GLOBAL RETIREMENT STRATEGIES, INC.

CASE STUDY ANALYSIS

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INTRODUCTION

The term "Mergers and Acquisitions" (M&A) describes the strategic procedures by which businesses merge in order to accomplish specific business goals. Merger occurs when two distinct organizations come together to form a single, new organization. On the other hand, an acquisition is the taking over of one company by another.

Acquisitions and mergers can be carried out in an effort to increase a company's market share or achieve new heights for its shareholders. However, research indicates that between 70% and 90% of mergers and acquisitions fail. Numerous researchers have attempted to provide an explanation for those appalling figures, typically by examining the characteristics of agreements that succeeded and those that failed.

The M&A process typically involves several stages, including pre-deal planning, due diligence, valuation, negotiations, and post-merger integration. Each stage plays a critical role in the success of the deal. Most mergers fail when organization fail to account the importance post-merger integration between the two companies.

Many organizations tend to prioritize the financial and economic aspects of mergers while failing to recognize the influence of factors such as company culture, leadership styles, and changes in employees' roles following the merger. This can cause cultural clashes, resistance from employees, leadership

It is crucial to emphasize the significance of cultural alignment, strong leadership, planning of integration strategies before completing a merger. Effectively communicating the organization’s goals, objectives, and future direction to the employees can be essential for a successful merger and acquisition integration.

The case of GRS's strategic move to acquire MejorVida highlights the circumstances which can result in a successful failure of the integration between two companies. GRS’s focus on closing the deal as soon as possible brings forward the concerns mentioned before. Planning a merger without considering its effect on the employees can create a disruption in the organizational structure and lead to significant turnover intentions. Moreover, international or cross-border acquisition can present additional difficulties regarding cultural, legal, and regulatory differences.

BACKGROUND

Global Retirement Strategies, Inc. (GRS) is a prominent U.S company operating in more than 70 nations and making $75 billion in annual revenues. They provide retirement income solutions to high-net-worth individuals and families. The retirement industry has become stagnant and GRS hopes to overcome this by expanding the business in countries like Latin America where the market is untapped. Under the leadership of CEO Kenneth Stevens, GRS makes a bold decision to acquire MejorVida, the biggest pension provider in Chile.

The acquisition presents significant risks and challenges for GRS due to the company's lack of experience in defined benefit public pension business. Pensions are both economically and politically important in Chile, and in other Latin American countries. The Superintendencia Pensiones (SP) in Chile strictly regulates the pension industry, enforcing strict rules to protect the assets and privacy of its clients. Despite the risks, GRS's global strategy requires it to expand into Latin America, and the quickest way to do so is by acquiring MejorVida to boost the company's financial health immediately.

The three main groups within GRS involved in the MejorVida deal are the Corporate Center in New York, the Latin American team in Santiago, and the corporate human resources organization development (OD) team. Many of the previous acquisitions failed because after a successful merger, GRS struggled with post-acquisition integration. Challenges related to aligning old and new organizations, top-talent leaving the company, and internal conflicts resulted in costly mismanagement. This was caused due to the lack of structure and attention after the deal closes.

To address these challenges, CEO Stevens has created a "Red Team" composed of experts and leaders like Andrew Jones from New York, Eduardo Herrera from Santiago, and Theresa Joswick from the OD team. The team is motivated to close the deal ahead of schedule to receive a 50% bonus incentive. They are tasked to take a coordinated and interconnected approach to manage the entire MejorVida deal, from the due diligence phase to the final acquisition, integration, and making the newly acquired business operational within GRS. This approach ensures long-term success for the future of the company and aims to avoid the failure of past acquisitions.

ANALYSING THE SITUATION

Despite a positive project beginning, conflict arises between the New York and Santiago teams regarding the speed of the acquisition process and the focus on financial value versus organizational alignment and culture. The New York team wants to expedite the acquisition within the deadline keeping the focus solely on financial aspects. However, the Santiago team is concerned about the cultural and organizational aspects of the deal keeping in mind that Chilean employees are very different than New York employees. In order to retain top employees and keeping their performance well, they need to connect with other employees in the organization. The OD team emphasizes the importance of understanding and aligning the incoming organization with GRS.

Many challenges can arise when employees from different cultures are brought together without proper organizational structure and planning in a merger or acquisition. These challenges can indeed lead to various problems such as Organizational Disputes, Decreased Performance, Job Redundancies, Employee Turnover, Cultural Conflicts, and Role Ambiguity.

Analysing the potential challenges to develop proper planning process for successful integration is important. Rushing into a merger without addressing these issues can indeed risk the future of the company. It's crucial for organizations to invest time and effort in understanding, planning, and implementing strategies to ensure a smooth transition. This includes conducting cultural assessments, defining clear roles and responsibilities, and providing training and support to employees to help them adapt to the changes.

As part of the OD team, I would propose a detailed solution to tackle these concerns, discuss the steps for Organizational Development (OD) process, and address potential obstacles and success measurement.

PROPOSED SOLUTIONS

1. Conducting an In-depth Organization Analysis

An in-depth organization analysis of GRS and MejorVida will allow us to identify the differences in company culture, work environment, job roles, leadership style, employee engagement, and work-force dynamics at each company. The organization analysis procedure includes collecting data, taking survey and interviews, and conducting assessments.

Umbrex Diagnostic Guide for Organizational Design

- **Data Collection**

The initial phase of data collection in the organizational analysis process involves gathering vital information from both GRS and MejorVida. It is necessary to carry out a lengthy process for data collection to gain insights into the current organizational structures and cultures for the two organizations.

General Organization Data

The first step is obtaining up-to-date organizational data from both GRS and MejorVida which consists of information regarding reporting lines, departments, and divisions within each organization. It gives us the breakdown of responsibilities within organizations and their hierarchical structure. The goals and purpose of the company is then determined by reviewing the current mission statements of MejorVida and GRS. In addition, an in-depth analysis of the existing strategies is carried out to evaluate the strategic goals and direction for achieving alignment. Next, in order to identify cultural differences and determine how to integrate shared cultural values inside the organization, we analyze the organizational cultures of GRS and MejorVida. Finally, an examination of the diversity, equity, and inclusion (DEI) policies and activities is conducted to assess DEI commitment in the workplace.

Employee Data

Evaluating the job duties and responsibilities of the employees in the organization to create a job analysis report would give us necessary data to assess how they fit into the current roles after the acquisition. A comprehensive list of vital information such as contact details, geographical locations, job titles, and immediate supervisors is also collected. Then getting additional data on existing employee training and development programs will help us assess the skill sets and competencies of the workforce. Next, we need to identify which employees report to which leaders within both GRS and MejorVida to understand the organizational management structure. Regularly evaluating performance and using Key Performance Indicators (KPIs) for each employee to determine the performance standards. Lastly, we'll collect data on salary, benefits, and additional bonuses of each employee.

Additional Data Item

Next, we will collect some additional data to gain insights into the financial aspects of the organizations. It will inform us about how resources are allocated within each organization such as capital, human resources, and technology investments. We need to also look at how formal and informal communication flows within the organizations. Furthermore, exploring career development and succession planning strategies can be important for understanding the workforce's long-term growth prospects. Finally, investigating the ongoing and planned, and doing an assessment of existing contracts or agreements will offer insights into the commitments and obligations of both GRS and MejorVida.

- **Interviews**

We will be interviewing employees, managers, and executives about their roles and job responsibilities, communication with higher and lower-level employees, decision-making process between teams and individually, reporting lines and hierarchies, performance evaluation techniques, training and development programs, and engagement.

- **Diagnosing**

After we are done with a thorough data collection, next step will be diagnosing any underlying problems or discrepancies between the two organizations to find solutions on how to create a smooth integration.

2. McKinsey approach to culture

Cultural elements typically include national cultures (such as Indian versus American), artifacts (formal suit versus casual jeans), and employee engagement (including satisfaction levels). McKinsey approach has been refined over more than 2,800 mergers in the past five years and focuses on how to combine operations and deliver value in a merger. According to McKinsey, companies should start this process preferably before closing the deal otherwise, cultural integration can become challenging. "Culture is the soul of the business" and the process should start from the leaders and engage the employees. These are three key steps to understanding and managing culture during a merger:

- **Diagnose how the work gets done.**

Leaders from GRS must familiarize themselves with the culture of MejorVida as early in the merger process as feasible. Such as the target company's elements which are essential in value for the acquiring company that must be maintained. Another strategy is to understand the leadership style and working norms of both organizations. For example, if the leadership style at GRS is autocratic and democratic at MejorVida, it would lead to conflict between leaders and employees.

Diagnosing culture requires a scientific method with certain diagnostic techniques, such as employee focus groups, management interviews, and surveys. Interviewing leaders in management roles to identify their leadership styles and taking employee engagement and workforce dynamic surveys can help fill in the gaps between the two organizations to avoid conflicts.

- **Set priorities.**

Afterwards, leaders should set urgent cultural priorities once there is a clear understanding of the current cultures of both companies. Company can focus on switching to a higher-performance culture to meet performance goals. Another challenge is to focus on areas where businesses need to handle significant differences in workplace to create a single, high-performing organization. Leaders from both organizations should participate in the cultural alignment practices because role modeling and leadership alignment are essential for successful implementation.

Creating a new vision that aligns with the cultural themes from both organizations can make working together easier and enable more efficient decision-making. When a common vision is created that integrates aspects of both current cultures, people are more likely to accept the changes and collaborate well.

- **Hard-wire and support change.**

Next step is identifying how to implement the cultural themes and initiatives. These cultural aspects can be hardwired into the company's policies and daily practices. Providing culture training and education to both organizations can set expectations about how the other side works before collaborating and learning how to effectively communicate. Also, creating a culture of respect should be implemented in company policies. Key Performance Indicators (KPIs) should be regularly assessed to gauge the progress of cultural integration, and leaders should take corrective action as necessary. Failing to address the cultural aspects can result in the downfall of the organization. Leaders should rigorously track the implementation of cultural themes and initiatives, treating them with the same thoroughness as financial targets.

CONVINCING THE CLIENT

Why OD should be involved from the start?

A few years ago, a major consulting firm studied over 40 mergers and acquisitions, each worth more than $1 billion, and found that the most common reason for their failure was "poor integration." This included issues like losing key staff, not conducting thorough research before the deals, and communication problems. To increase the chances of successful mergers and acquisitions, it's beneficial to involve organizational development professionals early in the process, not just after the deal is signed. They can provide valuable insights and cost savings at various stages, from research and planning to post-merger integration.

Past example of a failed merger

AOL-Time Warner merger is a prominent example of a failed merger. Many of the reasons for the failure was due to cultural clash and management issues between the two companies. AOL was a fast-moving, tech-oriented company, while Time Warner was a more traditional, content-centric culture. The clash created challenges in decision-making and corporate values. Failure of anticipating the integration issues lead to leadership disputes as the executives from both organizations struggled to work together. This led to their stock decline since the merged organization’s performance fell short. This serves as a great example on how cultural clashes and unrealistic expectations can lead to the downfall of a merger. Hence, cultural compatibility between organizations is important to execute a smooth integration for the success of an acquisition.

SCENARIO PLANNING

Scenario 1: With OD Intervention

- **Pre-Merger Phase**

If the OD professionals are able to identify key cultural differences and similarities before the acquisition, they can take necessary steps to help employees connect with each other, enable better communication between both organizations, and form a shared vision for the new company. Learning how to effectively communicate with diverse cultures every day can become a challenge and OD specialists can guide employees through communication strategies, and helping them learn about the merger's purpose and expected changes. Conducting regular feedbacks and performance evaluations to address any new challenges or concerns. Employees will also gain cross-cultural training which will help them adapt to the new culture, understand their roles, and work effectively in the integrated organization. Leaders will also go through certain training programs to ensure that they are aligned with the purpose of the new organization and learn how to collaborate with leaders from other organization.

- **Post-Merger Phase**

Following the merger, OD experts will observe the any cultural, behavioural, or performance changes that may arise due the new work environment. Since most of the work is already done such as extensive data collection, OD can take quick steps to manage the changes and make adjustments wherever necessary. Employees will be given regular feedbacks and surveys to track their progress and monitor the success of cultural integration. OD specialists can work on areas where cultural misalignments occur. They will be aware of how important it is for their cultures to integrate and eventually learn to collaborate efficiently after a few challenges.

Scenario 2: Without OD Intervention

- **Pre-Merger Phase**

If the merger occurs before OD intervenes, it can lead to confusion about new job roles and security in employees. They will not receive training on how to work effectively with other cultures and fail to recognize the vision and purpose of the organization. This can lead to misunderstandings and resistance among employees. There will be communication gaps regarding the merger's objectives and changes which will lead to uncertainty and rumors among employees, affecting their morale and productivity. Leaders will also face challenges in aligning with the new cultural values, leading to inconsistencies in decision-making and organizational vision.

- **Post-Merger Phase**

Employees from different organizations are used to a certain type of work culture and environment, different job duties and work ethics. If they are suddenly put into a new environment with new people and leadership, they will lose familiarity with their work and feel confused. They will be expected to integrate with new management style and follow the rules of the new company. This can lead to unresolved cultural conflicts causing employee turnover and low performance, affecting the new company's performance in the market. Tracking employee performance and engagement will be a challenge since OD does not have enough data on the organizational hierarchy and structure from the previous organization so employees will not feel supported. OD will have to perform organization analysis to address the new issues and concerns which will take months because of the new structure, and by that time, the new organization will already fail.

Hence, we sum that scenario 1 is ideal for a successful merger, benefiting the organization in the long run. With the help of OD, taking a few extra steps can lead to integrated culture, effective communication, and aligned leadership, leading to a productive and high-performance environment for the employees. Challenges can be easily addressed following the merger if we have all the data required on the employees and the organization. However, if we go with scenario 2, employees will face unresolved cultural conflicts, communication gaps, and leadership misalignment, which will lead to post-merger issues, affecting their performance and in turn leading to a failure of the company.

OD INTERVENTION

- **Trial Run**

Conducting a trial run before a full acquisition can help anticipate potential challenges regarding the integration. We can select certain department on a weekly basis and offer them an opportunity to work together on current or future projects to learn about their collaboration style and team work. We can identify if employees from both organizations can work effectively under a specific leadership style. This can give us an opportunity to train leaders and create a new management style. Through this, we can measure the performance of employees and leaders under a limited time frame and establish new steps required for training to improve performance. Employees can give and receive feedback from their new peers and leaders to test if the integration will be a success in the long run. Doing extensive research during the trial run can help gain insights on which areas to provide support to employees after the merger. With this strategy, OD team can learn about any new challenges that may arise during the integration phase.

- **Training**

Employees may be subjected to receive cross-cultural training before the acquisition. They will learn about the work culture and style of the other organization and what to expect following the acquisition. Doing more team building exercises and improving communication skills will be beneficial in the integration process. Sometimes, roles and job responsibilities can change after an acquisition. Some employees may need to take on additional roles outside their current job which can lead to burnout and frustration. Setting expectations beforehand can provide time to employees to adapt to change and become a quick learner. Providing training to leaders first can prove to be effective since as they will be the role models for their employees and they can continue to provide training to employees on a regular basis.

- **Buddy Program**

To gain more insights into each other's organizations, employees from the MejorVida company can be paired up with a buddy from GRS to learn more about each other's company style. The employees should be paired up from the same department and job positions to create more learning opportunities about their new peers and potential teammates. This can be successful in providing mentoring and bonding opportunities too.

- **Networking**

Leaders and employees can meet up once before the acquisition to connect with their peers. Employees from both organizations can be divided into mix teams to play competitive games to create a bonding experience. Leaders can mingle with other leaders and get to know the employees who will work with them in future.

- **Cultural Ambassador**

Choosing an ambassador from both organizations who will travel to other company to share their company's cultural understanding. They can also learn about the other company more in depth and take notes on ways to incorporate the cultural strategies at their own company.

OBSTACLES

It's essential to recognize potential obstacles and challenges that might arise during their implementation of these solutions.

- **Budget and Resources**

A comprehensive organization analysis requires access to large budget and resources. To perform the analysis, both businesses will go through a lengthy series of stages and procedures. Interpretation of huge amount of data will also require many skilled data analysts to provide an analysis for each department at both organizations.

When a trial run is carried out, staff members must be paid overtime, flown to a new site, and accommodated while undergoing training. This can distract themselves from their original job responsibilities and they can pretend to work together in order to finish the trial phase.

- **Leadership Resistance**

Leaders have worked so long in the industry and have achieved success because of their leadership style. Hence, they might not be willing to abruptly change their methods in order to integrate. If they adopt to a new, unfamiliar leadership style, they may not be able to perform in their jobs effectively.

- **Cultural Differences**

If a worker does not agree with the new organizational culture, they might not want to adjust their collaborative methods to fit in with the new work environment. They may respond negatively to this by going on strikes and performing poorly. Also, when learning about the cultural insights of the other company, ambassadors may face unexpected communication barriers.

- **Geographic difference**

Another major obstacle is geographical differences. Certain interventions may seem impractical and costly since the two companies are located in different countries. Workers won't be as willing to travel for long periods of time for training. Organizing events with employees from different locations can be expensive and challenging.

CONCLUSION

It is essential to identify these potential roadblocks in order to work around these plans and try our best in implementing these suggested solutions successfully. If both the companies are prepared to invest their time and resources in the OD process prior to the acquisition, they will experience its benefits in the long run and lower their chance of post-merger failure which is likely to happen without the intervention. Companies that prioritize this strategy can avoid the difficulties and potential failures that affects post-merger integrations, instead of moving forward with an acquisition without sufficient OD planning. Organizations can succeed by taking care of important organizational and cultural issues beforehand for a smoother transition. This increases the probability that their financial and strategic goals will be met. By making this investment, major expenses and disruptions that could otherwise result from poor integration and cultural misalignment can be avoided.

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