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Case study

Acquiring Asia Entertainment

How can an international media group integrate the new Hong Kong-based company it has recently merged with?

Background

Last March, readers of an Asia-Pacific business magazine, Investor International, were given information about an Australian company, the Decker Group.

COMPANY **PROFILE**

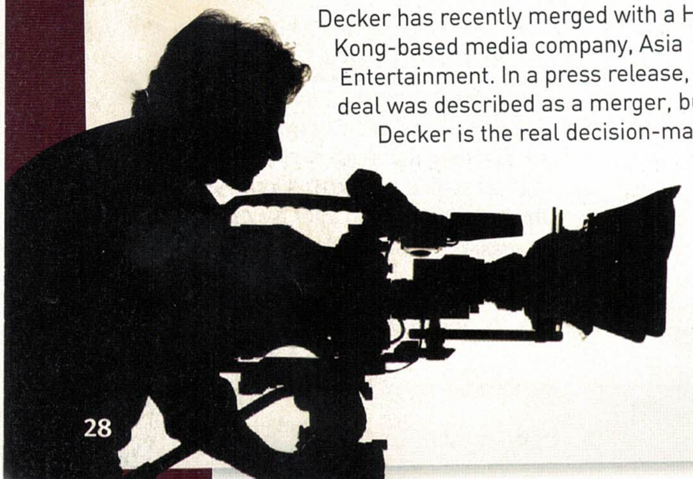
Company: Decker Group
Located: Sydney, Australia
Workforce: 35,000
Turnover: A$4.6bn

Main activities

Decker is a diversified media group with interests in broadcasting, entertainment and Internet services.

Recent developments

Decker has recently merged with a Hong Kong-based media company, Asia Entertainment. In a press release, the deal was described as a merger, but Decker is the real decision-maker.



Reasons for Decker's acquisition

1 Decker will expand its presence in a dynamic new market, China.

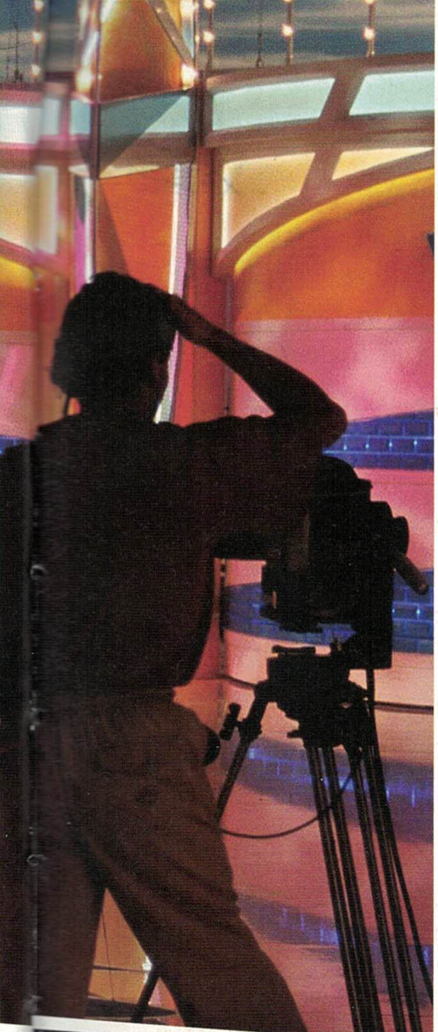
2 It will use Asia Entertainment for further expansion into Asian markets such as Singapore, Malaysia and Vietnam.

3 Asia Entertainment has a growing online presence through its successful DVD viewing service

Comment

Asia Entertainment seems to be a good fit with the Decker Group. However, there may be problems when a different style of management, the 'Australian way of doing things', is introduced into the Asian company.

The new Chairman and Chief Executive will be Scott Henderson. A graduate from the Harvard School of Business, Scott Henderson has a reputation for being a strong leader who is not afraid to take difficult decisions. He is a fluent speaker of Mandarin Chinese.



CD1.18 Scott Henderson, the new Chief Executive, gave an interview to a Hong Kong TV business channel. He was asked about the recent acquisition of Asian Entertainment. **Listen and note what he says.**

Problems

It is now a year later. The change of ownership and new management style at Asia Entertainment have caused many problems. The e-mail on the right illustrates some of the difficulties.

To:	Robert Crawford, Vice-President
From:	Cindy Chow, Director, Human Resources
Subject:	Effects of the merger

Staff are very unhappy about the changes. I'm worried about the high staff turnover and low morale. These are some of the reasons for the problems.

1 **Re-applying for positions**
The management has asked all employees to re-apply for their jobs. Staff feel very uneasy and insecure. People do not want to compete against each other for jobs.

2 **Redundancies**
Redundancies are expected. Employees in HR and Sales feel particularly threatened. Many employees from these departments are looking for new jobs, which is affecting productivity.

3 **Compensation**
Staff are already being made redundant. However, the compensation package is poor. They are also receiving no help to find new jobs.

4 **English language skills**
The management has insisted that all staff must improve their English, but no financial help has been offered towards the cost of English courses.

5 **Management style**
These are typical comments made by staff.

- They're trying to do things too fast – there's a new computer system we don't understand; and they're ordering lots of Australian films for our rental service, but we know nothing about the films.
- They want an informal atmosphere, but we don't want to use first names – we're not used to that.
- The food in the staff restaurant is awful. The new manager's Australian, she's changed most of the dishes. We have to eat a lot of food we're not used to. There are too many dairy products and not enough fresh vegetables and fish.
- Most of the management jobs have been given to Australians. There are not many Chinese in senior positions – everyone's complaining about it.
- We don't know what's going on. We don't know where the company is going and what our strategy is. Quite a few of us don't who our boss is, or what our duties are.
- We feel we're losing our Chinese identity. Our bosses don't understand us, our customs are so different. Our new managers are only interested in results.

Task

A group of senior managers meets to resolve the problems.

1 **Work in two groups.**

Group A: new Australian managers led by Scott Henderson

Group B: senior executives from Asia Entertainment who have kept their jobs following the merger.

Each group prepares separately for the meeting.

2 **Hold the meeting as one group. The agenda is as follows:**

- Background: why are staff resisting the changes?
- What mistakes is the new management making, if any?
- What practical action(s) can be taken to improve the situation?
- What can be learned from this experience? How can the company manage change more effectively in the future?

Writing

Write the action minutes for the above meeting.

➡ *Writing file* page 129

Watch the Case study commentary on the ***DVD-ROM.***