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The factors affecting the effective integration of acquired organisations in South Africa

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The Factors Effecting the Effective Integration of Acquired Organisations in South Africa

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, 2014

ABSTRACT

Over the years a number of studies have been conducted on the topic of Acquisitions, which makes it not a new concept. However, little is known specifically about the positive and negative factors that affect the effective integration of an acquired organisation into the parent organisation. As a result, organisations are unaware of the specific elements they should focus on in order to leverage these, to achieve the successful integration of the acquired organisation.

This research report aims to identify the factors that affect the effective integration of an acquired organisation in South Africa.

A themed content analysis was conducted on questionnaire responses and information (individually captured interview notes) was gathered by the in-depth, semi-structured interview process, involving 12 respondents that were involved in the acquisition of Red Man Technologies by Blue Turtle Technologies. The McKinsey 7S framework was used as a basis and themes and common factors identified across responses from all respondents led to a deep understanding of these issues and resulted in all 7 factors being highlighted as the ones that affect the effective integration of an acquired organisation in South Africa.

The research findings indicated that in addition to the McKinsey 7S's specifically identified through the literature review, there were other factors such as value creation and synergies that the respondents brought up during the interviews, indicating that these also played a role in the effective integration of an acquired organisation in South Africa. The top factor was Style/Culture, meaning that norms and beliefs needed to be shared between both organisations. All 7 factors are discussed in detail in the study.

The key message is that acquiring organisations should review and focus on the 7 factors documented within this research study. They need to ensure that these factors are considered when an acquisition is considered, in order to ensure the integration of the acquired organisation is successful.

DECLARATION

I, Jashwin Maharaj, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Jashwin Maharaj

Signed at …….....

On the …….. day of …… 2014

DEDICATION

To my family for their unwavering support through what has been a test of endurance on both our relationships and family life in pursuit of a personal life-long goal of mine:

To my loving and supportive wife, Shenila, thank you for taking care of our family during this time and always having the strength to support me even when you were overwhelmed with your own tasks. Your love, support and belief has enabled me to sail through this MBA journey with very few storms along the way.

To Riyanka, you were only 4 years old at the start of these studies. No child should have MBA as part of their vocabulary at that age. Thanks, for your child-like support, my angel, for something you did not understand at that time.

To Arav, you were barely 1 year old when I started these studies, but quietly carried on through your dad's absence at many important events. I am relieved now that I will have more time to spend with you, Riyanka and mum in the future.

To my almighty god whose divine blessing and support made it possible for me to pursue and complete this MBA, I thank you.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this research was to identify factors affecting the success or failure of the integration of acquired companies into a holding company in South Africa.

1.2 Context of the study

The study was carried out within the Republic of South Africa and the context was focused on companies that are ranked as medium to large enterprises (Minster Trade and Industry, 2003), which had acquired other companies and integrated them into the parent company. The research assessed the factors affecting the success or failure of these acquisitions after the companies had been integrated. In order to be able to understand how the success or failure affects companies, the case of the acquisition of Red Man Technologies (RMT) by Blue Turtle Technologies (BTT) was evaluated. The study evaluated what was done in the RMT and BTT acquisition, by interviewing BTT and RMT staff, both current and old, as well as executives of each company, to access whether the acquisition followed the processes and actions of best practice that the literature has identified.

Acquisitions of companies have become quite common over the past few decades (Trautwein, 1990). Most companies acquire other companies to either grow or enhance their current business. Others acquire competitors or companies that will enhance their technological ability, as it may be more cost effective to buy than to develop the technology themselves (Jones, Lanctot Jr, & Teegen, 2001). The aim is, however, to maximize shareholder/stakeholder value. Acquisitions involve financial and legal procedures and processes, which can be very complex depending on the size of the companies involved in the deal and in which country the acquisition is taking place. This is due to different countries having different regulatory aspects that must be adhered to (Kapil, 2009). Research has shown

that between 55 percent to 70 percent of mergers and acquisitions fail to meet their intended goal (Carleton & Lineberry, 2004; Schraeder & Self, 2003) and they do not meet the growth strategy nor do they create value for the parent company (Fuller, Netter, & Stegemoller, 2002). The possible reasons that could cause this failure include factors such as poor planning, loss or mismanagement of talent, unrealistic expectations, cultural clashes, poor communication, integration difficulties and changes in the external environmental conditions (Papadakis, 2005).

In practice, the acquisition process comprises five stages which need to be completed in most cases sequentially. The stages are: performing a pre-acquisition review, target screening and searching, target investigating and valuation, acquisition for target through negotiation, final post-acquisition integration (Wen, Wang, & Wang, 2005). The details of each stage are elaborated in the literature review of the report.

In South Africa medium and large organisations are classified as having fewer than 200 employees and a turnover of R51 million and more than 200 employees and a turnover in excess of R51 million respectively (Olawale & Garwe, 2010). Medium and large companies, as part of the South African economy, only make up 4 percent of the country's companies (Berry et al., 2002). This is due to the large number of informal and small companies that make up the largest part of the categories (Berry et al., 2002).

Companies that are registered with the Companies and Intellectual Property Commission, such as public companies or private companies, have to adhere to South Africa's governance and laws (Republic of South Africa, 2008). The Companies Act of 2008 is the legislation that the above mentioned companies need to comply with. Complying with this Act means that directors are accountable for their actions. This plays a role when companies decide to acquire other companies because if the acquisition is detrimental to the company, the directors can be held liable in their personal capacity (Republic of South Africa, 2008). Companies listed on the Johannesburg Stock Exchange (JSE) have to further comply with the Kings code, which has a bearing on how companies are

run, as they have to adhere to governance and risk standards, as well as to meet their corporate social responsibilities (King, 2009). Therefore, these acts and codes have an effect on how acquisitions are pursued.

When a public or private company plans to acquire another company the Competition Act of 1998 has an effect on the transaction as mergers and acquisitions fall under the jurisdiction of the Competition Act (Republic of South Africa, 1998). The Act has three bodies that enforce its regulations: these are the Competition Commission, the Competition Tribunal and the Competition Appeal court. The Competition Commission is required to be notified of all intermediate acquisitions if the proposed value of the acquisition is equal to or exceeds R560 million (this is calculated by adding the annual turnover of both firms or both companies' assets), and the annual turnover or asset value of the target firm is at least R80 million (Competition Commision, 2009). Smaller acquisitions that do not meet the above criteria are only voluntarily announced.

The Competition Commission must assess the compliance of a proposed acquisition to determine the effect the acquisition could have on the concentration within the industry in question. Acquisitions will be prohibited if they prevent or lessen the competition in the market. However, if the acquirer can prove that there could be technological gains, pro-competitive gains or efficiency gains from the integration of the two companies, which will outweigh the concentration effect within the industry, the Commission will allow the transaction to go ahead (Republic of South Africa, 1998). Integration of companies should, therefore, enable value to be created and enable the company to compete in such a way, in the market, that consumers benefit ultimately.

The terms "mergers" and "acquisitions" are often used interchangeably or as synonyms. Their meaning, however, is slightly different. When a company takes over another company and, in doing so, becomes the new owner, this transaction can be called an acquisition (Zollo & Singh, 2004). From a legal perspective when the transaction is considered complete, the target company will cease to exist (Zollo & Singh, 2004). When a merger occurs, the two firms that are part of the transaction become one and continue as a single entity. This can occur by means

of acquiring control via stock purchases or exchanges and can be hostile or friendly (Wen et al., 2005).

Blue Turtle Technologies is a leading South African technology management company focused on Information Technology (IT) and Service Management. BTT was registered as a private company (Pty, Ltd) on the 1st May 2003 (Companies and Intellectual Property Registration Office, 2013). Its current turnover is R234 Million as per the current year's audited financial results (Blue Turtle Technologies, 2013). BTT provides a host of services, such as IT governance, service management, infrastructure management, security management, configuration management, application management and document management, to all sectors and industries. It has its main footprint within South Africa and has offices in the three major cities (Johannesburg, Cape Town and Durban). It provides services via project assistance to countries in Africa such as Tanzania, Nigeria, Cameroon and Ghana (Blue Turtle Technologies, 2013). It currently has a staff compliment of 129 employees and with its turnover is ranked as a medium size company in South Africa (Minster Trade and Industry, 2003).

Red Man Technologies was a consulting company that provided application development and professional service consulting to the Banking, Retail and IT Outsource sectors. Their turnover was R24 Million as per their February 2010 financial year-end results and the company had a staff compliment of 30 employees at the time it was acquired by BTT (Blue Turtle Technologies, 2010).

1.3 Problem statement

1.3.1 *Main problem*

The problem to be researched is why many acquisitions fail when the acquired company is integrated into the parent company. This is particularly evident in the IT industry and is seen in many studies were technology companies acquire target companies and later close down the business unit as no value or synergy is achieved (Greenberg & Guinan, 2004; Sirower, 1997)

1.4 Significance of the study

The study fills a gap in that it aims to determine what factors are relevant in order to ensure that once a target company is acquired and integrated into the parent company the outcome is successful. The study assesses the success by the accumulation of various factors such as value creation, cultural fit, the integration of systems, strategic alignment and incorporation of people skills, therefore looking at the outcome from a holistic perspective. Due to the increased number of acquisitions occurring (Trautwein, 1990), many studies have focused on the financial aspect and have cited reasons for failure such as over-paying for the target company due to incorrect valuations or companies not being strategically aligned (Wen et al., 2005). The study also offers some insight into which of the acquisition stages in conjunction with the McKinsey 7S framework would be the key driver to deliver a successful integration post-acquisition.

The study provides guidance and value to strategic decision makers: senior executives in organisations looking at acquiring companies and integrating them into the parent company. It outlines the positive and negative factors affecting the success or failure of these acquisitions. The McKinsey 7S framework assists in guiding how acquisitions should be integrated, as understanding the interconnectedness of each element of the 7S model highlights areas that need to be focused on to assist with the successful integration of an acquired company.

1.5 Delimitations of the study

- Information Technology Acquisitions
- Acquisition within the boundaries of South Africa only
- Mergers are excluded
- Medium to large companies only are considered

1.6 Definition of terms

Acquisitions: A takeover of one or more target companies through the purchase of stock or assets of the target company. The resultant effect is that the target company is integrated into the parent company and the parent company controls the target company going forward (Wen et al., 2005; Zollo & Singh, 2004).

Medium sized: Medium sized is related to company size. It relates to the number of staff employed and the turnover of the organisation (Wiklund & Shepherd, 2003). In South Africa medium sized companies are companies with fewer than 200 staff and a less than R51 million turnover (Olawale & Garwe, 2010).

Effective integration: effective integration is the generating of joint efforts to fulfil the common goal of a parent company, using the combination of a single company or groups of acquired companies (Salama, Holland, & Vinten, 2003).

Acquired Organisations: acquired organisations are companies that are purchased by another company by means of the purchase of stock or exchanges (Wen et al., 2005).

1.7 Assumptions

The research was conducted based on the following underlying assumptions:

The respondents that were selected were knowledgeable enough with regards to matters pertaining to the acquisition of Red Man Technologies by Blue Turtle Technologies. A lack of understanding or knowledge of the pertinent details of the deal between Red Man Technologies and Blue Turtle Technologies would affect the credibility of the study and be detrimental to it.

The total number of respondents was adequate to gain sufficient data.

The Identified individuals shared information honestly and truthfully. False responses would have negatively affected the quality of the results.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The literature review focuses on the key themes that are relevant to the study by identifying the factors that influence the effective integration of an acquired company. First, this chapter will provide a background discussion on acquisitions, covering the types of acquisitions, reasons for acquisitions and, finally, stages of acquisitions. This will be followed by a theoretical review of the factors effecting acquisitions, covering the McKinsey 7S model and how each of the seven aspects of the model can have an effect on the integration of an acquisition, as well as the success and failure of acquisitions. The section will be concluded with an overview of key elements from the literature review.

2.2 Definition of topic or background discussion.

Pablo (1994) describes the different levels that integration can occur on as low, medium and high. With a low level of integration it is found that there are technical and administrative changes which are restricted to sharing of the financial risk and resources, in conjunction with the standardisation of basic management processes and systems to enable communication. A medium level of integration requires further alterations in the value chain as the knowledge base and physical resources are exchanged or divided and shared. Due to this we find that administrative changes may include modification of the delegation of authority and reporting relationships, which can result in the reframing of the cultural bases of decision making. The highest level of integration is inclusive, as it involves the extensive sharing and adoption of all resources, systems and structures (financial, physical, and human) and the cultural absorption of the acquired company (Pablo, 1994).

The extensiveness of the integration level is the defining factor on how disruptive integration will be on the operation of the parent organisation. A high level of integration, however, is essential to gain the full benefits of the acquisition (Zollo & Singh, 2004).

2.3 Value creation of Acquisitions

Acquisitions have become an effective tool for organisations to create and maximize value for the shareholders/stakeholders of the corporation. They could be strategic or non-strategic but should follow the same process (Kapil, 2009). The increase in globalisation and the financial crisis has created a market for lucrative business opportunities via acquisitions. This lucrative opportunity is due to stock prices decreasing, and a pressure on businesses to consolidate into more financially viable units (Raukko, 2009). Organisations are seeking to grow and develop rapidly by acquiring other organisations that can fill new capabilities and operations and provide access to new markets. In doing this the parent company requires the above capabilities to be sustainable (Raukko, 2009).

Although acquisitions are currently seen to form an integral part of the strategy of an organisational environment (Kapil, 2009), they seem to be susceptible to a high percentage of failure and can be highly volatile (Carleton & Lineberry, 2004). Due to organisations clearly focusing on growth strategies, acquisitions have become a growth strategy of choice. Acquisitions have, therefore, become a fundamental aspect when organisations are involved in the strategic decision making process (Bertoncelj & Kovač, 2007). Although acquisitions are a strategy of choice, it has been found not to be an easy route to wealth creation. Yet it may seem there is no better solution, within a business environment that is always changing with regards to the competitive condition and environment (Bertoncelj & Kovač, 2007). According to the KPMG merger and acquisitions survey, the success rate or value creation does not seem to increase, yet there has been an increase in acquisition volumes (KPMG, 2008). As can be seen in Figure 1, in 2008 from the acquisition transactions that were surveyed, there was a 27 percent increase in the enhancement of value to stakeholders but there was a 39 percent

reduction of value in some other acquisition transactions (KPMG, 2008). If we consider the 10 year period the survey covered, we notice that only between the period of 2003-2006 did enhancement of value surpass the reduction of value from acquisitions and this can be credited to the financial boom that occurred during that period (KPMG, 2008).

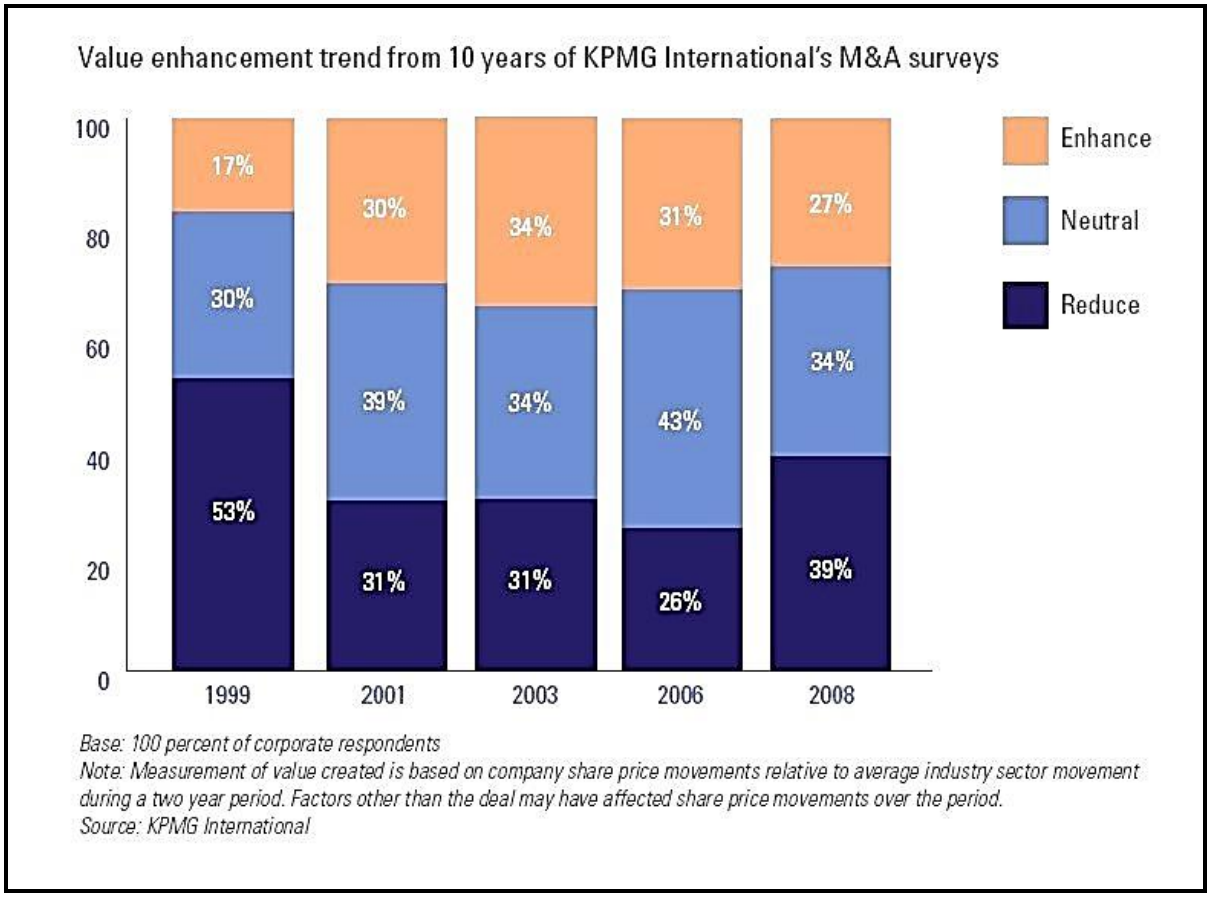


Figure 1 : KPMG Merger & Acquisition Survey (KPMG, 2008)

2.4 Types of Acquisitions

There are three main types of acquisitions: horizontal, vertical and conglomerates. Each one has a function and is used for different acquisition strategies.

2.4.1 *Horizontal Acquisitions*

These are acquisitions that take place within one industry and often the acquirer buys out a direct competitor (Capron, 1999; Seth, 1990). Horizontal Acquisitions

are sometimes seen as collusion because, generally, a dominant player will acquire a weaker competitor, helping to create a more dominant company (Seth, 1990). Anti-competition laws do police this and generally prevent this type of behaviour if the result does not promote a better market and competition (Seth, 1990). South Africa is no different from other countries and, as stated earlier, the Competition Commission is the legal entity that oversees this (Republic of South Africa, 1998).

2.4.2 *Vertical Acquisition*

This type of acquisition is the buyout or takeover of an organisation within the same sector of business: an example would be acquiring a supplier or customer (Fan & Goyal, 2006). Vertical acquisition has over the years become more diversified and covers a variety of sectors. The acquisition can be forward focused, that is buying a customer, or backwards focused, meaning acquiring a supplier (Chatterjee, 1991). Vertical acquisition also creates significant market power and the wealth effects are within the three day window of announcement of the deal. The wealth effect is comparable to that of horizontal acquisition (Fan & Goyal, 2006). Chatterjee (1991) suggests that vertical acquisitions are known to generate important efficiencies within the industries they are in and, due to this, they generally present no competitive issues. Therefore, he suggests that they should not be targeted by anti-competitive laws.

2.4.3 *Conglomerate Acquisition*

Conglomerate acquisition is the combination of organisations that are not generally integrated but have distinct business activities (De Fontenay & Gans, 2004). It can be used to create an increased degree of multimarket contact between merging organisations and their rivals (Gugler, Mueller, Yurtoglu, & Zulehner, 2003). When a conglomerate acquisition occurs, it allows the acquirer the opportunity to bundle goods or services, as post-acquisition the acquirer has a larger variety of goods and services to offer, especially since in the nature of

conglomerate acquisitions, the business activities are not interlinked, which in turn creates market power for the conglomerate (De Fontenay & Gans, 2004).

2.5 Reasons for Acquisitions

Acquisitions of companies occur for various reasons, some being that companies require competitiveness or expansion and it is cheaper to acquire a company than to develop the product or service yourself or even expand current business and maintain or achieve growth rates (Gaughan, 2010). Other reasons include managerial motives.

Organisations require access to different types of resources: these include tangible resources such as equipment, people, etc., or intangible resources such as patents, copyrights, trade secrets and the skills and intellectual property (IP) of the target organisation's employees (Mullins, 2001). Mullins (2001) also highlights that some organisations want to increase their market capitalisation by acquiring competitors, thereby eliminating the competition. As noted above under types of acquisitions, most countries, including South Africa, have anti-trust and anti-competition laws that are in place to prevent and discourage this type of behaviour within organisations, as it fundamentally disadvantages the customers.

Acquisitions, however, do offer access to favourable market positions, products and technologies, as well as distribution channels, and can be used to create a strategy that decreases research and development costs, as well as overcoming the lack of knowledge. This can assist in increasing the number of products that the organisation has in its pipeline (Ahuja & Katila, 2001; Appelbaum, Gandell, Yortis, Proper, & Jobin, 2000).

2.6 Stages of Acquisition

The acquisition process comprises five stages which need to be completed, in most cases, sequentially. The stages are: performing a pre-acquisition review; target screening and searching; target investigating and valuation; acquisition of target through negotiation; and final post-acquisition integration (Wen et al., 2005).

In the pre-acquisition stage, the company assesses its own situation and reviews its own corporate strategy in order to decide whether an acquisition programme should be adopted. In conjunction with this, the company needs to look at itself introspectively and do a valuation of itself to ensure it is not undervalued, as if this is the case, it could find itself a target for an acquirer (Wen et al., 2005). Therefore, a valuation of the company is often included in the pre-acquisition step. If, at this stage, the company believes that it will find it challenging to maintain its core business, maintain market share, as well as create return on capital or maintain key performance drivers, then an acquisition programme might be the solution (Wen et al., 2005). This choice is made because the company wants to achieve a desired growth rate and if an acquisition is successful it will achieve these growth rates (Gaughan, 2010).

Once the company decides to go through with an acquisition, it needs to move onto the next stage which is Search and Screen targets. This stage is to search for possible candidates that fulfil the parent company's list of criteria. Compatibility is one such criterion as well as good fit. It also looks at criteria such as type of business, size, core competencies, market channels and organisational strength, structures of capital and whether the target company complements the parent company's performance (Wen et al., 2005).

Wen et al. (2005) say that the acquiring company in most cases performs the search and screening process in-house. This is due to the fact that the preliminary steps of acquisition are guarded and independent. Since this is the case, reliance on external investment firms is kept to a minimum. This stage can take a few weeks or several years as the search for compatible targets is done by the acquirer. The following activities are covered in this stage and assist with finding a suitable acquisition:

- "Develop a growth strategy defining the role of mergers and acquisitions.
- Set criteria for candidate screening, evaluation and selection.
- Identify, collect information about, and assess potential candidates.
- Determine which candidate offers the best fit for a deal.
- Develop an action plan for executing the deal" (Wen et al., 2005, p. 573).

The next stage is to investigate and value the target once it has been selected. This is done through a process of a due diligence to distinguish what synergies can be envisaged from the acquisition. A phase 1 due diligence is performed at this stage which covers a full review of the strategies, financials, operations and any other aspects of the target company (Wen et al., 2005).

The stage of acquiring through negotiation is next and the intention of this stage is to reach an agreement with the target company. The option which is preferable is for an agreement to be reached without resistance from the target company. If the negotiation is successful and both organisations are happy, an offer to acquire can be made (Hitt, Hoskisson, & Ireland, 1990). Once this has occurred, phase 2 of the due diligence has to be carried out, which is more in-depth than phase 1 discussed above. It covers strategic, economic and implementation aspects, to ensure the deal is sound (Wen et al., 2005). It is the critical point from an acquisition perspective as, if the results of this phase of the due diligence do not show the intended value and synergies, the transaction should not proceed. Phase 2 of the due diligence has a direct effect on the next stage, therefore, the quality of this phase needs to be high (Wen et al., 2005).

Wen et al (2005) describe the final stage of post-merger integration as the stage where a comprehensive plan is developed and implemented to integrate the acquired organisation into the parent company. This process occurs within 30-100 days after the final decision is made to proceed or can also happen concurrently with phase 2 of the due diligence if both parties are confident that the acquisition will occur. The process, however, does involve complex legal and financial procedures which need to adhere to legislative laws (Kapil, 2009).

2.7 McKinsey 7S Framework

The McKinsey 7S Model was developed in the 1980's by business consultants Robert H. Waterman JR, Thomas J. Peters, and Julien R. Phillips who were part of the McKinsey consulting group (Venema, 2012). The model is comprised of seven elements: structure, strategy, system, style, staff, skills and super-ordinate

goals (shared values). Figure 2 below gives a graphical representation of how the elements of the framework interlink with each other, as well as how each element depends on another (Peters, 2008).

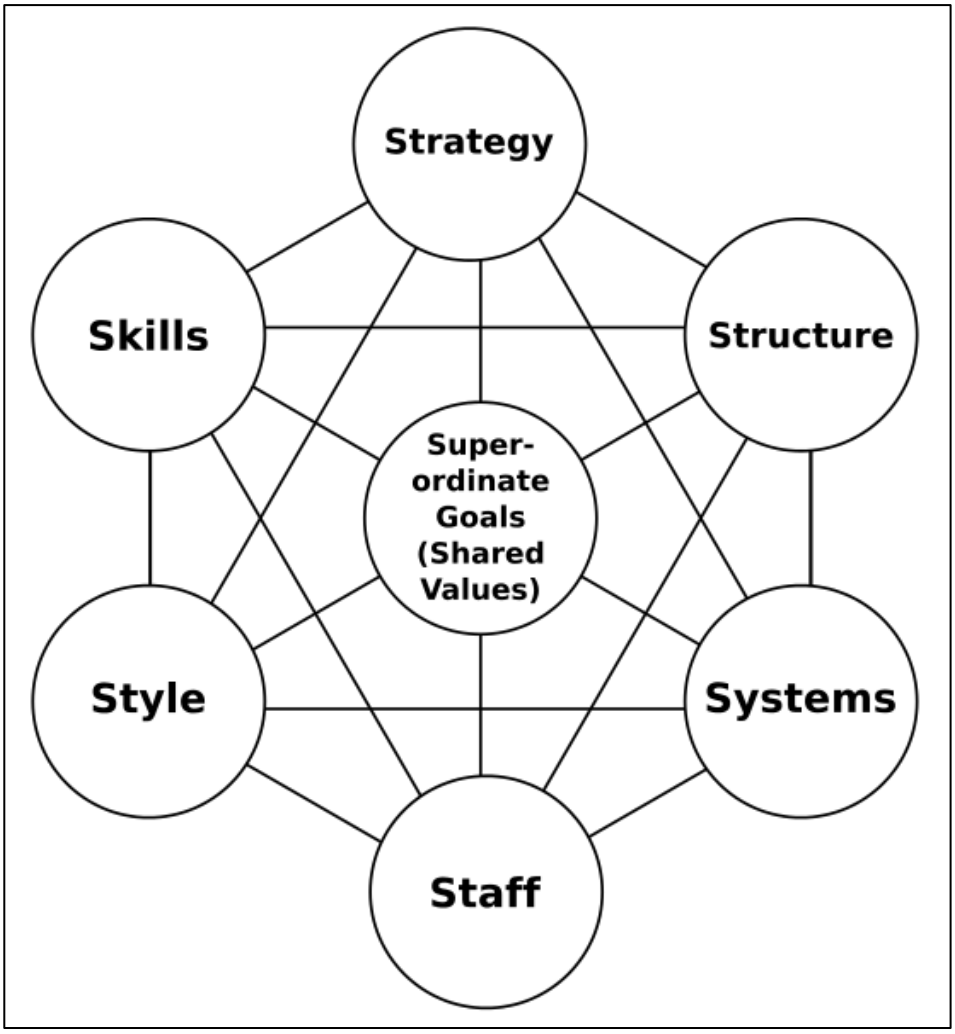


Figure 2: McKinsey 7S Framework (Peters, 2008)

The table below has the definitions of each element that make up the McKinsey 7S Framework as defined by the developers of the framework.

Table 1: McKinsey 7S model definitions (Peters & Waterman, 1982)

Elements	Definition
Strategy	Developing a plan for the company in response to the external environment and changes that occur within that environment.
Structure	Is dependent on specialisation, organisational size, strategy and organisational diversity, as these factors will have an influence on structure
Systems	Procedures that are both formal and informal that uphold the structure and strategy.
Style / Culture	This element has two components: • Organisational culture: these are the values, norms and beliefs that are dominant within an organisation and which develop over a period of time. They become part of the organisation's life. • Management style: Is based on what managers do rather than what they say. It looks at what they focus on and how they spend their time.
Staff	The people or work force is linked to human resource management where processes are used to grow and develop people of the organisation via aspects such as socialisation processes and staff retention and recruitment.
Skills	It is what the organisation does best and is also its distinctive competences.

Shared Values	Are the fundamental concepts around which an organisation is built. It covers the concepts and ideas that form part of the guiding mechanism within an organisation – it must be simple, and able to be specified at an abstract level. Although outsiders might not seem to understand it, it must have great meaning and value inside the organisation.

2.7.1 *Structure*

Waterman, Peters, and Phillips (1980) state that in theory the basic element underlying organisation structure is simple, as structure divides tasks into manageable workloads and then focuses on the coordination of tasks. It results in decentralisation and recentralisation, which results in the trade-off between specialisation and integration. Therefore, a functional organisation is the structural division between production and sales. The simple structure of an organisation, which included one-man/one-boss, the grouping of activities, restricted span of control, and proportionate authority and responsibility, was a universal truth but the increasing size and complexity of business has changed this.

When a functional organisation reaches a certain level of size in conjunction with complexity, and requires frequent interaction amongst all activities, the structure will breakdown. This is due to the fact that when the number of people and/or businesses grows arithmetically, the number of interactions required in order to enable things to function increases exponentially and geometrically (Waterman, Peters, & Phillips, 1980). Due to this, when a company extends past a certain size and/or complexity threshold, decentralisation becomes the only mechanism to cope (Waterman et al., 1980).

According to Daft (1998, p.15), “Structural dimensions provide labels for describing the internal characteristics of an organization. One can mention commonly cited structural dimensions such as centralization, specialization, standardization, formalization, hierarchical levels, and span of control”. Although

Daft is writing almost two decades later than Waterman et al, we find a very similar discussion around structure, which highlights the fact that things have not changed.

2.7.2 *Strategy*

Structure by itself is not enough: there is strategy which needs to align with it and Alfred (1990) highlights that structure follows strategy. A decentralised structure is the outcome when a strategy has diversity.

Waterman et al (1980) state that strategies are actions that a company develops in anticipation of, or response to the external environmental changes that might occur with regard to its customers or competitors. It is how the company plans to improve its position in respect of being more competitive by lowering the cost of delivery and/or production, enhancing products or services to provide better customer value and trying to achieve service and sales dominance. In industries with high competition, strategy is a core concern as it can be the route to competitive advancement and it is where the game can be won or lost. Having a clear concept about strategy makes the task of structural design easier to develop. The concept of structure follows strategy; however, it is by no means the only factor to consider regarding organisational wisdom. If the company cannot execute the strategy, and there are many examples of this occurring in prestigious companies all over the world, a possible reason for this is that it only focused on strategy and not on other aspects of the McKinsey framework.

2.7.3 *Systems*

Linked to strategy are systems and this term covers both formal and informal systems, as well as procedures which are supported by strategy and structure. Systems enable the organisation to move forward and cover areas such as Enterprise Resource Planning (ERP) systems, training and financial systems and any system that the organisation requires to enable it to function as a business (Hanafizadeh & Ravasan, 2011). If the organisation needs to be changed with the

least amount of disruption, then systems is the area which requires to be considered. While systems may be viewed as a non-critical aspect of the business, systems can have a powerful effect on enhancing organisational effectiveness, without the disastrous side effects that structure changes can have on organisation (Waterman et al., 1980). An example of this is banks: they use systems to sidestep problems rather than change strategy, as they realise that the key to future improvements is not redeveloping a strategy but using the infrastructure they have from their systems to help drive the desired outcome. In this way of thinking, systems is their strategy (Waterman et al., 1980).

2.7.4 *Style (Culture)*

Style generally refers to organisational culture and management style but the McKinsey framework consolidates both into Style (Peters & Waterman, 1982). Communication is related to the two elements above.

Organisational cultural attributes are among the more important factors that affect the outcome of an acquisition. Researchers have suggested that mismatch and problems during the integration of organisations is due to the corporate cultures' not being aligned. Research has also suggested that for technological innovations to be successful the organisational cultures need to be aligned with the technology. In addition, the culture has to be reshaped to fit the demands of the new technology (Hanafizadeh & Ravasan, 2011).

Management style affects how the organisation functions as a whole. Generally, when top management push an aspect down from the top, this is what staff below use as guidance. Waterman et al (1980) highlight that top management should say and do the same thing, as this is what is seen from an organisation perspective. Decisiveness is seen through the pattern of actions, not just words, and with this in mind, the power of style is, then, essentially manageable.

Communication is another aspect that has a fundamental effect on the outcome of integration during an acquisition, as effective communication can relieve the

anxiety experienced when parties have to go through a change which has resulted from an acquisition (Venema, 2012).

2.7.5 *Staff*

Staff is about the people aspect although it can be split in two ways: the hard end and the soft end of the spectrum. The hard end of the spectrum relates to appraisal systems, formal training, pay scales and similar systems; the soft end speaks more about morale, behaviour, motivation and attitudes (Waterman et al., 1980). One of the most valuable resources in any organisation should be their qualified staff. The ability of an organisation to recruit, select and place, as well as appraise and develop the correct employees will have a direct effect on the organisation's ability to implement most systems within the organisation. It is, therefore, critical for organisations to put the correct mechanisms in place to recruit and preserve qualified employees, but also to ensure they nurture and maintain a significantly high level of employee motivation and morale. Staff can, therefore, be seen as a very effective factor in the integration of an acquired company (Hanafizadeh & Ravasan, 2011).

2.7.6 *Skills*

Skills are a reflection of what an organisation does best. They are the dominant attributes or capabilities of the organisation which help differentiate it from the competition. These dominating capabilities can get lost when the organisation drives towards new markets (strategy shift) or decides to decentralise to give managers autonomy (structure shift). These capabilities, therefore, have to be labelled as dominating in order to be remembered when the above occurs (Waterman et al., 1980). Labelling current skills is also helpful as new skills can then be identified, which is required for growth within a company. Dismantling old skills that may have been crucial in the past but are not anymore may be a way to ensure that new skills are allowed in, as well as to help a changed programme to succeed. One of the most difficult issues is trying to eliminate old skills and their

supporting systems and structures so that new skills are allowed to grow and develop (Waterman et al., 1980).

2.7.7 *Super-ordinate Goals (Shared Values)*

Super-ordinate goals or shared values are described as the controlling concepts and fundamental ideas around which a business is built (Peters & Waterman, 1982). According to Waterman et al (1980), super-ordinate goals constitute the main values and aspirations which are generally unwritten and go beyond the formal conventional statement of an organisation's objective. Top management aim to infuse these shared values throughout the organisation as this will assist with the future direction of the organisation. It is how the team wants to express themselves and wants to leave their own mark behind, and there are examples such as the slogans of companies. When there is a drive to accomplish this, this pulls an organisation together.

2.7.8 *Hard S and Soft S of McKinsey Framework*

The McKinsey 7S framework can be divided into two groups: the 'Hard S's' and the 'Soft S's'. The 'Hard S's' are made up of Strategy, Structure and Systems and the 'Soft S's' are made up of Skills, Staff, Style and Super-ordinate Goals (Shared Values) (Peters & Waterman, 1982; Saunders & Wong, 1985). Generally, organisations focus on the 'Hard S's' as these are the elements that are tangible and can be identified the easiest. Management theory defines these as the factors that affect the outcome of acquisitions (Saunders & Wong, 1985). Saunders and Wong (1985) state that the 'Soft S's', which are neglected, need to be focused on as well, as they help revitalise, motivate and inspire people, and since people form the most important part of the integration when an acquisition occurs, they should be considered first. Shared values seem to be what bind successful companies together, followed by staff and skills, as these elements help promote excellence within the organisation. The combination of all seven of the elements of the McKinsey 7S framework seems to be the correct combination according to Saunders and Wong to achieve the desired outcome with regards to an

acquisition, whether this is for value creation or any other of the reasons that have been mentioned above.

2.8 Success and Failure of Acquisitions

As mentioned earlier, acquisitions are becoming increasingly popular as a strategic option for companies to create value or to help them improve their market share, create diversification and achieve economies of scale (Schraeder & Self, 2003). Despite the high rates of acquisitions, the failure of them to meet the above anticipated purposes is very high. There are a significant percentage of acquisitions that are not successful and the reasons for this will be looked at in more detail below.

2.8.1 *Success of Acquisitions*

Due to the high failure rates of acquisitions, Bertoncelj and Kovac (2007) state that a new approach is needed to deal with acquisitions because, in their opinion, too many managers and executives do not consider that acquisitions require a balance between economic capital and human capital. This means that the high failure rate can be linked to current management and governance and, if these are changed, more successful acquisitions will occur. They highlight that management needs to stop measuring acquisitions with a financial yardstick and needs to review what the company's core competencies and values are and align the organisational structure and culture, for success to occur. This, in conjunction with focusing on the people, rather than only the finances, will lead to a successful acquisition. These so-called soft factors are equally important for success when combined with social capital and economic corporate performance. Acquisition success can be measured in both quantitative and qualitative terms. The human factors must be considered carefully, as they generally play a critical role in acquisitions but tend to be ignored. Successful acquisitions place a significant amount of importance on the human aspect.

Synergy between the parent and target companies is another way to ensure an acquisition will be successful, as if companies have elements in common, the risk of failure is also reduced due to the fact that the business will be familiar to the acquirer and will be easier to integrate into the parent company (Lynch & Lind, 2002).

2.8.2 *Failure of Acquisitions*

The reasons for the failure of acquisitions are similar to those for why they succeed. Lynch and Lind (2002) state that there can be multiple steps involved and mistakes can be made in the pre-deal, planning and post-deal phases, which can have a disastrous effect on the acquisition. The mistakes that occur are factors such as:

- Due diligence is not performed correctly by either the buyer and/or the seller. A comprehensive risk assessment, together with a management profile, is not considered; therefore, the risk is not adequately quantified.
- As research has shown, many acquisitions have been driven by the fact that there was a need to increase shareholder/stakeholder value, rather than being driven by more strategic thinking. This leads to the failure of the acquisition due to the lack of a compelling strategy. Linked to this, there are human issues, such as pressures in the environment, which cause executives to pursue acquisitions in order not to be the last in line. Therefore, questionable motives that drive acquisitions are momentum, organisational stagnation, imitative behaviour and even executive ego.
- Due to the fact that acquisitions may be driven by the need to acquire a particular business segment of the target company, the negative impact of integrating the other portions of the business, as well as the lack of synergies, is sometimes overlooked. This leads to overly optimistic expectations with regard to synergies.
- Another reason that acquisitions fail is due to poor management of the integration process. The first 100 days after the deal is closed are critical as

slow post-merger integration can occur if the tone for the integration is not set, which leads natural inertia to set in.

- Under-estimating the corporate cultures can be a conflicting factor that causes the deal to be undermined. The same culture that underpins one company and makes them great may completely be the culture that is at odds with the core values of the acquiring company. Getting buy-in with regards to the acquirers and understanding the acquired and vice versa, is critical for new relationships and ways of working to be achieved.
- Multiple “what if” scenarios, need to be prepared as risk management strategies in order to cover any issues that arise. Due to the changing conditions and players, an integration game-plan is needed to be incorporated into the back-up plan.

2.9 Conclusion of Literature Review

In conclusion, the key aspects of acquisitions and the subsequent integration of the target into the parent company have been covered, showing that acquisitions occur to create value for the shareholder/ stakeholders. The different types of acquisitions have been reviewed to give an understanding of how each type will have an effect on the business that is chosen, as well as how that acquisition will be integrated. The reasons for acquisitions are covered to highlight the different aspects as to why organisations decide to pursue acquisitions as a business option. The reason has a direct effect on whether the outcome will be successful or not, as it is linked to what was driving the move to acquire the target company in the first place. The various stages of acquisitions help to define what needs to occur in order for the acquisition to have a chance to be successful, as all the stages are important and the sequential order in which they are followed is also relevant to whether the outcome will be successful or not.

In the literature review the McKinsey 7S framework is defined and reviewed in depth, as this model was the foundation of the research. It was used as a guiding framework when trying to research the main problem statement. Finally, the factors that effect the success or failure of acquisitions are reviewed in order to

give an understanding of the overlap of elements that enable success or cause failure when an acquired company is integrated into a parent company. Research has shown that the reasons are very similar and the overlap can been seen throughout the literature review, including aspects of the McKinsey 7S model.

Research Question

What are the factors effecting the effective integration of acquired organisations in South Africa?

CHAPTER 3: RESEARCH METHODOLOGY

This section outlines the research methodology that was followed to address the research question identified in the literature review section. The selected research methodology will be discussed, followed by the research design and the instruments used in the study. The next section will cover data collection, data analysis, interpretation and the limitations of the study. The validity and reliability of the data will be covered in the final section.

The research objective is to identify the factors that effect the effective integration of acquired companies in South Africa.

3.1 Research methodology / paradigm

The methodology selected for the proposed research is qualitative, since the study is exploratory in nature (Creswell, 2003). Due to the research focusing on factors that effect the effective integration of acquired companies in South Africa, a qualitative approach was seen as being suitable, as it is particularly concerned with understanding multiple perspectives of different individuals (Leedy & Ormrod, 2005; Williams C, 2007). Qualitative research is particularly suited to research that is exploratory in nature (Creswell, 2003).

According to Leedy and Ormrod (2005) and Williams (2007), qualitative research studies typically suit the following purposes:

- To reveal the characteristics and/or qualities of people, processes, relationships, systems, and even situations.
- To allow the researcher to test the validity of certain claims, theories or generalisations.
- To enable a researcher to evaluate the effectiveness of certain policies, practices or innovations.
- To allow the researcher to:
    - gain new insights in respect of the phenomenon being studied;
    - develop new concepts about a phenomenon; and/or

- Ascertain the problems that exist within a phenomenon.

However, qualitative research does also have a number of weaknesses and shortfalls, which include the lack of structure, objectivity, large samples, numeric data, established guidelines and clear data analysis conventions (Leedy & Ormrod, 2005; Yin, 1994).

3.2 Research Design

The research design best suited to this research is a case study approach and the methodological approach that was adopted was a semi-structured interview. Thematic content analysis was used and is explained further in section 3.6. The semi-structured interview process enabled the researcher to obtain opinions from respondents that were interviewed. The purpose was to develop an understanding from the respondents' perspectives as to what the factors are, that effect the effective integration of acquired companies in South Africa.

The interview process consisted of interviews with twelve individuals that are or were a part of the acquisition process and subsequent integration of Red Man Technologies into Blue Turtle Technologies. Each interview was recorded for backup purposes should the researcher require to return to and/or review the interview for greater detail on a specific comment or statement. Detailed notes were also taken during the interviews.

The researcher worked from an interview guide when conducting the research, which contains a protocol/introduction section, a definition of the McKinsey 7S framework and a set of questions. The in-depth semi-structured interviews provided an opportunity for participants to openly share and provide their views on what factors they perceive as effecting the effective integration of acquired companies. The researcher did not lead the discussion and is aware of potential concerns with regards to corrupted data as a result of researchers pursuing their own agendas (Sobh & Perry, 2006).

The advantage of interviews is that it enables the researcher to get a more accurate answer from respondents due to the fact that the respondents are able to answer the questions freely and have more discussion around each question. They also provide the researcher with the opportunity to manage the questioning process and make adjustments if need be, which provides a significant amount of flexibility (Creswell, 2003). This also allows for the researcher to ask questions that are of a probing nature to be able to get more in-depth information.

The disadvantage of interviews is that they have a number of limitations, including inequalities in perceptions and the ability of respondents to articulate themselves, researcher presence biasing responses, location, and the provision of “indirect” information by respondents (Creswell, 2003). The researcher was mindful of these limitations and ensured that they were minimised.

3.3 Population and sample

3.3.1 *Case Site*

The respondents were drawn from individuals that were involved in or part of the acquisition and subsequent integration of Red Man Technologies into Blue Turtle Technologies. Some respondents were contacted that have subsequently resigned from BTT. These respondents were contacted if they were employed for twelve months or more after the acquisition and integration of RMT into BTT.

3.3.2 *Sample and sampling method*

The researcher conducted twelve in-depth interviews with current and former RMT employees and its managing director, as well as interviewing BTT employees, managing directors, human resources and financial managers.

Respondents were chosen on the basis of their perceived ability to offer different perspectives and provide supporting evidence as to why the acquisition and integration of RMT with BTT was a success or failure and the factors that contributed towards the outcome.

Table 2: Profile of respondents

Description of respondent	Number to be sampled
BTT Managing Directors of Acquiring company	2
Red Man Management of Acquired Company	1
BTT Business Unit Manager	1
BTT Human Resources	1
BTT Finance manager	1
Red Man Staff	4
BTT Staff	2

3.4 The research instrument

The research instrument that was used in this study was the semi-structured interview schedule attached in Appendix B. A semi-structured interview was optimal for this research, as it enabled the researcher to explore and probe insights of the respondents in an effort to reveal what factors had an effect on the success or failure of the acquisition and integration. It also provided the respondents with flexibility in how they answered the questions (Bryman, 2012).

The researcher commenced the interview by formally introducing himself. He provided a brief background of the research and highlighted the objectives of the research. The researcher then provided a definition of the term “acquisition” and also provided a differentiation between a Merger and an Acquisition. The participants responded to a few underlying questions based on their perspective of what they believe are factors that effect the effective integration of acquired companies in South Africa. Depending on the respondents’ answers, the researcher sometimes needed to gain a deeper understanding of certain perspectives. The researcher than asked a few specific probing questions, if deemed necessary. Thereafter the respondents were asked to respond to questions based on the McKinsey 7S Framework. To conclude, the respondents were asked which would be their top 2’s and bottom 2’s with regards to this

acquisition, taking into account the McKinsey 7S's, as well as if they saw the outcome of this acquisition coming.

3.5 Procedure for data collection

The data were collected through in-depth semi-structured interviews which were arranged with current and former executives and staff of RMT and BTT. The researcher contacted the proposed respondents by telephone directly, informing them of the research and requesting them to participate in an interview. At this time, the researcher informed the potential respondents of the purpose of the study, subjects to be covered and the research process, including the expected duration of the interview. As a further measure, the researcher sent an electronic correspondence detailing an outline of the research and its objectives (Refer to Appendix A).

The interview process took place either at the respondents' offices or at a place that suited them (e.g. coffee shop etc.). The reason for this was convenience and to make the respondents feel more at ease when they spoke to the researcher. Each interview was recorded with the consent of the individual respondent. Respondents' consent to record minimised the risk of their becoming alarmed or self-conscious at the prospect of being recorded (Bryman, 2012). In addition, detailed handwritten notes were taken during the interview. The researcher reviewed these notes and filled in any gaps, after the interview was over. The recordings were safely stored for future reference.

3.6 Data analysis and interpretation

The data analysis technique that was employed was themed content analysis. A thematic analysis closely resembles a content analysis in that the researcher looks for and identifies common and recurring themes in the data (Burns, 2000). Bryman (2012, p.714) defines qualitative content analysis as "... an emphasis on allowing categories to emerge out of data and on recognizing the significance of understanding the meaning of the context in which an item being analysed (and

the categories derives from it) appeared." The content analysis in this instance was based on the information gathered during the in-depth semi-structured interviews.

The audio recordings of the interviews were listened to in their entirety and used to fill in any gaps in the handwritten notes in order for all the information to be analysed after each interview. With this information available and the use of a table, the key factors and/or themes from the interview were then identified and tabulated.

The data from all the interviews was integrated and synthesised into one document and the frequency of each specific factor and/or theme was tabulated. If there was an unusual response, which may have highlighted a differing view, this was also specifically noted. This process highlighted common factors and themes which were identified across all respondents, and enabled the researcher to interpret the results and develop a deeper understanding of the issues. No other quantitative analysis or statistical technique was conducted upon the results.

Throughout the data analysis and interpretation process, the researcher critically reviewed the results with due reference to the literature.

3.7 Limitations of the study

Limitations for this particular study include the following:

- The research was exploratory in nature and only a limited number of respondents were interviewed;

- Single researcher bias. The methodology is limited to the researcher's abilities, sensitivity and integrity, and results may therefore be open to misinterpretation, whether intended or accidental (Leedy & Ormrod, 2005). Due to this the researcher undertook to adopt strict procedures and a standard protocol in order to minimise and overcome this limitation.

- The respondents, who agreed to be interviewed, may be different from those who were not available or not prepared to be interviewed.

3.8 Validity and Reliability

The threats to validity and reliability must be addressed in every study (Leedy & Ormrod, 2005).

Validity relates to the ability of the measurement instrument, which in this case is the semi-structured interview schedule, to be able to measure what it is intended to measure. Reliability refers to the extent to which a measurement procedure is stable and provides the same answer whenever and however it is conducted (Bryman, 2012).

3.8.1 *External validity*

External validity is concerned with the extent to which the results of research conducted are generalised to situations beyond the immediate research and can be associated with other contexts (Bryman, 2012).

Since the research conducted encompasses responses from a limited number of respondents who are not randomly selected but are part of a company that has been through an acquisition and integration process, it is not possible to generalise findings. The findings from the research may, however, be of value and be applicable to other companies in South Africa that want to pursue acquisitions and integration.

3.8.2 *Internal validity*

Internal validity relates to the degree to which the research design and data results enable the researcher to draw precise conclusions about cause and effect and other associations within the data (Leedy & Ormrod, 2005).

In order to enhance internal validity and ensure that the findings of the research are consistent with reality, the concept of triangulation was considered, which is obtaining data from multiple sources (Leedy & Ormrod, 2005). For the purpose and scope of this research, however, multiple sources of data cannot be obtained, and the concept cannot be implemented. It must be noted, however, that the source of the data involves twelve individuals that are all independent of each other and the interview questions were not distributed beforehand, in order to prevent the risk of diluting internal validity.

Interviews were conducted in a manner where the respondent was not influenced or led in any way by the researcher and was free to provide and make comments as he or she saw fit. This was to ensure the data provided was valid. The researcher also had a duty to be objective in the analysis of the data, and in the interview technique. In order to be objective the researcher conducted the interview in a neutral manner and did not lead the respondents to answer in any specific direction.

3.8.3 *Reliability*

Reliability refers to the extent to which a measurement procedure is stable and provides the same answer whenever and however it is conducted (Bryman, 2012). A research instrument is reliable to the extent that it measures whatever it is measuring consistently.

In order to increase the reliability of the research, all interviews were conducted in person by the researcher. The researcher attempted to maintain consistency in his approach by utilising the same interview structure and interview questions. The researcher attempted to ensure that the data were reliable by operating in a systematic manner.

CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS

4.1 Introduction

In order to avoid repetition, the chapter presenting the study results and the chapter discussing the study results have been combined into one single chapter. This chapter, therefore, presents and identifies the key factors and themes stemming from the in-depth semi-structured interview process. The research question was derived from the literature review against which the research was conducted. The researcher sought to identify the factors that effect the effective integration of acquired organisations in South Africa and the results and discussions stemming from the research are presented herein.

4.2 Demographic profile of interview respondents

A total of twelve interviews were conducted. The initial research plan was to interview the four individuals that made up the previous and current management teams of BTT and RMT, one human resources manager, one finance manager, four ex-RMT staff and two BTT staff. Of the twelve potential respondents that were contacted, everyone indicated a willingness to be interviewed. The twelve interviews were conducted following an interview appointment schedule which is provided in Table 3 below. The demographic profile of the interviewees is provided in Table 4 below.

Table 3: Schedule of interviews conducted

Respondent	Date	Time	Respondent	Date	Time
R1	16/10/2013	09h00	R7	21/10/2013	09h30
R2	16/ 10/2013	11h30	R8	22/10/2013	13h00
R3	17/10/2013	10h30	R9	22/10/2013	14h00
R4	18/10/2013	14h30	R10	25/10/2013	10h30
R5	18/10/2013	15h30	R11	07/11/2013	08h00
R6	21/10/2013	08h30	R12	08/11/2013	09h00

Table 4: Demographics profile of interviewees

No.	Seniority	No. of years in BTT	No. years in Redman	Acquiring or Acquired	Office Location
R1	Managing Director BTT	10 years		Acquiring	Head Office (Midrand)
R2	Marketing Director BTT	10 years		Acquiring	Head Office (Midrand)
R3	Ex-Managing Director Red Man Technologies	2.5 years	6 years	Acquired	Head Office (Midrand)
R4	Administrator	5 years		Acquiring	Head Office (Midrand)
R5	Human Resources	2 years		Acquiring	Head Office (Midrand)
R6	Senior Finance	10 years		Acquiring	Head Office (Midrand)
R7	Business Unit Manager	6.5 Years		Acquiring	Head Office (Midrand)
R8	Business Analyst	3 years	3.5 years	Acquired	Client Site
R9	Senior Specialist	3 years	3 years	Acquired	Client Site
R10	Project Manager	3 years	3 years	Acquired	Client Site
R11	Business Analyst	5 years	2years	Acquiring	Client Site
R12	Senior Consultant	3 years	4 years	Acquired	Client Site

All the interviews took place at various Johannesburg locations where respondents felt most comfortable (their own offices, coffee shops etc.), with interviews being conducted using the research instrument. A sample of the actual interview outline for respondents is included in Appendix B.

Prior to conducting the interview, respondents confirmed their willingness for the interview to be recorded, as well as their preference regarding anonymity. All interviews were digitally recorded; however, the interview recordings were not transcribed. The three executives interviewed agreed that the researcher could disclose their exact titles and names if required. These are respondents 1-3. All other respondents have generic titles within the company and are listed as such in order to show seniority.

Note: Respondents' direct comments and statements are quoted and referenced accordingly, but page numbers are not provided as the comments are taken directly from the individually captured interview notes, which are not made available to the reader.

4.3 Results pertaining to what the factors are that effect the effective integration of acquired organisations in South Africa

As illustrated by Figure 2 earlier in Chapter 2, the McKinsey 7S framework highlights seven elements that have an effect on the effective integration of acquired organisations (Peters, 2008). The definition of each element found in Table 1 forms the base as to why these elements have an effect on the integration of acquired companies, as it defines the fundamental aspects of what each element's role is or can be in the effective integration of an acquired company (Peters & Waterman, 1982). The literature review also identified similar elements to the McKinsey 7S, as well as highlighting the stages of acquisitions as important (Waterman et al., 1980).

Table 5 below is the respondents' ranking of the top two S's and bottom two S's which helped and hindered the integration of the acquired company. The respondents were asked to choose from the McKinsey 7S's, which they believed

were the two S's that assisted the most with the attempt to get the acquisition to become integrated into the parent company and which two S's were the most problematic in achieving the same goal.

Table 5: Top two S's and Bottom two S's

McKinsey 7S	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10	R 11	R 12
Super-Ordinate Goals (Shared Values)		X			X	X		X	X		X	✓
Staff	X						X		✓			
Skills	✓			✓	✓	✓	✓			✓	✓	
Style (Culture)	X	X	X	X		X	X	✓		X	X	X
Systems	✓		✓	✓	✓	✓				✓	✓	✓
Structure		✓	✓				✓	✓	✓			
Strategy		✓	X	X	X			X	X	X		X

Key:	
✓	Helped Acquisition and Integration
X	Hindered Acquisition and Integration

From the respondents' choices in Table 5, it can be deduced that there is a rank order which the McKinsey 7S can be ordered into from most important to least important. Table 6 illustrates the totalling up of the number of people that chose each element and Table 7 then illustrates the ranking of each element based on the number of votes each received, ranking them from highest to lowest. Using this rank order each of the 7S's will be discussed and analysed later in this chapter. First, the general question around acquisitions will be presented and analysed, as this was the question that was used to start the interview and was the point where the researcher attempted to obtain what the interviewee's high level understanding was regarding acquisitions and how they would judge success or failure, as well as value.

Table 6: McKinsey 7S totals of Top S's and Bottom S's

McKinsey 7S	Totals	
	Top S	Bottom S
Super-Ordinate Goals (Shared Values)	1	6
Staff	1	2
Skills	7	
Style (Culture)	1	9
Systems	8	
Structure	5	
Strategy	1	7

Table 7: McKinsey 7S Ranking

Rank Order	McKinsey 7S	No of Votes
1	Style (Culture)	9
2	System	8
3	Strategy	7
4	Skills	7
5	Super-Ordinate Goals(Share Values)	6
6	Structure	5
7	Staff	2

4.3.1 *An overview of the twelve respondents' judgement of value and factors that would effect the success or failure of Acquisitions*

In order to ensure that every respondent understood in exactly the same way what was meant by the term "acquisitions", each respondent was provided with a working definition used to define the term "acquisition". They were also informed what the definition of a merger was and what the differences between both terms were. Respondents were then encouraged to bear this definition in mind when answering the questions that followed. Questions 1 and 2 of the interview questionnaire were focused on generally how the respondent would judge the value of an acquisition and what factors effect the success or failure of an acquisition. All respondents revealed value creation was important and highlighted factors they believed to be important. See below for a brief overview of the twelve respondents' response to question 1 and 2. .

Respondent 1 felt that value from an acquisition could be judged depending on what the aim of the acquisition was: was it to take out a competitor, bolster a new

revenue stream or be used tactically to position the parent company in a new market? His stance was that there had to be business reasons behind the acquisition for it to enable value. Respondent 1's opinion on factors that enable success or failure was that he believed in ensuring the people, culture and ethics of each organisation are considered, as well as in understanding the intellectual property (IP) value that the people hold within each organisation. These items would enable success and the lack thereof would ensure failure. His take was that if people and culture are not considered; good finance with due diligence means nothing.

Respondent 2's opinion was that value could be judged by looking at product and services that could be obtained, as well as market growth through cross-selling and synergies which develop potential new markets via the acquisition. Strategy alignment between the parent and target company was highlighted as areas where the value of an acquisition could be judged. The respondent's response to question 2 was that he envisaged that success would be enabled if there was an alignment of people, business strategy and synergies, this would impact on whether the acquisition succeeded or not.

Respondent 3's opinion was that value could be added by adding new services but also to consider the people factor. This could be used as a competitive edge. He believed that things such as leadership style, integration of strategy and company culture had an effect on making the acquisition a success or failure. Respondent 4 outlined that value could be judged via financial gains, as well as skills or growth of IP via the addition of new staff. Her opinion on the factor of success or failure was focused on culture, CEO strategy and the people component, with negative people and reluctance to change highlighted as the factors effecting success.

Respondent 5 response was similar to respondent 2's and 4's but also eluded to value added from a Broad Based Black Employment Equity (BBBEE) perspective, as acquisitions in South Africa can have an effect on this factor. The factors she said would effect the success or failure of an acquisition, was building trust and

aligning culture, through team building and change of management, as well as effective communication post-acquisition.

Respondent 6 highlighted people and skills as the core elements to judge the value of an acquisition by and having synergies was also very important in order for value to be created. Her response to factors that would effect success or failure linked back to management style and culture, as well as ensuring that there was trust and that people were treated as important components in the acquisition process. Focusing on financial aspects only in her opinion would cause it to fail.

Respondent 7's view was similar to respondents 2, 4 and 5 with regards to how value could be judged. His take was that it was easier to buy skills than to develop them. He mentioned that the factors which would effect success or failure would be the elements of culture, integration of the people/teams and a controlled change of management process. He also thought a similar way of working would enhance the success of the acquisition as people would understand each other better.

Respondent 8's view was similar to respondents 1 and 7 with regards to how value could be judged.. The factors that enable success or failure he listed as culture fit, cross pollination of skills, development of people and IP, as generally a company buys the people and their skills sets (services companies). He also highlighted that if a company is bought for its people skills/IP and they leave after the acquisition it will lead to failure of the acquisition.

Respondent 9's opinion about how value could be judged was in line with respondents 1 and 2's comments.. From a success or failure perspective, the respondent felt that negative people who did not buy into the reasons for the acquisition, would be a major threat to its success, as well as if once the acquisition occurred, there was a significant increase in staff turnover.

Respondent 10 mentioned that value can be judged by looking at financial position post-acquisition, but believed the core would be to find synergies and develop a culture that would enable the business to grow. This answer led onto the next question the researcher asked about factors that effect success or failure

and, again, synergies and culture alignment were the main items that he raised. He also mentioned alignment of management post-acquisition.

Respondent 11 listed that the value of the acquisition could be judged by the culture's improving, diversification of portfolio via products and services and the leveraging of strength within the acquired company. Her opinion on what factors would effect the success or failure of the acquisition was similar to respondent 2,3 and 7.

Respondent 12's thoughts around judgement of value from an acquisition centred around human resources as his opinion was that people were the core from which value could be derived. He went on to discuss the factors he believed effected success or failure of an acquisition and touched on factors such as values and culture, retaining key people, transparency where possible and communication between the people of both companies.

In reviewing all the respondents' responses to the general question around acquisition, it can be noted that the common themes which were highlighted and that came across by interviewees was the fact that people and culture were key to the success or failure of the acquisition. 11 out of 12 interviewees said people were a major factor that would influence if the outcome of an acquisition was successful or a failure. They linked it to the IP that people hold within a company that is being acquired, and if change is not managed well in both the parent company and the acquired company, we find people leave or can become disconnected from the company and this can cause divides in the attempt to integrate the acquired company. These opinions align with the literature, as it is noted that the reasons for acquisitions are known to be for the people, skills and the IP the staff hold (Mullins, 2001). By not managing the change and losing the staff due to lack of communication, the literature concurs that acquisitions can have a high rate of failure (Schraeder & Self, 2003). Culture came out as a very important aspect that would effect the success or failure of an acquisition, with 12 out of 12 interviewees saying generally they felt it was a factor that would decide the outcome of the integration of the acquisition. This factor, in conjunction with factors such as people, lack of communication and change of management, is

what is highlighted from the literature about what will effect the outcome of integration of an acquired company (Papadakis, 2005).

Most of the respondents (10 out of 12) believed that value could be judged by measuring financial growth, as well as the increase in people skills obtained post-acquisition, which is also similar to what the literature says around value creation. The literature says that organisations are seeking to grow and develop rapidly by acquiring other organisations that can fill new capabilities and operations and provide access to new markets. In doing this, the parent company requires the above capabilities to be sustainable (Raukko, 2009). The views of respondents 1 and 2, who are the directors of BTT, were the only ones that were only financially focused when it came to how the value of an acquisition could be judged. Respondent 1 said that "it is easier to buy a business than to build one as it takes time to build while buying a business that is a going concern is sometimes easier" (personal communication, 16th October 2013). This could be because for them, they were looking at the acquisition to diversify the business and create further or enhanced revenue streams. This focus is actually how most Directors or C-level executives judge value creation via an acquisition. Bertoncelj and Kovac (2007), as highlighted in chapter 2, point out that, in their opinion, too many managers and executives do not consider that acquisitions require a balance between economic capital and human capital. This means that the high failure rate can be linked to the current management and governance and if these are changed, more successful acquisitions will occur. What was noticed from the respondents was that respondent 3, who was the Managing Director of RMT, did consider staff skill and IP as elements that could be used to judge value creation. His response, therefore, was not aligned with the other directors but could have been due to the fact that he was selling his company based on the IP and the skills that the staff working for RMT had, which therefore allowed him to be more in tune with these factors.

4.4 Results and Analysis of the respondents' comments in terms of the elements of the McKinsey 7S framework

As illustrated in Table 5 the respondents were asked to rank the Top 2 S's and the bottom 2 S's that helped and hindered the integration of the acquired company. Table 6 illustrates the ranking of the elements of the 7S's into the order from most important to least important. Using this ranking the researcher will now discuss the McKinsey 7S's with regards to the questions that were asked regarding each of the elements.

4.4.1 *Style (Culture): the extent to which Style/Culture helped or hindered the integration of the acquired company*

Style/Culture was highlighted as the first S of the 7S's that had an effect on the effective integration of the acquired company, with 10 out of 12 respondents choosing that this element hindered/helped the effective integration of BTT and RMT. Nine of the respondents said it hindered the integration of the acquired company, with one respondent saying it helped. In reviewing the literature, it can be seen that researchers have suggested that mismatch and problems during the integration of organisations is due to the corporate cultures' not being aligned. Research also suggests that for technological innovations to be successful both the organisational cultures must be aligned with the technology, as well as the culture's having to be reshaped to fit the demands of the new technology (Hanafizadeh & Ravasan, 2011). This shows that 10 out of 12 of the respondents agree with Hanafizadeh and Racasan (2011).

Respondent 1 believed culture/style had a huge impact and negatively affected the acquisition and integration because BTT and RMT culture and management style were not aligned. His opinion was that BTT culture was one of team work, like a family run business, but on a larger scale. There was always interaction at all levels and social and work life was interconnected. As an example, he mentioned "we have a yearly getaway for all employees, from the tea lady to me the MD, where all of us go along as equals and have a good time. This I believe helps BTT create and maintain our company' culture" (personal communication,

16th October 2013). He said that the management style was one of trust in individuals and that people were treated as adults and should be left to get the work done. His opinion was that RMT did not have a company culture, as each of the 30 employees saw themselves as individuals who worked on an hourly rate and only required RMT to process their salaries for payment. This view was shared by three of the five RMT staff that were interviewed as, in their opinion, RMT was similar to a labour broking business; they also agreed this misalignment of culture was a negative factor.

Respondent 3 (ex-Managing Director of RMT) and respondent 12, however, said that they believed that BTT and RMT shared similar cultures as both respondents said RMT had beliefs and norms that were aligned with building long-term relationships with people and customers. They did not see any difference in how RMT culture was compared to BTT's and yet both individuals chose culture as the top factor to hinder the integration of this acquisition. Respondent 12 was very senior in RMT and had a long-standing working relationship with the ex-Managing director of RMT. The similarities between both responses could be linked to their seniority in the company, therefore, having a high-level view, rather than how the people felt on the ground. The fact that ten interviewees of both BTT and RMT saw culture as a factor that had an impact on these integrations highlights how important it is.

Respondent 8 said he believed that culture/style helped and he was the only respondent that said this. He said that although BTT and RMT had different cultures and management styles, he believed it helped because RMT staff wanted a culture with more focus on the "work hard, play hard" aspects and focused on soft issues, as well as having a management style that had aspects such as open door polices and approachable senior management. He said " because RMT was running a body shop model, there was a lot of uncertainty and soft issues weren't being addressed, so with Blue Turtle having a completely different culture it was a lot easier for Red Man staff who felt a part of the bigger picture" (personal communication, 22nd October 2013). He also said "as the old saying goes 'happy workers are productive workers'" (personal communication, 22nd October 2013).

Management style also came up as a factor that had an impact on both BTT and RMT. Respondent 2 noted BTT's management style as "we work hard and play hard, so when there is work to do we get it done and trust that our people will get it done, and we (as management) reward that behaviour accordingly" (personal communication, 16th October 2013). This management style was echoed by both BTT and RMT staff. Respondent 5 said "they (management) don't micro-manage: rather they let us get the job done, they encourage us to make decisions and have an open door policy" (personal communication, 18th October 2013). When asked about style and culture, Respondent 8, as a senior resource who was employed for a number of years in both BTT and RMT, acknowledged that management style differences between both companies was a factor that hindered the integration as he felt RMT staff came from a management style and culture where "no one really cared about the soft side of management. We worked to bill per hour and that was it" (personal communication, 22nd October 2013). His opinion was that BTT focused on their people, and made their staff feel like they had a home and support. RMT staff did not have this and when they joined BTT they never tried to adopt this culture/style. All four of the RMT staff interviewed agreed that the RMT management style did not align with the BTT management style and agreed that the fact that RMT management was left to continue managing them after the acquisition might have led to the integration not occurring as planned. As Respondent 10 said "the ex-Managing director of RMT needed to become an executor of the now BTT plan and not a conceptual thinker as he was used to being at RMT" (personal communication, 25th October 2013).

The theme that is highlighted from all the respondents with regards to this question on style and culture is that the culture of an organisation has a tremendous effect on how the integration of an acquisition turns out. It links back to synergies between both organisations and the lack of these synergies results in failure, as both organisations battle to find common ground that can be used to form a base for the integration into the parent company. The culture of any organisation actually is the element that makes the organisation what it is and enables how it functions. Therefore, trying to integrate a business with a different culture comes up against challenges. This is due to the fact that both the cultures

will collide and this collision will cause the conflict and challenges that are highlighted by these interviewees and which caused the integration between BTT and RMT to fail.

The difference between management styles was also highlighted as a theme that had a major effect on both BTT staff and RMT staff post-acquisition. BTT staff were used to an open style of management that was proactive and also understood the soft skills involved in management. The RMT management style was not people focused but focused only on making money, which developed into a body shop model rather than a consulting house. The majority of the interviewees said that the fact that the RMT style of management was not dealt with and aligned to the BTT style of management post-acquisition, resulted in the integration into BTT failing. They believed that RMT staff needed to get exposed to the BTT management style and way of working but this did not happen due to the fact that the Ex-Managing Director stayed on to manage the consulting business unit, which led to the RMT staff not seeing any difference. Four of the respondents during the interview mentioned there was no change for them as they saw only the letterhead on the payslip changed to BTT. This leads to Venema's (2012) comment that communication is another aspect that has a fundamental effect on the outcome of integration during an acquisition. Effective communication can relieve the anxiety experienced when parties have to go through a change which has resulted from an acquisition. Lack of communication pre- and post-acquisition led to a number of the RMT staff not actually knowing how things would change. Therefore, they were not engaged with BTT when the acquisition occurred. This led to all four of the RMT interviewees saying they did not feel a part of the BTT culture.

4.4.2 *Systems: the extent to which Systems helped or hindered the integration of the acquired company*

Systems was listed as the second S of the 7S's that had an effect on the effective integration of the acquired company, with 8 out of 12 respondents choosing that this element helped the effective integration of BTT and RMT. Although 8 of the

12 chose systems as the top S that helped, the four remaining interviewees also agreed that, in this case, systems were an enabler and mentioned the following:

Respondent 2 said that, due to the standard way of working, the financial system was easy to integrate. Both companies used the same vendor's software package. He said "it was not rocket science: just a transfer of a database" (personal communication, 16th October 2013).

Respondent 7 felt that, due to the fact that neither company had any substantial systems in place, it did not help or hinder but he felt more systems were needed. His comment goes against what all of the other interviewees said about systems but could be due to the fact that he is the new business unit manager.

Respondent 8 mentioned that there was no change, as he still used his old timesheet system and did not know about the financial systems. The lack of systems meant nothing changed for him and he was happy with that.

Respondent 9's opinion was that they just worked: nothing changed, so he felt it was not that important.

The other eight interviewees agreed systems were the major positive factor. Respondent 6's opinion was that it was a BTT decision to move over all financials to the BTT financial system. This she said "allowed BTT to gain immediate control of the payments and revenue from RMT. This was key factor as BTT wanted financial control immediately" (personal communication, 21st October 2013). Respondent 10 believed that both companies had enough systems to allow them to run effectively and it made sense to choose the best one from each going forward. He said: "In my opinion having common systems allowed alignment of the two companies much more quickly and easily than if we both had a number of systems to integrate" (personal communication, 25th October 2013). Respondent 12's understanding was that the lack of systems allowed the integration of the one or two systems that were present to "just work with no or very little effort" (personal communication, 8th November 2013).

The common themes highlighted from these interviewees was that a lack of systems can enable the integration of the acquired company due to the fact that the parent can take either the best of the two or choose the one which is easier to implement and move forward with that system. Sharing the same brand or type of system does assist, like in this case where RMT and BTT shared the same financial system, as linking a new database is a lot simpler than trying to integrate a full system with different application protocol interfaces (API'S). The reverse of the above is also true: if there are a lot of systems that need to be integrated, it can be deduced that most interviewees would have chosen systems as one of the top hinders to the successful integration of an acquired company, as it would have taken a lot of time and effort to make the system integration work.

The fact that the literature links systems to strategy illustrates how important systems can be, as it covers both formal and informal systems. Systems enable the organisation to move forward and cover systems such as ERP systems, training systems, financial systems and any system that the organisation requires to enable it to function as a business (Hanafizadeh & Ravasan, 2011). As mentioned in Chapter 2, if the organisation needs to be changed with the least amount of disruption then systems is the area which requires to be considered. Systems may be associated with a non-critical aspect of the business; however, systems can have a powerful effect on enhancing organisational effectiveness without having the disastrous side-effects that structure changes can have on an organisation (Waterman et al., 1980).

4.4.3 *Strategy: the extent to which Strategy helped or hindered the integration of the acquired company*

Strategy was chosen as the third S of the 7S's that had an effect on the effective integration of the acquired company, with 8 out of 12 respondents choosing that this element hindered/helped the effective integration of BTT and RMT. Seven respondents said it hindered the integration of the acquired company, with one respondent saying it helped. The summary of each interviewee's views is as follows:

Respondent 2 said he believed it helped the integration, as both companies had a strategy to expand into the tier 1 customer environment and grow that revenue base. His opinion was that both BTT's and RMT's aim was to target the high IT spend customers. He said "although Blue Turtle had 250 customers 80% of the revenue came from 20% of the customers, which was very risky for Blue Turtle as a business" (personal communication, 16th October 2013). In his opinion, RMT had a more even spread between revenue and customers, as well as seeming to be a good fit, as BTT wanted to grow skills in the area of consulting. He said "in principle Red Man fitted Blue Turtle's strategy but in practice not so much" (personal communication, 16th October 2013). This was due to the fact that the RMT acquisition met the BTT requirement to grow outside its core business of software sales and to move into consulting.

Respondent 3 believed the strategy hindered the integration, as he believed BTT's strategy was different to RMT's and BTT did not have a plan to develop common strategy or a tactical aspect to grow RMT post-acquisition. He said "I don't believe the Blue Turtle picture and the Red Man picture was the same and we did not develop a joint picture for what we (BTT and RMT) were to achieve" (personal communication, 17th October 2013). His thoughts were that post-acquisition not enough time was spent to develop synergies or strategic common ground.

Respondent 4's opinion was a little different but she agreed that strategy was a hindrance. She mentioned that BTT's strategy was to grow its business and RMT's strategy was to be saved, as they had major cash flow issues. She said "for Red Man it was survival and, due to this, the strategies were not aligned which had a negative effect on the integration" (personal communication, 18th October 2013). In her opinion the difference in strategies increased this disconnect, which led to the BTT goals of growth post acquisition's not being realised. Respondent 5's comments on this question were very similar to Respondent 4's. Both these individuals were part of the BTT financial team and making similar comments highlights that they both saw finance as a driver being the strategic goal of the acquired company but not the acquiring.

Respondent 8 mentioned that the BTT strategy was to acquire a consulting business outside its core business but RMT was a body shop model that needed capital as it had a cash flow issue. He said “the two strategies were definitely not aligned because Red Man was a body shop model whereas Blue Turtle was a manage services solution model” (personal communication, 22nd October 2013). He also spoke about both companies having different pictures, which were not aligned post-acquisition. Respondent 9’s comments were that due to misalignment of the strategy post-acquisition, the new consulting unit that was added to the BTT stable of services was not 100% focused on growth and did not feel a part of the parent company. In his opinion, “Blue Turtle wanted to grow its telecommunications business and added Red Man to do this but the strategy did not gel” (personal communication, 22nd October 2013). Respondent 10’s comments were similar to respondent 9’s.He also mentioned that BTT and RMT in his opinion were “not on the same page and this hindered the integration of the companies” (personal communication, 25th October 2013).

Respondent 12 highlighted the same issues as respondent 9 and 10. He said “I believe Red Man and its management post acquisition was supposed to be growing the business rather than chasing invoices which was what they were used to doing” (personal communication, 8th November 2013).

In reviewing the above respondents’ replies to the question around strategy it can be noticed that the common theme that is highlighted is that during an acquisition and for successful integration thereafter both companies need to understand each other’s current strategy and future strategy going forward. Due to the nature and definition of an acquisition as defined in Chapter 1.6, an acquisition is a takeover of one or more target companies through the purchase of stock or assets of the target company. The resultant effect is that the target company is integrated into the parent company and the parent company controls the target company going forward (Wen et al., 2005; Zollo & Singh, 2004). This means that the acquired company should not define its own strategy post acquisition but align with the parent company’s strategy. The fact that the management of RMT still wanted post acquisition to be the driving strategy for a company that was supposed to be integrated into the parent company became a problem. As 7 of the 12

respondents said, RMT's strategy was focused on being saved from a financial perspective and BTT's was to grow into a space that it did not have a large footprint in. BTT's not aligning RMT to its strategy post acquisition and leaving the status quo to stand, even with regards to management, resulted in RMT's integration failing to achieve BTT's intended value.

What is interesting to note is that Respondent 2 (Marketing Director BTT) said strategy was his Top S that helped with integration and Respondent 3 (ex-Managing Director RMT) said strategy was his Bottom S that hindered integration. The fact that both these senior individuals actually had a totally different take on how strategy alignment effected this acquisition, highlights this disconnect that other respondents mentioned during their interviews. This links back to both the acquirer and acquired not being on the same page or sharing the same picture of how the final company would function and what it would look like post acquisition integration. Alfred D. Chandler, Jr.(1990) highlights that structure follows strategy but a decentralised structure is the outcome when a strategy has diversity and, therefore, structure by itself is not enough: strategy needs to align with it. In saying this, literature confirms that if strategy is not aligned the structure of the company will not make a difference.

All of the other respondents that said strategy hindered the integration also confirmed that financial reasons behind RMT's motivation to pursue being acquired did not link up with BTT's motivation to acquire the company for growth. The outcome of both organisations not seeing the same picture resulted in the disconnect of both organisations, which most respondents felt caused the integration of the acquired organisation not to work and, therefore, resulted in the lack of the anticipated value that was expected to be created post acquisition.

4.4.4 *Skills: the extent to which Skills helped or hindered the integration of the acquired company*

Skills was listed as the fourth S of the 7S's that had an effect on the effective integration of the acquired company, with 7 out of 12 respondents choosing that this element helped the effective integration of BTT and RMT. Although 7 of the

12 chose Skills as the second Top S that helped, five of the remaining interviewees had varied opinions on this element, and mentioned the following:

Respondent 2 mentioned that in his opinion both companies had technical teams which helped but due to both teams not speaking the same IT language as RMT were IT developers/project managers and BTT were pre-sale/software implementers this resulted in no synergies with silos between the business units being created. He said “especially the team at Vodacom had no interest in knowing or learning what BTT had to offer, as they saw themselves as labour brokers” (personal communication, 16th October 2013). This mentality he believed caused the teams not to come together.

Respondent 3 mentioned that RMT brought a different set of skills to BTT which he believed complimented BTT’s business needs. His stance was that from a skills perspective RMT had a unique set of technical skills which he believed aided the integration post acquisition.

Respondent 8’s comments were that RMT skills sets were very good but there was no match or synergy when compared to BTT’s. He felt that from a skills perspective the companies did different things.

Respondent 9’s opinion was that RMT was a contracting company to clients, with excellent skills, but felt post acquisition BTT was just a change in name with no cross-pollination of skills. The latter, he felt, should have been the main focus and this inhibited the successful integration of RMT into BTT.

Respondent 12 said “life carried on as normal for us at this financial client and due to us having a high level of skills nothing changed for us” (personal communication, 8th November 2013). He also mentioned that RMT staff that were based at head office were physically in a different building which he believed did not help with integration as people feel isolated.

The other seven interviewees agreed skills were a major positive, with Respondent 1 saying he saw skills that the RMT team held as a positive, as these skills would allow BTT to grow into the telecommunications space and, since RMT

had the skills set already; integrating them into BTT was easier. Respondent 4 said “their (RMT Staff) skills helped as they were unique skills which were currently needed and used” (personal communication, 18th October 2013). Respondent 6 said something similar: “their skills weren’t an issue as they were very good and promoted business” (personal communication, 21st October 2013). Respondent 10 mentioned that although RMT had excellent skills, they also used them in a silo way, which BTT should have researched more in order to use RMT skills in a more diverse way. Cross-pollination was another area where skills transfer should have happened but did not. He believed if BTT did these two things, skills would have been a more positive aspect to facilitate the integration.

In reviewing the interviewees’ comments a theme that does come through is that having excellent skills is not good enough if the skills of the acquired company are not allowed to be cross-pollinated across other aspects of the business. This cross-pollination helps with integration, as it enables the acquiring and acquired companies to share knowledge and understand how to make use of the old skills and highlight which are the new skills that are obtained via the acquisition. Literature highlights this as “labelling of skills” in order for new skills to be identified but also the dismantling of old skills may be necessary in order to allow the new skills to flourish (Waterman et al., 1980).

An interesting comment was made by all respondents from RMT (respondents 8, 9 &12) who did not choose skills as their top two positives: all said that they knew RMT had an excellent skills set but, due to the lack of cross-pollination, as well as the silo environment that they operated in, they did not benefit from this and this inhibited a more positive integration into BTT. These three were senior technical individuals in RMT. The fact that they were waiting for BTT to drive cross-pollination tells us that they did not make an attempt themselves, which is highlighted by respondent 2 (marketing director) in his comments that RMT staff showed no interest. When acquisition occurs both parties need to understand that for integration to be successful both parties need to come forward and be willing to make it work: depending on one side to drive it will result in areas being neglected, as we find here. Although most of the respondents said it was positive, the area of improvement and further success would have been to cross-pollinate,

as most RMT staff expected this, and to break down silos within the current and new business units. Skills forms part to the soft S's and Saunders and Wong (1985) state that the 'Soft S's' which are neglected need to be focused on as well, as they help revitalise, motivate and inspire people, and since people form the most important part of the integration when an acquisition occurs, they should be considered first.

4.4.5 *Super-Ordinate Goals (Shared Values): the extent to which Shared values helped or hindered the integration of the acquired company*

Super-ordinate goals (Shared Values) was chosen as the fifth S of the 7S's that had an effect on the effective integration of the acquired company with 7 out of 12 respondents choosing that this element hindered/helped the effective integration of BTT and RMT. Six respondents said it hindered the integration of the acquired company, with one respondent saying it helped. A summary of each interview follows.

The six respondents that said that it hindered, said the following:

Respondent 12 believed that BTT and RMT had shared values and it helped the integration. He said: "I barely noticed the transition to Blue Turtle: I still reported to the same person and still worked at the same client" (personal communication, 8th November 2013). He mentioned that he had a good relationship with the ex-Managing director of RMT which, for him, was a positive as he did not feel any change. However, due to his being senior, he was also involved in the management team and knew a lot more pre- and post-acquisition.

Respondent 2's opinion was that pre-acquisition he believed that there were common shared values between the two companies but post-acquisition he mentioned that BTT and RMT had very little in common. He said "they were labour brokers rather than a team, which led to their (RMT Staff) not being a part of the bigger picture" (personal communication, 16th October 2013). He also mentioned that being contractors led staff not to be aligned with any sort of

company shared values, as they came to work to work the hours they needed to in order to get paid. Respondent 5's opinion was similar to respondent 2's, with her saying that "Blue Turtle values were open communication, work hard, play hard and just get the job done. People here support each other, while Red Man had labour brokers, who worked as individuals" (personal communication, 18th October 2013). She also highlighted that RMT staff, she felt, were resistant to being involved in BTT. This resistance was also echoed by Respondent 6, as she said "Red Man staff was laid back, lacking focus, while Blue Turtle staff were focused and had a financial frame of mind" (personal communication, 21st October 2013). Respondent 8's opinion was that RMT staff felt welcome into BTT. He said: "Blue Turtle seems to be a "work hard, play hard" organisation; whereas Red Man was a "work hard, no play" type of organisation" (personal communication, 22nd October 2013). For him BTT felt like an oversized family run business, where people felt a sense of belonging and felt like home. This is what he felt was lacking in the Red Man organisation.

Respondent 9's opinion was similar to respondent 8's and that BTT were very customer focused and always got the job done. For him RMT did have shared values but he believed staff that worked for RMT, including himself, just saw RMT as a tool to earn a salary. Respondent 11 highlighted that BTT's shared values was the value it had in its staff. BTT focused on relationship building, with an open door policy of executive management. This she said "made you feel like you belonged" (personal communication, 7th November 2013). In comparison to BTT, she mentioned that RMT had no real shared values, there was a lack of relationship or guidance, there were no social aspects and all these things made it feel like a "them and us" scenario rather than a joint company that was aiming at being integrated. For her this was the biggest aspect as to why the integration was not a success.

Of the five other respondents that did answer this question but did not choose it as part of their Top 2 S's or Bottom 2 S's, we find their responses were very similar to the response that said this hindered the integration of the acquisition. Respondents 1 and 3, who are the current Managing Director (BTT) and the Ex-Managing Director (RMT) respectively, said very similar things with regards to

shared values. Respondent 1's opinion was that he initially thought both companies had similar values but in hindsight he realises they did not. He said: "Once acquisition is done shared values really kick in: we need to grow talent, find the right guys to take the business forward but this was not the case and we realised this too late" (personal communication, 16th October 2013). Respondent 3 mentioned that for him the shared values between the two companies was that people were important and both companies believed in that but, he said, "where the differences were, was in the nature of the companies, as one (BTT) was predominately software sales whereas the other one (RMT) was a solution services company" (personal communication, 17th October 2013). He believed that these differences in the nature of each company hindered the integration post-acquisition.

In reviewing all of the interviewees' comments, the theme that is highlighted is that having two organisations that do not have the same shared values makes it a challenge to try to integrate them once one is acquired. The work ethic theme also highlights that when a company is being acquired and has a different work ethic from the parent company, it can result in failure. Further issues arise if the parent company's work ethic is not cemented as the default way of work, as it sends conflicting messages to the new staff of the acquired company, leaving those teams feeling ostracised. According to Waterman et al (1980), super-ordinate goals constitute the main values and aspirations which are generally unwritten and go beyond the formal conventional statement of an organisation's objective. Top management should aim to infuse these shared values throughout the organisation as it will assist with the future direction of the organisation. It is how the team wants to express themselves and wants to leave their own mark behind, and there are examples such as the slogans of companies. When there is a drive to accomplish this, this pulls an organisation together.

Taking the lead from the above literature, it is noticed that the executive management should have focused more on shared values, as it can be seen that it should be used to infuse future direction into the organisations. Both executive management teams' opinions were that both companies shared similar values and

only post-acquisition did they find out that this was not the case, which resulted in staff of both organisations feeling like they were not included in the larger parent company but rather a 'them and us" scenario resulted. This divide causes acquisitions to fail because this divide amongst staff does not allow synergies and cross skills to occur. Super-Ordinate goals are another one of the 7S's which is considered a soft S, like Skills is, and again it seems to be one that is neglected in an acquisition.

The staff comments about a "work hard and play hard" environment also came out very strongly and this aspect looked like one factor that BTT had that RMT lacked and that the RMT staff wanted.

4.4.6 *Structure: the extent to which Structure helped or hindered the integration of the acquired company*

Structure was listed as the sixth S of the 7S's that had an effect on the effective integration of the acquired company with 5 out of 12 respondents choosing that this element helped the effective integration of BTT and RMT. Although 5 of the 12 choose Structure as the second top S that helped, the other seven remaining interviewees had similar opinions on this element, and mentioned the following:

Respondent 1 mentioned that structure had no major impact, as BTT has a flat structure with an executive team of two managing directors and business unit managers that run the different departments, which was similar to RMT who had a Managing director, with team leaders per client that ran the business. Respondent 4 mentioned that there was no change for the RMT or BTT staff. She said: "From a financial perspective, also, it was easier for Red Man as they just integrated into our (BTT) way of work" (personal communication, 18th October 2013).

Respondents 5 and 6 both mentioned that RMT had a flat structure which aided them to move over into the BTT business unit model and get RMT started and integrated into BTT. They both highlighted that reporting lines did not change, which was a benefit as too much change is not good. But respondent 5 said: "I

don't believe Hein (ex-managing director) was the correct person for the business unit manager role" (personal communication, 18th October 2013).

Respondent 10 highlighted that he felt that BTT was flat structured but had silos, whereas RMT was just flat structured with one managing director. Respondent 11 felt that BTT had a hierarchical structure, as they had different levels within the company, but noted that this actually helped when RMT came on board as they slotted into the structure with ease. Respondent 12 comments were similar to respondent 10's..

All five respondents said that they would choose structure as one of the top S's that helped. They agreed that the structures of BTT and RMT were both flat and this enabled RMT to fit well into BTT as a business unit going forward. Respondent 8 said: "It was plug and play and it worked well" (personal communication, 22nd October 2013).

In reviewing the interviewees' comments a theme that does come through is that having a structure which complements the integration of the acquired company into the parent company does help a smooth integration going forward. The fact that 12 out of the 12 respondents said structures was a positive because both companies had similar structures, attests to how structure can effect the integration. Literature alludes to this as well, if we consider what Waterman, Peters, and Phillips (1980) state, that in theory the basic elements underlying organisation structure are simple, as structure divides tasks into manageable workloads and then focuses on the coordination of these. In doing this, it results in decentralisation and recentralisation results in the trade-off between specialisation and integration. Therefore, a functional organisation is one where there is a structural division between production and sales. The simple structure of an organisation, which includes one-man/one-boss, the grouping of activities, restricted span of control, and proportionate authority and responsibility, used to be a universal truth but the increasing size and complexity of business has changed this.

The fact remains that structure can be a hindrance, as with the above example of a flat structure helping the integration of the acquired company. Other structures, such as a hierarchical structure, in this case could have actually hindered the integration. Structure can actually have a positive or negative effect but has to be considered on a case by case basis. Size of the organisation also plays a part in this complexity as, when a functional organisation reaches a certain level of size in conjunction with complexity, and requires frequent interaction amongst all activities, the structure will break down. This is due to the fact that when the number of people and/or businesses grows arithmetically, the number of interactions required in order to enable things to function increases exponentially and geometrically (Waterman et al., 1980). Due to this, when a company extends past a certain size and/or complexity threshold, decentralisation becomes the only mechanism to cope (Waterman et al., 1980).

Finally, according to Daft (1998, p.15), "Structural dimensions provide labels for describing the internal characteristics of an organization. One can mention commonly cited structural dimensions such as centralization, specialization, standardization, formalization, hierarchical levels, and span of control".

4.4.7 *Staff: the extent to which Staff helped or hindered the integration of the acquired company*

Staff was chosen as the seventh S of the 7S's that had an effect on the effective integration of the acquired company, with 3 out of 12 respondents choosing that this element hindered/helped the effective integration of BTT and RMT. Two of the respondents said it hindered the integration of the acquired company, with one respondent saying it helped. A summary of each interview follows:

Respondent 9 believed it helped, as post-acquisition he felt that, once BTT had employed a human resources person, it was a smooth transition for the Red Man staff. BTT always made the Red Man team feel included in all functions and socials that the company had. He said: "Not having an HR person initially was a challenge but once one was employed we felt included and she looked after us" (personal communication, 22nd October 2013).

Respondent 1 felt it was a huge negative impact due to the fact that RMT was a body shop type of business. When BTT bought RMT, there was a high turnover of staff due to RMT staff not having long term contracts.. His opinion was that both parties were at fault as BTT did not have a HR person and RMT management did not ensure its staff had current long term contracts. He said: “They (staff) were on month to month contracts. You can’t treat people like that and staff felt they would rather move to companies where they were permanent or had long term contracts. I think was a huge blunder from HR (BTT) and Ex-Management (RMT)” (personal communication, 16th October 2013). Respondent 7 also shared some of the same views and added RMT staff wanted career growth, as career growth was not forth coming from RMT management.

The other nine respondents also agreed that the element of staff hindered the integration of the acquisition but for them it was not one of the top S’s or bottom S’s as they did not choose it when asked. Seven of the nine respondents highlighted that the main reason for staff’s being a hindrance was the lack of HR management at BTT and RMT. Respondent 5 said: “There was no transition of staff to Blue Turtle which led to a high turnover, and lack of communication from the Red Man management side led to issues where job security was highlighted as a concern amongst Red Man staff” (personal communication, 18th October 2013). Respondent 8 agreed with respondent 5 and said he felt that he didn’t know “who was who” (personal communication, 22nd October 2013)..

The common theme that was highlighted from the interviews was that having a functioning human resources department or even just a person who can focus on it, is fundamental for integration post-acquisition to be successful. With 11 out of 12 respondents mentioning the lack of a HR person as an issue, as well as 8 out of 12 mentioning that RMT Management did not communicate well about what the plan was going forward with regards to growth and development of the staff, this shows us that staff as an element can also become a factor which can cause an acquisition to fail. The literature states that staff is made up of two aspects, which is the hard end and the soft end, with the hard end of the spectrum relating to appraisal systems, formal training, pay scales and similar systems and the soft end speaking more about morale, behaviour, motivation and attitudes (Waterman

et al., 1980). It can be seen that both in this case needed to be considered. Seeing as RMT was a company based on a specific set of skills that its employees possessed, BTT should have considered how it could retain these staff post-acquisition, as the literature also highlights this. Hanafizadeh and Ravasan (2011), state that one of the most valuable resources in any organisation should be their qualified staff. The ability of an organisation to recruit, select and place, as well as appraise and develop the correct employees will have a direct effect on the organisation's ability to implement most systems within the organisation. It is, therefore, critical for organisations to put the correct mechanisms in place to recruit and preserve qualified employees, but also to ensure they nurture and maintain a significantly high level of employee motivation and morale. Staff can, therefore, be seen as a very effective factor in the integration of an acquired company. Although staff was chosen as the less important factor of the McKinsey 7S's, it should by no means be neglected and should be considered as important as any of the other McKinsey 7S's.

4.5 Adapted McKinsey 7S Framework

The figure below depicts the McKinsey 7S Framework but has been modified to represent which of the McKinsey 7S's were ranked as more important than others, as per Table 7 above. Therefore this figure depicts Style/Culture as the most important, with staff being the least important. This figure depicted below now represents the McKinsey 7S framework for acquisitions and not the function of organisations which the original depicts.

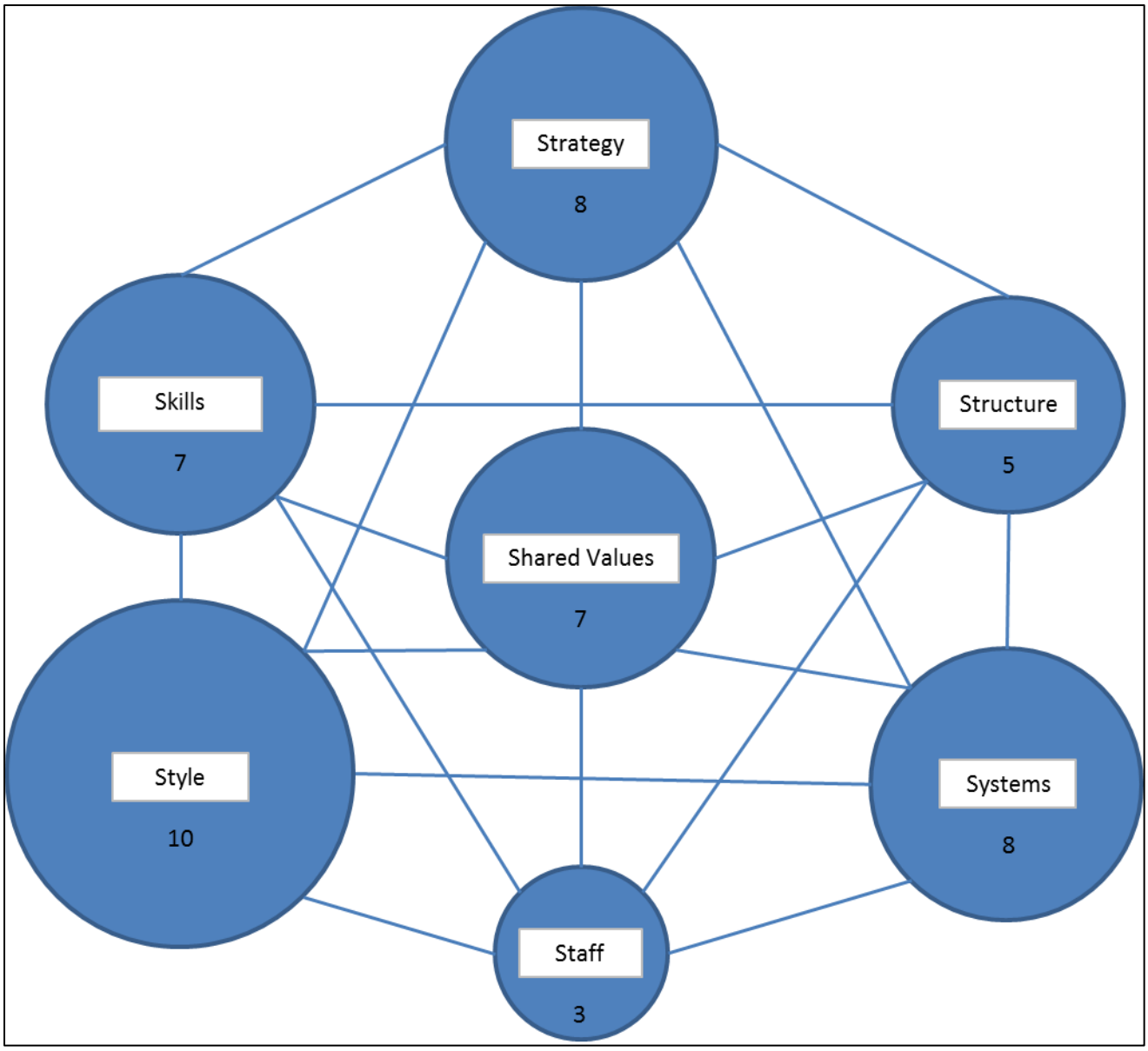


Figure 3: Adapted from the McKinsey 7S Framework (Peters, 2008)

4.6 Conclusion of Results and Discussion

The research question for the research study was:

- What are the factors effecting the effective integration of acquired organisations in South Africa?

The answer to the research question in summary is in Table 7 below, which is based on the interviews with the 12 respondents in the research study, as well as on the literature review conducted in Chapter 2.

Table 8: Principle factors effecting the effective integration of acquired organisations in South Africa

Rank Order	Factor
1	Style/Culture - Norms and beliefs need to be shared amongst both organisations.
2	Systems - Having common systems or the integration of systems (both IT and Business systems).
3	Strategy – Having a plan/picture/strategy that is communicated and aligned to the reason why the acquisition is pursued
4	Skills – Obtaining top skills is important as well as allowing cross pollination of skills post-acquisition.
5	Shared Values – Having common values and fundamental concepts between both organisations which are the guiding mechanism for the organisation
6	Structure – size, specialisation and diversity of an organisational has an influence on integration.
7	Staff – Development and retention of staff

In response to the research question, the results of this research indicate that there are many factors effecting the effective integration of acquired organisations in South Africa but the seven factors of the McKinsey 7S framework are the factors that have the most effect on the effective integration of an acquired organisation. These 7 factors are highlighted in Table 7 above. It must be noted that Table 7 above does not represent the entire population, but it does represent the 12 respondents that were a part of the acquisition between BTT and RMT and were used in this research study. This list of factors may not be true for any other industry, but it is representative of the research conducted on a medium/large IT company within South Africa.

The factors ranked above highlight Style/Culture as most important but the literature, as well as the interviewees, concurs that all the factors are important depending on the situation and the reasons for an acquisition. Each of the seven factors plays a role in ensuring that integration into the parent company will be a success.

After the interviews were conducted an additional question was asked of the interviewees, as it was discovered from the interviews that all respondents seemed to understand the factors that would cause a failure of an acquisition. The question that was asked was: “Did you see this coming?”, meaning, did they foresee the failure of this integration post-acquisition. Only 6 out of the 12 respondents opted to answer the question and of those that did, 6 out of 6 said “yes” and the average time they gave it was 6-12 months before it would fail. With this outcome it highlights that although people see the acquisitions failing within a short time frame, organisations still pursue them but seem to be making the same mistakes time and time again. The literature states that between 55 percent to 70 percent of mergers and acquisitions fail to meet their intended goal (Carleton & Lineberry, 2004; Schraeder & Self, 2003).

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

“History doesn’t repeat itself, people do” (De Voltaire, 1801)

5.1 Introduction

This closing chapter of the report summarises the main research findings and interpretations from the literature and the research. The chapter proceeds to provide significant recommendations and concludes with suggestions which could facilitate further research.

The research aimed to identify those factors effecting the effective integration of acquired organisations in South Africa.

Twelve respondents, covering the different levels as well as job functions within both the parent and the acquired organisation, were interviewed and asked to give their opinion as to the extent to which each of the McKinsey 7S elements helped or hindered the integration of the acquired company, as well as to give their understanding of how they would judge the value and success and the failure of an acquisition.

According to the respondents interviewed, all seven of the McKinsey 7S elements were important but each interviewee chose their top 2 S’s and bottom 2 S’s which enabled the 7 factors to be ranked, which are presented in Table 7 above.

5.2 Conclusion of the Research

As quoted at the beginning of the chapter “History doesn’t repeat itself, people do” (De Voltaire, 1801). This statement is very relevant to this study as it is noted that although literature emphasises the high failure rate of acquisitions, and the many factors that effect successful integration post-acquisition, people still seem to not take cognisance of these factors and make the same mistakes over and over again. This is highlighted above as six interviewees replied “yes” to the question of whether they saw the failure of the acquisition coming. This illustrates that people

perusing acquisition opportunities are aware of the facts that can cause failure but tend to ignore the more important factors listed in the McKinsey 7S framework and tend to proceed with unwarranted confidence that the acquisition will lead to value creation. The focus is on the rational, namely, financial projections and the soft or emotional aspects seem to be relegated to the background.

Acquisitions can be compared to a romantic relationship going through the phases of courting, marriage, honeymoon and divorce. This analogy can be used to describe what occurs with a high percentage of acquisitions. It describes how during the pre-acquisition phase both organisations are at their best and all looks good (courting). Then the acquisition happens, contracts are signed and money is exchanged and all are excited about the future (marriage). During the first three to six months everyone is trying to make it work and accommodate each other etc. (honeymoon). Then, once the honeymoon is over, issues and conflicts arise. In addition, organisations tend not to drive the integration to completion because they settle back into how they did business before, which causes issues to arise going forward, and in some cases people within the parent and acquired company feel in limbo and are unsure of their place in the organisation. This type of uncertainty can cause an increase in staff turnover and a drop in staff morale which has a negative effect on productivity. All these issues combined cause the integration of the acquired company to fail (divorce).

Given the details in Table 8 above, which clearly identify a rank order of the 7 factors effecting the effective integration of acquired organisations in South Africa, it must be noted that each of the 7 factors specifically highlighted through the literature review under the McKinsey 7S framework, was chosen by at least one or more of the interviewees as the Top S or Bottom S which helped or hindered the integration of this acquisition. This reveals that all of the 7S's are of importance and, depending on the type, scenario and/or reasons for the acquisitions, one or all of the seven factors play a major role towards the success or failure of that acquisition and the integration of the acquired organisation into the parent organisation.

It can be concluded from this research study that in order for the integration of an acquired organisation into the parent company to be a success and meet the goals and reasons for which the parent company pursued the acquisition in the first place, the seven factors highlighted in this study need to be considered, as well as other factors like value creation and synergies between both organisations.

5.3 Recommendations

The main recommendations that those looking at acquisitions should review is, first, the literature on the subject, and then the McKinsey 7S framework during the due diligence period, to find areas of conflict. Table 8, in conjunction with Figures 2 and 3, will provide organisations (IT organisations, in particular) with a comprehensive list of factors, as well as the inter-dependence of factors that effect the effective integration of acquired organisations in South Africa. It is recommended that these organisations review the above list, improve their understanding and address those areas which they believe the organisation should leverage, in order to pursue current or future acquisitions.

The finding of this report can be used by current and future CEOs, boards of directors, senior executives, senior management and other company stakeholders, who are involved in or thinking about perusing the acquisition path. It will assist them in understanding the types of acquisitions, the reasons for acquisitions, the different stages of acquisitions, the reasons for the success or failure of acquisitions and, finally, the factors that effect the effective integration of an acquired organisation.

Organisations should take note of the list of the 7 factors and ensure that each one is focused on in some way, in order to improve and ensure the successful integration of the acquired organisation. It is also advisable for organisations to conduct a full due diligence study, which includes all the factors listed above in Table 8 and not only the financial aspects. Finally, the first 100 days after the deal is closed are crucial, as slow post-acquisition integration can lead to acquisition failure. Therefore, this time frame needs to be focused on.

5.4 Suggestions for further research

The topic of acquisitions is a wide topic that encompasses other facets and complex areas such as negotiation, financing and due diligence. This research study was conducted in order to develop an understanding of the factors that effect the effective integration of acquired organisations in South Africa. The following areas are suggested for future research:

- To explore how size and age of both the acquired and acquiring organisation effect the effective integration of the organisations, by repeating the study in a well-established multi-national organisation acquiring another large organisation.

  Possible Research Question: What are the factors effecting the effective integration of an acquired well-established organisation?

- To explore what staff from the acquired organisation hope for post-acquisition from the parent company.
  Possible Research Question: What are the acquired staff expectations of the parent company post-acquisition?

- To explore if there is a difference between the factors that influence the success or failure of acquisitions in developed vs developing countries. This could be industry focused, such as on the financial sector.

  Possible Research Question: How do the factors that influence the success or failure of acquisitions in the banking sector differ between developed and developing countries?

- To explore the benefits of retaining the CEO of the acquired organisation compared to negotiating their exit.

Possible Research Question: What are the advantages and disadvantages of retaining the CEO of an acquired company?

- To explore if there are different factors that effect acquisition integration when a South African organisation acquires an organisation in another African country and vice versa.

Suggested Research Question: What are the factors that effect the effective integration of a South African organisation acquiring an African organisation?

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APPENDIX A

Request Letter to Respondents

Dear Respondent,

I am pursing my Master in Business Administration (MBA) degree at the University of Witwatersrand, Johannesburg (Wits Business School). As part of the requirement for the degree I am doing research on the factors that effect the effective integration of acquired companies in South Africa, using the case of Red Man Technologies and Blue Turtle Technologies (BTT). In gathering data on this subject, I would be grateful if I could arrange a one hour interview with you to understand your experience of the Red Man acquisition by BTT. I understand that you are extremely busy and your agreement to contribute to my research is greatly appreciated.

The Red Man acquisition by BTT is an important deal as both these companies are ranked as medium to large organisations in South Africa, therefore by using this case I will be able to get a generalised view on acquisitions, be that it may be from an individual sector perspective. I chose this topic, as research into acquisitions shows that more than 70% of all deals fail to create value. Therefore the study will be a good learning point for students and academics.

The interview will primarily focus on your experience of this acquisition. Confidentiality will be observed throughout the research process and the final report will be for academic purposes only. I will be able to meet you at a location and time of your convenience.

Thank you for your kind assistance

Yours Sincerely

Jashwin Maharaj

APPENDIX B

Interview outline for respondents

The factors effecting the effective integration of acquired companies in South Africa

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Details of the respondent:

Date:

Time:

Respondent name:

Title:

The respondents will be given a working definition of the term acquisition and the differentiation between a merger and an acquisition will be highlighted. The McKinsey 7S framework elements will be re-ordered as to start with the easy elements first, in order to get the interview started.

Questions:

General

1. How would you judge the value of an Acquisition?

2. What factors do believe will effect the success or failure of the Acquisition?

McKinsey 7S Framework Questions:

The next set of questions will be based on the McKinsey 7S Framework (the respondent will be given a brief background on the framework and its application, as well as a definition of each element and its meaning from a frameworks perspective (Table 1). Each person will be given a hard copy of the definitions to revert to if they so require.

Super-ordinate goals (Shared Values)

3. In your opinion, did the two organisations share any similar values, and to what extent did these, help or hinder the integration of the acquired company?

Staff

4. In your opinion, to what extent did staff issues, help or hinder the integration of the acquired company?

Skills

5. In your opinion, to what extent did the skills that were held by Red Man's staff, help or hinder the integration of the acquired company?

Style (Culture)

6. In your opinion, to what extent did company Style/Culture, help or hinder the integration of the acquired company?

Systems

7. In your opinion, to what extent did both Business and IT systems, help or hinder the integration of the acquired company?

Structure

8. In your opinion, to what extent did structure, help or hinder the integration of the acquired company?

Strategy

9. In your opinion, to what extent did strategy, help or hinder the integration of the acquired company?

Concluding question

10. If I had to ask, which you considered as the top 2s that helped and the bottom 2s that were the most problematic during this acquisition what would you say they are?

Probe Questions - Probing questions will be asked based on the respondent's answers to enable the researcher to acquire more in-depth information. The researcher takes cognisance of the fact, that he must not lead the respondent.

APPENDIX C

Consistency matrix

Table 9: Consistency matrix

Research problem stated here: The factors effecting the effective integration of acquired organisations in South Africa					
Main Problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
Why many acquisitions fail when the acquired company is integrated into the parent company	(Kapil, 2009; Pablo, 1994; Zollo & Singh, 2004) (Bertoncelj & Kovač, 2007) (Peters & Waterman, 1982; Waterman et al., 1980) (Gaughan, 2010; Lynch & Lind, 2002; Saunders & Wong, 1985; Wen et al., 2005)	What are the factors effecting the effective integration of acquired organisations in South Africa	Interview data – Refer draft interview outline for respondents (Appendix B).	Qualitative opinions and commentary	Thematic Content Analysis