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# One Year Later: An Analysis of New Horizons

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## One Year Later: An Analysis of New Horizons

### *Literature Review*

A merger and acquisition (M&A) refers to the consolidation of two companies or their assets. Mergers and acquisitions can include many different types of transactions: mergers, acquisitions, purchases of assets, consolidations, takeovers, etc. However, most often the umbrella term of a merger and acquisition is used to describe any of those changes. The key reasons a company decides to go through an M&A is to reduce competition, lower costs and create increased differentiation. Firms are seeking to gain some kind of competitive advantage, but whether or not they are successful can prove to be hard to determine (Rothaermel, 2018).

Horizontal integration is the traditional process used to merge with another company at the same stage of the industry. With a consolidation among two competitors, an industry can become more advantageous and profitable. When there is a reduction in industry intensity, it allows for better bargaining power with suppliers and buyers, lowers the threat of market entry, and eases other rivalries in the market. By merging, economies of scale can be increased, costs reduced (by increasing efficiency and output), and in turn increases economic value for the company. In addition, product and service differentiation can be achieved by combining the two companies' resources, thus allowing access to new markets and distribution channels (Rothaermel, 2018).

Merger and acquisition experts, David B. Jemison and Sim B. Sitkin say at least one of two things are needed to make the transaction successful. The first is a strategic fit and the second is an organizational fit between the two companies. A strategic fit emphasizes how the acquired company will contribute to the parent company's future success, and an organizational fit highlights compatibility between cultures, demographics, and administrative techniques. The

more compatible both fits are, the better the expected outcome of the merger (Jemison and Sitkin, 2014).

Additionally, there are steps to be taken to ensure the success of the merger, according to researchers. The first is by making sure to integrate perspectives; this is often done by having top management assume an active role in the merger process to ensure effectual consolidation (Jemison and Sitkin, 2014). The second is requiring enhanced managerial oversight, which ensures dynamic leadership and supplies employees with direction in the transition. The third is transferring valuable skills to increase performance measurements in the consolidated companies. The fourth and final step is sharing valuable capabilities, by giving access to an asset that can improve the efficiency and effectiveness of the acquired company (Martin, 2016).

Research on M&A's in developing countries is very limited, and almost exclusively relates to cross-bordering firms. The "inadequate understanding of domestic M&As in EE (emergent economies) has resulted in an inadequate foundation, without which further knowledge on cross-border M&As in and out of EE will be difficult to build" (Lebedev, et al., 2014). However, some of the research on cross-border firms has shed some light on domestic mergers and acquisitions in emergent economies as well. The research goes on to explain that domestic M&A are affected the most by institutional and market imperfections in the emergent economy. Institutional and market imperfections are prominent in Mozambique, from how a business purchases or leases land, to paying taxes, or gaining market share in a market industry. There are significant differences in determinants of M&A's for a domestic firm in an emergent economy that have yet to be fully explored and understood (Lebedev, Peng, Xie, Stevens, 2014).

New Horizons is a poultry farm located right outside of Nampula, Mozambique. It "started as a green field integrated broiler operation, clearing bush, developing water and

electricity supplies, building infrastructure. In early 2006 a hatchery and feed mill became operational, in 2007 the first breeders were placed and in 2008 the abattoir (slaughterhouse) was commissioned. In 2016 we produced 3,321 tons of frozen chicken, 6,311,360 day old chicks and 19,995 tons of poultry feed (“History”, [www.novoshorizontes.net/new-horizons-history](http://www.novoshorizontes.net/new-horizons-history)).”

Founder Andrew Cunniham, saw a need in Nampula, not only for a source of protein, but a need for cultivating growth and potential in the people of Mozambique. New Horizons has achieved substantial growth in the past 12 years. In 2016 they merged with fellow competitor Frango King, and more recently gained a shareholder and created a new partnership with Philafrica Foods. New Horizons will continue important growth over the coming years, and it is pertinent that they remain unified in their mission.

With the recent acquisition of Frango King, there have been several issues noticed throughout the company. When corporations reach the size and complexity of New Horizons (with over several hundred employees), it often becomes difficult for management to identify issues with its employees. Many times, the concerns of lower level employees might not seem vital to the company’s health or immediately threatening to the day-to-day operations. However, many of these problems, if left unsolved, can be detrimental to the company’s long-term success.

The process of integrating perspectives, enhancing managerial oversight, transferring valuable skills, and sharing valuable capacities, as mentioned before, are vital to a merger’s success. All of these steps, broken down to the simplest level, involve communication, transparency and the transfer of company culture. According to a Harvard Business Review, typically 70 to 90 percent of acquisitions fail (Martin, 2016). Therefore, it is fundamental to ensure the proper processes are in place to maximize the company’s success, by enhancing communication, transparency, and cultural transition.

### *Company History*

New Horizons decided to have us conduct a study to identify key successes and failures of the merger, so the process could be improved and applied in further expansions. The qualitative data collected could be implemented for future growth to help ease transitions. Our role was to devise a questionnaire, interview employees to gain perspective from all levels of the company, analyze the feedback, and create a presentation highlighting what we learned and suggestions moving forward. The project objective was, in short, to evaluate the success of the merger and to hypothesize improvements that could be made in the future. This consisted of analyzing the effects of the merger on the companies' culture, environment, employees, and management.

This was measured by developing key talking points to interview and gather employee opinions. The questions varied depending on the level of employment, position within the company, and previous information collected on the individual. However, most interviews remained standard. The points of emphasis for each interview consisted of clearly stated intentions of the survey: all interviews would be left anonymous and questions would be open ended to encourage insightful responses. Then, contingent upon the employee's responses, they would be asked follow-up questions to further gain understanding. There was also an allowance of change in the questions depending on the flow of the interview.

The survey that was developed inquired about overall opinions on the merger and workplace environment, such as any perceived tensions, animosities, or challenges. The question topics were chosen after talking to both the CEO and the Founder about what they wanted out of the study, and how employees would respond to being interviewed. The first set of questions had to do with communication during the transition. Sample questions include:

What kind of communication improvements could have been made to ease the transition?"

"Have you taken over any new roles, responsibilities or relationships?"

"How often do you communicate with your superior?"

Then there was a series of questions about the level of transparency within the company.

Questions like:

"What was the level of transparency with management and employees during the merger?"

"How could this be improved in the future?"

"Were there any perceived differences between Frango King and New Horizons that could have been explained through increased transparency?"

The third point of emphasis in the survey, revolved around the change New Horizons has made in the personal life of the employee and the transfer of company culture. Inquiries were made, such as:

"What impacts have New Horizons made in your home life?"

"Have you noticed a difference in the values of New Horizons versus Frango King as a company?"

"Is the personal training you have received being applied outside of work?"

In hindsight, it would have been helpful to spend time analyzing the percentage of employee transferred from Frango King and New Horizons (and vice versa), layoff rates after the merger, and changes in management. There was a focus on the only two department heads kept from Frango King after the merger, however, there should have been more emphasis placed on these areas at the beginning. Pinpointing some of these specific employees, early on would have

helped develop a better sense of the merger and improved our questions during interviews throughout the coming weeks.

After keeping a transcript of all interviews conducted over the two-week period of over 25 employees, an analysis of the information was created. Regarding communication, we learned Frango King employees wanted amplified top-down communications, weekly meetings to analyze past performance and issues, and overviews of accomplishments and future aspirations. The employees also spoke of wanting enhanced management training and improved networking between management and daily employees. Another key point that was brought up was regarding the stigma on the farm around theft. It was quickly learned that stealing is a huge problem on the farm and continues to be major reason for lost income. However, employees feel there is a preconceived notion throughout management about theft, and they feel as if they are being unfairly judged without doing anything wrong. This has led to tension, animosity, and even some employees saying, "If I'm being held liable for theft, I might as well do it because I will always be called a thief."

The questions about the level of transparency currently and throughout the merger brought forward some very helpful feedback. New Horizons employees felt that there could be improved communication of the company's vision for growth and visible reports of the current state of business. A couple of employees also felt that there should be more of a representation of Mozambicans in management positions. It was also learned that New Horizons employees thought that the machinery was outdated, there was a lack of equipment and work materials, and there is a need for more highly trained and skilled workers. There is also a perceived automation difference at Frango King and it has caused dissatisfaction among the workers, the New Horizons employees were in a way envious. Another point often made was about increasing

regulation and safety standards on the farm. Frango King employees often had many of the same concerns as the New Horizons employees. Their responses were that their working conditions are not ideal, there was a lack of equipment and work materials, and they had a need for more trained and skilled workers. They felt a lot of this should be addressed across the board, and transparency between the management and employees would have alleviated a lot of the issues. However, overall many of the responses were extremely positive, and there was a consensus of workplace contentment.

The last point of interest is personal development. Within the first 20 minutes of being on the farm, it was explained that the most important goal for New Horizons is to enable and grow the people of Mozambique to their fullest potential. Their plan for success is through a holistic approach, which in any business (especially in a developing nations) is rare. For New Horizons personal growth is valued at the same capacity as market share or profit growth. Thus, it is extremely important to evaluate the success of transferring this aspect of the company culture in the merger.

Most New Horizons employees have seen changes in attitudes and culture that has led to personal improvements and results. They see opportunities to grow in the business and reach leadership positions, and they strive to obtain those outcomes. The only negative side to that is that frustrations can arise when workers feel complacent in their daily duties. Frango King employees have now developed a sense of value as employees, and they just want to see continued growth in a team mentality and mutual respect. They differed from New Horizons when it came to interactions with management; they felt sometimes overlooked and that there is less interpersonal development with management at New Horizons. They feel that misconceptions and miscommunication should be better addressed at all levels, and direct



statements should be given by management before alternate explanations have time to circulate. Lastly, all employees should be provided with clear job descriptions and responsibilities, so employees know exactly what is expected of them.

The most positive feedback was regarding interpersonal growth. Many of the employee's spoke of how New Horizons has instilled in them values and principles that have helped them grow both professionally in their job and personally in their home life. They discussed how the training has given them a new understanding of what they are capable of and that New Horizons values them as people as well as employees. There were multiple employees that discussed how they have a newfound security in their job and home life. Additionally, they can afford to purchase cars and homes, which is something that seems impossible to achieve for some people in Mozambique. Some employees have attended the marriage seminars and have since implemented the practices in their relationships.

### *Conclusion*

After concluding the analysis, there were a few recommendations for the management at New Horizons. First, most of the issues expressed by the employees are complex and do not elicit simple solutions. Second, many of the problems can be remedied through an increase in communication. The principle changes we suggested could be made were: stimulating the operation employees, creating incentive programs, increasing the inclusion of employees in decision making, and creating team building programs between both companies. We suggested employee round tables, which would provide management with meaningful feedback on company policies and culture. Incentive programs for safety, productivity, and good behavior would encourage employees and increase efficiency. The programs could vary from traditional monetary rewards, to include personal growth building instead.

### *Methodology*

There are a few confounding variables that affected the results of our qualitative study, the first being the language barrier. The language of the land is Portuguese, and although one team member spoke Spanish, any information obtained through the majority of our interviews was second hand information provided by a translator. The information that was given was information that the translator thought was important, rather than information given in totality. This proved to be an issue when analyzing the results of the survey, and when trying to ask follow-up questions to get a better understanding of their answers. However, the translator had background experience in business from previous jobs and was extremely capable regarding interviewing employees. He also proved to be a tremendous resource in that he offered completely new and different thoughts and insights into the study. To combat the language barrier, the team made sure the translator was completely informed on the objective and goals of the project.

As much as there was a language barrier, there was also a cultural understanding barrier, this presenting a second confounding variable. Often ideas and thoughts of the people came from a different perspective than the way the team was used to thinking. This proved difficult when constructing the survey, and this is where the team heavily relied on the translator to get the points across in a way that translated to the employees. He also was a huge help in establishing trust between the employees and the team. Then, when analyzing their responses, it proved a problem when the team tried to see their statements from an “American” viewpoint. Also, much of the previous research and knowledge was not applicable to the situation, due to being in a third world country. It took a while to realize that the drivers and psyches of the people interviewed were much different than those in the United States. Those who were interviewed

are striving to meet their basic needs, as opposed to striving for a comfortable life, and this serves as the main driver of their decisions and thoughts.

As aforementioned, all research conducted is for the purpose of this paper and not the original project conducted in Mozambique. Frank T. Rothermel defines a merger as “the joining of two independent companies to form a combined entity”, and an acquisition as “the purchase or takeover of one company by another.” He also goes on to say, “the combining of two firms of comparable size is often described as a merger even though it might in fact be an acquisition.” For the purpose of this project, it was important to determine was this indeed a merger or would it actually be classified as an acquisition. The project was first presented to the team as a merger and would go so far as to be called “the merger team,” however, looking back on the data collected, and seeing how the company was restructured, conclusions could be drawn that it was actually an acquisition. New Horizons purchased Frango King, and although it seems to have been a “friendly” acquisition, it was indeed an acquisition (Rothermel, 2018).

There could be many reasons why it was framed as a merger: it seemed like a more positive label, the terms have been historically used interchangeably, or they did not see the significance in the difference for the project purposes. In hindsight, this could have been an important distinction that would have shaped the way that data was collected. There are certain connotations that come with mergers versus acquisitions, as well as different organizational and integration tactics. An analysis of the acquisition of Frango King could have carried varied results from an analysis of the merger of New Horizons and Frango King. The survey would have been altered to derive different information from the questions.

Through research, it was found that company culture is the hardest asset to transfer and highly varied cultures alone can cause a merger or acquisition to fail. New Horizons values their

company culture above all else, and they have very specific goals when it comes to their employees' growth. This was vastly different than Frango King's company culture and goals for their employees. This proved to be a very important thing to evaluate one-year post acquisition, because if the values were not transferable, it could prove detrimental to the company's future success.

If the background research would have been conducted before arriving in Mozambique, the project and results would have been quite different. Less importance would be placed solely on the employees perceived satisfaction post acquisition and more on the effectiveness of transferring skills and sharing capabilities as well. This project was very one-sided, focusing on people, management and employees, and if expanded in the future should include evaluating all aspects of the acquisition. There could have been an entire separate analysis of quantitative data, including evaluating market share, productivity, and profit margins.

As stated earlier, this holistic company culture is incredibly rare in a developing nation. In the United States, employee wellness programs are being introduced as more and more millennials enter the work force. "Among employers offering and measuring their wellness efforts, more than half have found a decrease in absenteeism, 63% are experiencing financial sustainability and growth in the organization, 66% reported increased productivity and 67% said employees are more satisfied ("IFEBP | Workplace Wellness Trends 2017 Survey Results")." These programs mostly focus on health, and not personal development like New Horizons approach, however, it is still a very cutting-edge business model in a developing country. I think a study that compares New Horizons absenteeism, financial sustainability and growth, productivity, and employee satisfaction with other similar businesses within their industry with a

more traditional business model could show broader implications. It could prove not only useful for New Horizons, but other businesses and employees in developing nations alike.

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