Information and Knowledge Management (IN2105)

Case 1

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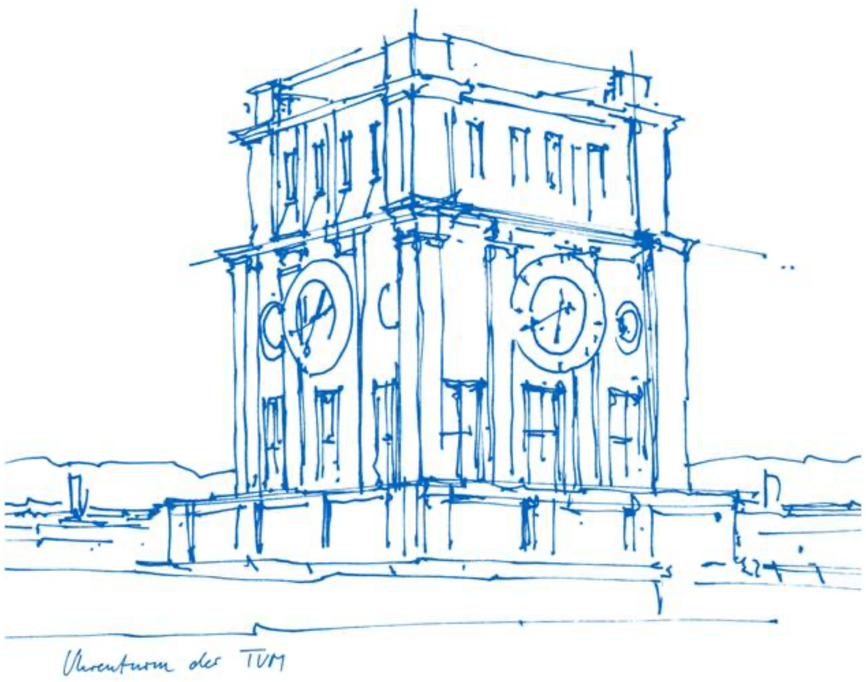

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Introduction

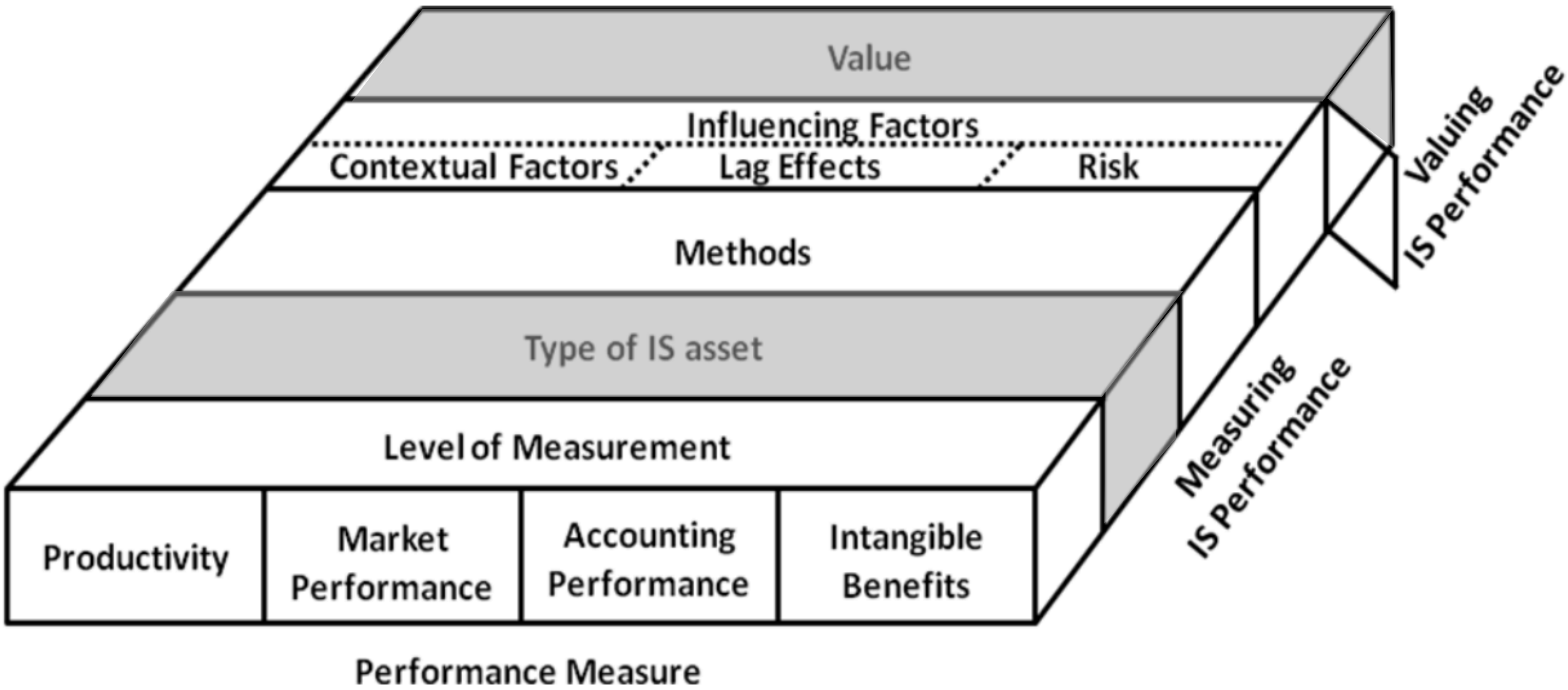
Outline:

- Introduction
- Presentation of taxonomy
- Performance measures
- Influencing factors
- Level of measurement
- Example of SMART BSC

Key facts:

- 227 acquisitions until today (2020)
- Acquisition process of Video Solutions Group – from 2012 to 2014
- 4 phases of acquisition process (Pre-acquisition preparation, Acquisition selection, Acquisition Integration, Post-integration Management)
- An understanding of the VS's EA is built progressively over time

Taxonomy



Not a subject of assessment

Performance Measure

Productivity

- Service Level Agreements
- Quality of Service
- Improved Security
- Cisco could offer better support to existing customers, but lost a share

Market Performance

- Market reaction for strategic acquisitions
- Size and time lag effects
- Geographical diversification could lead to growth opportunity in the future

Performance Measure

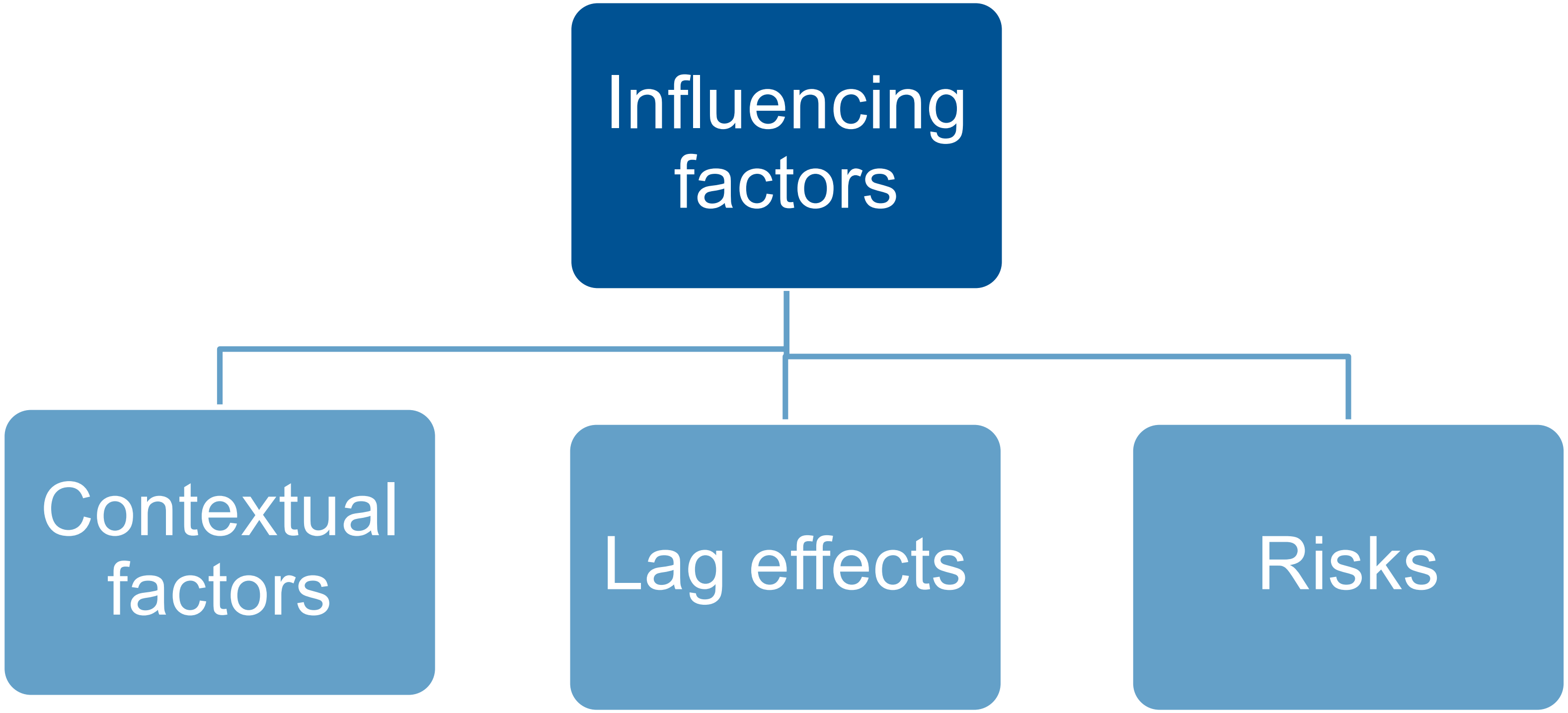
Accounting performance

- Synergy effects can lead to lower cost and growth in turnover
- Effects depend on level of integration
- Cisco’s acquisition only realized some cost synergies but increased revenue by new combined offers

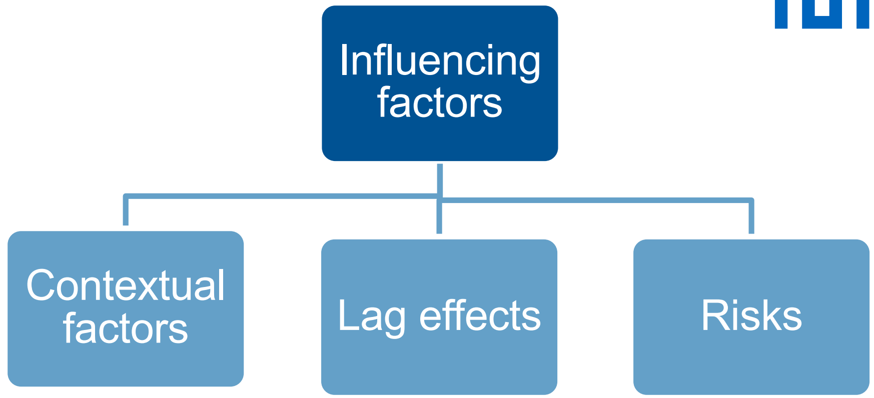
Intangible Benefits

- Difficult to quantify results
- Knowledge transfer from VS to Cisco includes security solution and individualized service offerings
- Competitive advantages through geographical diversification effects

Influencing factors I



Influencing factors II

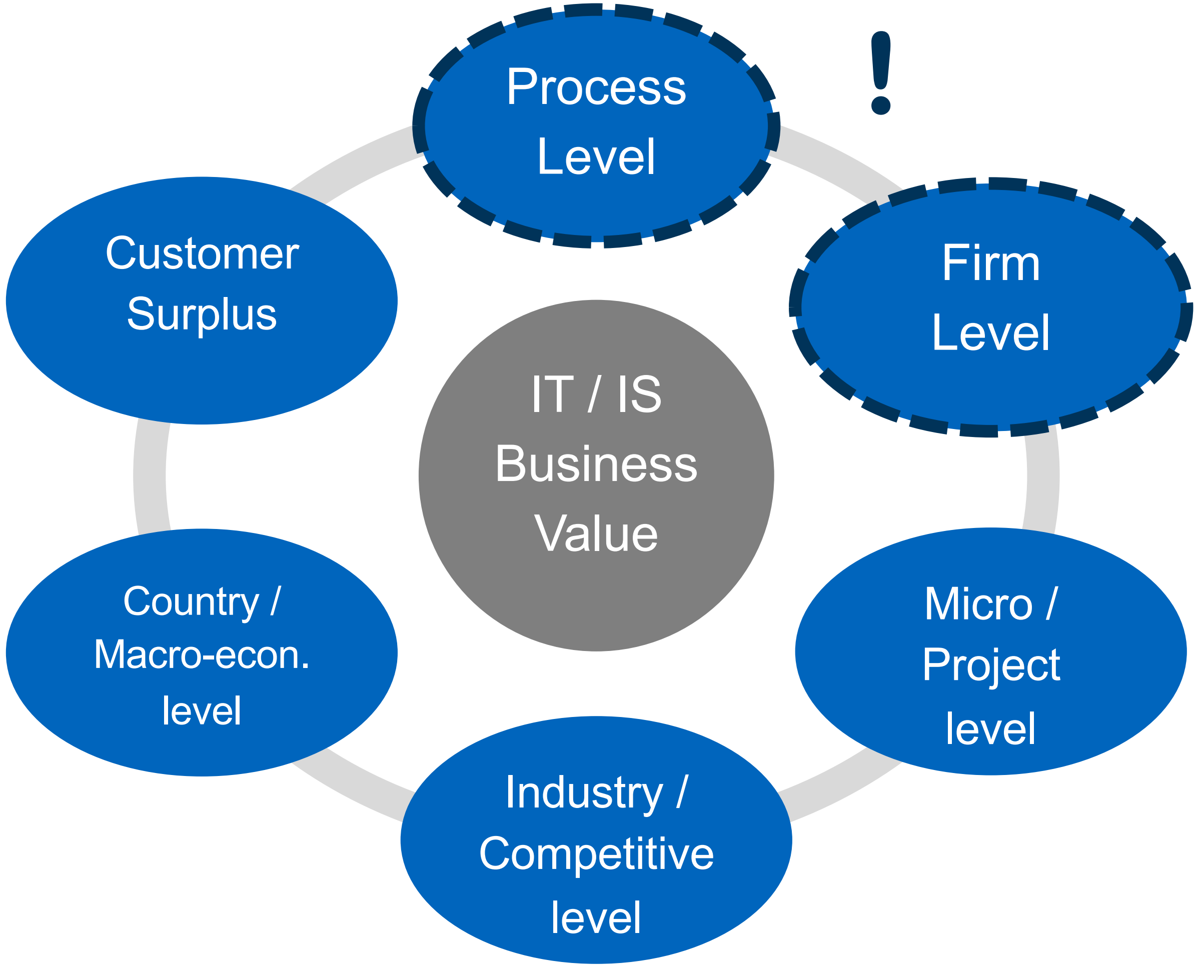


- **Risks**
  - Wrong perception of a target company
  - Reduced by:
    - Extensive preparation phase (ready to acquire, right target, threats and opportunities)
    - Well done post-integration management -> addressing inefficiencies from integration

- **Lag effect**
  - Left out in the paper, but focus on time-based performance measures
  - Emphasis on long term profitability

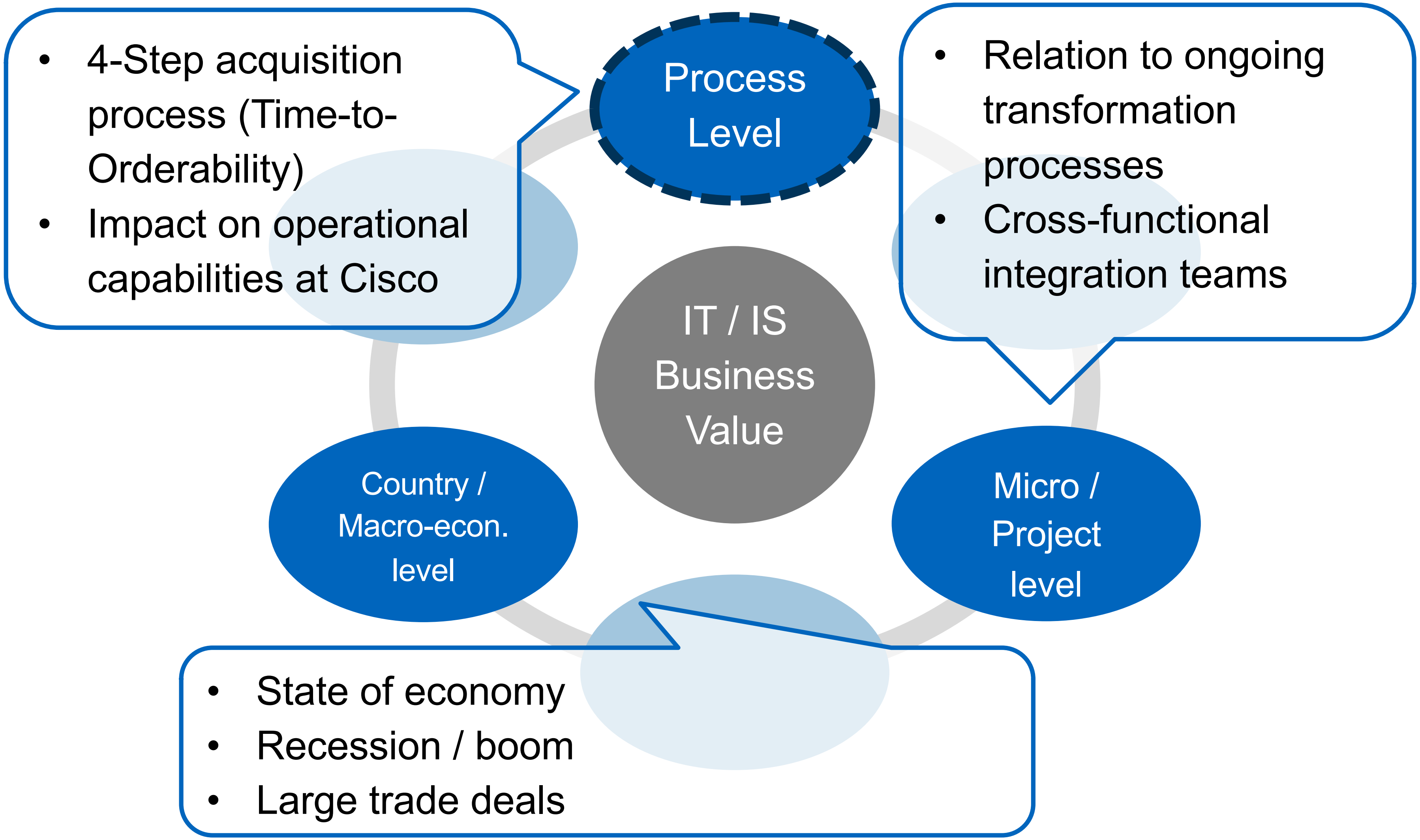
- **Contextual factors**
  - Influence from risk mitigation activities (mentioned above)
  - Ongoing transformation and project <- align (fewer changes required later)
  - Geographical market diversification -> target present in Asia
  - Valuable know-how and products - target's security product
  - Different delivery systems and customized solutions => extra cost to unify

Level of Measurement I

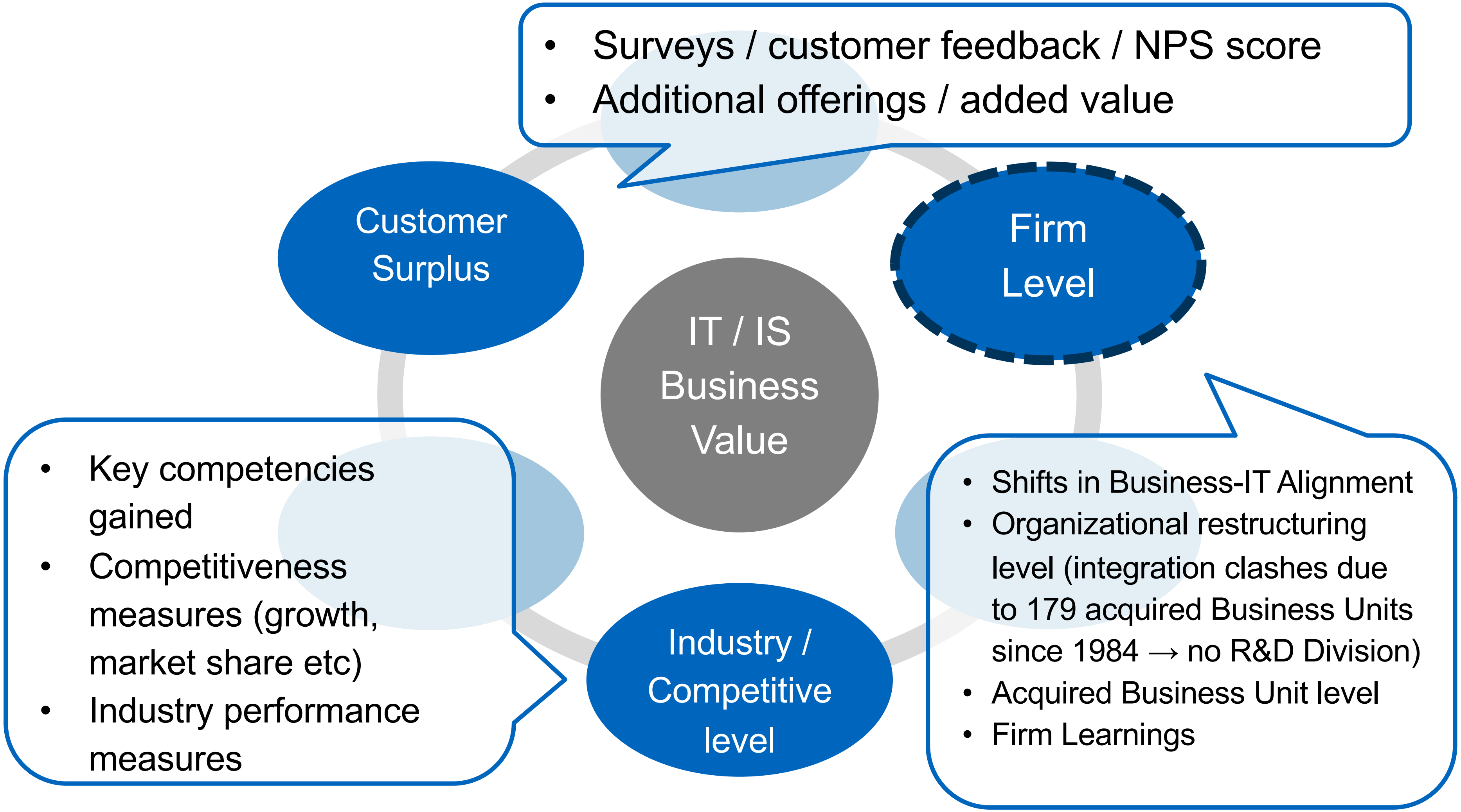


Schryen(2010)

Level of Measurement II



Level of Measurement III



Simple Multi Attribute Rating Technique (SMART)

	Criterion	Weight	Project	
			1 (Paper)	2 (Other)
1	Technology and product gain	20%	90	70
2	Reliability	20%	80	60
3	Organizational fit	20%	70	80
4	Strategic fit	15%	60	40
5	Market share effect	10%	70	70
6	Transformational effect	10%	40	60
7	Geographic diversification	5%	20	50
	Totals		69/100	63.5/100

Backup Questions

1. Why are IT investments not always directly reflected in shareholder returns?
2. How could Cisco measure performance improvements after the VS acquisition?
3. Why Cisco puts such a big emphasis on an acquisition preparation phase and post-integration management?
4. What other contextual factors may influence Cisco‘s case?
5. Why are the "Process" and "Firm" levels of measurement so important to Cisco?
6. What can be gained from making measurements at the "Country" level?