Original Research Article

Analyzing blackmores' merger with kirin holdings

Rong Pei

The Australian National University, Acton, Canberra, 2601, ACT

Abstract: The acquisition of Blackmores by Kirin presents a unique opportunity for both companies to leverage their strengths and expand their global influence. However, the transition poses several challenges, including cultural differences between the two countries, the need to preserve Blackmores' identity during integration, and managing employee resistance to change. This essay explores the potential challenges that may arise during the merger and examines possible change management tools, such as McKinsey's 7-S Framework and the ADKAR Model, to address these issues effectively.

Keywords*:* Change management; McKinsey's 7-S framework; ADKAR model; Cultural differences

1. Introduction

Kirin Holdings, a Japanese beverage and pharmaceutical company, acquired Blackmores Limited in 2023 for approximately A$1.88 billion[1]. Kirin, renowned for its beverages including beer, soft drinks, and non-alcoholic products, primarily operates in Asia and Oceania. Inspired by the blessings of nature and guided by customer insights, the company is committed to expanding its portfolio with healthcare products[2].

One of Kirin's long-term visions is to establish a robust health science domain and become a global leader in creating shared value by integrating its expertise across food, beverage, and pharmaceutical sectors[3]. Blackmores, on the other hand, is a leading Australian natural health company with a history spanning over 90 years[4]. Specializing in vitamins, minerals, and herbal supplements, Blackmores has a strong presence in the Asia-Pacific region.

The shared commitment to healthcare innovation made this acquisition mutually beneficial. Kirin saw the opportunity to enter the pharmaceutical domain, leveraging Blackmores' expertise, while Blackmores viewed the partnership as a chance to accelerate its growth both within the Asia-Pacific region and globally[5].

2. Key challenges in change

According to Michela and Vena[6], a positive reaction and attitude among staff can significantly reduce resistance to change. Many employees may initially feel negative about changes, as transitions can threaten their current roles, create job insecurity, and introduce uncertainty. These feelings can lead to increased staff turnover and disruption within the organization. This causes anxiety for both the company and its employees, ultimately lowering the likelihood of a successful transition. In the context of mergers and acquisitions, Blackmore may face some difficulties during its integration with Kirin.

Challenge 1: Culture difference

Cultural differences could be a big challenge in the merger because the two companies have very different ways of working. Blackmores, an Australian company, likely has a relaxed and flexible work environment. It values work-life balance, less formal structures, and allows employees to make decisions quickly.On the other hand, Kirin, a Japanese company, comes from a more traditional and formal culture. It follows strict rules, has clear hierarchies, and prefers careful, step-by-step decision-making.These differences could lead to misunderstandings and make it harder for employees from both companies to work together smoothly.

Challenge 2: Operational integration

Kirin needs to establish its healthcare supply chain while ensuring that Blackmores' well-established supply chains and production processes remain uninterrupted[7]. This requires Kirin to strike a balance between maintaining Blackmores' operational autonomy and developing new corporate strategies and policies for the healthcare sector.The potential negative impacts of this challenge include delays and inefficiencies in the integration process. Furthermore, mismanagement could harm Blackmores' unique position and reputation in the healthcare industry, undermining its established trust and market leadership.

Challenge 3: employment engagement

After being acquired by a Japanese company located far from Australia, employees at Blackmores may feel uncertain about their job security, their roles within the merged company, and what the future holds for them. These uncertainties can create anxiety and frustration among employees, leading to panic and a lack of trust in the organization.This situation may result in a high turnover rate as employees leave to seek stability elsewhere. Additionally, these feelings of insecurity and fear of the unknown can cause resistance to change, making it harder to integrate the two companies effectively.

3. Change mangement in acquisition

To handle this, change management is crucial. It helps organizations and companies manage transitions effectively to achieve their goals[8]. By using change management, organizations can reduce resistance to changes, provide a clear plan for how changes will be implemented, and make the transition smoother. This increases the chances of success. For the merger between Blackmores and Kirin to succeed, Blackmores needs to adopt a well-structured and effective change management strategy.

4. Change management strategy

Based on different contexts and backgrounds, the change management techniques and frameworks could be very different[9]. For the Blackmores-Kirin merger, a combination of frameworks tailored to the unique cultural, operational, and organizational dynamics would provide the most effective results.

When addressing cultural differences and operational integration, McKinsey's 7-S Framework stands out as an ideal approach. The main goal of change management in this merger is to protect Blackmores' unique way of working and its strong reputation in the industry. Keeping its flexibility, creativity, and focus on natural health is key to making the merger work while keeping its identity and leadership in the market[10]. The 7-S elements—strategy, structure, systems, shared values, style, staff, and skills—make it easier for Blackmores and Kirin to work together. They can decide which parts to align and which to keep separate. This helps them reach common goals while allowing Blackmores to keep its unique strengths and way of working.

Table 1. Alignment and independence areas in the blackmores–kirin merger.

7-s element	Areas for Alignment	Areas for independence
Strategy	Shared goal of becoming a global leader in health and wellness.	Blackmores maintains its identity as a trusted, natural health brand.
Structure	Key leaders at Blackmores report to Kirin on strategic progress and compliance.	Blackmores maintains its leadership team to oversee its niche markets and operations.

7-s element	Areas for Alignment	Areas for independence
System	Integrate supply chains for international markets to optimize distribution.	Preserve Blackmores' existing R&D systems for innovation and product development.
Shared value	become a global leader in healthcare.	Blackmores retains its emphasis on natural health as its unique identity.
Style	Promote transparency, trust, timely and regular communication across both organizations.	Blackmores retains its informal and flexible leadership style for managing day-to-day operations.
Staff	Create opportunities for employees to share expertise across both organizations.	Allow Blackmores to continue managing its workforce and talent acquisition independently.
Skill	Share insights on entering and expanding in new regions	Blackmores retains its leadership style focused on innovation and collaboration.

Table 1. *(continued)*

Under McKinsey's 7-S Framework, tailored specifically for the Blackmores-Kirin merger, Blackmores has the opportunity to preserve its identity and maintain its unique features while aligning with Kirin's broader strategic goals.

When it comes to employment management, ADKAR model can be used to address employees' attitudes and behaviors, thus reducing resistance. And the model contain five key steps, which are awareness, desire, knowledge, ability, and reinforcement[11]. Using the ADKAR Model, Blackmores needs to take steps to ensure that staff understand why the change is necessary, why their participation is essential, how they can adapt to the change, what support Blackmores can provide, and how their engagement and progress in embracing the change will be evaluated.By doing so, Blackmores can clearly communicate to its staff the reasons behind the merger and the benefits it offers to both the company and its employees, ensuring that employees are motivated to support the changes.

5. Conclusion

The Blackmores-Kirin merger is a great chance for both companies to combine their strengths and work towards shared goals in the health and wellness industry. While the merger process can be challenging, using the right change management strategies can make it more successful. By using tools like McKinsey's 7-S Framework and the ADKAR Model, Blackmores can keep its unique identity and help its employees stay engaged and supportive during the transition.

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