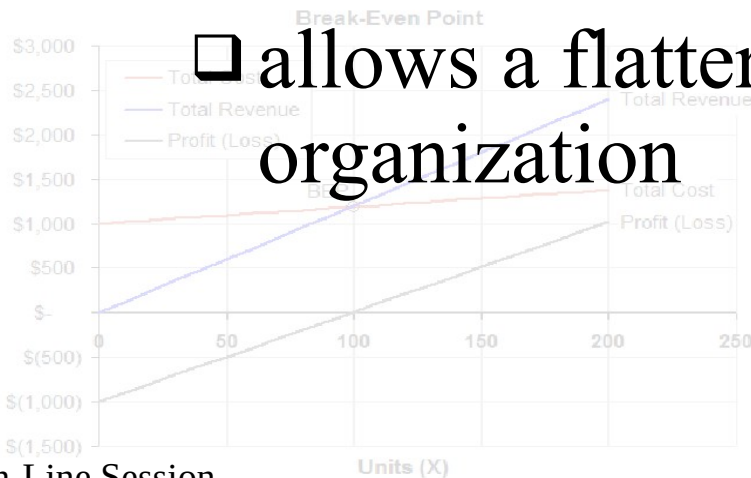
cycle Stages



Advantages of

Decentralization

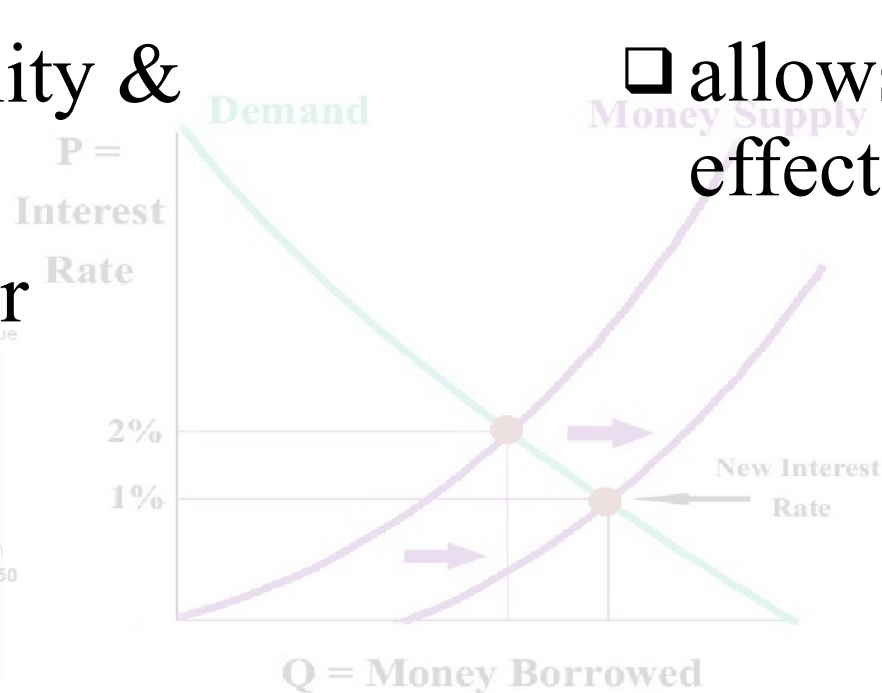
- ❑ reduce information overload
- ❑ ↓ bureaucratic cost
- ❑ ↑ accountability & motivation
- ❑ allows a flatter organization



MERGERS AND ACQUISITIONS

Centralization

- ❑ better coordination
- ❑ less sub-optimization problem
- ❑ allows TMT to be more effective



Corporate culture

◆ Types of culture

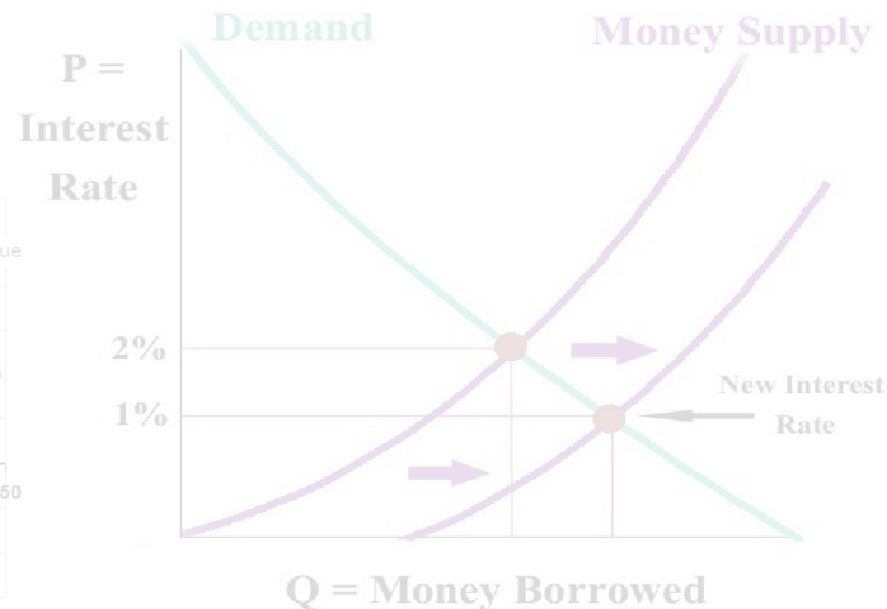
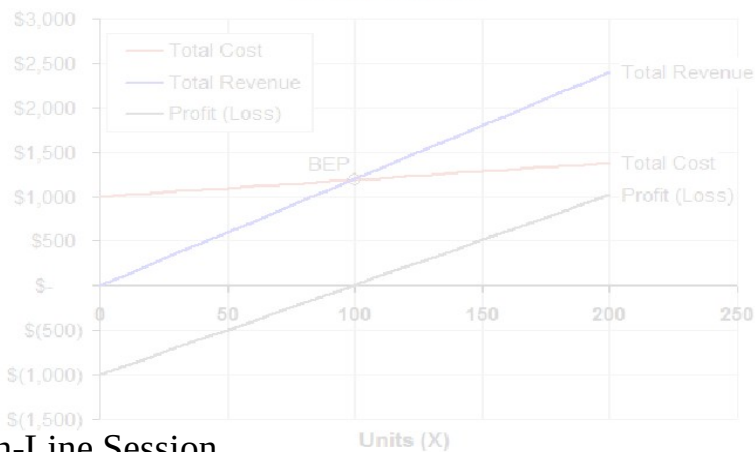
◆ Managing change of culture

➤ Post Merger/Acquisition (M&A)

MERGERS AND ACQUISITIONS



Break-Even Point



Product Lifecycle Stages



Types of culture

Sociability

Networked Culture

- * Trust and friendship
- * Strong commitment to Organization
- * Informal environment

Communal Culture

- * Friendship, commitment, focus on performance, high energy
- * Lives revolve around the product; success is celebrated by all

Fragmented Culture

- * Employees not friends
- * Autonomy, flexibility, equality

Mercenary Culture

- * Passion, energy, sense of purpose, excitement for work
- * Intense, focused, determined to win.

Solitary

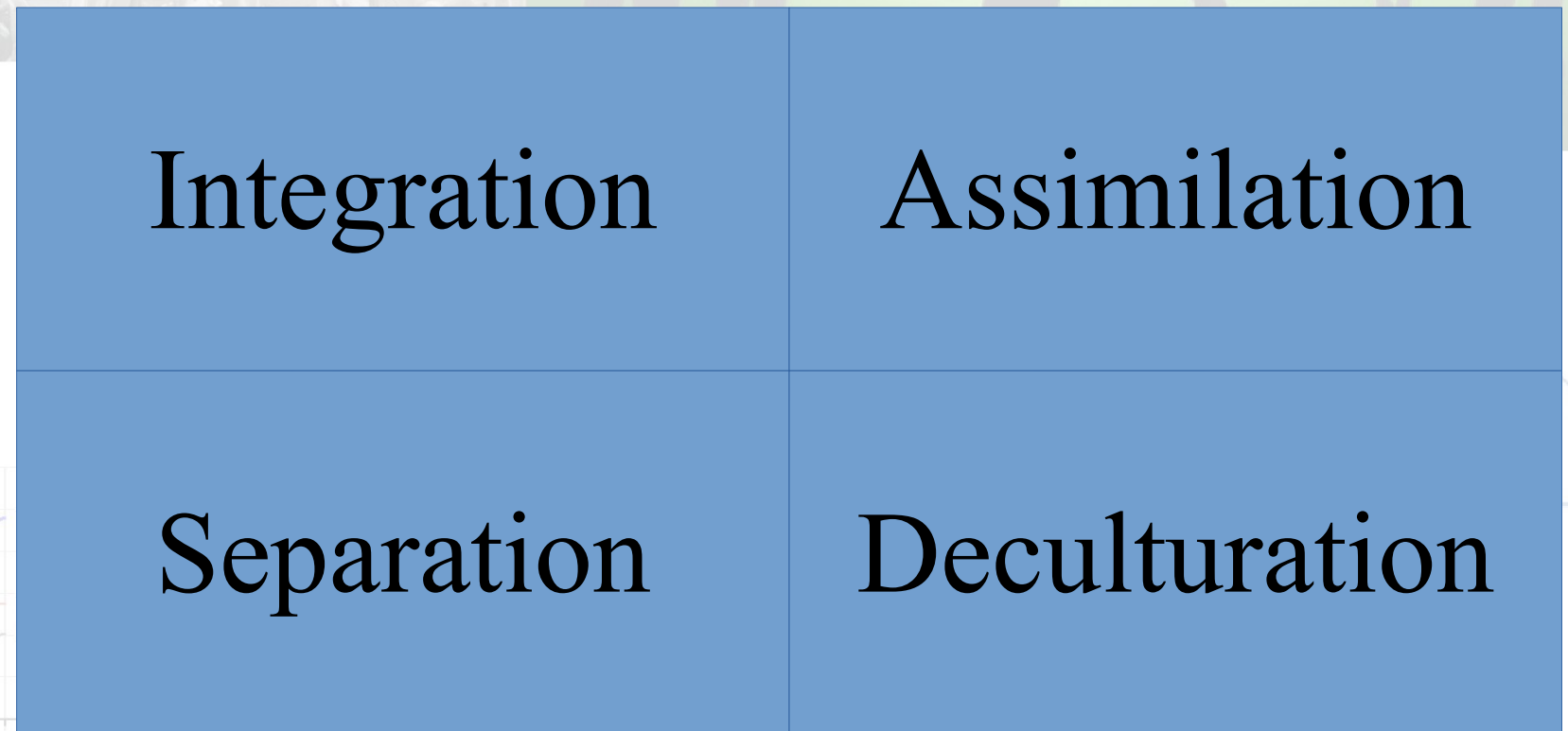
Managing culture after M&A

The acculturation model

How much do member of the acquired firm value the preservation of their culture?

Very much

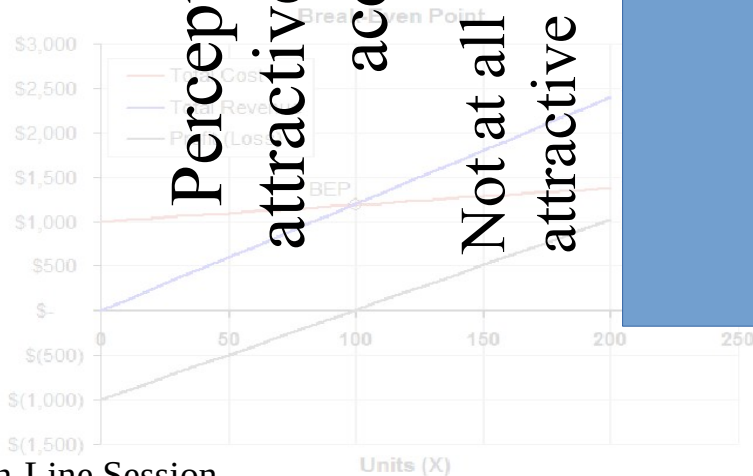
Not at all



Perception of the
attractiveness of the
acquirer

Very
attractive

Not at all
attractive



Q = Money Borrowed

Supplemental videos

◆ Leadership and Management (4/4)

<https://www.youtube.com/watch?v=cjziCs-R2S4> (~4 minutes)

◆ Organizational Structure

<https://www.youtube.com/watch?v=rVSeQKGGQO-M> (5 minutes)

<https://www.youtube.com/watch?v=g3pZGs2JMeQ> (~10 minutes)

◆ Types of corporate culture (4 cultures or 12 cultures?)

<https://www.youtube.com/watch?v=z2iHjUboBUU> (~2.5 minutes)

<https://www.youtube.com/watch?v=MzEpsYzu9q4> (5+ minutes)

