Chapter VII

Summary and Conclusion
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India is now an ‘emerging market’ and is witnessing rapid business growth. Unrelated businesses are being shed in a move towards consolidation of core competencies. So too expansion of business is being effected through acquiring companies rather than starting from scratch. The Government of India is facilitating this by its liberalization policies. In tune with this, the stringent regulatory laws have been scaled down to the minimum required. All this has set in motion a new trend in India - Mergers and Acquisitions (M & A).

Need for the study

It is hence imperative that the M & A process is understood in all its aspects if the combination has to succeed. Hitherto, writings about M & A were based on the financial considerations and economies of scale. The human side of M & A were not emphasized as much. Thus, though there exists a number of models to assess the financial or quantitative success of a merger, there are no appropriate models to assess the cultural compatibility between the firms or the qualitative success of the acquisition.

Especially for India which is now seeking to draw lessons from the West which has witnessed many such merger waves, the researcher in India finds that the literature suffers from certain limitations. The literature is quite outdated, too general, or very often only one of the partners (the acquired) in the acquisition is studied. The studies also do not differentiate between the mergers and the different types of integration strategies required.
This research is therefore justified both from the academic and practical point of view. This thesis explored the post-acquisition corporate culture of the acquirer and acquired. It studied the expectations of the partners on their preferred culture to highlight the members' propensity to change and to know the direction that change efforts should take. The study also estimated the perception of organizational effectiveness in the context of the organization's culture to understand the functionality/success of the combination.

Objectives and Methodology

The specific objectives of this study were: to identify the culture profiles of the acquirer and acquired; to diagnose the expectations or change needs of the different cultures, to evaluate the organizational effectiveness in terms of the culture profiles and to diagnose the level of integration of culture in different acquisitions.

It must be mentioned that the terms merger, acquisition and combination are all used interchangeably in this thesis, in line with the usage by various other researchers.

Given the nature of the research, a case study approach was thought to be appropriate.

Three organizations which had acquired one organization each during 1990-94 were taken as the sample. When the selected organizations were
analyzed for the type of merger, one in each type emerged. They are as follows:

1. **Tube Investments, Madras** acquired Sathwana Chains, Hyderabad and renamed it as Rolmor Chains Division (RCD). TI's chain making plant, T I Diamond Chain Ltd.(TIDC) at Ambattur, Madras, was studied to understand the acquirer's culture. This was classified as a Collaborative - Synergy type of acquisition.

2. **Greaves, Bombay,** acquired Eicher's Petrol Engines Unit at Thiruvottiyur and called it as Greaves Petrol Engines Unit (PEU). Greaves' decade old plant at Royapuram, Madras, the Greaves Heavy Engineering Unit (HEU) was studied. This was classified as an Extension type of acquisition.

3. **Eicher Ltd.** acquired Enfield India and renamed it as Royal Enfield Motors (REM). Eicher’s mother plant, Eicher Tractors Ltd., (ETL) at Faridabad, Delhi, was studied to understand the acquirer’s culture. This fell in the category of a Redesign acquisition.

A structured questionnaire along with an unstructured interview was used to collect the data. The data got through the interviews (qualitative), was used to authenticate the data got through the questionnaires (quantitative).

Recognizing the importance of language especially when workers also formed a part of the respondents, the questionnaire was translated from English
(the source) to the local languages (Hindi, Telugu and Tamil). For interviews interpreters were availed of, wherever necessary.

Initially, a cluster analysis was performed on the data to explore the natural clusters. Then a discriminatory analysis was performed to validate the clusters and check for their reliability. Analysis of variance (ANOVA) confirmed if the differences are significant. The clusters were analyzed for their cultural profiles: change needs and effectiveness perceptions.

**Limitations of the study**

However, the study is based on three selected acquisitions with small samples. The ideal time period after which an acquisition should be studied is not known with certainty. This study was conducted between May 1993 and February 1994 for all the 6 organizations (3 acquisitions) approximately one-and-a-half to two years after the acquisition. The organizational culture is diagonised by identifying the ideologies or the substance of culture. So the findings and inferences of this thesis should be viewed with all these issues in perspective.

**Main findings**

1. **On Organizational Culture:**

   - The case studies revealed the presence of multiple cultures corroborating the view held by many researchers that organizations do not have a single homogeneous culture.
The study revealed that business organizations have a mix of the three cultures only - Power, Role and Team (there was no Person culture) - and that they are held as a ratio of perceptions by the organizational members. One cluster may perceive more of one particular ideology and less of another, but they necessarily subscribe to some Power ideologies, some Role ideologies and some Task/Team ideologies, and it is the combination of these ideologies which makes up that organization's culture. We can hence infer that all three ideologies are required for organizational functioning.

One of the major findings of this study is that almost all clusters (except two), irrespective of their current cultures, exhibited a preference for a Team culture. (It should be recalled that a Team culture denotes a higher proportion of Team ideologies and not exclusively Team ideologies). But, what makes one organization culturally different from another is not this dominance of a particular ideology, but the unique combination of the three ideologies.

As the three instances in Chapter IV show, an organization is likely to have sub-cultures based on a variety of reasons, the more common being the difference of opinion between manager-worker.

Also as the instances show though two different sub-cultures in the same organization may exhibit the dominance of the same ideology, but the reason as to why it is so, may be different and will come to be known only if probed further through unstructured interviews.
● Research on sub-cultures has sought to establish a relationship with the presence of a dominant culture to a successful organization and the presence of sub-cultures to an unsuccessful organization. But this study highlights the point that it is not the pervasiveness of a culture (dominant or sub-culture) which determines organizational effectiveness, but the type of culture - Power, Role or Team - of the dominant or sub-culture.

● The change scores indicate that the clusters perceiving a Team culture do not perceive a need for a change.

● The change needs of the Power cultures are high in all cases except in one, where the change need is moderate. In no case did a Power culture exhibit low change scores.

2. **On the relationship between Organizational Culture and Organizational Effectiveness:**

● In one instance, the Power culture is functional, but in all other cases, the Power culture is dysfunctional. But the Team culture is functional in every instance.

● This highlights the inherent functionality of a Team culture. (Recall that a culture that perceives the organizational effectiveness to be high is defined as a functional culture).

● On the other hand, the association between Power cultures and the perception of low organizational effectiveness is well established through this study.
Compared to the 3 acquirers, the 3 acquired organizations have relatively greater functionality. An interesting inference from this could be that an acquirer's culture need not necessarily be the better and effective culture compared to the acquired firm.

3. On Cultural Integration:

- The TIDC -RCD combination emerged as a Collaborative synergy merger with a dominant Team culture and the maximum functionality of 100%. The Greaves HEU and PEU emerged as an Extension merger and had two Power sub-cultures and a minority Team culture. The functionality level was 53%. The Eicher and Enfield merger was an example of a Redesign merger and had 3 Weak sub-cultures - two Power and the other a Team. The functionality was 34%. The preferred culture of all the three acquisitions is a Team culture. From this it can be inferred that all acquisitions can become 100% functional irrespective of the type of the acquisition. It is the integration strategies that matter.

- Also, organizations irrespective of the type of acquisition (especially so M & A where the expected success is greater) may find one type of culture more effective for a particular time period - in this case - the Team culture. All integration strategies should aim to achieve this relevant culture. The integration strategies should not look at only the acquirer’s or the acquired culture but at the environmentally relevant culture which will automatically make for a successful organization.
Strategies for Integration

The study suggests that given the type of acquisitions and their cultural profiles, effectiveness perceptions and preferred culture for the future, the Collaborative merger of TIDC with RCD, should aim for an absorption as the end. Already the functionality is 100% and this is logical.

In the case of the Extension merger of Greaves HEU with PEU, the study recommends a Preservation tactic, where it leaves the acquired firm alone. The individual cultural audit reveals the acquirer to be only 17% functional but the acquired organization is 62% functional. Hence this makes sense.

Finally in the case of the Redesign merger of Eicher with Enfield, the recommendation is for a Symbiotic relationship between the acquirer and the acquired. Both exhibit fairly low functionalities (the former 21% and the latter 49%). Both should seek to transform their respective dysfunctional cultures. The Role models for change of one firm’s culture exists in the other firm’s culture. As researchers on cultural change have pointed out, fluidity of ideologies, an inclination for change and appropriate Role models are the necessities of successful change efforts. And in this case, both organizations fulfill these conditions.

Hypotheses developed by the study

The following hypotheses have emerged from the analysis made in the study. These may be considered for further testing in the future.

1. If an organization has a dominant culture, it cannot have a sub-culture. The terms are mutually exhaustive.
2. In the case of the organization with sub-cultures there can exist a combination of sub-cultures and minority cultures.

3. There is a possibility of the presence of 2 sub-cultures both with a dominance of the same ideology, but caused due to differing reasons.

4. There is a strong relationship between Team culture and high Organizational Effectiveness.

Conclusion and Suggestions

The tendency for M & A in this era of liberalization seems to be a move towards a predominant Team culture along with the presence of Power and Role ideologies. Power and Role ideologies are perceived as a necessary condition for functioning but they are not perceived as actively contributing factors for Organizational Effectiveness.

It is difficult to totally prepare organizational members to accept and deal with all the transitions that can accompany a M & A. As an executive whose company was involved in a takeover attempt aptly put it, 'you cannot prepare people to be hit by a truck'.

However, research has indicated that employees provided with 'realistic merger previews' maintain much more stable levels of commitment, satisfaction, trust and performance than do those who receive less open information about the combination.
Communication is the most important for integration. People exposed to the same information will tend to develop similar beliefs and attitudes and a common understanding. Videos, in-house magazines and conferences can all be important in forming a culture or aid in acculturation. However, it should be remembered that individuals are privy to several sources of information, both implicit and explicit.

Research has also shown that training in various forms can be a primary tool of culture change. In virtually every case, the development of training programs was explicitly linked to the strategic and cultural needs of the organization. The order of priority was practical skills, new attitude formation, and last was role modeling.

Among the three case studies in this research, TIDC used formal and periodic presentations by the chief manager in charge of the acquired unit RCD, about the culture of TIDC. One such meeting took place during the study and the researcher also attended it. Eicher used Enfield’s in-house magazine ‘Footsteps’ to inform both the partners about the opinions of the employees (verbatim) of both units about the acquisition, its perceived effectiveness and success. One such opinion was as follows: ‘Disjointed culturally, in the last 6 months an accelerated coming together after cultural change in the last two and half years’. Such activity was not visible in the Greaves combination.
This study closes by recommending that cultural compatibility of the two firms which plan to merge must be considered just as the financial or other strategic issues. This is necessary to avoid a possible initial culture clash and consequent personnel misfit. It is in anticipation of this that an acquirer should consider a detailed culture audit of itself so as to gain a thorough knowledge of its own culture, before embarking on acquiring another firm with a culture which in all likelihood would be different. This would aid in better appreciation of each other's strengths and lead to a harmonious relationship.

And in answer to several researchers' question as to whether one type of acquisition is likely to be more integrated than the other, it can be said that eventually it is possible to become completely integrated culturally, and the type of acquisition does not make a difference in leading to a truly successful and enduring combination.