

Swinburne University of Technology

Australian Graduate School of Entrepreneurship

Learning Through Experiences



Organisational culture and operational challenges of the merger of Alarmcom with Siemens HVAC Products

A Masters Project
by

Melissa Dunphy
(ID No. 1061615)

June 2006

Submitted in partial fulfillment of
the requirements for the degree of
Master of Business Administration



Acknowledgements

Firstly, I would like to acknowledge and thank Dr Harch Thandi for his valued time, contribution and guidance throughout all phases of conducting this project. I would also like to acknowledge the management and employees of Siemens BT products for their support with this project, both in regards to offering information, assistance and encouragement and also for their understanding about the additional demands the project has created over the past several months. In addition, I would like to thank all my colleagues at Siemens BT Products who responded for the time they have taken to complete and return the questionnaire and participate in the project. This report could not exist without this valued contribution.

Declaration

This project contains no material that has been accepted for the award of another degree, diploma or award at any University or other educational institution. To the best of my knowledge and belief, it contains no material previously published or written by another person or persons, except where due reference has been made.

Melissa Dunphy

Abstract

Siemens Limited Australia (SIL) purchased Alarmcom in 2001. Alarmcom is a medium sized Australian company that sells fire and safety products, security and intrusion products and closed-circuit television (CCTV) equipment. Following the acquisition by SIL, Alarmcom continued to run autonomously until 2005, when the decision was made to integrate Alarmcom into the only other product sales business unit within Siemens – i.e. Siemens HVAC Products.

This project is a case study of the integration of Alarmcom into Siemens HVAC Products. Through consideration of this case study, it is aimed to ascertain and describe the challenges involved when two companies merge, to delineate the change management and operational processes involved in the integration of two companies, determine how successful the merger was based on the extent to which the specific aims and objectives of the merger were realised and to provide recommendations for future mergers and acquisitions.

Data gathered to achieve the specific aims and objectives of the case study was gained by distributing a questionnaire to the employees of Siemens BT Products. It was found that the organisational culture-related challenges of mergers and acquisitions are different for the members of the acquiring company and those of the acquired company. However, the operational challenges were similar for the employees of both companies. The key organisational culture-related challenges were to do with becoming familiar with a new work environment, whereas the operational challenges related to learning to use new systems and new processes.

There was significant difference in opinion between various groups of employees of the merged entity, Siemens BT Products concerning what processes were involved in the integration, so no conclusive processes could be determined with the exception of developing and reviewing an integration plan. Also, when judged against what the intentions and objectives of the merger were, it was found that the integration of Alarmcom into Siemens HVAC Products was not successful as the employees of

Siemens BT Products felt that the intended outcomes had not been realised.

Many different recommendations found in current business literature were presented to the employees of Siemens BT Products who were asked to denote whether they agreed with each of the proposed recommendations. The employees agreed with all sixty-four recommendations listed pertaining to change management and operational processes which could be taken during a merger or the integration of an acquisition. They most strongly agreed with recommendations regarding having effective two-way communication between employees and managers of the integration, regularly reviewing the progress of the integration and maintaining a sense of order and focus on retaining talented individuals, particularly from the acquired company.

Contents

Acknowledgements.....	ii
Declaration.....	iii
Abstract.....	iv
Figures.....	ix
Tables.....	x
1 Siemens HVAC Products and Alarmcom.....	1
1.1 Introduction.....	1
1.2 Background to the study	1
1.3 Rationale	3
1.4 Aim and objectives of the project	4
1.5 Benefits	4
1.6 Scope.....	4
1.7 Limitations of the project.....	5
1.8 Conceptual design of the study	6
1.9 Structure of the project.....	6
1.10 Conclusion	8
2 Literature review	10
2.1 Introduction.....	10
2.2 Organisational culture.....	11
2.3 Operations	14
2.4 Work done in similar areas	23
2.5 Conclusion	25
3 Research methodology.....	26
3.1 Introduction.....	26
3.2 Data collection	26
3.3 Development of the questionnaire	28
3.4 Questionnaire administration.....	29
3.5 Data analysis	30
3.5.1 Challenges of the merger of Alarmcom with Siemens HVAC Products.....	30
3.5.2 Change management and operational processes of the merger of	

	Alarmcom with Siemens HVAC Products.....	30
3.5.3	Outcomes of the merger of Alarmcom with Siemens HVAC Products	31
3.5.4	Recommendations for future mergers.....	31
3.6	Data interpretation	31
3.7	Conclusion	32
4	Challenges of the merger of Alarmcom with Siemens HVAC Products.....	33
4.1	Introduction.....	33
4.2	Organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products.....	33
4.3	Operational challenges of the merger of Alarmcom with Siemens HVAC Products	36
4.4	How well the organisational culture-related challenges of the merger were managed during the integration.....	38
4.5	How well the operational challenges of the merger were managed during the integration.....	41
4.6	Comparison between how well the organisational culture-related challenges and the operational challenges of the merger were handled	43
4.7	Implications.....	43
4.8	Conclusion	44
5	Change management and operational processes of the merger	45
5.1	Introduction.....	45
5.2	Change management processes of the merger	45
5.3	Operational processes of the merger.....	49
5.4	Comparison between change management processes and operational processes	53
5.5	Conclusion	54
6	Outcomes of the merger of Alarmcom with Siemens HVAC Products	56
6.1	Introduction.....	56
6.2	Merger outcomes based on the findings of all Siemens BT Products employees	56
6.3	Merger outcomes based on the findings of former Alarmcom employees	58

6.4	Merger outcomes based on the findings of former Siemens HVAC	
	Products employees	58
6.5	Conclusion	59
7	Recommendations for future mergers and integrations of acquired companies	60
7.1	Introduction.....	60
7.2	Recommendations from the questionnaire.....	60
7.3	Actions or decisions that should be replicated in future mergers	61
7.4	Additional recommendations for future mergers.....	62
7.5	Recommendations for further research.....	63
7.6	Conclusion	64
8	References.....	65
9	Appendices.....	66
9.1	Questionnaire	66

Figures

Figure 1-1 Product implications of the merger between Siemens HVAC Products and Alarmcom	2
Figure 1-2 Conceptual framework guiding the study on the merger of Alarmcom with Siemens HVAC Products.....	7
Figure 3-1 Activities leading to the successful completion of the study of the merger of Alarmcom with Siemens HVAC Products	27

Tables

Table 2-1 Actions to be taken and actions to be avoided when conducting an integration of an acquired company	18
Table 4-1 Top five organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products for Siemens BT Products staff.....	34
Table 4-2 Top organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products for all former Alarmcom staff.....	34
Table 4-3 Top organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products for all former HVAC Products staff.....	35
Table 4-4 Top five operational challenges of the merger of Alarmcom with Siemens HVAC Products for Siemens BT Products staff.....	36
Table 4-5 Top operational challenges of the merger of Alarmcom with Siemens HVAC Products for all former Alarmcom staff.....	37
Table 4-6 Top operational challenges of the merger of Alarmcom with Siemens HVAC Products for all former HVAC Products staff.....	38
Table 4-7 How well the organisational culture-related challenges as found by all Siemens BT Staff members were managed according to all employees	39
Table 4-8 How well the organisational culture-related challenges as found by all Siemens BT Staff members were managed according to former Alarmcom and former Siemens HVAC Products employees.....	40
Table 4-9 How well the top operations challenges as found by all Siemens BT Staff members were managed according to all employees.....	41
Table 4-10 How well the top operations challenges as found by all Siemens BT Staff	

members were managed according to former Alarmcom employees.....42

Table 4-11 How well the top operations challenges as found by all Siemens BT Staff
members were managed according to former HVAC Products employees43

Chapter 1

Introduction

1.1 Introduction

There is an increasing worldwide trend in business to use mergers and acquisitions as a growth strategy for competitive advantage. Companies looking for greater economies of scale, buying power, global reach and to diversify into new markets are acquiring suitable companies to help them achieve these and other objectives. However, despite the strong promise such a strategy suggests for instantaneous growth, research is showing that mergers and acquisitions frequently fail to deliver their anticipated outcomes. In fact, some authors suggest that the failure rate of mergers and acquisitions is as high as eighty percent (Schraeder & Self 2003). This case study considers two common causes of merger and acquisition failure which are issues pertaining to merging of organisational cultures of two companies, and the operational challenges of merging two companies into one. To achieve this, the case of when Alarmcom was acquired and integrated into the Siemens Limited Australia division, Siemens HVAC Products has been investigated.

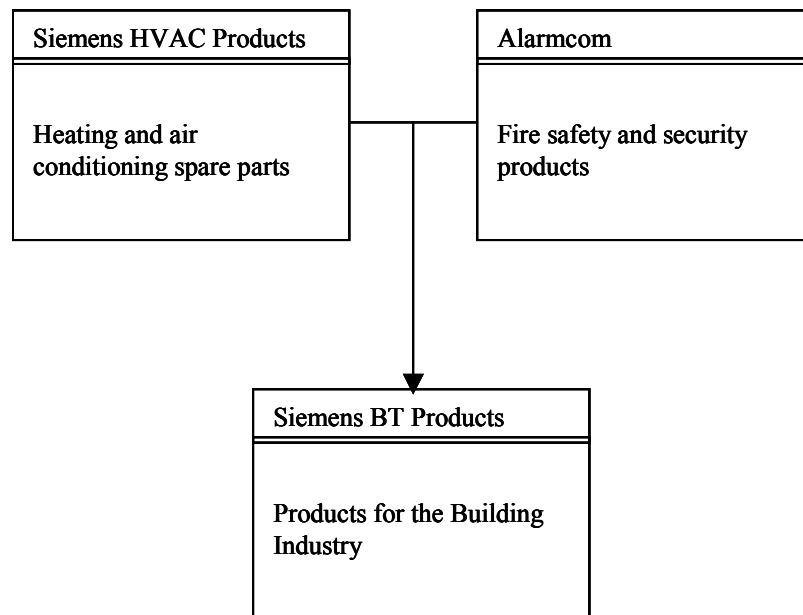
This chapter covers the background to the study, the rationale for the study, its objectives, and the anticipated benefits of the study. Following this, the scope and limitations of the study will be outlined, and the conceptual design of the study shall be provided. Finally, the structure of the case study report is given and the chapter is concluded.

1.2 Background to the study

Siemens Limited Australia (SIL) purchased Alarmcom in 2001. Alarmcom is a medium sized Australian company that sells fire and safety products, security and intrusion products and closed-circuit television (CCTV) equipment. Following the acquisition by SIL, Alarmcom continued to run autonomously until 2005, when the decision was made to integrate Alarmcom into the only other product sales business unit within Siemens; Siemens HVAC Products. Siemens HVAC Products sells heating, air conditioning and ventilation products to the HVAC industry in Australia and New Zealand. Figure 1.1

shows that combined, Alarmcom and Siemens HVAC Products became Siemens BT Products, a division of Siemens Building Technologies (SBT).

Figure 1-1 Product implications of the merger between Siemens HVAC Products and Alarmcom



Source: Author

The integration of Alarmcom into Siemens HVAC Products was intended to provide a platform for the creation of the new business unit; Siemens BT Products. Siemens BT Products, an abbreviation of Siemens Building Technology Products, would not be defined as selling only one channel of products, such as heating and air conditioning products, but could over time be expanded to sell a complete range of products for the building industry.

Alarmcom formally began being operated by SIL in October 2005, in conjunction with the beginning of the European Financial Year. By the start of November, most Alarmcom offices had moved into existing Siemens HVAC Products branches. Alarmcom became fully integrated into the Siemens infrastructure and using Siemens

operating platforms by November 15, 2005.

This integration of a medium sized business into a large corporation has provided many challenges for both Alarmcom and Siemens employees. Alarmcom was a medium sized enterprise with a flexible operational structure that could enable it to be highly reactive and customer service focused. Siemens HVAC Products was fully integrated into the Siemens infrastructure that is bureaucratic, rigid and controlled. Due to their relative sizes and the nature of their businesses, the parent companies were run very differently from each other, providing considerable cultural and operation challenges both throughout and following the integration. This case study considers the organisational culture and operational implications of the merger, and provides recommendations for possible future mergers in order to achieve an improved integration process, based on the key learning points of the Alarmcom and Siemens HVAC Products merger.

1.3 Rationale

There have been specific growth targets set by SIL for the Siemens BT Products division for 2010, and it is likely that they shall continue attempts to grow the business after that time. One viable strategy to grow Siemens BT Products is to acquire and integrate other suitable businesses into the division. Consequently, analysis and evaluation of the Alarmcom and Siemens HVAC Products integration should provide useful information to assist in the future merger processes.

As mentioned above, the reported success rates of mergers and acquisitions are very poor. It is evident, when consulting current literature on the subject of mergers and acquisitions, that organisational culture and the *modus operandi* of integrating two separate businesses into one are two of the predominant causes of acquisition and merger failures. This case study focuses specifically on how issues of merging the organisational cultures of the two companies, and the *modus operandi* of integrating the two businesses affected both the process of conducting the merger and its outcomes. Through looking at the merger from this perspective, it is hoped that the findings can benefit both SIL and other companies in any mergers and acquisitions they may conduct to improve the general success rate.

1.4 Aim and objectives of the project

This report aims to provide information and recommendations to the management of Siemens Ltd regarding the integration of Alarmcom and Siemens HVAC Products, to aid in more efficient integrations with newly acquired businesses in future.

The specific objectives of this case study are to:

- Ascertain and describe of the challenges that can arise when merging a small to medium enterprise (SME) with a large multinational corporation due to different organisational cultures of the parent companies
- Delineate the change management and operational processes involved in the merger of two businesses
- Investigate how successful the merger was, based on the extent to which the intent and objectives of the merger were realised
- Provide recommendations for future mergers

1.5 Benefits

This case study hopefully will be beneficial to the author by providing her greater insight into the operation of Siemens BT Products and how that has been affected by the integration. It is also hoped that the study will provide the author with greater understanding of the organisational culture of both small to medium enterprises and large corporations and the challenges associated when the two merge.

The case study is hoped to be of benefit to SIL by providing insight into how successful the integration was, and what further work needs to be done to continue the ongoing success of the merged entity. It may also provide insight and recommendations to benefit the execution of future mergers and integrations with SIL to assist in smoother transitions, decreased impact of integrations on customers and shorter integration periods.

1.6 Scope

This case study has considered the integration of Alarmcom and Siemens HVAC

Products in terms of organisational culture, change management and operational issues only. The integration is considered purely from an internal perspective. The impact made on customers and how external parties view the success and problems associated with the integration has not been considered within the case study, as to be able to better focus on the internal operational and organisational culture challenges that arose.

Geographically, the case study considers the merger of Alarmcom and Siemens HVAC Products throughout all of Australia. By considering the effects throughout the division Australia-wide, it is hoped that a greater depth of understanding and learning on the specific topic has been achieved. As this merger was only between an Australian Siemens division and an Australian company, considering the merger from an international standpoint was considered unnecessary.

The case study focuses only on the organisational culture and operational concerns of the integration. Other possible concerns such as financial or marketing concerns are deemed outside the scope of this project. This has allowed greater depth of investigation into the chosen areas of concern, and these areas were shown to be of particular concern following the completion of the merger.

The case study was bounded by focusing purely on the internal factors of the merger. Feedback on the merger was sought from all Siemens BT Products employees. By selecting the largest relevant sample size, it is hoped that the quality of data gathered enabled the most relevant findings. However, employees from Siemens BT Products support divisions, including Siemens Procurement and Logistics, Siemens Accounts Receivable and Siemens Accounts Payable were considered to be outside the scope of the project. In addition, while much could have been gained by researching how the integration has affected the perceptions of Alarmcom and HVAC Products in the market place, this aspect was not included in the case study.

1.7 Limitations of the project

A weakness of the case study may be that the overall outcome of the merger was affected by many factors, of which organisational culture, change management and

operations are but three. This may have caused some inaccuracies in the data, limiting the ability to completely evaluate all the outcomes of the case study and what factors impacted on the outcomes.

In addition, by not considering the outcomes of the merger from an external point of view, some information regarding the outcomes of the merger may have been overlooked, resulting in incomplete data. This may mean that other operational and organisation culture concerns may have been overlooked in the case study.

The data for this project was predominantly gained through the use of a voluntary-response questionnaire. Not all the distributed questionnaires were returned which has caused incomplete data that may have had an impact on the findings of the case study.

1.8 Conceptual design of the study

To conduct this study, the first requirement was to establish the background to the study as covered earlier in this chapter. Following this, a literature review was conducted looking at research on the theoretical concepts of change management, organisational culture and operational aspects of mergers and acquisitions. This led to identification of the following key concepts as being central to the study: merger *modus operandi* and organisational culture. Also pertinent was work already done in this area.

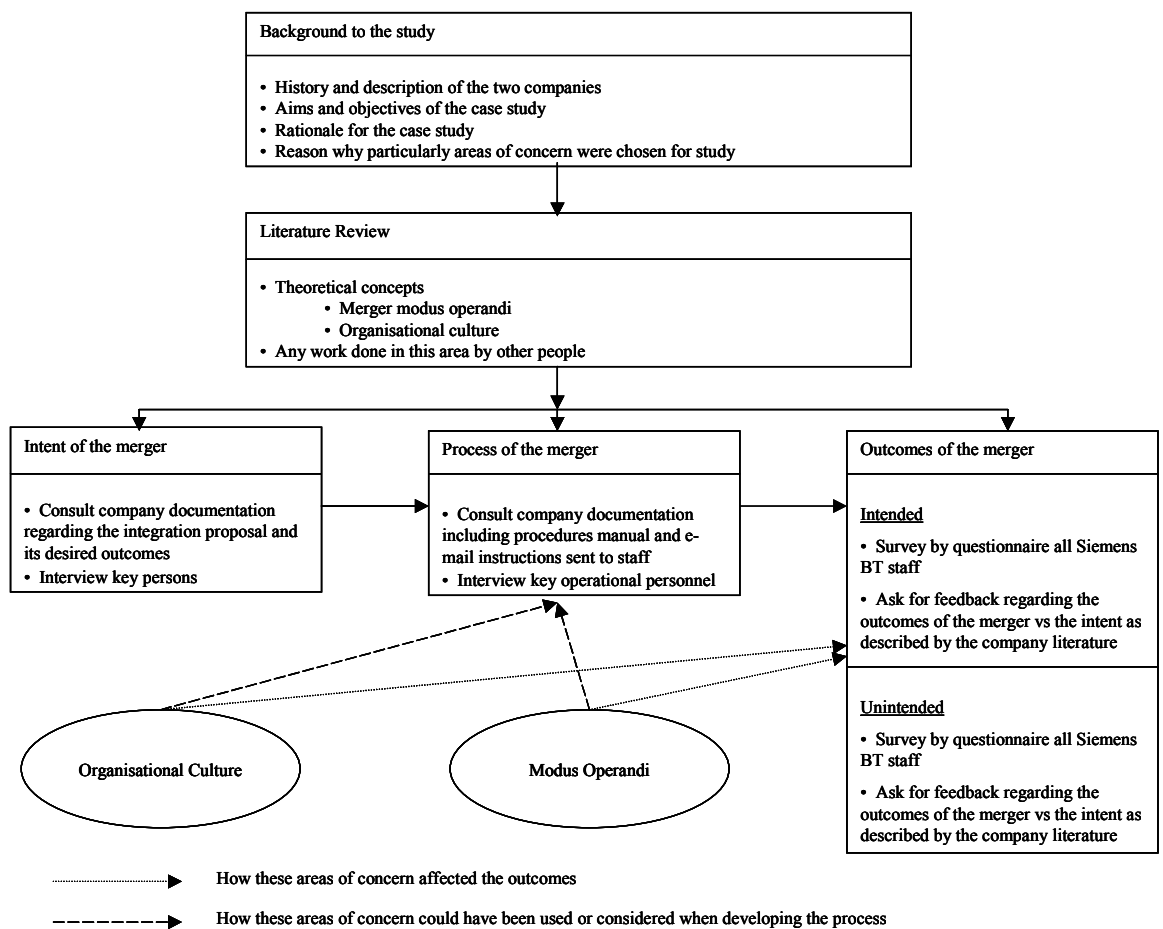
After these stages were completed, to evaluate the merger in general, the intent and objectives of the merger were first considered. Following this, the process by which the merger was implemented was examined. Then, both the intended and unintended outcomes of the merger in relation to the intent and objectives were considered. The effect of the study's areas of concern (organisational culture and *modus operandi*) on the process and outcomes of the merger was then analysed. A diagram of the conceptual framework is shown in figure 1.2.

1.9 Structure of the project

The study has been designed to address specifically the key objectives of the study as outlined on page 4.

The second chapter of the report consists of a review the existing literature relevant to the case study. Literature specifically relating to merger *modus operandi*, organisational culture considerations in mergers and acquisitions and any similar case studies performed in this area is included.

Figure 1-2 Conceptual framework guiding the study on the merger of Alarmcom with Siemens HVAC Products



Source: Author

The third chapter outlines the research methodology of the case study. How the required data was collected to achieve the objectives of the case study is presented.

How the data once collected was analysed and then interpreted are also discussed.

The fourth chapter examines the organisational culture-related and operational challenges of the merger. The challenges are first identified and then how well these challenges were managed during the integration process is then considered.

In chapter five, the change management and operational processes considered during the integration are discussed.

Chapter six explores what the outcomes of the merger were, both the intended and unintended outcomes. The positive and negative unintended outcomes are considered. The success of the merger is evaluated based on how whether or not the intended outcomes of the merger between Alarmcom and Siemens HVAC Products were achieved.

Chapter seven shall provide a summary of findings of the case study and present recommendations regarding actions or decisions that can be replicated to the benefit of future integrations. Additionally, some possible pre-emptive remedial measures will be provided to assist in the improvement of the processes of any future mergers conducted by Siemens Limited Australia.

1.10 Conclusion

In this chapter, the background to the merger of Siemens HVAC Products and Alarmcom has been discussed. The reasons and rationale for conducting this case study have been considered, as well as the objectives, benefits scope and limitations of the study. The conceptual design for the study was then outlined, and the structure of the report provided.

In the following chapter, current peer-reviewed literature on the subject of mergers and acquisitions is reviewed. The literature review focuses particularly on work related to merger *modus operandi*, merger best practices and key success factors. The impacts of organisational culture in merger and acquisition situations, and any investigations or

case studies done on similar acquisition and merger examples are also reviewed.

Chapter 2

Literature review

2.1 Introduction

In this chapter, the literature relating to the theoretical concepts that the case study has focused on are reviewed. There is a vast amount of research available concerning the effect of organisational culture, change management and operational processes of mergers and acquisitions. Interest is high in current business literature on overcoming challenges posed by the reported high rates of failure of mergers and acquisitions, and the frequency with which they are conducted despite the findings.

The first section of this chapter focuses particularly on the concept of organisational culture in mergers and acquisitions. Articles exploring why organisational culture has such a profound reported impact on the success of mergers and acquisitions are considered, in addition to articles that focus more on providing recommendations for dealing with challenges that can arise due to clashes of organisational culture when merging two organisations.

Subsequently, literature related to how the operational process of conducting a merger is reviewed. This section includes articles that provide suggestions and insight into how best to conduct a merger and acquisition after the decision to merge has been made. There is a significant amount of literature available on why it is important to choose a suitable merger partner, and how to conduct the decision making process of deciding with whom to merge. However, as this project is focusing on what to do during the merger process after these decisions have been made, such articles are deemed outside the scope of the project.

The chapter concludes with a section reviewing published research conducted for similar cases as the merger of Alarmcom with Siemens HVAC Products.

2.2 Organisational culture

Much has been published about the importance of managing and integrating corporate culture in mergers and acquisitions. Schraeder and Self (2003) suggest that anywhere between fifty-five and seventy per cent of all mergers fail in regards to meeting anticipated benefits for the organisation. They propose that issues relating to conflicting corporate cultures of the two organisations are frequently to blame for this phenomenon, review related literature on the subject to determine why organisational culture has such a profound impact on merger and acquisition success. The article first considers literature pertaining to organisational culture issues that should be considered when making the decision about an acquisition or merger partner. This is followed by a review of literature focusing on organisational culture implications after the merger or acquisition has taken place.

The article goes into detail on the concepts of organisational culture from a range of literature sources, and describes organisational culture as the personality of an organisation, that has aspects of shared beliefs, traditions and expectations relating to the organisation and how it behaves. Organisational culture is described as being unique to a particular organisation, born from the social and structural constructs of the organisation. There are other aspects regarding organisational culture that are relevant to the topic of mergers and acquisitions. According to the articles consulted by Schraeder and Self (2003), organisational cultures can have significant impacts on the financial and long-term performance of an organisation and that, in many cases, organisational cultures are resistant to changes from outside their environment. A merger or acquisition involves dramatic changes for both parties involved where they are suddenly confronted with new people and new ways of doing things that do not necessarily 'fit' with the culture that has been created over time in their organisation. Specifically, the article references author Chatterjee (cited in Schrader and Self 2003) that lists people orientation, attitudes towards innovation, customer service orientation, employee loyalty and attitudes to growth as organisational culture factors that have strong impacts on the success of mergers and acquisitions.

After exploring the concepts of organisational culture, Schraeder and Self (2003) discuss in detail both how and why organisational culture has such strong impacts on the success of mergers and acquisitions, looking initially at pre-merger considerations and then from a post-merger perspective. In accordance with the scope of the present case study as described in chapter 1, attention is focused specifically on the section of the article relating to the post-merger perspective.

According to the research conducted by Schraeder and Self (2003), the announcement of a merger or acquisition in an organisation is generally met with a negative reaction by employees, who may be fearing loss of jobs, relocations, losing their work reputation or career opportunities. More importantly, the authors highlight that the reaction of employees to a merger or acquisition announcement can vary greatly, depending on the type of merger or acquisition to take place. Understandably, a hostile takeover will be met with greater dissatisfaction than a joining of two equal partner organisations. They then describe four broad types of challenges that can emerge when integrating two organisations into one. These are task characteristics, cultural characteristics, political characteristics and demographic characteristics. The authors offer recommendations for overcoming the challenges that can arise when attempting to meld the cultures of two organisations together when orchestrating a merger or acquisition. The characteristics of the organisational culture challenges that can arise when merging two organisations together and the recommendations for overcoming these challenges as described by Schraeder and Self (2003) have been investigated during the course of the present case study. They have been utilised to achieve the present case study objectives of ascertaining and describing the challenges that can arise when merging an SME with a large multinational corporation and providing recommendations for future mergers.

Other researchers seem to agree with the notion presented by Schraeder and Self (2003) that issues of organisational culture have a strong impact on the success of the merger or acquisition (Levin 2000; Shearer, Hames & Runge 2001). They put forward that by not effectively managing the people issues in a merger can lead to the ultimate failure of the venture. Weber (1996) explores concepts of cultural fit in organisational mergers, and examines the relationships between cultural fit and other human aspects of mergers by

conducting an empirical study of a large sample of mergers and acquisitions.

Weber (1996) argues that whilst there had been much attention paid to the affect of organisational culture clashes in mergers and acquisitions, the existing business literature was predominantly based on observations by practitioners with little theoretical or empirical support. Further, that the studies that had been conducted were only on one case of a merger or acquisition as opposed to a broad study across several mergers and acquisitions to further define broad concepts across a variety of industries and situations. Also, the differences of merger and acquisition characteristics across different industry and situations had not been investigated, implying that mergers and acquisitions are homogenous. In answer to his criticisms regarding the assumptions made in the existing body of business literature, he conducted an empirical study on a large sample of mergers and acquisitions across a variety of industries.

Weber (1996) offers a similar definition of organisational culture to that given in Schraeder and Self's (2003) article. The definition involves notions of sets of assumptions shared by members of the organisation that have emerged from shared experiences and uniqueness shaped by all members of the organisation.

In his study, Weber (1996) tests three main hypotheses:

- That the greater the cultural differences between the combining top management teams, the lower the effectiveness of the integration process and the lower the financial performance of the buying firm.
- The greater the removal of autonomy from the acquired top management team, the lower the effectiveness of the integration process and the lower the financial performance of the buying firm.
- The lower (greater) the commitment of the acquired top management team, the lower (greater) the effectiveness of the integration process and the lower (greater) the financial performance of the merged organisation.

Other possible influences on the success of mergers and acquisitions listed by Weber (1996) are industry effects, the relative size of the organisations, friendliness and the

merger type.

To test these hypotheses, Weber (1996) sent questionnaires to a sample of one hundred and ninety-eight merged organisations and their personnel. His results suggested partial support to the three hypotheses, however poor financial performance and cultural differences were not always found to go together. Another major finding of the study was that the attitudes of the acquired managers had a significant impact on the effectiveness of the integration process. Ultimately, Weber recommends that organisations pay attention to the cultural fit of a potential merger partner or acquired company.

2.3 Operations

As mentioned above, it is reported that there is a very high failure rate with mergers and acquisitions (Schraeder & Self 2003). In addition to the effects of corporate culture on the success of a merger, the implementation stage of the merger is also deemed critical to its successful outcome (DiGeorgio 2002; DiGeorgio 2003). Vester (2002) attributes this partly on an insufficiency of information available on how to successfully implement a merger, and argues that an acquisition can be successful provided an established set of best practices is followed. In answer to the perceived need in industry, he has published the lessons he learned while managing the integration of Tektronix's printer division into the Xerox.

Based on Vester's (2002) experience orchestrating the merger of Tektronix's printer division into Xerox, he has developed twenty-six lessons, within six major categories, that he recommends companies follow when conducting a merger or integrating an acquisition.

The six categories are:

- Focus
- Innovation
- Discipline
- Excellence

- Speed
- Simplicity

Vester (2002) rationalises his views by giving examples of his experiences at Xerox to explain why the six categories listed above are paramount to the success of a merger or acquisition. He argues that a strong focus on the business rationale behind the merger can help guide management during the merger process, assisting them to prioritise activities when the integration process becomes particularly complex. He also proposes that it is critical for the major sources of value of the merger or acquisition be identified, as the integration process should be designed to ensure that these sources of value are captured and maximised. Strong focus on the reasons and rationale for the merger or acquisition from the outset is crucial to mitigate the risk of the objectives being lost when the process of implementing the integration becomes difficult and business pressures mount.

Vester (2002) argues that unexpected problems and challenges will arise that cannot be planned for during the planning process of the implementation of the merger or acquisition, making innovation essential to the overall success of the venture. An important way that they utilised their innovative efforts was to share best practices amongst different functional teams managing the integration, improving the overall result of the integration. Vester (2002) also lists for main actions they took to protect the acquired organisation from the rest of the company to ensure the integration team had dominant influence over how the acquired company dealt with the rest of Xerox during the integration, and therefore more control over the entire integration process. Another innovation developed by Xerox during their management of this acquisition was to create a decision log, which greatly assisted them in rapid and effective decision making throughout the integration. Another innovate step taken by the integration team was to introduce Tektronix to Xerox's business practices systematically over time, rather than all at once which they felt would be akin to shock therapy.

The experience of the integration of Tektronix's printer division into Xerox highlighted to Vester (2002) the need for a highly disciplined approach to the integration process.

In-depth project planning, review, decision making and follow up needed to be conducted to achieve success for the integration. To assist with the planning process, the integration process was broken down into phases that had clearly defined goals and timelines. Progress, decisions and processes were critically reviewed periodically as a check to ensure the integration was consistently on target to meet the goals and objectives set at the beginning of the implementation, and to apply any necessary modifications or new tasks that were deemed necessary. It was also found that high levels of communication, with both internal and external audiences, played a central part of Xerox's successful integration management strategy.

Vester (2002) advises that excellent work needs to be done in all stages of the integration process, and that it takes time to do excellent work. Short cuts should not be attempted. Applying a high standard of work to all stages of the integration greatly increases its overall chances of success. He also recommends consulting outside experts and talent within the organisation to help ensure that the integration is achieved by the best methods possible, and that investing in the process of the integration will be worthwhile to increase its chances for success. Due to the complexity of the project and the high number of decisions that need to be made, advice from outside professionals was found to be invaluable during the integration of Tektronix into Xerox. Outside professionals also helped members of the Xerox team identify and manage culture problems as they arose.

Excellence was found to be paramount not only when considering the processes of the integration, but also when deciding who should be chosen to be part of the management teams for the integration. It was found that using 'A' players in the integration teams more than justified removing them from their normal positions and responsibilities as the integration could not have been a success without the best people from both companies working to make it so.

Vester (2002) advises that speed is paramount to the successful implementation of an integration, and recommends that you should make decisions so quickly that people involved in the project feel uncomfortable with the pace. Decision-making had to be

done far more quickly than typical for the organisation due to the high number of decisions that needed to be made. Without such a rapid approach to decision making, overall progress of the integration would have been stalled frequently. Making and communicating decisions quickly was also found to help people remain less anxious about factors of the integration, particularly in regards to ‘people’ decisions, as they were not left waiting and wondering for long periods of time about how things would turn out because of the integration.

Vester (2002) highlights the significant impact simple actions can make on the overall success of the integration. He advises that simple actions, such as visits made by senior management to employees, made a big impact on how people felt about the integration, and subsequently how hard they worked to ensure its success. He also recommends keeping the target’s management team together as long as possible to gain benefits from their established team capabilities.

There were many surprises for the management of the integration of Tektronix with Xerox. Some of the most significant outcomes that were not anticipated were; the enormous demand on human resources, people needed for the integration not being available, critical information not being available in a timely manner, the impact that well-intentioned meddling by outside divisions had on the integration, employee defections and the degree to which the business results will temporarily degrade during the integration process. Vester (2002) suggests that these would be common occurrences with any integration or merger and awareness of these issues prior to implementing the merger would assist management in lessening their effects. Vester’s recommendations regarding the successful implementation of a merger or acquisition are considered within the present case study when providing recommendations to the management of Siemens Ltd for future integrations, and to assist in delineating the steps taken during the integration of Alarmcom into Siemens HVAC Products. Table 2.1 outlines the key recommendations about what to do and what to avoid doing when integrating an acquired organisation into the parent company.

Table 2-1 Actions to be taken and actions to be avoided when conducting an integration of an acquired company

Ensure	Avoid
There is a strong focus on the rationale behind the merger or acquisition.	Ignoring the impact that simple actions, such as visits from senior management, can make.
The major sources of value of the merger or acquisition are identified.	Breaking up the acquired management team.
An innovative approach is taken.	Underestimating the impact of employee defections.
Best practices are shared.	Thinking the business results will not degrade temporarily over time.
The acquired organisation is protected from the rest of the company.	Having the people who are involved in the negotiation process be responsible for the integration.
A decision log is used.	Delaying 'people' decisions of the integration.
A highly disciplined approach is taken.	Taking too long to make decisions.
Critical reviews of the integration process are conducted periodically.	Taking short cuts.
High levels of communication exist both internally and externally to the organisation.	
Excellent work is done.	
Outside experts are consulted.	
'A' players are used on the integration team.	
Decisions are made quickly.	
There are adequate HR resources available.	
People needed for decision-making are available.	

Source: Author, collated from the literature review

In his paper, written in two parts, DiGeorgio (2002; 2003) considers some of what he considers being the best articles and books written on mergers and acquisitions and highlights where he believes further research needs to be done on the subject. He also summarises what is known, and what is not known about making mergers and acquisitions work, and gives best practices where appropriate. He also argues that the success rates of mergers and acquisitions will not improve until companies begin taking a systematic approach to mergers and acquisitions. To support this argument, he

discusses two examples of companies who have successfully used a systematic approach to mergers and acquisitions, GE Capital and Cisco Systems.

As do Vester (2002) and Schraeder and Self (2003), DiGeorgio (2002) lists several sources claiming extremely high failure rates of mergers and acquisitions including Marks and Mirvis (1998) who argue that more than three quarters of mergers and acquisitions fail to achieve their anticipated results and that, more often than not, mergers and acquisitions leave both parties in a worse business position than when they started. DiGeorgio (2002) claims the predominant reasons behind the high rates of merger and acquisitions are:

- Lack of due diligence by the acquirer or merger partner.
- Lack of compelling strategic rationale.
- Unrealistic expectations of possible synergies.
- Paying too much.
- Conflicting corporate cultures.
- Failure to quickly meld the two companies.

In addition, DiGeorgio (2002) also quotes the findings of Towers Perrin and the Society for Human Resources Management (SHRM) who claim the key reasons behind merger and acquisition failure include:

- Inability to sustain financial performance.
- Loss of productivity.
- Incompatible cultures.
- Clash of managerial styles and egos.
- Slow decision-making.
- Wrong people selected for key jobs.

In summary, the right merger partner or acquisition choice needs to be made, and once made, the implementation has to be done well. DiGeorgio (2002) proposes that if companies took a systems approach to mergers and acquisitions, these problems would not occur, or would be easier to overcome.

In support of his proposal that a systems approach should be taken when conducting mergers and acquisitions, DiGeorgio (2002) discusses Cisco Systems and GE Capital who are known for having growth strategies based on high levels of acquisitions and a well-known degree of success with this approach. The two keys to Cisco's approach are to do their homework and make sure they select the right company, and to apply an effective and reliable integration process once they have made the commitment to acquire a company. For Cisco, it is imperative that they select the right companies to acquire and factors including the visions of the company, the chemistry between the companies, the ability to produce short term and long term wins for stakeholders and geographic proximity are all considered. They also ensure that the integration process is done effectively and have a team of eleven staff members dedicated to integrations to ensure that the sources of value, including the talent of the acquired company, are retained during the integrations.

According to DiGeorgio (2002), GE Capital also has a systematic approach to the integration of its target companies, and one of the most important considerations they feel to achieve a successful integration is to select the right integration leader. The integration leader implements a set of internally developed best practices. Some of the systematic practices used by GE include:

- Building an effective team of GE Capital and acquired staff with the right mix of skills to lead the integration full time.
- Well-planned launch meetings for the integration teams that develop detailed plans, including 100-day plans critical to a quick start up.
- Use of a web-based knowledge management system that enables any one of the integration team members to access the collective wisdom and knowledge of GE on making integrations work.
- Clearly establishing what is non-negotiable in the integration process.

Both Cisco and GE Capital acquire and integrate numerous companies every year and experience excellent growth and financial results because of this strategy. Both companies are able to use this strategy because they have developed a systems approach to selecting and integrating acquisitions suited to their business and industries.

Subsequently, DiGeorgio (2002) argues that developing a systems approach to mergers and acquisitions will improve their success rates.

A systems approach would involve companies becoming aware of the macro processes driving how they conduct merger and acquisition activities. It would then involve gathering hard numbers from an unbiased and reliable source to benchmark their merger and acquisition success, and judge where improvements can be made. There must then be accountability at top management level to change and improve the merger and acquisition macro processes in place. There are four key differentiators to this system described by DiGeorgio (2002). The first of which is leadership, which is critical for companies to develop a systems approach to mergers and acquisitions. The second is culture compatibility, particularly in cases where two companies of similar size are merging as the smaller party cannot adopt the dominant culture. The two cultures have to try and merge, which is extremely difficult if not impossible should the cultures be highly incompatible. The third differentiator is the degree of integration needed to achieve success, as the higher the degree of integration required, the harder it will be to achieve success. DiGeorgio (2002) believes that these cases have a greater need for a systems approach to mergers and acquisitions. The fourth differentiator is size, as the larger the merger, the more complicated the integration is to accomplish.

In the second part of his article, DiGeorgio (2003) continues his case for a systems approach for mergers and acquisitions, and discusses the importance of having a culture fit between the two organisations for a merger or acquisition to be successful, and that to guarantee that this occurs, there needs to be a system in place making certain that the cultures of the two parties are compatible. He draws on the example of Cisco, who has an employee who is their 'culture cop', ensuring that the culture of a potential acquisition is suitable to be purchased by Cisco. DiGeorgio (2003) argues that there needs to be open dialogue about behaviour and culture prior to making the deal to enhance the chances of its overall success.

When conducting the integration of the two companies, DiGeorgio (2003) states that an integration manager, dedicated solely to the task of managing the integration, is

essential. This is particularly the case due to the size and complexity of this task. He also puts forward that a temporary transitional structure needs to be adopted during the integration phase, and that the leaders in the transitional phase should be the leaders of the new entity to ensure continuity and help people get to know each other and develop a good working relationship as soon as possible. Another important task to get right is the selection of the new leaders of the new organisation from amongst the leaders of the two parent organisations. Generally when two companies merge, there are more people than there are positions, and making the right selection for the right reasons is essential. It is a good time to demonstrate to employees that politics and favouritism will not be present in the new organisation based on the choice of leaders.

Another important consideration by DiGeorgio (2003) is that it is important for the integration to get off to a good, fast start in order to give direction and vitality to the organisation. To do this, a high-level game plan should be ready at the business unit and functional level of the organisation, and the teams at the top of these business units should have thought through future mission, values, strategies and objectives for the first year. The level of management should also have a one-hundred day plan ready to guide its activities.

DiGeorgio (2003) argues that another essential task to get right is communication. It is important for employees to hear a clear and convincing picture that the merger makes sense, that the merger will be managed well and lead to a better organisation and to find out what the merger means to them personally. Effective, two-way communication within the organisation is needed for success. Additionally, it is essential that the merger is communicated effectively outside of the organisation as well. Stakeholders including shareholders and customers need to be aware of the merger or acquisition and believe that it is being done for valid reasons, and will be done well. It is also argued that all the people decisions need to be made as quickly as possible, and are communicated as soon as practicable.

In DiGeorgio's (2002; 2003) two-part article, he discusses some of the reasons listed in current business literature for the high failure rates of mergers and acquisitions, and

proposes that a systems approach to mergers and acquisitions is adopted. He highlights the cases of GE Capital and Cisco, two companies that have successfully developed a systems approach to mergers and acquisitions. He then proceeded to make practical recommendations to companies conducting a merger or acquisition to help increase their chances of success. These include making sure the culture of the two organisations is compatible, putting an integration manager in place, communicating effectively during the integration, making the right leadership choices and moving quickly during the integration.

2.4 Work done in similar areas

Shearer, Hames and Runge (2001) conducted a case study on the merger of MPC, a small chemical company of twenty-two employees into a larger chemicals company, ComChem. In the case study, the authors were looking particularly at the organisational cultures of the two organisations, how the culture began to change shortly after the merger and the influence the CEO had on culture of the combined entity. When considering the merging of organisational cultures, in this article they are looking at concepts of goals, values, beliefs, ideas, systems, leadership styles, management practices and processes. When considering the notion of organisational culture itself, the authors state that this has to do with values, beliefs, ideas, assumptions, understandings and meanings.

MPC is described as having a culture similar to that of a family where the CEO, June was considered to be a mother figure to the twenty two employees of the company. Some important considerations of the practices of MPC were that with the exception of two notable circumstances, employees were consulted on every major decision facing the company and were strongly encouraged to care about the company and its future. Another important factor was the strong focus on customer service by MPC. They served all manner of customers, treating those whom were not as profitable with as much importance as they did for the more profitable customers. Practices were adopted that were not profitable for the organisation, but offered higher standards of customer service and were more tailored to their customer's requirements. Predominantly, the

staff were satisfied with the way MPC was run, with the exception of some employees feeling frustrated by the way the company would allow employees that were not considered valuable contributors to remain with the company.

ComChem was a larger and older company that was more driven by profits than family values, as was MPC. The president of the company, Fish, had big ideas about growing the business and expanding into new business fields, and subsequently made the decision to purchase MPC. After the merger was announced, all employees were given a chance, but those who were deemed to have negative attitudes or low performance levels were laid off. The shift of focus from family values to profit making proved difficult for many employees, however this effect was lessened by the strong focus on customer service shared by both companies. The reasons for the strong customer service focus were different for each organisation, but the common factor made it easier for the two entities to join. Differences between employees of the 'new' and 'old' organisation would be put aside to serve a customer's needs.

Many of the culture changes were led by example rather than edict. Employees began to dress more professionally based on the example set by the top managers. The focus ComChem had on how the bottom line would be affected by any business decision gradually became adopted by all members of the organisation. Through the message that mistakes were acceptable, provided they were dealt with constructively, the level of honesty improved throughout the organisation.

Fish was relatively inexperienced when it came to mergers and acquisitions, and he made several mistakes during the integration process. He did not communicate extensively and openly with his staff, relating information purely on a need-to-know basis, which often left employees confused and frustrated. The actual transition phase, particularly when changing phone and computer systems was disorganised and chaotic, causing further frustration and anxiety for employees. Many employees also believed that some of the decisions regarding layoffs and relocations of facilities were made prematurely, which made it more difficult for maintaining effective operations.

Based on the findings of this case study, Shearer, Hames and Runge (2001) concluded that when integrating an acquired company into the acquiring company, CEOs must effectively link the combined organisation's human resources with its business strategies. It must also consider the external environments in which the organisations operate, consider the risks of housing executives in only one location when the facilities are geographically dispersed. CEOs must also be able to inspire trust and confidence in the entire executive team, and earn employees' trust and respect. The importance of integrating the two organisations' culture must not be underestimated. In the example of MPC and ComChem, the cultures were fairly similar, particularly with their strong focus on customer service in common. This factor greatly assisted Fish with making a success of the integration. The final recommendation made by the authors is to ensure that effective communication is present throughout the entire process.

2.5 Conclusion

In this chapter current business literature on mergers and acquisitions has been reviewed. Findings on the effects of organisational culture on mergers and acquisitions have been discussed. Additionally, literature that considers the operational practices of merging two organisations, as well as work done on providing recommendations and best practices for mergers and acquisitions has been considered. A case done on a similar merger has also been reviewed. The following chapter looks at the methods of data collection and data analysis for the case of Alarmcom merging with Siemens BT Products.

Chapter 3

Research methodology

3.1 Introduction

This chapter covers the method of data collection and data analysis used for the case study. The first stages of the study as described in the conceptual framework presented chapter 1 (p. 7) have been covered in previous chapters. This chapter deals specifically with the stages of establishing the intent of the merger, the process of the merger and the outcomes of the merger of Alarmcom with Siemens HVAC Products. Additionally, it considers how the concepts of organisational culture and modus operandi impacted the intent, process and outcomes of the merger.

Firstly the methods of data collection are discussed. Some of the information required for the case study was available through existing company literature, but predominantly the information required was not readily available. To gain the required data for the study, a questionnaire was developed and distributed to all employees of Siemens BT Products. The development of the questionnaire is discussed in detail. Details regarding how the questionnaire was administered to the employees of Siemens BT Products are then covered.

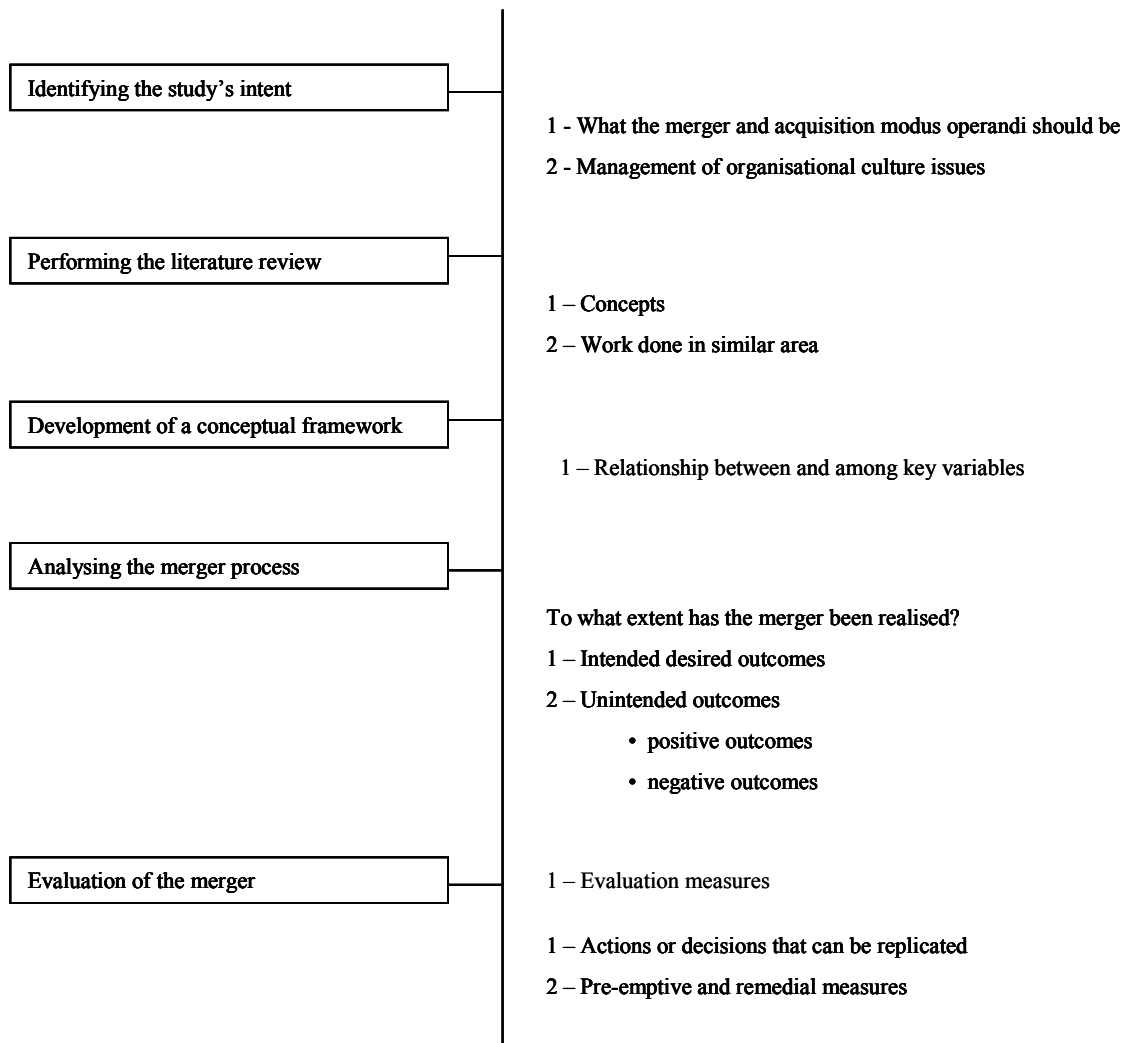
The methods utilised to analyse the data obtained through the questionnaire is then discussed, as are the methods of data interpretation.

3.2 Data collection

To achieve the objectives of the study (see p. 4) the steps outlined in figure 3.1 have been taken. A questionnaire was written specifically to gain data to complete the steps outlined in figure 3.1 to establish to what extent the intentions of the merger had been realised, to analyse the merger process and to make recommendations for the management of Siemens BT Products, to ascertain which actions that were taken that should be replicated and which actions should be avoided in any future mergers or integrations. Before the questionnaire was written, it was necessary to find out from

Siemens Ltd existing literature what the key intent and objectives of the merger of Alarmcom with Siemens HVAC Products were. This information was found in a presentation given by the General Manager of Siemens HVAC Products, Wayne Myers and the General Manager of Alarmcom, John Fleming to the Siemens Ltd Australia CEO, and the Siemens Ltd Australia CFO (2005). In addition to the content of the previous chapters, this chapter presents tools, techniques and implication aspects of analysing the merger process and evaluating the merger. Little of the integration process was formally recorded by SIL. This required the development of the questionnaire to gather relevant data.

Figure 3-1 Activities leading to the successful completion of the study of the merger of Alarmcom with Siemens HVAC Products



Source: Author

3.3 Development of the questionnaire

The questionnaire is found in appendix 1. It was divided into five sections specifically to meet the aims and objectives of the case study. Section A of the questionnaire requested required demographic information from participants which was whether they were originally from Alarmcom or Siemens HVAC Products, and whether they had a managerial or non-managerial role. This information was requested to allow data gathered in other sections of the questionnaire to be analysed for any difference of opinion between employees of the acquired firm and employees from the acquiring firm, and analyse any difference of opinion between the views of managerial staff and non-managerial staff.

Section B of the questionnaire related to the objective of ascertaining and describing the challenges that can arise when merging an SME with a large multinational corporation. In accordance with the key concepts of this study, the questionnaire focused specifically on organisational culture-related challenges and operational challenges that can arise in a merger situation. The first question in this section listed only possible organisational culture challenges, whilst the second question listed only possible operational challenges. Based on the key findings in current business literature as discussed in chapter 2, a list of potential organisational culture-related challenges and operational challenges which may have arisen were listed on the questionnaire, and respondents were asked to select whether or not they agreed or disagreed with the statement that the challenge was a challenge that had to be faced by all personnel during the merger. The agreement scale ranged from 1 (strongly disagree) to 4 (strongly agree). The third and fourth questions presented to the respondents of the questionnaire related to how well the respondents felt the above-mentioned challenges were managed during the integration. The scale ranged from 0 (not managed at all) to 3 (managed very well).

Section C of the questionnaire was written to achieve the objective of delineating the change management and operational processes involved in the merger of two businesses. Best practices of merger and acquisition integration found in current business literature was consulted to provide a list of change management processes and

operational processes that may have been used during the integration process. There were two questions in this section, the first related specifically to change management processes and the second relating to operational processes. Participants were requested to select how strongly they agreed that a particular change-management or operational process had been taken during the integration. The scale ranged from 0 (strongly disagree) to 3 (strongly agree).

Section D of the questionnaire was designed to establish how successful the merger was, based on the intent and objectives set for the merger by the organisation. In this section, a list of potential outcomes of the merger was provided and participants were asked to select how strongly they agreed that a particular potential outcome was an actual outcome of the merger. Some of the outcomes were based on the intent and objectives as given in the presentation to the CEO and CFO of SIL proposing the merger be done, and others were based on notional enquiry or findings in business literature so both intentional and unintentional outcomes of the merger could be identified. The agreement scale for this question ranged from 1 (strongly disagree) to 4 (strongly agree).

The final section of the questionnaire was written to assist in providing recommendations to the management of SIL for any future mergers and acquisitions that they may perform. All the possible change management and operational processes as recommended in current business literature and listed in section C above are repeated in this section. Participants are asked to denote how strongly they agree with the potential recommendations to provide feedback to the management of SIL. The agreement scale ranged from 1 (strongly disagree) to 4 (strongly agree). The findings from this section, in addition to the key findings in the analysis of the previous sections of the questionnaire shall provide the key recommendations for the case study.

3.4 Questionnaire administration

The questionnaire was distributed to all fifty-eight employees of Siemens BT Products via e-mail. Participants were requested to print this questionnaire and return it anonymously to the author. The questionnaire contained no open-ended questions. No

identifying information was requested to ensure that participation in the study was anonymous. Of the fifty-eight questionnaires distributed to the employees of Siemens BT Products, twenty-six were returned. Fifteen were completed by former Alarmcom employees and eleven were completed by former Siemens HVAC Products employees. Thirteen questionnaires were completed by employees in a managerial role, and thirteen were completed by employees in a non-managerial role.

3.5 Data analysis

3.5.1 Challenges of the merger of Alarmcom with Siemens HVAC Products

In order to find the key challenges of the merger, the mean response value of all given challenges in questions three and four on the questionnaire were found. The five challenges with the highest mean score were listed as the key challenges of the merger as designated by the entire staff of Siemens BT Products who responded to the questionnaire. These results were then found for only former Alarmcom employees and then only for former Siemens HVAC Products employees.

The mean results of how well the key challenges as found above were managed were then discussed. The mean results of all employees, only former Alarmcom employees and only former Siemens HVAC Products employees were compared. The results for both the organisational culture-related challenges and the operational challenges were then compared.

3.5.2 Change management and operational processes of the merger of Alarmcom with Siemens HVAC Products

As mentioned in section 3.3, the scale in section C of the questionnaire ranged from 0 (strongly disagree) to 3 (strongly agree). Values less than 1.25 indicated disagreement that the process was considered during the integration of Alarmcom into Siemens HVAC Products. Values greater than 1.75 indicated agreement and values between 1.25 and 1.75 indicated uncertainty as to whether or not the process listed was considered during the integration.

Which processes were agreed were conducted during the integration according to all Siemens BT Products employees were listed. These findings were then compared with the findings of only the managerial staff and then only the non-managerial staff. The mean results from only the former Alarmcom employees and then only the former Siemens HVAC employees were also found and compared with the overall findings for Siemens BT Products.

3.5.3 Outcomes of the merger of Alarmcom with Siemens HVAC Products

To ascertain the outcomes of the merger of Alarmcom with Siemens HVAC Products, the mean results of the responses given by Siemens BT Products employees were found. The agreement scale in this section of the questionnaire ranged from 1 (strongly disagree) to 4 (strongly agree). Values less than 2.25 indicated disagreement with the potential outcome. Values greater than 2.75 indicated agreement that the potential outcome occurred, and values between 2.25 and 2.75 indicated uncertainty regarding the outcome. Results from all Siemens BT Products employees were considered, as were the results of only the former Alarmcom employees and only the former Siemens HVAC Products employees.

3.5.4 Recommendations for future mergers

As in previous sections of the questionnaire, participants were asked to denote how strongly they agreed with a potential recommendation to the managers of SIL regarding any future merger practices. The agreement scale in this section of the questionnaire ranged from 1 (strongly disagree) to 4 (strongly agree). Values less than 2.25 indicated disagreement with the recommendation. Values greater than 2.75 indicated agreement with the recommendation, and values between 2.25 and 2.75 indicated uncertainty regarding the recommendation.

3.6 Data interpretation

The data analysis resulted in several significant findings. The implications of the findings were used to develop recommendations for future mergers, in line with the objectives of the study.

3.7 Conclusion

In this chapter the methods of data collection and data analysis have been outlined, and rationale for the methods of data collection and analysis have been provided. How each of the aims and objectives shall be achieved through use of a questionnaire has also been discussed.

In the following chapter the results from section B of the questionnaire shall be discussed. The chapter focuses specifically on ascertaining and describing what the key organisational culture and operational challenges of the integration were. It also considers how well these challenges were managed based on the responses provided by the employees who participated in the questionnaire.

Chapter 4

Challenges of the merger of Alarmcom with Siemens HVAC Products

4.1 Introduction

In this chapter the first key objective of the case study is addressed, to ascertain and describe of the challenges that can arise when merging a small to medium enterprise (SME) with a large multinational corporation due to different organisational cultures of the parent companies. The main organisational culture-challenges and operations-related challenges of the merger as found by the questionnaire results is given. Any difference in opinion regarding what the key challenges were by former Alarmcom and former Siemens HVAC Products staff is discussed. The results of which parent company found the integration of Alarmcom into Siemens HVAC Products found the integration most challenging from both the organisational culture and operational perspectives is also considered.

Once the main challenges of the merger have been ascertained, how well the organisation performed in managing these key challenges is discussed. Any difference in opinion regarding how well the main organisational culture challenges and operational challenges is considered.

4.2 Organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products

This section ascertains and describes what the organisational culture challenges of the merger were, as found by the results of the questionnaire distributed to all Siemens BT Products employees. Overall, the top five organisational culture challenges of the merger of Alarmcom with Siemens HVAC products were as follows:

Table 4-1 Top five organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products for Siemens BT Products staff

No#	Challenge	Mean score	Response
1	Getting to know new employees	3.15	Agree
6	Adjusting to new business priorities	3.15	Agree
5	Learning how your 'partner' company gets things done	3.08	Agree
11	Decreased employee morale	3.08	Agree
10	Dealing with staff defections and turnovers	3.04	Agree

Source: Survey questionnaire

As can be seen in table 4.1, the highest scoring challenges amongst all employees of Siemens BT Products from both parent companies related to getting used to new factors relating to the merger, new people, new priorities and learning how the other company gets things done. The next highest scoring challenges were people-issues, namely decreased morale and dealing with staff defections and turnovers.

Table 4-2 Top organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products for all former Alarmcom staff

No#	Challenge	Mean score	Response
5	Learning how your 'partner' company gets things done	3.50	Strongly Agree
2	Adapting to a new work environment	3.29	Agree
12	Adjusting to new rules	3.29	Agree
11	Decreased employee morale	3.21	Agree
13	Adjusting to new organisational structure	3.21	Agree
15	Dealing with additional stress and anxiety because of the merger	3.21	Agree

Source: Survey questionnaire

In table 4.2, only the responses given by former Alarmcom staff members were included. It should be noted that the mean scores for the top organisational culture challenges as given by the former Alarmcom staff members were generally higher than those given by both former Alarmcom and former Siemens HVAC Products staff. As

expected, this would indicate that the staff members from the acquired company Alarmcom found the organisational culture-related challenges of the merger far more difficult to deal with than the former HVAC Products staff members who were already well accustomed to Siemens Ltd processes and procedures. Additionally, the results of the key organisational culture related challenges of the merger according to the former Alarmcom staff members were far different to those found when considering the responses of all Siemens BT Products employees. The challenge with the highest mean for the former Alarmcom staff members was the only challenge amongst the top six that was also listed in the major challenges for all staff members.

Table 4-3 Top organisational culture challenges of the merger of Alarmcom with Siemens HVAC Products for all former HVAC Products staff

No#	Challenge	Mean score	Response
1	Getting to know new employees	3.18	Agree
9	Adjusting to upheaval from staff reassignments	3.18	Agree
10	Dealing with staff defections and turnover	3.18	Agree
18	Adjusting to increased responsibility	3.00	Agree

Source: Survey questionnaire

It is not surprising that the staff members formerly of Siemens HVAC Products had a different view of what the main challenges of the integration were, given that being introduced and integrated into a foreign organisation would be a very different experience to that of bringing new people and businesses into an existing organisation. As can be seen in table 4.3, the key challenges of the merger for the staff formerly of HVAC Products were all different to what the former Alarmcom staff found to be challenging. Also, as was expected when comparing the results from given by the former Alarmcom staff with the total set of responses, the former HVAC staff found the organisational culture-related challenges of the merger to be less challenging than the former Alarmcom staff found them. The challenge with the highest mean result given by the former HVAC staff, getting to know new employees, was lower than every mean score for the challenges listed by former Alarmcom staff. This suggests that from an organisational culture perspective, the integration was far more difficult for employees

of the acquired company. This point is further illustrated when considering the average mean scores of the organisational challenges as given by former Alarmcom staff members and the former Siemens HVAC Products staff members. The average result for the organisational challenges as given by the former Alarmcom staff members was 2.98, illustrating that overall; the former Alarmcom staff agreed that organisational culture issues were a challenge during the merger of Alarmcom with Siemens HVAC Products. The average result for the organisational culture challenges as given by the former Siemens HVAC Products staff members was 2.74, indicating that overall, the former Siemens HVAC Products staff were unsure whether or not organisational culture related issues were a challenge of the merger.

4.3 Operational challenges of the merger of Alarmcom with Siemens HVAC Products

This section ascertains and describes what the operational challenges of the merger were, as found by the results of the questionnaire distributed to all Siemens BT Products employees. Overall, the top five operational challenges of the merger of Alarmcom with Siemens HVAC products are listed in table 4.4.

Table 4-4 Top five operational challenges of the merger of Alarmcom with Siemens HVAC Products for Siemens BT Products staff

No#	Challenge	Mean score	Response
1	Adjusting to new procedures	3.27	Agree
3	Adjusting to new managerial styles	3.23	Agree
4	Adjusting to new accounting practices	3.23	Agree
13	Transference of information from the acquired company to the new entity	3.15	Agree
7	Adjusting to different business methods	3	Agree

Source: Survey questionnaire

Issues relating to adjusting to new ways of working seem to be the key operational challenges concerning all staff of Siemens BT Products. New procedures, managerial styles, accounting practices, business methods all feature in the top five operational challenges based on the responses of all Siemens BT Products staff that completed the questionnaire. Transference of information from the acquired company to the new entity was the one major challenge that was not related to new ways of working.

It can be seen in table 4.5 that, unlike the findings for the organisational culture-related challenges of the merger, there is far more consensus between Siemens BT Products employees when considering the operational challenges of the merger. All five of the top operational challenges as per the results of all Siemens BT Product staff are also listed as the top five operational challenges based on the findings of the former Alarmcom employees. The most significant operational challenge of the merger was adjusting to new procedures.

Table 4-5 Top operational challenges of the merger of Alarmcom with Siemens HVAC Products for all former Alarmcom staff

No#	Challenge	Mean score	Response
1	Adjusting to new procedures	3.43	Agree
4	Adjusting to new accounting practices	3.36	Agree
3	Adjusting to new managerial styles	3.29	Agree
7	Adjusting to new business methods	3.29	Agree
13	Transference of information from the acquired company to the new entity	3.29	Agree

Source: Survey questionnaire

Both companies were unanimous in their agreement that these were the top challenges with Alarmcom employees indicating slightly higher agreement. This point is confirmed when considering the highest rating challenges according to the staff formerly of Siemens HVAC Products as shown in table 4.6.

Table 4-6 Top operational challenges of the merger of Alarmcom with Siemens HVAC Products for all former HVAC Products staff

No#	Challenge	Mean score	Response
3	Adjusting to new managerial styles	3.27	Agree
11	Managing data integrity	3.20	Agree
4	Adjusting to new accounting practices	3.18	Agree
1	Adjusting to new procedures	3.09	Agree

Source: **Survey questionnaire**

There was only one operation challenge that was deemed to be significant by the former Siemens HVAC Products staff that was not listed in the overall results for all of Siemens BT Products and those of the former Alarmcom staff members. This challenge was maintaining data integrity. The overall mean result for this challenge as according to the responses of the former Alarmcom staff members was 2.79, indicating that they found this to be a challenge, but not one of the most significant operational challenges of the merger.

It can also be seen from these results that the top challenges according to the former Siemens HVAC staff members did not have quite as high means as the former Alarmcom staff members gave them, though they are very similar. This indicates that operationally, employees formerly of both Alarmcom and Siemens HVAC Products found the merger challenging, though the former Alarmcom employees found it slightly more so. Given that the former Siemens HVAC Products employees were already familiar with work practices required to conform with the Siemens Ltd policies and procedures, this result is what would be expected.

4.4 How well the organisational culture-related challenges of the merger were managed during the integration

For each of the potential organisational culture-related challenges of the merger, participants in the questionnaire were asked to provide feedback on how well they

considered each of the challenges was managed. Firstly, how well the organisational culture-related issues found to be most challenging are considered in table 4.7.

Table 4-7 How well the organisational culture-related challenges as found by all Siemens BT Staff members were managed according to all employees

No#	Challenge	How well the challenge was managed
1	Getting to know new employees	1.31 – Not well
6	Adjusting to new business priorities	1.46 – Not well
5	Learning how your ‘partner’ company gets things done	1.04 – Not well
11	Decreased employee morale	1.04 – Not well
10	Dealing with staff defections and turnovers	0.92 – Not well

Source: Survey questionnaire

The results from all Siemens BT Products employees were that none of the top organisational culture-related challenges were managed well. It could be argued that had the challenges been better managed, the issues would not have been as challenging for employees during the integration as they were actually found to be. Furthermore, the highest mean result for how well an organisational culture-related challenge as found by all Siemens BT Products employees was 1.56 for the challenge ‘assisting employees deal with concerns about job security’. This challenge was not listed as a key organisational culture-related challenge by either former Alarmcom employees or former Siemens HVAC Products employees. This could be because the issue was well managed, and of not as much concern to employees. Overall, Siemens BT Products had a mean result of just 2.39 for this challenge, indicating that it was unclear whether this was a challenge of the integration or not. Former Alarmcom employees had a mean result of 2.71 for this challenge, also indicating that they were unclear whether or not this was a challenge of the merger. Former Siemens HVAC Products staff members had a mean result of 2.18 for this challenge, indicating that they disagreed that this was a challenge of the merger. It could be argued either that whether or not ‘assisting employees deal with concerns about job security’ was not considered a key organisational culture-related challenge of the merger because it was well managed, or that it was considered well managed as it was not as influential to the employees of

Siemens BT Products.

How well the integration was managed specifically from the perspective of former Alarmcom employees and former Siemens HVAC Products employees is shown in table 4.8.

Table 4-8 How well the organisational culture-related challenges as found by all Siemens BT Staff members were managed according to former Alarmcom and former Siemens HVAC Products employees

No#	Challenge	Alarmcom	Siemens HVAC Products
1	Getting to know new employees	1.20 – Not well	1.50 – Moderately well
6	Adjusting to new business priorities	1.33 – Not well	1.64 – Moderately well
5	Learning how your ‘partner’ company gets things done	0.93 – Not well	1.18 – Not well
11	Decreased employee morale	0.87 – Not well	1.27 – Not well
10	Dealing with staff defections and turnovers	0.89 – Not well	1.00 – Not well

Source: Survey questionnaire

For all the challenges listed, employees formerly of Siemens HVAC Products felt that the challenges were better managed than was the opinion of the former Alarmcom employees. Former Siemens HVAC Products employees felt that the two most challenging issues of the integration were handled moderately well, a view not shared by the former Alarmcom employees. The challenge ‘getting to know new employees’ that former Siemens HVAC Products employees felt was handled moderately well was found to be one of the top organisational culture related challenges of the integration for that group of employees.

However, the other challenge they felt was done moderately well, ‘adjusting to new business priorities’ was not found to be one of the top challenges of the merger, though its mean result for former Siemens HVAC Products employees of 2.82 indicates that they did agree that this was a challenge of the merger, but not one of the key challenges.

4.5 How well the operational challenges of the merger were managed during the integration

For each of the potential operational challenges of the merger, participants in the questionnaire were asked to provide feedback on how well they considered each of the challenges was managed. As mentioned previously in the chapter, there was far greater consensus amongst former Siemens HVAC Products employees and former Alarmcom employees regarding what the key operational challenges of the merger were.

Table 4-9 How well the top operations challenges as found by all Siemens BT Staff members were managed according to all employees

No#	Challenge	How well the challenge was managed
1	Adjusting to new procedures	1.40 – Not well
3	Adjusting to new managerial styles	1.54 – Moderately well
4	Adjusting to new accounting practices	1.40 – Not well
13	Transference of information from the acquired company to the new entity	1.40 – Not well
7	Adjusting to different business methods	1.40 – Not well

Source: Survey questionnaire

Table 4.9 shows the mean results of how well all employees of Siemens BT Products considered the operational challenges of the merger were handled. As was found for the organisational culture-related challenges of the integration, most of the key operational-related challenges of the integration were not considered well managed by Siemens BT Products employees. The exception is the challenge ‘adjusting to new managerial styles’, which was considered to have been managed moderately well. This would indicate that there is no clear relationship between how significant a challenge was with how well it was perceived to have been managed.

It can be seen in table 4.10 that the former Alarmcom employees felt that none of the top operational challenges were handled well. The mean performance results on how well the operational challenges were managed by former Alarmcom staff are all lower

those found when considering the responses of all Siemens BT Products staff members. This indicates that the former Siemens HVAC Products employees felt that the operational challenges were better handled than the former Alarmcom employees felt they were.

Table 4-10 How well the top operations challenges as found by all Siemens BT Staff members were managed according to former Alarmcom employees

No#	Challenge	How well the challenge was managed
1	Adjusting to new procedures	1.14 – Not well
3	Adjusting to new managerial styles	1.33 - Not well
4	Adjusting to new accounting practices	1.27 – Not well
13	Transference of information from the acquired company to the new entity	1.27 – Not well
7	Adjusting to different business methods	1.20 – Not well

Source: Survey questionnaire

This can partly explain why the former Alarmcom staff members found the integration more challenging from an operational perspective than the former Siemens HVAC Products employees did. The average mean result for how well the operational challenges were managed according to the former Alarmcom employees was 1.39, indicating that overall, the former Alarmcom employees found that the operational challenges of the integration were not well managed. However, the former Siemens HVAC employees held a very different view. Overall, the mean result of how well the former Siemens HVAC employees felt the merger was managed was 1.69, indicating that they felt the operational challenges of the merger were managed moderately well. It can be seen in table 4.11 that they felt all the top operational challenges of the merger were moderately well managed.

Table 4-11 How well the top operations challenges as found by all Siemens BT Staff members were managed according to former HVAC Products employees

No#	Challenge	How well the challenge was managed
1	Adjusting to new procedures	1.73 – Moderately well
3	Adjusting to new managerial styles	1.82 – Moderately well
4	Adjusting to new accounting practices	1.50 – Moderately well
13	Transference of information from the acquired company to the new entity	1.50 – Moderately well
7	Adjusting to different business methods	1.50 – Moderately well

Source: Survey questionnaire

4.6 Comparison between how well the organisational culture-related challenges and the operational challenges of the merger were handled

It can be seen from the results above that the top operational challenges, whilst predominantly being found to have been handled poorly, had higher mean average scores than had the most significant organisational culture related challenges. The average result for how well an organisational culture related challenge was managed was 1.32, indicating that overall it was viewed that the organisational culture-related challenges of the merger were not handled well, whereas the operational challenges of the merger had a mean result of 1.52, indicating that overall, the operational challenges of the merger were handled moderately well. The employees of Siemens BT Products found that the operational aspects of the merger were better managed than the organisational culture aspects.

4.7 Implications

One of the key implications of the findings in this chapter are that when considering managing the organisational culture challenges of a merger or integration, when considering the acquired firm, issues of learning how the partner company gets things done, adjusting to a new work environment, adjusting to new rules, decreased employee

morale, adjusting to new organisational structure and dealing with additional stress and anxiety due to the merger need to be addressed. When considering the organisational culture challenges of a merger or integration, the findings of this case study are that when considering the acquiring firm, issues of getting to know new employees, adjusting to upheaval from staff reassignments, dealing with defections and turnovers and adjusting to increased responsibility should be considered.

For both the acquired and the acquiring organisation, some of the key challenges are adjusting to new business procedures, adjusting to new managerial styles, adjusting to new accounting practices, transference of information from the acquired company to the new entity and adjusting to different business methods should be considered for a more effective integration process.

4.8 Conclusion

This chapter has considered what the key organisational culture challenges and operational challenges were of the merger. It has looked at the differing of opinions regarding what they key challenges were between the staff formerly of Alarmcom and the staff formerly of Siemens HVAC Products. This chapter has also looked at how the employees viewed how well the organisation performed in managing the key challenges of the merger, from an overall perspective, the Alarmcom perspective and the HVAC Products perspective. The following chapter looks at what change management and operational processes were considered during the integration of Alarmcom into Siemens HVAC Products.

Chapter 5

Change management and operational processes of the merger

5.1 Introduction

This chapter considers the change management and operational processes of the merger. A list of possible change management measures and operational actions were provided to the employees of Siemens BT Products based on the best practices of mergers and acquisitions found in current business literature. Participants were asked to denote how strongly they agreed that each of the measures and actions were conducted during the merger of Alarmcom and Siemens HVAC Products. The findings give an indication of the processes followed during the integration of the two organisations where the key priorities and focuses of the business can be found.

5.2 Change management processes of the merger

In the questionnaire distributed to the employees of Siemens BT Products, a list of recommended change management actions, based on the findings in current business literature were given, and participants were asked to nominate whether they felt the action had been taken during the integration of Alarmcom into Siemens HVAC Products. When considering the responses given by all Siemens BT Products employees, the only actions that were found to be performed were:

- Measuring progress at regular intervals.
- Emphasising positive benefits of the merger for individual employees.
- Encouraging people to be excited about the future of the organisation.
- Ensuring that employees consider their leaders to be credible.

The only actions considered by all employees of Siemens BT Products that had not been taken were:

- Acknowledging value in past practices.
- Developing a flexible and comprehensive integration plan.
- Moulding people into teams.
- Encouraging employees to participate in the planning and decision making of the integration process.
- Anticipating employees' reactions.

These results indicate that employees were encouraged to be excited and positive about the merger, and that regular progress was measured but there was not much action taken to manage the people issues and provide practical and tangible assistance for dealing with the people-issues during the integration process. In addition, employees were not encouraged to participate in the planning and decision making of the integration process and there did not appear to be a flexible and comprehensive integration plan developed.

The remaining twenty four change management considerations as presented in the questionnaire had results suggesting that there is an inconsistency of opinion within the employees of Siemens BT Products, and they could not be sure if these actions were taken or not. In order to more clearly establish whether these actions were taken, the comparison of mean results between the managerial and non-managerial staff members is now considered.

When analysing the responses of the managerial and non-managerial staff of Siemens BT Products, a high level of uncertainty regarding what change management actions were taken is still evident. When considering all of the potential actions listed, the managerial staff only felt overall that the following three actions were taken:

- Measuring progress and regular intervals.
- Maintaining a sense of order throughout the integration.
- Emphasising the positive benefits of the merger for individual employees.

Emphasising the positive benefits of the merger for individual employees appears to be the only change management process listed on the questionnaire deliberately performed

by the management of the organisation to manage the people issues of the integration. The other two actions more closely relate to overall performance, progress and order.

The non-managerial staff agreed with the management regarding the measurement of progress at regular intervals and emphasising the positive benefits of the merger for individual employees, but they were uncertain whether or not a sense of order was maintained throughout the integration. The non-managerial staff believed overall that several other actions on the list were taken throughout the integration which were:

- Providing clear rationale for the merger.
- Providing clear ground rules for employees early in the integration process.
- Encouraging people to be excited about the future of the organisation.
- Ensuring that employees trust their leaders.
- Ensuring that employees consider their leaders to be credible.

These results would suggest that the management responsible for the integration process may have achieved the above actions unintentionally, explaining why they were more unclear regarding whether these actions had been taken or not. Each of the above actions that were performed in the opinion of the non-managerial staff was actions that were considered uncertain within the managerial responses. This indicates that employees felt well informed regarding the rationale and positive benefits of the merger, and were encouraged to be excited about it. They also felt well informed about the ground rules from an early stage, and were encouraged to place trust in their leaders, and find them credible. These appear to be steps that would be taken early on in the integration process, at approximately the time when the integration is first being announced. It appears few change management processes were conducted after the initial stages of the integration.

Even when considering the managerial and non-managerial responses separately, there was still a great deal of uncertainty regarding whether a particular action was taken or not. However, there was a very significant difference in view on what change management processes were considered during the integration between former

Alarmcom and former Siemens HVAC Products staff. The former Alarmcom employees felt that the only two change management processes that were considered were:

- Emphasising the positive benefits of the merger for individual employees.
- Encouraging people to be excited about the future of the organisation.

Whereas, the former Siemens HVAC Products employees felt all of the following change management processes were considered during the integration:

- Measuring progress at regular intervals.
- Identifying ingrained behaviours that may become obstacles.
- Communicating to employees how the integration would be implemented.
- Maintaining a sense of order throughout the integration.
- Ensuring that employees consider their leaders to be credible.

They did not agree on any step that was definitely taken. The former Alarmcom employees felt that the only change management process that was considered during the integration was to give encouragement to the employees, whilst the former Siemens HVAC Products employees felt that other change management measures, specifically those relating to how the integration would be run were taken.

The former Alarmcom employees felt the following measures were not taken:

- Acknowledging value in past practices.
- Involving employees in the integration process.
- Identifying ingrained behaviours that may become obstacles.
- Developing a flexible and comprehensive integration plan.
- Encouraging communication between managers and employees regarding the integration.
- Providing a realistic merger preview for organisation members.
- Communicating clearly to organisation members reasons for changes made

during the integration.

- Making efforts to enhance retention of retained individuals.
- Moulding people into teams.
- Encouraging employees to participate in the planning and decision making of the integration process.
- Anticipating employees' reactions.
- Encouraging employee participation and involvement.
- Managing the transition through support, socialisation and training.
- Being sensitive to individual and timing considerations.
- Applying a steady process to blend the two organisational cultures of Alarmcom and Siemens HVAC Products.

As can be seen from the above, the former Alarmcom employees clearly felt that many of the potential change management processes that could have been considered during the integration were not considered or implemented. They felt in total that fifteen of the thirty three listed potential change management processes were not considered during the integration process. These processes relate in particular to issues of communication, employee participation and involvement, proactive measures to blend the organisational cultures and manage any socialisation issues. The former Siemens HVAC Products staff only agreed with them regarding 'moulding people into teams' and 'encouraging employees to participate in the planning and decision making process'. For all other change management processes that the former Alarmcom staff felt hadn't been considered, the former Siemens HVAC Products employees were uncertain.

5.3 Operational processes of the merger

As for the section in the questionnaire designed to establish what change management processes were considered during the integration of Alarmcom into Siemens HVAC Products, a list of possible operational processes which could have been considered was also provided. The findings of all Siemens BT Products employees were that the following operational processes were considered during the integration:

- Ensuring a solid strategic rationale for the merger exists.
- Laying out the expected financials in advance.
- Conducting regular formal reviews of the integration process.

The above findings indicate that there was overall agreement that steps concerning performance measures and financial aspects of the merger were considered. The findings of all Siemens BT Products employees also found that the following operational processes were not considered during the integration:

- Consulting outside experts on mergers and integrations.
- Utilising the talent from the acquired organisation.
- Choosing highly competent and knowledgeable staff to be part of the integration team.
- Ensuring senior management made regular visits to employees.
- Ensuring the organisation anticipated potential defections and employee turnover.

The processes that were not done during the integration as found by all Siemens BT Products employees were largely concerned with getting input concerning how the integration would take place from different sources, including outside experts and employees and the effective use of integration teams. This would indicate that the integration was conducted in an autocratic manner. To establish whether or not there was a difference of opinion between managerial and non-managerial staff concerning the operational processes considered during the integration, the findings of these two groups of employees are considered separately. The mean results of the responses of the managerial employees did not indicate that any of the given operational processes listed on the questionnaire had been considered. The results were predominantly uncertain regarding whether or not an operational process had been considered or not, with the following operational processes being found not to have been considered during the integration:

- Capturing synergies between the two businesses.
- Consulting outside experts on mergers and acquisitions.
- Choosing highly competent and knowledgeable staff to be part of the

integration process.

- Making new management appointments quickly.
- Announcing new management appointments quickly.
- Ensuring senior management made regular visits to employees.
- Ensuring the organisational anticipated potential staff defections and turnovers.
- Ensuring people were made aware that combined business results would temporarily degrade because of the integration.

The overall results of the Siemens BT Products employees' responses indicated that the integration was run in an autocratic manner. The findings above indicate that when orchestrating the merger, the management of Siemens BT Products did not consider keeping employees informed about the potential degradation of business results and new management appointments. Nor did they consider consulting outside experts or using their most effective employees to be part of an integration team to assist in the implementing of the integration, or try to capture synergies between the two businesses. When comparing the findings of the responses of only the managerial employees with the responses of all Siemens BT Products employees, it is clear that there is some disagreement regarding which operational processes were considered. The non-managerial staff felt that the following operational processes had been considered during the integration:

- Developing a realistic integration timeline.
- Sharing best practices amongst the integration team.
- Regularly reviewing project plans.
- Developing a robust communication process.
- Announcing new management appointments quickly.
- Quickly moving employees into the same locations.

In addition, the non-managerial employees of Siemens BT Products strongly agreed that the operational process of 'conducting regular formal reviews of the integration process' was considered. As can be seen from these findings, there was a great difference in opinion between the managerial and non-managerial staff regarding which, if any, operational processes were considered. However, in both cases, a large number of the

presented possible operational processes obtained unclear results, indicating that neither group of employees were certain whether or not the particular operational processes had been considered. As the non-managerial staff felt that considerably more of the presented operational processes had been considered than the managerial staff did, it is possible that many of the operational processes had been achieved unintentionally, without planned consideration by the management and any other employees who may have been responsible for the integration process.

When considering the responses of only the former Alarmcom employees, it was found that in their opinion, the following operational processes were considered during the integration:

- Laying out the expected financials in advance.
- Sharing best practices amongst the integration team.
- Conducting formal regular reviews of the integration process.
- Ensuring the integration project was started as soon as possible.

The former Alarmcom employees also felt that the following operational processes were not considered during the integration:

- Capturing synergies between the two organisations.
- Consulting outside experts on mergers and integrations.
- Regularly rewarding successes in the integration process.
- Keeping the acquired management team together.
- Ensuring the organisation anticipated potential turnovers and defections.
- Ensuring that people would be made aware that combined business results would degrade because of the integration.

It was uncertain whether or not they agreed that the other operational processes listed were considered during the merger. The former Siemens HVAC Products employees felt that the following operational processes had been considered during the integration:

- Conducting regular formal reviews of the integration process.
- Capturing synergies between the two businesses.
- Announcing new management appointments quickly.

The former HVAC Products employees also felt that the following processes were not considered during the integration:

- Consulting outside experts on mergers and integrations.
- Ensuring senior management made regular visits to employees.
- Ensuring people needed for integration efforts were readily available.

The former Siemens HVAC Products and former Alarmcom employees disagreed that synergies were captured between the two businesses. However, both groups of employees felt that there were regular formal reviews of the integration process conducted, and they both agreed that outside experts were not consulted, and that senior management did not make visits to employees. These processes are the key processes where there is general consent between all the groups within Siemens BT Products that were asked to provide feedback on the processes during the integration. There was general uncertainty or disagreement about most of the other processes listed, which may indicate an overall lack of clarity about what was happening from an operational perspective throughout the integration amongst all Siemens BT Products employees. This may indicate that greater communication within the organisation could have been present ensuring that all employees were well informed regarding the integration.

5.4 Comparison between change management processes and operational processes

As discussed, there was a great difference of opinion between the managerial and non-managerial employees concerning which of the presented operational processes in the questionnaire, if any, were considered during the integration. The non-managerial employees felt that several of the presented operational processes had been considered, particularly concerning project plans and timelines and communicating management changes to employees. The managerial staff did not agree that any of the listed operational processes had been considered, however, they were unclear concerning most processes. This was not the case with the change management processes, where there was far more consistency between which processes were considered and which were not between the managerial and non-managerial employees. In the case of the change

management processes, there was a difference of opinion concerning which processes had been considered between the former Alarmcom and former Siemens HVAC Products staff. There was not much difference in responses between the managerial and non-managerial employees.

5.5 Conclusion

In this chapter the change management processes used during the integration of Alarmcom into Siemens HVAC Products were discussed. It was found that the employees of Siemens BT Products were unclear as to whether or not many of the change management processes on the questionnaire were performed during the integration. There was a significant difference in opinion between former Alarmcom and former Siemens HVAC Products employees. The former Siemens HVAC Products employees felt that several processes had been considered, including communicating to employees, ensuring employees considered their leaders credible, measuring progress and maintaining order throughout the integration and identifying behaviours that may become obstacles. In contrast, the former Alarmcom employees' results showed that they did not agree that any of the processes listed on the questionnaire were considered, and that many of the processes were not considered, particularly those relating to the people issues of the integration, communication and involving employees in the integration process.

There was little consensus between the various employee groups of Siemens BT Products regarding which operational processes were considered during the integration. It was found that no outside expertise regarding mergers and acquisitions were consulted, and senior visits by senior management were not considered. It was also found that regular reviews of the integration process were reviewed. Besides this, there was little consistency in responses between former Alarmcom and former Siemens HVAC Products employees, and between managerial and non-managerial employees. This indicates that there may not have been effective communication within Siemens BT Products regarding what operational processes were used during the integration, and how it was to be managed.

The following chapter describes the outcomes of the merger, and identifies which of the outcomes were intended and which were unintended. The positive and negative outcomes of the merger shall also be discussed. How successful the merger was shall be considered, based on the extent to which the key objectives and intentions of the merger as presented by the senior management were achieved.

Chapter 6

Outcomes of the merger of Alarmcom with Siemens HVAC Products

6.1 Introduction

This chapter looks at the outcomes, both expected and unexpected, of the merger of Alarmcom with Siemens HVAC Products. Some of the unexpected outcomes of the merger may have been positive, whilst others may have been negative. These are discussed in this chapter. The success of the integration of Alarmcom into Siemens HVAC Products shall also be evaluated based on the extent to which the intended objectives of the merger were achieved based on the findings of section D of the questionnaire.

6.2 Merger outcomes based on the findings of all Siemens BT Products employees

Based on the findings of all Siemens BT Products employees concerning the outcomes of the merger, it was found that:

- Issues of organisational culture have affected the integration.
- Issues of organisational culture have hindered the integration.
- The integration was traumatic.
- People are committed to the success of the integration.
- There are more opportunities for career advancement in the company because of the merger.

It was also found that the following were not outcomes of the merger based on the findings of all Siemens BT Products employees:

- The integration of Alarmcom with Siemens HVAC Products was successful.
- Focus on small customers.

- The merged annual turnover is higher than the turnover of the two separate entities combined.
- Siemens BT Products is a more recognised force in the marketplace than Alarmcom and Siemens HVAC Products.
- Transaction costs are lower.
- Better customer service is being offered by Siemens BT Products than was offered by Siemens HVAC Products as a result of the merger.
- Better customer service is being offered by Siemens BT Products than was offered by Alarmcom as a result of the merger.

The outcomes that did eventuate from the merger appear to have been unexpected. The positive outcomes of the integration based on the findings of all Siemens BT Products employees are that people are committed to the success of the merger, and that there are more career opportunities for career advancement in the company based on the merger. The negative impacts of the integration based on the findings of all Siemens BT Products employees are that the integration was traumatic, and that issues of organisational culture had an impact on the outcomes of the integration.

In the ‘Alarmcom and HVP (HVAC Products) Business Direction Update’ presented to the CEO and CFO of Siemens Limited Australia in 2005, it was announced that through merging the two products businesses, Alarmcom and Siemens HVAC Products, they aimed to achieve the following:

- Implement the vision of “we make the investments of our customers better” (through people, technology, processes and our financial strength).
- Highly focussed on key accounts but also able to address small customers.
- The goal from Siemens is to increase the business to significantly bigger than the combined two entities today.
- Be a more recognised force in the marketplace.
- Take advantage of the synergies between the two products businesses & utilise the support available from Siemens.

Based on the findings above, none of these objectives have been achieved in the merger of Alarmcom with Siemens HVAC Products. This indicates that overall, the employees of the merged entity, Siemens BT Products, do not believe the integration was a success.

6.3 Merger outcomes based on the findings of former Alarmcom employees

Whilst overall, it has been found that the employees of Siemens BT Products do not consider the merger of Alarmcom with Siemens HVAC Products to have been successful by achieving its set aims and objectives, the employees of each of the parent companies may have had a different interpretation regarding what the outcomes of the merger actually were.

However, when reviewing the findings of the former Alarmcom employees only, there was full consensus with the findings of all the employees from Siemens BT Products. The only additional potential outcome listed on the questionnaire that the former Alarmcom employees felt was not an outcome of the merger was ‘processes have become more efficient’. As the former Alarmcom employees had to change all their processes to fall in line with Siemens’ processes and procedures, this result is not surprising.

6.4 Merger outcomes based on the findings of former Siemens HVAC Products employees

As expected, based on the consistency between the findings of the former Alarmcom employees with the findings of all Siemens BT Products employees, there was little difference between the results found when considering all Siemens BT Products employees with those found when considering only the former Siemens HVAC Products employees. However, the former Siemens HVAC Products employees felt that ‘new processes are beneficial to Siemens BT Products’ was an outcome of the merger, and were uncertain about whether or not there were more opportunities for

career advancement due to the merger. These differences in opinion are understandable, considering the former Siemens HVAC Products employees are comfortable with the Siemens processes, and as the former Alarmcom employees are moving from a SME to a large multinational corporation, there are understandably more career opportunities available in a larger company. Also, the former Siemens HVAC Products employees felt ‘the combined entity is better able to implement the Siemens vision of “we make the investments of our customers better” (through people, technology, processes and our financial strength)’ was not an outcome of the integration. Overall, there is little difference in the perception of what the outcomes of the integration were between the acquired company and the acquiring company in this case.

6.5 Conclusion

In this chapter it was found that the merger did not achieve its intended aims and objectives. It was not agreed that the combined entity was better able to implement the Siemens vision, the turnover of the combined entity is not greater than that of the two separate entities combined, there is not focus on small customers and Siemens BT Products is not a more recognised force in the marketplace.

There were several outcomes of the merger that were not deliberately intended. The positive unexpected outcomes included greater opportunities for career advancement for employees, and employees were committed to the success of the integration. The negative unexpected outcomes are that issues of organisational culture had a negative impact on the outcomes of the merger, and that the integration was a traumatic experience for those involved.

These findings shall help shape the recommendations as presented in the following chapter. In addition, the results of the recommendations as given by the employees of Siemens BT Products shall also be presented and discussed.

Chapter 7

Recommendations for future mergers and integrations of acquired companies

7.1 Introduction

This chapter discusses the recommendations provided by the employees of Siemens BT Products for any future mergers and acquisitions they may conduct in future. It also presents recommendations from the author based on the findings of previous chapters.

The recommendations shall relate to the concepts of organisational culture and the *modus operandi* of conducting an integration of two organisations into one. It shall also consider recommended change management processes for mergers and acquisitions.

7.2 Recommendations from the questionnaire

As outlined in chapter 3 (p. 28) a list of recommendations based on the findings and best practices existing in current business literature were presented to the employees of Siemens BT Products in section E of the questionnaire. These recommendations related to change management processes for integrations of mergers and acquisitions, and operational processes when integrating two organisations into one. The employees of Siemens BT Products agreed that every recommendation put forward should be considered in any future mergers conducted by Siemens Limited Australia. Any recommendation with a mean result greater than 3.5 was a recommendation that the employees of Siemens BT Products strongly agreed to. These recommendations were:

- Measure progress at regular intervals.
- Identify ingrained behaviours that may become obstacles.
- Communicate how the integration would be implemented.
- Develop a flexible and comprehensive integration plan.

- Encourage communication.
- Give information regarding the effect the integration will have on employees as soon as practicable.
- Make an effort to enhance retention of talented individuals.
- Maintain a sense of order throughout the integration.
- Provide clear ground rules for employees early in the integration phase.
- Provide realistic job previews to employees.
- Emphasise the positive benefits of the merger for individual employees.
- Encourage people to be excited about the future of the organisation.
- Address employees' fears and concerns about the merger.
- Ensure that those in charge of the integration take ownership for its success.
- Utilise talent from the acquired organisation.
- Ensure that people are made aware that combined business results will degrade temporarily because of the integration.

It was found in chapter 5 that according to the employees of Siemens BT Products, some of these recommendations were actioned during the integration, and some of these were not.

7.3 Actions or decisions that should be replicated in future mergers

In chapter 5, it was found that of the recommendations that the employees of Siemens BT Products strongly agreed with, the following were considered during the integration of Alarmcom into Siemens HVAC Products:

- Measure progress at regular intervals.
- Emphasise the positive benefits of the merger for individual employees.
- Encourage people to be excited about the future of the organisation.

These were positive steps supported by the findings in current business literature, and may have contributed to some of the positive outcomes of the merger, particularly the outcome of employees being committed to the success of the organisation as found in chapter 6. It is recommended that the management should also encourage employees to

be committed to the success of the organisation by placing strong emphasis on the positive benefits of a merger, for both the individual employees and the entire company. Having the support of the employees can greatly improve the chances of a merger or acquisition being successful.

7.4 Additional recommendations for future mergers

In chapter 6, one of the key findings of the assessment of the outcomes of the integration was that not only did issues of organisational culture have a strong impact on the integration, but that these issues had a decidedly negative impact on the outcomes of the integration of Alarmcom into Siemens HVAC Products. Also, the results in chapter 4 found that overall, the organisational-culture related challenges of the merger had higher mean results overall than the operational challenges. It was also found in chapter 5 that few of the listed, potential change management processes which could have been considered during the integration were in fact considered based on the views of the employees of Siemens HVAC Products. In further support of this argument, of the sixteen recommendations that the employees of Siemens BT Products strongly agreed to, thirteen of those related to change management processes, whilst only three related to the operational processes of the merger. By following some of the listed potential change management processes, particularly those that were strongly recommended by Siemens BT Products employees, this negative effect may be decreased in future mergers and acquisitions.

Many of these recommendations are fundamentally to do with communication within the organisation during the integration, both from managers to employees and vice versa. It is important for employees to be well informed about the integration, particularly in regards to what the ground rules are, how the integration will be implemented and what effect the integration will have both on them individually, and for the entire organisation. It was also found to be important that the management received and encouraged communication from employees to better address their fears and concerns regarding the integration, identify ingrained behaviours that may become obstacles and to assist in the retention of talented individuals.

It was also found that many of the business results desired for the merger were not achieved. Goals including having the revenue of Siemens BT Products be greater than that of the two parent companies combined, lower revenue costs and providing improved customer service were not achieved based on the findings listed in chapter 6. These results may have been better if not for the problems caused by organisational culture challenges and potential change management issues as listed above, and following some of the recommended operational processes may also have improved this outcome. The employees of Siemens BT Products strongly recommended that employees be made aware that business results would temporarily degrade, that those in charge of the integration took ownership for its success, and that talent from the acquired organisation was utilised. None of these processes were found to have been considered based on the results shown in chapter five. Adopting these processes, in addition to the recommended operational processes for mergers and acquisitions as found in section E of the questionnaire, may have assisted in a more successful integration of Alarmcom into Siemens HVAC Products and is highly recommended for any future mergers or integrations conducted by Siemens Limited Australia.

7.5 Recommendations for further research

Based on the weaknesses/shortcomings associated with the present research, it is recommended that similar future researchers also explore the following:

- Apart from the impact of organisational culture, change management and operations, studies should also explore other variables that impact mergers as indicated in other research.
- In addition to the use of people's perceptions, on items relating to organisational culture, change management and operations, future researchers may advisedly use objective indicators.
- Outcomes of a merger may also need to be measured on aspects that relate not only to the firm's ultimate bottom line but also to social and environmental impacts.

7.6 Conclusion

This case study has shown that integrating an SME into a large multinational corporation is not an easy task. There is a high risk of failure. Two of the important issues to consider when conducting a merger or acquisition are the blending of the organisational cultures of the two organisations, and the modus operandi of combining operationally the two organisations into one.

Many recommendations have been provided in this case study to assist in any possible future mergers conducted by Siemens Limited Australia. The predominant theme of recommendations given by the employees of Siemens BT Products is that effective two-way communication is vital in merger and acquisition situations. Employees need to know how they personally will be affected by the merger or acquisition, what is expected of them, what they now need to know, how the integration will be implemented, new expectations of them and what the progress of the integration is. It is also very important for the management to receive and be receptive to communication and feedback from the employees so they can better assist employees in dealing with the difficult period, so they can make use of their employees' knowledge base to improve the integration process and to help minimise the instances of staff defections and turnovers and their effect on the results of the new entity.

References

- DiGeorgio, R 2002, 'Making mergers and acquisitions work: What we know and don't know – part I', *Journal of Change Management*, vol. 3, iss. 2, pp. 134-148
- DiGeorgio, R 2003, 'Making mergers and acquisitions work: What we know and don't know – part II', *Journal of Change Management*, vol. 3, iss. 3, pp. 259-274
- Levin, I 2000, 'Five Windows into Organizational Culture: An Assessment Framework and Approach', *Organization Development Journal*, vol. 18, iss. 1, pp83-94
- Marks, M & Mirvis, P 1998 'Joining Forces', *Jossey-Bass*, San Francisco
- Myers, W & Fleming, J 2005, *Alarmcom and HVP (HVAC Products) Business Direction Update* [slide], Siemens Limited Australia, Bayswater
- Schraeder, M & Self, D 2003, 'Enhancing the success of mergers and acquisitions: An organizational culture perspective', *Management Decision*, vol. 41, iss. 5/6, pp511-522
- Shearer, C, Hames, D, Runge & J 2001, 'How CEOs influence organizational culture following acquisitions', *Leadership & Organizational Development Journal*, vol. 22, iss. 3, pp. 105-103
- Vester, J 2002, 'Lessons learned about integrating acquisitions', *Research Technology Management*, vol. 45, iss. 3, pp. 33-41
- Weber, Y 1996, 'Corporate cultural fit and performance in mergers and acquisitions', *Human Relations*, vol. 49, iss.9, pp. 1181-1202

Appendixes

9.1 Questionnaire



MBA STUDENT SURVEY OF THE MERGER OF ALARMCOM AND SIEMENS HVAC PRODUCTS

Swinburne University of Technology
Australian Graduate School of Entrepreneurship

Organisational Culture and Operational Challenges of the Merger of Alarmcom with Siemens HVAC Products

Principal Investigator: Dr Harch Thandi, Australian Graduate School of Entrepreneurship
Associate Investigator: Melissa Dunphy

Due to different organisational cultures of the parent companies, challenges can arise when a medium-sized enterprise merges with a large multinational corporation. The purpose of this survey is to obtain your perceptions on a range of issues related to the merging of Alarmcom with Siemens HVAC Products. In addition, it is hoped to explore the change management and operational processes involved in the merger of two businesses; as well as to ascertain how successful the merger was, based on the extent to which the intent and objectives of the merger were realised.

This survey is confidential and does not capture any identifying information regarding a participant. Individual responses will only be available to the researcher for purposes of data analysis. Subsequent reports based on this analysis will only present aggregate data in statistical form without identifying individual responses.

You will need about thirty minutes to complete the questionnaire. Completing it in one sitting in a quiet private setting is highly recommended.

The questionnaire is in five parts. Part A requests for general information that will be used to anchor, interpret and explain your responses to the other parts of the questionnaire. Part B explores the challenges, including organisational culture challenges, of the merger. Part C looks at the change management and operational processes of the merger. Part D considers the perceived success of the merger and Part E solicits your responses pertaining to recommendations for future mergers.

Please note that your participation in this survey is entirely voluntary. Thus, while your contribution is highly valuable to us, you may withdraw it at any time. We hope that you **will** kindly help by anonymously returning the completed questionnaire by mail to Melissa Dunphy, Building 31, 885 Mountain Hwy, Bayswater 3153. As stated earlier, all information that you provide will be completely anonymous and confidential. The results of the survey will appear in my Project Report, but only in processed (group) form.

Questions regarding this project entitled '*Organisational culture and operational challenges of the merger of Alarmcom with Siemens HVAC Products*' can be directed to the principal investigator, Dr Harch Thandi, at the Australian Graduate School of Entrepreneurship, Swinburne University of Technology, on +613 9214 5285.

In the event that you have any complaint about the way you have been treated during this study, or have a query that the Principal Investigator has been unable to satisfy, please call +613 9214 5223 or write to

The Chair Human Research Ethics Committee Swinburne University of Technology PO Box 218 Hawthorn Vic 3122 Australia	The Chair FBE Ethics Sub Committee Swinburne University of Technology PO Box 218 Hawthorn Vic 3122 Australia
--	---

Thank you very much for your time and valued contribution.

Harch Thandi

Organisational Culture and Operational Challenges of the Merger of Alarmcom with Siemens HVAC Products

All items can be completed by circling a number(s) associated with your choice.

Part A. Demographics and Background information

1. Your former company

Alarmcom	1
HVAC Products	2

2. Role: Managerial 1 Non-Managerial 2

Part B. Challenges of the merger

3. To what extent do you agree that each of the following was an **organisational culture**-related challenge that had to be faced by all personnel when your previous company was merged with its 'partner'?

No.	Challenges	Strongly disagree	Disagree	Agree	Strongly agree
3.1	Getting to know new employees.	1	2	3	4
3.2	Adapting to a new workplace environment.	1	2	3	4
3.3	Adjusting to a new work location.	1	2	3	4
3.4	Getting used to new superiors.	1	2	3	4
3.5	Learning how your 'partner' company gets things done.	1	2	3	4
3.6	Adjusting to new business priorities.	1	2	3	4
3.7	Adjusting to changes in your role.	1	2	3	4
3.8	Adjusting to changes in other people's roles.	1	2	3	4
3.9	Adjusting to upheaval from staff reassignments.	1	2	3	4
3.10	Dealing with staff defections and turnover.	1	2	3	4
3.11	Decreased employee morale.	1	2	3	4
3.12	Adjusting to new rules.	1	2	3	4
3.13	Adjusting to new organisational structure.	1	2	3	4
3.14	Adjusting to new expectations.	1	2	3	4
3.15	Dealing with additional stress and anxiety as a result of the merger.	1	2	3	4

No.	Challenges	Strongly disagree	Disagree	Agree	Strongly agree
3.16	Career uncertainty.	1	2	3	4
3.17	Dealing with concerns about job security.	1	2	3	4
3.18	Adjusting to increased responsibility.	1	2	3	4
3.19	Dealing with losing control of certain business functions.	1	2	3	4
3.20	Dealing with feelings of grief after losing the 'parent' company.	1	2	3	4

4. To what extent do you agree that each of the following was an **operational**-related challenge that had to be faced by all personnel when your previous company was merged with its 'partner'?

No.	Challenges	Strongly disagree	Disagree	Agree	Strongly agree
4.1	Adjusting to new procedures.	1	2	3	4
4.2	Adjusting to new performance standards.	1	2	3	4
4.3	Adjusting to new managerial styles.	1	2	3	4
4.4	Adjusting to new accounting practices.	1	2	3	4
4.5	Adjusting to new forms of technology.	1	2	3	4
4.6	Maintaining effective communications in situations of geographical constraints.	1	2	3	4
4.7	Adjusting to different business methods.	1	2	3	4
4.8	Becoming familiar with new products.	1	2	3	4
4.9	Relocation of workplaces.	1	2	3	4
4.10	Learning new skills.	1	2	3	4
4.11	Managing data integrity.	1	2	3	4
4.12	Managing extra workload.	1	2	3	4
4.13	Transference of information from the acquired company to the new entity.	1	2	3	4

5. Please specify **how well** you feel the following **organisational culture**-related challenges were managed when your previous company was merged with its 'partner'?

No.	Challenges	Not at all	Not well	Moderately well	Very well
5.1	Assisting to increase employee morale.	0	1	2	3
5.2	Assisting employees' adjust to new rules.	0	1	2	3
5.3	Assisting employees' adjust to new organisational structure.	0	1	2	3
5.4	Assisting employees adjust to new expectations.	0	1	2	3
5.5	Assisting employees; deal with additional stress and anxiety as a result of the merger.	0	1	2	3

5.6	Assisting employees adjusting to new business priorities.	0	1	2	3
5.7	Assisting employees adjust to changes in your role.	0	1	2	3
5.8	Assisting employees adjust to changes in other people's roles.	0	1	2	3
5.9	Assisting employees adjust to upheaval from staff reassignments.	0	1	2	3
5.10	Dealing with staff defections and turnover.	0	1	2	3
5.11	Dealing with decreased employee morale.	0	1	2	3
5.12	Assisting employees adjust to new rules.	0	1	2	3
5.13	Assisting employees adjust to new organisational structure.	0	1	2	3
5.14	Assisting employees reconcile with new expectations.	0	1	2	3
5.15	Assisting employees deal with additional stress and anxiety as a result of the merger.	0	1	2	3
5.16	Assisting employees deal with career uncertainty.	0	1	2	3
5.17	Assisting employees deal with concerns about job security.	0	1	2	3
5.18	Assisting employees adjust to increased responsibility.	0	1	2	3
5.19	Assisting employees deal with feelings of decreased control of certain business functions.	0	1	2	3
5.21	Assisting employees' deal with any feelings of grief they may have for the 'parent' company.	0	1	2	3

6. Please specify **how well** you feel the following **operational**-related challenges were managed when your previous company was merged with its 'partner'?

No.	Challenges	Not at all	Not well	Moderately well	Very well
6.1	Assisting employees adjust to new procedures.	0	1	2	3
6.2	Assisting employees adjust to new performance standards.	0	1	2	3
6.3	Assisting employees adjust to new managerial styles.	0	1	2	3
6.4	Assisting employees adjust to new accounting practices.	0	1	2	3
6.5	Assisting employees adjust to new forms of technology.	0	1	2	3
6.6	Maintaining effective communications in situations of geographical constraints.	0	1	2	3
6.7	Assisting employees adjust to different business methods.	0	1	2	3
6.8	Assisting employees to become familiar with new products.	0	1	2	3
6.9	Facilitating the relocation of workplaces.	0	1	2	3

6.10	Providing training to assist employees learning new skills.	0	1	2	3
6.11	Managing data integrity.	0	1	2	3
6.12	Assisting employees manage any extra work loads they may be experiencing as a result of the merger.	0	1	2	3
6.13	Transference of information from the acquired company to the new entity.	0	1	2	3

Part C. Change Management and Operational Processes of the Merger

7. To what extent do you agree that each of the following were considered when managing the **changes** relating to the merger of Alarmcom with Siemens HVAC Products:

No.		Strongly Disagree	Disagree	Agree	Strongly Agree
7.1	Celebrating small wins.	0	1	2	3
7.2	Acknowledging value in past practices.	0	1	2	3
7.3	Measuring progress at regular intervals.	0	1	2	3
7.4	Involving employees in managing the integration process.	0	1	2	3
7.5	Identifying ingrained behaviours that may become obstacles.	0	1	2	3
7.6	Communicating to employees how the integration will be implemented.	0	1	2	3
7.7	Providing clear rationale for the merger.	0	1	2	3
7.8	Developing a flexible and comprehensive integration plan.	0	1	2	3
7.9	Encouraging communication between employees and managers regarding the integration.	0	1	2	3
7.10	Providing as soon as practicable, information outlining the effect the integration would have on employees.	0	1	2	3
7.11	Providing a realistic merger preview for organisation members.	0	1	2	3
7.12	Communicating clearly to organisation members reasons for changes made during the integration.	0	1	2	3
7.13	Making efforts to enhance retention of talented individuals.	0	1	2	3
7.14	Maintaining a sense of order throughout the integration.	0	1	2	3
7.15	Providing clear ground rules for employees early in the integration process.	0	1	2	3
7.16	Providing realistic job previews to employees.	0	1	2	3
7.17	Emphasising positive benefits of the merger for individual employees.	0	1	2	3
7.18	Moulding people into teams.	0	1	2	3
7.19	Encouraging people to be excited about the future of the organisation.	0	1	2	3
7.20	Encouraging employees to participate in the planning and decision making of the integration process.	0	1	2	3
7.21	Involving the Human Resources department throughout the entire merger process.	0	1	2	3
7.22	Ensuring that employees trust their leaders.	0	1	2	3
7.23	Ensuring that employees consider their leaders to be credible.	0	1	2	3
7.24	Anticipating employees' reactions.	0	1	2	3

7.25	Planning for possible task challenges.	0	1	2	3
7.26	Developing a flexible and comprehensive integration plan.	0	1	2	3
7.27	Sharing of information.	0	1	2	3
7.28	Encouraging employee participation and involvement.	0	1	2	3
7.29	Establishing relationships and building trust to enhance commitment.	0	1	2	3
7.30	Managing the transition through training, support and socialisation.	0	1	2	3
7.31	Being sensitive to individual and timing considerations.	0	1	2	3
7.32	Addressing employee's fears and concerns about the merger.	0	1	2	3
7.33	Applying a steady process to blend the two organisational cultures of Alarmcom and Siemens HVAC Products.	0	1	2	3

8. To what extent do you agree that each of the following were considered when managing the **operations** relating to the merger of Alarmcom with Siemens HVAC Products:

No.		Strongly Disagree	Disagree	Agree	Strongly Agree
8.1	Ensuring a solid strategic rationale exists for the merger.	0	1	2	3
8.2	Laying out the expected financials in advance.	0	1	2	3
8.3	Developing a realistic integration timeline.	0	1	2	3
8.4	Ensuring that those in charge of the integration took ownership for its success.	0	1	2	3
8.5	Ensuring the integration was organised for functions and geography.	0	1	2	3
8.6	Sharing best practices amongst the integration team.	0	1	2	3
8.7	Ensuring the acquired organisation is protected from the rest of the corporation.	0	1	2	3
8.8	Keeping a log of decisions made for the integration.	0	1	2	3

8.9	Evaluating and applying dispassionately existing management processes in the acquiring firm.	0	1	2	3
8.11	Conducting extensive project planning.	0	1	2	3
8.11	Developing flexible project plans.	0	1	2	3
8.12	Regularly reviewing project plans.	0	1	2	3
8.13	Conducting regular formal reviews of the integration progress.	0	1	2	3
8.14	Capturing synergies between the two businesses.	0	1	2	3
8.15	Developing a robust communication process.	0	1	2	3
8.16	Consulting outside experts on mergers and integrations.	0	1	2	3
8.17	Utilising the talent from the acquired organisation.	0	1	2	3
8.18	Ensuring there was corporate patience with the progress of the integration.	0	1	2	3
8.19	Appointing integration team members and their leaders.	0	1	2	3
8.20	Choosing the highly competent and knowledgeable staff to be part of the integration team.	0	1	2	3
8.21	Regularly rewarding successes in the integration process.	0	1	2	3
8.22	Ensuring the integration project was started as soon as possible.	0	1	2	3
8.23	Making swift decisions.	0	1	2	3
8.24	Making new management appointments quickly.	0	1	2	3
8.25	Announcing new management appointments quickly.	0	1	2	3
8.26	Ensuring senior management made regular visits to employees.	0	1	2	3
8.27	Quickly moving employees into the same locations.	0	1	2	3
8.28	Keeping the acquired management team together.	0	1	2	3
8.29	Ensuring there were sufficient HR resources available to cope with the extra workload from the integration.	0	1	2	3
8.30	Ensuring people needed for integration efforts were readily available.	0	1	2	3
8.31	Designating resources for information management.	0	1	2	3
8.32	Ensuring the organisation anticipated potential defections and employee turnover.	0	1	2	3
8.33	Ensuring people were made aware that combined business results would temporarily degrade because of the integration.	0	1	2	3

Part D. Merger outcomes

9. To what extent do you agree that each of the following was an **outcome** of the merger of Alarmcom with Siemens HVAC Products?

No.		Strongly disagree	Disagree	Agree	Strongly agree
9.1	The integration of Alarmcom with Siemens HVAC Products was successful.	1	2	3	4
9.2	Issues of organisational culture have affected the integration.	1	2	3	4
9.3	Issues of organisational culture have hindered the integration.	1	2	3	4
9.4	The organisational culture of Siemens BT Products has improved since the integration.	1	2	3	4
9.5	The combined entity is better able to implement the Siemens vision of 'we make the investments of our customers better (through people, technology, processes and our financial strength)'.	1	2	3	4
9.6	Strong focus on key accounts.	1	2	3	4
9.7	Focus on small customers.	1	2	3	4
9.8	The merged annual turnover is higher than the annual turnover of the two separate entities combined.	1	2	3	4
9.9	The future of Siemens BT Products seems to be assured.	1	2	3	4
9.10	New processes are beneficial to Siemens BT Products.	1	2	3	4
9.11	The integration was traumatic.	1	2	3	4
9.12	People are committed to the success of the integration.	1	2	3	4
9.13	Siemens BT Products is a more recognised force in the marketplace than Alarmcom and Siemens HVAC Products.	1	2	3	4
9.14	Synergies between the two businesses are taken advantage of.	1	2	3	4
9.15	The support available from Siemens is utilised.	1	2	3	4
9.16	Transaction costs are lower.	1	2	3	4
9.17	New opportunities for growth have been identified as a result of the merger.	1	2	3	4
9.18	Best practice initiatives from both parent companies are being put into practice.	1	2	3	4
9.19	Processes have become more efficient.	1	2	3	4
9.20	Better customer service is being offered by Siemens BT Products than was offered by Siemens HVAC Products as a result of the merger.	1	2	3	4
9.21	Better customer service is being offered by Siemens BT Products than was offered by Alarmcom as a result of the merger.	1	2	3	4

9.22	There are more opportunities for career advancement in the company because of the merger.	1	2	3	4
------	---	---	---	---	---

Part E. Recommendations for future mergers

10. To what extent do you agree with the following potential recommendations to Siemens Limited Australia for any future mergers they may conduct?

No.		Strongly disagree	Disagree	Agree	Strongly agree
10.1	Celebrate small wins.	1	2	3	4
10.2	Acknowledge value in past practices.	1	2	3	4
10.3	Measure progress at regular intervals.	1	2	3	4
10.4	Involve employees in managing the integration process.	1	2	3	4
10.5	Identify ingrained behaviours that may become obstacles.	1	2	3	4
10.6	Communicate how the integration will be implemented.	1	2	3	4
10.7	Provide clear rationale for the merger.	1	2	3	4
10.8	Develop a flexible and comprehensive integration plan.	1	2	3	4
10.9	Encourage communication.	1	2	3	4
10.11	Give information outlining the effect the integration will have on employees as soon as practicable.	1	2	3	4
10.11	Provide a realistic merger preview was for organisation members.	1	2	3	4
10.12	Clearly communicate reasons for changes made during the integration to organisation members.	1	2	3	4
10.13	Make an effort to enhance retention of talented individuals.	1	2	3	4
10.14	Maintain a sense of order throughout the integration.	1	2	3	4
10.15	Provide clear ground rules for employees early in the integration process.	1	2	3	4
10.16	Provide realistic job previews to employees.	1	2	3	4
10.17	Emphasise positive benefits of the merger for individual employees.	1	2	3	4
10.18	Mould people into teams to encourage the formation of one entity.	1	2	3	4
10.19	Encourage people to be excited about the future of the organisation.	1	2	3	4
10.20	Encourage employees to participate in the planning and decision making of the integration process.	1	2	3	4
10.21	Involve human resources throughout the entire merger process.	1	2	3	4
10.22	Encourage employees to place trust in leaders.	1	2	3	4
10.23	Ensure employees consider leaders credible.	1	2	3	4
10.24	Anticipate employees' reactions.	1	2	3	4
10.25	Plan for possible task challenges.	1	2	3	4
10.26	Share information.	1	2	3	4

10.27	Enhance commitment for the integration by establishing relationships and building trust.	1	2	3	4
10.28	Manage the transition through training, support and socialisation.	1	2	3	4
10.29	Ensure management are sensitive to individual and timing considerations.	1	2	3	4
10.30	Address employee's fears and concerns about the merger.	1	2	3	4
10.31	Apply a steady process of blending the organisational cultures of the merging companies.	1	2	3	4
10.32	Ensure a solid strategic rationale exists for the merger.	1	2	3	4
10.33	Lay out the expected financials for the integration in advance.	1	2	3	4
10.34	Develop a realistic integration timeline.	1	2	3	4
10.35	Ensure that those in charge of the integration take ownership for its success.	1	2	3	4
10.36	Organise the integration for functions and geography.	1	2	3	4
10.37	Share best practices amongst the integration team.	1	2	3	4
10.38	Protect the acquired organisation from the rest of the corporation.	1	2	3	4
10.39	Keep a log of decisions made for the integration.	1	2	3	4
10.40	Evaluate and apply existing management processes in the acquiring firm dispassionately.	1	2	3	4
10.41	Conduct extensive project planning.	1	2	3	4
10.42	Develop flexible project plans.	1	2	3	4
10.43	Regularly review project plans.	1	2	3	4
10.44	Conduct regular formal reviews of the integration progress.	1	2	3	4
10.45	Capture synergies between the two businesses.	1	2	3	4
10.46	Develop a robust communication process.	1	2	3	4
10.47	Consult outside experts on mergers and integrations.	1	2	3	4
10.48	Utilise the talent from the acquired organisation.	1	2	3	4
10.49	Ensure that there is corporate patience with the progress of the integration.	1	2	3	4
10.50	Appoint integration team members and team leaders.	1	2	3	4
10.51	Choose the best employees from both organisations to be part of the integration team.	1	2	3	4
10.52	Regularly reward successes in the integration process.	1	2	3	4
10.53	Start the integration project as soon as possible.	1	2	3	4
10.54	Make decisions quickly.	1	2	3	4
10.55	Make new management appointments quickly.	1	2	3	4
10.56	Announce new management appointments quickly.	1	2	3	4
10.57	Ensure senior management make regular visits to employees.	1	2	3	4
10.58	Ensure employees are quickly moved into the same locations.	1	2	3	4
10.59	Keep the acquired management team together.	1	2	3	4

10.60	Ensure there are sufficient HR resources available to cope with the extra workload from the integration.	1	2	3	4
10.61	Ensure people needed for integration efforts are readily available.	1	2	3	4
10.62	Ensure there are sufficient resources designated for information management.	1	2	3	4
10.63	Ensure the organisation is prepared for defections and employee turnovers.	1	2	3	4
10.64	Ensure that people are made aware that combined business results will temporarily degrade because of the integration.	1	2	3	4