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POST– MERGER MANAGEMENT

**IN THE ADVERTISING INDUSTRY:
A ZIMBABWEAN EXAMPLE**

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Submitted in part fulfillment of the MBA degree awarded by the

UNIVERSITY OF NATAL

MAY 2003

DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed




Date

18 May 2003

STATEMENT 1

This dissertation is being submitted in partial fulfillment of the requirements for the degree of Masters in Business Administration (MBA)

Signed



Date

18 May 2003

STATEMENT 2

This dissertation is the result of my own independent work/investigation, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

Signed



Date

18 May 2003

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“I believe in the creation of inspired lives produced by the miracle of hard work... So I work, plan, build and dream – In that order ... and with God’s help I will find a way to make one”

Anon

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CHAPTER 1

BACKGROUND TO THE STUDY

1.1 Introduction

This chapter outlines the prevailing economic conditions in Zimbabwe, which in turn gave rise to a climate that promoted a spate of mergers in the country. By way of conclusion, a brief discussion of the dissertation content is included.

By the end of 1999, the Zimbabwean economy was already in a severe macro-economic crisis. GDP growth had fallen to below 2%, inflation during the year averaged 58,5%, exports had stagnated, forcing a sharp contraction of imports, and the budget deficit, fuelled by a rising interest burden, had risen to 9,8% of GDP. In the years 2000 to 2002, the government not only failed to tackle this crisis, but also pursued a political agenda, which had further adverse impacts in the economic sphere. The abrogation of the rule of law clearly undermined business confidence, affecting current output and decimating investment. Inflation reached a record 155%, exports and imports declined in US\$ terms, resulting in severe shortages of fuels and other essential inputs and the accumulation of arrears on international payments and the budget deficit increased sharply to 24% of GDP.

Although less easy to quantify precisely, the social impact of the sharp decline in economic performance, superimposed on the effects of the HIV/AIDS pandemic, has been devastating for the population at large. The last official poverty survey, which was carried out in 1995, found that 76% of the Zimbabwe population had consumption expenditures below the poverty datum line (86% of the rural population), with 47% being in 'extreme' poverty (63% of the rural population)¹. Poverty has certainly worsened in both extent and depth since 1995.

A chain of events, which started in 1997, precipitated the present crisis. The underlying cause is the excessive appropriation of national resources by the post-independence government over the last two decades. This is reflected in budget deficits being incurred every year since 1980. In the early years of independence, much was achieved in terms

of extending health and education into the rural areas, and indeed many companies prospered.

The advertising industry, like most sectors, was characterised by a serious boom in the early to mid 90's. The adoption of the Economic Structural Adjustment Programme in 1991 had brought in an open market system, which saw an influx of, imported products. With the sudden abundance in product choices a competitive drive was instilled in local companies as they attempted to promote their goods.

During this time, the number of agencies grew from four agencies to literally hundreds almost overnight. As the agencies battled for more and more clients, it became clear that in order to succeed, an agency would have to reinvent itself in keeping with global trends. It was during this time that many of the forward thinking agencies sought international affiliations. Names such as Ogilvy & Mather, FCB, TBWA, Young & Rubicam, Saatchi and McCann Erickson became synonymous with the advertising industry in Zimbabwe. Indeed it was the agencies that managed to secure affiliations that recorded the highest billings². A direct result of the affiliation meant that accounts³ acquired by any member affiliate in any country in the world earned local agencies a new client. Global accounts such as Levers, Colgate Palmolive, automotive accounts such as BMW, Mercedes, Peugeot, Mazda and Land Rover to name a few, Reckitt Benkiser, banks such as Barclays, Standard Chartered, Coca Cola and Schweppes, ensured that these agencies prospered from the related synergies that were being fostered world-wide.

Barker McCormack (also known as Barkers), CM & A and Adapt (a below the line⁴ agency) made up Ogilvy & Mather Zimbabwe while Carroll O'Donovan Hardy (also known as CO'DH) was the exclusive TBWA affiliate in Zimbabwe. The Ogilvy and Mather group in Zimbabwe comprised two of the oldest agencies in the country. Barker

¹ Central Statistics Office (1998).

² Scheduled advertising communication placed through the local print and electronic media.

³ This refers to the actual portfolio of each client that an agency services.

⁴ An agency that concentrates on producing promotional material as opposed to advertising material that is featured in print or electronic media forms. Examples include brochures, posters, banners, billboards etc

McCormack dates back to the late 50's while CM & A was formed in 1976. Carroll O'Donovan Hardy TBWA was formed in 1991.

The unique characteristics of the three agencies formed significant identity features, which attracted and retained much of their respective clients. Barker MacCormark represented a service that had been tried, tested and above all a stability that was suggested by its years in the industry. CM & A on the other hand was the less renowned relative. The agency was initially used to attract large accounts that due to the exclusivity⁵ rule could not be accommodated at Barker McCormark. With time, however, the agency also acquired its own clientele independent of Barkers. Carroll O'Donovan Hardy TBWA by contrast, offered a breath of fresh air. It was small, young, and vibrant and had a daring the older agencies did not espouse.

Through much of the early 90's all three agencies continued to improve their billings. This was however short lived. The down turn of the Zimbabwe economy which began in earnest in 1997 ushered a new era for businesses in this country.

The exchange rate was becoming increasingly overvalued in real terms and exports were stagnating. When it was announced that the war veterans were to be given unbudgeted payments of a magnitude, which threatened the fiscal targets, external investors withdrew from the Zimbabwe Stock Exchange and the domestic markets foresaw an imminent devaluation. On the so-called 'black Friday' in November 1997, the currency collapsed to Z\$24 but was brought back by Reserve Bank intervention to around Z\$18 to the US\$.

The response of the authorities to the 'black Friday' crisis significantly worsened the export environment. In addition to restoring the nominal Z\$/US\$ rate to a level which was still overvalued, the right of exporters to maintain foreign currency denominated accounts was removed. The time required to repatriate export proceeds was reduced and "emergency" tariffs were introduced on various commodities, distorting the protection

⁵ The advertising agencies' governing body ADMA prohibits a single agency from servicing more than one client from a particular industry.

structure without measurable benefit to exporters⁶. In response both to policy measures the markets deemed unsustainable and political factors (in particular Zimbabwe's intervention in the war in the Democratic Republic of the Congo), the currency collapsed again during 1998. The Reserve Bank was no longer able to intervene and the exchange rate ended the year at Z\$38 to the US\$, a level which was maintained for the next 19 months to July 2000 when it was further devalued to the current Z\$55 to the US\$.

The cumulative decline in export receipts from 1996 to 2001 (of 37%) is the reason for the current extreme shortage of foreign currency. This has been characterised by shortages of fuel and crucial inputs to production, rapid escalation of prices of imported goods (including fuel and electricity) and increasing levels of default on external payments (US\$630 million by end April 2001).

Trends that have continued to disappoint the business community in Zimbabwe have seen the authorities expressing a reluctance to devalue the currency, arguing that depreciation is highly inflationary while bringing no assured increase in export proceeds. Instead, they have prescribed price controls and labour market regulations, which further exacerbated the problem. The Zimbabwean price system has been characterised by extensive controls over prices of basic commodities. Government determined maximum selling price for most basic items. This policy resulted in the creation of artificial shortages as producers began to deliberately cut back on production to minimise losses.

Business confidence in the country reached levels of all time lows, with many companies facing closure as they struggled to operate under these stringent conditions. Companies began reducing their marketing expenditure as they battled to keep up with associated rising costs while facing severe shrinkage in their overall growth patterns. Immediately hit were companies that relied on imports for their raw materials or finished goods. Being a land locked country whose main source of wealth was agriculture, most raw materials used in industry are imported. As a result of the foreign currency shortages, the cost of

⁶ Feta Services & Techfin Research (1999).

most products escalated, as companies began sourcing currency at black market rates (currently Z\$1450: US\$1 as opposed to the pegged official rate of Z\$55:US\$1).

The Advertising Industry suffered heavy losses as companies curtailed their advertising spend⁷ to what was barely necessary to maintain a presence. Many accounts even became dormant as the clients could no longer afford nor justify this marketing expense which many consider a luxury in times of economic strife. With the mushrooming of more and more agencies, the advertising pie was cut to such minute pieces that growing the business through the acquisition of new accounts was becoming an exceptionally difficult task. The advertising industry was in short becoming saturated.

Reduced volumes were not confined to the advertising industry. Many companies suffered as less and less of their products were being consumed. Instead of futile attempts at growing existing business ventures, some companies began looking at other ways of growing and retaining their businesses. For many companies, mergers or outright acquisitions offered an immediate solution. In the last three years the following mergers between former rivals have been concluded in Zimbabwe:

- Bard Discount House, udc and First Merchant Bank to form African Banking Corporation (Financial Institutions).
- Founders Building Society and Intermarket Discount House to form Intermarket (Financial Institutions).
- National Merchant Bank and Merchant Bank of Central Africa (Financial Institutions).
- KPMG (Bulawayo) and Ndlovu and Associates (Chartered Accountants).
- Lion Insurance Company and Zimnat (Insurance Companies).
- TZI and Art Corporation (Manufacturing).
- Century Bank and Leasing Company of Zimbabwe (Financial Institutions).
- Pigott Maskew and General Belting (Manufacturing).
- Lyons Zimbabwe and Dairibord (Dairy Products and Ice Cream).

⁷ This refers to the total amount that companies allocate for the advertising expenditure.

- Coca-Cola and Schweppes Cordials (Beverages).

In keeping with this wave of mergers, it became clear that if any of the three agencies were to survive the harsh realities of the Zimbabwean economy, they had to consider strategies, which offered long term benefits in terms of growth and prosperity. It was against this background that the shareholders of the three agencies embarked on merger talks in mid 2000. The results of the talks would only come into fruition in September 2001 when the merger was finally concluded.

The major selling point of the merger at the time was not so much the creation of the most formidable agency on the Zimbabwean market, but that it was concluded with no redundancies in manpower. There were also no major conflicts between existing clients and most had expressed optimism at the merger and pledged their full support for it. The shareholders of the three agencies felt that the merged company would benefit more from the maintenance of the Ogilvy and Mather affiliation, rather than the TBWA link. The resulting transaction saw Carroll O'Donovan Hardy TBWA ceasing to exist as an entity and its members of staff being split strategically between Barker MacCormack and CM & A in an attempt to enhance the performance of the Ogilvy and Mather group in Zimbabwe. Table 1.1 lists the staff complement of each agency pre and post merger. The additions in the post merger numbers result from the addition of Carroll O'Donovan Hardy members of staff.

Table 1.1

No. of People	Barkers	CM&A	C O'DH
Pre Merger	32	17	21
Post Merger	45	25	N/A

At the onset of the merger, CM & A lost five key members (29.4% of original members) of staff. By the middle of 2002, the merged group had suffered from a spate of further resignations, this time from former Carroll O'Donovan Hardy employees. No less than ten (47.6% of original) employees had resigned from Barkers, and two (9.5% of original

members) from CM & A. Further, many clients began expressing dissatisfaction at the new order of doing business with some even moving their business to other agencies.

1.2 Statement of the Problem

The study will assess what post merger management strategies are required to ensure the success of mergers in general. It will also investigate what post merger strategies are in place at Ogilvy and Mather Zimbabwe and how effective the chosen strategy is at maintaining the group's aim at remaining the dominant force in the advertising industry in Zimbabwe.

The management dilemma is how to retain and attract key accounts and suitable personnel to ensure Ogilvy and Mather maintain their position as the leading advertising agencies in Zimbabwe.

The future success of mergers worldwide is often viewed with trepidation and many large mergers have been unsuccessful. This is often because of the over concentration on financial issues at the expense other strategic and socio- cultural factors during a merger. The study will propose a balanced view of strategic and socio-cultural post management issues and suggest a best practice. The question is ***“What are the post merger requirements for a successful merger in the advertising industry in Zimbabwe?”***

As the failure rate in mergers is unacceptably high, lessons learnt from successful mergers can help to increase the future success rate of mergers in general.

1.3 The Objectives of the Study

The objectives of the study are:

- To what extent are mergers in the advertising industry likely to succeed.
- To determine the impact of management decisions on the success of a merger.
- To determine what are the feelings of the employees towards these decisions.
- To establish what is the effect of the management decisions adopted on employee attitude and performance.
- To ascertain the impact of the managerial decision on the existing client base.

- To examine the extent to which the group will be effective in generating new business.

The study will review in depth the significance of the following aspects, which are considered critical to post merger management and assess the extent to which the mergers' success is dependent on their proper implementation:

- Organisational Culture
- Organisational Structure
- Change Management
- Leadership

A survey will be conducted in the form of a questionnaire that will be distributed to everyone who was an employee of any the three agencies at the time of the merger. The findings of the questionnaire are expected to provide answers to validate the objectives of the study.

1.4 The Significance of the Study

The significance of this study is to assist management at Ogilvy and Mather Zimbabwe to assess the effectiveness of decisions adopted at the time of the merger, and assess the impact of these decisions on overall growth accruing from the ability to maintain key employees and ensure effective employee performance. The study will draw on information from successful global mergers in general. The lessons drawn therein will help to guide management to put to practice tried and tested methods at Ogilvy and Mather Zimbabwe.

1.5 The Structure of the Study

The structure of the study will be as follows:

- **Chapter 2: Literature Review.** A theoretical model will be developed from the theory available. This model will serve as a basis for analysing the current problem of the Ogilvy and Mather Group in Zimbabwe. The theory reviewed will focus on the areas of organisational culture, organisational structure, leadership, and change management. The choice of these topics is justified by the pertinent role each

plays if used effectively in the proper functioning of today's business and particularly in a post merger environment. For the study of Ogilvy and Mather in Zimbabwe, the following detail in each topic will be undertaken:

- Organisational culture – a review of organisational culture models and the evaluation of the one best suited to the advertising industry after a merger.
 - Organisational Structure – a review of organisational structures and suggest the structures best suited to the organisational objectives and culture.
 - Change Management – suggest how best, management and staff should handle the changes brought about by the merger.
 - Leadership – review leadership models and suggest the profile required to succeed in different circumstances
-
- **Chapter 3: Case Study.** This chapter will narrate the situation at each of the three agencies within the Ogilvy and Mather Group, before and after the merger. The narration will be based for each scenario on the type of organisational culture, structure, leadership style and change management that were in place prior to the merger and that prevail following the merger.
 - **Chapter 4: Evaluation.** This chapter will evaluate the case study against the formulated theory model. Included in this chapter will be responses from the questionnaires distributed to the members of staff. A detailed analysis of the results will be carried out and this will indicate how effective the post merger strategies in place within the Ogilvy and Mather group have been.
 - **Chapter 5: Recommendations and Conclusions.** Based on how good or bad things are within the group, this chapter will consolidate the findings of the study and make value adding suggestions based on best practice.
 - **Appendices:** This will be an attachment of graphs and tables that make up the detailed analysis of the questionnaires collected.

1.6 Summary

The Zimbabwean economy had reached historically low levels in terms of its performance. Coupled with this, the country's volatile political environment saw many once prosperous business ventures struggling for survival. One of the immediate options followed by many organisations was the undertaking of mergers with similar or related companies in a bid to ensure continued growth. Among the hardest hit industries by the economic decline was the advertising industry. In order to maintain its market dominance, the Ogilvy and Mather group of Zimbabwe (comprising Barker McCormack and CM & A) embarked on discussion with a smaller rival, Carroll O'Donovan Hardy TBWA. The discussions would culminate in a merger of the three agencies in September 2001.

From the onset the merger was characterised by a series of staff resignation particularly from Carroll O'Donovan Hardy and CM & A. In addition, existing clients began to complain about the handling of their business.

The study will examine the causes for these grievances and assess the impact of the group's post merger strategies aimed at consolidating the merger. It will examine the group's capability at maintaining the sustainable growth that was envisaged at the time of merger. An assessment of whether post merger strategies at Ogilvy and Mather Zimbabwe are successful in terms of their impact on employee and customer retention will be conducted. Based on the findings, a best case scenario will be mapped out so as to ensure Ogilvy and Mather maintain their market dominance of the advertising industry in Zimbabwe

The next chapter will develop a theoretical framework for strategies aimed at successful post merger management. This framework will be used to analyse the effect of the merger at Ogilvy and Mather and provide guidelines on the best way possible in a post merger environment of its nature.

CHAPTER 2

MERGERS AND ACQUISITIONS IN CONTEXT

2.1 Introduction

This chapter will present theories on mergers and acquisitions, beginning with an outline on the major driving forces and the perceived benefits of mergers and acquisitions in a global context. Certain conditions in the global economic environment have encouraged many organisations to look at mergers and acquisitions as means of economic growth and viability. An enabling market for mergers and acquisitions has been encouraged by the following factors:

- Changing market conditions
- Increasing availability of capital
- The availability of more companies for sale
- The easing of regulations in Europe
- The need for companies to share risk

The theory presented will dwell on the following strategic issues:

- **Organisational Culture** – “Organisational culture represents the sum total of beliefs, values, attitudes, ideologies, and behaviour patterns and norms which are shared and adhered to by employees in a particular organisation” (Cass, 1991). Organisational culture compatibility has been identified as the major cause of merger failure, hence its emphasis in this study (Cartwright and Cooper, 1995). There are various theoretical models that have been developed on organisational culture, namely:
 - The David and Singh Model
 - The Nahavandhi and Malekdadeh Model.

These models have been especially selected for review because of their relevance in culture issues in the service industry, which means they can be applied to the culture issues at Ogilvy and Mather Zimbabwe.

- **Organisational Structure** - “ Organisational structure refers to issues such as (a) how jobs are defined, (b) how jobs are combined or grouped (c) the appropriate size

of each work group, (d) management span of control, (e) reporting relationships, (f) how people and technology will be integrated (g) how the organisation will be exposed to the “outside” world and how (h) authority will be distributed” (Cass, 1991). Organisational structures thus provide the opportunity to achieve some of the perceived benefits of mergers, for example:

- Rectifying management ineffectiveness, as more innovative managers unlock value after the merger. These managers would more effectively redefine jobs, how jobs are combined, establish the optimum size of work groups, and introduce accountability based reporting systems.
- Achieving synergies due to cost cutting and achieving economies of scale. Increasing span of control, maximising use of technology and consolidating authority would help in achieving synergies.

Organisational structures should enhance the organisational efficiency, effectiveness and economy, be compatible and supportive of the organisation’s strategic vision and create an enabling environment for a sales and performance culture.

- **Change Management** - Human beings by nature prefer a stable and predictable environment as it gives them a ‘comfort zone’. In the event of a merger, management must anticipate resistance to change and develop a plan to manage the whole change process. Resistance to change, change process models and elements of successful organisational change will be discussed and linked to mergers.
- **Leadership** – The enduring theme in effective organisational culture, structure and change management will emerge as a strong leadership. Ultimately it is the leadership type and style that harnesses the strategic plans of an organisation post merger and that can mean success or outright failure.

Each of these strategic elements, if properly implemented play a pertinent role in the success of businesses in general and in a post merger environment in particular. There is a clear strategic fit between each of these elements and that will be demonstrated in the

chapter. For each strategic element, various models will be presented and a best alternative suggested for a post merger environment particularly to suit the advertising industry scenario in Zimbabwe. Based on the theory, the research will illustrate in later chapters the objectives of this research, which are to determine:

- The extent to which mergers in the advertising industry are likely to succeed
- The impact of management decisions on the success of the merger
- The feelings and attitudes of the employees towards these decisions
- To ascertain the impact of managerial decision on the existing client base
- To what extent the group will be effective in generating new business after the merger.

Mergers and acquisitions, if managed properly can improve competitive advantage and increase profitability, however many fail because of the neglect or underestimation of one or all of these key strategic factors.

2.2 Reasons for the Global Trend Towards Mergers & Acquisitions

Since the 1980's, mergers and acquisition have become a worldwide growth industry (Cartwright and Cooper, 2001). Shareholders consider mergers and acquisitions as a strategy for wealth creation. However, it is estimated that more than half the mergers and acquisitions concluded have proven financially unsuccessful. In many mergers, the emphasis of the business transaction is often on financial and strategic factors. This is done at the expense of human factors, which many have attributed to the major reason why most mergers and acquisitions result in failure. The trauma associated with mergers and acquisitions is very real for people who have been subjected to the associated changes in their work environment. The problems such as who to lose, who to retain manifest themselves from the onset of the merger talks, and continue through its conclusions as fears of new reporting structures, redefined responsibilities and changes in the overall working environment emerge. Left unmanaged, many of the human merger problems result in high staff turn over and poor performance, which can continue after the conclusion of the merger.

As the inadequacies of traditional, rational economic explanations of merger and acquisition failure are increasingly being recognised, more progressive companies are coming to realise that what happens to the employees involved and their organisational cultures, cannot be considered as separate and distinct from what happens to the organisation. There are therefore, two important human factors to merger and acquisition success, which determine the speed and effectiveness with which integration can be achieved. They are:

- The culture compatibility of the combining organisations, and the resultant cultural dynamics.
- The way in which the merger/acquisition and integration process is managed (Cartwright and Cooper, 2001).

Typically it is only once the ink has dried and the initial euphoria of the merger has worn off that the question of what shall we do next arises or is given any serious consideration. After a serious analysis of many mergers and acquisitions, it would appear that most are as a result of good fortune rather than a clearly mapped out management strategy. After the sealing of the deal, what subsequently follows is a journey into the virtual unknown (Cartwright and Cooper, 2001). Most organisations do not anticipate the scale of the resultant problems after a merger has been concluded. Many find themselves having to cope on a crisis-by-crisis basis, rather than through the proactive management of the anticipation of problems before they get out of hand.

2.2.1 Factors that have led to an increasing number of mergers around the world

1. Changing market conditions

With the focus of the business environment turning to a global market, many organisations have found opportunities where it was once unthinkable. The establishment of the European Union and the ratification of the Maastricht Treaty have been influential. The net result of these conditions has been to stimulate merger and joint venture activities as the need to respond quickly has meant that strategic acquisitions and alliances:

- Have been the only expedient growth options available
- Offer a solution to restrictive legislation for foreign investors

- Act as a means of eliminating competition and controlling the market.

2. Increasing availability of capital

Acquisitions can be financed from surplus funds. The global trends have seen the reduction of interest rates, making the option of borrowing attractive for many organisations.

3. More companies for sale

There has been an increasing pool of potential buyers and sellers. This has been attributed in part to the retirement age that many post world war entrepreneurs have reached hence the offer of their businesses up for sale. Further, the past two decades of the last century were characterised with major changes, in the manner in which businesses are run. These changes were political, social and economic in nature. Companies that failed to embrace these changes lost considerable market share or competitive edge, and in return, found themselves in precarious situations that could only be salvaged through a merger or an acquisition.

4. Easing of regulations in Europe (e.g. the repeal of the Exchange Control Act)

Political climate and the prevailing attitudes and policies of individual governments influence merger and acquisition activity. In the UK for example, The Mergers and Monopolies Commission is considered to “lack teeth” and in any event ever consulted in the case of mega-mergers. A recent analysis of the pattern of the pattern of US acquisitions and mergers suggests that ‘right of centre’ administrations stimulate activity. (Gartrell and Yantek, 1980)

5. The need to share risk

In capital-intensive industries, and in areas where the cost of research and new product development is high, organisations have frequently moved to combine with others in response to the need to share risk and technology.

2.2.2. The perceived benefits of mergers

According to Von Georg, Alessandra and Habir, 1994 the perceived benefits of merger are:

1. Enhancing shareholder value by rectifying managerial ineffectiveness, as more innovative managers unlock value after a merger.
2. Achieving synergies due to cost-cutting and achieving economies of scale. With increasing technology costs, bigger groups with a critical mass make the investment cost effective.
3. Access to important assets. The networking possibilities that are available after a merger allow companies to benefit from related synergies.
4. Increasing market share. With pressure on margins, it is critical to increase market share, diversify earnings and increase product lines in order to reduce earnings as business conditions vary.

Financial and strategic issues are the main consideration in mergers. Organisational or socio-cultural issues are seldom considered, although critical. The remainder of this literature review will thus focus the importance of each of the following strategic factors, and outline their relevance in a post merger scenario:

- Organisational Culture
- Organisational Structure
- Change Management
- Leadership

2.3 Organisational Culture

Extensive financial analysis and planning is often undertaken before the merger. However, seldom are socio-cultural factors considered. According to a managerial survey carried out in the UK, underestimation of the difficulties of merging two cultures was rated as being a major contributory factor to mergers and acquisitions failure. Recent estimates of merger failure vary from a pessimistic 77% reported by some US studies, to a more optimistic 50% quoted by several UK sources. The successful outcome of mergers has increasingly become dependent on the wide scale integration of people, their systems, procedures, practices and organisational cultures (Cartwright and Cooper, 1995). Cultural sharing and adherence to understanding, together result in integrated, well co-ordinated activity are necessary to achieve the benefits on combination. Managing cultural and power issues is an essential task if the acquiring firm expects to implement coherent post acquisition strategy (David and Singh, 1993). Cultural compatibility is critical to post acquisition strategy.

2.3.1 Evaluation of Organisational Culture Models

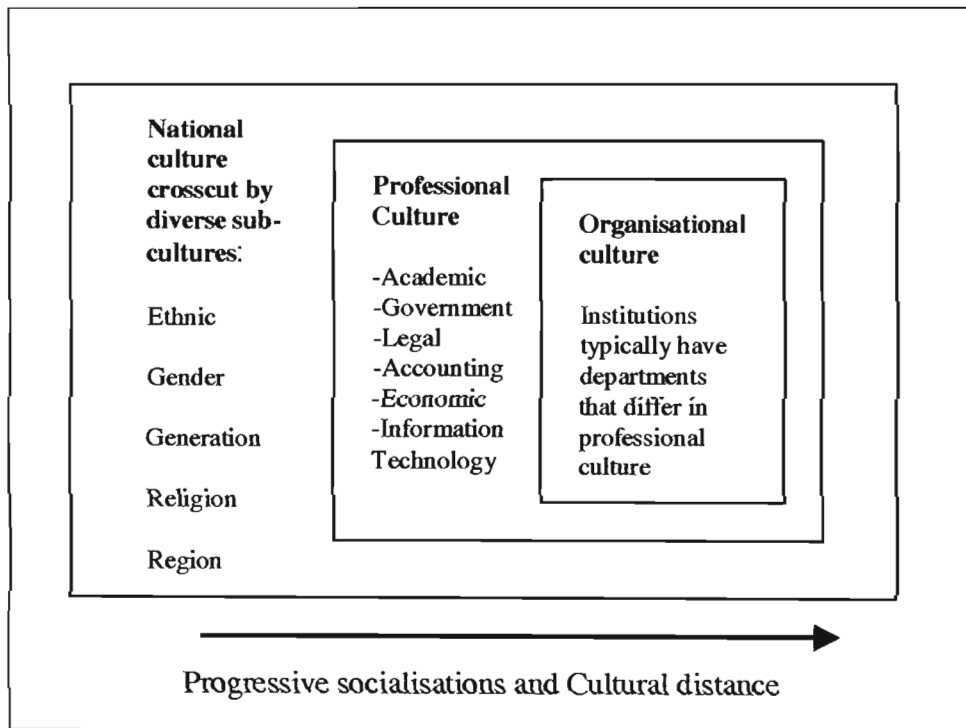
Strong performance culture and sales culture are essential in the modern service industry environment due to increased competitiveness. The David and Singh and Nahavandhi and Malekdadeh models have been chosen due to their relevance in culture issues in service industry mergers.

2.3.2 Kenneth David and Harbir Singh Models

The David and Singh model is relevant to this study as the concepts of cultural distance, power asymmetry, national, professional and organisational culture can be applied effectively to service industry mergers. Cultural distance and power asymmetry pose potential problems for all co-ordinated social activity. Cultural distance refers to the fact that before they enter organisations, individuals have already been socialised in their national culture and frequently socialised in a professional culture – such as legal, accounting, economic, and information technology. No matter how rigorous the regime of corporate selection and training, individuals retain their earlier socialisations that affect their perception and understanding (David and Singh, 1993).

All human societies are structured with unequal distribution of power. Power differentials or asymmetries always pose the potential for non-compliance, opposition, conflict and change. Figure 2.1 illustrates triple socialisation and cultural distance.

Figure 2.1 Triple socialisation and cultural distance



Source: (David and Singh, 1993)

As mergers occur, people from different backgrounds are combined, making the challenges organisations face very vast. Open mindedness and flexibility are required in these mergers

2.3.3 Definition of Cultural Impact and Relative Deprivation :

“Cultural impact refers to threats to effective integration of post acquisition activities close to imperfectly shared understandings”(David and Singh, 1993)

“Relative deprivation refers to threats to effective integration of post acquisition activities of non – compliant behaviour” (David and Singh, 1993).

Figure 2.2 illustrates that in order to have coordinated activity, merging companies should endeavour to have a shared organisational culture and neutralise relative deprivation. Since this is an ideal and thus not always attainable, companies must strive for a compromise that will be of benefit to the new organisation.

Figure 2.2 David and Singh – Cultural sharing, relative deprivation and activity

		Organisation culture is	
		Unshared	Shared
Relative Deprivation is	Neutralised	Disorganised activity	Co-ordinated activity
	Present	Turmoil	<ul style="list-style-type: none"> • Staff defection • Compliance with resentment • Convert subversion of programs

Source: (David and Singh, 1993)

When full integration of business units is required for a post acquisition strategy, then even minor cultural distance can be a problem – even in the case of a friendly merger between strategically related companies (Reinhold and Frank, 1995). Culture distance is not an implacable force but it can be manipulated in line with one's practical interests: over communicated in order to wreck alliances or under communicated in order to forge them. Relative deprivation on the other hand can be neutralised by imposing meritocracy (David and Singh, 1993).

2.3.4 Conclusions reached by David and Singh are that:

1. There is always cultural distance between an acquiring firm and a target firm; they always differ in organisational culture and may also differ in professional and national culture (David and Singh, 1993)
2. Cultural distance does not have automatic impacts; it is not an implacable force (David and Singh, 1993) Organisational learning, communication, tolerance and flexibility on the part of the merging entities can lower the culture risk.

3. Acquisition cultural risk varies according to the (planned or unplanned) post acquisition post- acquisition regime imposed by the acquiring firm on a target firm (David and Singh, 1993). Effective cultural integration is an ongoing imperative process, which requires the full commitment of all parties in the merger process.

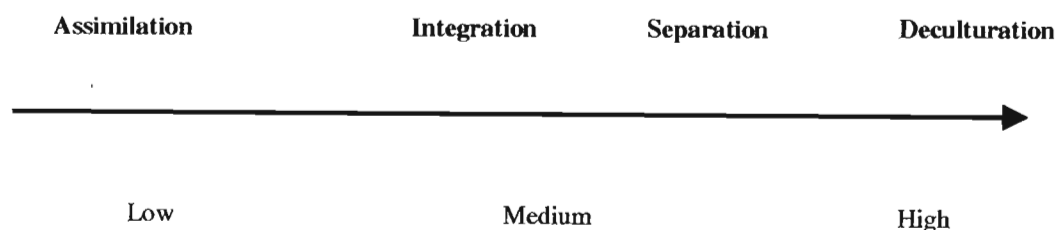
These conclusions offer a suggested approach to organisational culture issues in a post merger environment. In the Ogilvy and Mather example, management of the three agencies would have to agree that, while alike in many ways the agencies have different cultural norms. Once this has been established, a list of the pros and cons of each culture could be noted so as to pave a way forward to the construction of new culture that can be comfortably embraced by members of all the agencies. Defining a new culture can only be done in line with the groups' strategic vision and organisational goals and objectives.

2.3.5 Nahavandhi and Malekzadeh Acculturation Models

Nahavandhi and Malekzadeh argue that in addition to being a financial transaction, mergers are primarily the coming together of organisations on the human and cultural level (David and Singh, 1993). They deal at length with the concept of acculturation.

“Acculturation is change induced in (two cultural) systems as a result of diffusion of cultural elements in both directions” (Nahavandi and Malekzadeh, 1994). Figure 2.3 illustrates the degree on interaction and the level of conflict in various acculturation modes.

Figure 2.3 Modes of Acculturation



Source: (Nahavandi and Malekzadeh, 1994)

- Assimilation is a process by which one group willingly and totally adopts the identity, culture and practices of the other group (David and Singh, 1993). This is an ideal situation in a merger as it eliminates potential conflicts.
- Integration occurs when members of an acquired firm want to maintain most of their valued cultural and organisational practices and cultural elements. This is the likely scenario in concentric and horizontal mergers. (David and Singh, 1993).
- Separation involves one group wanting to and actively trying to maintain all its cultural elements, and attempting to remain autonomous and independent from the other group (Nahavandi and Malekzadeh, 1994). This is likely in scenario to vertical mergers. Separation engenders a fair amount of conflict and is likely to be difficult to implement.
- Deculturation involves the loss of cultural identity and refusal to adopt a new one (Nahavandi and Malekzadeh, 1994). This is the likely situation in a hostile take over of a similar operation in order to achieve economies of scale or synergy.

Factors that determine the choice of acculturation mode are shown in tabulated form in figure 2.4 for the acquiring firm and for the acquired firm respectively:

Figure 2.4 Factors that determine the choice of acculturation modes

For the acquirer	For the acquired firm
Multi-culturalism	Strength of culture
Strategy	Perception of acquirer
Leadership	
Structure	

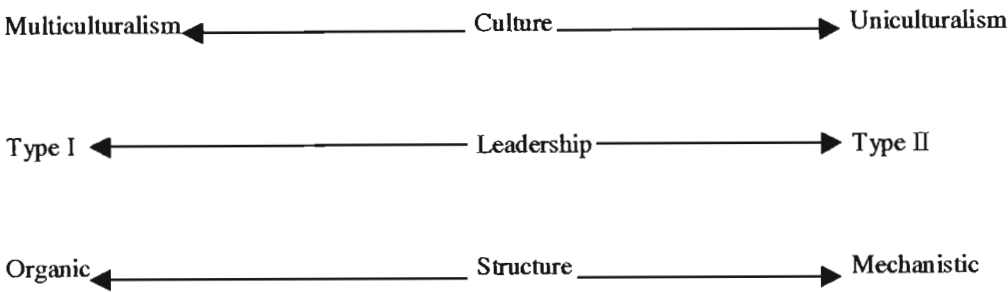
Source: (Nahavandi and Malekzadeh, 1994)

The acquirer, as the dominant party, would like to have the dominant culture, strategy, and leadership and decide on the nature of the organisational structure. The acquired

firm’s acculturation mode on the other hand depends on its culture strength and its perception of the acquirer.

Figure 2.5 combines all concepts and illustrates the acquirer’s modes of acculturation in different organisations.

Figure 2.5 The Acquirer’s Modes of Acculturation



		Flexible	Inflexible
Degree of Relatedness	Related	Integration	Assimilation
	Unrelated	Separation	Deculturation

Source: (Nahavandi and Malekzadeh, 1994)

The model on Figure 2.5 is of value in determining the mode of acculturation in specific circumstance. It is also applicable in the “merger of equals” to determine if there is an acculturation mode congruence. It is however limited in that for example, multiculturalism can exist in mechanistic environment i.e. flexible and inflexible characteristics can exist in an organisation. In addition to the degree of relatedness can be mixed in the merger of divisions of two organisations. It is therefore necessary to breakdown the units being merged in applying this model in order to avoid a “one size fits all” syndrome.

Figure 2.6 the acquired Firms modes of acculturation

Strength of Culture		
	Strong/Thick	Weak/Thin
Perception of the attractiveness of the acquirer	Integrations	Assimilation
	Separation	Deculturation
Very Attractive		
Not at all attractive		

Source: (Nahavandi and Malekzadeh, 1994)

The model in figure 2.6 is of value for both the acquired firm and the junior partner in a “merger of unequals” Its limitations will be the differences of strength of culture and perception of the attractiveness of the acquirer in the various units of the acquired firm. As in the case of the acquirer’s modes of acculturation model, it is therefore necessary to breakdown the units being merged in establishing the mode of acculturation.

2.3.6 Acculturation Stress and Congruence

Acculturation stress is caused by conflict and disruption created when coming together with another culture. The level of stress is dependent upon congruence between various organisational elements of two levels: intra- and inter-organisational. The higher the congruence at both levels the lower the conflict and stress (David and Singh, 1993). Agreement on any of the three cultural modes of integration, assimilation or separation is likely to ease the merger process. Disagreement can lead to deculturation. In addition acculturation should be looked at as an evolutionary and dynamic process that requires careful monitoring and implementation. Strong Company vision and leadership helps to achieve cultural congruence

In order to have co-ordinated activity, the organisation should endeavour to have some shared organisational culture and neutralise relative deprivation. However as the ideal is not always possible, compromise should always be reached for the benefit of the new organisation.

2.3.7 Suitable Approach on Organisational Culture Issues in a Service Industry Following a Merger:

- There should be comprehensive analysis of existing cultures. The cultural strengths and weaknesses should be reviewed in a positive and constructive manner in order to get all key issues out in the open (David and Singh, 1993) the organisation should then develop a shared organisational culture and neutralise relative deprivation.
- The characteristics of the desired culture should be defined. The characteristics of the desired culture must be clearly defined, based on the Strategic Vision, key objectives, financial performance and market positioning strategy. This tends to reinforce and clarify the organisation's focus, as well as management commitment to the change process itself (David and Singh, 1993). Strong performance culture and sales culture are essential in the competitive modern service industry

Staff should be open minded and flexible. Acculturation mode incongruence is a possibility and therefore staff should be united in diversity. Strong Company vision and leadership helps achieve this.

The models of Kenneth David and Harbir Singh and Afsaneh Nahavandi and Ali Malekzadeh help in structuring the organisation culture issues in mergers, which are likely to be critical as strategic issues in future mergers.

The next section will focus on organisational structure and provide a link between organisational culture and organisational structure by demonstrating how culture impacts on structure.

2.4 Organisational Structure

This section will discuss the determinants of organisational structures. As organisational structures provide the framework within which the merged entities are managed, their importance in the post-merger management in the organisation will be analysed and linked to organisational culture issues. The integration modes and resulting organisational structures will be linked to the merger. In conclusion, issues discussed will be consolidated in order to suggest organisational structure principles that enhance the performance of the merged organisation.

2.4.1 Determinants of Organisational Structures

Determinants of organisational structure are strategy, technology, people, and size and structure (Stoner and Wankel, 1986). Alfred D Chandler argued that “structure follows strategy” as the mission and overall goals of an organisation will help shape its design. An adaptive dynamic strategy and a rigid static structure are not compatible (Cass, 1991). The competitive advertising environment is forcing agencies to have strategies which support sales and marketing goals by accelerating the flow of information between the agency’s personnel and its customers, both existing and potential. As a result structures are flatter with lines of communication and power well distributed in order to be responsive to the customer needs. Fewer layers also enable senior managers to make better decisions with a better feel for the market place, as they are closer too the front line staff.

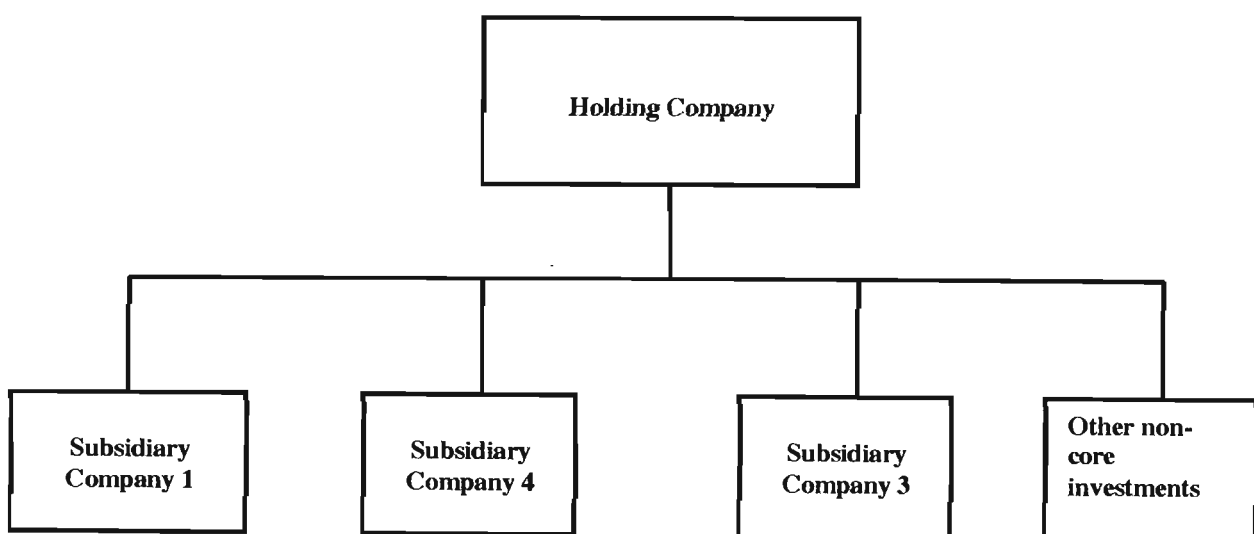
Technology probably has and will have the greatest impact on the today’s organisations. As technology is increasingly being used as the distribution channel, in service industries, this is resulting in the reduction or closure of branch networks. Down sizing and economies of scale of technology expenditure after a merger is usually one of the compelling reasons for a merger. Technology has the effect of reducing layers of management and reducing the number of clerical staff as standard procedures are automated.

People ultimately make or break an organisation as technology; strategy or structure cannot exist without people. “The savings needed after a merger will not come from eliminating lower paid people but will result from having fewer highly paid people, with broader spans of control, greater management skills and accountability, and supervisory responsibility which may cross existing functional boundaries”(Cass, 1991)

If merging companies were characterised by functionalised tall organisational structures, a paradigm shift will be needed to transform to cross- functional flat structures. For flat cross-functional structures to succeed, employees should be highly skilled, empowered, team oriented and communications lines upward, downward and horizontal should be open.

Both *size and structure* of an organisation and its sub units influence its structure. Bigger organisations with many services are likely to be hierarchical compared to small niche businesses, which are likely to have a flat structure.

Figure 2.7 Structure diagram



By having the flat structure illustrated in figure 2.7, any duplication of functions such as human resource management, information technology and studio administration should be eliminated whilst core functions should be merged. Similar operations should be integrated as soon as possible and parallel operations should be avoided. The structures should be adaptive to the dynamic environment in which they operate in order to remain relevant.

In the next section, the organisational structure issues discussed above will be linked to the organisational culture issues discussed in an earlier section of this chapter.

2.4.2 Effects of Organisational Culture on Organisational Structures

Although organisational culture considers values and norms whilst organisational structure emphasises authority and rules compatibility of culture and structure is likely to enhance organisational effectiveness. This section illustrates the effect of organisational culture on organisational structures.

The Integration process models that was suggested by Haspeslagh and Farquhar in figure 2.8 would be linked modes of acculturation in Figure 2.6 and figure 2.5 in the section on organisational culture to illustrate the effect of organisational structures.

Figure 2.8 Integration Process Modes

		Strategic Independence Need	
		Low	High
Organisational Autonomy Need	High	Preservation Mode	Symbiotic Mode
	Low		Absorption mode

Source: (David and Singh, 1993)

A *preservation* integration mode is required when the strategic independence need is low and the organisational autonomy needed is high. This integration mode would suit a separation mode of acculturation, as the strategic independence need is low. As organisational autonomy need is high, the organisational structure is likely to be flexible and self-regulating (organic).

According to Haspeslagh and Farquhar (1994), when the strategic independence and organisational autonomy needed is high, the *symbiotic* integration mode is recommended given the need for each party not only to co exist but to grow through mutual independence. The integration mode ties up with the integration mode of acculturation, as the degree of relatedness of businesses will be high. The merger of the Carroll O'Donovan Hardy with Ogilvy and Mather falls in this category, as similar operations will be merged in order to achieve economies of scale. Due to the intensity of the integration mode, symbiotic integration requires an organic structure, with Type I leadership and multicultural tolerance.

In an *absorption* mode, the acquiring company or dominant partner in a merger needs to impose its vision, as wavering due to cultural sensitivity is likely to harm the integration process. The integration mode suits an assimilation mode of acculturation, as it is likely to have a mechanistic culture, Type II leadership and uncultuarism. In the Ogilvy and Mather merger, this could be applied successfully at Barkers where Barkers dominated in the post merger phase. Due to the size and the structure of Barkers, control is perceived to be more important than flexibility.

Haspeslagh and Farquhar do not have an integration mode for low inter dependence and low autonomy as they excluded conglomerate type acquisitions based on value transfer and not value creation in their study (Haspeslagh and Farquhar.1994). If they had, the integration mode would probably be disjointed and the acculturation mode deculturation.

Organisational structures provide an opportunity to achieve the perceived merger benefits of rectifying managerial ineffectiveness, achieving synergies due to cost cutting and achieving economies of scale. Strategy, technology, people, size and structure of an organisation are the key elements in determining an organisational structure. Organisational structure should be compatible with the organisational culture and the integration mode of the merged companies in order to be effective. A flat and integrative organisational structure with highly skilled, team oriented empowered employees would enhance a sales and performance culture particularly suited to the advertising industry.

Having established the essential elements of organisational structures in the post-merger environment, change management is discussed in the next, as it is essential to the overall success of transforming the new organisation.

2.5 Change Management

The objective of this section is to review and suggest a proactive and organised way of approaching change management after a merger in order to make the new merged company competitive and effective. This is considered important to the overall study as in a 1994 Conference Board Survey, only about one-third of the 166 US and European companies that responded reported success with change efforts (Wood, 1996).

Today's companies are replacing control, rigidity, predictability and caution with flexibility, responsiveness, innovation and openness. In addition merging companies have to cope with changes resulting from globalisation, deregulation, increased customer focus and emphasis on quality, development of an entrepreneurial spirit, fewer organizational layers, increased delegation and rapid technological advances.

2.5.1 Resistance to Change

According to Stoner and Wankel (1986) there are three major causes of resistance to change and ways of limiting resistance to change.

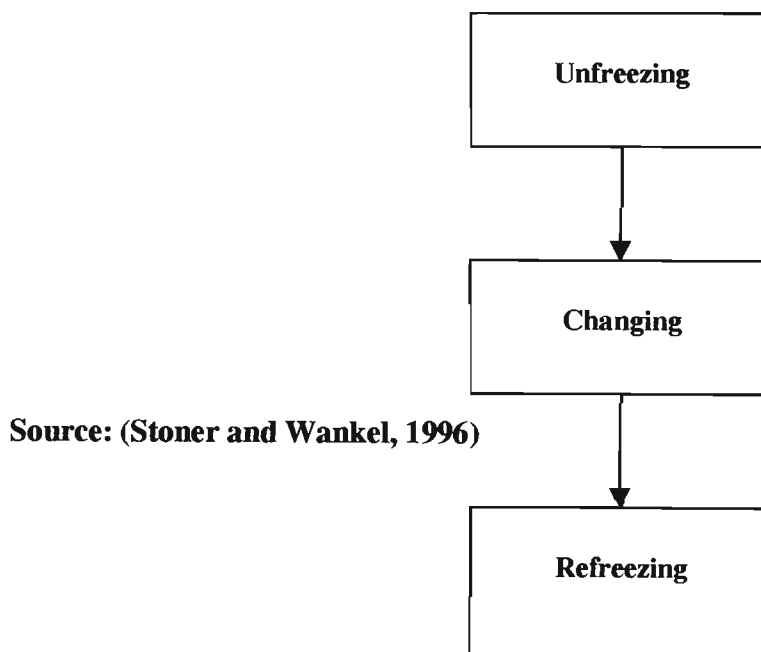
1. Uncertainty about the causes and effect of change. At a personal level, employees would want to know how the merger would affect them. Honest communication by top management to staff right from the beginning of the merger process is essential to build trust of the employees. Management should communicate the causes of the merger and effects, both at organisational and personal level.
2. Unwillingness to give up existing benefits. As a basic rule, individuals do not want to be worse off after a merger. Besides work and remuneration issues, salient issues such as influence, status and prospects should be addressed in communication with the employees. Normally, when employees are involved in the change process and they are aware of the bigger picture, resistance is reduced.
3. Awareness of weaknesses in the change. Management should avoid the temptation of a 'know it all' attitude. Valuable input can be obtained from employees, as some of them might have been in similar situations before.

2.5.2 Change Process Models

Having discussed the sources of resistance to change and ways of limiting resistance, Kurt Lewin and John Lawrie's models on change management will be discussed. These models have been chosen because of their relevance to retail mergers, which suits the Ogilvy and Mather merger in Zimbabwe.

Psychologist Kurt Lewin in 1947 developed a three step sequential model of the change process. It involves 'unfreezing, changing and refreezing behaviour patterns (Stoner and Wankel, 1986) as illustrated:

Figure 2.9 Lewin's Three Step Sequential Model of the change Process



Unfreezing involves exposing the need for change at organisational and personal level for all to see and accept.

Changing involves internalising new behaviour.

Refreezing involves reinforcing the new behaviour pattern.

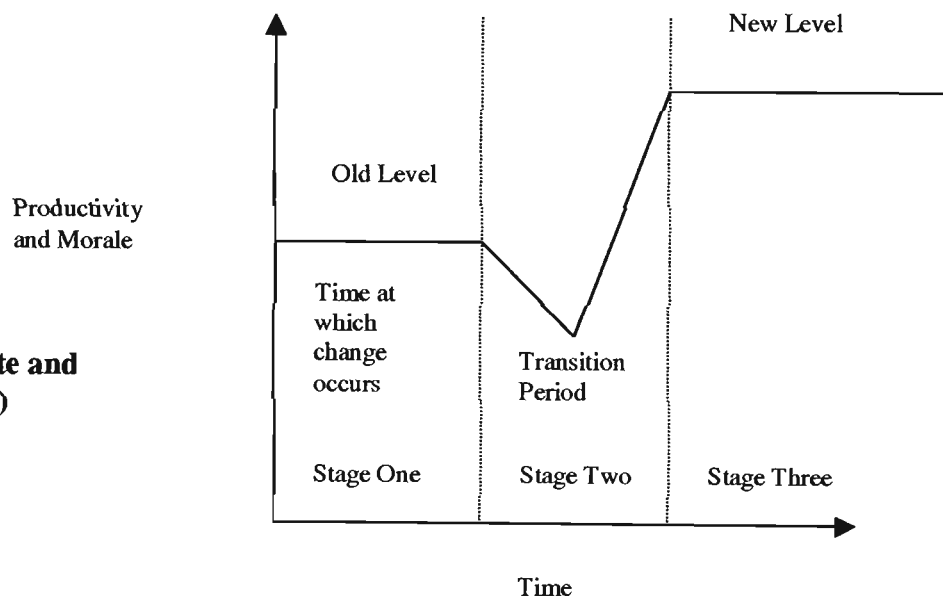
The model is useful in that it recommends a sequential approach to change management. It is however limited in that it views change as a narrow behavioural issue. In an advertising agency merger process, in addition to behavioural issues, the agencies have to consider changing technology and accounting systems, design packages, organisational structures and strategies. As a result, an agency should gear itself for ways of managing a broader change process.

The other limitation of Lewin's model is that in today's highly dynamic environment nothing can be frozen for very long. It is more valuable to encourage tolerant culture in an organization as the advertising industry in a continuous state of flux.

Whilst Lewin emphasized behavioural pattern in a change process, John Lawrie emphasised productivity and morale.

Figure 2.1.0 illustrates the level of productivity and morale during a change process.

Figure 2.1.0 – John Lawrie's model of stages in the change process



Source: (Clemente and
reenspan, 1998)

Like Lewin's model, Lawries' model also has three stages: the pre change period, the transition period and the post change period. Its significance however is the realization that productivity and morale levels initially drop during the transition phase before they rise to a new level. It is therefore important for managers to realize that performance might initially drop during the change process. The challenge is therefore to ensure the drop in performance is as low and as short lived as humanely possible. It is equally important to sustain or better still improve the enhanced operating levels after a change process.

The next section will deal with essential elements of a successful change process and incorporate application of the models discussed in this section.

2.5.3 Essential Elements of a Successful Change Process

Different situations call for different methods. There is no recipe for managing change, however there are key elements, which will be discussed in this section. These are likely to increase the success rate of a merger and make the new organisation competitive and effective.

A recommended programme for executing a successful change process is:

1. Mobilise commitment to change through joint diagnosis of the business problems

Having agreed on the need to change service delivery channels to customers, as an example, the following questions below could be asked:

- What are the strengths and weaknesses of the present systems?
- How can the present systems strengths be enhanced and the weakness reduced?
- What customer service delivery system do we want to have in order to have a long-term competitive advantage?
- How will the change be initiated?
- Who will be involved?
- Do we have the resources for the change to be successful?
- How does the change affect the various stakeholders: customers, internal departments and suppliers?

- What is the timescale for the scale?
- Who is responsible and accountability for the change?
- How will the concerns of those affected be resolved?
- What are the short term and long term benefits of change?

The above questions are not exhaustive, but are an illustration that a broad-based analysis of the problem is required.

2. Create a shared vision and common direction (Kotter, 1995)

The shared vision clarifies the target destination of an organisation during a change process. A shared vision gives inherent strength to an organisation by having a bonding effect. Without a shared vision the organisation's change process can easily disintegrate, as projects can be confusing and incompatible.

3. Separate from the past

It is not easy to dismantle old paradigms and create an adaptive, innovative and future oriented organisation. The organisation's culture and structure should enable the organisation to break from the past. For example, an organisation cannot be adaptive and innovative when it has an authoritarian culture and tall hierarchical organizational structure. Everybody in the organisation should be convinced that the past is not an alternative in order to avoid the danger of people going back to their comfort zones.

4. Create a sense of urgency (Moss, 1993)

In order to jumpstart and maintain the momentum in a change process, a sense of urgency should be created. Informing staff of the threat of factors like new competition, shrinking margins, decreasing market share, flat earnings, a lack of revenue growth, or other relevant indices of a declining competitive position (Kotter, 1995) Should leave them convinced that business as usual is totally unacceptable.

5. Strong, supportive and committed top management (Cass, 1991)

Top management ultimately guide, drive and inspire change. They must therefore be firm, unwavering, committed to the strategic vision of change and be willing to 'walk their talk'. Throughout the change process top management should be visible, dynamic and demanding in order to maintain the momentum of the change process. Members of the top management team bent on derailing the change process should have their services terminated.

6. Open, Honest, Communication (Wood, 1996)

This reduces resistance to change and enhances trust in the whole process. Management meetings, executive steering committee meetings, and company publications should be used to reinforce the importance of the change activities. People should be allowed to express their views on the change process no matter how controversial, as hidden resistance to change is more detrimental than open resistance.

Publishing success stories of the change process motivates employees to continue with the change process.

John P. Kotter summarized communication well in his article when he wrote:

“Communication comes in both words and deeds, and the latter are more the most powerful form. Nothing undermines change more than behaviour by important individuals that is inconsistent with their words” (Kotter, 1995).

7. Develop 'enabling systems' (Moss, 1993)

An organisational integrative change steering committee, independent of the organizational structure should drive the change process. Off site retreats for two or three days help in establishing a shared assessment of the change process. Flat integrative organisational structures discussed in an earlier section would help encourage teamwork and coordination during the change process. Training programs and involvement of change management consultants help in enriching the change process.

8. Institutionalise change through formal policies, systems and structures (Beer, Eisenstal and Spector, 1990)

The change steering committee facilitates the change process. It should not replace the formal organisational structures. Once the change steering committee has made its recommendations, policies, systems and structures change should be driven by top managers who have the responsibility and accountability. Successful implementation of change is the true test of the change process.

9. Monitor and adjust strategies in response to problems in the change process implementation (Kotter, 1995)

The change process must not be open-ended. It should have a time table against which the process is bench marked. The impracticability of some changes is sometimes only noted during implementation. It is therefore necessary to adjust strategies if change recommendations are impractical or have negative consequences. In spite of all problems it is fundamental that change momentum is maintained. Although changes can be made to the process, it is important to keep focused on the vision. Organisations should make changes they can assimilate.

10. Create enabling culture (Overholt, Kroeger and Prager, 1994)

The change process is successfully sustained if the organisation culture enables it. If leaders use the culture component as a driver for change, they must directly address the organisation's values, myths and beliefs. The changes must be compatible with culture. For example customer delivery systems cannot be improved if the company does not value customer focus and continuous improvement.

The essential elements of change process discussed are the most critical, but in no ways exhaustive. The importance of each element also differs from situation to situation, but is of value in an advertising agency merger scenario such as that at Ogilvy and Mather Zimbabwe.

The recommended programme for executing a successful change process, if implemented, is likely to ensure that the drop performance and morale during the transition phase is limited to a minimum and the new operating level is enhanced.

Change processes have a low success rate, as they are not managed in a proactive and organized way. The major sources of resistance to change are uncertainty about the causes and effect of change, unwillingness to give up existing benefits and awareness of weakness in the change. The recommended methods of dealing with resistance to change are education and communication, participation and involvement, facilitation and support and negotiation and agreement.

Lewin's three-step sequential model of change process has limitations in today's highly dynamic environment as nothing can be frozen for very long. John Lawrie's model shows more realistically that performance during transition level initially drops before it rises to a higher level.

The essential elements of a successful change process are to mobilize commitment to change through joint diagnosis of business problems, create a shared vision and common direction, separate from the past, create a sense of urgency, have strong supportive and committed top management, have open and honest communication, develop enabling systems, institutionalise change through formal policies, systems and structures, monitor and adjust strategies in response to problems in the change management implementation and to create an enabling culture.

Having seen the importance of leadership in developing an organizational culture (Section 2.2), structuring organisations (Section 2.3) and managing the change process (Section 2.4), the next section will discuss the role of leadership in a post merger environment.

2.6 Leadership

In dealing with the theory on organisational culture, organisational structures and change management the common theme for their success in a post merger phase was strong leadership. Due to the importance of leadership in the whole merger process, a review of leadership models will be carried out and suggestions made on the profile required to succeed in different circumstances. Leadership is seen as core to this study as it is the driver of discussions in the previous three sections.

Leadership deals with the ability to influence behaviour, beliefs, feelings and performance of followers in a formal organization (Wright 1996). The leadership challenge after a merger in an organisation is to galvanise the various merged units into an efficient super-performing organisation. Superior performance is achieved by having strong management, sales, and performance based culture, an ambitious vision and strategy, performance oriented compensation and, meaningful management information systems.

2.6.1 Leadership Models

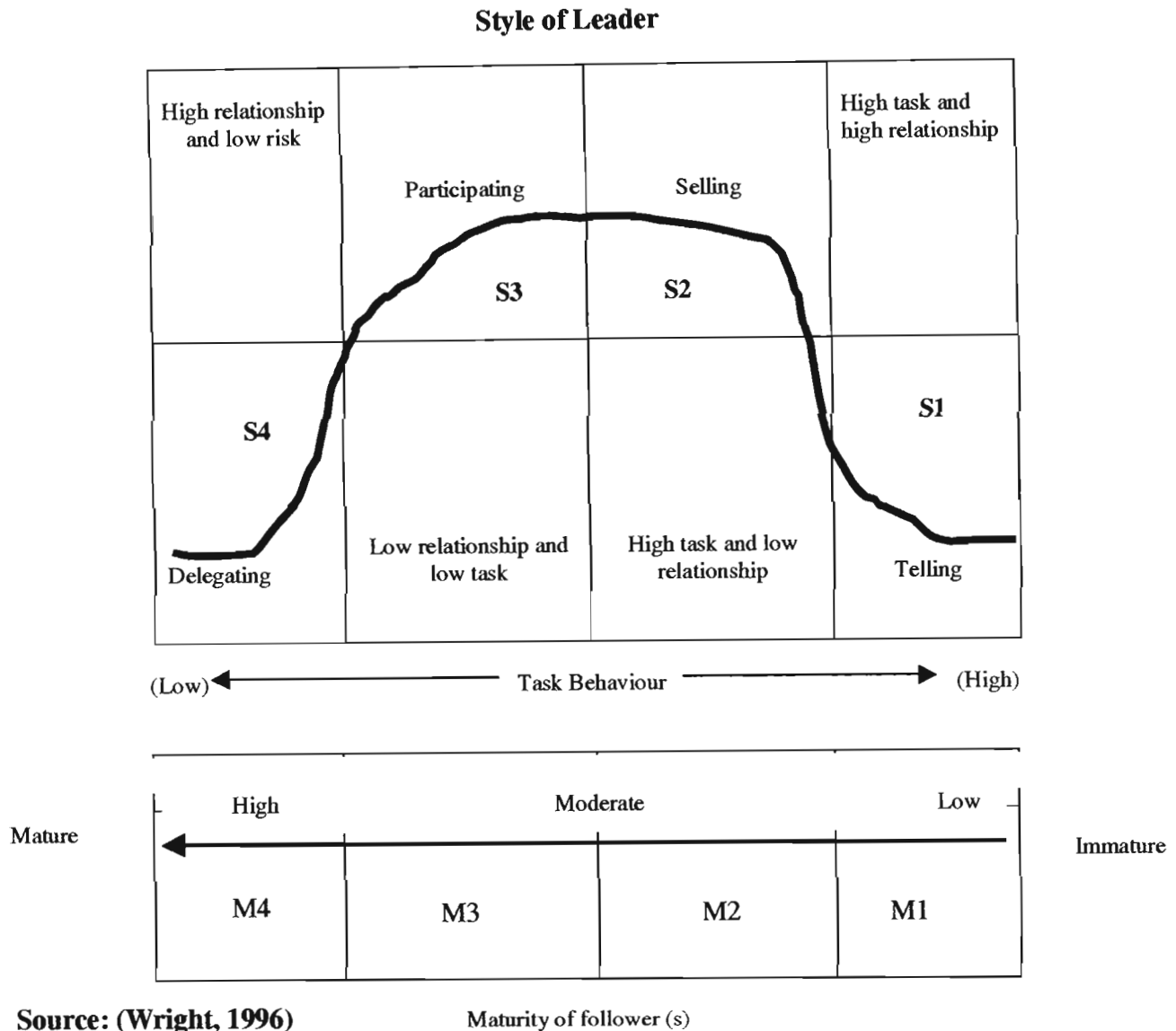
Over the years leadership models have evolved from traits, behavioural, contingency to situational contingent behavioural styles. Studies on traits attempted to identify the personality characteristics. These studies would distinguish leaders and followers; and effective and less effective leaders. Behavioural models focused on behavioural interaction between leader and follower. Contingency models challenged the traits and behavioural models, which assumed that there exists one, best way to lead and pioneered the concept that leadership styles depend on different situations. Behavioural contingency models also make the assumption that effective leadership depends on the situation and define effective leadership in terms of behavioural rather than (Jago, 1982).

2.6.2 Hersey and Blanchard's Situational Leadership Theory

The situational Leadership Theory seeks to establish the most effective mix of task and relationship behaviour by a leader in relation to the maturity of the subordinates. Maturity is defined as the ability and willingness of people to take responsibility for their own behaviour (Wright 1996)

Figure 2.1.1 illustrates the Hersey and Blanchard's situational leadership theory

Figure 2.1.1 Hersey and Blanchard's Situational Leadership Theory



Hersey and Blanchard describe four leadership styles:

- **Telling.** This style is relevant where tasks are homogenous and voluminous and staff skills level relatively lower.
- **Selling.** Suitable for a business with a high need for direction but input of subordinate is valuable as they have a high contact rate with customers.

- **Participating.** This style is suited to an environment where the follower organisation is much closer to the customer the market leader.
- **Delegating.** This style of leadership is applicable to businesses with a very high skill level of the employees.

As can be seen in Figure 2.1.1, S1, matches M1, S2 matches M2 etc. Organisational effectiveness is enhanced when leadership style matches follower maturity.

The simplicity of the Situational Leadership Theory makes it useful as a starting point in predicting which Leadership style is required for employees with a particular maturity. The situational leadership theory looks good in a static environment. However as the modern business environment is very dynamic, there is bound to be unpredictable overlaps from time to time in the style of the leader and the maturity of the follower, for example, in a period of high turbulence a leader who would normally adopt a delegating management style might suddenly be telling. If however, the follower remains able and willing, this is likely to cause conflict and lower leadership effectiveness.

Rather than react to situations, transformational leaders do not necessarily react to the environmental circumstances – they create them, as it will be discussed in the following section.

2.6.3 Models of Transactional and Transformational Leadership by Avolio and Bass

After a merger, in order to achieve synergy benefits the combined companies need to operate at a level higher than expected in order to maximize the benefits of a merger. This requires more than a transactional leader, who will help subordinates achieve objectives; it requires a transformational leader who will inspire the subordinates to perform beyond expectations.

As illustrated in figure 2.1.2 transactional leaders influence the behaviour of their followers by exchanging one thing for another (contingent reward); for example

promotion for meeting performance requirements. The transforming leader seeks instead to satisfy higher needs and engages the full person and the followers. The leader and the led have a relationship not only of power but also of mutual needs, aspirations and values (Wright 1996).

Figure 2.1.2 Avolio and Bass's model of transactional and transformational leadership

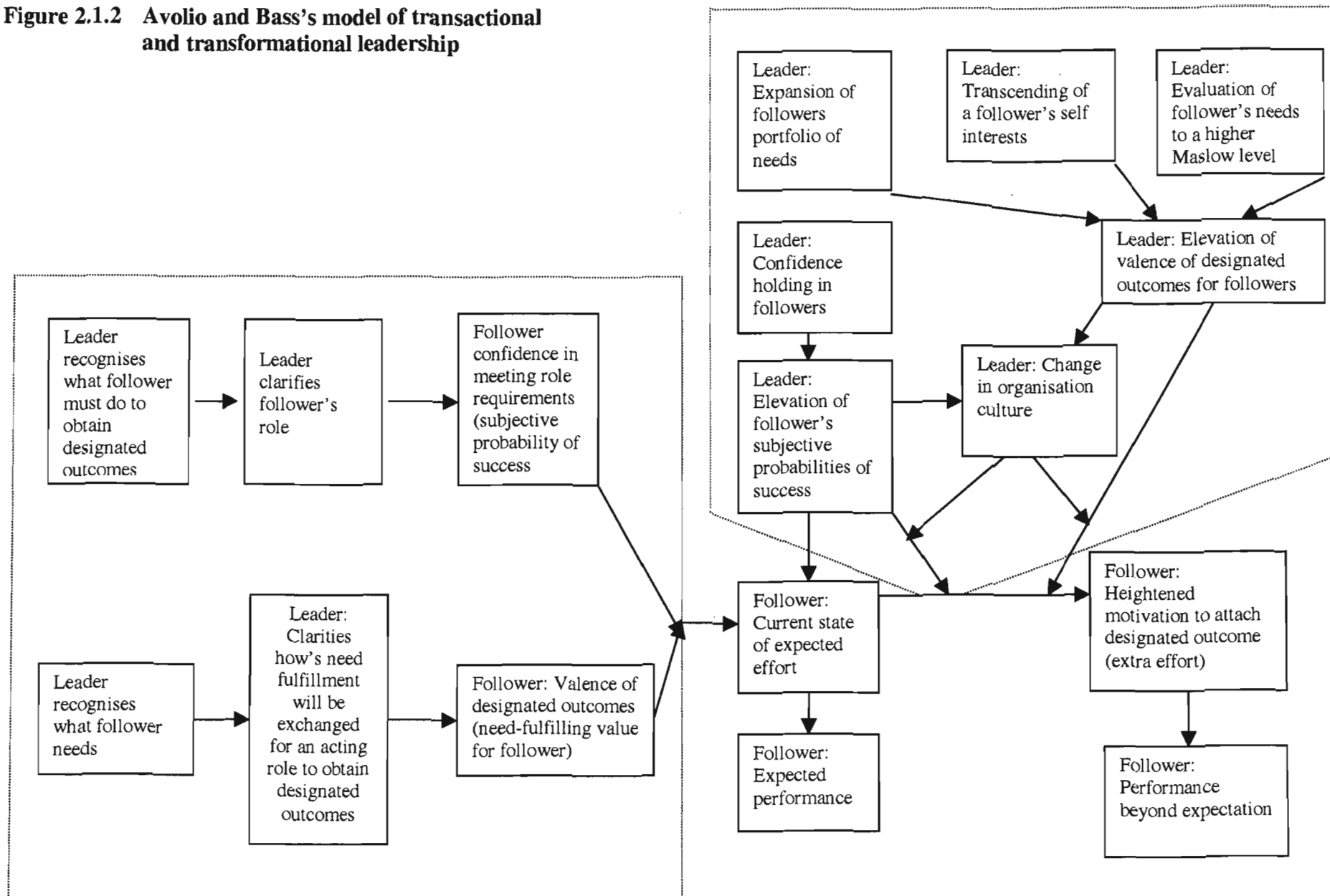


Figure 2.1.2 demonstrates that transformational leadership is complementary to transactional leadership rather than supplementary. Transformational leadership builds on the sound foundation of transactional leadership in order to elevate subordinates from security and safety to a new of self-esteem and self-actualisation according to Maslow's Hierarchy of needs

According to Bass (1990) in an extensive survey of over 1500 managers' subordinates who describe their leaders as being more transformational are more likely to say their organisations are highly effective. In contrast Peter Wright suggests that this research suffered a number of methodical and conceptual weakness, which undoubtedly exaggerated the effectiveness of transformational leadership (Wright 1996). The criticisms are due to one-dimensional research, as only subordinates were questioned in the Multi Leadership Questionnaire (MLQ) and the scale used had a bias in favour of transformational leadership.

Whatever the criticisms to Avolio and Bass, they certainly added a new dimension to the study of leadership, contributed to the re emergence of charismatic and trait approaches to leadership and prepared fertile ground for broader and balanced further studies into the relationship between transformational leadership and effective organizations.

Leadership is a core driver in the organization's ability to manage culture, change and opportunity cohesively and move towards the organisation's strategic vision. Matching of leadership style and maturity of followers according to the Hersey and Blanchard's situational leadership theory enables followers to perform beyond expectations. Management adaptability is required in managing organizations post merger. Different situations require different leadership styles. However, the common elements of the successful leaders is that they are focussed, visionaries, strong and close to the business operations.

2.7 Summary

In recent years, many organisations have looked at mergers and acquisitions as alternative means to growth. There has been an increase in the world of these mergers prompted by a variety of conditions that have become available in today's global business environment. Many mergers however, have been doomed to fail from the onset because organisations neglect to foster a constructive way forward once the merger has been legally concluded. Researchers have identified key strategic issues that need to be focused upon in order to ensure success post merger. For effective post merger management, the following strategic conditions must be present:

- An enabling culture to facilitate the integration of the merging companies
- A well suited structure that has no room for redundant reporting practices
- A formidable change management strategy to ease employees and customers into the “new” way of doing things with minimum disruptions to business operation.
- An inspiring leadership to steer the company through the difficulties that organisational culture, structure and change management may pose to a newly merged organisation.

The next chapter will be a case study of the three agencies: Carroll O'Donovan Hardy, Barker MacCormack Ogilvy and Mather and CM & A. The chapter will outline conditions at the agencies before the merger and immediately after the merger was concluded in September 2001.

CHAPTER 3

CASE STUDY OF THE ADVERTISING AGENCIES

3.1 Introduction

This chapter will narrate the following aspects about each of the agencies of Carroll O'Donovan Hardy, CM & A and Barker MacCormack Ogilvy and Mather:

- Organisational Culture – Detail the prevailing culture at the agency before the merger and outline any changes that the merger brought to the organisational culture in place at CM & A and at Barkers (with the conclusion of the merger, Carroll O'Donovan Hardy ceased to exist).
- Organisational Structure – Outline the organisational structures that were in place pre merger and indicate how this changed if at all after the merger.
- Change Management – Focus on the strategies adopted by management from the inception of the merger talks and relate how the merger and its implications were announced to groups and individuals within the three agencies.
- Leadership – An outlook on the varying leadership styles of management at the three agencies and a demonstration of management's response to the merger.

Sticking close to the literature in Chapter 2, the four areas have been selected because of the crucial role they play in the success or failure of any merger or acquisition. This chapter is important in that it forms the basis for the next chapter which will evaluate at length the effectiveness of these areas in terms of the post merger strategies that were put in place at CM & A and Barker MacCormack.

3.2 Carroll O'Donovan Hardy

The youngest of the three agencies, Carroll O'Donovan Hardy or as its employees affectionately called it CO'DH was established in 1991. Its founding members were John Carroll, Anthony Hardy and Styx O'Donovan. Carroll sold his shares equally to the remaining two shareholders in 1995. Hardy and O'Donovan became 50:50 owners of the agency. The agency often prided itself as being innovative and used the youth

of its shareholders (late thirties) and its equally young staff (average age was 27) as one of its key selling points. The agency's first and probably most loyal client was Stanbic Bank⁸. The bank's South African ties led CO'DH to pursue and eventually obtain an affiliation with TBWA. Standard Bank in South African was handled by one of the leading TBWA agencies in the world, Hunt Lascaris. The TBWA affiliation would prove very unsuccessful for CO'DH in the years to come as the related synergies that are the reasons agencies pursue international affiliations were greatly reduced in Zimbabwe. This was largely because the only other TBWA associated companies that are in Zimbabwe were:

- Edgars. The clothing retailer in this country had an established in house advertising department and as such felt they had no use for a local advertising agency.
- Nandos. In this country the food chain franchise is run by a group that has dominated the market almost beyond competition. The chain carries out very little advertising with a local flavour. Any materials used in store are largely sourced directly from South Africa. Again, this company feels they have little or no use for the services of an advertising agency.
- SPAR. While the supermarket chain carries out extensive advertising, CO'DH deliberately never pursued them as a client. This was because the agency's largest client by far (MAKRO) saw them as a direct rival in their grocery line of business and would consider a serious conflict of interest if SPAR was in the same advertising stable as them.

All was not lost however, because of the fruitless affiliation. In the years following its formation, the agency managed to acquire in its own rights, a client base that would prove profitable for the co owners in the short run.

3.2.1 Organisational Culture

The atmosphere at CO'DH was extremely informal. Everyone was on a first name basis. There was camaraderie amongst staff that did not discriminate on the basis of position or rank. Pub nights were held every Wednesdays and Fridays. All were

⁸ A member of Standard Bank of South Africa.

welcome, from the messengers through to the Managing Director. It was a known fact that at interviews for prospective new employees that were attended by the Managing Director, the question “Do you drink?” would be posed. If the answer was no, the person would be asked if they had strong moral objections to alcohol. If the answer was yes, that person quite clearly would never fit into the way of things at Carroll O’Donovan Hardy and would not be offered the job! When it came to recruitment of personnel, the shareholders focused on the hiring of personality types that would fit in with the agency’s culture. The skills that the individuals possessed were only considered once they were satisfied that they had the right candidate socially. It was management’s belief that much of the drive to succeed career wise was born from the placing of individuals of similar social preferences so that their work literally became an extension of their pleasure time, and from that they felt they could derive more productivity from their workforce.

Decision making within the agency was carried out by individuals close to the task or problem. The Managing Director believed in empowering staff so as to save valuable time when members were confronted with problems and clients or suppliers were demanding immediate solutions. The agency also had a very open door policy. The Managing Director also made it a point to walk through to everyone’s office including the kitchen for a chat on social and business matters everyday.

3.2.2 Organisational Structure

CO’DH was characterised by a top-heavy organisational structure. The agency had seven directors who sat on the board. They were as follows:

- Managing Director
- Creative Director
- Finance Director
- Client Services Director
- Production Director
- New Business Director
- Media Director

The last three listed directors had no subordinates in their respective departments. All the board members reported directly to the Managing Director. Below the levels of director, there were no managerial positions per se. The Client services department was made up of three account executives. The Creative Department – the hub of any advertising agency comprised a traffic controller⁹, a copywriter, and several artists or art directors, as they are known in the industry. The Finance department had three account clerks.

3.2.3 Change Management

As soon as the merger talks had reached a mature stage, an announcement was made to staff of the proposed way forward. Any fears of redundancy were allayed as it was pointed out that the merger would not see any “casualties”. Since, Carroll O’Donovan Hardy had a weaker affiliation, it was made known from the beginning that the agency would effectively cease to exist and that the staff would be divided between BMOM and CM & A as management of all the three agencies saw fit. At the time of the announcement, however it was not made public knowledge who would go to which agency and why. This information would only be revealed two weeks before the literal physical transition. The two shareholders, focused on the benefits of the merger at the time of the announcement, pointing out that the declining economic conditions in the country made it difficult for an agency the size of CO’DH to continue operating profitably. The merger on the other hand, offered CO’DH the potential of a bigger market share and an increased scope for growth to the individuals. The only downside to the merger that was noted by the shareholders would be the resultant break up of the CO’DH family as members went to separate agency that had little or no interaction beyond the boardroom level.

3.2.4 Leadership

The leadership style at Carroll O’Donovan was a cross between the two extremes of the shareholders. The Managing Director had a very participating type of leadership

⁹ The person who controls the flow of work within an advertising agency.

where he often consulted all his subordinates before making any decisions. The Creative director on the hand made decisions concerning his department unilaterally and his decisions were not subject to any debate from his subordinates.

3.3 CM & A

The smaller of the Ogilvy and Mather agencies, CM & A came into existence when management at Barker McCormack was offered the opportunity to handle the Old Mutual business, through the Ogilvy and Mather Network. Barker McCormack was already servicing Southampton Life Assurance (then owned by SANLAM). The exclusivity rule that governed all agencies in Zimbabwe could not allow Barkers to take on Old Mutual in the same stable as Southampton. Both companies had huge potential in terms of billings and it would have been foolish for management at Barkers to pass up one in favour of the other. A decision was made to form an independent agency and a holding company that would be responsible for Barkers and the new agency that was named CM & A. Hence the birth of the Ogilvy and Mather Group in Zimbabwe. CM & A was initially staffed by four employees who had originally been at Barker McCormack. Two of them were appointed to the position of Chairman and Media Director (the latter would later become Vice Chairman). A third member of the board was brought in to become the Managing Director.

The major challenge for the agency from the onset was to carve a life beyond Old Mutual and seek other clients. It had been agreed that the two O & M agencies would not compete on pitches¹⁰, rather, they would decide before hand which agency was better suited to serve the prospective client and then that agency would pitch for the account. This was done so that the group's chances of winning new accounts would not be eroded. CM& A made a conscious decision to pursue only the blue chip companies. Over the years, the agency built a small but very sound client base, comprising BATA, PELHAMS, MOBIL, Kimberley Clarke, Levers and TELONE.

¹⁰ Refers to requests to select one or all agencies in the country from companies requiring a new advertising agency.

3.3.1 Organisational Culture

CM & A had a laissez faire attitude towards its internal day-to-day function. The agency was made up of a certain breed of “worker-a-holics” who often worked all night and came into the agency later the following morning rather than at the regular starting hours. The place was originally a hive of activity. The agency had no Creative Director. This was very unusual for an agency. The creative work was derived from the regular brain storming sessions that were held at the agency. These sessions involved every member of staff including messengers and the tea maker whose input was also valued. Over time, this enthusiasm to work seemed to die down. With no one to steer the creative side of the agency, it became difficult for the client services department to maintain the momentum that their clients had become accustomed to. Clearly the agency needed a Creative head, but in a country like Zimbabwe, finding a Creative Director with the right qualifications to suit an O & M agency was not easy and the agency had failed to do so for over two years.

Decision making at CM & A was left exclusively to the directors who then communicated their decisions to the employees. The Chairman and the vice-chairman had a very approachable outlook on the business and would look at ways of increasing revenue by being proactive with the existing client base. The Managing Director by contrast, believed that increased revenue could only be achieved through a severe charge out system where as much was invoiced out to clients as was possible without getting them to query the charging system. Since the Managing Director held the belief that the best place for a higher turnover was from within, he was not too aggressive on the new business front. CM & A tended to be very selective about the type of business they pursued. The agency almost never attended any pitches and relied on social contacts through the O & M network to lead them directly to new clients.

When the seven members of CO'DH moved in to CM & A in October 2001, the prevailing organisational culture at CM & A continued in practise for a few months. The seven were treated as any other new employees to the agency would have been and expected to fit in with the way of things at the agency. The Managing Director made a point of telling each individual to learn the CM & A way of doing things and follow it as closely as possible to make life easier for everyone. In the months to come, however, the tension created by the merging of two different work cultures eased, as staff became more open minded and willing to understand each other's work ethics. The addition of two new board members, including the shareholding Creative Director from CO'DH was also instrumental in the immediate overhaul of the decision making process at CM & A. A reporting system to the departmental heads who in turn would report to the relevant director was now encouraged.

3.3.2 Organisational Structure

Pre merger, CM & A had a Chairman, Vice Chairman and a Managing Director at the Board level. Below that level, there was middle management that comprised the media manager, studio manager, production manager, finance manager and two account managers. There was no clearly defined reporting structure. Employees reported to whichever of the three directors they felt comfortable with. On issues affecting the entire agency, the Vice –chairman became the employees' director of choice. They would present their queries or grievances to her and she would then advise the other two directors, and together they made the overall decision.

The managers were in charge of their own departments. The account managers had no subordinates but controlled the studio/artists whenever they had jobs in progress. The account managers also ran the client accounts together with one of the three directors. The production and media managers had one assistant each. The Finance manager ran a department of three account clerks. The studio was basically autonomous in a sense but its staff fell under the account manager responsible for whatever job that they were working on at any given time.

After the merger, the structure at CM & A changed with the addition of two new board members who came from Carroll O'Donovan Hardy. The positions that they took up in the merged company were that of Creative and Finance Directors. An Account Executive,¹¹ who was renamed an account manager, a finance clerk, a copywriter and five artists, also joined the CM & A team. With the upheaval that surrounded the initial phases of the merger, the Vice-Chairman, the Finance manager, media manager and the studio manager (all from the original agency) handed in their resignations. The position of vice chairman was never filled. The other three were filled internally from within the organisation.

3.3.3 Change Management

Any details of the merger were kept at the boardroom level, until well after the deal was signed. The announcement, when it was eventually made was kept short and to the point, and there was very little opportunity for the staff to ask questions regarding the new set up. They were basically told that no one would lose their job and that they had to do their best to make the merger work. Management showed no passion or emotion for the decision to merge and made it clear that it was a Group decision that as employees of CM & A they had little control over. The onus was however on them to ensure that the transition took place swiftly with minimum disruptions.

Immediately following the physical transition to CM & A the Managing Director addressed the CO'DH members in his welcome to them. He informed them that the agency's they now belonged to differed greatly from CO'DH, stating that the emphasis at CM & A was on individual work performance. There was no room at the agency for team efforts because everyone had their set tasks and should work hard to accomplish them individually. Otherwise, he encouraged the new members of staff to do their best to blend in at CM & A and to feel at home.

¹¹ Sometimes referred to as AE. Account Manager, Account Director and Account Executive refer to the same job description but are referred to differently from agency to agency.

3.3.4 Leadership

The Chairman and the vice chairman believed in leading by example. They adopted a parental type of guidance for their employees. The members of staff knew that they could discuss any issues with them, personal or otherwise, and obtain sound advice. The Managing Director on the other hand was less approachable by nature and believed that everyone should be treated as an adult and left to conduct their duties with little or no supervision.

The Creative Director's arrival at CM & A meant that the creative department now had a mentor. All members of the creative team were now to report directly to him. The Creative Director also preferred to be the one to brief his subordinates on all jobs. He thus discouraged direct communication between client services and the artists, demanding that they direct all requests to the creative department through him. Members of Client services from CM & A found this exceptionally difficult because they had controlled the creative for two years, and now, suddenly they could not even liaise directly with the artists.

3.4 Barker McCormack Ogilvy and Mather

Barkers¹² as it is popularly known is one of the oldest and most established advertising agencies in the country. Established in the seventies, Barkers was by far the largest agency in Zimbabwe in terms of Billings. The agency's creativity was well renowned, not least for one of the country's greatest crazes – the OK Grand Challenge Horse Racing day. The race day was an idea that the agency had given its retail chain client OK as a way to boost flagging sales. The event succeeded in getting bigger and bigger each year. As the economic downturn hit the country the Grand Challenge has become a source of hope for people to own a car, a house or a year's worth of grocery supplies.

The staff turnover at Barkers over the years has been very low. This was very unusual for an industry where resignations are the norm as people move between agencies. The agency could boast of employing some of the longest serving individuals in the industry.

¹² Also referred to in this dissertation as BMOM.

The systems at the agency were established and perfected through years of trial and error. Over the years, the agency thrived from a mix of cross sectional clients from every industry big and small. No client was unattainable for the Barkers team. Presentation for new business and cold calls were common ways that the agency expanded its business.

3.4.1 Organisational Culture

The prevailing culture at Barkers was more formal than at the average advertising agency. Senior members of staff were addressed by their courtesy title and last name. Members of the board were revered and they did not mix socially with the lower ranking members of staff. The agency had a separate dining room where the directors had their lunches. Barkers employed 32 members of staff, which by comparison to the other agencies was quite large. The work culture at the agency saw individuals divided into strategic teams that worked exclusively on certain types of clients. For example, there was a retail team that comprised an account director, art director, a copywriter and an artist. These teams carved their own individual work codes depending on their preferences and were empowered to make decisions regarding their work on the spot without further consultation with management. The teams, five in total, had very little interaction with each other.

3.4.2 Organisational Structure

An executive chairman, who headed a board comprising the following members, ran BMOM:

- Managing Director
- Finance Director
- Client Services Director
- Creative Director.

The Managing Director saw to the day-to-day running of the agency. All the various teams and departments reported directly to him. The finance director had team of a finance manager and four clerks. The client services director was responsible for the four

account directors with whom he liaised closely on the performance of the agency's clients. The creative department comprised four copywriters and six artists who reported directly to the Creative Director.

In December 2001, the CO'DH Managing Director joined the BMOM board as a Director with no portfolio and continued to work as an Account Director on the various accounts that he had from CO'DH. The New Business Director and the Traffic Manager were reassigned duties as Account Executives and referred to as such. The Media Director joined the media department and was not assigned a title but was to report directly to the BMOM Media Manager.

3.4.3 Change Management

Barkers' management notified its staff about the ensuing merger at the same time as the announcement was made to CM & A employees. Since the numbers coming in to join Barkers from CO'DH were considered negligible to have any overall impact on the order of things, the merger was viewed more like a take over bid of CO'DH by the much stronger Barker McCormack. The group's chairman made the announcement and stressed that the merger had been undertaken to maintain Ogilvy and Mather's dominance of the Zimbabwean advertising industry. In his address, he encouraged the new members of Barkers to adjust to their new environment and urged them to approach him directly if they were experiencing any problems.

3.4.4 Leadership

The agency's executive chairman had a very hands on approach to the business and literally ran BMOM. A natural leader, the chairman was able to convince his clients to completely trust their agency by allowing the agency free reign to develop their brands in a manner that would obtain maximum benefits. He believed in the Ogilvy and Mather¹³ philosophy of making your clients your closest friends not just business allies. This belief is based on the fact that it makes it harder for clients who consider you a friend to defect

¹³ Also referred to in this dissertation as O & M.

to other agencies without a genuine reason. Through this, BMOM was able to keep a stable clientele for many years.

The chairman embraced all the formality that characterised Barkers. An elderly man, in his seventies and clad in a suit every day, he made a mockery of the industry's reference of the term suit as he took it literally.¹⁴ He believed in the tried and tested and like many from his generation, did not embrace change very well as it threatened the familiar and did not necessarily translate to better. He believed in the old adage of the old broom knowing all the corners, as such he did not encourage any deeper integration of the merger than the physical move of the CO'DH staff members to BMOM. To him it was fairly simple that the new comers would eventually get the hang of things at BMOM.

3.5 Summary

This chapter has demonstrated the differences in organisational culture, organisational structure, change management strategies and leadership styles within the three agencies. Left unmanaged, these differences could clearly threaten the viability of the merger ahead. The cautious approach of BMOM, the laissez faire attitude at CM & A and the carefree and lax style of CO'DH, each with its own merits and disadvantages, offered their members a familiarity they would not be too willing to let go of.

The next chapter will evaluate the impact of these differences on the merger and assess the extent to which management recognised these differences and tried to work around them for the benefit of the merger

¹⁴ "The suits" in the advertising industry refers to the client services department and those that regularly interface with clients. It is a tongue and cheek expression because very seldom do Agency employees dress formally and even less so in suites. However this group dress more formally by comparison hence the expression.

CHAPTER 4

EVALUATION OF THE MERGER

4.1 Introduction

This chapter will analyse in detail the actual merger of Carroll O'Donovan Hardy and Ogilvy and Mather Zimbabwe. Particular attention will be paid to the merging of the two companies at the various levels that took place. These were:

- CO'DH and CM & A and
- CO'DH and BMOM.

In this analysis, the current practises at the agencies and within the Group will be reviewed against the literature presented in Chapter 2. A brief mention of the current economic conditions in Zimbabwe will be included in this chapter because the impact of this on the advertising industry in general and on O & M in particular is profound. An evaluation of the merger will then be presented in view of how effectively the group is managing the merger according to the prescribed literature. The evaluation will be carried out in sections as per the literature review, which cover organisational culture, organisational structure, change management and leadership. A summary will then conclude this chapter and briefly outline the final chapter of this dissertation.

4.2 Research Methodology

The research began with the case study of the companies that is presented in chapter 3 of this dissertation. The case study is of value to the research in that it exposes the differences in organisational culture, organisational structure, change management and leadership at the three agencies before the merger and immediately after the physical transition that saw staff from CO'DH move to CM & A and BMOM.

A four-part questionnaire was distributed to everyone that was employed at the three agencies at the time of the conclusion of the merger in September 2001. A questionnaire was chosen as the data collection method for the following reasons:

- It allowed for contact with all the respondents.
- It guaranteed anonymity and ensured the responses would be more honest than was otherwise possible with other techniques.

- Allowed respondents time to think over the questions and to seek the researcher's assistance where they required it.
- It was cost effective as the questionnaire was emailed between the researcher and the respondents.

The choice of a questionnaire also came with related problems. These were:

- The generic design meant that some members of staff did not fully understand some of the sections and what they were trying to achieve. This meant that the researcher spent considerable amounts of time on the phone or in person trying to clarify the sections and possibly simplifying the questions in order to achieve a response from some of the respondents.
- The detail in the answers had to be limited mostly to a selection of responses that were previously considered to cover all possible responses. At times, respondents felt that more than one answer described their personal circumstances.
- In order to get the high response rate of 92.3%, the researcher made daily follow up phone calls and chats to, and weekly emails with the respondents to clarify any issues that they may not have fully understood and to remind them to complete the exercise.
- Some respondents were not convinced that their particular responses would be safeguarded by the anonymity the researcher promised and had to be practically begged to participate in the survey.

4.2.1 Target Population and Sample

For the purposes of this study, the target population was defined as all persons that were employed at any of the three advertising agencies at the time that the merger was concluded in September 2001. This included respondents who were no longer employed by Ogilvy and Mather Zimbabwe.

In total, 65 questionnaires were distributed in September/ October 2002. The questionnaires were not given to the shareholding directors of the company because of an anticipated bias in the answers that they were likely to provide. Of the total number of questionnaires, 60 questionnaires were returned yielding a

response rate of 92.3%. Of the 5 questionnaires that were not returned, 4 were from members originally from Barkers that were still employed. The remainder was from a former CO'DH member who left the country with no contact address.

4.2.2 Questionnaire Design

The structure of the questionnaire was such that it was divided up into subsections to assess the respondents' reactions towards the merger in terms of:

- **Change Management.** In this section the respondents were required to select their answers on a scale of 1 to 5 with 1 being the least favourable.
- **Culture.** Here, the respondents were asked to do the exercise twice. Firstly answering for the pre merger agency that they worked for and secondly, for the post merger agency that they were employed.
- **Leadership.** This section was made up of 10 questions with a selection of answers ranging from a choice of 2 to a choice of 4 as was deemed necessary for the research.

The first page of the questionnaire contained questions about general information for the researcher's overall administrative purposes. Areas covered here included the agency that one worked for prior to the merger and the number of years that they had been employed by the agency. It went on to assess if the respondent was still employed by the group and if not asked for the reason for their departure. For those still with the group, the question "*Do you enjoy your job/environment after the merger?*" was asked.

4.3 Review of the Merger and the Zimbabwean Economic Environment

4.3.1 Driving Forces for the Merger

Various factors lead the shareholders of Carroll O'Donovan Hardy TBWA and Ogilvy and Mather Zimbabwe to embark on merger talks in July 2000. Each group came to the table with its own particular thoughts on the benefits that they hoped to derive from the move. The overall driving force that influenced these talks however was the desire for all concerned to:

- Increase shareholder value. For the two shareholders of CO'DH, pooling their resources into the larger O & M group meant increased wealth potential. For O & M shareholders, the capacity of CO'DH clients was not overlooked. Having that agency's cash cows within the O & M stable meant an instant increase revenue which in turn would improve the individual members' shareholding.
- Increased market share. Undoubtedly the group would be the home of the industries two largest agencies.
- Administratively, the group could then better achieve economies of scale through the proposed cost cutting measures that would evolve from the planned co-ordinated effort of group activities.

The merger talks were also driven by the particular benefits that each group felt they could derive from the move. For each, these driving forces were as follows:

- **Carroll O'Donovan Hardy**
 - The abdication of the responsibility the two shareholders felt they owed their employees. The economic future in the Zimbabwean environment had become very uncertain for CO'DH. The possibility of downsizing and even closure was a serious threat that could easily become reality if the performance of the agency's clients did not improve. At the time of the merger CO'DH found itself in the unenviable position of relying on one client for 65% of its turnover. The client- Makro was also showing signs of curtailing their ad spend in view of the harsh economic climate - a move that would have a profound impact on the agency. In the merged agency, the CO'DH shareholders would not worry about what became of their "family" as they would have become the responsibility of the less personally involved Ogilvy & Mather board.
 - Similarly, if CO'DH was to stand any chance of weathering the storms of the economic climate, they needed a formidable strength to go against the odds in order to grow to meet the challenges. The agency needed an affiliation that would work to guarantee them global brands even in times

of economic adversity. The TBWA link would never offer CO'DH this lifeline.

- Through the merger, the CO'DH shareholders could control and reduce certain operating costs for their clients as they could now source for products and services from the various essential service providing companies that O & M had a stake in. For example, the group owned 50% of the shares respectively in the country's most reputable research company and signage company. O & M also have reduced shareholding in one of the largest audio and visual production houses in Zimbabwe.
 - A selfish, though very possible reason for engaging in merger talks would be the chance for the two shareholders to grow professionally within an aggressive advertising group which looked to all its units world wide for promotion.
-
- **Ogilvy and Mather Zimbabwe**
 - The merger presented O & M with an opportunity to minimise the competition that the group was facing in the country.
 - Carroll O'Donovan Hardy was cash rich. O & M on the other hand had minimal cash reserves. Merging with CO'DH would improve the group's cashflow.
 - O & M would secure the rare skills of a Creative Director for CM & A. The agency had surprisingly carried on functioning without a creative head for over two years.
 - Finally, the merger would create the largest advertising concern in Zimbabwe in terms of billings.

At the time of writing, the merger was well into its ninth month of operation. Having been concluded in September 2001, the closure of Carroll O'Donovan Hardy was staggered over three months. It had been anticipated that the agency would close down on September 30 2001 and that its staff would move to CM &

A and BMOM to resume business on October 1 2001. Only the move to CM & A materialised on schedule. The move to BMOM would only follow two months later because the administration at Barkers felt that they needed the extra time to plan the physical positioning of the new members of staff. This created tension and anxiety among those that remained at CO'DH as they did not know who they worked for – CO'DH which no longer existed or BMOM which was not ready to welcome them? Worse still, the clients they continued to service from the CO'DH premises became confused and at times annoyed because in earnest, CO'DH had ceased to exist as a legal entity.

At the time the merger talks were nearing their conclusion, the two shareholders of CO'DH had met each and every one of their clients to inform them of the merger and to request that the clients continued to support them. The clients, were actually told that as far as the day to day running of their accounts was concerned, the only change they would have to grapple with was the new name on the letterhead of the invoice that they would now receive at the end of each month. All of the agency's clients assured the shareholders of their continued support in the new venture. After all they would be receiving the same service levels that had attracted them to the agency in the first instance and deal with the same team as before? As this chapter progresses however, it will become clear that with the rapid departure of these familiar personnel, former CO'DH clients began to feel compromised.

Once settled into their new agencies, CO'DH members had the insurmountable task of making their clients feel comfortable with the new set up and to keep the promise made of continued excellent service levels. This would however prove to be particularly difficult, as the powers that be at CM & A and BMOM made no effort whatsoever to meet their new clients. To illustrate this point, at CM & A, CO'DH's former number 3 Client's managing director personally requested an invitation on a subsequent Friday afternoon to see the new premises and meet the new management. The Account Executive (AE) and the Creative Director (a

former CO'DH Shareholder) who jointly handled the account informed all relevant parties at CM & A about the afternoon. On the day of the function, the Chairman, Managing Director and the Vice-Chairman (all originally of CM & A) apologised that they had all overlooked some personal commitments and as such were not free to attend! The client arrived to the welcome of the same familiar faces that she knew from CO'DH and to suffer their insincere explanation as to why the new agency's management was unavailable that day.

For both agencies, the integration of the staff was never well co-ordinated. There was no welcoming party to ease the transition for both parties. Instead, the new employees were addressed upon their arrival, and without the presence of the agency's original members, by the Chairman at Barkers and the Managing Director at CM & A. Once at their new agencies, the CO'DH members were left alone to find their way around the new system of doing things. At BMOM, the original members of staff went about their business with little change if at all as CO'DH was going to fit into their way of doing things and not vice versa or any other way. At CM & A, however, the presence of the new shareholding creative director and a finance director meant that certain departments were now under new governance. With no effort made at integration at this stage, some original members of the CM & A staff began to feel uncomfortable and threatened in their job environment.

The oversight of human integration by the authors of the CO'DH – O&M merger, was to come at a severe cost for individuals, the two agencies and in turn the group. At CM & A, the account executive from CO'DH, struggled to keep her clients happy as she single handedly had to perform all functions that she had previously relied upon an entire agency's participation. The Vice-Chairman who held the portfolio of head of client services never conversed more with the AE than the offer or return of perfunctory greetings! After her departure two months later, the Chairman and Managing Director, did little more, albeit a quarterly

report at the end of that year to highlight that 3 of the former CO'DH clients ranked in the combined agency's top 5 clients in terms of billings and production.

After the departure of the vice chairman, the tension at CM & A between the two groups of employees eased considerably and greater strides were made in terms of combining the two agencies into a new one that embraced the values of both parties. This effort took place naturally and almost without intention, possible because the 7 CO'DH members were evenly distributed between the departments and in 5 of those instances, were the people in charge of that particular department. As their CM & A subordinates gained their trust and respect, so came a new unity between the two agencies. Since this co-operation did not come from any seriously co-ordinated effort, it would remain very fragile in its operation. The work conduct of the two agencies differed so greatly that failure to recognise this at management level eventually lead to the departure of the CO'DH AE. Long used to a team way of doing things, the laissez faire system in place at CM & A eventually became intolerable for her. Citing management's lack of interest in her portfolio she tendered her resignation but offered to stay long enough for the agency to find a suitable replacement for her. – The agency's Managing Director and Chairman had still not considered it important to meet 4 of her 5 accounts' personnel.

With her resignation, management at CM & A woke up to the fact that the merger had not been handled professionally. In recognition of their faults, the Managing Director and the Chairman joined the Creative Director to officially meet the CO'DH clients 8 months into the merger. Further, they accepted that it was best for the AE in spite of her pending resignation, to liaise with the Creative Director to bring in a successor that would ensure some continuity for these clients. A previous director who had left CO'DH before the merger to pursue his own company was called in to rejoin the new team and service the clients by offering them a familiar face who understood their business. Though the AE and the former director spent six weeks together it was a move that was however too little

too late to assure the CO'DH clients of some continuation once the AE left. The CM & A executives meeting of the clients so late in the merger did not go unquestioned by the former CODH clients. Many would quite rightly complain that at the subsequent Christmas party that was held, their presence was not even recognised by the Chairman and the Managing Director who clearly did not remember their clients from their only meeting a few weeks ago. With the clients egos dented, and the departure of their 5 year long account executive, the writing was clearly on the wall. By the end of 2002, with the departure of the AE¹⁵, all but one of the 5 clients had submitted their accounts to a pitch¹⁶.

The situation at Barkers was little different for the CO'DH employees. Management had, without considering the consequences, assumed that the 14 CO'DH employees would just fit into the BMOM way of doing things. The new order of things was for the CO'DH members extremely different. With the differences varying from slight to extreme. The result was ever increasing discontent at the whole merger process for the CO'DH members. The cultural changes they faced at Barkers were more difficult than those faced by their former colleagues at CM & A. High on the list of the unsettling changes was the segregation that was so alien to them. Such norms at BMOM as a toilet for Directors only and a dining hall for certain members of staff created an unsettling atmosphere for the new comers. At the staff canteen, on the first day, the employees had to go without lunch, as there were no plates to dish out their meals. The former CO'DH Managing Director had to bring 14 plates for everyone the next day, in a futile attempt to rescue the situation.

BMOM was by any standards very formal for an advertising agency. Those in management were referred to by title and last name. While acceptable at Barkers, it made the CO'DH members uncomfortable because at CO'DH, the managing

¹⁵ The Account Executive left the country on leaving the agency, thus did not poach clients as is industry practise to another agency.

¹⁶ The tendering of the company's advertising portfolio to 2 or more agencies to select the one most suitable to run that account.

director was referred to by his nickname by every member of staff. It also created an unbridgeable distance between management and the remainder of the staff as it created an ‘us’ and ‘them’ scenario. The CO'DH Managing Director tried to lessen the impact of this problem by insisting that everyone continued to refer to him by his nick name as he was so used to, though this move did little to lighten the situation. To the average BMOM employee, the 14 new members of staff were an inconvenience that at best had to be tolerated and at worst, forced to leave as soon as possible. The lower ranking members of the organisation were the brunt of the latter. The three CO'DH messengers found that no one was willing to give them work, or allocate them the transport to do what little they could get from other CO'DH employees. When one of them tendered his resignation to his former Managing Director, the former head responded (as if to demonstrate he still had authority) by finding him a new job where he would be better appreciated. The messenger was then appointed the assistant receptionist, a move that put him totally out of his tether and succeeded to frustrate him even more.

Other disenchanted members of staff were two former board members- the New Business Director and the Media Director, both who found themselves stripped of their board privileges upon their arrival at BMOM, without prior warning. It was a small wonder that both would leave within the next three months, taking with them a considerable amount of business as their respective clients chose to follow them to their new agencies rather than remain at BMOM. The former Traffic Manager was put out of her depth when she was made an Account Executive because there was no room for traffic in the agency's organisational structure.

4.3.2 The Zimbabwean Economy

A brief mention of the deteriorating economic conditions after the conclusion of the merger talks needs to be mentioned here as the impact this would have a direct impact on the O & M Group.

The economy, which had continued to depreciate steadily took a sudden plunge with the outcome of the March 2002 Presidential Elections. The immediate effect of this was as follows:

- Investor confidence in the country dwindled to an all time low.
- Foreign Currency shortages continued. With this shortage the parallel market which saw the price of the US\$ rise to Z\$1750 compared to the government's unrealistically pegged rate of Z\$55 continued to thrive.
- The government's answer to the currency shortages was to pass legislation that outlawed dealing with foreign currency to all but the central bank. Also to impose strict price controls on just about every essential commodity. The result of these price controls have been the critical shortages of all the basic foodstuff and fuel. This has severely crippled the country's industries.

The impact of the economy on the advertising industry as a whole was the reduction of ad spend that clients were prepared to free for marketing purposes. Further, the industries' suppliers relied heavily on imported products, which meant the constant price increases of products and services as suppliers sourced for hard currency on the black market. Few suppliers were able to guarantee any quotation for more than 24 hours as they battled to keep up with the ever rising rate of foreign currency. This meant that agencies were no longer capable of guaranteeing cost advantages to their clients as they no longer controlled the suppliers' prices. The net effect of this was a rise in the cost of advertising. Companies could no longer effectively budget for their marketing plans. Many withdrew from standard advertising as they looked for new ways to promote their products.

Much of the economic upheaval in Zimbabwe had its basis in the uncertainty of the country's political future. The prevailing government passed legislation that had further repercussions on the advertising industry. In the run up to the March elections, all sponsored programmes and commercial advertising in the country's government controlled electronic media was suspended indefinitely. This meant

that companies could no longer flight¹⁷ adverts for their products on TV or radio. This was a major blow to advertising agencies as they immediately lost the 16.5% commission on the total flighting costs that they accrued from each instance that the advert was aired on television or radio. This also meant that any on going plans to produce new advertising material for the electronic media were immediately put on hold. Companies began to seek alternative means of marketing their products. The most popular became the use of road shows and outdoor advertising such as hoarding. While the mainstream advertising agencies had good relationships with these companies, they were actually competition that was now coming of age.

4.4 The Merger in Practice

In light of the prevailing economic conditions and the impact on the advertising industry, the O & M Chairman, often expressed optimism based on the group's new merged strength. In his assessment, the current economic downturn was a misfortune faced by every agency in the country, but that the merger had strengthened the Group's defence and thus O & M would remain the dominant force in the industry. In his own words, the merger was progressing according to plan, and the CO'DH staff were now settled in their new positions and had no complaints about their new agencies. He would occasionally ask CO'DH employees at both agencies if they were unhappy. Invariably they would say yes, as they were not familiar enough with him to highlight any reasons why they would not be happy. The Chairman unfortunately never looked beyond the obvious at looming problems that could threaten O & M's position in the market. Together with the Ogilvy and Mather Board, no attention was paid to the high number of resignations that were occurring as a result of the merger. The numbers were uncharacteristically high even for the advertising industry¹⁸. At CM & A, 4

¹⁷ Refers to the insertion of advertising in the electronic or print media where one appearance is referred to as a flighting.

¹⁸ The advertising industry has notoriously high levels of staff turnover. According to A.L Chishiri in his dissertation on the topic in 1998, the normal rate is a whopping 60%. Explanations for this high rate probably are the fact the industry tends to be incestuous in its recruitment of staff. Very

original members of the agency tendered their resignations just three months into the merger. At Barkers, one after another of the former CO'DH members was leaving on a monthly basis from the month that they arrived at Barkers. Clients however noticed these changes and felt insecure about their businesses. Some would move their accounts away from O & M and follow their contact persons as they moved to other agencies. This happened at CM & A when the Vice-Chairman resigned to start her own agency, and at Barkers when the former CO'DH Media and New Business Directors left to join other agencies.

By June 2002, CM & A was a different agency in terms of its personnel composition to the agency that represented the merger in October the previous year. Disgruntled with aspects of the merger, the Vice Chairman had resigned taking with her the agency's media manager, finance manager and studio manager to set up her own agency. In months to come, she would also lure a few clients from CM & A to join them. On her departure, the Vice-Chairman stated that among the reasons for her departure was the lack of control she felt she no longer held in the agency. As one of the founding members, she resented the fact that she had yet to be offered any shareholding opportunities in the agency and loathed even more, the presence of a shareholder at CM & A who could command more control because of this than she ever could. For nearly twenty years, the Vice-Chairman had run the client services portfolio and CM & A with formidable competence and was no doubt a valuable member of staff. Her fellow board members underestimated the extent of her dissatisfaction with the merger, and failed to address it from the onset. Her presence at the agency immediately following the merger became destructive to the process because not only did she disagree with the group's idea to merge in the first place, she felt threatened by it. The merger brought to CM & A the first suitably trained Account Manager. Unlike the ones she hired for CM & A, the CO'DH AE was competent enough to handle larger portfolios than the ones she serviced at CM & A. The Vice-Chairman was extremely unprofessional towards the AE and her clients during those first three months of the merger. Her attitude unfortunately

seldom are positions advertised to industry outsiders. Someone familiar to the agency in one way or another fills the vacancies.

permeated through the ranks as those close to her chose to follow her stance. Again, the CM & A board and the O & M board did nothing to address their grievances.

Their departure in December 2002 would however herald a breath of fresh air from CM & A. In the New Year, considerable effort was made by the remaining members of staff to create a better working environment where everyone got along for the common good of the agency. This was difficult at first but bit by bit, headways were being made. Most unifying was the Creative Director's suggestion to have a pub night every Friday for two hours. The two groups began to relax in each other's company and even began to work together towards a more successful agency. In some departments, members would sit together and discuss the systems in place at CM & A and those that were used at CO'DH. The most effective of the two would be chosen. The only strange thing about this seemingly great integration that was taking place at the agency was that the Chairman and the Managing Director played no part in the effort and continued to be indifferent about the merger.

Things were no different at the Group level, as the Board did nothing to encourage integration. What was worse, in June 2002, the Group's Chairman would follow a stance that would jeopardise efforts in progress at CM & A and further unsettle CO'DH members at BMOM by creating an irreparable wedge between the staff. The issue was over bonuses and the position of the Chairman on this saw the majority of the remaining employees at BMOM tender their resignations in the following month, leaving just four of the original staff. At CM & A, three CO'DH members also resigned at the same time. The following narration highlights the problem:

In practise at CO'DH, the Financial Director always made a monthly provision for bonus payments in December every year. The amount was a predetermined percentage of the month's net profit. This meant that the bonus payment at the end of each year entitled staff anything up to a full thirteenth cheque. The advent of the merger was not expected to alter this as O & M employees generally received a thirteenth cheque every December. This however was not to be in

2001. In a Christmas message attached to everyone's payslip, the Chairman thanked everyone for his or her stern efforts in making the merger effort work in 2001, citing however that unlike in previous years, the company could not afford to pay the usual thirteenth cheques. As a gesture of goodwill however, everyone was given a \$ 10 000.00 bonus and reassurance that if the economic climate improved in 2002, and in turn the group's business ventures, everyone could indeed look forward to the usual bonus payment.

This explanation would have been acceptable had the Group not had a rethink on the bonus issue at the end of the financial year in June 2002, when the decision to pay all original O & M employees a 13th cheque was made. The whole move was shrouded with secrecy that the two former shareholders of CO'DH (together 20% shareholders of O & M Zimbabwe) were not even informed. When news of the payments became evident and the O & M board was questioned about that, the Chairman's answer was that the money came out of coffers that CO'DH had not contributed to as they had not been present during most of that financial year. The Group's financial year ran from July to June. The merger was concluded in September. Did nine months of CO'DH's contribution count for nothing? Further, if in December there had been no money to pay out bonuses, how now, six months later, and with Carroll O'Donovan Hardy on board was there suddenly enough, but none due from their portfolio? It was a sad day for the merger. What little integration that had materialised in the past nine months suddenly counted for nothing as employees' egos were bruised beyond repair. For the first time, one of the former CO'DH shareholders admitted that the merger was not the best option that Carroll O'Donovan Hardy could have pursued. If anything, it became blatant that the merger was never one of equals, rather that CO'DH was swallowed by the more voracious O& M group and forced into extinction. Uncharacteristically, the Chairman and Managing Director of CM & A took a stand against the Group's Chairman and authorised the drawing of money from the agency's petty cash (so that the group's chairman would never know) to pay their seven CO'DH members of staff 13th cheques. The cash payments however

were accompanied by a verbal caution not to repeat what had happened to their former colleagues at BMOM as the two were acting of their own will against the express desires of their leader. While this action went a long way to demonstrate CM & A's renewed commitment to its employees, the final seed of discontent had been sowed. In the following month, all but seven of the original staff members (the remaining number that included the two shareholders) tendered in their resignation and left the two agencies by the end of July 2002.

Following the bonus issue, the CM & A Chairman would hand in his resignation and abdicate total control of the agency to the managing director and limit his involvement with clients to the bare minimum for the remainder of the year that he served as his notice period. He never publicised his reasons for the departure.

With this mass departure, it became impossible to maintain the façade to CO'DH clients at the two agencies that all that had changed was the name of their agency. Gradually the former CO'DH clients began to move, often to follow their contact people to their new agencies. By the end of 2002, what remained of the O & M group was no longer a reflection of the merging of three agencies, rather, the situation as it was before merger with less than a third of the original CO'DH clients still on board. The board began to realise the diminishing returns of the merger and began to think of a solution to solve the problem. They strangely believed that the answer lay in the acquisition of another agency despite the obvious failure of the group's management to consolidate the merger with CO'DH. The group was engaged in merger talks with another agency at the time of concluding this dissertation.

In order to effectively evaluate the merger, the next sections of this chapter will highlight the prevailing practices and analyse their effectiveness using the literature gathered in chapter 2. Responses from the questionnaire will also be included. By way of conclusion, the researcher will then consider whether or not the merger can succeed.

4.5 Organisational Culture

A comprehensive analysis of the culture within the O & M group reveals that there were three different culture types present at the time of the merger. In order to clearly assess the role that culture plays in the organisation, it is important to review the strengths and weaknesses of the three cultures in a positive and constructive manner.

The merger of CODH and O&M brought together conflicting organisational cultures without factoring in the time line needed to match them. As a result of BMOM's domineering behaviour and unshared organisational culture, there was disorganised activity as indicated by the cultural sharing, relative deprivation and activity model suggested by David and Singh. The merger at BMOM brought in a sophisticated service culture to an agency that relied on manual, traditional methods and suppressed the former. The result was a huge loss of CO'DH customers and employees.

At CM & A, the merger initially created integration problems due to the contrasting organisational cultures of the two merging agencies. CO'DH was extremely informal in interpersonal relationships, more aggressive and more service oriented. CM & A was rather conservative and formal in interpersonal relationships and more production oriented. The integration that was eventually fostered through good communications between the employees resulted in a hybrid culture that embraced the beliefs of both agencies for the common good of the combined CM & A.

Based on the questionnaire, respondents were asked to answer a multiple choice of 8 questions twice. The first instance required answers for their pre merger agency environment and the second for the new merged agency. Not surprisingly, the original BMOM employees had the same answers for both exercises as they felt nothing had changed for them with the advent of the merger. For CM & A

and Carroll O'Donovan Hardy employees however, there was a marked difference in their responses pre merger and post merger.

In summary, these were the findings of the research on each of the prevailing cultures:

4.5.1 Barker McCormack Ogilvy and Mather Pre merger:

- Emphasis of work was on pulling together in various group efforts that the employees belonged to. Staff was divided into strategic work teams. The employees generally had little interaction with the other groups.
- Group members tended to regard themselves as associates or colleagues (60%) and even as family or friends 25%). Outside the groups however, many felt that they were merely contracted employees(95%)
- Relationships between work units thus tended to be competitive as the groups were driven to out perform each other.
- Decisions relating to the group work were left to the group to decide on the best course of action. Overall the Managing director in consultation with the chairman made decisions that specifically affected the whole agency.
- The autonomy given to the work groups was incredible and many site this as the reason for their remaining in this fairly strict and formal agency.

4.5.2 Barker McCormack Ogilvy and Mather Post merger as answered by CO'DH employees:

- 80% of the employees felt they were treated as contracted employees and an unsettling 20% as hired help.
- There were many unwritten rules. This stemmed from the members' difficulty to fit in with the established group work type of structure.
- The formal structure of decision making was also very difficult for the members to adapt to.
- 100% of the members enjoyed their environment less than before. Of the many that left, these were some of the reason given:

- “Management too aloof and unconcerned about the individual welfare of the staff”.
- “Environment too unfriendly”
- “The atmosphere was far from warm”
- Work groups were too rigid and could not accommodate another member much less consider their views”.

4.5.3 Barker McCormack Ogilvy and Mather Post merger as answered by Original employees:

The answers remained the same as in the pre merger scenario.

4.5.4 CM & A Pre Merger:

- Priority was placed on individual performance. 95% of the respondents felt the most important aspect of the agency was the meeting of the challenges of the individual tasks in which they were involved.
- This individual effort would lead 50% of the employees to feel like contracted employees and an additional 30% to consider their position in the agency as that of Hired Help.
- There was an incredible force played by organisational politics in the agency. The lack of a clear reporting structure would align staff into cliques that shared anything from meals to agency information. The extent of the agency politics would only be felt with the dismantling of one of these cliques with the departure of the agency’s vice chairman. The result would be the heralding of a new atmosphere of co-operation in the merged agency.
- The agency was thus governed by some unwritten rules that the employees came to understand.

4.5.5 CM & A Post Merger as answered by CO'DH employees:

- Initially a total culture shock, CO'DH employees found it difficult to adapt to the non-teamwork way of doing things. This was cited as a reason for leaving by one member.

- The organisational politics was also too deep rooted for the CO'DH members to appreciate as they were not members of any of the cliques in place. Post merger, 90% of the respondents felt that their priority as employees was to act within the parameters of their job description and 100% felt they were treated as hired help by management. A good employee in their new agency was considered one who always carried out the instructions received from their superior.
- Asked to describe their contentment levels after the merger 100% enjoyed their environment less than before.

4.5.6 CM & A as answered by its original employees

- With the change in leadership for most departments, some CM & A employees (50%) grew to feel that a greater priority in their work depended on how effectively they followed instructions from their superiors while 35% began to see co-operating with fellow workers a priority. Interestingly 5% of the respondents enjoyed their job/environment more after the merger
- 60% now considered agency members as colleagues or associates compared with a previous 15%.
- Relationships between work units became more co operative and less indifferent.

4.5.7 CO'DH Pre Merger:

- Employees largely considered each other as associates or colleagues (50%) or as family or friends (50%).
- The onus was on teamwork and everyone understood this. This aspect of the CO'DH culture was known to the agency's client who knew to call upon anyone regardless of their portfolio in the agency for any requests that they may have had.
- Decisions were generally made by those individuals close to the problem and often made on the spot.

- In order to be accepted at CO'DH, one had to know how to get along with their co-workers. In other words, become a team player.

4.5.8 How Management Should Have Addressed Organisational Culture Issues:

- Management should have acknowledged the three different organisational cultures present.
- An assessment of each type of culture should have been carried out so as to establish the most positive aspects of each type.
- A desired culture for the merged agencies should have been outlined in keeping with the organisation's strategic vision, objectives, and financial performance and market positioning strategy.
- Encourage an open mind both at management level and below to accept that adopting a new way of life would be difficult at first but accept that these difficulties could be worked through.

According to Kenneth David and Harbir Singh, When full integration of resources is required for a post-acquisition strategy, then even minor cultural distance can be a problem – even in the case of a seemingly friendly merger between strategically related companies. Culture distance is not an implacable force, but it can be manipulated in line with one's practical interests: over communicated in order to wreck alliances or under communicated in order to forge them.

Hall and Norburn (1987) developed two hypotheses that they used to match the culture between partnering organisations.

- Hypothesis 1. The extent to which there exists a fit between the culture of the acquiring organisation and the acquired organisation will be directly correlated to the success of the acquisition.

- Hypothesis 2. Where a lack of fit in organisational culture exists, the success of the acquisition is determined by the amount of post acquisition autonomy granted to the acquired organisation.

For CM &A, the first hypothesis probably held true. What lacked was the recognition and the follow through efforts to amalgamate the two cultures. Most of the work to integrate the two agencies had miraculously taken place with little acknowledgement from top management. To some degree, the new CM & A had by the time of writing, embraced a hybrid culture that reflected the two earlier cultures. This is reflected in the post merger culture section's responses from the original CM & A members.

For Barkers, however, the second hypothesis holds true. At the very least, the management at Barkers should have acknowledged the huge culture differences and tried to integrate the two by allowing members of CO'DH some autonomy within their sphere of influence. The agency could have even pursued a deliberate policy of internally running the former agency's business as an agency within an agency. This would probably have resulted in a separation mode of acculturation, which however as stated in Chapter 2 is not without its problems. The main problem being that it cultivates a fair amount of conflict and is exceptionally difficult to implement. However for a fixed time period, while a more lasting solution was being derived, this would have been the best alternative at Barkers because as the dominant party, it was natural for BMOM to prefer to maintain their culture. This preference should however, have been considered closely with the dominance of the acquired party's culture and its acculturation mode. In the case of Carroll O'Donovan Hardy, the culture was very strong and was a distinguishing identifying criterion from other agencies. It denoted fun and spontaneity - very difficult variables to let go of. The CO'DH members thus developed a very negative perception of the BMOM "way". Sadly no effort was made by either agency group to understand the other's culture. With the rapid resignations of CO'DH members that took place at BMOM, it has become

practically impossible to examine even slight traces of the CO'DH culture within the agency.

4.6 Change Management

Based on the theory derived, human beings are averse to any changes in their routine. The onset of the merger would predictably unsettle all the employees in all the three agencies as they contemplated their future in the combined group. What management should have done from the onset was to prioritise the human resource element in their merger talks. This would have helped to clearly outline the change process in a manner that would be least disruptive to the day to day running of the business. According to John Lawrie's change model, some disharmony must be anticipated at the beginning - before the organisation can progress to the transition and new levels. Also management should have realised that the adoption processes would be different at the two O & M agencies because of the fusion of different organisational cultures..

At CM & A, it was not only the new comers from CO'DH that were affected, but the existing members of staff as well. There was a considerable amount of tension that emanated from the introduction of a 10% O & M shareholder in a company that had long been run by mere employees that had risen in rank to Chairman, Managing Director and Vice-Chairman. The threat of having an owner on board was very evident and permeated down the ranks were his presence to those originally from CM & A caused significant discomfort as people did not quite know where he ranked particularly after assuming the role of the agency's Creative Director. The laissez faire operations at CM & A were also very difficult for the CODH employees to understand much less cope with. Coming from an agency that valued teamwork, being left to one's devices was an insurmountable challenge for the employees concerned and also for their clients that had learned to liaise with just about anyone in the agency if they required anything.

At Barkers, due to its size, it was unlikely that the original members of staff would experience any major changes in their daily routine following the merger. Adversely, the impact for the CO'DH employees was made even greater by this scenario as it tended to relegate them to a contemptuous existence within the agency. The move for those who went to Barkers was described as a step back in time in more ways than one. The systems that the CO'DH employees had been used to did not exist at BMOM. Not that there were no systems present at the agency, but they were neither modern nor standard as they tended to vary between work groups. CO'DH members did not always understand the objectives of the work group as they were not written down, but created through years of understanding between members of the work groups, this made life even harder for them at Barkers. The accounts department at BMOM ran a manual accounting system. When the two clerks from CO'DH expressed their horror, they were told to adjust and adjust and cope with prevailing practise or be free to look elsewhere for employment. The thought of implementing a computerised accounting system as was in place at CO'DH was never even discussed at board level before the merger.

In keeping with the literature in Chapter 2, it is critical to use the 10 elements of a successful change process to analyse how effectively the group handled this major element in its merger.

1. *Mobilise commitment to change through joint diagnosis of business problems.*

All those affected by the element of change should have met to discuss their views and fears and the adoption of a suitable manner in which they could live through the process. This point was particularly ignored at CO'DH where information of which agency the employees were going was kept a tightly guarded secret until the week prior to the proposed move. Further, demotions that were known will take place by the shareholders were not communicated to the relevant personnel. At CM & A and BMOM, management did not anticipate that the merger. They felt that the CO'DH employees would be the

only ones who would face the challenges occasioned by the change, but that in a matter of time they would adjust to their new environments. This oversight came at a huge loss at CM & A when the agency lost both long-standing members of staff and clients.

What the three agencies needed to do was to come up with a common goal in terms of a proposed vision for the group and the individual agencies. With this vision in mind, the following steps should have been undertaken out in order to effectively carry the change process through:

- Nominating a senior member of staff at Group level, who would in turn nominate unit heads to champion the change process. Someone committed to the success of the merger and one who would hold empathetic views for all the parties involved.
 - Under this Change Master's guidance, a suitable programme for the change would be designed in terms of the time frame involved, resources required and the implication of this on the organisations long term goal in terms of the stakeholders: customers, shareholders, employees, suppliers etc.
 - A review of the current organisations' strengths and weakness Vis a Vis the groups ultimate goals regarding their customers and employees.
2. *Creation of a shared vision and Common direction.* This would have gone a long way in developing a united pull to deal with the challenges that were posed by the merger.
 3. *Separate from the past.* What everyone needed to learn and accept was that there should no longer have been CODH or a CM & A or even a Barkers way of doing things, rather a new way that embraced the beliefs of each of the two groups in both remaining agencies. The past should have ceased to become an alternative, except in the interest of common good and with the approval of all the merged parties.
 4. *Create a sense of urgency.* The only constant in our lives today is change. Everything else does not stand still. With this philosophy in mind, the change

effort at the O & M agencies would have been accorded the priority it deserved.

5. *Strong, supportive and committed top management.* Without this critical factor, any change effort at the agencies was doomed to fail. Top management lacked a passion for the transition and in instances encouraged regressive behaviour, which destroyed the merger's potential to succeed.
6. *Open and Honest Communication.* 100% of the respondents felt the flow of information regarding the merger was inadequately handled by their superiors. In fact most answers to the 13 questions on Change Management rank between 1 and 2 – *Not at all* and *inadequately* in terms of how well management handled various aspects of the change process. Top management totally ignored the impact that the change process would have on individuals and the agencies alike. After the merger, subordinates developed a certain fear for authority and never quite revealed their true feelings. None of the CO'DH employees ever challenged the union or said they were not happy when asked by the group's Chairman, yet they were resigning in large numbers. Most argue that the Chairman did not ask the question out of genuine concern, rather as a way of making some conversation with characters he did not know nor care to spend the time to do so and as such, deserved their insincerity.
7. *Develop enabling systems.* In embracing a new beginning, different structures would have to be set up to ensure the success of the process. This would include a formalised organisational structure at CM & A to depict clear reporting lines, and the inclusion of the new comers into the existing structure at Barkers.
8. *Institutionalise change through formal policies, systems and structures.* In the absence of a leader to guide the group through the change process, this element could not possibly be adopted at O & M.
9. *Monitor and adjust strategies in response to problems in the change process implementation.* Again the absence of a leader rendered this point ineffective at O & M.

10. *Create enabling culture.* This would have required a thorough assessment of the culture in place. As discussed in the section above, the most suitable culture would be one that embraced the dominant and most acceptable traits of each type present.

Change is a particularly difficult aspect of any merger. How it is managed plays a pivotal role in the overall success of the merger. At O & M, the change process was not managed at all by any of the three agencies. It was treated so lightly as though the powers that be felt the problems created therein would just go away by themselves. Failure to embrace even some of the essential elements of a successful change model resulted in major disharmony within the group amongst employees and some of the customers who were never fully cautioned about likely changes of operation that would be brought about by the merger.

4.7 Organisational Structure

Organisational structure is defined in accordance with the following parameters:

- How jobs are defined
- How various jobs are combined or grouped
- The appropriate size of each group and the relevance of this to the entire organisation
- Management's span of control
- Reporting relationships
- How people and technology are integrated
- How the organisation is exposed to the outside world
- How authority will be distributed.

CO'DH was too top heavy from the beginning. A classic case, of the proverbial "too many chiefs and no Indians". It would have been impossible to maintain all its directors at board level within a group that in total sat fewer members on its board. The shareholders at Carroll O'Donovan Hardy failed to practise total honesty with their employees particularly to the two directors and traffic

managers who found new portfolios awaiting them at BMOM. The structure at CO'DH was such that the only clear reporting scenario was directly to the Managing Director. In the events leading to the merger, the Managing Director did not fully exercise his authority in informing all the staff about details of the merger that would affect their careers. He also delayed releasing information about who went to which agency, thus created undue tension among the staff.

The prevailing structure at CO'DH also did very little to train the employees that in most organisations, a structured reporting pattern is normal. They were too used to presenting any grievances that they had to the Managing Director as he carried out his daily walk about, that they held the reporting structures in place at CM & A and Barkers with disdain.

From a technology point of view, CO'DH had boasted openly at pitches that no other agency in the country embraced technology like it did. Every employee at the agency had a computer with access to the Internet. The agency was also networked to facilitate the easy share of information. The creative and account department's staff often underwent training to keep abreast the ever-evolving technology.

Like many modern agencies, CO'DH had a Traffic manager to co ordinate the flow of work within the agency. This position was considered key to helping maintain the agency's proposed turn around times to its clients. It provided for a person who knew absolutely everything about all the clients' work. Learning to cope without traffic at the new agencies presented a myriad of problems for the CO'DH members. These problems were manifested by missed deadlines, as the responsible parties could not come up with workable critical path schedules in the light of their new environments. Fortunately for CO'DH clients at CM & A, the agency embraced the idea of Traffic management as a good idea and appointed the production assistant to run it. At Barkers however, the breaking down of employees into work groups meant that each group was totally responsible to the

client for absolutely every task. Within the group, deadlines and duties were assigned and it was easy for the established group members to stick to them, as communication was open. There was therefore “no room” for a traffic function at the agency. Something the shareholders overlooked when they billeted the CO'DH traffic manager to BMOM.

CM & A was run through the consultation of three people - the chairman, vice chairman and the managing director. All three directors were full time employees of the agency. Beyond the Vice-Chairman's leadership role in Client Services, it was not very clear exactly who was responsible for what within the agency. This made it particularly difficult to assign any reporting relationships within the agency. Departments generally found a favourite out of the three and used them to channel their grievances. Pre merger, there was very little rapport between most of the employees as they tended to segregate themselves in line with their “chosen leader”.

The agency's lack of a Creative Director for over two years had made CM & A's position vulnerable within the market place. Most of the creative work was derived from frequent brainstorming sessions and then presented to a free lance copywriter. This was not a bad thing except that the members of staff did have their daily duties to do as well and brainstorming is a time consuming exercise.

From a technology point of view, CM & A was less the innovator that CO'DH was but more the adopter. Like CO'DH, everyone had a computer and email access. The Internet however was a preserve for the directors. This would remain unchanged even after the merger. CO'DH members would argue quite correctly that they required access to the wealth of information on the Net if the agency was to succeed. The Managing Director however considered unlimited access to the Internet costly in terms of money and time that he felt would now be concentrated on the Net rather than on pending work.

The structure at BMOM was the most formal of the three structures. It mapped out clear lines of authority and reporting functions. The type of arrangement in place had worked well in the past for the agency. The advent of 14 new members of staff however could not be easily accommodated as it threatened to alter the status quo. As a result, the new employees never came to know to whom they were ultimately answerable. Whenever in doubt, they reported their grievances to their former managing director (who himself was now a mere director with no particular group portfolio), and hoped that he could solve their problems – which very often he no longer could.

From a group point of view, there was very little interference on the day to day running of the agencies. The group board met every second month to discuss issues of common interest to both agencies.

For its type of business, O & M should have attempted to adopt fairly flat structures in both its agencies. This would encourage a free flow of communication and power within the agencies allowing them to be more responsive to customer needs. The chosen structure strategy should have been one to support the sales and marketing goals of the group by outlining a clear flow of information between the agency's staff and its customers. Further, a flat structure would have deleted the duplication of efforts (particularly at CM & A) whilst merging core activities.

The impact of technology as a distribution channel should not have been lost to management. What happened to the CO'DH accounting staff at BMOM was most unfortunate. From a group level a champion for the integration of the technology should have been appointed at the time of the merger. This would have helped in reducing certain tensions that were the cause of the varied levels of technology in place at the three agencies. CO'DH ran a hybrid of MacIntosh and PC software in its creative studio. This helped the agency achieve compatibility with clients and supplier software without having to outsource work for conversion. CM & A ran

MacIntosh only and BMOM ran PC's only. The resulting frustrations for the CO'DH artists at their new studios was understandable but unfortunately not addresses by management. At Barkers, a computer on one's desk was a preserve for secretarial staff and management. Much was carried out in a manual fashion and there was very little hope for change in the near future. With the arrival of CO'DH, a network was put in place but it effectiveness was greatly reduced due to the limited access that members of staff had to it.

4.8 Leadership

The group lacked the charisma of a leader who had faith in the merger. There was no one to drive the merger from its inception, ensuring a sure failure in the future. Referring back to the literature on leadership, a selling style would have been appropriate for the entire group. This leadership style is best suited to an environment where there is a high need for direction but the input of sub ordinates is valuable as they have a high contact rate with customers. This leadership style would also have been aptly matched to the M2 type (Moderate Maturity) followers. The group's organisational effectiveness would have been enhanced through this correct matching.

Leadership is the core driver in the organisation's ability to manage culture, change and opportunity cohesively and move towards the organisations strategic vision. Matching of leadership style and maturity of followers according to the Hersey and Blanchard's Situational Leadership Theory would enhance the O & M Group's effectiveness. Management adaptability was required to manage the cross cultural advertising operations that were merged at CM & A and at Barkers. While the different situations called for different leadership styles, the common elements of a successful leader in both cases would have been one of a visionary, with a strong and close focus on the business operations.

4.9 Summary

Having completely evaluated the case of the merger between CO'DH and the O& M group of Zimbabwe against the theory model, it is apparent there was no effort put in place to ensure the success of the merger. While considerable strides were made at CM & A, the lack of involvement of the agency's board members would cripple any chances of future success. With both CO'DH and CM & A members affected by the merger, top management realised far too late that the implications of their mismanagement of key issues would result in the loss of critical members of staff and clients. The scenario at BMOM was particularly poor and did nothing but destroy any positive elements that were expected to be derived from the merger.

The major drawbacks to the merger evolved from the following problems:

- Underestimating the role-played by culture in an organisation.
- Underestimating the difficulties of merging two cultures.
- Underestimating the problems of skills transfer.
- Demotivation of employees especially from CM & A and CO'DH.
- Too much energy involved in concluding the deal with little or no emphasis paid to post merger strategies, planning and integration.
- Unclear responsibilities that delay decision making and reduce accountability.
- Neglecting existing businesses and paying attention to none revenue-generating matters.
- The groups misguided notion that mergers are the only possible ways of growth

In view of the weakening position of the Ogilvy and Mather group in the Zimbabwean advertising industry, the next chapter will conclude this research by offering recommendations on ways to overcome the problems posed by the merger and suggest how the group can forge a way forward and maintain its market dominance.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

In view of the information gathered in this dissertation so far, the first fifteen months following the conclusion of the merger between Carroll O'Donovan Hardy and the Ogilvy and Mather Group of Zimbabwe illustrated classic shortcomings in the post merger management of organisations. What the merger had set out to achieve in terms of increased revenue and long term sustainability failed because management neglected to pay attention to the pertinent issues of organisational culture, structure and change management. The implications of merging two organisations, which varied dramatically on these variables, had not been considered at the time of the merger. In the absence of visionary leadership, these issues continued to be ignored during the merger's operation even when associated problems such as employee resignations and customer defections reared their heads. This chapter will outline the strategic requirements that ensure success after a merger. These strategic areas will be based on effective organisational culture, organisational structure change management and leadership. The importance of these strategic variables in a post merger environment has been emphasised throughout the dissertation. In view of the conditions at O & M in December 2002, where the group was losing its market dominance due to the high number of staff resignations and the loss of key accounts, this chapter will suggest growth strategies that a company at O & M's stage of a merger can still adopt in order to guarantee some success in customer and employee retention and eventually overall business growth. Most importantly, the chapter will suggest performance measures that will ensure the group stays on its chosen track.

As a conclusion to this dissertation, a brief outline at opportunities for further study will be carried out.

5.2 Recommendations on Successful Post Merger Strategies

Recommendations on successful post merger strategies in terms of organisational culture, organisational structure, change management and leadership are as follows:

5.2.1 Organisational Culture

- A comprehensive analysis of the existing cultures should be done. Cultural strengths and weaknesses should be reviewed in a positive and constructive manner in order to get key issues out in the open.
- The organisation should then develop shared organisational culture to neutralise relative deprivation.
- The characteristics of the desired culture should be defined based on strategic vision, key objectives and financial objectives and market-positioning strategy. This will reinforce and clarify the organisation's focus, as well as management's commitment to the change process itself.
- Strong performance and sales culture are essential in the modern advertising industry.

5.2.2 Organisational Structure

- Strategy, Technology, People, Size and Structure should be considered in determining an organisational structure.
- Merging organisations should adopt flat structures with highly skilled, empowered, team oriented and communicating employees.
- The organisational structure should be supportive of a sales and performance culture.

5.2.3 Change Management

- Education and communication, participation and involvement and negotiation and agreement methods should be used in dealing with resistance to change to minimise performance and morale drop in the transition phases.
- The change process should mobilise commitment to change through joint diagnosis of business problems. It should create shared vision and common direction. It must separate from the past and create a sense of urgency. It must have strong supportive and committed top management. It must also have open and honest communication; develop enabling systems. The change process must be institutionalised through formal policies, systems and structures that allow for the monitoring and adjustment

strategies in response to problems in the change implementation and create an enabling culture.

- In today's modern business environment, the unfreeze, change and refreeze process should be managed as a dynamic process.

5.2.4 Leadership

- Matching of leadership style and maturity of followers enhances organisational effectiveness.
- Transformational leadership enables followers to perform beyond expectations.
- Leaders who are focused, visionary, strong and close to the business operations are more effective.

The Ogilvy and Mather Group of Zimbabwe had by December 2002, failed to harness these strategic requirements to ensure the success of their merger with Carroll O'Donovan Hardy TBWA fifteen months after the merger was concluded. The Group had suffered heavy losses of qualified personnel and key clients. The Group's position as the market leader in the Zimbabwean advertising industry was by now extremely compromised. If the group did nothing to address the problems, it would clearly lose its dominant control of the market.

In view of the resounding failure at post merger management at the Group, it would be best for O & M to consider other types of growth strategies that could help them in maintaining their number one position in terms of billings and production. These strategies would take into account the reality of the merger that is still present at the Group, such as the remaining employees at CM & A and the Barkers employees originally from CO'DH as well as key accounts that came from CO'DH at both agencies. The main focus of these growth strategies would be aimed at customer and employee loyalty and retention.

5.3 Alternative Growth Strategies

Mergers and acquisitions form part of the growth strategies of organisations. The objectives of this section are to illustrate that there is more to growth strategies than mergers and acquisitions. This section will focus on sustainable competitive strategies, as according to Mark N. Clemente and David S. Greenspan.

‘Mergers fail when integration is slow and overly focused on the cost reduction synergies instead of the strategic synergies that generate top line revenues’ (Clemente and Greenspan, 1998).

Cost reduction only saves money but does not build businesses; therefore in a post-merger environment, customer loyalty and retention and integrated business unit strategies are core in developing sustainable competitive growth strategies.

There is strong anecdotal evidence that many customers, especially retail and small businesses customers grow disenchanted after a merger as service fees increase, service is disrupted and there is a shift in strategy, which marginalises them (Milligan, 1998). This was clearly the case at O & M. CO'DH clients felt extremely compromised when their liaisons with the agencies resigned and the service levels they were used to were altered.

In order to grow a business like an advertising agency it is important to understand what attracts customers. According to research by Fred Reichheld (Morrall, 1996) there are four underlying reasons why companies choose a service industry:

- People
- Service
- Pricing
- Location and Convenience

Developing growth strategies that take into account the above would increase the chances of improving customer loyalty and retention after a failed merger.

This chapter will detail two growth strategy models, critical success factors for growth strategies, economic value added (EVA) and balanced score card (BSC) as performance measures and review growth strategies in the service industry.

5.3.1 Growth Strategy/Growth Capability Model

This section will discuss the Growth Strategy/Growth Capability model by Buxton and Davidson (Buxton and Davidson, 1996). This model has been chosen as it emphasises the importance of growth capability in developing a sustainable growth strategy after a merger in the service industry sector

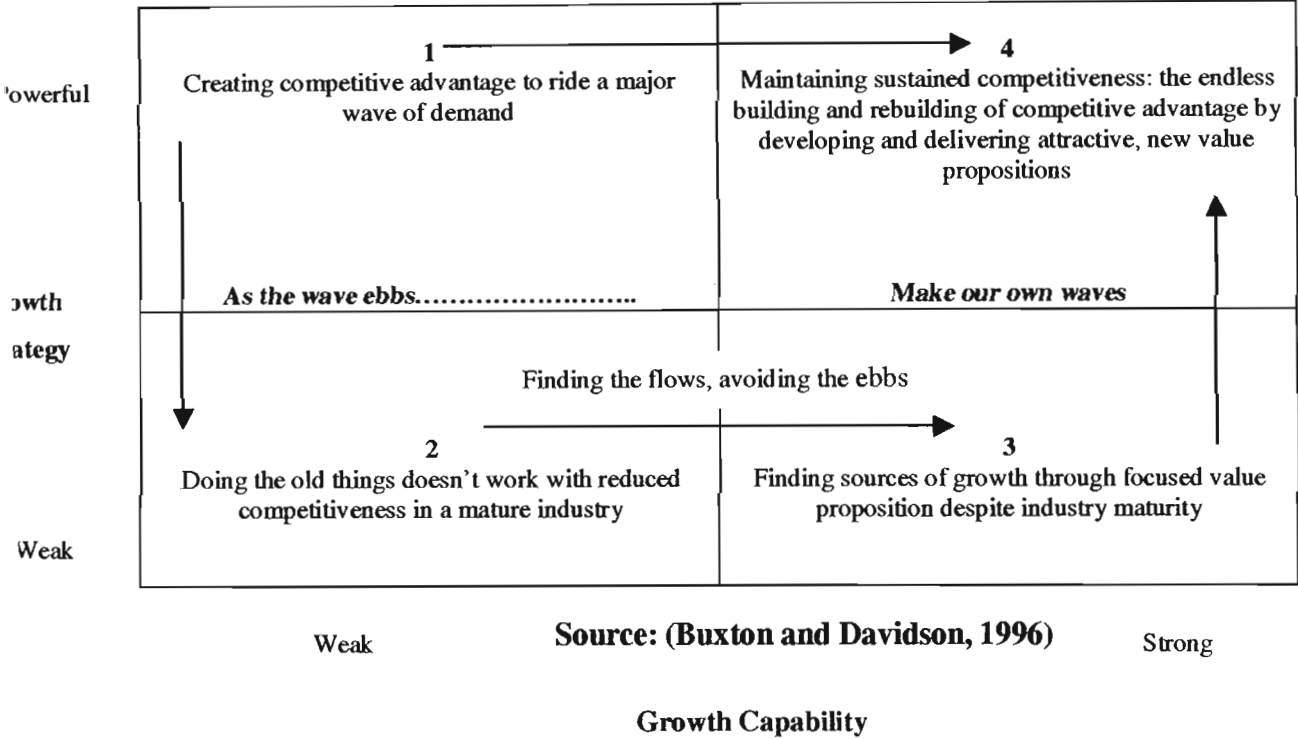
Service industries seeking to deliver superior returns must look not only to develop growth strategy, but also to create growth capability, which is the ability to sustain growth. The definitions below illustrate the differences between growth strategy and growth capability.

“Growth Strategy is a plan to commit resources to achieve growth-providing, competitive advantage through new technologies and products, new markets and ways to markets and ways to serve them, globalisation, partnerships, and any other means of improving strategic positioning” (Buxton and Davidson, 1996).

“Growth capability refers to a company’s business processes and organisation, harmonised in the never ending pursuit of discovering, developing and delivering superior value propositions to customers by satisfying existing needs and those that are emerging from trends in the larger market place” (Buxton and Davidson, 1996).

Most companies in the advertising industry were able to ride the wave when the market had excess demand. However, advertising industry services (in Zimbabwe) have now become standard and mundane, as the market is now mature and saturated. Further due to government legislation and policies, there has been a marked decrease in certain forms of advertising that involve the electronic and print media. This calls for new strategies as illustrated in Figure 5.1.

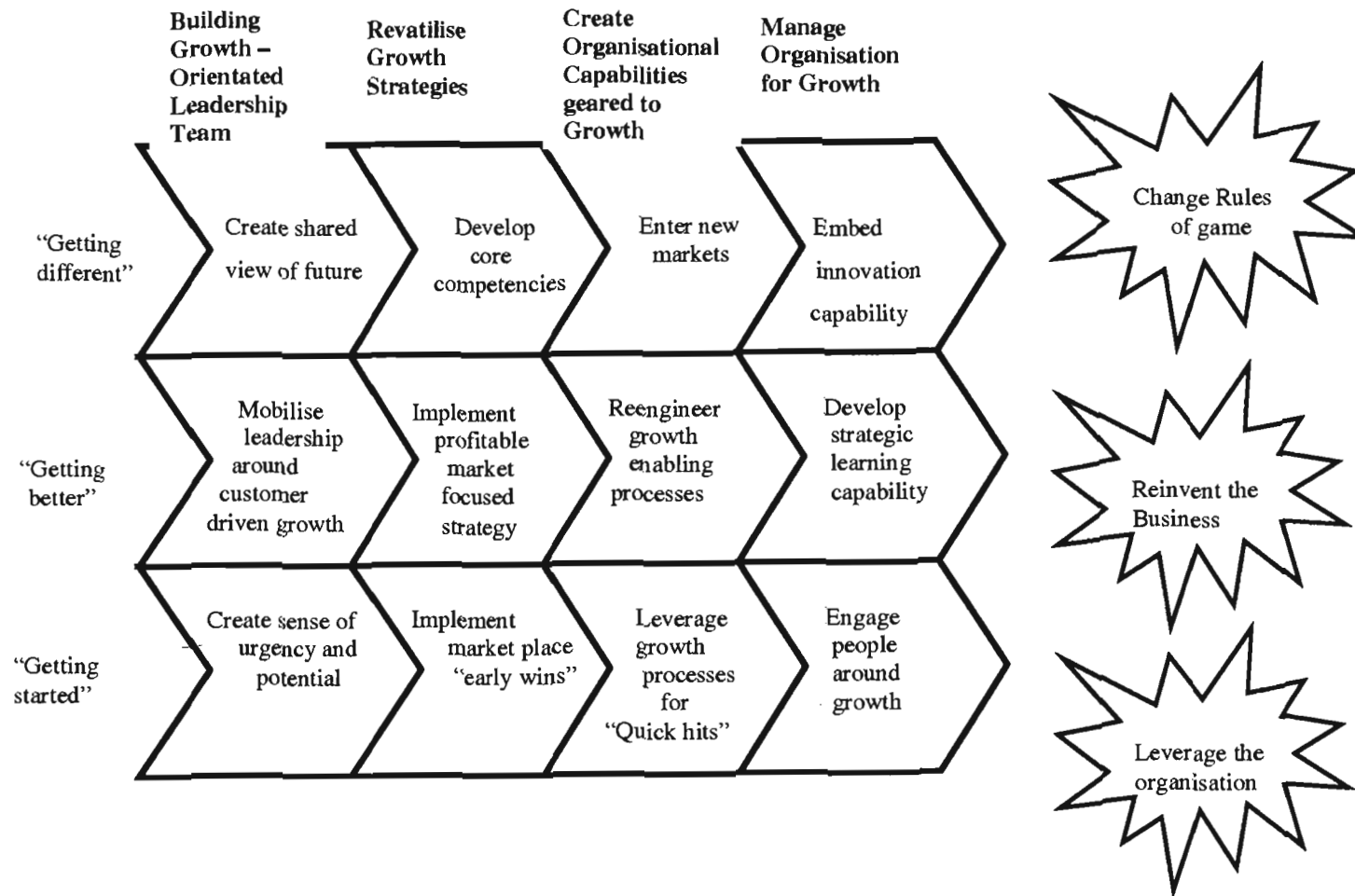
Figure 5.1 Growth Strategy/Growth Capability Model



As agencies slump from Quadrant 1 to Quadrant 2, they need to develop robust, effective and innovative strategies to enable them to ultimately reach Quadrant 4. In order to achieve this, agencies should continuously and simultaneously engage in actions on the Four Growth Fronts as illustrates in Figure 5.2.

Figure 5.2 Actions on the Four Growth Fronts

Source: (Buxton and Davidson, 1996)



The mega-mergers trend in the service industry is meant to create new markets with few, if any rivals, in order to preserve competitive advantages for long periods (Achi and Others, 1995). “Getting Better” and “Getting Different” strategies will help companies provide radically improved products and services to customers, thereby creating entirely new markets and shaping the industry structure in the markets they create. For example, alliances of technology companies, Internet companies and retailers are being entered into in order to create a business web, which sustains competitive advantage.

In order for the growth strategy and capability to be sustained, a culture that combines the determination to achieve true leadership with the humility to learn from others people’s ideas must be developed (Buxton and Davidson, 1996). Ideas generated from the study of Organisational Culture will be useful in this regard. These include the realisation that organisational learning and communication, tolerance and flexibility on the part of the merging entities can lower the culture risk. Further that the staff of both merging parties is open minded and flexible in their approach for a lasting solution.

5.4 Critical Success Factors for Growth Strategies

Clemente and Greenspan recommend a 10-step plan to instantly drive revenue growth.

1. Assemble a sales and marketing transition team

The team should ensure that the merged companies create immediate market momentum. The majority of the sales personnel should be freed from administrative activities so that they can concentrate on sales. As companies merge, a lot of publicity is inevitable. Sales and marketing personnel should cease this opportunity to make use of the “free advertising”

2. Communicate information to protect existing customer relationships

Communication programs must promptly inform customers of the benefits they will receive as a result of the transaction. As it is cheaper to maintain a customer than to obtain a new one, it is therefore logical that communication in order to achieve profitable customer loyalty and retention should be paramount in the early stages of the merger. In the latter parts, the customer should remain reassured that the company values their

business and will do all in its power to maintain it. For O & M, the Agencies should have ensured that they reaffirm the group's commitment to the remaining clients and to act upon that promise. Most importantly, Management should get to know all the clients personally and seek to involve themselves at the decision-making levels of these clients by creating a rapport with top management at the companies. The O & M Chairman's philosophy of befriending your clients should become a binding one to all his senior members of staff.

3. Determine the product line and pricing structure

The merging partners should rationalise the product line and aggressively promote highly profitable product lines. The pricing of transactions should be discussed upfront to avoid departmental conflict. In the case of CM & A where the Managing Director had a dramatically different pricing structure, it is important for the key personnel at the agency to meet and discuss the pros and cons of this strategy before suggesting a suitable way that can standardise the agency's system.

4. Identify key competitors, including their products, pricing and positioning

Determining the priority of products must be followed by a comprehensive strengths, weaknesses, opportunities and threats (SWOT) analysis of the key competitors. This analysis will give a clear picture of the company's positioning in terms of its key competitors in a manner that will allow it to better control or improve its position.

5. Articulate the brand positioning

To avoid confusion and the cost of multi branding, it is best to have a common branding upfront, and explain any changes in branding due to the merger. By December 2002, CM & A was renamed CM & A Ogilvy in a move that went with no publicity. The Group can use the rebranding of CM & A to re affirm its stronghold in the advertising industry.

6. Consolidate Customer Databases

This is probably the most daunting task especially when melding disparate technology systems. Effective database marketing can create a powerful advantage as products and

services would be tailored to the customer profile. Database marketing can also help the company increase its share of the customer's wallet. One of the primary requirements of this would be for BMOM to undergo a fully-fledged information technology overhaul that would see the agency adopt the use of modern facilities such as computers and networks. In addition to the infrastructural changes, the personnel would have to undergo relevant training programmes to enable them to gain maximum advantage from the technology.

7. Develop marketing communication and collateral materials

Product brochures and direct marketing materials must be expeditiously written, produced and distributed through the new and broader marketing channels. In view of the reduced exposure of traditional advertising channels, the Group needs to forge strategic partnerships with related industry so as to devise new lines of product communication for their customers.

8. Mobilise and train the sales force

Successful selling requires strong sales culture backed up by incentive compensation programmes that encourage people to sell. In addition, sophisticated technology that relies on large data warehouses and instant access from department, and intelligent pricing policies that reward customers for concentrating their marketing relationship with a single provider (Milligan, 1998).

9. Launch image advertising

Advertising from both a corporate image and product standpoint must be launched instantly to facilitate sales efforts. The new entity should create a sense of expectation about the 'new' company and then exceed it. The company should however make sure that it delivers on what it promises; otherwise it could suffer irreparable loss of credibility and goodwill with customers .

10. Target the merged company's most profitable customers

The merged companies must focus their initial efforts on core customers that will drive immediate profits. At the same time an inventory of unprofitable customers should be done and these should be eliminated by subtle means like increasing fees and credit lines.

In the near term, marketing offensives should be aimed at customers who have been pin pointed as likely buyers of specific products and services in the future based on their purchase of specific products in the past. The broader market can be attacked over the medium term.

Having discussed the growth strategy/growth capability model and critical success factors, performance-measuring methods will be discussed in section 5.5, as they enable the company to establish how effective their strategies are.

5.5 Performance Measures

Generally accepted accounting principles (GAAP) based accounting and reporting functions are losing relevance as tools for governance or strategically active companies. To modern managers, GAAP is an encumbrance and the slowly evolving creature of accounting institutes. Powerful new Perspectives may be gained by harnessing methodologies such as Economic Value Added (EVA) and the Balanced Scorecard (BSC) (Cates, 1997).

5.5.1 Economic Value Added (EVA)

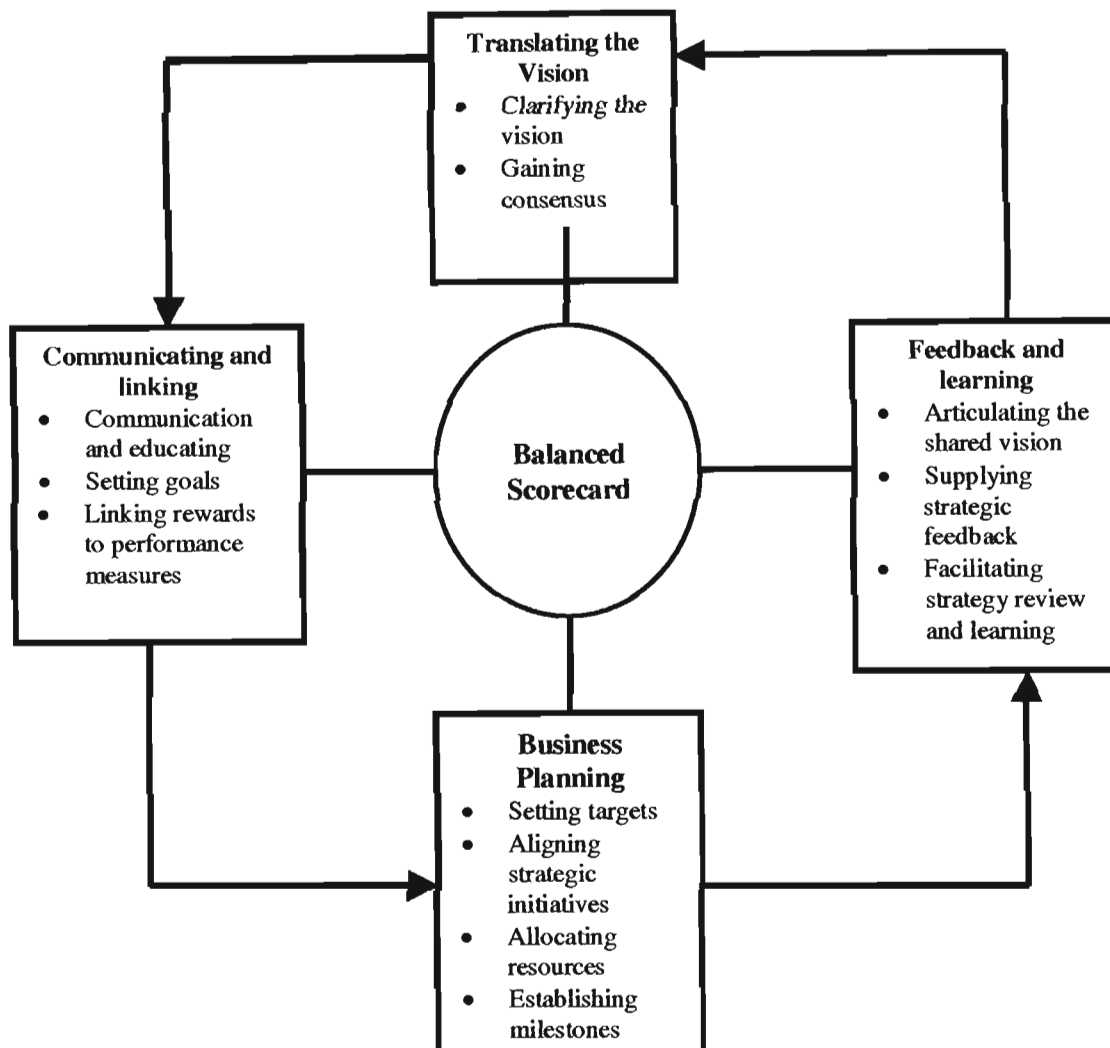
- Conventional accounting measures like Return on Equity (ROE) and Return on Assets (ROA) fail to take into account the fact that shareholders require a risk related return on capital, are backward looking and are subject to manipulation.
- EVA has been gaining favour as a measure of financial performance as it measures the real profitability of a business after the total cost of its capital – debt and equity – has been taken into account.

- EVA therefore clearly shows whether shareholder value is being increased or destroyed. By using EVA, companies can establish whether their growth strategies are increasing shareholder value (one of the major drivers of mergers).
- EVA is however limited in that the restatements and estimates used in calculations are generally not published, making it difficult to understand and verify EVA achievements.

5.5.2 Balanced Scorecard (BSC)

- The BSC addresses a serious deficiency in traditional management systems: their inability to link long-term strategy with short-term actions.
- The BSC allows executives to introduce four new processes that, separately and in combination contribute to linking long-term strategy objectives with short-term actions: translating the vision, communicating and linking, business planning and feedback and learning as illustrated by figure 5.3.

Figure 5.3 Managing Strategy: Four Processes



Source: (Kaplan and Norton, 1996)

The company would have to select quadrants within which to organise its performance information or that of its business units. As an illustration, financial performance, customer base, service quality and organisational qualities will be discussed (Cates, 1997).

- **Financial Performance**

ROA

ROE

Efficiency Ratio

EVA

EPS

- **Customer Base**

Market Share

Demographics

Customer Profitability

- **Service Quality**

Customer Satisfaction index

Customer Ranking Survey

- **Organisational Qualities**

Learning Environment

Innovation

Morale

Employee Retention

The various measures are neither standard nor comparable. Each measure is indexed on say a 1 to 5 scale, which would be benchmarked against competitors. A quadrant and corporate (total) score can be calculated.

In monitoring the success of the growth strategy, the growth in financial performance measurements should be compared to the performance of the other three quadrants; customer base, service quality and organisational qualities. If the progress is not across the board, this is an indication of the danger to the sustainability of the growth strategy.

5.6 The Future of Ogilvy and Mather Zimbabwe

Management needs to accept that there are lessons to be learnt from the merger. This is particularly important if the group maintains its current thinking that in order to maintain the Group's market dominance, they must acquire all competing agencies in the country. They have to realise that in order to grow; they must first look at the potential they hold within. It is easier to maintain present business than to look elsewhere, especially in a challenging economic environment. What is required at O & M is a clear vision of where the organisation wants to be in the next few years and an outline of how it will get there. The focal point of any strategy adopted by the group should prioritise the welfare of its employees first, and then in turn the preservation and growth of its customers.

5.7 Summary and Conclusion

Customer loyalty and retention is an integral part of a growth after a merger. Growth strategies should take into account the underlying reasons why people choose an advertising agency: people and service; product and service and convenience. Agencies must consider both growth strategy and growth capability in order to achieve superior and sustainable growth.

New concepts like economic value added (EVA) and balanced scorecard (BSC) should complement traditional performance measures like return of assets (ROA) and return on equity (ROE) in order to establish risk adjusted returns and link the long-term growth strategy to short-term actions.

5.8 Opportunities for Further Research

The study was largely based on secondary information. There is scope for detailed primary research of the recommendations illustrated in this chapter. The research can focus on any one of the following topics or on all of them in terms of their importance in an organisation after a merger:

- Organisational Culture
- Organisational Structure
- Change Management

- Leadership and
- Growth Strategies

The research could also be extended to the examination of successful post management strategies that can be adopted in a hyperinflationary economic environment.

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APPENDICES

QUESTIONNAIRE

INTRODUCTION

As part of my MBA studies, I am doing a research project on Post Merger Management Strategies within the Ogilvy and Mather Group in Zimbabwe. I would greatly appreciate your input by answering the attached questionnaire as honestly as possible. The answers provided will be treated with the strictest of confidence and are for use purely for academic purposes. Your co-operation is appreciated.

The questionnaire is in the form of four sections: General Information, Change Management, Culture and Leadership. Should you not understand what is required of you in any part of the questionnaire, please do not hesitate to ask for clarification.

SAMPLE QUESTIONNAIRE

SECTION 1: GENERAL INFORMATION

1. Which agency did you belong to in September 2001?
 - a.) Barker McComark Ogilvy and Mather
 - b.) CM & A
 - c.) Carroll O'Donovan

2. How long had you been with the agency?
 - a.) Less than a year
 - b.) One year to three years
 - c.) Three years to five years
 - d.) More than five years

3. Which department were you in?
 - a.) Client Services
 - b.) Accounts
 - c.) Media
 - d.) Creative
 - e.) Administration
 - f.) Production

4. Are you still employed within the O & M group?
 - a.) Yes
 - b.) No

5. If No please indicate the date that you resigned and briefly state your reasons for leaving

6. If yes, do you enjoy your job/environment after the merger?
- a.) More than before
 - b.) Less than before
 - c.) Are indifferent
 - d.) Don't know

SECTION 2: CHANGE MANAGEMENT

How do you feel your superiors managed the following changes during the merger?

Answer where applicable to your circumstances, rating your answers on the table below using the scale of 1 – 5 where:

- 1. Not at all.**
- 2. Inadequately.**
- 3. Satisfactorily**
- 4. Very well.**
- 5. Not Applicable.**

1. Fear of the Loss of Identity you had
2. Your new role/continued role in the merged agencies
3. Any fears of job loss/demotion
4. Possible disruptions to your expected career path
5. Which agency you went to (CO'DH)
6. Any Loss of, or reduced power, status or prestige
7. Flow of information regarding the merged agency
8. The consistency of the information regarding the merger
9. Changes in rules, regulations, procedural and reporting arrangements
10. Changes in colleagues, bosses and subordinates
11. Ambiguous reporting systems, roles and procedures
12. Personality/ culture clashes
13. Increased workloads

TABLE Q1

Question Number	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	

SECTION 3: CULTURE

Consider the following items and choose the one response which most applied to Carroll O'Donovan Hardy, CM&A Ogilvy or Barker McCormack Ogilvy and Mather. Indicate your answer on the attached table in the first column marked "Pre Merger" and repeat the exercise, this time responding about the merged agency that is currently in place. Indicate this answer in the column marked "Post Merger"

1. In this agency, individuals were (are) expected to give first priority to:
 - a.) Meeting the challenges of the individual task in which they are involved.
 - b.) Cooperating with and attending to the needs of their fellow workers.
 - c.) Following the instructions of their superiors
 - d.) Acting within the parameters of their job description.

2. The agency respond(ed) s to its members as if they (were) are:
 - a.) Associates or colleagues
 - b.) Family or friends
 - c.) Hired help
 - d.) Contracted employees

3. In this agency, people are motivated and influenced most by:
 - a.) Their own commitment to the task
 - b.) The respect and commitment which they have for their co workers
 - c.) The prospects of reward or fear of punishment
 - d.) The agency's unwritten "rules"

4. A 'good' employee is considered to be one who:
 - a.) Is self-motivated and willing to take risks and be innovative if the task demands it.
 - b.) Gets along well with others and is interested in their self-development.
 - c.) Always does what his/her superior tells him/her to do without question.
 - d.) Can be relied on to stick to the agency's rules.

5. Relationships between work units or interdepartmentally are generally:
 - a.) Cooperative
 - b.) Friendly
 - c.) Competitive
 - d.) Indifferent

6. In this agency, decisions tend(ed) to be:
 - a.) Made by the people on the spot that are close to the problem and have the appropriate task expertise.
 - b.) Made after considerable discussion and with the consensus of all those involved regardless of their position in the organization hierarchy.
 - c.) Referred up the line to the person who has the most formal authority.
 - d.) Made by resort to established procedures.

7. It is most important for a new member of this agency to learn:
 - a.) To use his/her initiative to get the tasks completed
 - b.) How to get on with his/her fellow workers
 - c.) Who really counts in this organization and be aware of political coalitions
 - d.) The formal rules and regulations

8. The dominant managerial style of this agency is:
 - a.) Democratic and open
 - b.) Supportive and responsive to individual needs and idiosyncrasies
 - c.) Authoritarian
 - d.) Impersonal and remote

TABLE Q2

Question Number	Pre Merger	Post Merger
1		
2		
3		
4		
5		
6		
7		
8		

SECTION 4: LEADERSHIP

- 1. Is there a structured reporting pattern in your department?
 - a.) Yes
 - b.) No

- 2.Are you ever consulted on issues relating to your department?
 - a.) Yes always
 - b.) Sometimes but rarely
 - c.) Often
 - d.) Never

- 3. Is your input ever requested on important issues concerning the agency?
 - a.) Yes always
 - b.) Sometimes
 - c.) Never
 - d.) Not Sure

- 4. What do you feel about management’s relay of important issues to the rest of the staff?

- a.) It is announced in a dictatorial manner with management's decision being final.
- b.) It is relayed in an impersonal manner through memos, emails etc
- c.) Staff are asked to add their input if any
- d.) It is announced in a pleasant but firm manner

5. Do you feel your opinion on these matters is valued?

- a.) Yes
- b.) Not really
- c.) No
- d.) Not too sure

6. Who makes the decisions in your department?

- a.) The department as a team
- b.) Your Superior
- c.) Don't know
- d.) Some member of the department

7. Do you find your Superior?

- a.) Easy going and approachable at all times
- b.) Sometimes difficult to talk to
- c.) Aloof
- d.) Not sure

8. You can discuss your grievances with you superior

- a.) With ease
- b.) Rather uncomfortably
- c.) Never
- d.) Not sure

9. Regarding your confidence in your chosen career, do you feel that the actions of management

- a.) Improves your self esteem
- b.) Diminishes your self esteem
- c.) Disregards your self esteem
- d.) Do not affect your self esteem

10. Are you aware of any plans that are in place for you within the organisation?

- a.) Yes
- b.) No
- c.) Not too sure

PRESENTATION OF DATA GATHERED

SECTION 1 GENERAL INFORMATION

If you are no longer employed by the O & M Group Briefly State Reasons for leaving?

- Management too aloof and unconcerned about the individual welfare of the staff
- Environment too unfriendly
- The atmosphere was far from warm
- Work groups were too rigid and could not accommodate another member much less their views
- To get married and leave the country
- Received an offer elsewhere that I could not refuse
- Became disillusioned with the industry after three key players had in my eyes failed to combine into something meaningful
- Left to start my own agency
- Went to work in a colleague's new agency
- I once looked forward to each new day at work, but by then I hated my job and knew it was time to leave
- There was no scope for my future in the new agency
- Felt unjustly treated as I was demoted in rank without any warning
- I found the job less interesting and challenging than before
- Doubted the future of O & M in the face of the prevailing economic environment

SECTION 2: CHANGE MANAGEMENT

Barker MacCormark

Figures denote percentage of respondents who selected that answer

<i>QUESTION #</i>	Not at all	Inadequate	Satisfactory	Very Well	Not Applicable
1	-	-	-	-	100
2	-	-	-	-	-
3	-	-	-	-	-
4	-	-	-	-	-
5	-	-	-	-	100
6	-	-	-	-	100
7	-	100	-	-	-
8	-	100	-	-	-
9	-	-	-	-	100
10	20	50	-	-	30
11	-	-	-	-	100
12	-	75	-	-	25
13	-	-	-	-	100

CM & A

Figures denote percentage of respondents who selected that answer

<i>QUESTION #</i>	Not at all	Inadequate	Satisfactory	Very Well	Not Applicable
1	55	45	-	-	-
2	100	-	-	-	-
3	30	20	25	25	-
4	65	25	-	-	-
5	-	-	-	-	100
6	25	75	-	-	-
7	-	100	-	-	-
8	-	100	-	-	-
9	80	20	-	-	-
10	100	-	-	-	-
11	-	100	-	-	-
12	55	45	-	-	-
13	-	-	-	-	100

Carroll O'Donovan Hardy

Figures denote percentage of respondents who selected that answer

QUESTION #	Not at all	Inadequate	Satisfactory	Very Well	Not Applicable
1	100	-	-	-	-
2	-	45	55	-	-
3	20	80	-	-	-
4	-	60	40	-	-
5	100	-	-	-	-
6	100	-	-	-	-
7	-	100	-	-	-
8	-	100	-	-	-
9	20	80	-	-	-
10	65	35	-	-	-
11	90	10	-	-	-
12	100	-	-	-	-
13	-	60	-	-	40

SECTION 3 CULTURE

PRE MERGER RESPONSES TO SECTION 3: CULTURE

Figures denote percentage of respondents who selected that answer.

Barker MacCormack

QUESTION #	a	b	c	d
1	80	5	-	15
2	60	25	5	17
3	100	-	-	-
4	75	20	-	5
5	-	-	55	45
6	95	-	-	5
7	-	67	-	30
8	20	10	50	20

CM & A

QUESTION #	a	b	c	d
1	95	-	5	-
2	15	5	30	50
3	64	10	-	25
4	30	10	50	10
5	45	5	20	30
6	-	-	100	-
7	-	-	70	30
8	30	30	10	20

Carroll O'Donovan Hardy

QUESTION #	A	b	c	d
1	85	-	15	-
2	50	50	-	-
3	100	-	-	-
4	100	-	-	-
5	45	55	-	-
6	75	-	25	-
7	100	-	-	-
8	90	-	10	-

POST MERGER RESPONSES TO SECTION 3: CULTURE

Barker MacCormack by CO'DH

QUESTION #	a	b	c	d
1	-	-	20	80
2	-	-	-	100
3	45	35	5	15
4	100	-	-	-
5	-	-	10	90
6	5	95	-	-
7	-	30	40	30
8	-	-	100	-

CM & A BY CO'DH

QUESTION #	a	b	c	d
1	-	-	10	90
2	-	-	100	-
3	100	-	-	-
4	-	-	90	10
5	-	-	-	100
6	-	-	100	-
7	-	-	90	10
8	-	-	-	100

CM & A BY CM & A

QUESTION #	a	b	c	d
1	10	35	50	5
2	60	10	10	20
3	60	10	5	24
4	30	10	50	10
5	60	30	-	10
6	-	15	85	-
7	5	35	50	10
8	30	10	30	30

SECTION 4: LEADERSHIP

Figures denote percentage of respondents who selected that answer.

QUESTION #	a	b	c	d
1	45	55	-	-
2	40	20	10	30
3	25	40	15	20
4	-	100	-	-
5	30	20	35	15
6	35	50	-	15
7	30	25	15	30
8	5	5	15	75
9	5	25	5	65
10	5	35	60	-

TABLE 1

Which Agency Did You Belong to in September 2001?

17 C M & A

21 CODH

32 BMcCO&M

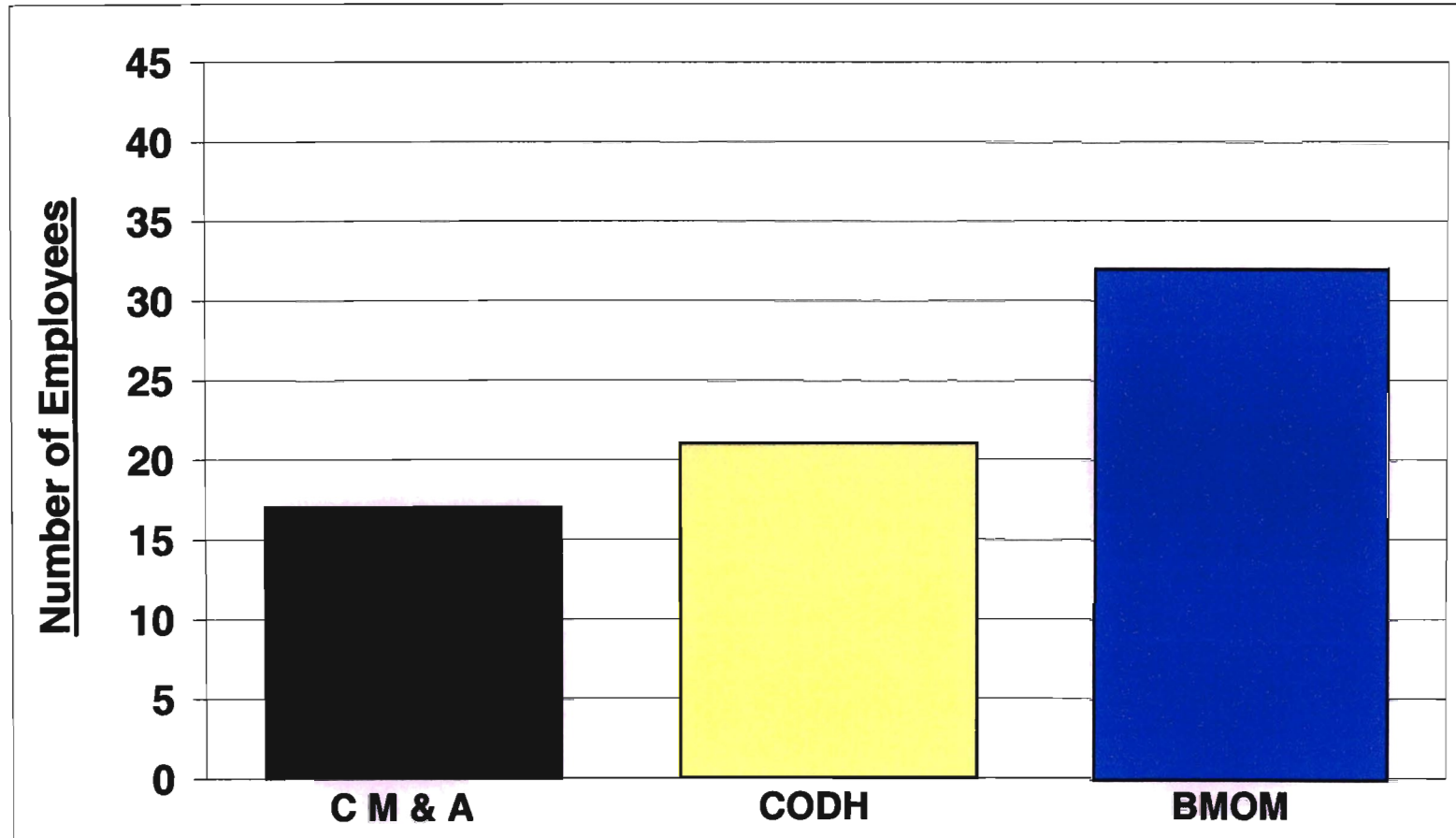
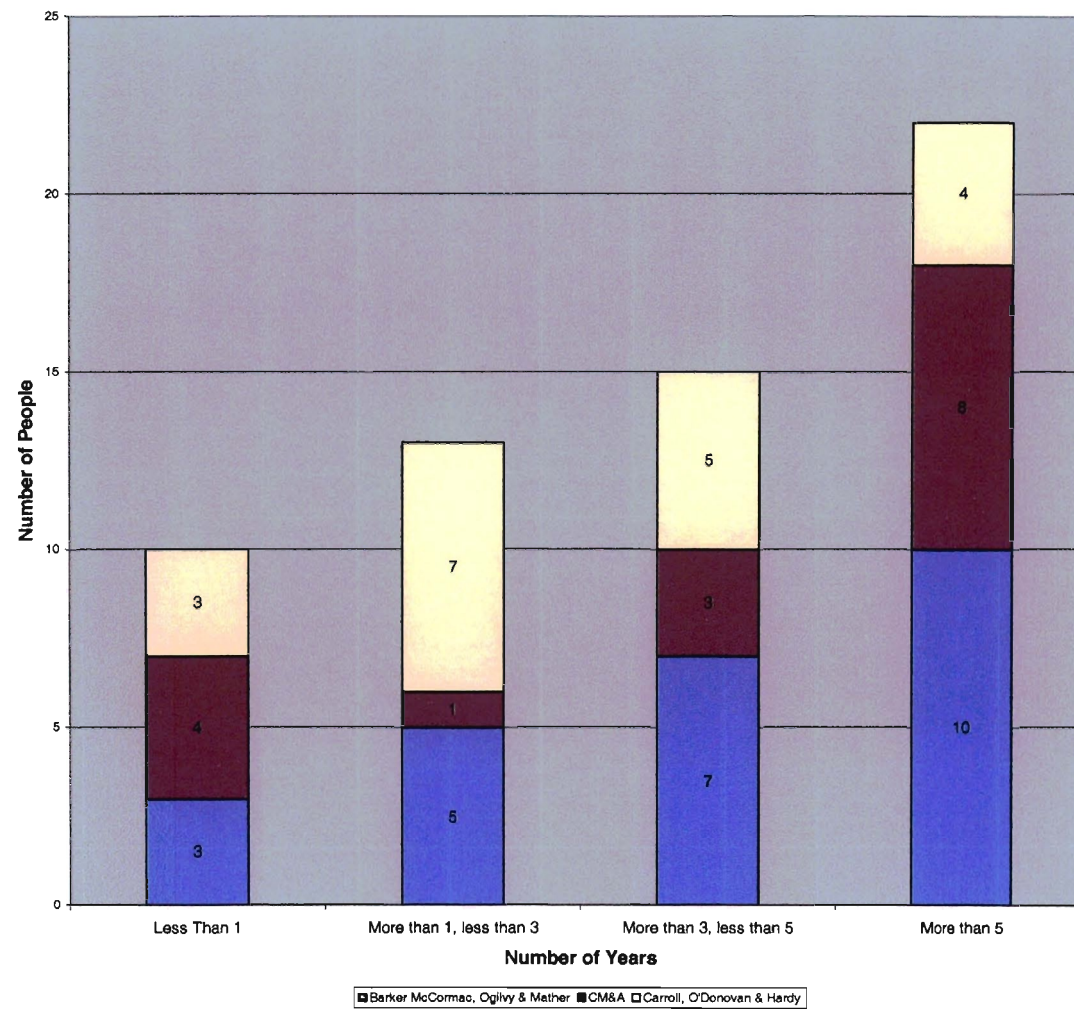


Table 2



How Long Had You Been Employed by the Agency?

TABLE 3
Are you still employed by the O & M group

33% NO
77% YES

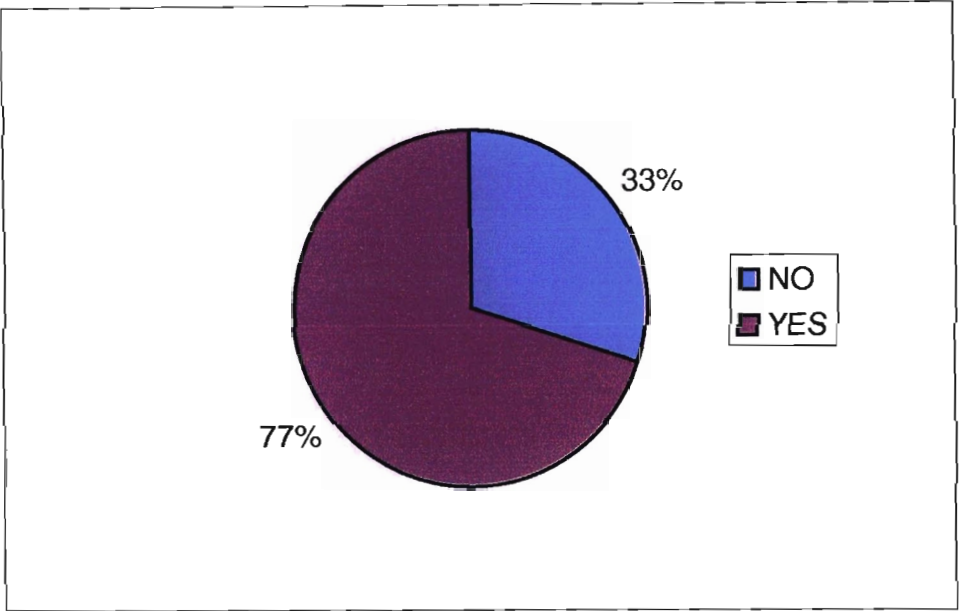
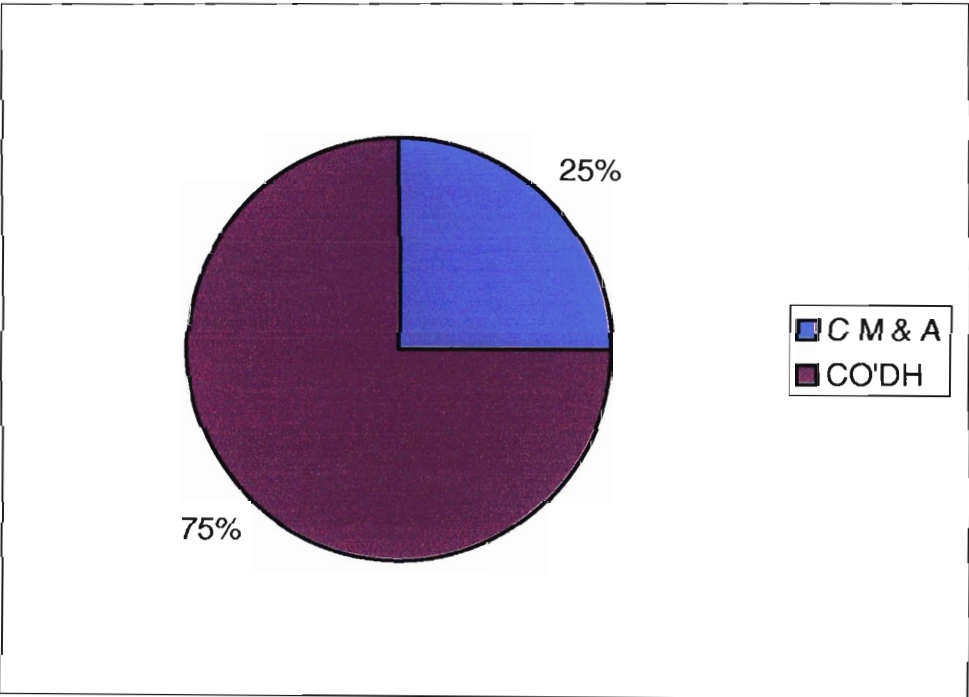


TABLE 4
Denotes % of those no longer employed by the group by agency

25% C M & A
75% CO'DH



Breakdown of "NO" by Agency.

TABLE 5
How do you Enjoy Your Job/Environment After the Merger?

40% LESS THAN BEFORE
5% MORE THAN BEFORE
45% INDIFFERENT
10% DON'T KNOW

