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Explore Corporate Development and Organizational Change — The Pacific Sogo Department Store Merger and Acquisition Case

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Abstract

Organizational development is the strategic management of the reorganization of a business, which is a combination of knowledge and practice to assist the organization improve its business model and management policy. Through case analysis, this research provides an accurate measurement according to the analytic hierarchy process (AHP), explaining that in order to expand the scope and achieve the goals of internal organization and external merger through a merger and acquisition plan, the enterprise group has to formulate a business model to integrate the new organization, obtain various resources and technology extension, and establish new value and vision. This research will provide to academic and related units for practical application.

Key words: Merger and Acquisition (M&A), Integration, Organizational Change, Industrial Structure, Business Model, Competitive Advantage

Introduction

Purposes Of Mergers And Acquisitions

There are various reasons for enterprises to expand their scope and acquire other enterprises, including diversifying operations and vertical integration of the supply chain. Hemp and Stewart (2011): Said raised the idea of reinventing the company's values as a way to manage and reintegrate the sprawling and diverse enterprise. A typical merger and acquisition (M&A) plan must be reviewed by senior executives before deciding the priority of strategic goals. A M&A plan achieves internal organizational change Cumming and Worley

(2016): Explained organization development is increase an organization's effectiveness and capability to change itself. And an external merger. Another reason for M&A activity is when a strategic alliance or network development is slow and cannot effectively provide resource control to achieve the corporate business goals; the enterprise may then adopt a strategic change plan to expand its layout. Porter (2011): Illustrated every company should already know what the average profitability of its industry is and how that has been changing over time.

On organizational development issue, M&A is a difficult implementation plan, which not only involves law and finance, but also professional implementation practice, and it is necessary to have relevant professional knowledge and practical experience. Liu (2019): Said the knowledge management field and related system have helped provide corporate organization with convenience and problem resolution. When starting to implement strategic organizational changes. Cumming and Worley (2019): Said organization can use planned change to solve problem, to learn from experience, to reframe shared, perception, and adapt to external environmental changes, to improve performance and to influence future change. We must first think about the units to be merged, cooperate with them and exchange information to facilitate smooth implementation and integration in the future.

Elements Of Mergers And Acquisitions

Seek the merger object.

The principles for selecting a merger target can be considered the entity's equipment, financial soundness, access to resources and technology, and obtain the characteristics of leadership, etc. Maxwell (2019): Indicated leader shifting is the ability and willingness to make a leadership change that will positively enhance organization and personal growth.

Evaluate the scope after the merger, and obtain a commitment to establish initial contacts.

With the maximum profit of shareholders, pre-merger stage execution is very important for the success of a corporate M&A. Henry, Joseph, James and Sumantra (2003): Expressed effective implementation can make a sound strategic decision ineffective or a debatable choice successful, it is as important to examine the processes of implementation as to weigh the advantages of available strategic alternatives.

Set up a M&A team.

When the two organizations of the M&A have reached a preliminary consensus. Ratan Raina (2018): Noted M&A is based on a concept that the conduct of business is more valuable and profitable by combining two or more companies than conducting business individually. Senior managers will set up a M&A team, develop a M&A plan, and establish a business model (such as enterprise value, technology, and product value).

Ratan Raina (2018): Explained all M&A's did not achieve the desired results as the whole process is very complicate, challenging and demands much greater level of leadership skill to plan and manage the process. Managers in the M&A team will help the team establish clear goals and execution strategies, and use relevant technology and knowledge to ensure sustainable operations in the future. Cummings and Worley (2019): Noted the organization's capabilities must be able to deliver on these tie-breakers for a competitive logic to be effective. Ratan Raina (2018): Said tactical integration discussed between middle management of the companies for developing plans for joint activities.

Establish a business model.

This is mainly the development of a major model for the two organizations in executing the merger and goes beyond individual competitive advantages, such as defining the strategic vision of the business, integration of the merger system, and competitive advantage. Ratan Raina (2018): Indicated M&A remains to be a popular tool for growth as it facilitates in achieving economies of scale, opens new markets, lead to upgradation of technology economically and provides competitive advantage to the company. The M&A program continues, strategic vision of merger plan shows the merger ability of organization, and the two organizations become a new organization to enhance their competitive advantage. Cumming and Worley (2019): Described two relatively new interventions in organization development aimed at enabling organization to pursue "sustainable effectiveness". This is a business model that is difficult to be imitated in the market. "The combination of the two organizations is the best organization" is the optimal value position after merged organizations. Cummings and Worley (2019): Said a specific development order: knowledge, performance, preference, norms, and values. and Said this value proposition is the competitive logic, or how the firm will compete in the marketplace.

Be diligent in reviewing and evaluating.

When two enterprise organizations execute M&A activities, they conduct an extensive review and evaluation of each other's resources and various support, evaluate each document for legal issues. Ratan Raina (2018): Noted the main purpose of the M&A strategy has been to reap the benefits of economies of scale, reduce cost, expand market share and enter new markets. Emphasize the importance of financial aspects and cultural characteristics. Ratan Raina (2018): Said organization changes which will fit well into the organization's culture will succeed. And assess the scope and details according to the development of their industries, the scale and risk of transaction, and the resources available, as well as review and evaluate the value and vision of the response after such combined activity.

Merger integration plan.

The scope of the merger plan must be determined by how the organizations are integrated. Cummings & Worley (2016): Said the application of planned change processes in these setting requires a new set of organization development practitioner skills. Starting with the business model previously developed, assessing whether the organization's market and suppliers are better serving to customers and capturing scale opportunities in the consumer market, and conducting a more detailed analysis of the strategic vision, competitive strategy, system integration, and Cummings and Worley (2019): Expressed that extend their organization into supply chain relationships, coordinate with environmentally concerned nongovernmental organization, educate consumers, and contribute to financial performance. M&A to facilitate development during the execution of the merger and understand the task, decision-making authority and responsibility, and schedule confirmation.

This team can be applied to the operation of large-scale change programs to improve the competitive environment.

Purpose of Research

The strategic acumen and operational attitude of enterprise managers will directly lead the success of an enterprise merger and integration, such as wisely choosing the appropriate market targets, and deciding on the expansion of enterprises. Cummings and Worley (2019): Said these frameworks represent opportunities to make sustainability, especially ecological sustainability, a more deliberate and intentional value of organization development. Following the definition of the Enterprise Merger and Acquisition Law, "Acquisition refers to the acquisition of shares, business, or property of another company by a company in accordance with the provisions of this Law, the Company Law, the Securities Exchange Law, the

Financial Institution Merger Law or the Financial Holding Company Law, and the consideration of shares, cash or other property" to Patrick A. Gaughan(2007): Said it will be clear that there are many similarities in the takeover regulations of various countries although there are some important differences. Complete an organizational restructuring, improve industry share, and increase revenue surplus and competitiveness.

Literature Review

What is an enterprise merger and acquisition (M & A)?

M&A refers to the merger of two or more business organizations. Ratan Raina (2018): Noted acquisition involves take over the control of a target company by another company controlling interest in the share capital, or liabilities to have a managerial influence on its functioning. A merger is when two separate organizations are merged to form a new organization. Gaughan (2022), Jagersma (2005): Said a merger is the combination of two or more companies to create a new organization or formation of a holding company. The definition of acquisition refers to the purchase of all rights and interests of another organization through one organization, and then integration into the original organization. In the process of acquisition, the acquiring company buys a large number of shares of the target company to obtain a controlling share. Henry, Joseph, James and Sumantra (2003): Stated the ability to make fast, widely supported, and high-quality strategic decision on a frequent basis the cornerstone of effective strategy. Patrick (2007): Said target companies use some of these laws as a defensive tactic when contemplating a takeover, an acquiring firm must take careful note of legal considerations.

Through the synergies of scale or scope economy, M&A helps enterprises acquire new technologies, develop new markets, or reduce operating costs to enhance performance growth and sustainable business objectives. Cumming and Worley (2019): Expressed “theories of change” these frameworks describe the activities required to initiate and carry out successful organizational change. To improve operational efficiency and become the preferred method of strategic change for fast-growing organizations. Sergio and Hal (2013): Noted successful implementation of organization change, therefore, often resembles a hybrid form that combines elements of lower-level participation and top management direction. Including the integration of diversity and enhancement of innovation or allocation of resources, enterprise organizations must acquire global resources and technology to achieve market extension and expansion. Ratan Raina (2018): Explained with the globalization and competitive business environment, M&As have become a popular way of expanding business as it facilitate instant growth of an organization. Henry, Joseph, James and Sumantra (2003): Said the interdependence of purposes, policies, and organized action is crucial to the particularity of an individual strategy and its opportunity to identify competitive advantage. Therefore, enterprises choose to expand diversified business models and moderately reduce risks, and for managers or senior leadership to expand their business scope, M&A has become a key strategy. Henry, Joseph, James and Sumantra (2003): Noted the strategic decision contributing to this pattern is one that is effective over long periods of time, affects the company in many different ways, and focuses and commits a significant portion of its resources to the expected outcomes.

Critical Success Factors

M&A strategy is an indispensable option for enterprises to rapidly enter the target market and expand their industrial layout. Porter (2011): Said a healthy structure should be as much a competitive concern to strategists as their company’s own position. The management mechanism of executing M&A activities is key to achieving M&A and successful integration after completion. The description is as follows.

Relevant financial data, legal documents such as litigation, maintenance, and procurement, etc., should be thoroughly reviewed by the buyer before the M&A to understand whether the seller has liabilities and legal risks, and to provide correct information about the seller's corporate culture and organizational members to facilitate the integration of the enterprise. Harrison (1992): Describe “culture” as DNA of the organization which includes how rules, regulations and policies of an organization are formulated and implemented and how employees respond to these and think as an organization entity.

The goal of the M&A strategy is to tailor procedure, and the merger and integration of two organizations is key to a successful M&A. At the end of any M&A, there will be problems of organizational integration, such as different corporate cultures. Ratan Raina (2018): Illustrated an analysis of these definition states that organizational culture is mainly individual’s mindset which deals with beliefs, values, assumptions and thought process affect attitude of employees. Also said: Difference in values and customs, there can be differences in the decision-making process, HR policies, leadership style, and even legal system between the two companies from different countries. provision of resources, connection of management and the financial control system, departure and retention of personnel and building new personnel relations, review of contracts, application of a matrix organizational structure, and integration of the two organizations to ensure smooth operations and integration.

How can the depth and breadth of the scope of integration be measured? The purpose of M&A is to obtain new technologies and resources, which often requires decision-making. It is necessary to adopt a middle-ground to support the implementation and integration of various units and departments according to the size of the acquired enterprise, and the products or services must be controlled by administrative units at all levels. The most convenient method of integration can be adopted to enable the merged company to exert an efficient role, and achieve initial acquisition objectives. Patrick (2007): Illustrated most M&As are negotiated in a friend environment. Also said the process usually begins when the management of one firm contacts the target company’s management, often through in investment banker of each firm.

In terms of personnel selection and organizational structure adjustment, the faster the integration speed, the greater the comprehensive effect. Ratan Raina (2018): Stated the M&A also allows sharing of resources, obliterates duplicate departments and opens new markets, which improve the level of profit and lead to the growth of the organization. The integration team adjusts the integration progress according to the business attributes of each unit to ensure overall effectiveness.

The key to enterprise integration is the successful factor of enterprise M&A. The integration of the two enterprises must consider the strategic process of the M&A, analyze the industrial characteristics. Porter (2011): Believed understanding industry structure is also essential to effective strategic positioning. The issues and strategic goals of enterprise documents of the two parties, and establish new value and vision of

Research Methods

This research seeks relevant measurement dimensions from the literature, first making use of the professional knowledge and rich experience of experts, conducts relevant dimensions and projects, selects cases according to the evaluation criteria, and then against the opinions of scholars, experts, and practical decision-makers who actually participate in the operation of enterprises according to the analytic hierarchy process (AHP). The complex problem evaluation system is simplified into a simple and clear element-level system, which is quantified and established as a Pairwise Comparison Matrix, and then the Eigenvector of the matrix is obtained to arrange the priority among each element for an accurate analysis and measurement.

This study adopts the case study and questionnaire investigation method. Firstly the study method collects qualitative data, the investigation of the current application situation of the case study by analyzing the backgrounds of the study subject, interviewing, and observation of the study subjects to understand the requirement and expectations of the enterprise for the

M&A.

Next, the study uses questionnaires to perform a quantitative investigation by referring to relevant foreign and domestic literature and studies and integrating the content of correlated cases. Furthermore, the study performs a questionnaire investigation by random sampling, and further analyzes and confirms the marketing management method by the study cases.

Finally, the study analyzes related data and the questionnaire investigation of the correlated case to understand how knowledge management methods influence the M&A to determine, the study's results and provide effective suggestions for the Pacific Sogo department store merger and acquisition.

Pacific Sogo Department Store Merger And Acquisition Case

Introduction to Far Eastern Department Stores Co., Ltd. Company profile and history.

Chairman Hsu Yu-hsiang founded Far Eastern Department Store Co., Ltd. in August 1967, and established a branch in Taichung two years later in October 1969. At that time, it was the largest department store in central Taiwan. Based on service first, Far East Department Store also set up a fresh food processing center, providing space for workers to prepare cooked food for sale in the supermarket, which generated a great response, and from 1967 to 1999, it established a total of 13 branches throughout Taiwan. However, the department store industry was highly competitive after many integrations, increasing the proportion of self-owned stores, and also because the development period entered a mature stage with new industrial forms, such as large shopping centers and specialty retail stores bring Far Eastern Department Stores to face great pressure.

From 1990 to 1997, Far Eastern Department Store Co., Ltd. had an annual turnover of about US$ 19.1 billion, a market share of about 18%, and was the department store industry with the longest history, and the highest share and turnover. But, in 1999, its turnover was US$ 19.6 billion, ranked third, after Shin-Kong Mitsukoshi Department Store and Pacific Sogo Department Store.

Self-Operated Products And Counter Goods

The goods sold in the department store industry can be divided into "self-operated goods" and "counter goods". Self-operated goods come from domestic and foreign manufacturers; domestic goods come from the original manufacturers of self-owned brands. The textile companies of Far Eastern

Group include "odbo Suits", "Trends Road" and "Baomi Children's Wear", and have a stable supply chain, reduce costs and reasonable prices. Goods are imported by branches that are responsible for purchasing or entrusting professional agencies such as agents to find goods, and the overall supply is good.

Far Eastern Department Store owns a number of brands and regularly organizes promotional activities to enhance sales, strengthen the proportion of self-owned brands and expand sales capacity, and reduce commodity prices to create business competitive advantages in operations. Counter goods are managed by bidding, and obtain counter operation. The supply and sales status is the responsibility of the counter staff. The advantages of a complete range of commodities, guaranteed income and saving manpower, procurement and management costs. When the economy is in decline, it can also reduce the pressure of inventory.

Far Eastern Department Store reduced its dependence on counter goods, balanced the proportion of dealers, ensured smooth communications with counter customers, and improves the education and training of in-service staff. The satisfaction of Far Eastern Department Store and counter goods is reflected in yearly contracts.

Reconstruction Of Business Sites

Far Eastern Department Store in Kaohsiung and Hsinchu has more than ten thousand square meters of operating bases, and in the context of strong competition from new Sino-Japanese joint venture department stores, it remains competitive with the advantages of its operating bases, strong chains, long operational history, low prices for consumers, and refined quality. As poorly operated sites quickly make decisions that end operations, it is necessary to establish a sounder chain system, and develop mass sales that allow people to enhance their consumption powers.

Human Resource Management And Service Quality

Human resource training is the first factor of service quality. Good service attitude and professional relationships improve the company image, customer satisfaction, and added value. Therefore, talent training is an indicator of the competitiveness of the department store service industry and carries a heavy weight value. Far Eastern Department Store Co., Ltd. is a service provider for local brands. To compete against Japanese department stores, Far Eastern Department Store Co., Ltd. hopes to learn more about Japanese chain software equipment, improve the quality of services and human resources, meet the needs of consumers, and revise the business model to make it more suitable for local culture.

Automatic Computerized Management

The higher the degree of automation in enterprise trading in market, the more efficient the speed of response and gain information. This merchandise sales and management to improving competitiveness, and the system process of department store operations is nothing more than the sales and management of goods, including purchase, sale, inventory, and e-commerce. With the expansion of computerized management, Far Eastern Department Store Co., Ltd. began adopting the EDI system in August 1995 to improve the efficiency of the network connection with suppliers and financial institutions, strengthen marketing planning and efficiency, and develop new customers, making it easier for consumers to obtain commodity information, including creating a separate webpage to provide product and price information.

Due to the B2C sales business of Far Eastern Department Store Co., Ltd., its sales center already has 200 projects, with logistics operations and huge warehouses. Far Eastern Department Store also plans to expand this business when the time is right, and has sought suitable partners.

Sound Financial Structure

Far Eastern Department Store Co., Ltd. has been listed in the financial market for more than 30 years, and with a sound financial management structure, it has made a lot of investments in the stock market for the purpose of operating in other areas of business, most of which are self-established companies, such as Far Eastern Ai Mai. The business strategy of Far Eastern Department Store Group is to turn to the development of large-scale retail stores, while the operation of Ai Mai Department store is a positive transformation direction, and currently has several branches in operation. As Far Eastern Department Store Group enjoys a prosperous market with abundant capital, its business strategy of developing large-scale sales has been supported by investors. The complete financial structure, good reputation, and accurate financial planning of Far Eastern Department Store Group are the driving forces for its transformation.

Equity Transfer Factors In Pacific Sogo Department Store

(1) Financial crisis of Pacific Construction .

Pacific Construction Co., Ltd. is a well-known construction company in Taiwan that builds a lot of luxury mansions and construction projects, also has contracted government public works. The company's annual turnover once reached US$ 10 billion as a financial market listed company. However, a flood in 2001 caused financial problems, and discuss the reasons behind. First although there are vacant land and unsold houses, the continuous borrowing is transferred to investment.

Second, due to the Flood, SOGO Department Store under Pacific Construction Company lost US$ 200 millions, and the cash flow of the whole group was interrupted by about US$ 300 millions, affecting the operating working capital of the enterprise. Third from 1989 to 2002, the real estate market went into decline; Pacific Construction Company was too deep in the stock market and asked other related enterprises to protect the stock, gradually fall into the group financial difficulties. Forth after the company's stock protection, shareholders took the opportunity to sell their share; the stock price fell. The company then invested capital to protect the stock many times over; and formed a vicious circle results.

After a 10-years recession in the real estate market and a reduction in public works contracts, turnover and profits shrank, resulting in a total loss of US$ 3.1 billion from 1999 to 2001.

Therefore, Pacific Construction Company drew up an organizational restructuring plan to sell Sogo Department Store to Pacific Logistics Company, let Pacific Construction Company get through the financial crisis by getting funds. Far East Group fully acquired the management rights of Pacific Logistics Investment Co. Ltd.

Conclusion

Due to industrial competition, when the external industrial structure and environment changes, market competition increases, and the business strategy of an enterprise changes, the overall design and structure of the organization also change to conform the external market environment and business needs. Porter (2011): Believed most firms has a unique ability to cope with the industry’s competitive force. Thompson and Strickland (1998): Pointed out that key success factors are related to product attributes, corporate assets, competitive capacity and the market of the enterprise, and the enterprise must consider the above factors to obtain a competitive advantage. Far Eastern Group's business strategy is to establish a sound chain system, strengthen human resources training, enhance service quality, and market trading automation network to strengthen marketing planning. B. Ramase shan and David Bejou (2006): Explained that the successful growth of the economy and global enterprise comes from excellent communication, information technology, customer relationship management, and the success of the operational strategy plan. Let consumers possess purchasing their perceptions to access product information easier and achieve satisfaction. Leon G. Schiffman and Leslie Lazar kanuk (2012): Believed that high service quality perception and customer satisfaction can generate both higher purchase intention and greater repurchase behavior. Under a sound financial structure, the equity transfer of Pacific Sogo Department Store relieved the financial crisis and the management right of Pacific Logistics Company were successfully acquired. Henry, Joseph, James and Sumantra (2003): Believed effective strategic decision makers avoid this dilemma by focusing on maintaining decision pace, not pushing decision speed.

For M&A to succeed, the right strategy must be a strong execution factor for the vision and mission of an organization. A policy decision is to expand the scope through M&A, the task of which is to guide two organizations by the process of planning evaluation from professionals following legal processes to establish a strategic plan and obtain commitment and support; the implementation and execution of such plan is regarded as an integrated process. Chaudhary (1995): Said the most important decision is to determine how the targeted company should be approached and who should initiate the discussion regarding the proposal. Ratan Raina (2018): Suggested a organization can achieve its vision and mission efficiently only if it is supported by the technology, supportive HR policies and practices, strategy and work culture. Cummings and Worley (2016): After M&A, the acquirer's organizational change and business performance can improve the effectiveness of working capital management, reduce operating costs, and improve the return on shareholders' equity while also stimulating growth due to the adjustment of organizational structure. All of the above generate positive benefits in the market. Cummings and Worley (2016) explained the ability to quickly and effectively repeat such processes when various state guarantees are rare and imitations are difficult. Therefore, the ability to make strategic changes represents a sustainable competitive advantage. Porter pointed out that an enterprise can enhance its competitiveness through the improvement in the execution of all valued activities and cost reduction, and emphasized management that the cross-integration of processes and functions of the management of the core enterprise is very important for management efficiency.

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Table 1. Important Schedules

	CERTIFIED PUBLIC ACCOUNTANT Annam Cao was stationed in Pacific Sogo Department Store (IV) A Cutting Plan between Pacific Sogo Department Store Co. Ltd. and Pacific Logistics Group
2002/03/27	Pacific Sogo Department Store acquired part of the "60% equity of Pacific Holding Company"
In April 2002	Pacific Sogo Department Store acquired Pacific Logistics Investment Co. Ltd.'s equity from Pacific Logistics Company for US$ 1 million Min Keung Cheung and his son began to buy shares in Pacific Sogo Department
2002/08/05	Breeze Group was involved in Pacific Sogo Department Store's equity sale dispute
2002/08/21	MY HUMBLE HOUSE GROUP Chem Yeung Tsai and Sunrider Group De Fu Chen intervened in Pacific Sogo Department Store's management right
2002/08/22	Metting between Chem Yeung Tsai and Hua De Lynn
2002/08/26	Under the guise of creditor bank members, Hua De Lynn entered the management team of Pacific Sogo Department Store Co., Ltd., held a temporary shareholders' meeting of Pacific Sogo Department Store, and declared that creditor banks leaded the management of the company
2002/08~09	Far Eastern Group finalized the acquisition of Pacific Sogo Department

	Store
Late April 2002	Pacific Sogo Department Store increased the capital of Pacific Logistics Investment Co. Ltd. to US$ 10 million
2002/06/10	Pacific Logistics Company centralized and transferred the shares of Pacific Sogo Department Store to the name of Pacific Logistics Investment Co. Ltd.
Early August 2002	Hang Lung Lee served as the Chairman of Pacific Logistics Investment Co. Ltd.
2002/09/24~26	Far Eastern Group increased the capital of Pacific Logistics Investment Co. Ltd. by US$ 1 billion, acquired more than 99% of the equity of the company, and indirectly acquired the management right of Pacific Logistics Investment Co. Ltd.
2002/08~09	Store
2002/09/17	A memorandum and confidentiality agreement were signed
2002/09/21	Hang Lung Lee and others forged the minutes of the provisional shareholders' meeting, pretending that Pacific Logistics Investment Co. Ltd. had passed the legal provisional shareholders' meeting and the board of directors' resolution to increase the capital by US$ 4 billion

2002/09/30	ADP Group, a subsidiary of Far Eastern Department Store, contributed to pay off the debts of Pacific Sogo Department Store's related assets pledged by Pacific Logistics Company
2003/04/23	Far Eastern Department Stores increased the capital of Pacific Logistics Investment Co. Ltd. By US$ 1.8 billion
2003/06/19	Pacific Sogo Department Store Co., Ltd. and Pacific Logistics Investment Co. Ltd. Transfer completed