Mergers and acquisitions: caution
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They say fools of venture where angels fear to tread. Up until now, there's been no precedent for a successful technology merger of the size of the HP and Compaq merger. The most quoted failure is the merger of computer vendors Burroughs and Sperry. In 1986 these two merged their dissimilar operations and very different corporate cultures. Unisys, the resulting company, briefly held second place in the industry rankings but now it maintains a distant way behind the giants of the industry.

Similarly, Compaq's acquisition four years ago of Digital Equipment Corporation and Tandem's can't be said to have been successful or even fully completed. It's even harder to assess if those acquisitions have been advantageous for the Texas company. Compaq's enormous sales force and DEC's powerful 64-bit technology haven't been of much use against the superior agility of Dell. Dell's business model involves selling directly to the end user and it gets much better prices thanks to its amazingly efficient supply chain.

So the HP/Compaq merger has history working against it even if we redefined this, as some people are, an HP acquisition of Compaq. The first thing that the new company faces is the traumatic process of dismissing 15,000 employees. This has already created uncertainty within both companies and within the sector. Moreover, in this case there's an evident inequality: Carly Fiorina's company is risking much more than Compaq in the operation. While the HP model seems viable in the eyes of the industry, Compaq's model is suspect. Granted, the HP CEO has had a team of hundreds of people working on the merger process, while the company remains on stand-by for important decisions to be taken.

However not only is the global strategy of the company at stake but also the future of Fiorina herself and all her board of directors, who had promised to resign en bloc if the merger vote failed. Fiorina has invested millions of dollars in selling the merger strategy and in defending it against opponents. In the process she has built herself a high media profile which is totally contrary to the egalitarian culture of HP. That has created her many opponents both within and outside the organisation. Going to press, while waiting for official results, the merger is going forward with a slim victory margin. When the count is officially in, finally, a difficult process starts with three key aims.

First, preserving the client base, which, faced with this kind of uncertainty, may opt for more stable suppliers.

Second, blending two opposite business cultures: the democratic HP, founded in a garage of Silicon Valley, with the hierarchic Compaq organisation. Third and hardest, consists of finding a model capable of taking on the likes of Dell. In the PC market
which is quickly commodizing, the battle has shifted from technology to price. The challenge is colossal, the opportunity historic and the results uncertain.