*Strategic Management*, 9e: Chapter 9 study guide

Eight guidelines for takeovers and joint ventures

Takeovers and joint ventures often fail. There is no guarantee for success. But here are some guidelines that may help:

1. Deal quickly with any major closures or job losses. Uncertainty can never be good for management. In international markets where the headquarters can be remote and local managers may fear that they cannot communicate adequately, it makes sense to resolve such issues quickly. It may even be best to deal with the matter, if possible, on the day the takeover is announced.

2. State the objectives and what is expected of new managers. The uncertainty that persists after a new senior management move in can be allayed by a clear statement of what is required. It is surprising how new senior management can occasionally fail to say what it wants.

3. Allow time and opportunity for learning about new colleagues. Whether it is a joint venture or a takeover, there does need to be time to adjust to new management guidance and requirements. This can be advanced by making occasions for meeting colleagues, but they need to be real projects, not artificial tests.

4. Deal with language and cultural differences by organising exchanges and training. This is bound to arise in new joint companies across international markets. It may be possible for nationals from one country to take on all the senior positions because it takes time and resource for a more measured approach. But this risks resentment from managers that have been taken over and risks the possibility that important local laws and contacts will be breached through ignorance.

5. Make it clear where the decision-making lies. Considerable time can be wasted and resentment created if this is not handled well. This is not just in the interests of the subsidiary: the centre also needs to set out the responsibilities of other parts of the company so that managers can be held accountable at a later stage.

6. Devolve responsibility to the operating companies closer to the marketplace. This will not suit the management style of every company but it is preferable, if possible, that companies are close to their customers.

7. Ensure that in joint ventures there is a real contribution from both parties and benefits to both parties. Joint ventures are not easy to operate. There is some evidence that such ventures are set up with high hopes that fail to identify crucial practical details like which partner contributes what.

8. Accept that there will be some loss of control by the parent companies of joint ventures. This type of deal will simply not work where the parents expect to maintain their right to influence major decisions as if nothing had changed except the resources. The new company must be allowed to manage.