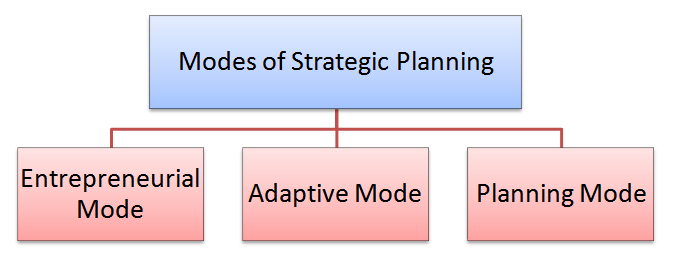
* 1. Strategy is a course of action to which valuable resources will be committed. It is the basis of doing something’s rather than others today. An effort or deliberate action that an organization implements to outperform its rivals. it means making clear cut choices about how to compete; it consist of a competitive moves and business approaches management has developed to attract and please customers, compete successfully, capitalize on opportunities to grow the business, respond to change market conditions, conduct operations and achieve performance objectives (Crafting & Executing strategy, 2011:5)

Semco has strategy because the future of the company will be altered by it, survival may be at risk. Its strategy was earthy and realistic; it was well understood through the top and middle level of its organization. It was the positioning that Semco adopted in order to achieve or maintain a suitable competitive advantage, Semco has a strategy, vision, mission and formulation of objectives although they were not written but were implemented. Vision is what portrays a company’s future business scope (where we are going) that was seen in Semco’s 6 months performance checks and balances. Mission describes its present business and purpose (who we are, what we do and why we are here) the vision remains the steering light through good and bad times that was also seen in its 6 months performance checks and balances.

Semco have a vision and without it whatever strategy adopted is worthless. Its strategy was the type that gave up control for easy running of the organization and timely decision making in order to respond effectively to the changing environment in a proactive manner. Its major focus was on how to achieve the company’s objectives through performance of each Business Units justifying their continuity every 6months.Altthough his strategies range from some vague sense of the desire of the owner massive, overly sophisticated master plans. Semco was highly successful and success is strong evidence that a company has a sound and appropriate strategy. Semco mode of decision making is not a time trap as a result of this; performance is achieved with little or no supervision which was proven from their record of achievement since inception. Since the staffs were made to make used of their critical skill reasoning ability effectively and efficiently new ideas were encouraged avoiding stagnation/ obsolete situation within the organization. The performance is tracked on acceleration bases. Semco has a grasp of business realities, it has a good timing track record in decision, potentials for fast development, healthy financial situation, cutting edge proprietary technology, consistent investment in research and development and strong recognized band.

1.2 The strategy-making process exists in three basic modes: the entrepreneurial mode, where bold decisions are taken by a powerful decision-maker; the adaptive mode, where a coalition of decision-makers reacts to environmental pressures with small, disjointed steps; and the planning mode, where analysts integrate strategic decisions into systematic plans. Henry Mintzberg Califonia Management Review, Vol.16 No2 WINTER 1973, (pp 44-53) DOI: 10.2307/41164491



Entrepreneurial Mode

In entrepreneurial mode, strategic planning is done by one person. He takes the full responsibility of planning for the production department. That is, he does production planning on behalf of the production department. Semco has entrepreneurial skills. That is, he is good in planning, organizing, motivating, etc. He is also a strong and bold leader.

Adaptive Mode

In adaptive mode, the production managers go on changing his plans according to the changes in the environment. He first makes a big plan, and then he breaks it into smaller plans. This is done to adjust with the dynamic environment. Then he tries to combine all these plans to make a strategic production plan. In this method, the production manager is not at peace. He works in a disorganized environment. Therefore, his planning is also disorganized. Semco has some adaptive mode because it always adjusts with the dynamic environment.

Planning Mode

In planning mode, the production manager makes the plan after analyzing the objectives and resources of the organization. He carefully considers all the factors before making the plan. In this method, his approach is very rational. He gives prime importance to management science. Therefore, his plan is very logical.

Semco modes of strategy making were the planning mode of strategy. The management’s bleu print for delivering a valuable product or services to customers in a manner that will generate revenue sufficient to cover the cost and yield an attractive profit (Essentials of Strategic management 3rd edition 2013:7). Semco is muddling through complex and rapidly changing environment with small steps. Using the planning mode base on proactive search for new opportunities and reactive solution of existing problems. This mode adopted by Semco is usually used by large organization which has enough resources to conduct detailed analysis. With regards to Semco’s internal system of reaching agreement on major decision / goals in an excellent approach to succeed strategically in a fast changing environment. It operates in an environment that has enough stability to enable the formulation and implementation of carefully conceived strategies. Semco’s mode is so fast, brief and efficient backed by availability of resources (Capital, Skilled, workers experience, Technology etc).

Semco operates business units in their portfolio which is independently managed with its own structure, teams and with proper budgeting and planning back up. Semco is a quirky company; it has ability to transform itself continuously and organically without formulating complicated mission statements and strategies, or announcing a bunch of top down directives, or buying in an army of change management consultant. Giving up control of operations was the greatest mode of strategy that Semco operated with. He believes people will act in their best interest and by extension in the organization best interest if complete freedom was given to staff. His mode of strategy that was adopted strongly oppose reining staff in, telling them what to do and how to think, that becomes inflexible, bureactic & stagnant. However forcing change is the best surest way to frustrate change. He emphasized on fulfillment at work, Semco has endless array of clever practices and initiatives geared to increase individual autonomy. He treated people maturely, not been spoon fed: atmosphere where people live to go in the morning, he believes strongly in giving up control. He does not believe in directing every details since control is the premise on which most management is based, giving up control is harder than it seems. This result to continually, fearlessly, asking why. Semco apparently makes money and success by letting it happen. He believes in competitive advantage, he is clear about why he does what he does, and every one fits in with the fact that it works.

* 1. Effective corporate governance is essential if a business wants to set and meet its strategic

goals. A corporate governance structures combines controls, policies and guidelines that drive the organization towards its objectives while also satisfying stakeholders need the way the business is directed. Good governance will ensure sensitivity to the needs of the society, the balance of interest from different parties, transparency with the business environment and will assist in establishing high principles that drive good code of conduct according to ethical and equitable values. (David, C. & Shahla, S. 2010. Corporate Governance and Risk Management.bookboon.com). It contributes to Semco’s business success; it makes him aware of making sound decisions that are for the good of the organization, shareholders and stakeholders.

Semco corporate governance is internal mechanism; the foremost set of control for a corporation comes from its internal mechanism. This control monitors the progress and activities of the organization and takes corrective action when the business goes off track. Maintaining the corporation larger internal control fabric they serve internal objectives of the corporation and its internal stakeholders, including employees, managers & owners. Semco’s objective includes smooth operations, clearly defined reporting lines & performance measurement system. Internal mechanism includes oversight of management independent audit, structure of the board of directors into level of responsibility segregation of control & policy development. Semco has the following characteristics: active search for new opportunities, power is in the hand of one man, strategy moves forward the large, bold decisions made in the face of uncertainty, growth and performance is the goal motivation from achievements. The framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company’s relationship with its all stakeholders (financiers, customers, management, employees, government, and the community).

Semco addresses the followings in the corporate governance it adopted creativity of sustainable value, ways of achieving the overall organization goals, efficient & effective management, ensuring a responsive and accountable corporation, increasing credibility, increasing shareholders satisfaction, ensuring efficient use of resources, controlling performance, facilitating sustainable performance, increasing the firm’s market value, increasing the rating of the firm, increasing competitive advantage, reaching new markets and attracting better personnel/employees.

The corporate governance framework consists of (1) explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards, (2) procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and (3) procedures for proper supervision, control, and information to serve as a system of checks and balances. Corporate governance is intended to increase the accountability of your company and to avoid massive disasters before they occur.

**Principles of Corporate Governance**

* **Shareholder recognition** is a key to maintaining a company’s stock price. Good corporate governance seeks to make sure that all shareholders get a voice at general meetings and are allowed to participate.
* **Stakeholder interests** should also be recognized by corporate governance. In particular, taking the time to address non-shareholder stakeholders can help your company establish a positive relationship with the community and the press.
* **Board responsibilities must be clearly outlined** to majority shareholders. All board members must be on the same page and share a similar vision for the future of the company.
* **Ethical behavior** violations in favor of higher profits can cause massive civil and legal problems down the road. Underpaying and abusing outsourced employees or skirting around lax environmental regulations can come back and bite the company hard if ignored. A code of conduct regarding ethical decisions should be established for all members of the board.
* **Business transparency** is the key to promoting shareholder trust. Financial records, earnings reports and forward guidance should all be clearly stated without exaggeration or “creative” accounting.

Good governance has four principles which are (a) Transparency, which means it needs to be apparent to all governance procedures (b) Accountability, which means that reporting structures must be clear (c) Responsibility, which means that someone must be accountable for all parts of the effect- a clear chain of actions required (d) Fairness, which means that the system must operate impartially and without prejudice. According to David, C. & Shahla, S. (2010:14)

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* 1. International business and international company. These terms imply business across national boundaries and operations in more than one country. They are generic terms, and the different types of international operations that bring international companies together can be better characterized by specific terms such as “sourcing of raw materials”, “exporting of products into foreign markets”, “joint ventures”, “licensing agreements”, “outsourcing of products and services”, “strategic alliances”, or even “taking equity positions in overseas ventures without significant management involvement”.(Peng 2013)

Growth is an important part of business enterprises and also represents a survival imperative. The competitive pressures and the need to keep and strengthen their position in the market, force enterprises to stay on permanent alert and explore opportunities to achieve advantage over competitors and expand beyond the limits of their domestic markets.

The expansion of Carlsberg’s into the global market place becomes a necessity not only because of the confines and limitations of their domestic markets but also because in a globalized world the market share in the domestic market becomes threatened by foreign competitors. Several specific factors drive enterprises to seek business development and growth through international and global operations, namely market, cost and competitive factors, and the international business environment.

* Market factors. The information and communication technologies, the massive development of international tourism, the widespread cultural exchanges and the improvement of living standards in a number of developing countries resulted in the emergence of consumer groups in different countries and regions of the world with comparable educational backgrounds, lifestyles, purchasing power, needs for goods and services, and aspirations to quality standards.
* Cost factors. Market leadership compels companies to invest heavily in R&D and innovation to develop new products or to improve and differentiate existing products. A single domestic market would not allow Carlsberg to achieve economies of scale and to break even on such costs, hence the need to project operations with the global market in mind.
* Competitive factors. One of the reasons for it to pursue global strategies is to keep or gain advantage over competitors in foreign markets and to stave off competition in the home market.

Several interorganizational formations emerge when Carlsberg search for new efficiencies and competitive advantages while avoiding both market uncertainties and hierarchical rigidities.

The principal dimension ordering this classification is that, from bottom to top, collaborating firms experience increasing integration and formalization in the governance of their interorganizational relationships. Governance refers to combinations of legal and social control mechanisms for coordinating and safeguarding the alliance partners’ resource contributions, administrative responsibilities, and division of rewards from their joint activities. A strategic alliance involves at least two partner firms that: (1) remain legally independent after

the alliance is formed; (2) share benefits and managerial control over the performance of assigned tasks; and (3) make continuing contributions in one or more strategic areas, such as technology or products (Yoshino and Rangan 1995:5). These three criteria imply that strategic alliances create interdependence between autonomous economic units, bringing new benefits to the partners in the form of intangible assets, and obligating them to make continuing contributions to their partnership. Different alliance forms represent different approaches that partner firms adopt to control their dependence on the alliance and on other partners. The strategic alliance forms in Table 1 are also associated with different legal forms, which enable firms to control the resources allocation and the distribution of benefits among the partners. (Knoke 2001: 121-128)

**Table 1.**

**Varieties of Inter-organizational Relations**

**HIERARCHICAL RELATIONS**

**ACQUISITION OR MERGER**, one firm takes full control of another’s assets and coordinates actions by the ownership rights mechanism

**JOINT VENTURES**

Two or more firms create a jointly owned legal organization that serves a limited purpose for its parents, such as R&D or marketing

**EQUITY INVESTMENTS**

A majority or minority equity holding by one firm through a direct stock purchase of shares in another firm

**COOPERATIVES**

Coalitions of small enterprises that combine, coordinate, and manage their collective resources

**R&D CONSORTIA**

Inter-firm agreements for research and development collaboration, typically formed in fast-changing technological fields

**STRATEGIC COOPERATIVE AGREEMENTS**

Contractual business networks based on joint multi-party strategic control, with the partners collaborating over key strategic decisions and sharing responsibilities for performance outcomes

**CARTELS**

Large corporations collude to constrain competition by cooperatively controlling production and/or prices within a specific industry

**FRANCHISING**

A franchiser grants a franchisee the use of a brand-name identity within a geographic area, but retains control over pricing, marketing, and standardized service norms

**LICENSING**

One company grants another the right to use patented technologies or production processes in return for royalties and fees

**SUBCONTRACTOR NETWORKS**

Inter-linked firms where a subcontractor negotiates its suppliers’ long-term prices, production runs, and delivery schedules

**INDUSTRY STANDARDS GROUPS**

Committees that seek the member organizations’ agreements on the adoption of technical standards for manufacturing and trade

**ACTION SETS**

Short-lived organizational coalitions whose members coordinate their lobbying efforts to influence public policy making

**MARKET RELATIONS**

Arm’s-length transactions between organizations coordinated only through the price mechanism

Carlsberg’s globalization strategy was as a result of variety of reasons, which can be categorized into proactive motivations and reactive motivations.

* *Proactive motivations.* These are the reasons why Carlsberg want to and decide to go global. Proactive motivations basically result from the assertion that the company has developed a technology in the form of a process, a product, a service or a business concept that has a competitive advantage and the potential to win a position in the global markets.
* *Reactive motivations. Carlsberg* may need to think of entering foreign markets as a reaction to changes in the domestic economy, in the market conditions or in the competitive scenario.

Implication: Internationalization is undertaken with caution as a stepwise process involving a strategic planning as well as a risk minimization approach.

Foreign markets, as compared to domestic markets, usually have significant differences in various areas that companies have to consider:

* Political, social and cultural factorsmay have a bearing on the practical ways of conducting business and on the characteristics of Carlsberg’s products that will be acceptable to local consumers, bearing in mind their social and cultural values, beliefs and attitudes.
* Local and related international lawsdetermine what it can and cannot do: the relations with the labor force, the level of taxation in the foreign country and the taxation of foreign earnings in the home country, and the possibility or the security of operations in certain countries.
* Geography and natural conditionsand their impact on business should be assessed; the difficulty of access to landlocked countries or geographical obstacles like mountains or deserts may represent burdensome additional costs and risks.
* Infrastructure and manpowerfor example, the availability of roads, ports, telecommunications and skilled labor are also important elements that influence the distribution and manufacturing costs and the ability to manage operations

There are many reasons why Carlsberg collaborated, for example to gain market knowledge and benefit from the distribution potential of a local firm, to access other companies’ technological capabilities, and to share costs and risks in forward-looking research and development programmes. It focused on strategic alliances and joint ventures, Inter-firm collaboration arrangements ranging from loosely organized alliances to tightly structured contractual agreements as, is the case in joint ventures which was a good approach used by Carlsberg in penetrating and gaining easy entry in which strategically he takes over at the long run.

Carlsberg engaged in **equity alliances** as a form of collaborative arrangement in which it eventually takes an ownership position in the partner. Through equity alliances and even in cases of minority ownership (which are usual), it seek a certain measure of control of companies that are important to them, for example, sharing designs, engineering and parts; ease of market entry; and the development of new products and systems. One motivation for equity alliances may also be the desire to solidify other inter-firm collaboration arrangements, such as supplier-buyer contracts, which are more difficult to break within the framework of an equity alliance, particularly when the ownership is large enough to secure a management position in the partner company. In a generic sense, equity alliances could be regarded as a particular form of joint venture which Carlsberg adopted in several instances.

Carlsberg engaged in **Merger and Acquisitions** where two companies are of equal strength they merge to form a new corporate hierarchy, and when one is dominant over the other , the dominant company buys or acquires and absorbs the other into its own corporate hierarchy. Carlsberg used this as a channel to expand at the expense of other. This was a nice strategy since it was able to minimize his cost if purchased was made at the fair price but sometimes this may as well have an adverse effect is purchase was done at higher price and if proper diligence was not properly carried out. Carlsberg adopted it in several instances.

Carlsberg also engaged in **joint ventures** which he eventually takes over. The term “joint venture” is not used consistently in international business practices. Essentially, the term “venture” means an undertaking involving chance, risk or danger, and the term “joint venture” means a “joint undertaking”, and parties in international business transactions tend to describe different kinds of joint efforts to achieve a common aim as a “joint venture”, which then appears as synonymous with other kinds of collaborative agreements; for example, the concept of equity alliance earlier could fit this broad definition.

The “joint ventures” are of a specific character, and will be simply to present some of the key features of the joint venture option as a form of foreign market entry strategy.

A joint venture is the long-term participation of two or more companies in an enterprise in which each party contributes assets, has equity participation, and shares risk. Sometimes parties do not even provide a time limit for the duration of their contracts, the assumption under which they are established being that they will jointly run the undertaking for as long as the venture is viable. (Daniels, 2004).

* 1. Global strategy that sustains 500 brands is not right. Rationalization is a sociological term that simply means the substitution of logically consistent rules for traditional rules. One of the fundamental aspects of it is that almost any task can (and should) be rationalized. Fewer brands rationalization is a powerful technique to improve profits, free valuable resources, and simplify operations and supply chains. It does this by rationalizing existing brand to eliminate or outsource products and product variations that are problem prone, don’t "fit" into a flexible environment, have low sales, have excessive overhead demands, are not really appreciated by customers, have limited future potential, may really be losing money.

**Pareto’s Law for Product Lines**

All companies experience some Pareto effect, typically with 80% of profits or sales coming from the best 20% of the products. This happens because almost all companies keep adding products to the portfolio without ever removing any. To buttress my point, sales incentives and emphases on growth and market share encourage the mantra "take all orders," thus overloading production operations and the supply chain with too many low-volume products that have unusual parts and manufacturing procedures. This causes excessive overhead costs, lowers plant capacity, dilutes manufacturing resources, and complicates supply chain management.

Few companies realize these problems because their cost systems allocate (average) overhead costs, which imply that all products have the same overhead costs.    Product line rationalization encourages companies to focus on their best products by eliminating or outsourcing the marginal products. The resources that were being wasted on the low-leverage products can then be focused on growing the "cash cows."

The following scenario shows the power of this methodology using the simple example. If a company kept the 20% of the product line that was making 80% of the profits, and dropped the other 80% of the product line, it would result in only a 20% drop in revenue. However, dropping 80% of the worst products would eliminate 80% or more of overhead and distribution costs because those products are built infrequently with less common parts on older equipment using sketchy documentation by a workforce with little experience on those products. Further, those products may be less well designed for manufacturability and have much higher quality costs.

If overhead and distribution costs are half of total cost, eliminating 80% of those costs will cut total costs in half. If profits were originally 10%, dropping revenue by 20% and cutting costs in half would result in over three times the profit!

The actual procedure divides the product line in to four zones: The least profitable products would be dropped. Products that need to be in the catalog would be outsourced, thus simplifying the supply chain and manufacturing operations.

The cash-cows would remain and the balance would be improved with a better focus in product development, operations, and marketing. Because these products no longer need to subsidize the "losers," they can now sell for less.

The combination of better focus and lower overhead changes will soon restore the "lost" revenue from the dropped products.

**The Value of Product Rationalization.**If Carlsberg rationalize its facilities and focus on fewer brands,Eliminating or outsourcing *low-leverage* products will ***immediately:***

* **Increase profits** by avoiding the manufacture of products that have low profit or are really losing money because of their high overhead demands and inefficient manufacture/procurement
* **Improve operational flexibility** because, typically, low-leverage products are inherently different with unusual parts, materials, set-ups, and processing.
* **Simplify Supply Chain Management.**Eliminating the products with unusual parts and materials will greatly simplify supply-chain management.
* **Free up valuable resources** to improve operations and quality, implement better product development practices, and introduce new capabilities like build-to-order & mass customization.
* **Improve quality** from eliminating older, infrequently-built products, which inherently have more quality problems than current, high-volume products that have benefited from continuous improvement and current quality programs and techniques.
* **Focus on most profitable products** in product development, manufacturing, quality improvement, and sales emphases. Focusing on the most profitable products can increase their growth and the growth of similarly profitable products.

According to Richard Koch, writing in *The 80/20 Principle*

"If you focus on the most profitable segments, you can grow them surprisingly fast -- nearly always at 20 percent a year and sometimes even faster. Remember that the initial position and customer franchise are strong, so it’s a lot easier than growing the business overall."

* **Protect most profitable products** from "cherry picking" (launching a competitive attack on the most profitable products), which is becoming more common as "virtual," cyberspace enterprises skim off the most profitable products.
* **Stop cross-subsidizes.** Remaining products will no longer have to subsidize the "dogs" and so they can generate more profit or offer a more competitive selling price.

Carlsberg will confirm that a focused application rationalization effort will typically result in substantial cost savings while improving support for the lines of business. These savings are too large to ignore.

Carlsberg’s must effectively manage the value of both existing and proposed applications, as with any strategic initiative, it is important to build a strong business case before proceeding on the application rationalization journey. Rationalization ensures that its investments are in sync with changing business needs and trends. At the technology level, it improves the overall effectiveness of technology, ensuring that technology is not a reactive function anymore—no longer playing “catch-up” with the business. At the business level, rationalization allows you to do more with less and helps you achieve your overall business objectives.

2.3 When Carlsberg is analyzing investment decisions, it must consider in any detail the largest

investment decisions that most firms make, i.e., their acquisitions of other firms. Carlsberg’s

largest investment of the last decade was not a new brewery but its acquisition of various brewery in Asia, Europe and Indian. At the time of the acquisition, Carlsberg's managers were

optimistic about the merger, claiming that it would create substantial value for the

stockholders of both firms. Firms are acquired for a number of reasons. Through time, firms have also acquired or merged with other firms to gain the benefits of synergy, in the form of either higher growth, as in the Carlsberg acquisition of Hong Kong, or lower costs.

Acquisitions seem to offer firms a short cut to their strategic objectives, but the process has its costs. The four basic steps in an acquisition, starting with establishing an acquisition motive, are continuing with the identification and valuation of a target firm, and following up with structuring and paying for the deal. The final, and often the most difficult, step is making the acquisition work after the deal is consummated.

Acquisitions or takeovers, refers to a number of different transactions. These transactions can range from one firm merging with another firm to create a new firm to managers of a firm acquiring the firm from its stockholders and creating a private firm. There are several ways in which a firm can be acquired by another firm. In a **merger**, the boards of directors of two firms agree to combine and seek stockholder approval for the combination. In most cases, at least 50% of the shareholders of the target and the bidding firm have to agree to the merger. The target firm ceases to exist and becomes part of the acquiring firm; In a **consolidation**, a new firm is created after the merger, and both the acquiring firm and target firm stockholders receive stock in this firm. In a **tender offer**, one firm offers to buy the outstanding stock of the other firm at a specific price and communicates this offer in advertisements and mailings to stockholders.

There is a one final category of acquisitions that does not fit into any of the four described above. Here, a firm is acquired by its own management or by a group of investors, usually with a tender offer. After this transaction, the acquired firm can cease to exist as a publicly traded firm and become a private business. These acquisitions are called **management buyouts**, if managers are involved, and **leveraged buyouts**, if the funds for the tender offer come predominantly from debt.

Summarizes the various transactions and the consequences for the target firm.

A firm can be acquired by (A) Another firm (1) Merger: Target firm becomes part of acquiring

firm; stockholder approval needed from both firms.

(2) Consolidation: Target firm and acquiring firm become new firm; stockholder approval needed from both firms.

(3)Tender offer: Target firm continues to exist, as long as there are dissident stockholders holding out. Successful tender offers ultimately become mergers. No shareholder approval is needed.

(4)Acquisition of assets: Target firm remains as a shell company, but its assets are transferred to the acquiring firm. Ultimately, target firm is liquidated

(B) Its own managers and outside investors:

(1) Buyout: Target firm continues to exist, but as a private business. It is usually accomplished with a tender offer.

Acquisitions can be friendly or hostile events. In a friendly acquisition, the managers of the target firm welcome the acquisition and, in some cases, seek it out. In a hostile acquisition, the target firm’s management does not want to be acquired. The acquiring firm offers a price higher than the target firm’s market price prior to the acquisition and invites stockholders in the target firm to tender their shares for the price.

In either friendly or hostile acquisitions, the difference between the acquisition price and the market price prior to the acquisition is called the **acquisition premium**. The **acquisition price**, in the context of mergers and consolidations, is the price that will be paid by the acquiring firm for each of the target firm’s shares. This price is usually based upon negotiations between the acquiring firm and the target firm’s managers. In a tender offer, it is the price at which the acquiring firm receives enough shares to gain control of the target firm. This price may be higher than the initial price offered by the acquirer, if there are other firms bidding for the same target firm or if an insufficient number of stockholders tender at that initial price. There is one final comparison that can be made, and that is between the price paid on the acquisition and the accounting book value of the equity in the firm being acquired. Depending upon how the acquisition is accounted for, this difference will be recorded as goodwill on the acquiring firm’s books or not be recorded at all.

**Evidence on the Value Effects of Takeovers**

Many researchers have studied the effects of takeovers on the value of both the target and bidder firms. The evidence indicates that the stockholders of target firms are the clear winners in takeovers –– they earn significant excess returns not only around the announcement of the acquisitions, but also in the weeks leading up to it. An increase in the stock price of the target firm prior to the takeover announcement, suggesting either a very perceptive financial market or leaked information about prospective deals.

Some attempts at takeovers fail, either because the bidding firm withdraws the offer or because the target firm fights it off. Bradley, Desai,and Kim(1983) analyzed the effects of takeover failures on target firm stockholders and found that, while the initial reaction to the announcement of the failure is negative, albeit statistically insignificant, a substantial number of target firms are taken over within 60 days of the first takeover is failing, earning significant excess returns (50% to 66%). Excess returns represent returns over and above the returns you would have expected an investment to make, after adjusting for risk and market performance.

The effect of takeover announcements on bidder firm stock prices is not as clear cut. Other indicate that approximately half of all bidding firms earn negative excess returns around the announcement of takeovers, suggesting that shareholders are skeptical about the

perceived value of the takeover in a significant number of cases.

If Carlsberg is faced with an acquisition motive, there are two key things to be considered. The first relates to why it was identified a potential target firm for an acquisition and The second is the more concrete question how to value its firm,

· If the motive for acquisitions is under valuation, the target firm must be undervalued. How such a firm will be identified depends upon the valuation approach and model used. With relative valuation, an undervalued stock is one that trades at a multiple well below that of the rest of the industry, after controlling for significant differences on fundamentals.

· If the motive for acquisitions is diversification, the most likely target firms will be in businesses that is unrelated to and uncorrelated with the business of the acquiring firm. Thus, a cyclical firm should try to acquire counter-cyclical or, at least, noncyclical firms to get the fullest benefit from diversification.

· If the motive for acquisitions is operating synergy, the typical target firm will vary depending upon the source of the synergy. For economies of scale, the target firm should be in the same business as the acquiring firm. For functional synergy, the target firm should be strongest in those functional areas where the acquiring firm is weak. For financial synergy, the target firm will be chosen to reflect the likely source of the synergy – a risky firm with limited or no stand-alone capacity for borrowing, if the motive is increased debt capacity, or a firm with significant net operating losses carried forward, if the motive is tax benefits.

· If the motive for the merger is control, the target firm will be a poorly managed firm in an industry where there is potential for excess returns. In addition, its stock holdings will be widely dispersed (making it easier to carry out the hostile acquisition) and the current market price will be based on the presumption that incumbent management will continue to run the firm.

· If the motive is managerial self-interest, the choice of a target firm will reflect managerial interests rather than economic reasons

3.1 Stakeholder management is critical to the success of every project in every organization by engaging the right people in the right way; it can make a big difference to its success. Stakeholder Management is an important discipline that successful people use to win support from others. It helps them ensure that their projects succeed where others fail. Stakeholder Analysis is the technique used to identify the key people who have to be won over and use Stakeholder Planning to build the support that helps to succeed.

The benefits of using a stakeholder-based approach are that he can use the opinions of the most powerful stakeholders to shape its projects at an early stage. Not only does this make it more likely that they will support him, their input can also improve the quality of the project

Gaining support from powerful stakeholders can help him to win more resources – this makes it more likely that its projects will be successful

By communicating with stakeholders early and frequently, he can ensure that they fully understand what he was doing and understand the benefits of the project – this means they can support him actively when necessary

He can anticipate what people's reaction to the project may be, and build into their plan the actions that will win people's support.

How to Use the Tool (Olander, & Landin, 2005).

Identify Your Stakeholders

The first step in his Stakeholder Analysis is to think of whom his stakeholders are, think of all the people who are affected by his work, who have influence or power over it, or have an interest in its successful or unsuccessful conclusion.

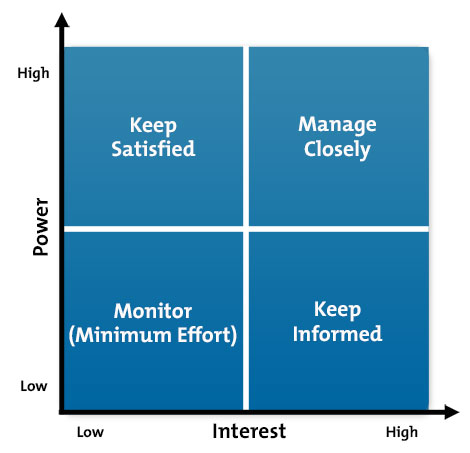
The table below shows some of the people who might be stakeholders in your job or in your projects:

|  |  |  |
| --- | --- | --- |
| Your boss | Shareholders | Government |
| Senior executives | Alliance partners | Trades associations |
| Your colleagues | Suppliers | The press |
| Your team | Lenders | Interest groups |
| Customers | Analysts | The public |
| Prospective customers | Future recruits | The community |
| Your family |  |  |

**Prioritize Your Stakeholders**

He must ascertain the list of people and organizations that are affected by his work. Some of these may have the power either to block or advance. Some may be interested in what he is doing, others may not care.

**Figure1: Power/Interest Grid for Stakeholder Prioritization**



For example, your boss is likely to have high power and influence over his projects and high interest. His family may have high interest, but are unlikely to have power over it.

Someone's position on the grid shows the actions he has to take with them:

High power, interested people: these are the people he must fully engage and make the greatest efforts to satisfy.

High power, less interested people: put enough work in with these people to keep them satisfied, but not so much that they become bored with his message.

Low power, interested people: he must keep these people adequately informed, and talk to them to ensure that no major issues are arising. These people can often be very helpful with the detail of his project.

Low power, less interested people: he must monitor these people, but he must not bore them with excessive communication.

**Understand Your Key Stakeholders**

He needs to know more about his key stakeholders. He needs to know how they are likely to feel about and react to his project. He also need to know how best to engage them in his project and how best to communicate with them.

Key questions that can help him understand his stakeholders are:

What financial or emotional interest do they have in the outcome of his work? Is it positive or negative?

What motivates them all?

What information do they want from him?

How do they want to receive information from him? What is the best way of communicating his message to them?

What is their current opinion of his work? Is it based on good information?

Who influences their opinions generally, and who influences their opinion of him? Do some of these influencers therefore become important stakeholders in their own right?

If they are not likely to be positive, what will win them around to support his project?

Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

A very good way of answering these questions is he should talk to his stakeholders directly – people are often quite open about their views, and asking people's opinions is often the first step in building a successful relationship with them.

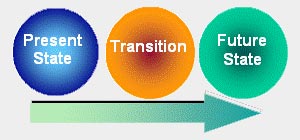
3.2 Transformation planning is a process of developing a strategic plan for modifying an enterprise's business processes through the modification of policies, procedures, and processes to move the organization from an "as is" state to a "to be" state. (Freeman, 2010).

Change Management is the process for obtaining the enterprise intelligence to perform transformation planning by assessing an organization's people and cultures to determine how changes in business strategies, organizational design, organizational structures, processes, and technology systems will impact the enterprise.

**Ghosn Roles & Expectations:** Ghosn is expected to be able to assist in formulating the strategy and the plans for transforming a customer's engineering/technical organization, structure, and processes, including the support to that organization. Ghosn is expected to recommend interfaces and interactions with other organizations, lead change, collaborate, build consensus across the Renault support and other stakeholders for the transformation, and to assist in communicating the changes. To execute these roles and meet these expectations, Renault system are expected to understand the complex, open-systems nature of how organizations change, and the importance of developing the workforce transformation strategies as a critical, fundamental, and essential activity in framing a project plan. Renault engineers must understand the social processes and other factors (e.g., leadership, culture, structure, strategy, competencies, and psychological contracts) that affect the successful transformation of a complex organizational system.

The objective of organizational change management is to enable organization members and other stakeholders to adapt to Ghosn's new vision, mission, and systems, as well as to identify sources of resistance to the changes and minimize resistance to them. Organizations are almost always in a state of change, whether the change is continuous or episodic. The change creates tension and strain in Ghosn's social system that her must adapt to so that it can evolve. Transformational planning and organizational change is the coordinated management of change activities affecting users, as imposed by new or altered business processes, policies, or procedures and related systems implemented by the sponsor. The objectives are to effectively transfer knowledge and skills that enable them to adopt the new vision, mission, and systems and to identify and minimize sources of resistance to the new changes.

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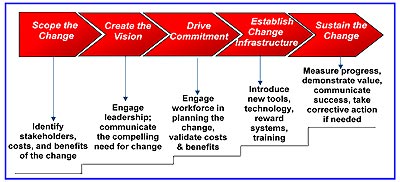


Organizational Transition Model

As shown above, the discipline of organizational change management (OCM) is intended to help move an organization's people, processes, and technology from the current "as is" state to a desired future "to be" state. To ensure effective, long-term, and sustainable results, there must be a transition during which the required changes are introduced, tested, understood, and accepted. People have to let go of existing behaviors and attitudes and move to new behaviors and attitudes that achieve and sustain the desired business outcomes. That is why OCM is a critical component of any enterprise transformation program: It provides a systematic approach that supports both the organization and the individuals within it as they plan, accept, implement, and transition from the present state to the future state. (Bolanle, Olanrewaju &Muyideen, 2012)

Navigating the Change Process:

Renault systems engineers need to assess change as a process and work in partnership with Ghosn to develop appraisals and recommendations to identify and resolve complex organizational issues. The change process depicted below is designed to help assess where an organization is in the change process and to determine what it needs to do as it moves through the process.



. An Organizational Change Process

By defining and completing a change process, Renault was able to define and document the activities that must be managed during the transition phase. Moving through these stages helped ensure effective, long-term, and sustainable results. These stages unfold as an organization moves through the transition phase in which the required transformational changes are introduced, tested, understood, and accepted in a manner that enables individuals to let go of their existing behaviors and attitudes and develop any new skills needed to sustain desired business outcomes.

3.3 Change is rarely if ever an easy process, especially within an organization. In order for organizational change to be successful, it should possess four main characteristics. First, is a vision? People must be able to picture what the change will be and know how they as individuals will fit in to the new system. Second, is a purpose? This answers "why," justifying the need for change. Third, change must have a strategy, providing information on when, where and how it will be implemented. The fourth and final characteristic of successful change is leadership. Those people who drive change within an organization are called change agents.

Change agents are critical to how change will be implemented and accepted within the organization. Those leading the charge should demonstrate both technical and social skills. On the technical front, they must be knowledgeable about the particular process being changed, as well as how it interacts with and affects other processes within the organization. This builds their credibility as leaders. In addition to technical expertise, change agents should also have strong social skills. Effective leaders will be able to define and communicate what is expected to each person within the organization in a non-confrontational and non-threatening way. In effect, change agents have to sell change throughout the organization.

Change agents need a firm understanding of other disciplines within the organization and must be diplomatic in their interactions with them, willing to ask tough questions and influence policy wherever appropriate. They must also be trustworthy and thick-skinned enough to face criticism and resistance to change. Finally, they should be effective in communicating, practicing, facilitating and training for the organization’s new and improved way of being.

One of the key tasks for change agents is to form a strategy for the implementation of change. Development of this strategy—important if change is to succeed—usually follows six steps. First, pick something that is easy and possesses widespread organizational support, perhaps even where the solution has already been implemented elsewhere. Second, make it a grass roots effort and build momentum for the change among employees. While the journey can be made on the change agent’s shoulders, without the support of the rest of the organization they won’t get very far. Third, identify as many of the potential "hot buttons" of your audience as possible. Fourth, translate the solution to reflect how the change will satisfy each of their needs, especially those regarding cost, quality, service and speed. Fifth, if possible, select the best timing for the change to take place; perhaps where there is down-time in production. Finally, as the agent, participate in the change yourself.

A person who implements organizational change must wear many different hats.   Effective change agents demonstrate extraordinary versatility within a broad skill set.  The following are some of the roles performed by Ghosn which made him the ideal change agent.

1. He has common sense and the courage to use it
2. Creativity.
3. The ability to do very unstructured work
4. A wide range of business experience.
5. Credibility & trust.
6. Knowledge of a range of management tools & how each tool is used in difficult situations.
7. Superb facilitation skill
8. Design skills
9. Coaching skills
10. Love for innovation & new ways of doing things
11. A sense of humor
12. Bringing out the magic within every individual & every team.

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