

Case study 6: Mark scheme

Chapter 15: Organisational and corporate cultures (HL only)

(Chapter 7: Growth and evolution)

Sprint and Nextel

In 2005 two massive communication companies, Sprint and Nextel, merged into a \$35bn entity. The companies hoped that by combining their expertise at two opposite ends of the communications market, they could benefit from a synergetic relationship, leading the way to magnified market dominance and amplified profits.

Sprint was well known in the personal cellphone and home service market. Nextel was involved in the commercial end of the market, selling to businesses for infrastructure and transportation applications.

The merger presented problems, however. Differences in corporate culture caused significant numbers of Nextel management to resign. By 2007, when the recession hit, customers began to turn to competitors AT&T, Verizon and iPhone. Sprint/Nextel began a series of redundancies in order to cut costs. Share prices fell. The merger may be considered by some people as having been unsuccessful.

HL questions: 25 marks, 45 minutes

- 1 Define the term 'merger'. (2)
- This is a form of external growth in which two businesses, often of a similar size, combine their operations to become one entity with an increased scale of operation.

Apply **Resources table 3a** mark band descriptors.

- 2 Explain the possible problems of combining the corporate cultures of two big corporations like Sprint and Nextel. (6)

Define corporate culture: the values, attitudes and beliefs of the people working in an organisation that control the way they interact with one another and with external stakeholder groups.

Difficulties may stem from differences in:

- vision and mission statements
- conflicting management styles
- different types of workers who may find it hard to work together, e.g. scientific or production staff
- national cultures
- ethical codes of conduct
- strategies on social and environmental issues
- industry norms
- local laws (does not apply to Sprint and Nextel)
- any other relevant point(s).

HL: apply **Resources table 2** mark band descriptors.

- 3 Evaluate the policy of growth achieved through large corporate mergers such as that of Sprint and Nextel, excluding further reference to issues relating to corporate culture. (9)

Answers should include at least **three** advantages and disadvantages, applied to the case study.

Disadvantages:

- diseconomies of scale
- operational changes may take time to arrange, resulting in an inefficient interim period
- mass redundancies may happen
- differences in leadership and motivational styles
- channels of communication may be ill-defined
- any other relevant point

Advantages:

- synergy
- economies of scale
- instant growth rather than slow organic growth
- wider geographic spread
- any other relevant point

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.

- 4 Evaluate how Sprint/Nextel could have better achieved effective cultural change when they merged. (8)

First, mention issues of conflict that need to be addressed during change management.

Effective cultural change could have been achieved by:

- changing the vision and mission statements, and hence the objectives
- convincing or replacing top/key personnel
- having all workers participate in proposals
- changing the reward system – basing it on the new culture
- emphasising positive rather than negative issues.

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.