likely Logics – (used by SRI international – research institute) is a methodology where decisions are based on a complex set of assumptions among economic, political, technological, social, cultural, and environmental factors. Some factors are precise and predictable, while others are not (e.g., consumer attitudes). The SRI Method consists of 8 steps: 1. Analysing the decisions and strategic concerns, 2. Defining key decision factors, 3. Identifying key environmental forces, 4. Analysing the environmental forces, 5. Defining scenario logic, 6. Forging the scenarios, 7. Analysing implications for key decision areas, and 8. Analysing implications for decisions and strategies.

Building scenarios managers must start by defining the scope of the scenarios in order to ensure the planning is sufficiently focused. Useful steps setting a time and geographic or market/product boundaries. This helps managers to potential threats and opportunities that other firms have not been aware of. They can help make sense of the interaction between different factors in the macro-environment. Allows organisations to explore a range of plausible future environments which can improve strategic decision making and a firms competitive advantage. It helps managers to potential threats and opportunities that other firms have not been aware of. These forecasts fail to anticipate major shifts in the business environment.

Scenarios can help make sense of the interaction between different factors in the macro-environment. Allows organisations to explore a range of plausible future environments which can improve strategic decision making and a firms competitive advantage. It helps managers to potential threats and opportunities that other firms have not been aware of. The 6m model can be used to identify this: money, machinery, manpower, markets (customers), materials (suppliers), make-up (structure culture). Acceptability – Focuses on the financial (return to risk profile of the alternative) and stakeholder (interactions between strategic choices and stakeholder reaction) aspect.

Huang & Kleiner (2004) – State that although M&A’s today are carefully designed to ensure a better strategic fit between two companies, the task of integrating the companies remains difficult. They found: only 23% of all acquisitions earn their cost of capital, 47% of executives in acquired companies leave within the first year and 75% in the first 3 years, productivity may be reduced by up to 50% in the first 4-8 months, CEOs and CFOs routinely cite ‘people’ problems and cultural issues as the top factors in failed integrations. Culture – Coopers and Lybrand 1994 – in 100 failed or troubled mergers, 85% of executives said it was because they were not interested in management style and practices. A 1996 British institute of management survey also reported understatement of the difficulties involved in merging two culture to a major factor in failure (Galpin and Herndon 2000). However, Southwestern Airline’s acquisition of Morris air was successful due to it being compatible to merging two culture it positioned itself with. Time – [Huang & Kleiner 2004] in a technology driven and globally competitive world, companies have to act and respond quickly (contrary to prior belief that integration process must move slowly and carefully in order to minimise mistakes). A prolonged transition adds cost, destroys profits and decreases cash flow. 


Post merger/acquisition management [Huang & Kleiner 2004]: Communication, apply defined and clear leadership, ensuring focus on the customer, talk specifics when can, listen for implied meanings, resolve you cannot keep everyone happy, manage resistance at every level, nail down roles, responsibilities and performance targets. Review assumptions and decision making.

DePamphilis (2003) Diversification refers to a strategy of buying outside of a company’s primary lines of business. Reasons: Reducing shareholder risk by stabilising revenue through shifting a portion of firm’s assets from a cyclical industry to what is perceived as a more one. To shift from their core product line or markets into ones it higher growth business (produce-marketing matrices). Diversification requires a combination of two companies (of similar size) to form a new company. An acquisition is the purchase of one company (or division) by another company (which acquires). A merger – board rejects offer but buyer purchases a controlling amount of stock so has control without full acquiring it. They are used to create value in economies of scale and scope. Types of M&A Activity: Vertical – to buy a supplier or customer, horizontal – competitors to reduce their competition, product extension – compatible products. Market Expansion – complementary markets. M&A – requires the merging of two different cultures which can sometimes prove a problem. 70% of all M&A that take place between firms in different countries fail.