ALLIANCES

DISCUSION

Companies engage in strategic alliances because they believe that it'll enable them to share resources, thus creating synergies for a faster growth and diversification of their investment portfolios. But statistics show that a large part of alliances do not prove to be financially successful, for they don't succeed in increasing shareholder value or creating wealth for all involved. What are the most typical reasons for alliances to end in failure? In what case are alliances likely to be a success? What makes a joint venture different from a merger or a takeover? What recent mergers or takeovers have you read about? Were they a success?

TASKS for the article "Listen. It's GE's secret for a successful marriage."

1. Look up the pronunciation of the following words in the dictionary, please!

Exodus - исход Mediocrity -посредственность Preordained - предопределенный Disproportionate -непропорциональный Swallow – глотать Excepted - исключенный Explicitly – явно, на поверхности	Paramount - огромный Homogenize – делать однородным Non-negotiable – не поддающийся переговорам Compliance – уступка, согласие Steamrollering – прохождение катком, выравнивание Replicate – повторять, воспроизводить

2. Give the Russian equivalents for the following expressions

Be fraught with, be immune to, failure rate, be on the go, pose (distinctive) challenges, deviate from (the plan), be on the watch for (deals), be a means not an end, get through the filter.

3. Read the text for the first time. What problems does the author tackle in the article?

4. Which of the numbered paragraphs

- draws a conclusion on successful deal making;
- gives statistics on mergers and acquisitions, describes the consequences of unsuccessful mergers for the parties involved and stresses the complex nature of the phenomenon;
- gives examples of companies that are successful acquirers;
- states that GE has no universal recipe for its successful acquisitions;
- informs us that it is an accepted practice for GE to deviate from the initial plan if the situation requires it;
- explains under what circumstances a merger is likely to take place;
- explains how GE tackles the problem of adjustment (several aspects in different paragraphs);
- defines the hallmarks of their business philosophy.

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5. Answer the following questions, please!

- Why are there more mergers that ended in failures than the ones that resulted in increased shareholder value?
- Who are "serial acquirers"?
- What merger of GE ended in failure?
- What is the procedure for carrying out mergers?
- What is the underlying principle that helps to choose a deal?
- When do egos collide? What allows GE to deal with the problem of power struggle and collision of interests effectively?
- Do they set it their goal in GE to make acquired companies accept their corporate culture and adapt their work procedures?
- In what way was the acquisition of Amersham International unusual?
- What do they mean by "reframing growth expectations"?
- Does the title reflect the contents of the article? Why did the author resort to the use of metaphor?
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6. Prepare your own introduction and conclusion and retell the text using Ex.3 as an outline for your retelling.

LISTEN.

IT'S GE'S SECRET FOR A SUCCESSFUL MARRIAGE

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Last year, companies engaged in $ 1.9 trillion worth of mergers and acquisitions. Most of them –perhaps two thirds – will destroy or fail to create value, provoking the exodus of customers and employees and ruining the very things that prompted the companies to buy. Like much I management, just because mergers are obvious and common doesn't mean they are easy. On the contrary, they are fraught with difficulty – which is why success is rare.

However, merger mediocrity is not preordained. Of the successful ones, a disproportionate number are performed by a few serial acquirers that seem to be immune to the failure rate applying to others. Cisco, for example, consistently swallows eight or 10 substantial companies a year. But perhaps the champion buyer is GE, which in its 20011 annual report identified £8.5bn of industrial acquisitions for 20013 - a not unusual amount for the £65bn giant.

How and why do GE's mergers (the abortive Honeywell bid that ended Jack Welch's career always excepted) succeed? Perhaps surprisingly for such a driven company, there's no standard formula, according to Roman Oryschuk, president and chief executive of GE Capital Solutions' equipment financing arm. Equipment

financing, with £5bn in assets and 1,500 employees, currently has six active integrations on the go around the world, each posing distinctive challenges.

As always with GE, there is a plan, with numbers, and leaders in both the acquired company and the business unit who help push integration forward even before the deal is closed. But much, says Oryschuk, is about 'judgment and thought', and if deviating from the plan will benefit the end result, then so be it.

This is because, for GE, deals are explicitly a means, not an end. The end is long-term organic growth. Although the group is constantly on the watch for deals, only those that add something in terms of strategy, products, geographic spread or talent get through the filter. It follows that, in any merger, retaining acquired customers is paramount - and that also means looking after the people who have won the customers in the first place. 'Customers do business with people; they're the bond,' says Oryschuk.

Also unexpected is that, despite GE's famously tough and focused ways, the aim is not to homogenise the companies it takes over. It is true that, early on, the managers acquired in the takeover are exposed to GE's non-negotiable group compliance and HR processes, as well as its legendary financials. But 'we buy companies because they have something we don't,' insists Oryschuk. 'A successful acquisition is when both sides adjust and learn.'

Ukrainian by birth, Canadian by upbringing, and once an 'acquired manager' himself, Oryschuk is well placed to know that blending two strong cultures is a matter of sensitivity and balance, not corporate steamrollering. Listening is as important as talking, he says. 'You mustn't overwhelm people: too fast is as bad as too slow.'

In some cases - as with the acquisition of the UK's Amersham International in healthcare - it is the acquired company that absorbs the GE entity, rather than the other way around. In these 'reverse integrations', as the more experienced buyer, GE has the additional challenge of 'training the integrators to integrate us'.

Part of the adjustment process is reframing growth expectations. GE always wants to be number one or two in its markets, and by quickly drawing acquisitions into the group's annual 'growth playbook' - a vision of where the business should be going and how to get there - managers gain practical understanding of the new opportunities that being part of one of the best-managed large firms in the world gives them.

(10)All this leads to some unexpected conclusions. Listening, balance, judgment, sensitivity, reflection, empowerment: these would probably not be the first words you might associate with a tough cookie like GE. Indeed, in the age of private equity, where the answer to all problems is reduced to finance, they are pretty unfashionable management concepts generally.

(11) Yet it's a powerful reminder of some of management's home truths. To the disappointment of those seeking short-cuts to successful dealmaking, the conclusions to be drawn from GE are - there are no conclusions. Successful deal-making is indivisible from good management, full stop. You can't replicate GE's process for accomplishing mergers any more than you can replicate Toyota's production system, because you aren't GE or Toyota. If you know what the deal is for

and what success is, and conduct it with the same respect, values and principles that you bring to all the other things you successfully do, you'll do successful mergers. To paraphrase and reverse Tolstoy: unsuccessful companies are all alike. Every successful company is successful in its own way.

TASKS for the article «How to. . . survive and thrive from a merger and acquisition»

1. Read the 10 pieces of advice on how make a merger work and the sentences which summarize them. Match the numbers to the letters.

- (1)Each merger or acquisition should be looked upon as a chance to boost your career.
- (2)Company culture can be their valuable asset and after the merger it should be treated like that.
- (3)It's necessary to have a vision of the newly formed company before the merger has taken place.
- (4)It's necessary to enlist the help of outside consultants while making decisions concerning the key personnel of the newly formed company.
- (5)Some systems of the acquired company may retain some of their autonomy if the brand identity is at stake.
- (6)It's not right trying speed up the process of integration at any cost.
- (7)Under no circumstances can profit be neglected.
- It's important for people to understand what is going on in the company.
- (8)Avoid downsizing at the initial stage of integration whenever possible.
- (9)It always works to use a positive approach and expect a friendly welcome on the part of the acquired company.

2. Select 5 the most useful from your point of view pieces of advice, rank them in order of importance and comment on your choice.

3. Enact a conversation between the CEO of the newly formed company and a business consultant who is giving the CEO useful pieces of advice on integration and warns him/her about the possible pitfalls.

HOW TO. . . SURVIVE AND THRIVE FROM A MERGER AND ACQUISITION

In troubled economic times, many companies restructure - what impact does this have on company culture and careers?

Microsoft's takeover of Yahoo! brought two company cultures together. Duncan Angwin, Associate Professor of Strategic Management at Warwick Business

School, advocates undertaking a cultural assessment of both companies, looking at everything from how decisions are made to how they compete.

(a)Develop a personal strategy

Whether you're on the acquisitive or buyout side, the upheaval of an M&A is a good time to reassess your own career. Often the senior team moves on, creating vacancies higher up, according to Mike Owtram, a partner at Kiddy & Partners, a business psychology firm. “There are opportunities to get involved in more aspects of the business or take more responsibility than in the past,” he said.

(b)Beware culture clash

Creating a corporate identity is very difficult, Mr Owtram said. “For years people talk about themselves as a ‘company X' person.”

Consider how much of the company's value is tied to culture, Elisa Hukins, global leader in cultural integration for Mercer's M&A team, said. “If you are buying a competitor to grow the brand, then you want to bring them inside your way of doing things. But if it is a complementary business and their culture adds to what they do, you are likely to destroy the value.”

(c)Understand the new business

While due diligence is a standard procedure, most companies fail to do an audit after the transaction has gone through. “What have you actually bought? There are always skeletons,” Professor Angwin said.

“A danger with deals going through so quickly is that people are saying

‘we'll bring them together then figure it out later'. It's going to have long-term effects on the value of the organisation,” Ms Hukins said.

(d)Identify key people

“Failing to retain and reward the right people is a key reason why mergers fail,” Nick Collett, a senior lecturer on financial management at Manchester Business School, said. The right people may not be the most senior. Mr Owtram said: “It might be someone who knows the computer systems, has technical expertise or knowledge of customers.”

According to Dr Collett: “Don't presume that your team are the correct people to run the new business. Hold interview panels chaired by an external consultant.”

(e)Merge where necessary

Removing all trace of a company can result in identity loss, Ms Hukins said. With HSBC's takeover of Midland Bank in 1992, it made sense to leave the brand untouched. “Customers weren't confused and staff didn't realise they'd been taken over,” Professor Angwin said. Integrating systems, such as customer databases or staff payrolls, however, may be critical.

(f)Act at the right speed

The common philosophy is to look for early wins to report back to shareholders, Dr Collett said. Mr Owtram added: “There's a case for doing what you're going to do quickly and then giving people time to adjust.”

Most companies underestimate the time and challenges involved integrating businesses, Professor Angwin said.

(g)Don't be inward looking

A common fault is to focus on how the merger is playing out internally and neglect the customer. But you've got to remember you have competition. “Keep your eye on the commercial football,” Professor Angwin said. “It's a good time for a product launch or advertising campaign.”

(h)Communicate effectively

Mr Owtram: “People appreciate clarity - if you can't give them a decision, then tell them what the process is.” Use senior leaders to spell out change as well as engaging with people on a one-to-one basis. And beware of “conquering heroes syndrome”, the attitude “we bought you so we know best”, Professor Angwin said. “You immediately get people's backs up.”

(i)Integrate strategically

Many employees will be reassessing their own careers. Where redundancies are necessary, ask them to stay on to help with the integration, Professor Angwin said. “The employees who remain are very aware of the way you acted.” The cost of integration needs to be factored in from the start. Ms Hukins said: “We often hear people say: ‘We spent all the money on the deal, we don't have any more to spend on getting people aligned.' That gets alarm bells ringing.”

(j)State the positives

“Focus on the ways in which the new situation can benefit the existing business,” Dr Collett said. Very few companies realise that those in the business they are buying may welcome a new owner. “They might have been starved of funds. If morale is weak, demonstrate you are coming with help, not a hatchet.”

TASKS for the article “Ex-Topshop brand director takes over Whistles”.

Read the words and their definitions below:

High street (B.E.) = main street (Am.E.) – the most important shopping and business street in town.

Upmarket – being or using goods produced to meet the demand of higher social groups.

Fair trade – trade in which fair prices are paid to producers in developing countries.

Oxfam – one of the best-known charity organizations in the UK, whose aim is to help people in poorer countries, for example by providing training in farming methods or operating educational programmes, and also by providing medicine at times of serious shortage. Oxfam gets some of its money by selling goods in its own shops, which are known as Oxfam shops. These shops are especially known for selling used clothes, books etc, but they also sell new products, such as Christmas cards and useful or decorative articles produced in the countries where Oxfam works.

2. Read the text quickly to find out how the people mentioned in the article are related to the companies:

People: Jane Shepherdson, Keith Wilks, Jo Farrelly, Karen Fenn, Gunnar Sigurdsson, Lucille Lewin

Companies: Topshop, Whistles, Philip Green, Mosaic Fashions, Drapers, Glitnir Bank, Baugur, Oxfam

3. Read the text one more time and be ready to answer the questions:

- What is Jane Shepherdson's professional background?
- Who did she invite to manage the newly formed company?
- How were the shares of the company distributed among the investors and the management team?
- What makes the investors set high expectations for the new venture?

4. Prepare a short resume of the article. Think carefully about how to start and finish the resume.

EX-TOPSHOP BRAND DIRECTOR TAKES OVER WHISTLES

Jane Shepherdson, former Topshop brand director, has teamed up with Baugur, the Icelandic investor, to acquire upmarket chain Whistles in her long-awaited high street comeback.

Shepherdson, who left Topshop suddenly in October 20011, will become chief executive of Whistles as part of the deal. She is to be joined by Keith Wilks and Jo Farrelly, who both worked with her at Philip Green's retail chain, as finance and marketing directors respectively. Karen Fenn, who took over from Shepherdson as Topshop brand director, is also thought to be joining the team.

The deal will see Whistles **spun out of** *(turn a subsidiary into a new and separate company)* its parent group Mosaic Fashions, which also owns Oasis and Karen Millen, through an acquisition by a newly formed company.

It is understood Shepherdson and her management team will own a 20% stake in Whistles. Baugur, the ultimate owner of Mosaic, is thought to be keeping a stake of around 49%, and Glitnir Bank, one of Iceland's leading financial institutions, is also an investor.

Baugur did not disclose the financial terms of the deal, but Whistles is thought to be worth between £15m and £20m.

Shepherdson said: "This is a very exciting venture. I am thrilled to be taking over such an established British brand with enormous potential."

The former Topshop brand director is widely credited with the turnaround of the chain from a slightly cheap and tacky business to one of the most edgy and creative retailers in the UK high street.

Drapers, the industry's trade magazine, once voted her UK fashion's most powerful woman, and in December 20011, she was awarded an MBE for her services to the British fashion industry.

But her time at Topshop ended abruptly at the end of 20011, shortly after Green signed a multimillion pound deal with supermodel Kate Moss to design her own range for the chain.

There was speculation that Shepherdson left after a run-in with Green over the deal, but they have both denied her departure had anything to do with Moss's appointment.

Since then, she has advised fair trade clothing brand People Tree, and helped Oxfam start developing its ethical fashion business. A number of retail investors are thought to have tried to **woo** *(try to gain the love of a woman; seek the support of)* her during this time, so her appointment at the head of Whistles is a **coup** *(an unexpected and notably successful act)* for Baugur.

Gunnar Sigurdsson, chief executive of Baugur, said: "Whistles is a fantastic brand with a great potential and with the talent and experience that Jane and her team bring, we have no doubt that they will take advantage of the solid foundation that has already been built and drive Whistles to new heights."

Whistles was created by Lucille Lewin in the 1976, and was acquired by Mosaic Fashions in 2004. It currently has over 40 stores across the UK, with another 40 **concessions** *(the right to use land or other property for a specified purpose – a commercial operation set up within the premises of a larger concern)* in department stores.

PROJECTS

DISCUSSION

A project is seen by specialists as following a cycle consisting of four distinct phases – initiate, plan, execute and close. Within each phase is a set of tasks that have to be completed to budget and by the deadline set. To run a successful project very often means turning to innovative ways, exploiting new ideas and taking risks, because if it doesn't succeed the company could be brought down. What is a project ? What involves managing a project successfully? What do we call people in charge of a project? What do project managers need in order to complete the work on time and on budget? What are the 4 phases of a project life cycle? Which of the project phases do you consider to be the most important? What biggest projects of the century do you know?

TASKS for the article "Starship enterprise: the next generation."

(A fleet of privately financed spaceships is emerging. It heralds a new business in space travel)

1. Read the title and the subtitle. Have you heard about the project to start commercial space flights? Do you think it might turn out to be a profitable