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The organizational model and the human resource management as drivers for an acquisition process: the Everis case.

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Table of contents

Introduction

Economy is based on a complex mix of structures and conventions and responds to defined mathematical laws. At the same time however it can never be fully understood unless the intrinsic complexity of psychological and sociological phenomena are taken into account. Companies are organisms that pursue objectives of efficiency, growth and functionality in a systematic way but they can also be seen as an ensemble of people that cooperate providing knowledge and capabilities to reach specific goals.

Tangible assets such as machinery, buildings and inventory are undoubtedly essential to the existence of economic entities and represent a big part of the value of the organizations itself but their value is dramatically affected by knowledge, know-how, models and management capabilities that are uniquely provided by the individuals who populate the company. These represent the intangible assets.

In this thesis I have tried to deepen these concepts within the context of business acquisitions. My objective is to demonstrate that the organizational model and the human resource management are effective drivers that influence a company's decision when evaluating the possibility of an acquisition.

In particular I have conducted my research by analyzing the specific case of the acquisition of the Latin American company Everis by the Japanese company NTT Data and in order to proceed with my reasoning I have addressed the following topics in the three main chapters.

Chapter one illustrates the organizational structure from a macro and micro point of view, the various types of organizational models and how each one can be suitable for different kinds of companies, the human resource management and effective tools for the empowerment of human resources and finally how the local culture can dramatically influence the organization.

Chapter two focuses on the concept of acquisition and analyses the acquisition process in all its phases. In particular it examines the reasons for acquisitions, the main steps to a winning one including strategic analysis, negotiation and post-acquisition integration and finally it studies the anatomy of acquisitions that fail.

Chapter three studies the real case of the acquisition of Everis by NTT Data and makes use of the considerations made in the previous two chapters to verify the effectiveness of the process and to prove the truthfulness of my research hypothesis.

1. Organizational models and human resource management as a key to success

An organization is a social entity guided by goals and projected like a system of activities deliberately structured and coordinated to interacts with its surroundings.

Organizations are not buildings or a series of procedures. They are represented and formed by people and by the relations they have with one another. Interaction is the main way of practicing functions useful to accomplish goals.

The primary reason why organizations exist is because they are a means to reach set goals. It could be said that the final goal may vary from organization to organization, but in general what organizations aim at is to coordinate all their resources to achieve their purposes.

The people in charge of the coordination are the managers, who connect people with one another and with resources. The criteria with which these people are usually connected through is by *Business Unit* (also called *functional Area* or *division*) which represents a segment of the company where the functions between the people are connected and operate in the same sector. Although, the majority of the organizations worldwide try to coordinate work horizontally in order to obtain a major coordination between the different parts of the company. By having people in different functional areas collaborating, the business unit barriers are overcome and are made more flexible. This is a direct consequence of the fact that organizations need to react quickly to impulses from the outside by providing services as rapidly as possible and to adapt to the outside environment that changes very quickly.

Interactions not only happen in the inside of organizations. A very important part of this exchange happens with people from the outside such as clients, suppliers and in many cases also with competitors. It might sound strange at first sight but the exchange of information and resources with competitors, process also known as "open innovation", works towards a model that is capable of enhancing the value of innovation. This process demonstrates how this very unique way of operating in between firms can provide a strategic approach that might enable the organization to protect its innovation capabilities from the risk of severe resource rationalizations during crisis periods and by giving them the possibility to replicate them one the downturn is over.

1.1 Key organizational dimensions

The main way of understanding organizations is by studying the characteristics that explain their main features and the features of the organizational structure.

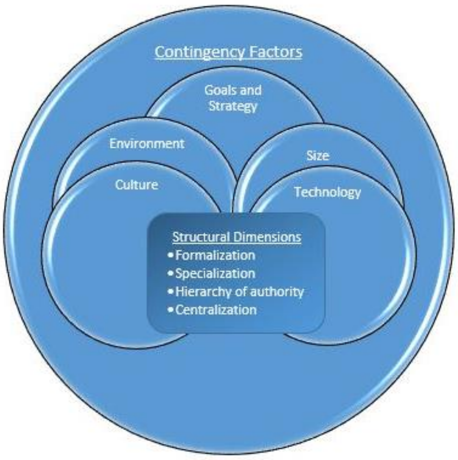

Figure 1. Structural dimensions and contingency factors. Source: Majdak R., Dimensions of organization design.

In figure 1 are shown two types of organizational dimensions: the Structural Dimensions and the Contingency Factors. The first ones are the base to measure and confront different organizations with one another. They describe the internal characteristics of the organization. An example could be the "number of" something, the "size of" something, sales, etc.
The Contingency factors, on the other hand, are more complex elements that influence structural dimension. For example the dimensions of the organization, the technology, the culture and so on. They are part of the organizational landscape and they effect and shape the various structural dimensions of it.
It is important to analyze the single parts of the two components that have just been mentioned to better understand how the organizations are formed.
The structural dimensions are formalization, specialization, hierarchy of authority and centralization.
Formalization refers to the quality of the documentation written that regards the organization. This comprehends procedures, manuals and all other documents that describe the behavior and the activities carried out by it. It can be easily measured by simply counting the number of pages that form the documents and the more the material, the more formalization in the company.

Specialization is the degree to which a single task is divided into a distinct number of people. If one single person manages to carry out a task from the beginning to the end there is little specialization. On contrary, if a task is divided between different people who have different knowledge there is a more definite specialization.

Hierarchy of authority describes to whom the various people report to inside the organization and the span of control of the managers. It is related to how flat the organization is defined. The flatter, the shorter hierarchy an organization will have and wider the span of control will be.

Centralization refers to the level of hierarchy that corresponds to the authority who makes decisions. When decisional activity is restricted to high levels, the organization is centralized. When decisions are delegated to lower organizational levels by empowering them the organization is considered decentralized.

With regards to the contingent factors there are five of them and these are culture, environment, goals and strategy, size and technology. It is important to study and understand these factors once the structural dimensions are understood to full comprehend organizations.

Culture is the set of values, knowledge, rules that are considered to be fundamental for the organization and that are shared by each of its components.

The *environment* includes all the external elements that adjoin the organization. Key elements are the economic sector, the administration, clients, suppliers and the financial community. The environmental element that usually conditions the organization the most are other organizations.

The *goals and strategy* of the organization define the purpose and the competitive techniques which make a company different from another. Usually the goals of an organization are written down as a declaration of intents. Strategy, on the other hand, is an action plan that describes the allocation of resources and the plan defined to reach specific goals.

Size can be measured either referring to the whole organization or to specific parts of it (such as employees or turnover).

Lastly *technology* that refers to the tools, techniques and actions put in place to transform the organization's input into output. It regards the way in which the organization creates products and services for clients.

The listed structural dimensions and contingency factors are all considered to be interdependent since they affect one another. For example an organization that has big dimensions (contingency factor) will very unlikely have obsolete technology (other contingency factor). The fact that one of the two factors is greatly developed has a result that

it is necessary that the second factor is also strengthened. This is a necessary condition for the organization to work and function correctly and efficiently.
These factors and dimensions leak a lot of information regarding the company and information on the differences there are with other ones.

1.2 Effective organizational planning: macrostructure and microstructure

The organizational structure refers to the different levels of the organization of the company. You refer to macrostructure when speaking about an organization as a whole, you refer to microstructure when speaking about distinct positions of the job. The microstructure in particular refers to the organization of the executive work. There also is an intermediate level of the organizational structure called mesostructure. This term refers to the organization of some units half way in between the structure of the whole organization and the structure of the single jobs.
On a macrostructure level the most common organizational models are the functional, divisional, geographic area and matrix models.
Before we approach the single models it is necessary to give a definition of organizational structure.
An organizational structure has three major components:

1. It indicates the formal relationships between the components of the organization as well as the number of hierarchical levels and the span of control of the managers and supervisors.
2. It identifies the organizational units
3. It creates systems that are capable of assuring correct communication and coordination.

These three elements refer to both vertical and horizontal aspects of an organization. The first two have a vertical connotation because they represent the structural framework. The last one has to do with interaction between employees of the same level so from a horizontal perspective.

1.3 Organizational models

Once the activities of the job and the organizational units have been defined, the next step regards the way in which these are organized hierarchically in the organization.

The organizational structure is commonly represented by an organigram which is a visual illustration of the organizational system: it shows the various parts of the organization, how these are related and shows how every position and unit is part of a whole. They are considered to be especially useful nowadays that the organizations are more and more complex and need to be managed efficiently.

Here is an example of an organigram:

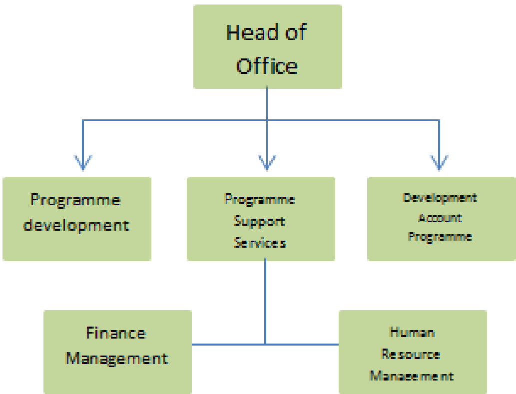

Figure 2. Example of organigram. Source: cured by the author.

The vertical links symbolize the control of a part of the organization over another, the horizontal links represent collaboration and coordination.

The organizational structure facilitates the communication between employees and units. This kind of communication is necessary to complete assignments.

The vertical connections are used to coordinate the activities that are carried from the apex and the base of the organization. They are useful for control purposes. The employees who are at lower levels are delegated to carry out an assignment and the managers need to be aware of how the activities are fulfilled and of the results brought out.

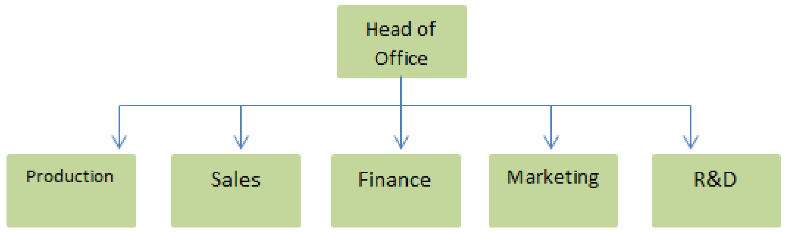

Figure 3. Simple vertical structure. Source: cured by the author.

There are various mechanisms to monitor the activities from the summit to the base (vertically) among which we can find the hierarchical relations, rules and strategic plans and lastly informative systems.

The hierarchical relations, also called *command structure*, is a way of categorizing roles inside an organization. In case the lower level employees are facing problems or having an issue with a particular matter, they address the uncertainties to a higher-level manager who will give a useful opinion or resolution to the problem.

The *rules and strategic plans* are another mechanism of coordination usually used in recurring settings. In these kinds of scenarios it is possible for the organization to write down guidelines, rules and procedures to follow to manage their tasks. This methodology homogenizes processes and is very commonly used when having to do with budget. With the help of accurate budget plans employees are able to allocate financial resources following the plan without having to worry about mistakes.

Last but not least, the *vertical informative plans* are utilized when incrementing the flow of information navigating vertically inside the company. These plans include periodic reports that make it possible to the apex to delegate tasks to the employees and receive the necessary information periodically to keep up efficiently.

On the other hand, the horizontal connections make it possible to overtake the barriers in between the business units and optimize coordination. This kind of coordination is very much developed in small businesses and less in big businesses where the amount of people working is higher.

Also in this case there are effective mechanisms used for horizontal coordination: informative systems, liaison roles, task forces, full-time integrators and teams.

Horizontal *informative systems* ensure communication between same level activities and are conceptually very similar to the vertical ones.

An efficient method is to have *liaison roles* in the organization. They represent a direct contact between both managers and employees and same level employees and are positioned in business units specifically as a coordinators with the other units.

In case coordination is needed not only between two different units but for a bigger number of units, the best tool that should be used is a *task force*. Both temporary or permanent, they are placed in organization when it is necessary to deal with issues that require the presence of more authorities. By solving issues through horizontal coordination they avoid overloading of tasks the higher authorities.

Full-time integrators create a position or a unit whose role is exclusively to coordinate. These units or people are usually referred to as project managers, program managers, brand managers and so on. Differently from the previously listed roles, full time integrators are not part of a specific unit but are positioned as independent organ or person designated to horizontal coordination.

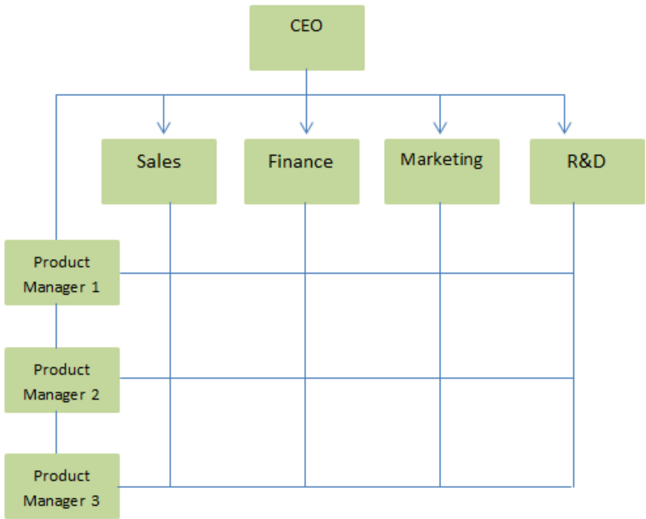

Figure 4. Organigram with full-time integrators. Source: cured by the author.

Lastly *teams*, considered to be the strongest mechanism of horizontal coordination. They represent permanent task forces and are commonly used in joint with full-time integrators.

The most common structures in organizations are the functional and the divisional.

In the functional structure, also known as U-form, the activities are grouped based on common functions both at the apex and at the base of the organization. This particular structure is known for the fact that the knowledge and the human capacities on specific activities are consolidated, giving the organization a very profound knowledge. It is recommended in situations in which the achievement of goals is strictly related to experience and knowledge in the field. Moreover it is commonly applied to organizations where the hierarchy is strict and in which efficiency plays a crucial role. This is also one of the few structures in which horizontal communication and cooperation does not assume a fundamental role.

The main strengths of the functional organizational structure are:

1. Enables the development of profound knowledge and capacities
2. It facilitates the economies of scale in the functional units
3. It is preferable in situations in which the organization offers only one or few products
4. It enables the organization to pursue functional goals.

The presence of economies of scale implies that the more the production the less the unitary costs related to it. This point makes this structure very preferable to others (in the environmental conditions listed above).

The weaknesses of this structure on the other hand are:

1. Little ability to adapt to changes
2. It may overload the apex of the organization with decisions to make
3. It generates less innovation
4. Little cooperation horizontally
5. It implies a restricted vision of the organizational goals.

The main weakness of the structure has to do with the slowness of it to change adaptation.

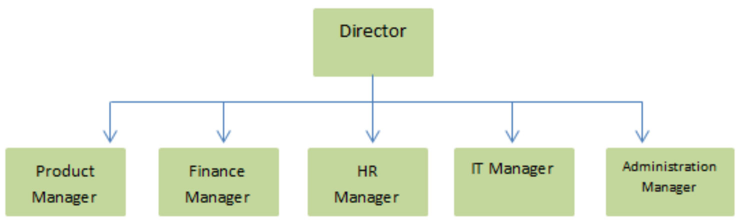

Figure 5. Organigram of functional structure. Source: cured by the author.

The functional structure is still the structure mostly in use between organizations. The environment though is highly variable and it is unlikely for businesses to be winning if they apply it strictly. For this reason the organizations balance out the vertical functional hierarchy establishing horizontal connections. The managers favor and implement coordination by instituting horizontal coordination mechanisms.

The divisional structure, also denominated M-form, makes it possible to organize separate divisions in a decentralized form, each one of which is responsible of the single products, services, divisions and so on. This structure can also be called structure by product or strategic functions. The distinctive trait of this structure is that the organization is based on the output.

The main difference between a divisional and functional structure is that the second one aims at managing separate groups of products while the first one promotes flexibility and change since the units are smaller and more adaptable. Moreover the divisional structure is decentralized, meaning that decisions are not necessarily taken by managers entirely, while the functional structure is centralized and channels decisions to the apex before they actually reach the rest of the organization.

The main strengths of the divisional structure are:

1. It easily adapts to environmental changes
2. Great coordination between the various divisions
3. Adaptability of the units to product, geographical and client changes
4. Decentralizes the decisional process.

With regards to the weaknesses, the divisional structure:

1. Does not leverage economies of scale
2. Has a scarce coordination between production lines
3. Does not permit specialization
4. Doesn't help the integration and standardization between the production lines.

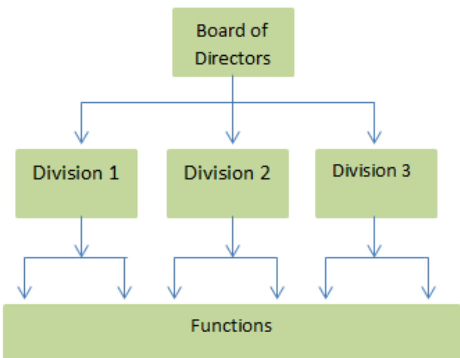

Figure 6. Organigram of divisional structure. Source: cured by the author.

Another very commonly used organizational structure is the one per geographical area. The various clients and regions that are served by the company might have very different needs. For this reason the organization units are divided by geographical area to meet everyone's needs. Every geographical unit will include all the functions needed to achieve the desired output. Being this kind of structure ascribable to the divisional one, the strengths and weaknesses are mostly the same as the divisional structure. This particular structure is very prone do adapt to the necessities of the areas and clients served and can the objectives tend to be regional rather that national. The horizontal coordination is between regions rather than between nations due to the structure's characteristics. Please find an organigram of the structure here:

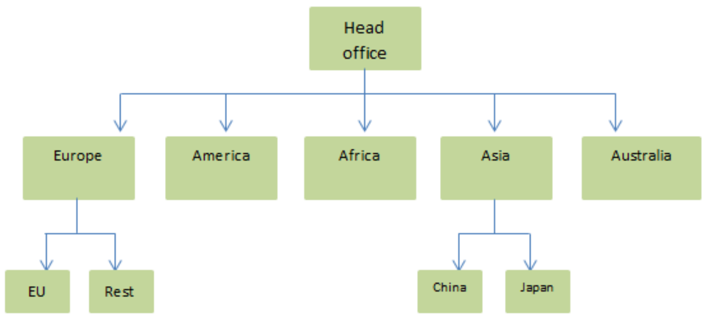

Figure 7. Organigram of a geographical structure. Source: cured by the author.

The last kind of structure that will be mentioned is the matrix structure. Sometimes the organizational structure has the need to be both focused on the products and geographic area at the same time. The necessity of having both these aspects emphasized leads to this kind of structure that represents an optimal way of giving space to both these aspects. It is commonly used when both the technical experience and innovation of the product are important to reach the organizational goals, and also it is usually used when organizations feel that none of the listed above structures suits their business best. The main characteristic of the matrix is that it has a very strong horizontal coordination. Both the division by products and the functional structure are simultaneously implemented.

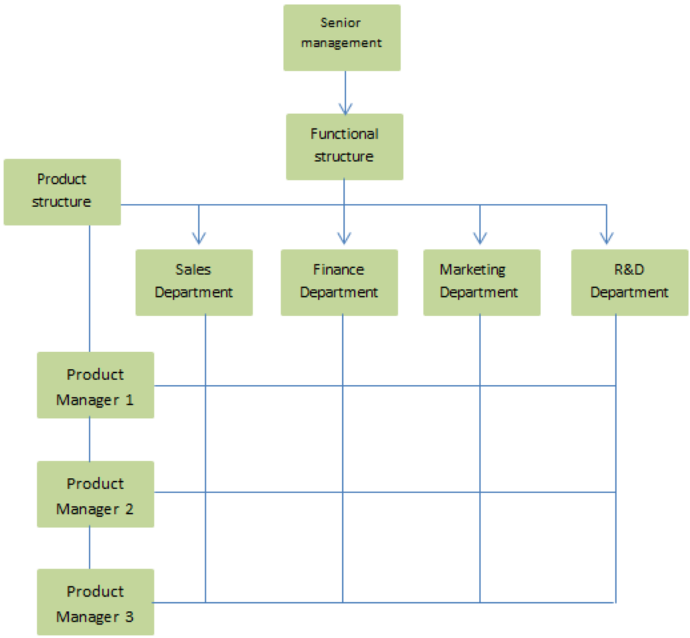

Figure 8. Organigram of the matrix structure. Source: cured by the author.

Being a very peculiar structure it is necessary that particular conditions are respected when applying it to an organization.

First thing is that sharing is necessary when it comes to machines and employees in charge. What might happen is that the company does not have enough financial resources to hire an engineer full time for each production line, so each engineer will be assigned a part time job for different projects or products.

The second condition is that since this specific structure is composed by both a functional and a divisional structure, it is necessary that each end (divisional and functional) has an authority in order to balance everything out.

Lastly, coordination and high interdependence between the various units is very important given that the external environment is continuously changing.

As mentioned in the conditions, balance is a key characteristic when it comes to the matrix structure and a lot of organizations find it very challenging to fulfill it. For this reason, two different types of matrix structures have emerged: the functional matrix and the product matrix. In the first one, the managers of the functions have higher power compared to the other authorities in the organization and the product managers simply have a coordination assignment. In the second one it is the other way around so the functions managers have coordination roles and the product managers represent the highest authority.

The strengths of this structure are the following:

1. When there are dual request from the clients end, this structure is able to fulfill them
2. It makes it possible to have sharing resources
3. It easily adapts to complex decisions and frequent changes in the environment
4. It is preferably used in big organizations in which more than one product is produced

As per the weaknesses:

1. It has a double authority, which might result frustrating and could create confusion
2. It implies that all the participants have good communication and interpersonal skills
3. It requires confrontation through frequent meetings to solve possible contrasts
4. It requires an effort to keep the structure balanced.

1.4 Connecting organization and strategy

The organizational objective is a desired state that the organization seeks. It is an expression of how the organization needs to evolve in the long term to meet its goals. To do this, it is important to give details on what needs to be done over time.

In order to reach this objective the organization needs to define the strategic intent which includes the *mission, competitive advantage and the distinctive competencies.* The last step is the definition of the structure of the organization depending on the previous steps.

The *mission* of an organization summarizes its vision, reason being and core values. It is a formal declaration of the business goals that the organization is working to reach. One of its main purposes is to function as a communication tool since it transmits to all the main actors of the business (such as clients, investors, suppliers and competitors) the goals of the company.

The general aim of the strategic project though, is to obtain a sustainable competitive advantage. In a very competitive environment such as the business one, it is necessary for an organization to have a trait that everyone identifies the company with and through which the company satisfies the customer's needs. Moreover, it is a plus when the organization manages to do something better than its competitors, meaning it has a distinctive competency.

The general objectives and the mission of a company lead to the definition of more specific objectives that the company needs to pursue such as the operational objectives. This category distinguished six environments in which setting objectives results fundamental.

Performance objectives, for instance, is usually represented by profitability in the case of profit-making businesses. In the case of *resources*, the objectives have to do with the

acquisition of the necessary financial and physical resources that the company needs. The *market* objectives regard the market position desired by the organization. Also the *staff development* objectives that has to do with the training and growth of the employees and managers. Lastly, the *productivity*, that regards the amount of output created with the resources and indicated with productivity indicators, and *innovation and change*. In particular the objectives that regard innovation and change have to do with the speed at which the organization is able to change and adjust itself to the external environmental changes.
Both the official and the operational objectives are fundamental to the organization even though they have different purposes. The official objectives and the mission outline a value system for the organization and define a final goal and a vision; the operational ones represent the company's principal tasks. The first ones legitimate the existence of the organization, the second ones are more explicit and well defined. The primary reason for which objectives are set in organizations, is that they give a direction to employees and managers working in the environment. Studies have demonstrated how precise and well defined objectives can significantly raise the performance of the staff in companies. This happens because people appreciate and like measuring their effort and having the possibility to work towards a set goal. However, working to reach a specific goal implies that there needs to be guidelines to follow; this is actually the second reason that explain the existence of objectives. Adequate objectives can provide a decision making process that guides the staff member through its path.

Until this moment we studied about the elements that are considered to be necessary in an organization for its existence. All these components we mentioned (like objectives and the strategic plan) are important because they set targets for the company's staff and help achieve the desired outcomes. Although, to complete the picture it is important to mention the strategy. The organizational strategy is a plan that has the intent of guiding the organization through the competitive environment and through the achievement of targets. In fact, objectives define towards where the organization is going, while the strategy defines how the organization is going to achieve it.
Michael E. Porter, an academic known for his theories on business and economics, studied a large number of organizations and arrived to the conclusion that managers have the possibility to make the organization lucrative and less vulnerable by following a *cost leadership* or a *differentiation* strategy.

In a differentiation strategy scenario, the company decides to compete by offering unique products and services at a *premium price* and by strongly distinguishing their products or services from the ones their competitors offer. This strategy is particularly effective when the target customer segment is not price-sensitive and has very specific needs which are possibly under-served. If the company is able to provide the service or product because of its unique capabilities and resources, this strategy can strongly reduce the competition in the market and lead to great success since there is less likelihood to find substitute products.
Although the effectiveness of this strategy, managers need to consider that putting this plan in action requires a lot of expenses on research, planning and promotion.
The second strategy theorized by Porter is the cost leadership strategy. What this strategy does is trying to increment the number of clients by lowering the price of the product or service compared to the competitors. To pursue this strategy organizations really focus on the optimization of efficiency of the machinery, carries out drastic cost reductions and makes everything as efficient as possible to create better products than the ones of the competitors. Stability is a characteristic of the business that undertake this particular strategy. A cost leadership position implies that the organization has higher profits compared to competitors because of its efficiency and its lower operating costs.
Both the strategies mentioned can be pursued in either broad or narrow competitive environments, meaning that the organizations can decide to concentrate on a market in general or on a specific group or customers. For example Walmart and Family Dollar both use a cost leadership strategy. The difference between these two though is that Walmart operates in a global market while Family Dollar aims at a broader market segment.
Another kind of business strategy has been developed by Miles and Snow. Their idea is based on the fact that the managers who are looking for a strategic plan for their businesses that also work with the external environment and is congruous to it. Organizations in fact seek strategies that have coherent characteristics to the outside surrounding. The four strategies these two academics believe can be applied are four: defender, prospector, analyzer and reactor strategy.
Organizations that implement a defender strategy aim at defending their market and products or services from outside competitors. Other than this, these organizations do not try to innovate but try to hold on to their current customers without seeking for growth. The main focus is on trying to offer a restricted amount of products or services but with great efficiency and reliability. This strategy can be particularly suitable for static markets.

On the other hand, there is the exact opposite: the prospector strategy. The organizations that carry out this strategy are innovative, assume risks and continuously look for new opportunities that will make them grow. This strategy is obviously suitable for very dynamic environments.

The third strategy option Miles and Snow suggest is the analyzer strategy, which is put in action by organizations that attempt to maintain their current business while at the same time trying to innovate in another business. This strategy positions somewhere between the first two mentioned above. Some products and services will be addressed to particularly stable markets, others will be targeting new environments.

Lastly, the reactor strategy. Organizations that follow this strategy have no consistent strategy-structure relation. Rather than establishing a fixed strategy, they put in action an ad hoc one for each threat or opportunity.

These strategies theorized by the two academics have been extensively applied and studied to verify their validity.

But how do strategies influence the organizational structure? And moreover, what are contingent factors that influence the organization's structure?

Strategic decisions affect the internal characteristics of the organization and these characteristics are there to support the structure and the competitive approach.

It is very important, once the management has put in place the strategies, to understand whether these are effective and efficient in the business. Different structure, as we have already said, are suitable for different environments and applying the wrong strategy to the wrong environment can be problematic.

When speaking about efficiency from an organizational point of view we are referring to whether the organization is capable or not to reach its goals. This is a very wide concept that implies a series of variables . For this reason two other terms need to be taken into account: efficiency and effectiveness.

Effectiveness measures the quantity of objectives that have been indeed reached, both official and operative. *Efficiency*, on the other hand, refers exclusively to the functioning of the organization and implies a relation between the inputs and the outputs of the company. If a certain company is capable of generating a bigger amount of output than another one and they are using the same amount of input, the first organization will be considered more efficient than the second one.

Sometimes efficiency may lead to effectiveness, in other cases they are not related at all. An organization might in fact be highly efficient but at the same time unsuccessful in reaching its objectives.

Effectiveness can difficultly be measured in organizations, but there are four different approaches that could be utilized: the approach based on resources, on internal processes, on objectives and on strategic constituents.

The resource approach is based on the fact that organizations that detain valuable resources have a competitive advantage if compared to others.

This approach is assessed based on the obtainment and management worthwhile of the resources. It turns out to be appropriate in situations in which it is difficult to obtain other performance indicators like it could happen in non-profit organizations.

The approach based on internal processes effectiveness is measured with the internal efficiency of the organization. An efficient organization works so that the processes result to be fluidly working and the various activities are harmonized with one another. This approach does not consider the external environment at all but exclusively the internal one. The indicator used is the economic efficiency and for this reason it is considered to be highly considerable. It is often associated to the concept of human resources. Many authors such as Argyris, Bennis and Likert have studied the close relation between efficiency in an organization and its human relations. This might be the reason why nowadays most managers believes that happy, satisfied and highly involved in the organization's activities are an effective way to point out the efficiency of the company.

Thirdly, the approach based on objectives consists in the identification of output objectives and the measure to which they have actively been reached in a certain period of time. It is a reasonable approach since in companies the main goal is the creation of output for the market. The indicators used to measure its efficiency are the profitability, the growth of the business, social responsibility and the quality of the product. The reason why there is a variety of indicators is because most organizations have a variety of objectives. This approach is mainly used in businesses that create easily measurable outputs.

Lastly, the strategic constituents approach. Organizations have a variety of stakeholders who have different kinds of expectations. It is unlikely to have the same level of satisfaction for all the stakeholders and for this reason this approach measures the efficiency of the organization by taking into consideration the satisfaction of the main stakeholders only. If the satisfaction of various groups of people inside the organization (the key stakeholders such as clients, employees, suppliers) is being pursued, it will probably mean the company has reached most of its objectives and can be considered efficient. The satisfaction of each group of stakeholders is measured according to their personal concerns.

Until now we have talked about the different kinds of strategies that an organization can decide to undertake to reach the goal of being successful. But how does an organization decide whether the strategy they have undertaken is either successful or not? There are two main models to do that: the *competitive analysis,* that privileges the external environment and the *resource-based view,* that is based on the internal environment monitoring.
The first one, of which we have extensively written about in this first chapter, is mainly moved by the considerations and studies carried out by Michel Porter who believed that organizations create competitive advantage by adopting a strategy in harmony with the outside environment. This is the reason why in this scenario it is fundamental for the organization to know everything about the main characters with which they deal and to know everything about the market and environment in which they act. In this particular analysis the conduct and the outcome of the organization closely depend on the structure of the organization and of the outside sector. In fact, the most important implication having to do with the competitive analysis, regards the fact that the main interest is given to the analysis of the sector and of the competitors. There are the key elements to which the organization needs to pay attention and closely monitor in order to create an internal structure that will lead to a winning ending. This perspective makes it so that what happens inside the company is closely related to what is the outside structure and everything is a direct consequence of it. For this reason, it is very noticeable that the internal aspects, and in particular people, aren't given the right amount of attention in the framework.
On the other hand, in fact, there is the resource-based view for the creation of a competitive advantage of the company. This moves form a completely opposite perspective, giving most of the importance to what happens in the inside of the organization and focusing on not letting competitors penetrate the market or by limiting their actions. Internal resources are the main source of advantage and for this reason this is an analysis that studies the internal characteristics of the organization and of the people who work in it to figure out the unique characteristics they own that make the company winning.

1.5 Human resource management

In the HR literature, there are a series of models and approaches that demonstrate how a strategic approach to the human resource management can lead the organization through a winning process if supported by an effective organizational strategy.

The HRM (human resource management) is a bundle of policies, programmes, plans and activities that organizations adopts in order to exploit at a maximum level the human resources present in their company and support the organization in the realization of its objectives. It includes every aspect of the HR chain going from the recruitment and selection techniques, to all the rules and regulations that determine how people are treated as employees in the organization environment. Accepting a strategic approach for the human resource management thought doesn't only mean creating a relation between the human resources and the obtainment of the organization's goals, it also means finding a way of measuring the extent to which the investments made in HRM approaches have impacted the company. This is a very important practice because it makes it possible to identify what are the best HRM practices that give the organizations the best results.

Human resource management is nowadays seen as a source of competitive advantage. Although, to create value, it is important for the organizations to find a way of exploiting what is rare and difficult for competitors to imitate in order to create a true advantage. Sources such as technology, economies of scale, financial resources and natural resources are what is commonly seen from organizations as what gives them advantage compared to other companies. An aspect that should be considered, although, is that these kinds of resources are increasingly easy to imitate and reach.

The effectiveness of the strategy of the organization, in this scenario, is made possible by the capacity of the people of whom it's made up of to combine in a unique way their resources and giving a potential advantage.

When speaking about resource-based view, there are two resources that are considered to give advantage to a company: tangible and intangible. While the first ones are, as previously mentioned, potentially at the reach of every company, the intangible ones are the singular qualities of the staff members (also referred to as skills) that make the employees capable of collaborating, interacting with one another and giving a great advantage to the whole firm.

As a result there will be the creation of distinctive competences, also referred to as *core competences*, which are developed by the company at their advantage. Following the resource based view strategy, the organizations should:

- Concentrate on giving value to their internal resources
- Create an adequate environment to fully leverage their resources
- Have organizational competences in order to have the previous two bullets fully figured out.

This model, differently from Porter's, gives great importance to the capability of managers to identify, combine and develop the organization's resources instead of simply thinking of the strategic positioning in the competitive framework.

Having recalled in this chapter the various strategies organizations undertake and the importance of the HRM, it is necessary to find out what is the relation between these two important components in the organizations. The way in which the organization decides to coordinate these elements has implications on the way in which the staff relations are organized, the relevance the human resource practices are given, the roles that are involved in the human resource management and the competences required to the managers and HR professionals in the various situations.

1.5.1 Effective tools for the empowerment of human resources

According to Karen Legge, there are two different approaches in the relation between strategy and HRM: the *hard* and the *soft* one.

She defined the hard model as "a process emphasizing the close integration of human resource policies with business strategy which regards employees a resource to be managed in the same rational way as any other resource being exploited for maximum return".

In contrast she defined the soft model as "a model in which employees are valued as assets and as a secure source of competitive advantage through their commitment, adaptability and high level of skills and performance".

While in the first one the HRM is seen as an activity that has to be integrated with the strategy, the second model emphasizes how people can represent competitive advantage and be an active part in the creation of the organization's strategy. These two approaches given by Legge reflect the models theorized by Golden and Ramnujan in 1985 called the "administrative linkage", the "one way linkage", the "two way linkage" and "interpretive linkages" models.

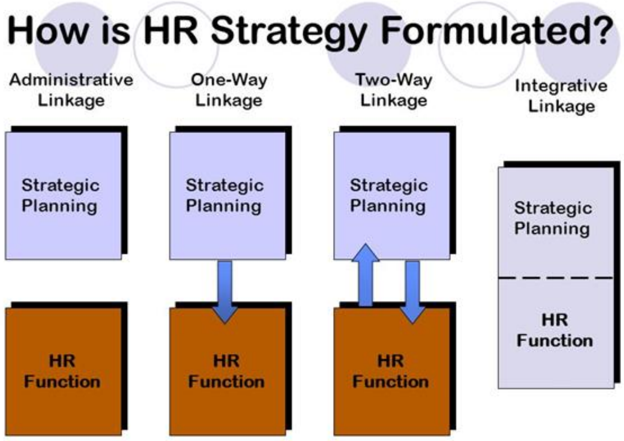

Figure 9. Legge's linkages. Source: Golden K., Ramanujam V., Between a dream and a nightmare. On the integration of the human resource function and the strategic business planning process.

In the first model there is very little or no linkage between the human resource management and the strategy of the organization.

In the second one the linkage follows sequentially from a strategic business planning to HR. In this model though, HR is considered to be a resource rather than a strategic asset.

In the two way linkage model, information flows in two ways: from HR to business planners and vice-versa.

Lastly, in the interpretive linkages model the level of communication involves frequent and dynamic interaction between the two parts. In this last model the HR manager is a party to all strategic decisions.

The resource-based view, which is based on the idea that organizations should look at their insides (HR in particular) to find competitive advantage, shares its basic idea with the *Strategic Human Resource Management* (SHRM) which represents a meeting point between the strategy literature and the HRM literature. Studies related to the SHRM bring up the idea that a correct management of the human resources can be decisive for the organization's success and maximize the mutual benefit of employment for both the employee and the employer.

1.5.2 Performance management

Strictly related to the HRM subject is the performance management and evaluation.
The only way of ensuring that goals are being met in an effective way is by measuring the performance of the staff members and managers. *Performance management* focuses on assigning and determining the value of staff and operations within the organization. It is a "process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organization". There are multiple situations in which in organizations there is a necessity of estimating the value of something. For example, estimating the contribution an employee has had in a project.
Performance management has three main purposes:

1. *Organizational-strategic*: the evaluation aims at increasing the value of the organization and guarantee its functionality
2. *Motivational*: it is necessary to recognise and enhance the value and contribution of staff
3. *Development*: to support staff career advancement by increasing their personal and professional value.

When evaluating staff members it is necessary to take into account different aspects. There are various parameters through which an employee can be evaluated such as the position he or she covers, the performance, the competences and the potential, but each of these can be seen from both a personal appreciation point of view or a professional appreciation point of view. It is very important to balance out the personal and professional aspects when trying to find a balanced evaluation of a staff member.
Performance evaluation is considered to be the most difficult form of evaluation. This is because evaluating the contribution of a person is the managerial activity that carries emotions with it the most. For this reason, if practiced in the wrong way, performance appraisal could become demotivating and lead to conflict.
The object of evaluation, when referring to performance management, are the results obtained by the staff member in a specific amount of time. Results are related to both the organizational behaviour adopted and the performance obtained and these are reasonably related to position covered in the organization.
The reasons why objectives represent the key benchmark in the performance evaluations are:

- Objectives can serve as motivators for carrying out an excellent job
- It makes it possible to have a *goal setting* mechanism

- Specific objectives lead to higher performance
- Challenging objectives lead to better performance
- Once a standard has been reached the next step is to set a higher one.

Moreover, studies suggest that the more the objectives are specific, measurable, achievable, relevant and time related, the more people are pushed to pursue them.

Also the measurability of the objective makes it easier to evaluate it when performance has to be judged.

On a personal level, the performance management's aim is to develop the capability of responding to the manager's requests to create a value for both the staff member itself and the organization.

From an organizational point of view, on the other hand, the aim is to enrich the capabilities of the organization as a whole, guarantee higher levels of performance and reach the business goals that have been previously set by the management.

In fact, performance management creates a link between personal and organizational objectives by leveraging strategic communication, connections, evaluation and development.

The creation of a balance between evaluative purposes and development purposes is without any doubt the biggest challenge. The measurement is only a small part of this system that aims at managing the whole organization.

Even though it is a continuous process in time, the performance management calls for some steps that represent benchmarks in the process. It is important to: define a time period, identify the object that is being evaluated, deciding who to involve in the process, picking the evaluation techniques and defining a way of communication.

1.5.3 Reward management

The whole point of tracking staff performance and measuring it is to ensure a correct functioning of the organization and to remunerate the staff member who contributes to adding value to it. The complexity of today's business environment has imposed continually changing settings in which organizations compete for survival. As a result, special emphasis is placed on acquiring and retaining quality employees as this is seen as a key factor underpinning organizational success. The creation of an environment that satisfies the staff member is one of the most important prerogatives of the organizations since the job market is very animated. Pleasing employees is in fact considered to be a very important part of the management of the organizations. The job satisfaction depends on a variety of factors such as job environment conditions, colleagues, leadership style of the supervisors, retribution, sanitary assistance, flexible schedules and so on. The *two-factor theory* (also known as *Herzberg's motivation-hygiene theory* and *dual-factor theory*) states that there are factors in the workplace that cause job dissatisfaction (such as hygienic factors and maintenance) and other factors, also referred to as motivational factors, that cause satisfaction and motivation in the job environment.

Two categories act independently of each other: motivation (related to goal reaching, career advancement and the level of responsibility given as a staff member) and on the other hand rewards.

A study carried out by an academic named Judge shows how, surprisingly, the level of pay had little relation to either job or pay satisfaction. He indicated that in an organization the people who make more money are little more satisfied than the ones who make considerably less.
In periods of economic crisis in which the power of actual wage is very low and the fiscal pressure is very high, probably the increase of the salary will have an impact on the satisfaction related to the job and on the engagement with work. A completely different effect will be in place if the salary increase is given to someone who already has a high wage. In this second case there will likely be a weak relation between the salary increase and performance, given the fact that the person could already enjoy high retribution.
The figure shows how the increase of the retribution not always corresponds to a higher level of satisfaction in the working environment. It is easy to believe that if the life conditions are already satisfactory for a person, measures of remuneration nature will not have motivating effects and will not act in a significant way on the contributions the employee has to the organization. Then again, a different value is given to the wage increase when it will represent the obtainment of a change in the life conditions of the worker.

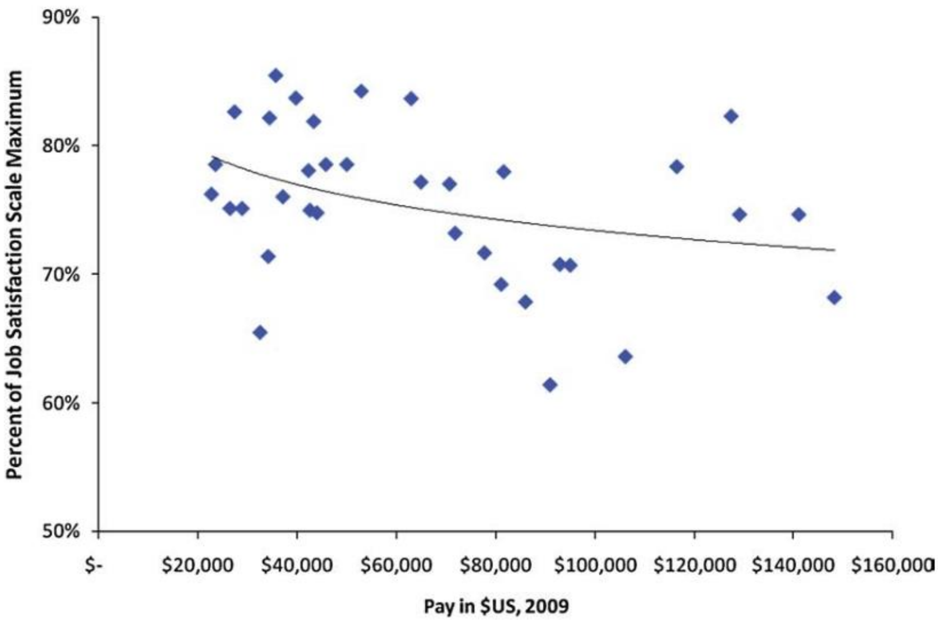

Figure 10. Relation between the job satisfaction and pay. Source: Savickas M.L., Journal of vocational behavior.

This study shows how important it is for organizations to understand the importance of rewards that can have both motivating effects on staff members or can remain indifferent to its condition.

In the work environment it is necessary to rule many factors that are combined in a dynamic way to have effects on the satisfaction, productivity, motivation and performance of employees. Studies on motivation suggest there are different kinds of rewards. The first distinction made is between *exogenous rewards* that derive from the outside and *endogenous rewards* coming from the inside.

The example mentioned before is a lesson of exogenous reward. Money and every other exogenous reward have their source from the outside environment and take shape in materialistic recognition. In other cases the source of gratification takes place in the inside of the staff member's mind because it stems from the pleasure they have of doing their job and completing tasks successfully. Self-realization and self-esteem are examples of reward factors coming from within.

Another distinction used in management is between financial and non-financial rewards. While the first kind is easily measurable or quantifiable (examples of this type are basic salary, bonuses, early age pension), the non-financial rewards refer to all the prizes and recognitions that are gratifying for the person because they leverage the attitude the person has towards his work. Some examples are positive feedbacks given by bosses or colleagues, positive working atmosphere, career advancement possibilities or training and education opportunities.

The reward system in organizations is therefore very broad. The managerial practices have made lots of progress towards this direction and many alternative systems, like the *total rewards system*, have been implemented. This particular approach consists in a management philosophy very attentive to exploiting and enhancing both the financial and endogenous rewards and the intrinsic and non-financial ones. Total reward is a term that has been adopted to describe a reward strategy that brings additional components such as learning and development together with aspects of the working environment into the benefits package (Armstrong & Brown, 2001). It goes beyond standard remuneration and it embraces the importance of the working environment and organizational conditions. This leads to the idea that the quality of a person's life is a very important factor to keep the motivation and productivity at work at high levels.

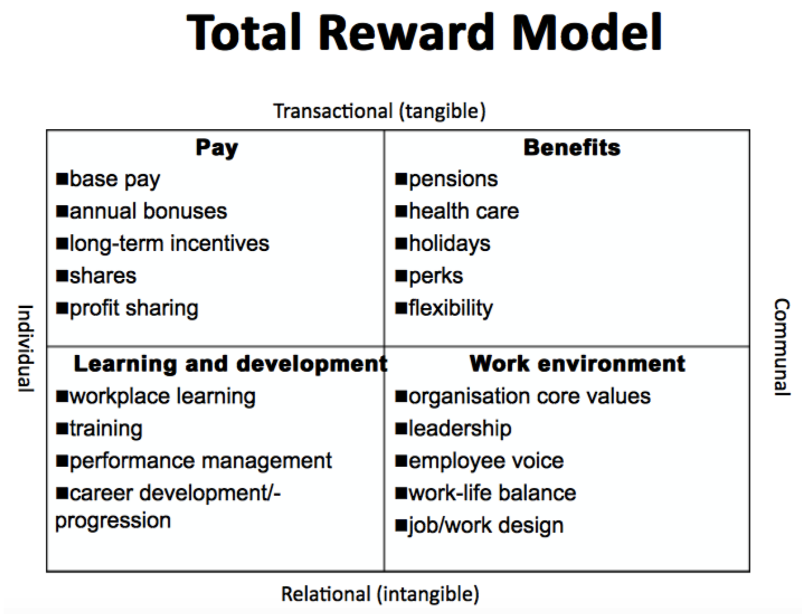

Figure 11. Total reward model. Source: slideplayer.com

Although the economic rewards are not the only kind of reward and might not be the most important type, it is very important not to underestimate its relevance. The most important issues that the management needs to administer are:

1. How much a person is going to be remunerated (*payment positioning*)
2. How to remunerate people that are in the same work positions (*wage structure*)

3. The variation of the compensation package, creating one that is a compromise between different kinds of retributions (*payment dynamics*)
4. The people in charge of keeping track of the remuneration system (*accountability*).

The *payment positioning* identifies how much an organization is willing to remunerate an employee compared to other similar organizations. Paying employees more than the competitors can be a decisive factor to guide the preferences of individuals, especially in markets where the competition is very high. This is a reasonable method to put in action when in these kinds of markets organizations want to attract the best human resources.
The *wage structure* identifies how to remunerate people that cover different roles in the organization. In other words organizations decide how much to pay every role, identifying the minimum wage and the maximum wage. It is a very important phase since it determines the perception of justice in the organization.
The evaluation of the variations of salaries is studied in the *payment dynamics.* The variations of an average wage could happen due to adjustments established by the contracts or by legislation or due to the change of management decisions taken inside the organization.
Lastly *accountability,* which controls the process through which managers determine the salary levels. This process has to be coherent with the organization's rules, policies and strategy.
As a reinforcement to the standard wage given to staff members based on the position they cover, in case of positive behaviour and contributions to the achievement of organizational objectives, companies usually integrate salaries with a variable retribution. From a strategic point of view it serves to incentivize and increase the involvement and commitment employees have towards their long term tasks. Following a positive performance, employees may receive a reward founded on merit judgement that is formed through an attentive study of the results and behaviours of the person with regards to the expected performance.

1.5.4 Individuals VS teams

The study of individual behaviour is very important in organizational contexts. It is useful not only to help in the managerial activities such as research and employee selection, but also to find the correct ways of motivating and increasing the value of staff members. For this reason, in the past years a new fundamental theme has risen in the organizational context: the *organizational behaviour.* Environment, the person, behaviour and consequences to the behaviour are the four key elements on which this theme is based on. These elements combine shaping the way a person is in the organizational context and activating consequences that are tangible for the company.

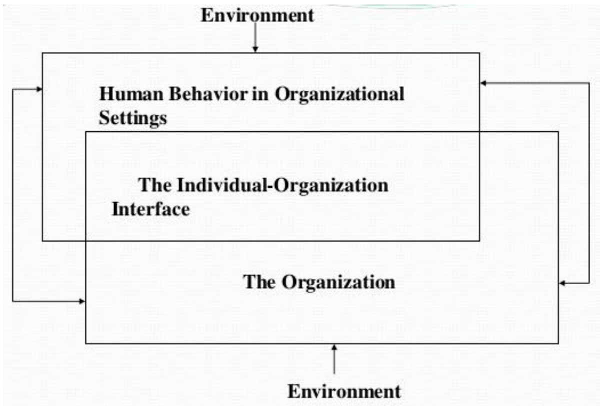

Figure 12. Organizational behavior. Source: slideshare.net

There have recently been numerous studies regarding the identification of types of people that are present in organizations. The most famous one, which studies personality traits and the way they interact within the organization, is the *Big Five* one also known as the *five factor model (FFM).* It classifies five different personality factors defined as *openness to experience, conscientiousness, extraversion, agreeableness* and *neuroticism.*
There has been a lot of research on how people describe others and five major dimensions of the human personality have been found through this model. There are often referred to the OCEAN model of personality, because of the acronym from the names of the five dimensions.

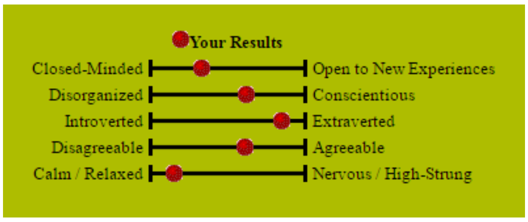

Figure 13. The five factor model (FFM). Source: outofservice.com/bigfive

Openness to experience: high scorers tend to be original and creative. Low scorers tend to be more conventional and down to earth.

Conscientiousness: high scorers are reliable and well organized while low scorers are disorganized and negligent.
Extraversion: high scorers are sociable while low scorers are introverted and reserved.
Agreeableness: high scorers are sympathetic and low scorers critical and harsh.
Neuroticism: high scorers are nervous and low scorers calm.
The big fives are used in organizations for personality assessments useful for selection purposes. The model has the advantage of being easy to understand and of immediate comprehension even to people who are not from the HR field.
It is important to consider that different types of personalities are present not only inside a single organization, but can be noticeable in between different organizations. This theme doesn't have to do with the personality of people itself, but mostly with the culture and surrounding environment.

1.6 The importance of culture to succeed

The *organizational culture* has to do with the values and behaviours that "contribute to the unique social and psychological environment of an organization". It manifests in the key assumptions that guide the organization and for this reason it is considered to be one of the main intangible factors that lead to success or failure of a company. Hofstede has been one of the pioneers in the cross-cultural research on groups and organizations. His most notable work has been the development of the *cultural dimensions theory*. It studies how values in the workplace are influenced by culture. He defines culture as "the collective programming of the mind distinguishing the members of one group or category of people from others". Professor Hofstede came up with six different dimensions of national culture: power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. The six dimensions represent independent preferences in terms of countries, rather than individuals like the studies examined previously, and are compared with dimensions of another culture. "The theory was one of the first quantifiable theories that could be used to explain observed differences between cultures".
The whole idea is based on the fact that a cultural value can be inserted into a six dimensions system. He has taken most of his evidence and data on world cultural values through surveys in IBM, a multinational information technology company. He has then proposed a scaling system in a scale from 1 to 120.

1. Power distance: according to Hofstede the distance from power indicates the extent to which the least powerful members of organizations and institutions (such as families) accept and expect that power is distributed unequally. This dimension does not measure the distribution of power in a culture, but analyses the way in which people feel about it. Low scores indicate that a culture accepts and expects that the power is distributed democratically and that organization members are seen as equals. High scores indicate that the least powerful members of society accept their condition and accept that they are in a hierarchically lower position with respect to others.
2. Individualism: "The level of integration of individuals in groups". This dimension refers to groups rather than individuals. Individualistic cultures give importance to the achievement of personal goals. In collectivist societies the objectives of the groups and its well-being are appreciated more that the single individual's.
3. Uncertainty avoidance: "The extent of tolerance of a society towards uncertainty and ambiguity". It measures the way in which an organization manages unknown situations, unexpected events and changes. Cultures with a high index score are less tolerant to changes and minimize the fear of the unknown through the application of laws and rules. Societies with low scores are open to change and have freer directives.
4. Masculinity: "The distribution of emotional rules between sexes". This index measures the importance given to sexual stereotypes (in males especially) like ambition, power and so on. High score cultures have relevant gaps between sexes.
5. Long term orientation: Defines the time frame of an organization. Cultures with a short term orientation are so that present and past are interrelated very much with one another and what cannot be done today will be done tomorrow. On the other hand cultures with long term orientation give more attention to the future rather than past and present. They tend to have an attitude focused on results.
6. Indulgence: Measures the capability of a culture to satisfy the immediate needs and desires of people who are part of it.

Hofstede likes to point out how the cultural dimensions are a scheme that helps in the evaluation of a culture and through which decisional processes can be best chosen. The dimensions do not permit to evaluate or predict individual behaviour and do not take into consideration individual personalities.

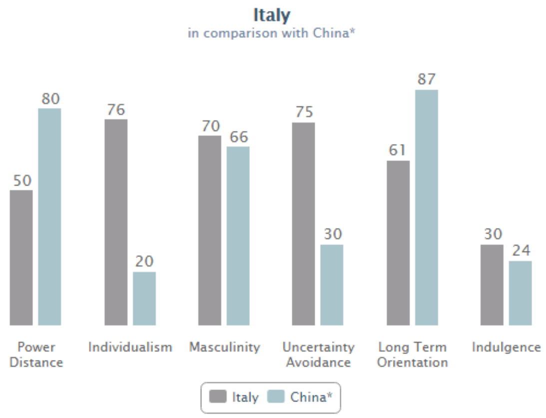

Figure 14. Hofstede's cultural dimensions. Italy in comparison with China. Source: geert-hofstede.com

1.7 How the local culture influences the organization

But to what extent does culture affect the strategy adopted and the outcome of companies? For example: could American management concepts work in Russia?

Dana McGinnis, president of San Antonio Capital Management, has stated that "if investors don't get in Russia now, they might as well never. The best buys are available now." Every day new firms join the already numerous American companies with Moscow-based operations.

However many Americans who have tried to pursue this objective have encountered serious obstacles probably due to the fact that Russian culture is significantly different from the American one and the Russian environment is considered to a be a very complex one.

An international business researcher says that: "foreign firms found the Russian business environment difficult because the concept of business that Westerners had was very different from the one that the Russians had after seventy years of controlled Marxist economy. The addition of cultural differences made for a demanding business climate".

It is very common to recognise that cross-national differences in managerial values can create big problems and are crucial in the global marketplace, where instead cooperation and understanding should be key elements for its functioning. These are the main reasons why many business people ceased to start businesses and companies in the Russian territory and understood that in order to create a successful one in that environment it would have been necessary to have a clear understanding of the differences in cultural and managerial values between the housing country and theirs. As mentioned previously, cultural traits also leak in the managerial style that businesses and managers use. The comprehension of the Russian mentality would then make it possible to determine what type of business could possibly be applied leading to a winning evolution. The six dimensions Hofstede came up with represent a very useful tool in this scenario to elucidate managers and understand if the process is feasible. Using the results of statistical tests along with the cultural dimensions a comparative analysis between America and Russia shows that there is a significant cultural difference between the managers from the two countries. American managers appear to be more individualistic and the power distance is lower along with uncertainty avoidance and political influence.

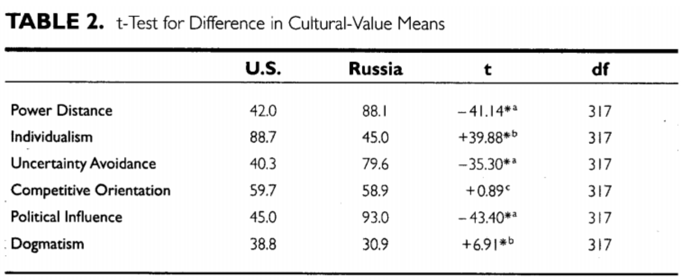

TABLE 2. t-Test for Difference in Cultural-Value Means

	U.S.	Russia	t	df
Power Distance	42.0	88.1	−41.14*a	317
Individualism	88.7	45.0	+39.88*b	317
Uncertainty Avoidance	40.3	79.6	−35.30*a	317
Competitive Orientation	59.7	58.9	+0.89c	317
Political Influence	45.0	93.0	−43.40*a	317
Dogmatism	38.8	30.9	+6.91*b	317

Figure 15. Difference in cultural-value means. Source: geert-hofstede.com

Surprisingly, there is no significant difference between the two parts when regarding competitive orientation.

One of the biggest problems regarding cross-national transfer of managerial knowledge is that "concepts of management and organization developed in a certain part of the world often presuppose cultural values that may be counter to local traditions in other countries". In these particular cases the policies have to be adapted to the local culture to fit in and lead to a winning effect. Leadership style, motivational approaches, performance appraisal systems, strategic-planning systems and organizational configurations are all the elements that need to necessarily be adapted to the local culture traits to create a good space for a foreign business company. The conclusion is that transferring management concepts from one place to another without taking into consideration the values and traits of the housing culture is not a winning strategy. This implies that any assumption concerning the transferability of certain management techniques from one place to the other is erroneous. However it is possible to create a balance between the two managerial styles and between the two cultures to create an accepting environment. Also, taking into consideration foreign business approaches to come up with new ideas is an innovative and effective way of coming up with successful strategies in organizations.

The best way of raising awareness in cultural organizational problems is by considering each culture's main traits and characteristic and determining the competitiveness of each in the global business arena. Managers, in particular international managers, are the people who are in charge of this task. Being this a very uneasy task, the preparation each manager has to face it is critical. Most managers who don’t face this aspect could be categorized in two groups: the one who deny that culture is an "issue" and therefore who prefer not to talk about cultural differences in the workplace and those who are afraid of tackling it. As a direct consequence of this behaviour it is much more difficult to enter new markets for their companies, there could be possible losses in the market share, there is a possible lack of trust between the organization and its cultural counterparts, inability to recruit and retain quality employees and so on. Also there are some obvious benefits from managing culture: alliances with the local managers, successful results for both the whole organization and specific projects, increase of market share. The opportunities that come from the management of cultural differences, compared to the consequences of not managing them, are so many they should be able to convince managers to deal this matter wisely.

2. Acquisitions: definition and evolution of the concept

As mentioned in chapter one organizations are driven by development and growth goals that are pursued with consistency and determination during their life cycle.

Growth is a physiological factor present in every organization's DNA and in the management that guides them. This is because individuals feel accomplished when it is challenged with ambitious projects that need extra focus and concentration to be achieved. In fact, although the risk faced in these challenges is much higher than expected, the potential success that could be achieved is also much higher. Managers of the organizations use this intrinsic desire of personal and organizational growth as leverage to success.

The growth theme cannot be argued in a distinctive manner from the one regarding the objectives of the organization. If on one side there is an intrinsic desire for growth, on the other the market imposes to organizations to reach predetermined goals known as *objectives*. The presence of competitors in the market and the structure of today's very competitive markets imposes organization the continuous research of new objectives to achieve and to achieve dominant roles in the marketplace. It could be possible to arrive at a paradoxical conclusion that growth could be interpreted as a mandatory necessity imposed by the environment rather that a strategic choice. In a certain way it is as if growth is a normal condition for the existence of organizations and it becomes an objective to which every company needs to reach, imposing an internal obligation. Although, while the need of expanding is physiological, it cannot be said the same for the necessary need of investing to achieve the desired growth. In fact, the following traits are fundamental when speaking about internal growth:

- Predisposition to invest
- Acceptance of risk associated with strategic initiatives
- Long term orientation
- Adequate financial and organizational resources
- Ability to evaluate benefits connected to the process (value orientation).

The presence of growth is strictly correlated to the alteration of the economic scenery that sometimes forces to change or revise the strategic and organizational models.

Possible changes may be applied to the development of new products or services, management of clients and market, change in distribution logistics, expansion of market share and so on. It is the management's job to be sensitive and draw the right amount of attention to each of these issues to drive the company towards a healthy growth that doesn’t alter negatively the organization’s conditions.

2.1 Reasons: why do firms acquire other firms?

Growth is not achievable if it’s not accompanied by the possibility of creation of new value. The value theme is in fact a central element when speaking about growth strategies. For this reason, many models have been developed to help the better understanding of this matter. The well-known consultancy firm named McKinsey, for instance, has developed the revolutionary Value Pentagon model.
It is a very innovative approach because it stresses the concept of the value spread, based on the idea that the spread depends on the capacity of detecting the existence of growth space for the company and to intervene consequently with reorganization initiatives.

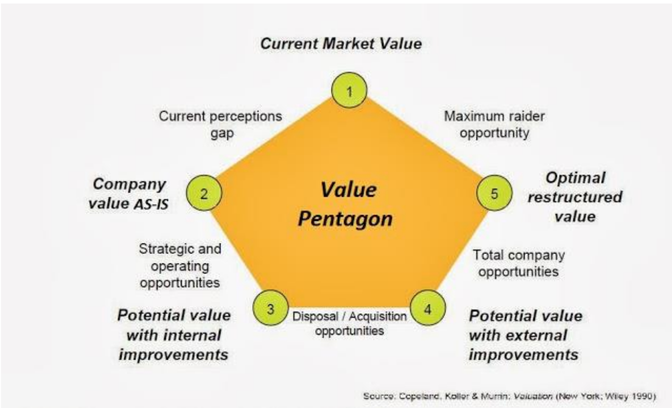

Figure 16. The value pentagon. Source: soni-sourabh.blogspot.com

The model has raised great curiosity, putting in evidence the existence of different possible economic characters, each one of which can have different perceptions of the value of the same organization depending on the various synergies the person is able to identify.
In this perspective, the value of an organization assumes increasing levels if the company is able to leverage the synergies that it detects in the environment until it reaches the threshold that is represented by its maximum value.
This approach is also very helpful because it recognizes that there are different ways in which the same synergies can be taken advantage of, leading to the creation of different levels of value. Having completed this analysis, organizations are now able to identify the option that best helps the achievement of its objectives and goals. The first step is to calculate the

company's value as is (so the current value of the company) and at a later time, the *potential value* of the company once these growth measures have been put in action.
The transition from one condition to the other expresses the organization's effort to fill the value gap and having a value spread equal to zero.
Another very useful model is the *Economic Value Added* (*EVA)* one that is used to evaluate investment projects in a value creation context. It is frequently used because of its unique feature that gives the possibility to calculate and amend accounting data to determine the organizational profitability (also known as *NOPAT*) in the most objective manner possible. To evaluate organizational performance, the *EVA model,* correlates the *return on invested capital (ROIC)* and the *weighted average cost of capital (WACC).* Through this comparison, the creation of value of the organization is tangible being correlated on one hand to an economic efficiency factor, and on the other hand to an efficiency factor.
What has been shown up to now is that organizations have different choices when it comes to enlarging their dimensions to create added value. The two main directions companies may undertake to reach this goal are to either grow through internal strategies or external strategies.
Both these conditions foresee effects that might manifest specifically in one or the other scenario and are independent from the kind of organization and competitive environment. External growth calls for an acquisition strategy, internal growth for internal investments. There are five main factors that will help companies take a decision:

1. The number of variables
2. The effects of each of the alternatives
3. The expected risk
4. The expected gains
5. The degree of reversibility of each choice

The first and the second factors are interconnected to one another seen how the number of variables has direct effects on the organizational system. The internal choice opens to a big number of alternatives each one of which can be considered attainable. As for the external strategy, having to do with a counterpart might make it possible to have a scarce number of alternative paths to undertake.
Also the risk expected from the two alternative paths is very different. The nature of the two operations makes the possible risks very distant from one another.

Lastly, the possibility of reversing the process is an important aspect to consider. The internal path includes grater possibilities of reversibility rather than the external one seen how it also expects lower costs to exit the operation compared to a merger or acquisition scenario.
Being quite an irreversible process, when approaching mergers or acquisition companies always write down a scheme necessary to address the factors that orientate the decision taken and the possible outcomes.
The main effects that can result from an acquisition scenario are financial, technological and organizational.
When undertaking an internal growth through investments the financial aspect can be considered a very variable aspect. The amount of investments made depends on what the company is looking for and for this reason, the strategy will be done accordingly to the desired outcome. Same thing cannot be said when speaking about external growth through acquisitions. In this case the financial expense is a variable that the management can control only in a limited way. External growth is a very rigid pathway and financially speaking it is less preferred to the internal alternative.
Also on the organizational and technological side, internal growth brings flexible advantages because it gives the management the possibility to have decisional power on most aspects of the process. The same thing cannot be said for external growth since it might be possible that the acquired company does not have adequate technology available.
Changes in the lay-out of the organization can also be a possible consequence of growth. The process in fact might lead to changes in the internal organizational structure and also the way problems are solved and decisions taken. Acquisitions in particular might create organizational arrangement issues and the firms who are involved in the process might need to compromise their managerial arrangement.
Seen there are quite a lot of negative aspects related to the external growth choice why would an organization decide to undertake this path instead of the first one?
It might be surprising but when in need of filling in the strategic gap organizations find it more appealing to choose external growth rather than internal growth not only because usually there is a lack of internal resources necessary for the change, but also because external growth offers multiple realization possibilities.
The Singh and Zollo model is particularly useful to evaluate the alternatives based on an organizational *trade-off*.

Figure 17. Singh's and Zollo's model. The organizational trade-off in the reduction of the strategic gap. Source: cured by the author.

If the objective is to maintain flexibility and coordination with the counterpart the best alternative is to create an alliance. On the other hand internal investment and acquisitions guarantee a maximum level of control and integration.

Acquisitions are the most used way to put in action an external growth strategy. It is common for acquisitions to be compared to fusions, although there are differences between the two processes. Acquisitions can be considered the first step of the integration between two counterparts. Moreover, they commonly lead to a transformation of the internal structure of the counterparts so that they can best fit with one another. Fusions on the other hand represent an effective formal integration between the two counterparts. In other words, fusions are the formal conclusion of an acquisition, although this final part of the process is not required formally.

2.2 Types of acquisitions

Acquisitions have been studied for a long time especially because of the great importance they have had in the past decades. In the past century the evolution of these kinds of operations in terms of numbers and value of closed operations has reveled that acquisitions have had a great evolution during time.

Doctrine is used to divide the past century into various acquisition cycles (Bryer and Simensky, 2002). For instance, the first years of the twentieth century have been classified as the ones where acquisitions were finalized to create monopolies (*mergers for monopolies*). In

this period, sectors such as the iron, steel or oil one were characterized by the presence of few actors that have created monopolies through the strategic use of acquisitions.
In the thirties another cycle of acquisitions has started and was characterized by *mergers for oligopoly*.
A third cycle started during the sixties and it's been outlined by conglomerates. Organizations started to initiate a series of acquisitions to diversify their activities (*unrelated acquisitions*) by acquiring firms operating in different sectors from the ones theirs used to.
A forth phase started during the eighties when a cycle of liberalization started and acquisitions aimed at creating horizontal bonds of very big firms. This period was characterized by leveraged acquisitions.
The fifth and last period that started in the nineties has played a very important role after the great rise in the number of acquisitions in the European market. In this period there has been a rise of the idea that acquisitions could be used to attack foreign international markets and dominate the global scene.
Whatever is the historic or strategic reason behind the choice of an acquisition, these operations give great advantages that make big organizations prefer these operations to other growth strategies. Haspeslagh and Jemison (1991) say that these operations 'can help a firm renew its market positions at a speed not achievable through internal development. They can provide an ability to gain all the benefits from combining assets and sharing capabilities a firm can find hard to develop, or they can provide the opportunity to leverage existing capabilities into much more significant positions'.
Like every other strategic decision in organizations, acquisitions need an accurate analysis process that is needed to evaluate both the positive and negative effects on the company. It is a long-term process that needs accurate action planning and that concerns the whole organizational structure. The effectiveness of the process mainly depends on the accuracy with which it has been studied previously that putting it into action.
Acquisition processes can be looked from two different perspectives: the strategic one and the financial one.
In the first case the main character is the entrepreneur or the organizational management that interprets the acquisition plan as a way of implementing growth strategies. In the second case the main character is an institutional operator that aims at realizing a *capital gain.* In this case the acquisition assumes the role of a financial operation.
This distinction that has just been mentioned is a very important aspect to take into consideration seen the two very different aims the process could lead to. It is extremely

important to have clear in mind what is the objective of the operation because the two different objectives require two very different paths.
The financial approach does not include the post-acquisition integration phase and it takes into account the possibility of a *way out* (which is absolutely not take into consideration in the other case).
Moreover, the process could be seen from two different perspectives: the seller and the buyer points of view. It goes without saying that many issues assume a very different meaning if seen from one point of view rather than the other.
Spotting the single phases through with the process develops and their sequence represents the first of the three main steps to face. It is important to:

1. Follow the correct order and priorities in the process
2. Allocate the necessary resources to face issues
3. Time frames.

If these three elements are taken into account the process will more likely work fluently and rationally.

2.3 Main steps leading to a winning acquisition

Being exceptional and non-frequent operations, it is normal that organizations are not adequately prepared to face the process. In these situations there is a risk of carrying out the process in a non-systematic way that leads to time waste. An accurate action planning of the phases makes it possible for the managers to evaluate the existence of critical aspects that need particular attention and time.
From the moment in which the idea of an acquisition comes up to the final moment in which the operation comes to an end there can be months time. This could lead to potential issues in the process. In order to prevent this, action planning and objectives are fundamental.
The acquisition process is a very complex one and it develops in a series of subsequent phases that work so that the end of one marks the automatic following of the next. There is a very strict relation between the phases because the output of the first phase becomes the input of the second and so on. When this does not happen the process goes in stall giving the process a circular motion sequence like illustrated in the figure below.

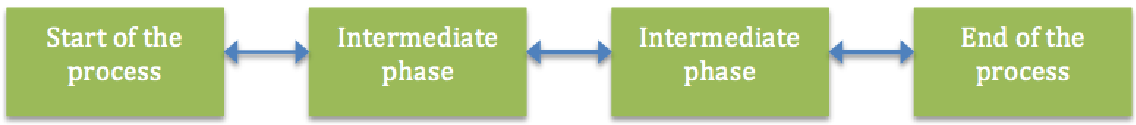

Figure 18. Sequentiality and iteration in the process. Source: cured by the author.

To confirm what has just been said it can sometimes happen that at the end of analysis the managers are forced to put in discussion some key points and are forced to restart the process from the previous phase.
The first phase of this very long and complex process starts with a correct comprehension of the strategy that needs to be put in action to start the process. It is necessary that this gives detailed indications to lead the process and to demonstrate how and if the acquisition represents a suitable solution. This task is usually given to the management who should be able to evaluate rationally the possibilities of a successful outcome and the paths to take to get there. When the internal management does not have knowledge and competences usually external entities are involved in the process to give practical indications on the theoretical strategy that has been come up with. These external experts are also known as *advisors*.
The multiple changes that happen every day both in the market and in the specific sector the acquisition is going on make the analysis phase particularly delicate.
The second phase regards the management of the negotiation and the conclusion of the agreement.
This phase is composed of a series of micro phases through which you then get to the so-called *closing* of the process.
If the previous passage had to do with the rationality of the decision taken this second part of the process is operational and also regards the formalization of the agreement.
Once the doubts about the strategy have been overcome, the process goes in the hands of those who are in charge of finding an agreement and of concretely realize the formal and contractual aspects.
During the negotiation multiple aspects are of great relevance like:

1. The extent to which both counterparts are involved and are willing to conclude the operation
2. The bargaining power of both parts, on which the conditions of the exchange depend
3. The willingness and capacity of finding technical solutions to overcome issues

External consultants and professionals have a crucial role in this phase since most time they are called in first person to manage the negotiation. Technical competencies, negotiation capacity and experience grown over past experiences are the three elements that could not miss if you are seeking for a positive outcome.

Lastly, the third phase, usually defined as the "integration" phase, is the one in which the acquired company is asked to succeed in the objectives and agreements decided during the negotiation. It is crucial to manage the new structure of the company by making it compatible with the preexisting ones. The integration issue is of no importance in the case in which the acquired company maintains an autonomous jurisdiction and decision-making structure.

The critical factors of the integration phase mostly have to do with the organizational capacities necessary to activate synergies between the counterparts. For this reason the composition of the *post-merger team* is a very crucial factor in the final phase.

Macro phases		Critical factors	Resources involved
Phase 1	Analysis and evaluation at a strategic level	Strategic envisioning capacity	Buyer's internal management
Phase 2	Negotiation and closing	Negotiation capacity	External advisors
Phase 3	Ex post integration	Leadership, organizational capacity and prevailing culture	Management of both companies

Figure 19. The acquisition process: main characteristics of the macro-phases. Source: cured by the author.

The relation between the issues to resolve in every phase and the individuation of the most adequate resources to overcome them is exposed in the scheme in the figure above.

The general rule though imposes that the resources employed in the process own the necessary requisites to overcome the criticalities.

If the value creation in the main objective to reach at, it could be of great help to whom is engineering the decision of the acquisition to have an *ex ante* intuition on a possible relation between the three macro phases and their influence on the generable value.

In what way the outcome of each of the phases influences the possibility of creating value? To what extent does the outcome influence this possibility? The table below will help to answer and clarify these questions.

Macro phases		Impact on value	
Phase 1	Analysis and evaluation at a strategic level	Minimum	Maximum risk concerns a non exploited opportunity
Phase 2	Negotiation and closing	Medium	Capturing value objective
Phase 3	Ex post integration	Maximum	Good Result: obtainment of strategic synergies. Bad Result: value destruction

Figure 20. Consequences on value. Source: cured by the author.

In the first phase, the strategic analysis phase, the influence on the creation of value is considered to be minimum because the worst that could happen is that the company has lost a chance.

The effects on value creation start becoming significant when approaching phase two, the negotiation phase. This phase is also named "phase of value capturing" in the sense that the acquired company transfers value from itself as a single entity to the acquiring firm.

The maximum risk comes with the ex post integration phase in which truly the two companies have to exploit as much as possible the synergies they have created during the process.

2.4 Phase one of the process – strategic analysis

The acquisition process stars with the strategic analysis phase. What should ideally emerge from this analysis is that the acquisition represents the best alternative to address issues regarding the organization and the most convenient way of creating value. The process

continues with the research and identification of a possible *target* company that corresponds to the desired requisites.
The steps that are part of this phase come in this sequence:

1. Identification of the strategic approach
2. Definition of the objectives and identification of ideal target
3. Research of alternative paths
4. Output (which as said previously could also be referred at as input for the next phase).

The creation of a strategic approach implies that there is a strategic *audit* process based on the analysis of the sector to consider the *status quo* in which the company is operating at the moment, the objective identification of the company's weaknesses through a *screening* activity, the identification of possible synergies.
But how do you define objectives and identify possible targets?
When the first step comes to an end, all the people involved in the acquisition process should have clear ideas on the validity of the project. The moment in which objectives are defined and the target is identified is necessary to outline and define the context of the operation in an even clearer manner. To reach this goal the management of the organization will have to define and clarify a few aspects and proceed with a further analysis of the following matters:

- Characteristics of the target company
- The timing of the operations
- Total investments
- Price limit
- Economic and financial implications of the operations.

The characteristics of these matters give the idea that the process is entering a more operative mark than it has had up to now.
Even though a specific candidate for the acquisition might not be a set matter, having well in mind the characteristics of the target organization is necessary also to evaluate the timing and the financial implications of the acquisition operation.
The financial impact depends on two distinct components: the price of the transaction and the necessary investments to lead the acquired company to the desired standards.
The connection between these two aspects is fundamental to estimate a possible price, which is an essential point.

Fixing a target price has many positive implications for the company. It limits the financial expenditure, it favors the financial compatibility of the project, it obliges the negotiators to motivate in a clear manner possible exceeding price requests.

Once the strategic project has been defined in every detail the indications that emerge from it are useful to proceed to the next step: finding possible firms to acquire.

When researching alternatives the process completely mutes its nature. It shifts from being an ideal situation in which the project still isn’t concrete to a tangible situation in which the organization faces the reality of the market.

No wonder, this phase is characterized by the research in the domestic and international market of possible acquirable companies that are compatible with the objectives of the acquisition. In this phase the acquiring company agrees on finding four or five possible candidates that could suit the position and will then proceed with a selection of a best fit. For this reason it is necessary to establish some key criteria needed to orient the selection. These are:

- Degree of strategic congruence
- Presence of the required substantial requisites
- Organizational compatibility
- Financial feasibility

The closer the companies are to the key criteria the higher they will be in the ranking. Sometimes it might also happen that the acquiring firm might have to reconsider the key criteria used to create the ranking of possible alternatives because it is not the best to decide between the various options or on the other hand because it cannot find a sufficient number of possible alternatives. As mentioned in paragraph 2.4 if the first screening does not go as planned the organization might need to reconsider the previous step of the process and take on the circular feature. Once again this step of the process can be brought ahead by either the management itself or specialized advisors coming from external sources.

The advantages obtained if using an external advisor in this step regard the possibility to take advantage of the advisor’s network and to take advantage of privileged relations the advisor has with companies.

The internal option is preferable though in case there is a budget constraint being in this case the cost close to zero.

The success of the whole acquisition process might significantly depend on this particular phase of company research. The factors that mostly influence the outcome are the *strategic fit,* the *process fit* and lastly the *competences fit*.
The first one identifies the degree of coherence between the strategic objectives set in the acquisition plan and potentially obtainable ones.
The *process fit* indicates the coherence between the source of potential value and the management choices taken to carry on with the post-acquisition phase.
Lastly, the *competences fit* highlights the degree of coherence between the management choices of the integration phase and the organizational competences matured by the acquired firm to manage the integration phase.
Even though the last two *fits* regard the *post-closing* phase it is necessary to establish them *ex ante* to guarantee a good planning that helps to diminish the risk of failure.

2.5 Phase two of the process – launch, management and conclusion of the negotiation

The second phase of the process regards the launch, the management and the conclusion of the negotiation; it is characterized by the transition from the ideation of the project to the realization of it.
Since the main objective to pursue is to close the operation, the analysis that has been done in the previous phase of the benchmarks comes very handy in the second phase. In fact the second phase will be considered successful if the organization manages to find a target company, reach set goals and close the negotiation.
As mentioned previously it is very common for the counterparts to employ outsourced professionals to carry out the negotiation phase. It is usually unlikely to find experts inside organizations that are able to deal with this very particular process. For this reason external professionals have the lead of the operational part of the process while the internal management verifies the correct execution.
The negotiation process is based on three pillars:

1. The evaluation of the relation between the two counterparts
2. The quantification of the expected outcomes
3. The belief that both parts will benefit from the operation.

These premises represent the base input for the correct functioning of the strategy.

Just like the previous one, this phase can be divided into various steps:

1. Selection of the target company
2. Financial evaluation
3. Evaluation of antitrust compliances
4. Closing and formalization of the agreement
5. Output (/input for the next phase)

The nature and the characteristics of this macro phase make it particularly prone to the reiterative phenomenon described previously. It is sometimes necessary to accept the possibility to go back to previous steps and question them again. This scenario usually manifests when there have been difficulties in finding the right *target* organization or in case the organization was found but the counterparts cannot find an agreement.

Once the *target* organization was found and the objectives and strategies of the counterpart are clear, the next step is to face some financial aspects of the operation. It is an extremely important moment in this process because the considerations that will be done regarding the financial profile of the counterparts will lead to a price-range for the agreement.

The financial evaluation develops on two points of view: the financial evaluation of the acquired company and the financial plan of the whole project.

The final price-rage will be a result of the projection of the value of the *target* company (objective value) and of the quantification of the benefits that the buyer will generate with the acquisition (subjective value).

The financial plan of the project is useful in terms of understanding the impacts of the cash flows that burden the buyer and take into consideration the possibility to find funding.

It is necessary to analyze the financial profile of the operation with a long-term approach in order to consider all the decision made for the acquisition (and also possible additional unexpected ones).

During the analysis a lot of information has already been acquired but in order to proceed with the evaluation of the company it is important to have an exhaustive and updated informative database. The progressive collection of information helps to verify information and helps verifying all the opinions and ideas that have developed up to this point.

Usually tracing information is extremely difficult because the need of the acquiring firm to know every detail about the acquired one opposes to the fact that the acquired firm is willing to keep most of the confidential information inside the organization. This is the reason why usually a confidentiality agreement is signed.

The research of the information gets even more complicated when the acquired firm operates in a different sector from the acquiring one or when it operates in a different geographical area.
To ease this complicated process the solution proposed are *data rooms*. It consists in organizing in an external physical location (usually the consulting or auditing firm) the collection of all the data involved in the process. This solution helps controlling the requests of information from both sides and controlling the information disclosed to the counterparts. Usually the data room is accessible to only certain predetermined people who are involved in the process and this is of great help with the confidentiality matter.
Once all the information have been collected comes the time for a technical evaluation. First thing to determine is the objective value of the acquired firm (so the value of the firm without considering any kind of synergy with third parts).
It is not an easy task though. When having to do with strategic acquisitions the estimated value is very debatable and subjective because it depends on the synergies that will be developed during time between the companies.
Substantial differences in the evaluation also happen when looking at the evaluation process from the two different points of view: the buyer's and the seller's side. If we consider the buyer's point of view when estimating the price for the acquisition, probably this side of the process will try to deny the possible future synergies so that the estimated price range value decreases. If instead we think from the seller's side, we are probably going to exploit as much as possible the future synergies in order to higher the acquisition price.
To overcome this issue the counterparts usually establish a *modus operandi* before the operations even starts to establish strict rules for the company's evaluation. This helps to give less space to subjective opinions and more to objective ones.
The most commonly used evaluation methods are:

- Flow analysis
- Stock analysis
- Mixed methods
- Market analysis

Each approach has limits and merits that need to be carefully analyzed before choosing a final one. Also the perspective from which the phenomenon is being analyzed is not indifferent.

When evaluating and analyzing from the inside the most commonly used methods are the analytic ones while for external evaluations the market analysis method seems to be the most chosen one.
While evaluating an objective price is very important because it represents the starting point for the determination of a final price of the operation, the determination of a subjective price is equally important to quantify the effects of benefits of the process on the price. It is clear that the final price will be determined taking into consideration both the objective and subjective price and is equally sensible to both evaluations.

2.5.1 Evaluation of synergies

It is inevitable that during this very long process there needs to be a moment in which synergies take hold, gain major importance and need to be discussed.
As already mentioned from the buyer's point of view it is especially important to evaluate them correctly since the price could vary according to the considerations that are made; the analysis results have to allow the buyer to estimate the maximum price that represents the line over which the buyers are not willing to close the deal.
It is necessary to specify that the synergic effects will only regard some types of buyers, since the potential benefits might be leveraged by economic entities with specific characteristics. For instance, while a financial buyer doesn't need and isn't interested in leveraging synergies, an industrial buyer will surely be interested in the possible synergic outcomes of the acquisition. The different perspective these two entities see the process from clearly explains that for the first the reference point will be the subjective value (that is higher because it considers synergies) and for the second ones the focal point will be the objective value (that does not value synergies).
The evaluation of the feasibility of the synergies starts in the first place with a profound analysis of the *target* company. What should emerge in ideal conditions is that there are great market potentials that can be exploited to create new value, assets and capacities that can be improved. In the long term the action plan should envisage that the previous characteristics can be exploited to maximum levels through a joint use of competences, know how and integration between the two companies.
Experience shows how the necessity of developing positive hypothesis of exploitation of the synergies (proactive attitude) needs to come with an attentive evaluation of the possible

problems that can show in the future. The strategic possibilities scenario is not exempt from risks. Copeland, Koller and Murrin developed some tips in 1990 that might result of great help:

Type of strategic operation	Buyer who can benefit from it	Implementation time	Risk exposure	Value of the synergy
1. Debt restructuring	Possible synergies for any kind of investor. In particular for financial investors.	Brief	Low	Limited
2. Increas of the managerial efficiency	Possible synergies for many kinds of investors. In particular for investors with good managerial capacities	Brief (within one year)	Medium	Generally limited
3. Consolidation of the market position	Synergies for competitors	Medium (one or two years)	Medium	High
4. Market penetration	Synergies for companies that operate in correlated markets	Medium (one or two years)	High (depending on the cultural and organizational differences)	High / Very high

Figure 21. Synergic effects and their characteristics scheme. Source: cured by the author.

A focal point when speaking of synergies is trying to estimate how many and which ones can be implemented for the creation of new value. The most commonly developed ones are cost synergies and revenue synergies.

While cost reduction interventions are the most simple to realize, revenue synergies are more difficult to obtain.

The first kind is easily obtainable because:

- They are easy to show
- Easy to obtain
- Easily visible *ex ante* and controllable *ex post*

Strategic intervention usually fit into five areas:

1. Production: reduction of production costs, reduction of personnel, production efficiency, rationalization of the production facilities
2. Distribution: rationalization of distribution channels, optimization of the sales force, balancing of commercial expenses

3. Purchases: reduction in the number of suppliers, reduction of costs through economies of scale
4. General costs: merging of central functions to obtain cost reduction.

Different considerations can be made on revenue synergies because:

- They are difficult to realize
- Complex to monitor
- They have a relevant impact on revenue trends.

Revenue synergies start:

1. From the possibility of realizing *cross-selling* opportunities on both similar and different markets
2. From vertical integration that makes it possible to appropriate the operating margins
3. Chance of accessing new and bigger businesses.

It is common that synergies are accompanied by *dis-synergies* and for this reason the *ex ante* analysis is an important step for the evaluation of every aspect of this matter.

Once the possible synergies have been framed and analyzed what are the ways to calculate their value?

It usually happens in two phases: a preliminary one where a first estimation is done and the following one where the estimation is analytical.

The methodologies in use to quantify the synergic effects are the Net Present Value method and the Multiples method.

In the first case synergies are analyzed in a long-term time frame (between three and five years) net of implementation costs and other estimable negative effects at the weighted average cost of capital (WACC).

In the second case and estimation of the net effects of the synergies on Ebitda (earnings before interests, taxes depreciation and amortization) is made and is then multiplied by the traditional sector multiple.

2.6 Phase three of the process – post acquisition integration

Once it has been deepened the knowledge on the first two phases of an acquisition, it is the time to go on and explain in detail the last phase of the process. It starts right after the formal closure of the contract and it is the post-acquisition integration phase.

This is not a mandatory phase in all acquisition processes. It is only put in practice when there is a need to proceed with an integration between the acquiring and acquired organization, meaning that the two counterparts are planning to proceed with a joint collaboration to create new value for both.
This phase is not only important because it is needed to consolidate all the synergic advantages that have been mentioned up to now, but also because it is necessary to integrate the organizations and their cultures with one another. As mentioned in chapter one, it is not automatic for managers to find a managerial style suitable for every company. Each organization has it’s own culture and ways of managing and dealing with internal issues and processes. If these aspects are not taken into consideration they might become proper barriers that hinder the correct functioning of the business.
There are mainly two kinds of barriers that are universally recognized in this specific process: primary and secondary barriers.
The primary barriers have cultural origins while the secondary barriers derive from behavioral models and from internal organizational procedures.
The presence of cultural differences is something very difficult to deal with because the cultural matrix of an organization takes a lot of time to form and once it is consolidated, it can difficultly be changed. Although, not every acquisition process presupposes that the culture of the acquired organization should be suppressed or changed. Instead a strong presence of the culture in the acquired firm can sometimes be even used as a winning aspect that the buyer appreciates and is willing to keep in order to create added value.

2.6.1 Integration models: prevailing theories

The main obstacle that every acquisition faces, is the resistance to changes that the organizations usually have. It is inevitable that the integration process gets to a point in which the managers of the acquired firm request to maintain a certain degree of organizational autonomy.
Numerous studies have been made with regards to this and they give food for thought.
Some authors support the hypothesis that integration problems depend strongly on the organization’s dimension, others believe that the success of the operation is influenced by the type of synergies that mature and lastly some concentrate on the cultural differences problem.

Faulkner outlines in a clear scheme the analysis process to select an ideal partner that will lead to a successful acquisition. He creates an outline that presents four different situations dependent on the *cultural fit* and the *strategic fit*.

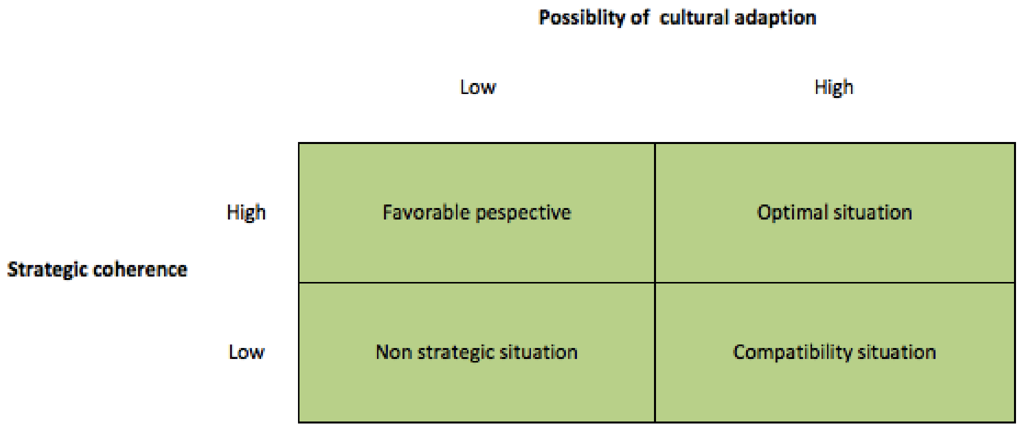

Figure 22. Faulkner's model for the choice of the ideal partner. Source: cured by the author.

If Faulkner's model aim is to identify the risks that could result in a relation with the potential partner, Haspeslagh and Jeimson illustrate the possible operational approaches to integration. They enrich the first model and help the decider to choose the best organizational situation.

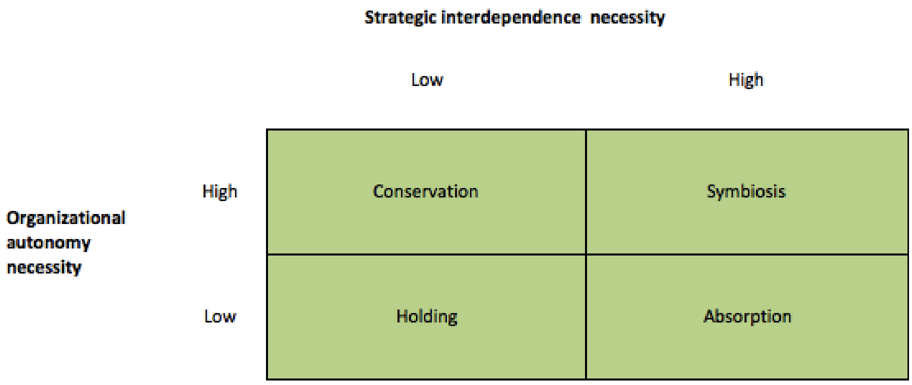

Figure 23. Hespeslagh's and Jemison's model on the kinks of integration approaches. Source: cured by the author.

This model presupposes that the organizational solutions available for adoption come from a combination of the needs of strategic interdependency and to maintain an adequate level of autonomy.

The strategic interdependence dimension shows the relation existing between the two organizations in terms of strategic capacity transferred from one another.
The organizational autonomy necessity on the other hand depends on the need of maintaining independency to protect capabilities and competences that might have motivated the acquisition.
The four boxes show four different approaches that imply different organizational models and results.
Like mentioned previously the crucial point in the integration process is not necessarily to eliminate cultural differences but to comprehend them and understand which culture and values need to be preserved and maintained in time because they represent critical factors for success in the future.

2.6.2 Mechanisms that lead to a successful acquisition

According to Sudarsanam, Professor at Cranfield School of Management, 80 percent of the interviewed managers think that the failure of the acquisition is due to the lack of a good post acquisition integration plan.
There can be multiple factors that affect the good outcome of the process.
The above factors are set out in more details below. The research has been done on 113 reference sample acquisition cases happened between the 1980s and 2000, 80 of which are foreign acquisitions in Italy and 33 of which are Italian acquisitions abroad.
The research demonstrates how the results of the integration are influenced by the existence of a formal integration plan.
The primary factors that have influenced the positive outcomes are: control of capitals, human resource management (HRM) and the agreements made during the negotiation.
The secondary factors are: previous alliance relations, compatibility between the counterparts and the management of communications.
As regards the control of capital, this research demonstrates how positive outcomes are obtained mainly in acquisition where the buyer has100% interest in share capital.
The second factor of success shows that positive outcomes are obtained when layoffs are avoided and training policies are favored.
The third factor regards the capacity to anticipate problems and finding solutions before they show up.

Among the secondary factors is included the existence of previous alliances with the counterpart. Most of the positive outcomes are linked to the existence of this condition.
The next factor regards the compatibility between partners. In this case compatibility is not intended to be researched in advance but to be found once the process is ended.
Lastly, an influent factor is communication. The acquisitions that required a formal communication of objectives and development strategies were guaranteed success.

2.7 Potential issues: anatomy of acquisitions that fail

The failure of an acquisition operation is a phenomenon that falls in the possible outcomes of this process.
The major causes of failure are:

1. Strategic vision mistakes
2. Wrong choice when identifying the ideal partner
3. Inability to manage operations.

This is a scheme of a typical acquisition failure:

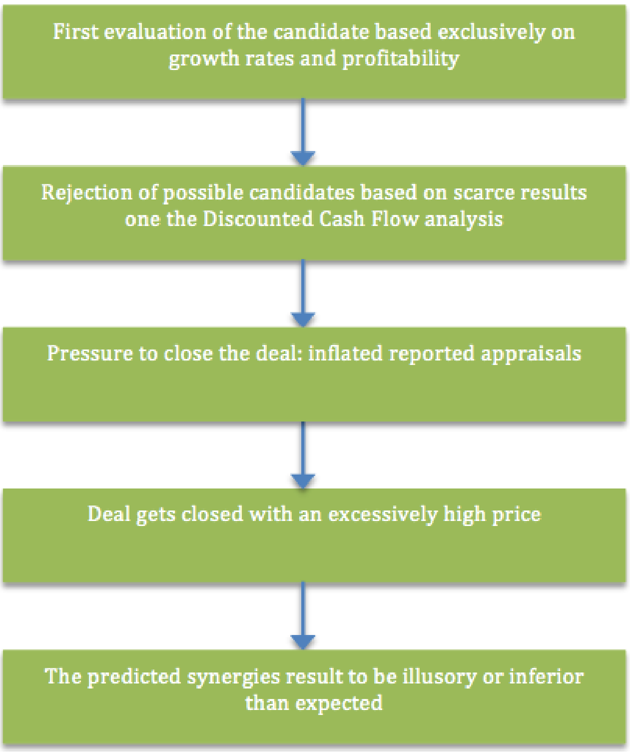

Figure 24. Example of a failing acquisition. Source: cured by the author.

The process through which the acquisitive strategy matures is very complex. There are multiple variables that play an important role that need to be monitored and need solutions able to keep track of them.

Although the essential aspects to obtain success in this process can be summarized like this:

1. Valid strategic design
2. Feasibility of the operation
3. Choice of the most compatible partner
4. Payment of a reasonable price
5. Suitability of the management.

3. The Everis case

Everis is a multinational consulting firm providing business and strategy solutions application development, maintenance, and outsourcing services.
It was founded in 1996 and since then it has been steadily growing at a rhythm of 20% each year in terms of revenues.
They currently employ over 14,000 professionals at offices and high performance centers.
The company is present in six European Countries (Belgium, Spain, Italy, Luxembourg, Portugal), in the United Kingdom and in seven American countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru and the United States). In Spain the country offices are situated in eleven different cities (Coruna, Alicante, Barcelona, Bilbao, Ciudad Real, Madrid, Murcia, Sevilla, Valencia, Valladolid and Zaragoza).
Everis' strategic vision is to add value to society and reinforce their commitment to clients. They are value-driven company that stands out at the economic and ethical levels and they believe everything is possible.

3.1 Everis: history and strategy

An important turning point in the company's life has been the acquisition from the IT Services Japanese company NTT Data.
NTT Data is the ninth Information and Communication Technology company in the world. They work with clients to innovate and by providing the best quality and price. The company comprehends 76,000 professionals worldwide, has a 14 billion dollars annual income, they operate in over 40 countries and work with 80 of the 100 best companies listed in Fortune magazine.
The alliance between the two companies is part of the NTT Data strategy of globalization of its activities and expansion of its portfolio of services and presence outside Japan.
NTT Data bought 100% of Everis' ownership as part of both company's growth and globalization strategies.
Acquisitions are often strategical because of the beneficial effects that the operations of the companies will have. For this reason it is of no surprise that since the NTT Data acquisition

in 2014, Everis has reached a turnover of 691 million euros, 14% more than the previous year and has begun a phase of new horizons: growth, leadership, infrastructures and capabilities. By collaborating with Everis, NTT Data will strengthen its expertise in the industrial sector and will have access not only to the large clients in Spain and in Latin America, but will also be able to work with the several multinational companies present in these markets.
On the other hand, Everis, in addition to the synergies with NTT Data, will also be able to expand its services to global customers.

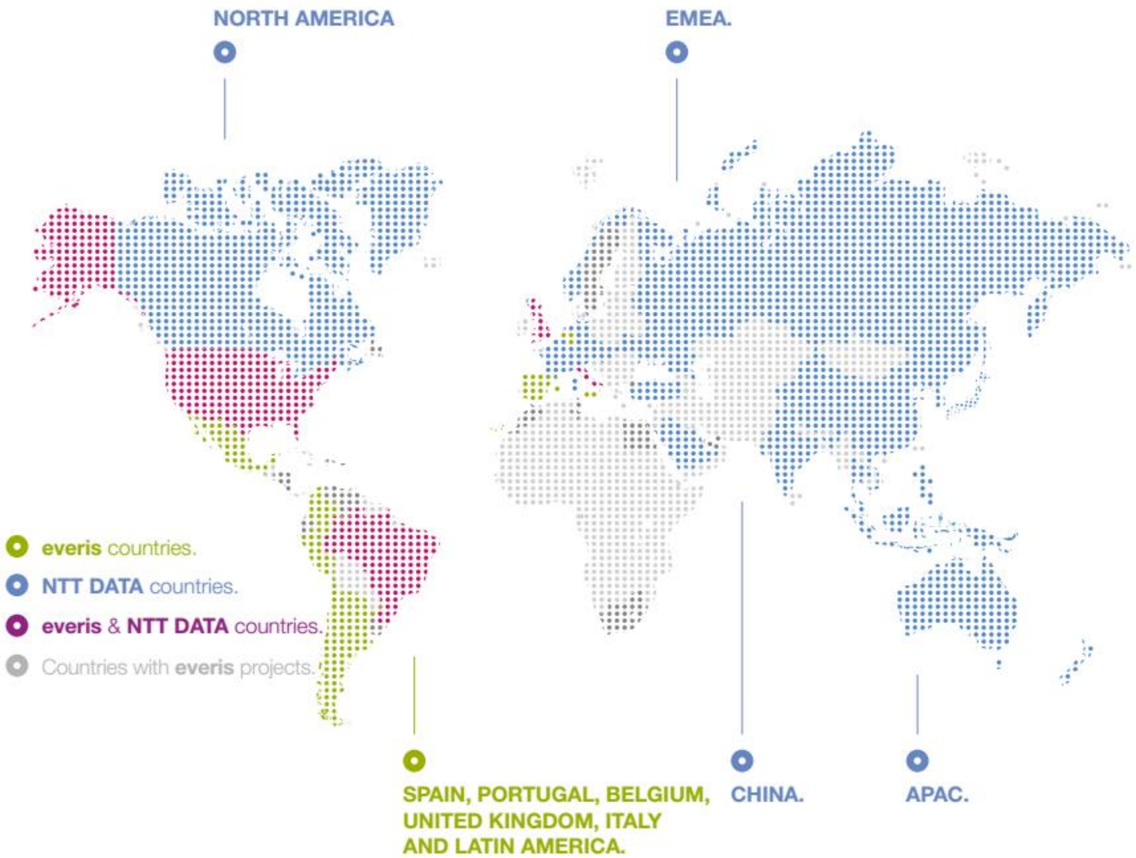

Figure 25. Everis' and NTT Data's area of influence. Source: everis.com

NTT Data ensures Everis to be part of a global organization with more than 76,000 professionals, 10 billion euros turnover and operations in over 40 countries.
Everis works every day with NTT Data to become the number one in the market. The acquisition allows Everis to expand solutions and services, help them provide more innovative solutions and increase their capacities and financial resources. It is therefore a global vision that is not only oriented to their customers but to all their stakeholders.

Everis' strategic plan, Heading 17, is very consistent to the acquisition process meaning that Everis is not only growing organically every year, but is also heading towards the goals that have been set initially through the plan.

3.2.1 Organizational choices related to strategies

Heading 17 is a path of motivation, effort and ambition that Everis will take to reach their dreams.

The main goal they have set is to become the number one of the world in their sector. In order to achieve this, it is necessary that they impact the market and have a relevant presence with strategic clients. With this challenge Everis wants to create opportunities that bring out their best. They believe in integrating diversity while maintaining their "leadership by values" model.

To achieve these goals they operate maintaining their essence and at the same time adapting to diversity. Moreover they foster autonomy, trust, responsibility, attitude and accountability. The path they want to undertake is very clear. Everis people follow 10 guidelines to reach their ultimate goal:

1. Having a company project that they understand and in which they believe in
2. Introducing the market component as a new dimension of every model
3. Embedding diversity but respecting their model's red lines
4. Differentiating their value proposition
5. Maximizing capabilities through synergies (NTT Data)
6. Having a governance model that focuses on Responsible freedom and is executed with consistency (two of Everis' main core values that will be examined further on)
7. Consolidating their expansion
8. Reach the organizational culture that has been defined as a target according to the model of "leadership by value"
9. Continue improving efficiency
10. Reach the profitability needed to achieve 100% of CRP.

In the plan there are three red lines that will drive the company to reach their goals.

The first one is to influence the market, be relevant in its evolution and thinking about the future rather than the past.
The second is to integrate new capabilities to widen the value proposition. Once again they focus on integrating diversity while preserving their model and respecting the red lines. As we will see further on, the Everis model is one of the company's main assets and has represented the main reason for the financial increment value of the company when acquired by NTT Data.
With regards to NTT Data, they look forward to maximizing the opportunity of joining the IT colossus but without forgetting to maintain their identity.
Last but not least, the third strategic line to drive the company is that they aim at ensuring profitability to achieve 100% of CRP, to guarantee outstanding results and preserve the model.
Defining specific and tangible objectives is what makes goals possible. The people, the processes and the market are the three main steps to have clear in mind to fully understand Everis' plan for the future.
Leveraging the company model as the basis of competitive advantage (people), maintaining an internal consistency with strategy (processes), having a global and comprehensive vision of the clients and the competitors (market) and achieving the results expected by investors and necessary to sustain the company model (financial results) are the pillars that have to be studied in depth to comprehend Everis at its best.

3.2.1 Effective management: main tools and successful characteristics

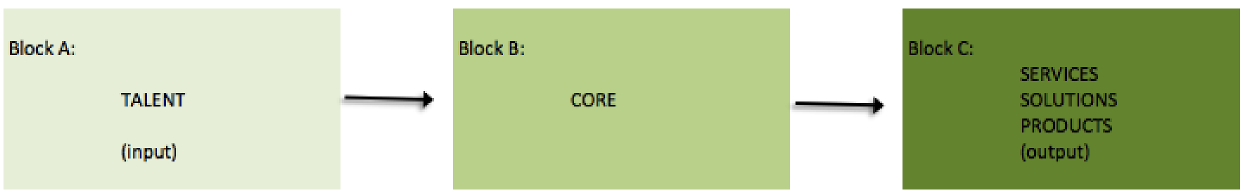

Figure 26. Everis at a glance. Source: cured by the author.

Is Everis a good company?
The answer can be positive if the following three parameters are fulfilled:

- It offers the best solutions
- Covers the client's needs

- Does the previous two better than the competitors.

Moreover these parameters need to be necessarily covered not only in the short-term, but also in the long-term.

According to Everis, the only way to go in this direction is by hiring what they define as 'the best people'.

For this reason it is important, first of all, to give a precise definition of what Everis means when when using this term.

3.2.2 Talent

Talent (Block A fig. 26) is the main input Everis looks for in order to create an ideal process. This process starts from talent, passes through the core of the firm (Block B), and ends with an output (Block C). These three steps that refer to Figure 1 are interconnected between one another and in order to proceed from one to the other it is important that the previous one is understood in depth.

Talent itself can be described referring to a series of qualities a specific person owns that represent assets for the firm once the person is hired. Global CEO of Everis Benito Vázquez says: "The Everis philosophy is based on attracting the best talent and installing loyalty in them, giving them the best opportunities in their career, which allows us to offer to our customers the most innovative solutions."

As we will see further in this chapter, these intangible assets represent Everis' main strength from an organizational point of view and from a competitor point of view and have been the element that made Everis so financially valuable when it has been acquired from NTT Data.

The qualities Everis looks for in a candidate can be pictured like this:

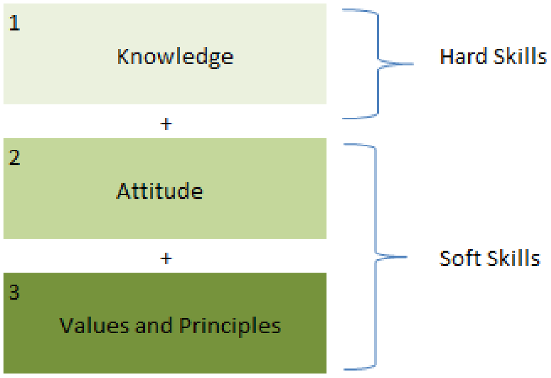

Figure 27. Talent evaluation in Everis. Source: cured by the author.

Hard skills, that usually refer to Knowledge, are specific skills that can be learnt and taught and that are easily defined and measured.

This type of skill is necessary but unfortunately not sufficient. This condition is given by definition of the concept itself. Since possibly everyone could acquire these kind of skills their value decreases quite a lot. As a matter of fact there are infinite levels of difficulty that are implied in this hard skill scale. This does not mean that everyone is capable of doing anything in the "difficulty scale". The skill each person or employee has is strictly correlated to its personal abilities. Once you find a person who can assimilate the knowledge and skill you taught the process is finalized. That is all it takes to consolidate knowledge.

Moreover, it is important to consider that the human mind is very much used to this kind of practice. In school, in university and in every other kind of similar course done in life the brain is predisposed to listening and taking in the information it has heard. Once the lesson is learnt it is very likely to become an ability or knowledge the person has in mind and will difficultly forget. Unfortunately as time goes by, the mechanisms change and Hard Skills will have to be updated in order to keep up with what is happening in the surrounding context.

For these reasons we can state that Hard Skills can be (accordingly to their difficulty and personal abilities) learnt by everyone and have a minor importance with respect to Soft Skills.

Soft Skills, in fact, are a completely different matter.

They refer to character traits and interpersonal skills that define a person's way of handling a relationship with another human. Sociologists usually use the term Soft Skill to describe a person's "EQ" or Emotional Intelligence Quotient as opposed to "IQ" or Intelligence Quotient (that can be compared to the Hard Skills).

They are usually considered to be complementary to Hard and occupational skills. However, in the Everis conception, they are actually considered much more valuable. In fact the Everis culture and organizational model is for a meaningful part based specifically on these kind of interpersonal skills.

Attitude, values and principles (as shown in figure 27) cover two thirds of the Everis talent scheme and need to be understood in depth to fully comprehend the idea behind Everis' way of being.

Differently from knowledge, the soft skills are highly valued because they are considered to be forever. These traits are mostly innate and cannot be learnt or acquired once you are an adult. They are usually absorbed during childhood and early adulthood and stay in the person's personal baggage forever. They can very difficultly be transferred from one to another.

What the recruiters and managers look for in a new Everis employee is a very positive, humble, passionate attitude. People who look for stimulations and challenges are considered to be an asset for the company.

As a matter of fact, Everis' core values adhere very much to the soft skill school of thought and they can be summarized in the following terms: Transparency, Consistency, Responsible freedom, Discerning generosity and Creative energy.

Before we examine them singularly in depth, it is important to point out that it is very noticeable how each of them are strongly correlated to soft skill typical traits.

This once again is a clear sign about the fact that Everis really looks forward in finding the soft skill characteristics in the talents they are looking for to be part of the team.

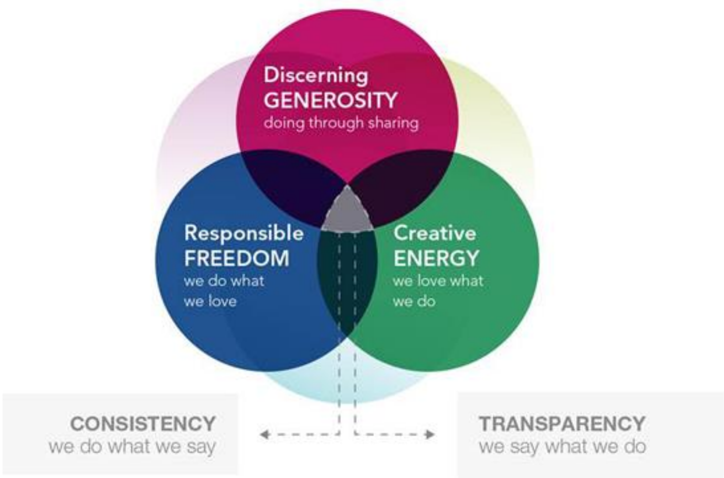

Figure 28. Everis' core values. Source: everis.com

Transparency is the first core value I would like to examine. When referring to this particular value, the phrases Everis likes to use as a support are “we say what we do” and also “we say what we think”. Since Everis has been acquired from NTT Data, two very different cultures, the Latin American and the Japanese, have collapsed into one big global company and with this unification process the two cultures started confronting with one another. The two quotes are particularly true for the Everis’ Latin American culture but less marked in the Japanese NTT Data culture. In fact, it is less likely for an employee in a Japanese cultural context to, for instance, contradict the opinion of a boss or an older person’s expression and thought. This is due to the very strong sense of respect Japanese people have for older people both in the work environment (position wise) and from an age perspective.
In the Latin American culture though people look at this standpoint in a very different manner. It is common to believe that by saying what you think a growing process starts. This process supposedly leads to the growth of the initial starting point idea and the environment becomes more stimulating and challenging.
In this second context, to which Everis for obvious geographical and native reasons adheres to the most, the company believes “a no is more likely to become a yes” and the framework is more dynamic. Being more dynamic, the processes tend to be less frictional and to function in a smoother way.
Although there are very noticeable differences both culturally and organizationally the two companies have never seen this as an issue that could bring to particular conflict. The acquisition in based on mutual respect of both the culture and more importantly (in this context) of the organizational model and culture.
Consistency, the second core value, is usually associated to the quote “do what you say.” For a multinational company that has to deal with global partners and clients it is fundamental to respect the agreements and respect the standards that have been set and stay coherent. Also it is very important that the same rule is respected internally in the Everis environment.
Going on to the third core value, *Responsible freedom*, Everis strongly trusts in every one of the employee’s capacities. This is what leads the company to a very free and barrier free workplace that makes the people happier and that leads to an increase in performance.
The more a person feels free, the more it will be happy, the better it will perform. This values represents one of the most important between all. Freedom is not seen as right given to people but as an obligation. This is because they believe that when something is perceived as a right it will be more likely for a person to rest on one’s laurels. On the other hand if it is

perceived as an obligation the managers are free to delegate anything to a person who is qualified for. In this way managers will not delegate tasks that will have to be performed but they will delegate responsibilities. This is a very effective process results wise.
Last but not least we find *Discerning generosity* and *Creative energy*. Strongly related to the previous point regarding freedom.
To conclude the first part that refers to "Block A: Talent", it is important to say that attitude is key in the talent context. Entrepreneurship, experience, passion, positivity and creation are the key elements that make a perfect Everis person that will contribute to make a strong Core of the company.

3.2.3 The core

The second main block, equally important to talent, which creates the company is the core (Block B figure 1). It represents the central part of the company, the way it acts and thinks in order to reach its goals and benchmarks.
This is also that part of the logical process in which strategies that lead to a successful company are conceived.
But what is success for Everis?
Commonly defined as a condition of achievement, Everis interprets the word in a very unique way. It is thought by Everis that in order for the company to be successful it is necessary to 'not be worse than others.' They do not consider success as 'being better than others' being a winning strategy. In this second scenario people tend to assume attitudes that are actually unfavorable to succeeding. In this way they accommodate and usually assume arrogant attitudes. Both these aspects are enemies of success, bring to failure and are discordant with the value of freedom. Moreover thinking in a 'not worse than the best perspective' keeps the person humble and hard working.
Another key element in reaching success is also being different.
Once the first block has been thoroughly explored in each of its aspects it is time to examine Block B of figure 26 that represents the core of the company.
As it has already been said previously, none of these blocks taken independently can possibly be considered as sufficient elements for a successful company. Only taken as a whole with the other blocks the various components fit in all together in a big picture and create a synergy with one another that can be leveraged to create a solid firm.

Just like mentioned in chapter two when referring to the acquisition phases, these three blocks that are a summary of the essence of Everis create an output that serves as an input to the next block. Imagining these blocks disconnected to one another would not make any sense because the premises for the existence of the following one would be missing.
We have already examined talent in each of its different aspects. Talent can be mainly summarized in the three processes of recruitment, promotions and staffing. Once these three processes have been fulfilled the attention goes to the core of Everis.
What happens once you're part of Everis?
The first consideration that has to be done is that if you managed to be part of the Everis' staff, you have already passed the steps that have been listed above and you fulfill the different characteristics the HR Managers look for in Everis' staff members. This means that from this company's very unique and interesting view you are the best they are looking for.
It is important to notice that once a company has found the best talent and has recruited it, the person will expect to be inserted in a particular environment.
Recruiting the best people in the job market and going through this very long process to then put them in an inadequate space wouldn't be of great sense. The 'best people' will expect to be in a very stimulating environment in which they can fully use their abilities to find solutions. Once they are able to do this, they will probably want their value to increase.
The more the complexity in their role, the more abilities have to be questioned, the more rewards and best professional career paths they will await.

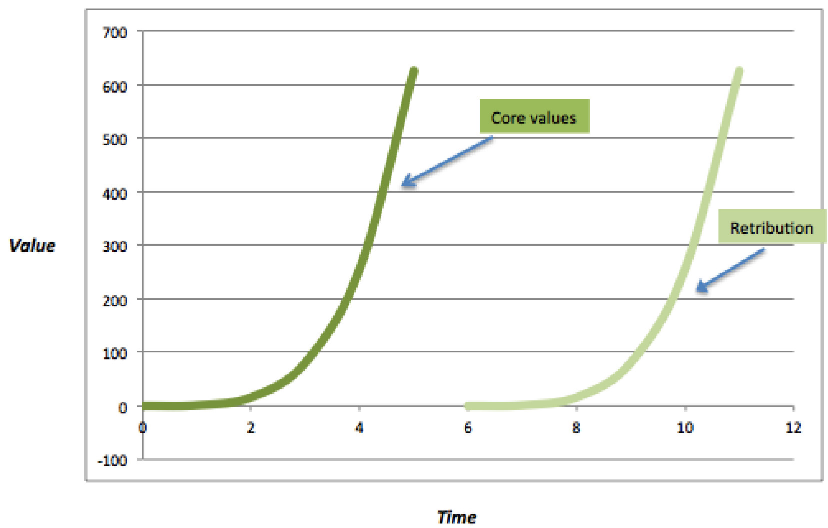

Figure 29. Correlation between core values, retribution and position in Everis. Source: cured by the author.

As shown in figure 29 above, the two lines, that follow an exponential trend, represent the core values and the retribution. On the Y axis is represented the value and on the X axis time. The combination of these aspects makes it possible for the employee to eventually shift upwards and work in a higher category.

As in most businesses the increase of a person's value is given by the correlation between the values itself and a number that represents the category assigned to the person. It goes without saying that the higher the category, the higher the salary so higher the retribution/reward.

The upgrading mechanism that has just been explained is very closely related to the talent issue. It has been said that talented people will want to necessarily work in an adequate environment in order to feel appreciated and fulfilled and the upgrading of category is a good way of fulfilling this goal for the firm.

Although stimulating the employees by giving them new goals and assigning them to higher categories is extremely efficient it is also very important not to force timing and the category upgrading.

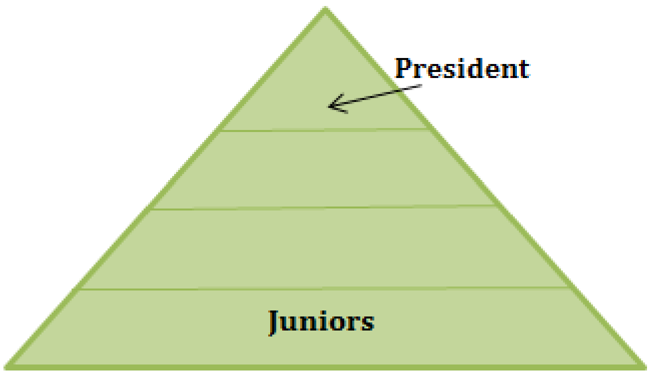

Figure 30. Everis' pyramidal scheme. Source: cured by the author.

As shown in figure 4 Everis is based on a pyramidal scheme in which at the base are the Juniors (term used to refer to the new talents that have just entered Everis) and goes up to the vertex where the President and top managers stand.

It is extremely important not to force the pyramid and have new talents go directly to the upper levels. Everis manages this system by creating time-to-time an exchange going from the bottom to the top. For every 5000 people going away from the company there will be 2500 new entrees of which 90% will be students. This makes it possible for the firm to create a rotation inside the pyramid that not only gives personal satisfaction to the staff members but also makes it possible for Everis to grow organically from the bottom.

The term “growing organically” does not only focus on an organizational aspect meaning that it makes the firm young and in line with the specific business standards of the outside environment but it also refers to a financial point of view.
Hiring Juniors has a very low cost, both monetary wise and resource wise, but creates an exponential increase in the value of the company.

3.2.4 Corporate university

Another way Everis provides an environment to grow to its talents is the Corporate University. Training is considered to be a key element in Everis. They believe that ‘Training, without a doubt, provides us with crucial leverage in the development of our professional lives and in a company’s chain management procedure. The Everis Corporate University is a sign of our commitment to the professional growth of each of our employees.’
Everis trusts very strongly in this project and has invested over 7,5 million euros on it. The aim is to reach a level of 40 hours of training per employee every year.
The main objectives of the Everis Corporate University are to:

- Match training strategy to company strategy
- Bring the training in line with the new skills maps and the professional career development plan
- Develop the skills and knowledge of our employees
- Help manages change in the company
- Meet the professional training needs of our employees to facilitate the delivery of excellence.

The corporate university offers a wide-ranging agenda of traditional classroom and on-line educational and training activities that are grouped into different areas: commercial, leadership & management, productivity, technology, skills and language training. The courses offered are designed to suit the requirements of each professional career and profile.
In order to provide even more academic value to our education / training programs, a Masters’ Degree in Finance, Telecommunications and Information Systems Program has been launched in collaboration with La Salle University.

3.2.5 The acquisition: premises and outcomes

Everis was established in 1996 and it started growing straight away.
With a 20% of organic growth every year Everis got bigger and bigger and started competing with the major consulting firms in the market and managed to have very big clients.
The main issue at that time was that with such high expectations for the future and such great growth for the company did not come adequate assets. With the big clients came big problems to confront and resolve and the necessity of finding adequate financial resources became a prerogative. The solution came in 2014 when the Japanese system integration company NTT Data acquired Everis.
Not only was NTT Data a very well-known company in Japan and around the world but it also was the largest IT Services company headquartered in Japan. With this acquisition came great advantages for both parts.
In the first decade of the 21st century NTT Data was without any doubt a very powerful company in the IT sector, had great financial resources and managed to be the first IT company in Japan.
Everis on the other hand is one of the biggest independent firms in Spain providing consultancy and IT services with a great presence in both Europe and Latin America.
The alliance between the two fits perfectly in both company's strategies.
The operation gives NTT Data the possibility to extend the numbers of services offered and most importantly the access to markets outside of Japan, accelerating its globalization process. NTT Data's competences could not only get strengthened but would be in the reach of the main clients present in Spain, in Latin America and to all the multinationals based in those countries.
The synergy also gives Everis great advantages. It provides all the financial resources that the company lacked of, giving Everis the possibility to reach bigger clients and to collaborate with the biggest and most important multinationals around the world. This also strengthened Everis' name not only locally in Spain and Latin America but most importantly globally.
The transaction took a long time due to various issues that both company wanted to address.
Toshio Iwamoto, President and CEO of NTT Data corporation said: 'Everis is an IT services company based on people, growth and with a business model founded on high profile talents and on a corporate culture. It shares with NTT Data the attention to innovation and its core values like 'team work', 'foresight' and 'clients in the first place'. Moreover, Everis works closely with its clients providing IT Services in markets that are comparable to the ones NTT

Data works with. The acquisition of Everis by NTT Data will allow us to leverage their services both in Europe and Latin America to offer our clients efficient and valuable solutions with promising synergies.'

On Everis' side it was a prerogative that even though it got acquired by NTT Data its precious business and organizational model had to be respected and maintained. As mentioned previously it represented one of the company's major strengths being very unique. The organizational and business model also represented the main reason why NTT Data agreed on buying Everis for a very high price. Being Everis made up of mostly intangible assets the price for which NTT Data bought it also included the Everis model and formula. At the end of the negotiation not only had Everis been evaluated a lot financially but also managed to maintain the valuable model that they themselves gave a lot of importance to, but that NTT Data also appreciated much.

Fernando Francés, President of Everis commented: 'This agreement is a clear commitment that NTT Data has in the regards of Everis' talents and model and offers us great opportunities to access project of bigger dimensions. Everis will keep offering the best talents to its clients, but from today on it will be supported by one of the main global suppliers of IT services.'

Benito Vázquez, CEO of Everis said: 'The trust NTT Data is giving to our business model, organizational model and to our talents shows our unique way of pursuing the consulting business and is offering us great opportunities. Being part of this big group will give us the possibility to develop bigger and more complex projects, to offer new services, to operate in new countries and to strengthen our leadership in markets we are already present in. Moreover, it guarantees our team, that comprehends more than 10.000 talents, better opportunities and professional development.'

3.4 Analysis of the results: the importance of the organizational aspects with respect to the acquisition phases

Paragraph 2.7.2 illustrates the mechanisms that according to Professor Sudarsnam lead to a successful acquisition. What better way of proving the validity of the Everis and NTT Data acquisition than to go through the winning factors that affect the good outcome of the process one by one by relating them to this specific acquisition.

The primary factors according to Sudarsanam are:

1. Control of capitals

2. Human resource management (HRM)
3. Agreements made during the acquisition.

The secondary factors are:

1. Previous alliance relations
2. Compatibility between the counterparts
3. Management of communications.

With regards to the control of capitals, the research demonstrates that positive outcomes were obtained in acquisitions where the buyer had 100% of the share capital. NTT Data acquired 100% of Everis' outstanding shares.

The second factor regarded the Human Resource Management. The research emphasized the importance of providing a stimulating corporate environment and how it has been already mentioned at the beginning of this chapter Everis is very concerned on this aspect. The Corporate University, trainings and Masters courses the company provides are only a small part of the effort that Everis makes to provide a stimulating and challenging environment.

Going on to the secondary factors, it cannot be said that Everis and NTT Data had relation previous to the alliance but it can be said that they made great effort to find compatibility between the organizations by respecting the mutual cultures and by taking advantage of their different capabilities.

Lastly, communication between the counterparts represents an influent factor to create a successful acquisition and this is a further element that has been greatly respected in the Everis and NTT Data acquisition. Formal communication of objectives and development strategies has been a prerogative and the Commitment and Retention Plan is only one of the numerous things that prove this point.

Another model mentioned previously in chapter two is the Faulkner model. It can be very useful to prove once again how this specific acquisition was meant to be successful.

The model outlines a scheme to analyze the process that leads to the identification of an ideal partner. The four different situations he studies depend on the *cultural and strategic fit*.

Everis and NTT Data presented a medium possibility of cultural adaption but a very high strategic coherence leading to the conclusion that the possible outcomes according to the scheme could have been either of a favorable perspective or of an optimal situation.

3.4.1 Analysis of the results: the organizational and human resource management models as the main drivers for the acquisition by NTT Data

As discussed in chapter two, it is quite inevitable that when dealing with an acquisition process there comes a point in which the acquiring and acquired firm need to consider eventual synergies that could take place.

It is important to discuss this aspect not only from the buyer's point of view, who will be interested in evaluating them in order to estimate the operation's price, but also from the opposite point of view.

It was particularly important in the Everis and NTT Data acquisition process to evaluate possible synergies because they represented the starting point and primary reason why the whole operation had started.

As a matter of fact, NTT Data showed great interest in the Everis model and human resource management having understood that they would have been able to exploit its diversity from their own in order to expand their area of influence.

Both companies were seeking growth and saw the acquisition as a strategic occasion to enlarge their economic possibilities and market share. The acquisition was never seen as a financial operation to realize *capital gain* but as a way of implementing growth strategies. Both Everis and NTT Data had in mind the great potential of the organizational and human resource management models that characterize the Spanish company.

Before the acquisition, both these two aspects lead Everis to such great success in Latin America and European countries.

When fixing a price, the companies clearly knew that the value of the acquisition would have been influenced not only by Everis' tangible assets, but also in great part by the intangible resources that made Everis so successful and attractive to acquire. This not only influenced the price, but also the integration phase that followed the process.

NTT Data had to necessarily grant the independency and organizational autonomy Everis had before the acquisition to leverage at a maximum level the synergies that would have developed through the process.

It could be stated that according to Haspeslagh and Jeimson's model mentioned in chapter two (paragraph 2.7.1) the acquired firm has been incorporated by NTT Data through a symbiosis approach.

Everis not only needed a strategic independency but also organizational autonomy and to do this NTT Data had to necessarily incorporate Everis' best assets and maintain them as they were.
The symbiosis strategy is the most challenging case for the managers but it is at the same time the one that incases the greatest potential and synergy expectations.
Moreover, the two companies clearly presented great cultural differences. As already mentioned the crucial point in the integration process is not necessarily to eliminate cultural differences but to comprehend them and understand which culture and values need to be preserved an maintained in time because they represent critical factors for future success. Everis and NTT Data managed to fully accept this not only because it was necessary but also because they understood the potentials both cultures had in different markets.
The proof that the acquisition was seen as strategic is that the post-acquisition phase (present only in strategic acquisitions and not in financial ones) has represented a fundamental phase of the entire process and is still ongoing. A great example of this is the CRP (Commitment and Retention Plan).
The CRP is a strategic plan established during the acquisition in 2013. It requires Everis to reach a set profitability in a three-year time frame. The reaching of this goal will give all the Everis staff members who have committed to the company and who have collaborated to reach this result the right to receive an economic prize. To earn this prize the staff members will not only have to assure that Everis reaches the profitability level required by NTT Data but will have to be evaluated with an A grade (the highest grade in their scale) for the three consecutive years that concern the strategic acquisition plan.
This plan can be considered extremely valid. It will help both companies reach further financial value other that the one gained through the acquisition by leveraging the human resources knowledge, competences and organizational model present in Everis.
It is also proof of the shared objectives, aligned strategies and great communication there is between the two companies.
The positive outcomes of this acquisition operation are already visible. In particular the area of influence of the overall company is now extended all over the world and the turnover of Everis has increased from 606 million of 2013 to the 715 million in 2016.

Conclusion

In this thesis I have worked on the research hypothesis that the organizational model and the human resource management are effective drivers that influence a company's decision when evaluating the possibility of an acquisition.

I have conducted my research by analyzing the specific case of the acquisition of the Latin American company Everis by the Japanese company NTT Data.

It was essential however to start my research by studying the theoretical aspects. Elements such as the organizational models, the human resource management and the importance of culture in organizations have to be understood in order to identify the factors that shape the configuration of a company.

Moreover, it was also important to analyze in detail the acquisition process in all its phases and to identify the elements that make it a success or a failure to understand the essence of my hypothesis.

In the specific context of the real case I have studied a first evidence of the validity of my hypothesis is that the boards of both companies have declared their interest in the acquisition on the grounds of considerations related to strategic factors rather than financial drivers.

This can be particularly noticed by reading the declarations of the Presidents and CEOs who stated: '[Everis] shares with NTT Data the attention to innovation and its core values like team work, foresight and clients in the first place', 'The acquisition of Everis by NTT Data will allow us to leverage their services both in Europe and Latin America to offer our clients efficient and valuable solutions with promising synergies', 'This agreement is a clear commitment that NTT Data has in the regards of Everis' talents and model and offers us great opportunities to access project of bigger dimensions. Everis will keep offering the best talents to its clients, but from today on it will be supported by one of the main global suppliers of IT services' and lastly 'The trust NTT Data is giving to our business model, organizational model and to our talents shows our unique way of pursuing the consulting business and is offering us great opportunities'.

Further evidence of the research hypothesis is given by the fact that major importance has been given to the post-acquisition phase.

Great attention has been given to the integration of the two different cultures (Latin American and Japanese - that are obviously very different from one another) that have been used in a complementary ways in order to achieve the objectives of the global newly born organization.

In the post-acquisition phase there has also been a constant effort on the part of the two companies to have shared objectives, aligned strategies and fluid internal communication. This approach is proved among other things by the implementation of the CRP plan that aims at motivating and retaining the personnel of the acquired company considered as the most valuable asset of the organization.

The success of the operation is demonstrated by a 20% of organic growth every year and an increase of the turnover from 606 million of 2013 to the 715 million in 2016 of Everis. Furthermore there has been a geographical expansion of the area influence of the global company.

The study of the acquisition of Everis by NTT Data shows not only that the organizational model and the human resource management are drivers of an acquisition process but also that this approach leads to successful results.

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