



Strategic Management **RESTRUCTURING**

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16th. March 2013

RESTRUCTURING

“Organization restructuring happens when the reporting hierarchy of a company changes.”

HELPS A COMPANY PREPARE FOR THE FUTURE!

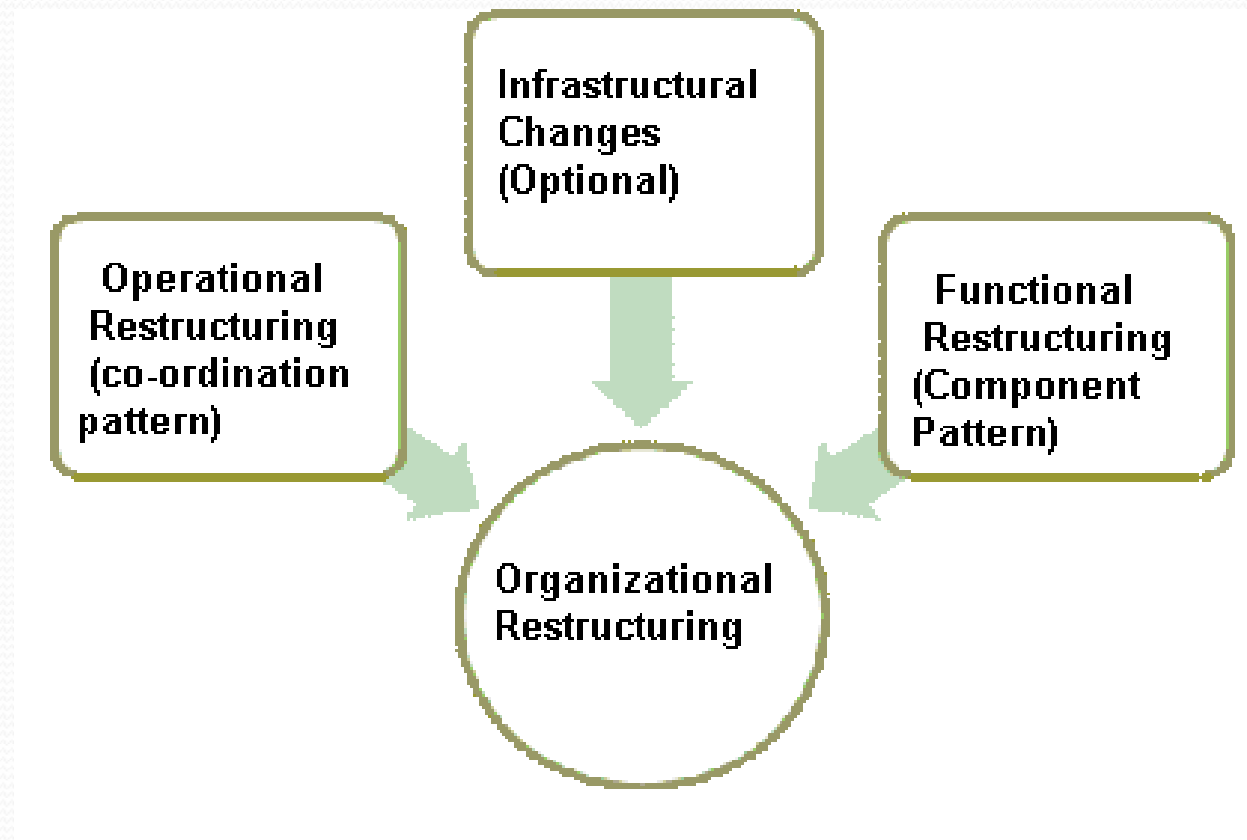
UNDERSTAND

Plan for Change

Organizational leaders often find it necessary to change how their units operate for reasons like:

- changing unit priorities
- initiating new programs
- enhancing organizational effectiveness
- addressing budget reductions

Organization Restructuring

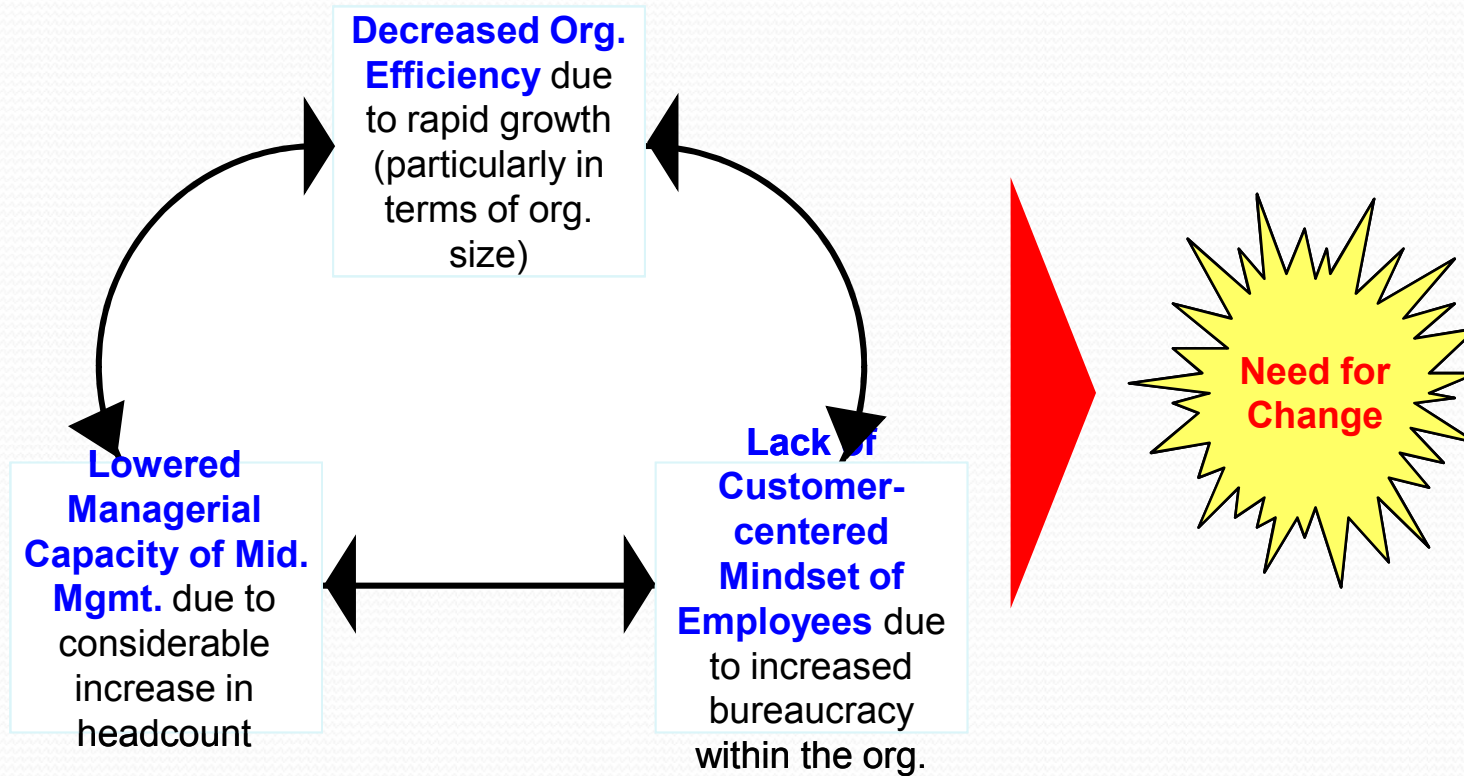


Organization Restructuring & Change Management

- 1. Background**
- 2. Scope and Process : Organization Diagnosis**
- 3. Output : Organization Diagnosis**
- 4. Task Determination (Current)**
- 5. Future Tasks and Direction**

1. Background

Organizational Situation



1. Background (Cont'd)

Employees' Initial Attitude of the Project



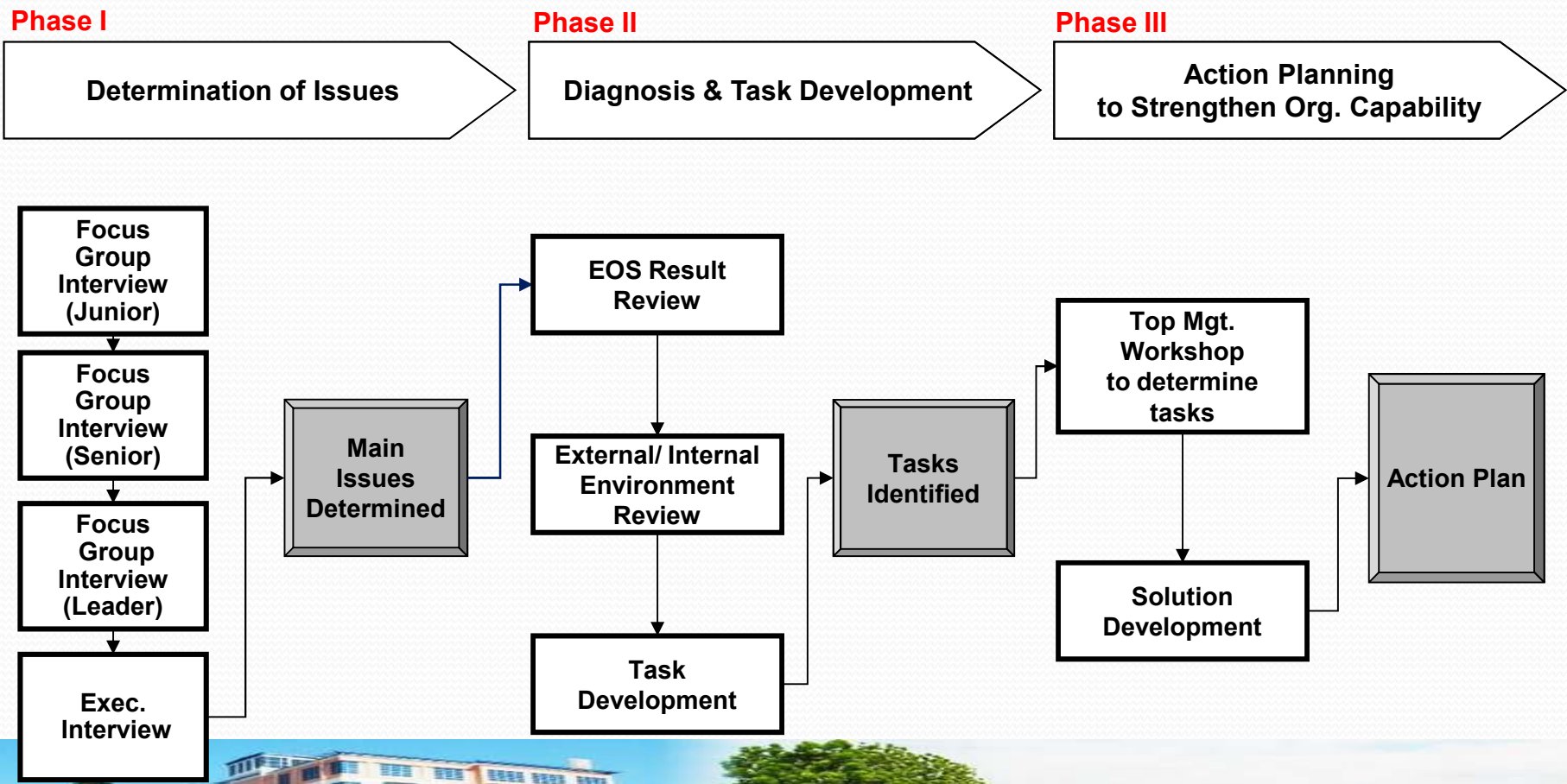
1. Background (Cont'd)

Overcoming problems concerned,

- 1) in-depth organization diagnosis was conducted
- 2) change management tools were utilized to improve employees' readiness for change

2. Scope and Process : Organization Diagnosis

Organization Diagnosis Scope and Process



2. Scope and Process : Org. Diagnosis (Cont'd)

Change Management Tools

- Develop **Business Case** to attract employees' attention
- Identify and analyze **Key Stakeholder**
- Assess **Communication Channel**



Communication Plan

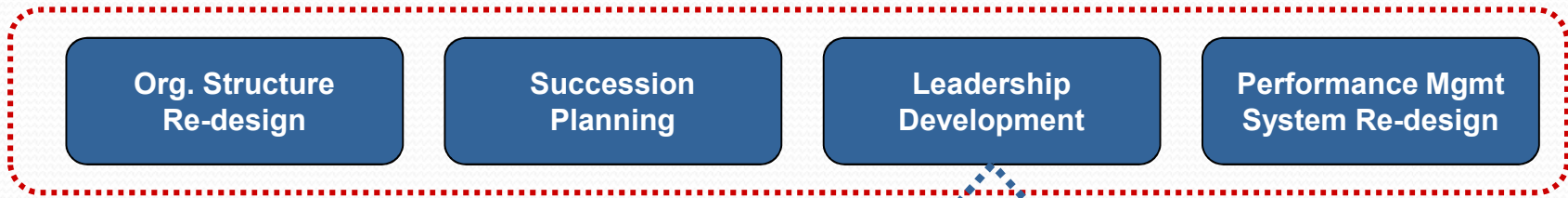
3. Output : Org. Diagnosis

- Each task has to be ranked based on their strategic importance, easy implementation, urgency and short-term effectiveness (Amway Korea example)

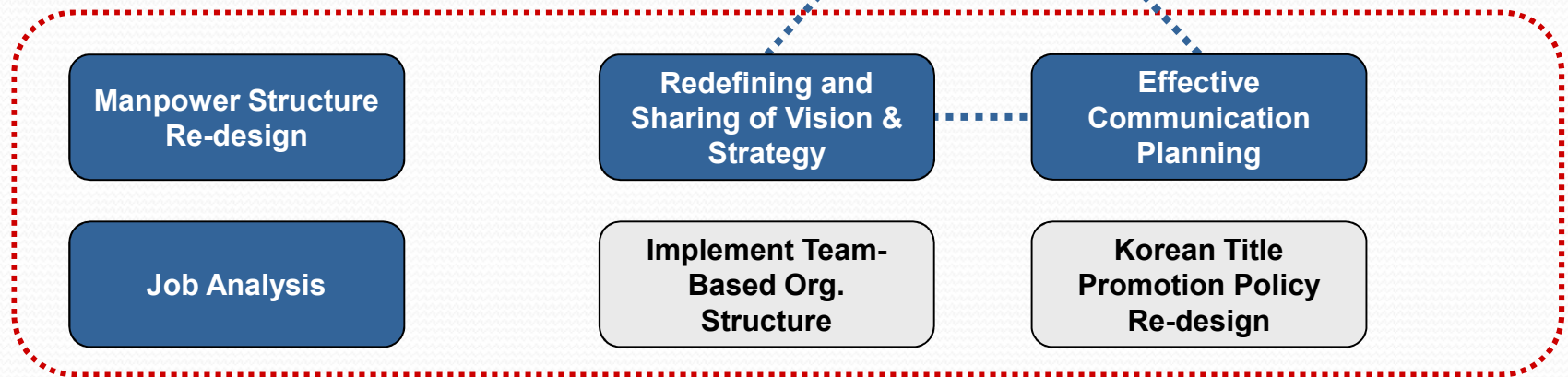
Tasks	Strategic Importance	Easy Implementation	Urgency	Short-Term Effectiveness	Priority	Remarks
Redefining and Sharing of Vision & Strategy						
Org. Structure Re-design						
Manpower Structure Re-design						
Job Analysis						
Succession Planning						
Korean Title Promotion Policy Re-design						
Performance Mgmt System Re-design						
Communication Effectiveness Planning						
Leadership Development						

3. Output : Org. Diagnosis (Cont'd)

<Priority Tasks>



<Supporting Tasks>

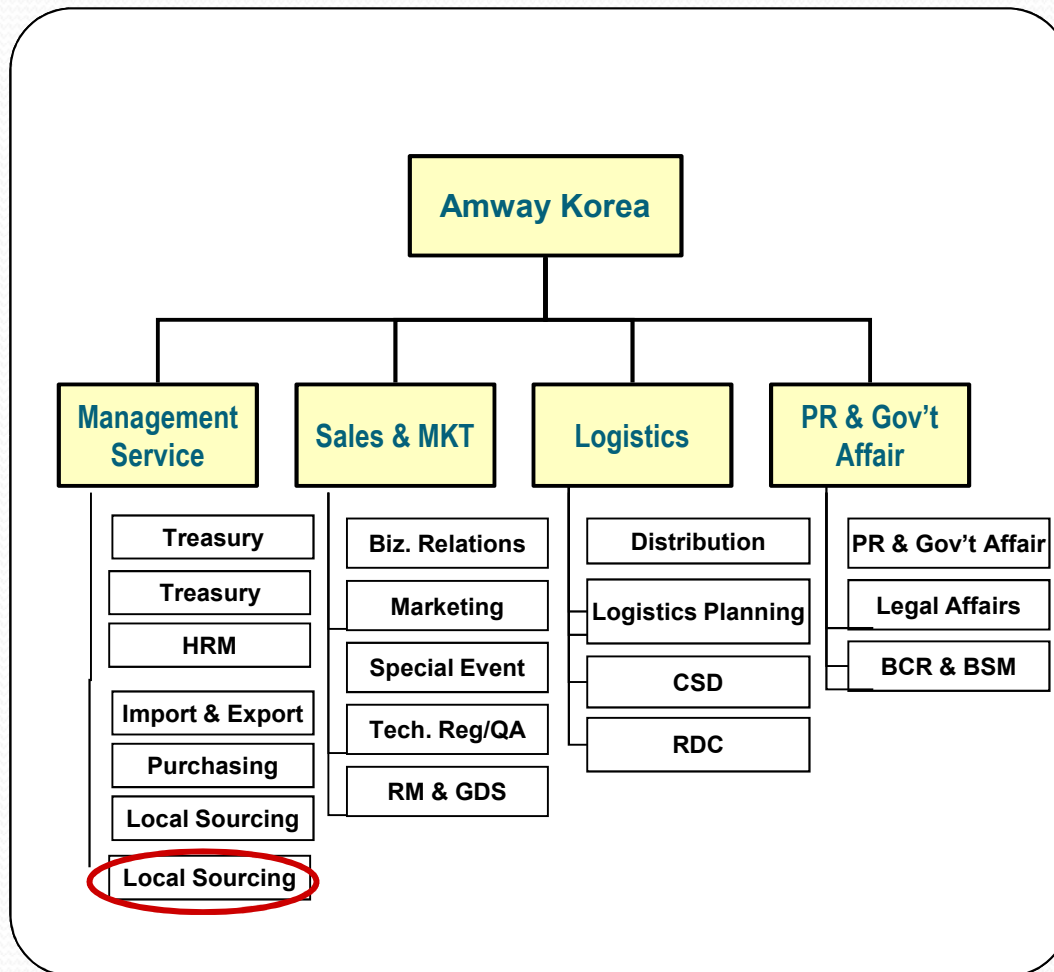


3. Output : Org. Diagnosis (Cont'd)

Possible Changes in Employees' Attitude after the Project

- ❑ Positive attitude of project intention among team leaders increased
- ❑ Employees' trust of the top management increased
- ❑ Employees' expectation of the project increased
- ❑ But, "let's wait and see" attitude still exists especially among the juniors
- ❑ There are still some managers who are not prepared to 'buy' the project objectives, hence not willing to participate in current initiatives for change

4. Current Task



Key Findings

- HRM and HRD are separated; HRD is tied with GA (Usually HRM and HRD form one HR department; alternatively, each of the three functions operate independently)
- Despite the increase in number of IBOs, sales function has remained unchanged.
- Local Sourcing serves as an independent unit, with an executive as the department head.

Implications & Solutions

- **Review HRD's roles** and relocate as necessary.
- Review the **capacity of sales function** in line with the increase in both revenue and number of IBOs.
- **Review Local Sourcing's position** in the org., and investigate potential linkage with other function(s).
- Due to the rapid growth of the org. there exists possibility of moral hazard, which may lead to need for internal audit function.
- **Review span of control** : Sales & MKT, Management Service

5. Future Tasks and Direction

- **Change Management**
- **Succession Planning** based on the New Org. Structure
- **Performance Management**
 - Identify future leadership competency
- Establish **Training & Development** Plan based on succession planning
 - Leadership Development
 - Performance Management & Coaching Skills Training
 - Executive Development Program
 - Customized in-house MBA program
- Others
 - Introduce “Cafeteria Benefit Program”
 - Talent Management and Retention
 - Develop “Total Compensation Strategy”

Strategic Management

MERGERS & ACQUISITIONS

MERGERS & ACQUISITIONS

It is actually a

business

Combination

.POINT_bLANK

- Vikram Nandwani

We Came...
We Saw...
We Acquired...



0705F © Vikram Nandwani

Merger

- ❖ A transaction where two firms agree to integrate their operations on a relatively co-equal basis because they have resources and capabilities that together may create a stronger competitive advantage.
- ❖ The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock
- ❖ Example: Company A+ Company B= Company C.

Acquisition

- ❖ A transaction where one firm buys another firm with the intent of more effectively using a core competence by making the acquired firm a subsidiary within its portfolio of business
- ❖ It also known as a takeover or a buyout
- ❖ It is the buying of one company by another.
- ❖ In acquisition two companies are combine together to form a new company altogether.
- ❖ Example: $Company A + Company B = Company A$.

DIFFERENCE BETWEEN MERGER AND ACQUISITION:

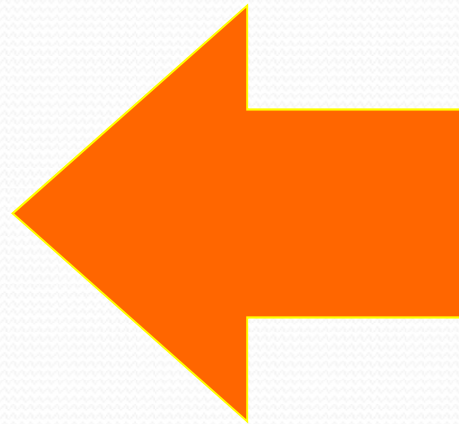
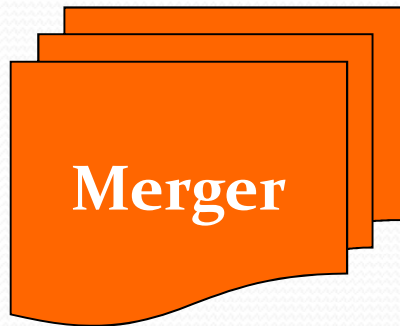
MERGER

- i. Merging of two organization in to one.
- ii. It is the mutual decision.
- iii. Merger is expensive than acquisition(higher legal cost).
- iv. Through merger shareholders can increase their net worth.
- v. It is time consuming and the company has to maintain so much legal issues.
- vi. Dilution of ownership occurs in merger.

ACQUISITION

- i. Buying one organization by another.
- ii. It can be friendly takeover or hostile takeover.
- iii. Acquisition is less expensive than merger.
- iv. Buyers cannot raise their enough capital.
- v. It is faster and easier transaction.
- vi. The acquirer does not experience the dilution of ownership.

Merger



- ✓ When two or more companies combines into one company
- ✓ may merge with existing co,
- ✓ form new company.....
- ✓ in India merger is called **Amalgamation**

Merger

Merger Objectives

- Faster Growth
- Improving Profitability
- Managerial Effectiveness
- Gaining Market Power
- Leadership
- Cost Reduction

Acquisition

An Acquisition may be an act of acquiring effective **control** by one company over **assets** or **management** of another company without any combination of companies.....

Companies may remain independent, separate
But there may be change in control of
Companies.....

Acquisition & Takeover

When Acquisition is unfriendly or hostile
It may be called Takeover

MERGERS & ACQUISITIONS

Are there any alternatives to Mergers or acquisitions?

Merger Alternatives

- Joint Venture
- Strategic Alliance
 - Eliminating Inefficient Operations
- Productivity Improvement
- Hiring Capable Managers

MOTIVES & BENEFITS OF M & A

- Limit Competition
- Market Power
- Diversification
- Growth
- Economy of Scale
- Access to Foreign Market
- Resources
- Displace existing Management
- Circumvent Govt Regulations
- Aggressiveness
- Diversifying Risk
- Profitability

MOTIVES & BENEFITS OF M & A

- Accelerated Growth
 - Expanding Existing Markets
 - Entering New Markets
 - Expand Internally
 - Expand Externally
 - Developing Operating Facilities
 - Price Paid for Merger

MOTIVES & BENEFITS OF M & A

- **Enhanced Profitability**
 - Economies of Scale
 - Operating Economies
 - Synergy

Steps in Analysis Of Mergers & Acquisitions

Planning

**Search &
Screening**

**Financial
Evaluation**

**Mode of
Merger**

Negotiation

**Post
Merger**

MERGER: WHY & WHY NOT

Why is Important

- i. Increase Market Share.
- ii. Economies of scale
- iii. Profit for Research and development.
- iv. Benefits on account of tax shields like carried forward losses or unclaimed depreciation.
- v. Reduction of competition.

Problem With Merger

- i. Clash of corporate cultures
- ii. Increased business complexity
- iii. Employees may be resistant to change

ACQUISITION: WHY & WHY NOT

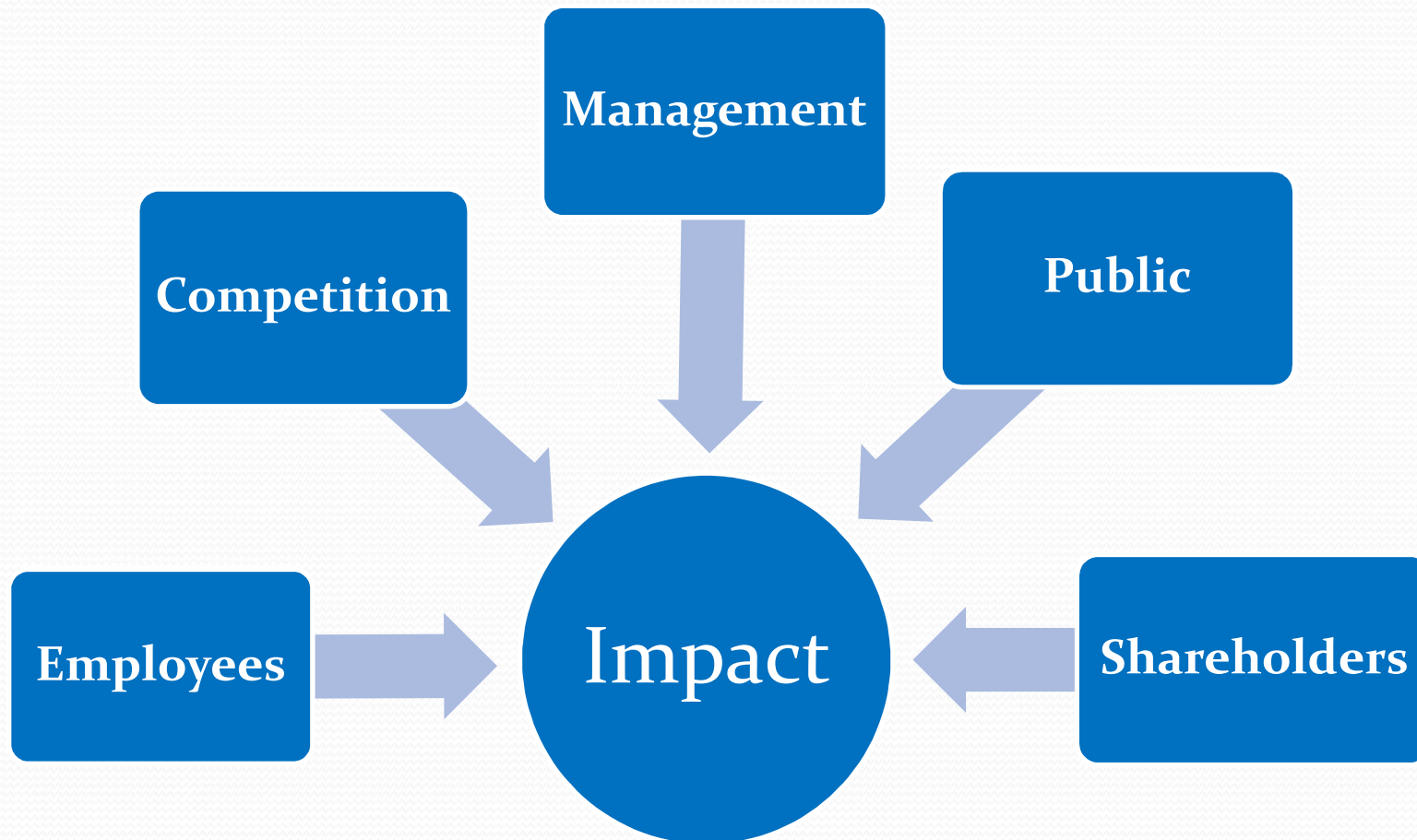
Why is Important

- i. Increased market share.
- ii. Increased speed to market
- iii. Lower risk comparing to develop new products.
- iv. Increased diversification
- v. Avoid excessive competition

Problem With Acquisition

- i. Inadequate valuation of target.
- ii. Inability to achieve synergy.
- iii. Finance by taking huge debt.

Impact of Mergers and Acquisitions



**NOTHING IMPACTS SHAREHOLDERS
More than an ACQUISITION**



Why Mergers and Acquisitions Fail?

- Cultural Difference
- Flawed Intention
- No guiding principles
- No ground rules
- No detailed investigating
- Poor stake holder outreach

How to Prevent the Failure

- **Continuous communication** – employees, stakeholders, customers, suppliers and government leaders.
- **Transparency** in managers operations
- **Capacity to meet new culture** higher management professionals must be ready to greet a new or modified culture.
- **Talent management** by the management

M&A DEALS...



1. Tata Steel-Corus: \$12.2 billion



- January 30, 2007
- Largest Indian take-over
- After the deal TATA'S became the 5th largest STEEL co.
- 100 % stake in CORUS paying Rs 428/- per share

Image: B Mutharaman, Tata Steel MD; Ratan Tata, Tata chairman; J Leng, Corus chair; and P Varin, Corus CEO.

2. Vodafone-Hutchison Essar: \$11.1 billion



Image: The then CEO of Vodafone Arun Sarin visits Hutchison Telecommunications head office in Mumbai.

- TELECOM sector
- 11th February 2007
- 2nd largest takeover deal
- 67 % stake holding in hutch

3. Hindalco-Novelis: \$6 billion



Image: Kumar Mangalam Birla (center), chairman of Aditya Birla Group.

- June 2008
- Aluminium and copper sector
- Hindalco Acquired Novelis
- Hindalco entered the Fortune-500 listing of world's largest companies by sales revenues

4. Ranbaxy-Daiichi Sankyo: \$4.5 b



Image: Malvinder Singh (left), ex-CEO of Ranbaxy, and Takashi Shoda, president and CEO of Daiichi Sankyo.

- Pharmaceuticals sector
- June 2008
- Acquisition deal
- largest-ever deal in the Indian pharma industry
- Daiichi Sankyo acquired the majority stake of more than 50 % in Ranbaxy for Rs 15,000 crore
- 15th biggest drugmaker

5. ONGC-Imperial Energy:\$2.8billion



Image: Imperial Oil
CEO Bruce March.

- January 2009
- Acquisition deal
- Imperial energy is a biggest chinese co.
- ONGC paid 880 per share to the shareholders of imperial energy
- ONGC wanted to tap the siberian market

Ends of Discussion