Impact of mergers on executive displacement

Larry Thomas Huggins

The University of Montana

1975

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THE IMPACT OF MERGERS ON EXECUTIVE DISPLACEMENT

By

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B.A., University of Montana, 1968

Presented in partial fulfillment of the requirements for the degree of Master of Business Administration UNIVERSITY OF MONTANA 1975

Approved by:

Chairman, Board of Examiners

Dean, Graduate School

June 10, 1975
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    Clifton Precision Products Company (CPP)
    Fitchburg Paper Company (FP)
    Alvey-Ferguson Company (A-F)
    Maverick-Clark Company (M-C)
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CHAPTER I

INTRODUCTION

History of Merger Activity

The United States is undergoing a merger wave of giant proportions. The current merger wave began in 1948 and has continued unabated for over twenty years. Data on mergers and acquisitions (see Table 1) denotes that American business is characterized by the appetite corporate managements have for absorbing other companies. The data in Table 1 are indicated by the increase in merger activity during the last two decades. From 1950 to 1959 there were a total of 4,789 mergers and from 1960 to 1969 this figure increased to 12,579 total mergers.

In the most recent year, for which complete data are available (1969), there were a total of 2,246 mergers in the manufacturing and mining sectors, which involved an exchange of $10.6 billion in assets.¹ For the period 1948-1969, acquired assets in manufacturing and mining totaled $63.7 billion.² In terms of either the number of firms disappearing or the size of the assets changing ownership, the

²Ibid.
## Table 1

**Mergers and Acquisitions--Manufacturing and Mining Concerns Acquired: 1950-1970**

<table>
<thead>
<tr>
<th>Years</th>
<th>Mergers</th>
<th>Horizontal &amp; Vertical Mergers</th>
<th>Conglomerate Mergers</th>
<th>Total* Assets</th>
<th>Horizontal &amp; Vertical Mergers</th>
<th>Conglomerate Mergers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>844</td>
<td>62</td>
<td>19</td>
<td>$1,689</td>
<td>$566</td>
<td>$1,122</td>
</tr>
<tr>
<td>1961</td>
<td>954</td>
<td>55</td>
<td>23</td>
<td>2,056</td>
<td>805</td>
<td>1,251</td>
</tr>
<tr>
<td>1962</td>
<td>853</td>
<td>73</td>
<td>25</td>
<td>2,290</td>
<td>1,051</td>
<td>1,240</td>
</tr>
<tr>
<td>1963</td>
<td>861</td>
<td>71</td>
<td>22</td>
<td>2,984</td>
<td>1,187</td>
<td>1,796</td>
</tr>
<tr>
<td>1964</td>
<td>854</td>
<td>90</td>
<td>30</td>
<td>2,736</td>
<td>974</td>
<td>1,762</td>
</tr>
<tr>
<td>1965</td>
<td>1,008</td>
<td>90</td>
<td>27</td>
<td>3,835</td>
<td>769</td>
<td>3,068</td>
</tr>
<tr>
<td>1966</td>
<td>995</td>
<td>98</td>
<td>22</td>
<td>4,153</td>
<td>629</td>
<td>3,525</td>
</tr>
<tr>
<td>1967</td>
<td>1,496</td>
<td>167</td>
<td>28</td>
<td>9,090</td>
<td>1,596</td>
<td>7,493</td>
</tr>
<tr>
<td>1968</td>
<td>2,407</td>
<td>206</td>
<td>33</td>
<td>13,311</td>
<td>1,504</td>
<td>11,807</td>
</tr>
<tr>
<td>1969</td>
<td>2,307</td>
<td>152</td>
<td>29</td>
<td>11,036</td>
<td>2,990</td>
<td>8,045</td>
</tr>
<tr>
<td>1970</td>
<td>1,344**</td>
<td>88**</td>
<td>9**</td>
<td>5,447**</td>
<td>1,073**</td>
<td>4,375**</td>
</tr>
</tbody>
</table>


**Note:** Total limited to actions reported by Moody's Investors Service, Inc. and Standard and Poor's Corporation. Many smaller acquisitions are not reported in these sources. Includes partial acquisitions when they comprise whole divisions of other companies.

*Includes all concerns with assets of $10 million and over.

**Preliminary.
post-World War II merger movement is the largest one in United States history.

The first merger wave in the United States occurred between 1898 and 1902. During this short period of time, mergers

. . . transformed many industries, formerly characterized by many small and medium-sized firms, into those in which one or a very few large enterprises occupied leading positions. It laid the foundation for the industrial structure that has characterized most of American industry into the twentieth century.

In terms of size, however, this was the smallest of the merger waves with a total of 2,653 reported mergers in manufacturing and mining, accounting for an exchange of assets of $6.3 billion.

The second merger wave took place between 1926 and 1938. In terms of magnitude, this was the second largest of the three merger waves with 5,846 reported mergers during the period. In terms of capitalizations, the small amount of available evidence indicates that this merger wave was larger than the turn-of-the-century wave.

---


4Ibid.


6Nelson, Merger Movements, p. 5.

7Reid, Mergers, Managers, p. 38.

8Ibid.
importance, however, this merger movement did not have the effect on industrial concentration as did the first merger wave. The late 1920's movement has generally been thought of as an attempt "... to restore the industrial concentration which had become diluted over the years."  

The third merger movement had its beginning in the 1950s. The period from the early 1950s to the 1960s, however, was a rather dormant period as far as acquisitions were concerned. Then, in the mid-1960s, expansion by merger negotiation became a popular management policy. The present merger wave differs from its predecessors not so much in magnitude (when inflation and business population are taken into account) but rather in the type of merger activity that is being pursued. As indicated in Table 1, for the last two decades mergers have been growing at an increasing rate until only the last several years when merger activity has started to decrease.

The first two merger waves were attempts to monopolize markets by either acquiring a significant number of one's competitors and/or the precluding of new entry by acquiring the producers of inputs of very inelastic supply. The present merger wave is dominated by mergers of the conglomerate variety. These firms neither compete in the same output markets nor are they related in either's input market.

9 Nelson, Merger Movements, p. 5.
For example, of all the large mergers\textsuperscript{10} which took place in manufacturing and mining in the 1948-1969 period, 66.7 per cent of them (representing 65.1 per cent of the acquired assets) were of the conglomerate type.\textsuperscript{11} Although horizontal and vertical mergers are no longer dominant types of acquisitions, the number of such mergers and the amount of assets involved is still very large when compared to either of the first two merger waves.

In the legal sense, a merger involves the combination of two or more firms, with one of the former independent firms remaining as the surviving entity. The Federal Trade Commission's definition of a merger includes

\begin{quote}
\ldots only those purchases or transfers of ownership of a company (or division of a company) that represent a merger of two companies previously under separate control \ldots the purchase of stock not leading to a majority ownership interest is excluded.\textsuperscript{12}
\end{quote}

More specifically, the occurrence of a merger can be defined as a combination of two or more previously independent business enterprises into a single enterprise under the control of a single management. This can occur where (1) a company acquires all the assets of another company, (2) a company acquires more than 50 per cent of the equity securities of

\textsuperscript{10}\textsuperscript{A} large merger is defined by the Federal Trade Commission as one in which the acquisition represents assets of $10 million or more.


\textsuperscript{12}\textsuperscript{Ibid.}
another company, or (3) two companies combine to form a brand new enterprise. For all intents and purposes, these forms of combinations can be viewed as being sufficiently similar to be lumped into the single classification of "a merger."13

Types of Mergers

The volume of merger activity has been subject to large fluctuations over time; also, the types of mergers which have been most popular at any given moment have shown a corresponding diversity. The object of this section is to describe the various types of mergers.

It is very common to divide merger activity into three types: horizontal, vertical, and conglomerate. A conglomerate merger is defined as "... an acquisition that is neither horizontal nor vertical."14 The horizontal merger dominated the first two merger waves while vertical mergers accounted for virtually the entire remainder of total merger activity in the first two merger waves. In the early years of the present merger wave there has been a steady shift away from the horizontal and vertical merger to the conglomerate merger.

---

13 The terms merger, acquisition, and consolidation shall be used interchangeably. These terms refer to the absorption of a previously independent business entity (or a substantial portion thereof) by another business enterprise.

From 1948 to 1951, horizontal and vertical mergers amounted to 62 per cent of all merger activity, and conglomerate mergers amounted to 38 per cent of all merger activity.\textsuperscript{15} Merger percentages shifted until in 1968, conglomerate mergers amounted to 91 per cent and horizontal and vertical mergers amounted to 9 per cent of all merger activity.\textsuperscript{16} The shift to conglomerate mergers has been attributed to several factors: (1) the increase in antitrust and monopoly legislation activity by Congress,\textsuperscript{17} and (2) changes in corporate tax laws over the last several decades.\textsuperscript{18}

Economists have identified a number of reasons why firms choose to grow by mergers. The businessmen's typical motivations for merging include the desire for such advantages as easy market entry, acquisition of new technological skills or patent rights, procurement of needed managerial skills, acquiring a listing on a national exchange, the protection of input and output markets, achieving greater capital and earnings strength, cyclical and secular stability, and tax advantages.

\textsuperscript{16}Ibid.
In analyzing merger causes or motives, it is important to recognize that there are two levels of causation: first, motives for growth; and second, factors which make a merger a preferred method of growth. Firms may wish to grow for a variety of reasons: to achieve economies of large-scale production or distribution, to attain market power, or simply to grow larger because doing so increases profits and the overall prestige of the firm and its management.

When a firm has any of the above incentives for growth, it next must decide upon the most effective (from its standpoint) way of growing: internal expansion or merger. The merger is often more advantageous for a variety of reasons. It permits the purchase of personnel, products and technology. It may be easier to finance. Perhaps most importantly, it permits expanding one's position in an existing industry or entry into a new one without disturbing the competitive situation by adding new capacity and a new competitor to the industry. Because these factors favoring mergers are always present, companies which have an incentive to grow will often find it to their own advantage to grow by merging.

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20 Ibid., p. 8.

21 Ibid.
Following is a definition and example of each type of merger and an economic justification or motivation for its occurrence.

**Horizontal Mergers**

A merger is horizontal when the companies involved produce one or more of the same, or closely related, products in the same geographic market. Horizontal growth would include mergers with businesses that were involved in, or similar to, the acquiring company's basic product.\(^\text{22}\) An example of a horizontal merger would be a television tube manufacturer acquiring another company which also produces television tubes. Another example is a bank acquiring the bank across the street.

There are several reasons for expanding a business through a horizontal merger. First, the company being acquired could possess strong management talent that the acquiring company felt would help strengthen the parent company.\(^\text{23}\) Secondly, the acquiring company could strengthen its market position, through the application of good management technique, by acquiring a company with weak management.\(^\text{24}\)


\(^{24}\)Ibid.
A third reason is that a merger sometimes provides the cheapest way to acquire the assets required for expansion. Also horizontal mergers are expected to yield economies of scale in production, management services and promotional activity. In addition, it should yield increased market control and concentration.

**Vertical Mergers**

A merger is vertical when the two companies had a buyer-seller relationship prior to the merger. Vertical growth is defined as the acquisition of a business which is a supplier to the acquiring company or a business for which the acquiring company is a supplier. A merger between firms which are in direct line from raw materials to sales is a vertical merger. An example of a vertical merger is the acquisition of a tire manufacturing company by an automobile manufacturing firm or the acquisition of a retail clothing chain by a clothing manufacturer.

The main purpose of merging vertically, besides increased company profits, is to provide the acquiring company with an assured supply of raw materials or to insure a ready outlet for the product being manufactured. Management may or may not be an important factor in merging vertically.

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25 Ibid.


depending upon the amount of difference between the two companies. Also, vertical mergers are expected to yield economies in purchasing and/or distribution.²⁸

Frequently, it becomes difficult to differentiate between horizontal and vertical mergers because of the circumstances involved. For example, a vertical merger can be in the same related field of electronic equipment as the acquiring company, making it difficult to classify the merger as either vertical or horizontal.

Conglomerate Mergers

A conglomerate merger involves the consolidation of two essentially unrelated firms or the accumulation of diverse companies under one corporate structure. In 1968, 90 per cent of the mergers involving $11 billion of assets were associated with conglomerate mergers.²⁹ Even though merger activity has leveled off the last several years, the conglomerate merger continues to play an important role in merger activity, accounting for a majority of all mergers and acquisitions (Table 1).

A conglomerate merger brings together dissimilar and unrelated firms under the same corporate management. The product made by the company being acquired would not be closely related to the primary product of the parent company.

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²⁸FTC, Report, p. 4-5.
An example would be an aerospace company acquiring an ice cream manufacturer. The "pure" conglomerate merger affords little or no opportunity to achieve economies of scale since it is more analogous to a holding company than to the usual concept of "the firm." However, conglomerate mergers do offer the opportunity to lessen risk by a process similar to portfolio diversification. When two companies are in related manufacturing fields it sometimes becomes difficult to distinguish between the vertical merger and the conglomerate merger. In many cases the end product is the only factor that separates the two mergers.

The Contribution of the Paper

The current merger wave began ten years ago. The past thirteen years have seen the third giant merger wave in U. S. financial history. The two-year period of 1968-1969 alone brought 10,594 merger announcements, and they obviously involved many times that number of people. As merger activity continues to increase, the impact on the corporate executive becomes more significant.

According to several current periodicals, the increase in merger activity over the past decade has resulted

\[30\text{FTC, Report, p. 4-5.}\]

in the displacement of many top business executives. These displacements were the result of massive transfers or firings by the acquiring companies, resignations due to frictions, fears, anxieties, and forced retirements.

The reasons for executive displacement have been identified. Inferences about the relative importance of management policy and the type of merger as they influence executive displacement have been drawn. Specifically, the paper is a detailed study of the effects of mergers and acquisitions upon the top management personnel of companies being acquired. A comprehensive examination of the acquisitions of Litton Industries, Inc. provides the basis for the study.

Mergers and acquisitions have played a leading role in Litton Industries, Inc. growth and in establishing Litton in the wide array of fields in which it currently does business. Litton Industries, Inc. has acquired 97 companies during the period 1958-1969. Of these companies, 20 were large, each having assets of $10 million or more at the time of acquisition. Questions concerning the problems that top management encounters during merger activity and the policies

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of Litton as they relate to the personnel changes involved in the mergers have been examined. The questions to which answers are attempted are:

A. The personnel problems associated with merger negotiation.

B. The extent of executive displacement involved in the mergers studied.

C. Type of merger with respect to executive displacement.

Assumptions and Limitations

The object of this section is to explain how Litton was selected as a basis for the study and to set forth some ground rules for conducting the examination of Litton Industries, Inc.

Litton Industries, in its relatively short life of just over fifteen years as one of the larger conglomerates, has acquired over a half billion dollars in assets of various companies. Over 90 per cent of this amount has been acquired since 1961. It is clear from the foregoing figures that mergers and acquisitions have played a leading role in Litton's conglomerate. Acquired assets during the 1961-1968 interval represented almost one-half of the increase in Litton's assets from $119 million in 1960 to $1.4 billion on January 31, 1969. Because of Litton's tremendous growth during the 1960s, it was selected as being representative of merging

\[35\text{Ibid., p. 557.} \quad 36\text{Ibid.} \quad 37\text{Ibid., p. 562.}\]
companies during the merger active years of 1961-1969. (In 1960 Litton ranked below the 500 largest industrials and by the end of 1968, Litton had assets of over $1 billion and had become the 54th largest manufacturing company in the United States.)

It may be observed in Table 2 that Litton's acquisition pattern was not dominated by large firms. Rather, 17 firms with over $10 million in assets were acquired. The mergers and acquisitions of Litton are broad enough to cover small, medium, and large firms providing sufficient data upon which valid conclusions can be made.

The study of Litton's mergers consists of an examination of the disposition of the top executives of the acquired companies after the merger. The term "top executive" is defined as the chairman of the board of directors and corporate officers. The members of the board of directors are not considered unless they are also officers of the company. This approach is taken on the assumption that on many occasions board members who are not officers of the company tend to serve only in advisory capacities, therefore their main employment would not be directly affected by a merger.

The executives of corporations being acquired are traced for two years after the merger. It is the assumption of the study that following a merger the majority of personnel changes occurring in two years are the direct result of

38 Ibid., p. 557.
### TABLE 2

**11 NEW CONGLOMERATES**  
**DISTRIBUTION OF ACQUIRED ASSETS BY SIZE OF COMPANIES ACQUIRED**  
**1961-1968**

<table>
<thead>
<tr>
<th>Company</th>
<th>Number Acquired</th>
<th>Assets (Billions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf &amp; Western</td>
<td>67</td>
<td>2.822</td>
</tr>
<tr>
<td>LTV</td>
<td>23</td>
<td>1.901</td>
</tr>
<tr>
<td>ITT</td>
<td>47</td>
<td>1.487</td>
</tr>
<tr>
<td>Teledyne</td>
<td>125</td>
<td>1.026</td>
</tr>
<tr>
<td>Gen. Tel. &amp; Elec.</td>
<td>40</td>
<td>0.679</td>
</tr>
<tr>
<td>Litton</td>
<td>79</td>
<td>0.609</td>
</tr>
<tr>
<td>FMC</td>
<td>13</td>
<td>0.497</td>
</tr>
<tr>
<td>Gen. American Trans.</td>
<td>4</td>
<td>0.453</td>
</tr>
<tr>
<td>Textron</td>
<td>50</td>
<td>0.453</td>
</tr>
<tr>
<td>White Consolidated</td>
<td>28</td>
<td>0.443</td>
</tr>
<tr>
<td>Colt Industries</td>
<td>9</td>
<td>0.437</td>
</tr>
</tbody>
</table>

**Value of Acquired Assets (Billions of Dollars)**

![Bar Chart]

**LEGEND**
- □ $50 million and over in assets
- □ $10-49 million in assets
- □ Less than $10 million in assets

**Source:** Bureau of Economics, Federal Trade Commission.

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**SOURCE:** U.S., Federal Trade Commission,  
the merger and not due to normal attrition activities. Any period of time in excess of two years would start to reveal some personnel changes due to promotions, normal retirements, and not to the effects of the merger. To use a period less than two years introduces a risk of not allowing enough time for the merger to result in personnel changes.

The use of a short time period is especially critical when considering the fact that Poor's Register of Directors and Executives and Moody's Industrial Manual, which are the primary source of data for the study, could possibly encounter a delay in showing the changes in personnel structure of a company after the merger since they are published on a yearly basis. Using two years as a basic time should minimize this problem.

The companies examined in Chapters IV and V include those acquisitions that occurred after Litton became known as a conglomerate company. The companies include those acquisitions made after the merger with Monroe Calculating Machine Company in 1956, which was Litton's first major diversification. The 26 companies which are studied include all mergers which were large enough to be considered a significant acquisition (see Table 3). Moody's Industrial Manual and Poor's Corporate Records define a significant acquisition as being wholly owned by the parent company. These companies are listed in Table 3 on the following page and are discussed in Chapter VI and V. The significant mergers of Litton are
## TABLE 3

SELECTED COMPANIES ACQUIRED BY LITTON, 1958-1969

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquired Assets ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$50 Million or More</strong></td>
<td></td>
</tr>
<tr>
<td>Royal McBee Corp.</td>
<td>1965</td>
</tr>
<tr>
<td><strong>$10-$49 Million</strong></td>
<td></td>
</tr>
<tr>
<td>Monroe Calculating Machine Co.</td>
<td>1958</td>
</tr>
<tr>
<td>Eureka Specialty Printing Co.</td>
<td>1961</td>
</tr>
<tr>
<td>Cole Steel Equipment Co.</td>
<td>1961</td>
</tr>
<tr>
<td>Ingalls Shipbuilding Corp.</td>
<td>1962</td>
</tr>
<tr>
<td>Fitchburg Paper Co.</td>
<td>1964</td>
</tr>
<tr>
<td>Hewitt-Robins, Inc.</td>
<td>1965</td>
</tr>
<tr>
<td>Stouffer Foods Corp.</td>
<td>1967</td>
</tr>
<tr>
<td><strong>$5-$9 Million</strong></td>
<td></td>
</tr>
<tr>
<td>McKiernan-Terry Corp.</td>
<td>1962</td>
</tr>
<tr>
<td>Aero Service Corp.</td>
<td>1962</td>
</tr>
<tr>
<td>Clifton Precision Products Co., Inc.</td>
<td>1963</td>
</tr>
<tr>
<td>Alder Electronics, Inc.</td>
<td>1963</td>
</tr>
<tr>
<td>Streater Industries, Inc.</td>
<td>1964</td>
</tr>
<tr>
<td>McCray Refrigerator Co.</td>
<td>1966</td>
</tr>
<tr>
<td>Kester Solder Co.</td>
<td>1967</td>
</tr>
<tr>
<td><strong>Less Than $5 Million</strong></td>
<td></td>
</tr>
<tr>
<td>Maryland Electronic Co.</td>
<td>1958</td>
</tr>
<tr>
<td>Westrex Co.</td>
<td>1958</td>
</tr>
<tr>
<td>Times Facsimile Corp.</td>
<td>1959</td>
</tr>
<tr>
<td>Poly Scientific Corp.</td>
<td>1962</td>
</tr>
<tr>
<td>Winchester Electric Co.</td>
<td>1963</td>
</tr>
<tr>
<td>Alvey-Ferguson Corp.</td>
<td>1966</td>
</tr>
<tr>
<td>Maverick-Clark Co.</td>
<td>1966</td>
</tr>
<tr>
<td>Electra Motors Co.</td>
<td>1966</td>
</tr>
<tr>
<td>Sturgis Business Equipment Co.</td>
<td>1966</td>
</tr>
<tr>
<td>Eureka X-Ray Co.</td>
<td>1967</td>
</tr>
<tr>
<td>Chainveyor Corp.</td>
<td>1967</td>
</tr>
</tbody>
</table>

studied to insure that data presented are comparable. This methodology cannot yield definitive statements about the success or failure of Litton as a conglomerate. However, it can identify factors, trends, and patterns involved in the displacement of top executives when mergers occur.

In view of the fact that horizontal and vertical mergers are still important, a study which dealt solely with conglomerate mergers while excluding all other types of mergers would suffer from a degree of incompleteness. A study which focused attention on the total of merger activity, and ignored the important distinctions between merger types, could also be criticized for being insufficient. In practice it is difficult to classify some mergers as being any one particular type. In order to simplify the study of Litton's mergers, types of mergers are combined where they show certain common characteristics. Vertical mergers include concentric marketing companies (same customer type as buying company but different technology) and horizontal mergers to include concentric technology (same technology as buying company but different customer type). Diverse acquisitions are based upon the original companies make-up (customers and technology different from that of the buying company).

40 Ibid.
Summary

The background of merger activity in the United States was discussed in Chapter I and the various merger types that play an integral role in the displacement of executives during various mergers and acquisitions was set forth.

The purpose of Chapter II is to provide a background against which the policies and actions of Litton can be studied regarding executive displacement, not to provide a thorough examination of all the problems of management with respect to mergers. Chapter II consists of a general discussion of the various problems such as fear, anxieties, and frictions that occur among top management when businesses are acquired. An attempt is made to show how these problems can affect businesses involved in merging and how they differ according to merger type. Chapter III presents a background of Litton Industries in order to illustrate what was the company's policy toward growth during the 1960s. In addition, the chapter considers Litton's management policies during this period with respect to everyday operations and to stated policies concerning merger criteria.

Chapters IV and V consist of an examination of the more important acquisitions of Litton with respect to the effects of these acquisitions upon top management personnel. The examination consists of a classification of each merger type and a determination of the amount of personnel change
involved for each merger. The horizontal and vertical mergers are discussed in Chapter IV and the conglomerate mergers are discussed in Chapter V.

Chapter VI consists of a summary of the information presented in the first four chapters and conclusions are drawn concerning the study. No attempt is made to relate any specific problem to any particular merger. In determining whether or not Litton overcame the problems listed in Chapter II, consideration is given to Litton's policies and conclusions drawn as to their possible affects upon these problems. Also, consideration is given to the indirect evidence offered by the changes which occurred in the personnel of the companies acquired by Litton in the 1960s.
CHAPTER II

PROBLEMS ASSOCIATED WITH MANAGEMENT
WHEN MERGERS OCCUR

The accepted corporate philosophy during the current merger wave held that the easiest way to increase profit was to increase sales volume, and the best way to increase sales volume was to acquire and expand established companies.\(^1\) Unfortunately, many acquisitions were made on the basis of their balance sheets and profit-and-loss statements, and insufficient attention was paid to the study and evaluation of the strength and potential of the management group.\(^2\) The impact on the corporate executive during this time period (1960-1969) was significant. At the same time expanding corporations were searching for qualified management personnel, executive displacement was rising as a result of corporate mergers.

The period from 1950 to 1960 was a slow era as far as mergers are concerned. But the third of the giant merger waves in United States financial history occurred during the past thirteen years. Time and experience have matured the


\(^2\)Ibid.
merger movement of today, but despite existing merger poli-
cies, executive displacement still occurs. With the increase
in merger activity over the last decade, there has been an
increase in personnel problems associated with mergers. The
reasons for executive displacement are varied in nature and
are the result of personnel frictions, fears, types of mer-
gers, pre-merger evaluation and post-merger integration.

**Significance of Fear as a Factor in Mergers**

Executives have become increasingly fearful of dis-
placement due to mergers.\(^3\) Many acquisitions are followed
quickly by early retirements, resignations, and separation
of key personnel.\(^4\) It is not uncommon for an executive to
believe that if a merger occurs, there will be wholesale
displacement of personnel. The fear of displacement is not
without basis, because displacement is the case in many
mergers. For example, when Norge Corporation was acquired
by Fedders Corporation, 15 top executives and 55 members of
the Norge headquarters staff of 250 were laid off. When
American Motors, Inc. sold Kelvinator Corporation to White
Consolidated Industries, Inc., 400 out of 600 employees were
fired, including many of the top executives.\(^5\)

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\(^3\)"What About People?" *Newsweek*, p. 84.


\(^5\)"What About People?" *Newsweek*, p. 85.
Consolidated acquired Blaw-Knox Co., 60 of the 65 supervisory personnel who worked in Blaw-Knox's main office were replaced within a year; 30 were transferred to other offices and 30 quit, retired, or were fired. These examples are extreme, and not totally representative of all mergers, but they are the mergers which receive the most publicity and do more than their share of instilling fear into any executive who may expect his company to be involved in a merger.

Who are the executives most likely to be affected by a merger? A survey by the Harvard Business Review showed the chief executive officer of the acquired company was at the top of the list. The survey also indicated that the higher an individual was on the executive ladder, the more vulnerable he became (in time of merger). In addition, the fear of displacement became increasingly severe as the executive grew older and received a higher salary. When a decision must be made between two individuals for the same job, the younger man has more potential for growth with the company and can be retained for less money. The consequences for senior executives--both the strong and the weak--can be equally serious. Often a merger strips the protective blanket

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from men who have been getting by on their seniority and old friendships. The fear of displacement is then magnified for the older executive who knows that once he loses his present job, it is difficult for him to find another one at anywhere near his previous salary.

**Frictions Caused by Mergers**

The executive next most vulnerable due to the merger was the high-priced staff officer in administration, legal services, personnel, finance, or accounting. These functions are usually duplicated, therefore they can be absorbed by the acquiring company. A noted author on mergers and acquisitions states,

... the problems of integrating two companies that are accustomed to being two separate entities are always difficult, even under the best circumstances, and may in some cases be so painful that not only is the anticipated success of the acquisition lost, but also the buyer's own business is seriously damaged.

As a result, many economically attractive mergers have fallen through because the transaction threatened the job security of the personnel of the selling company.

"Take-over" attempts or intramural wars between staff departments having the same responsibilities (e.g., data

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11 Handy, "How to Face Being Taken Over," *HBR*, p. 110.

processing, credit, public relations, or treasury) often create displacement problems.\textsuperscript{13} An acquired executive may have a counterpart at the acquiring company, and quite likely there is no need for both individuals after the merger. Frequently, in cases where two individuals qualify for the same job, one executive is promoted to a meaningless position until some means of replacing him can be found or until he quits out of sheer frustration.\textsuperscript{14} For example, differences in managerial style or philosophy that are not at first apparent can undo an acquired executive. An acquired executive must face several new facts after a merger occurs: (1) he has acquired a new boss and that he exists in a new organizational pyramid, and (2) he must meet the new owner's demands for steady and growing return on investment.\textsuperscript{15} If an executive is unable to thrive in his new environment, he eventually will be eliminated from the company through retirement or resignation.

Even when the acquiring company has no intentions of disturbing the personnel structure of the acquired company, frictions which can reduce morale and efficiency of employees can occur. The extent of these frictions can depend upon the type of merger involved: horizontal, vertical, or conglomerate.

\textsuperscript{13}Ibid., p. 8.
\textsuperscript{14}"What About People?" Newsweek, p. 85.
\textsuperscript{15}Albrook, "Frustrations," Fortune, p. 159.
Where two companies have heterogeneous products and where little or no physical operating consolidation is planned, separate operating policies can be continued without change. The result in this instance may cause little or no management friction. Where it is important to bring the people of both companies into close, continuing contact, differences in personnel or management policies may quickly lead to cries of discrimination and personnel friction.17

**Pre-Merger and Post-Merger Problems**

Normally a company has a well-defined goal in mind when looking for an acquisition, but frequently mergers occur for the purpose of improving the operation of a deteriorating company. The merger negotiation usually is centered upon immediate financial advantages that each company expects to realize--typically, greater personal liquidity for the sellers and an improved balance sheet or price-earnings ratio for the buyer.18 But in many instances, the profound differences between two companies in their organization, style and in the personality of their leaders is often overlooked. For example, take the case where an acquisition is made for the sole purpose of taking excessive funds out of the acquired company as quickly as possible; then disposing

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17 Ibid.
of what is left of the company when realized profits are exhausted. A merger of this nature would definitely have a deleterious effect on the morale and longevity of the acquired management.

Sullen resistance and poor cooperation almost always occur after every merger; improbable rumors spread, key executives quit, and workers strike over seemingly trivial issues. In several instances, executives have left a company because there was a lack of preparation, time, and research associated with the merger negotiations. After a merger, certain executives will resist post-merger change and challenge the new leadership. Those who cannot be reoriented to new organizational relationships are normally eliminated from the company in some manner.

Studies by John Kitching, a noted author on mergers, indicates that an important influence on the success or failure of any type of merger is the nature of the reporting relationships set up between parent and acquired companies along with the organizational responsibilities and control systems established. Experts on merging companies contend that much of the turmoil resulting from acquisition is caused by companies doing a poor job of evaluating the skills

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20 "What About People?" Newsweek, p. 85.
21 Kitching, "Mergers Miscarry," HBR, p. 84.
and desires of the personnel they are acquiring. The result is pre-merger and post-merger problems, personnel disenchantment, and people quitting after the take-over.  

In an acquired company where the productivity of top management, staff, department heads, and other key personnel is unenthusiastic, the individuals of the acquired firm are seldom to blame. These people have lost their incentive for enthusiasm and high speed performance as a result of post-merger blunders. Pre- and post-merger preparation indicates that the chances of success are dependent upon the parent company's ability to adequately motivate the people they have acquired. C. M. Leighton and G. R. Tod state that the most definite way to achieve corporate objectives after an acquisition is to effectively motivate the management of the new company.  

In most successful mergers, the acquiring company either brings in new management or it motivates the old management to introduce profitable change. An employee of an acquired company who has been placed under the control of an executive of the parent company and who is told to change his methods and policies without being previously informed about

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new policies will be resentful and resistant to this new authority. Therefore the nature of reporting relationships set up between parent and acquired company along with organizational responsibility and control systems both before and after merger negotiations, have a dominant influence on merger success.  

In a survey involving 2,815 mergers, 36 per cent of the responding chief executives felt that insufficient information had been obtained about the acquired company's management operations and 26 per cent indicated that they had either ignored or minimized integration problems until the deal was closed. Therefore it is important for communication to exist between companies negotiating a merger, from the outset of the merger, through successful post-merger integration.

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CHAPTER III

HISTORY OF LITTON INDUSTRIES, INC.

Litton Industries, Inc. is a highly diversified corporation having assets of approximately one billion dollars. Litton's products cover a wide spectrum ranging from office equipment to shipbuilding. It was one of the fastest growing corporations during the 1960s, having grown 30,000 times since its beginning over fifteen years ago. 27

Litton was originally incorporated in November, 1953, as Electro Dynamics Corporation. 28 Its original product was microwave tubes, but in the four years after 1953, Litton acquired 10 electronics companies. 29 All Litton's initial mergers were with small, little-known companies, some of which were insolvent at the time of acquisition. 30 In 1958, Litton reached a respectable size for an electronics firm but its sales were not large enough to classify it as a large

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corporation. In 1958, Litton initiated an acquisition policy which eventually included over 50 companies and over $1 billion in assets.

The first major diversification for Litton was the acquisition of the Monroe Calculation Machine Company in 1958. The acquisition of Monroe more than doubled the size of Litton and from the Monroe acquisition, Litton went on to acquire firms of various size and diversified into numerous different fields. The major acquisitions of Litton are listed and discussed in Chapters IV and V.

The extent of Litton's diversification is best described by explaining the structure under which Litton and its subsidiaries operate. Litton is divided into various business groups, some of which are further subdivided into divisions. The Business Equipment Group, the Systems Group, the Professional Services and Equipment Group, the Components Group, and the Industrial Transportation Systems Group are the major divisions of Litton. The organizational structure of Litton is illustrated in Figure 1.

Growth Record of Litton Industries, Inc.

Litton Industries, Inc. sustained a remarkable growth record for the first fourteen years of its existence. Table 4 illustrates Litton's growth by showing sales, net income, and

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Fig. 1. The organization of Litton Industries, Inc. as shown in Moody's Industrial Manual, 1968, p. 2649.
### TABLE 4
COMPARATIVE GROWTH FIGURES FOR LITTON INDUSTRIES, INC. SINCE 1955

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in Thousands)</th>
<th>Sales (in Thousands)</th>
<th>Earnings Per Share</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>8,774</td>
<td>436</td>
<td>.44</td>
<td>7,647</td>
</tr>
<tr>
<td>1956</td>
<td>14,768</td>
<td>1,019</td>
<td>.97</td>
<td>10,826</td>
</tr>
<tr>
<td>1957</td>
<td>27,987</td>
<td>1,806</td>
<td>1.51</td>
<td>16,823</td>
</tr>
<tr>
<td>1958</td>
<td>82,655</td>
<td>3,702</td>
<td>2.13</td>
<td>57,750</td>
</tr>
<tr>
<td>1959</td>
<td>124,619</td>
<td>5,975</td>
<td>3.24*</td>
<td>83,254</td>
</tr>
<tr>
<td>1960</td>
<td>187,761</td>
<td>7,454</td>
<td>1.76**</td>
<td>119,004</td>
</tr>
<tr>
<td>1961</td>
<td>250,114</td>
<td>10,158</td>
<td>2.77**</td>
<td>172,771</td>
</tr>
<tr>
<td>1962</td>
<td>393,807</td>
<td>16,315</td>
<td>2.64</td>
<td>269,491</td>
</tr>
<tr>
<td>1963</td>
<td>553,146</td>
<td>23,296</td>
<td>2.70**</td>
<td>354,945</td>
</tr>
<tr>
<td>1964</td>
<td>686,135</td>
<td>29,767</td>
<td>3.13</td>
<td>423,697</td>
</tr>
<tr>
<td>1965</td>
<td>915,574</td>
<td>39,752</td>
<td>2.42</td>
<td>630,023</td>
</tr>
<tr>
<td>1966</td>
<td>1,172,233</td>
<td>55,614</td>
<td>2.46**</td>
<td>742,535</td>
</tr>
<tr>
<td>1967</td>
<td>1,778,801</td>
<td>83,199</td>
<td>2.63</td>
<td>1,088,351</td>
</tr>
<tr>
<td>1968</td>
<td>1,855,007</td>
<td>56,456</td>
<td>1.80</td>
<td>1,207,876</td>
</tr>
<tr>
<td>1969</td>
<td>2,176,600</td>
<td>82,258</td>
<td>2.26</td>
<td>1,580,306</td>
</tr>
<tr>
<td>1970</td>
<td>2,404,300</td>
<td>68,751</td>
<td>1.81</td>
<td>1,934,012</td>
</tr>
<tr>
<td>1971</td>
<td>2,446,100</td>
<td>50,003</td>
<td>1.27</td>
<td>1,976,038</td>
</tr>
</tbody>
</table>


*After special income tax credit.

**Adjusted for 2 for 1 stock split 1960, 1963, 1966; also 2 for 1/2 per cent stock dividend in 1961.
assets from 1955 to 1971. Earnings per share for each year is listed in order to demonstrate Litton's profitability during that time period. It should be noted that 2 for 1 stock splits occurred in 1960, 1963, and 1966, and since 1961 over $100 million in stock dividends was declared. These stock dividends must be taken into consideration when considering the earnings per share data in Table 4.

The increase in sales and profits by Litton during the 1960s was accompanied by a relatively high price/earnings ratio (Table 5). The feasibility of any acquisition program (other than the relatively rare cash acquisition) depends primarily upon the maintenance of a high price/earnings ratio that will allow the buyer to offer a premium to the seller and still realize an increase in earnings per share through the acquisition. As compared to other conglomerates and some single-industry companies, Litton was able to maintain a high price/earnings ratio during the merger active years from 1964 to 1966.

In 1968, Litton experienced its first slowdown in profit growth. Although sales were up by $76 million, profits and earnings per share were down considerably. Litton blamed the slowdown in profitability on the Business Equipment Group which experienced delays, strikes, and lower than

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33 Ibid., p. 3064.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Litton</td>
<td>28-24</td>
<td>30-23</td>
<td>33-29</td>
<td>41-32</td>
<td>42-39</td>
</tr>
<tr>
<td>Walter Kidde</td>
<td>26-23</td>
<td>26-21</td>
<td>28-22</td>
<td>22-21</td>
<td>21-20</td>
</tr>
<tr>
<td>Gulf Western</td>
<td>15-14</td>
<td>14-12</td>
<td>14-11</td>
<td>14-12</td>
<td>16-13</td>
</tr>
<tr>
<td>Indian Head</td>
<td>14-13</td>
<td>13-11</td>
<td>11- 8</td>
<td>16- 8</td>
<td>17-16</td>
</tr>
<tr>
<td>Ogden</td>
<td>13-11</td>
<td>11-10</td>
<td>12- 9</td>
<td>19-10</td>
<td>22-20</td>
</tr>
<tr>
<td>Textron</td>
<td>13-11</td>
<td>15-13</td>
<td>17-15</td>
<td>23-17</td>
<td>24-23</td>
</tr>
<tr>
<td>Ling-Temco-Vought</td>
<td>9- 8</td>
<td>15-10</td>
<td>16-11</td>
<td>15-11</td>
<td>14-13</td>
</tr>
</tbody>
</table>


NOTE: Price/Earnings Ratio: The market price of a stock divided by its latest available or estimated earnings per share.

Despite a widespread belief to the contrary, conglomerates do not in general have especially high price-earnings ratios. Of the p/e's presented here, only Litton has had a consistently high multiple, and even its figures have been lower than those of many single-industry companies.
expected sales. Corporate officers at the time felt the prospects for the future were very good once the slump in business activity was overcome and the impact of the departure of several key executives overcome. Even if Litton experienced a slowdown in growth, the fact remained that during the years 1958-1968, Litton was very active in acquiring and merging with other companies. Litton's acquisitions during the 1960s provide a basis for the study of the effects of mergers upon management personnel and a background against which fear of displacement, management friction, and executive motivation have been examined.

Policies of Litton Industries, Inc. in Relation to Management

Litton's policy concerning corporate growth involved the acquisition of companies with special expertise as a means of attaining profitability in a new field. Litton followed the same policy for its retention of executives. In a policy statement made in 1966, Litton listed three rules that it followed when considering an acquisition. These rules were: (1) the company must fit with Litton's product planning and market planning, (2) the company must have strong management, and, (3) the initial capital outlay, potential return


on investment and other financial criteria must be right.\(^{37}\) The order in which management is listed in the above rules indicated the importance that Litton places on competent management in an acquisition that it undertook. The acquisition policy seemed to be directly related to Litton's concept of conglomerate management. Therefore, Litton's management concept was based upon the idea that talented general managers, applying modern management techniques, could effectively oversee diverse businesses in which they had no specific experience.\(^{38}\)

Litton's acquisition policies required strong management as a criterion for any diverse acquisition, resulting in less specific experience being required of the general management which would oversee the new acquisition. This policy held true, of course, if the strong management of the company being acquired was given enough authority to continue the efficient operation of the subsidiary. The ex-president of Litton, Charles Ash, viewed Litton as a collection of related small companies rather than as one large company. He considered Litton to be a number of independent $10 million to $100 million companies rather than a one billion dollar company.


Within the network of decentralized divisions, Litton measured its manager's efficiency by their return on gross assets. Depreciation was not considered, and the managers were charged with the cost of their machines. Litton's measure of efficiency encouraged managers to keep production equipment only as long as it was economically advantageous to do so. Using return on gross assets as a measure of efficiency also encouraged the managers to return any unnecessary cash. Litton's main controls consisted of a financial plan which was presented yearly to the general management and division heads and updated quarterly. A return on gross assets report, opportunity identification meetings, monthly statements, and weekly statements of cash flow positions were also utilized as part of the control system. Litton's ex-president Charles Ash stated:

When you have information flowing, the problem of exerting control takes care of itself. You have to step in when changes have to be made. Control shouldn't mean domination or imposition. If you have good flow of information, control tends to be part and parcel of communication.\(^{39}\)

The organization of Litton then, combined centralization where major investment decisions were concerned with decentralization in day-to-day operations. In addition, Litton's management wanted its people to submit all the ideas they had, trying to maintain an atmosphere of easy flow of information,

but eliminating those ideas which management determined non-feasible.\footnote{40}{"How Litton Keeps It Up," \textit{Fortune}, September 1966, p. 182.}
CHAPTER IV

HORIZONTAL/VERTICAL MERGERS OF LITTONE INDUSTRIES, INC. FROM 1958 TO 1968

Litton's first wave of acquisitions was composed of small electronic firms which specialized in particular segments of this greatly expanding industry. In Litton's early years, the common criterion among the companies acquired appeared to be the presence of an advanced technology that might be applied for commercial purposes. Most of the companies acquired during Litton's first five years were small electronic firms selling primarily to the military.\(^1\)

Chapter IV consists of an examination of the horizontal and vertical mergers of Litton from 1958 to 1968. In addition, there is a breakdown on the disposition of the top executives after each merger. Since horizontal/vertical mergers have different characteristics than would be the case with mergers of a conglomerate nature, each horizontal/vertical merger is considered separately in Chapter IV to point out common characteristics and trends. The following companies are the horizontal/vertical acquisitions made by Litton in chronological order.

Maryland Electronic Manufacturing Corporation (MEMC)

The MEMC was acquired in 1958 and was a horizontal merger since Litton was still primarily a producer of electronic equipment. The MEMC was not very large, having only 350 employees. The total number of executives was nine, including the purchasing agent, the chief engineer, and the production manager. Of the original nine executives of the MEMC in late 1958, only the president, William R. Mase, still remained with Litton in 1961. The MEMC merger did involve a significant change in personnel within two years after the merger. The fact that the president remained does indicate that he was either considered a competent manager by Litton or he retained a significant financial interest to warrant his retention. The retention of the president in the MEMC merger contrasts with other mergers where the chief executive is the first to be replaced.

Westrex Corporation

Litton acquired the Westrex Corporation in 1958. The acquisition of Westrex is considered a horizontal merger since Westrex's products would be grouped generally into

2Standard and Poor's Corporation, Poor's Register of Directors and Executives, (New York: Standard and Poor's, 1958), p. 856, hereinafter abbreviated Poor's Register.
3Ibid., 1961, p. 405.
electronic products. However, the fact that Westrex produced sound recording equipment, sound reproducing equipment, and communication equipment made the Westrex merger more of a diversification than was the case with the MEMC merger. Westrex eventually became a division of the Professional Services and Equipment Group rather than the Systems Group. Litton's policy regarding top management was basically as with the MEMC merger; by 1961, only one of Westrex's top executives, the vice-president, remained with the company.5

Poly Scientific Corporation (PSC)

The PSC was acquired in 1962 and was a small company with sales of $2-$3 million and 320 employees.6 The PSC acquisition is a horizontal merger in which the executives of the company appeared to be completely replaced. Of the eight executives of the company listed in 1962, none held positions important enough in 1964 to be listed in Poor's Register.

Winchester Electronics, Incorporated (WE)

Winchester Electronics was acquired in 1963 and is a horizontal merger. The company produced electrical connectors and component parts, had annual sales of $3-$6 million, and employed 455 personnel.7 The WE company later became

5Poor's Register, 1961, p. 3094.  
6Ibid., 1962, p. 1276.  
7Ibid., 1963, p. 1598.
part of the Components Group of Litton. Again there was a significant change in the personnel structure among the top executives. Of the eight executives listed in 1963, only the chief engineer remained with the company in 1965.

Adler Electronics Incorporated (AE)

Adler Electronics was also acquired in 1963 and is a horizontal merger, although it was diverse to some extent. Adler Electronics produced communications equipment and was later incorporated into the Systems Group of Litton. Adler Electronics was a large company, having sales of over $35 million. Although AE was reorganized to a large extent, quite a few of the executives remained with Litton in what appears to be equivalent or higher positions than held before the merger.

Of the top six executives, including the president, vice-president, and the controller, only the vice-president for planning, Harry Adler, was no longer listed as being with Litton in 1965. Of the remaining executives, including the director of administrative services and the personnel manager, only one remained. Although there were no significant changes among the top executives of the AE company, there were changes involving jobs which were easily affected.

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9 *Poor's Register*, 1965, p. 1659.
10 Ibid., p. 2875.
11 Ibid.
by centralization with the parent company (e.g., an existing personnel manager at Litton absorbing his counterpart in the Adler company).

Clifton Precision Products Company (CPP)

The CCP company was acquired in late 1963 and is another horizontal merger. The CCP company produced servomechanisms and other types of electronic equipment and had annual sales of between $9 and $12 million. After the merger, the personnel structure of the company was significantly altered. In 1965, only one of the original six executives listed in 1963 remained with the company. The remaining executive was the vice-president of sales, Thomas W. Shoop.¹²

Pitchburg Paper Company (FP)

The FP company, acquired in 1964, was involved in specialty printing, and had annual sales of $15-$25 million and hired 650 employees.¹³ Although the FP company was diverse from Litton's main line of business, it was similar to the Eureka Specialty Printing Company and the Times Facsimile Corporation, both subsidiaries of Litton at the time of the merger. After the merger, Litton retained most of the executives of the FP company. Of the fourteen executives listed in 1964, only the chairman, George R. Wallace, and the

¹²Poor's Register, 1965, p. 2875.
¹³Ibid., 1964, p. 580.
vice-president for purchasing, Vernon C. Davis, were no longer with the Litton corporation in 1966.\footnote{Ibid., 1966, p. 598.}

**Alvey-Ferguson Company (A-F)**

The A-F Company was a producer of conveyor systems employing 250 personnel.\footnote{Ibid., p. 48.} The merger occurred in 1966 and is a horizontal merger since it involved a product similar to that produced by the Hewitt-Robins company of the Industrial Transportation Systems Group.\footnote{Moody’s, 1968, p. 2649.} In the A-F Company merger, the executives of the acquired company were almost entirely replaced by Litton. In 1968, only two out of the original ten executives listed in 1966 were still with Litton.\footnote{Poor’s Register, 1968, p. 2581.}

**Maverick-Clark Company (M-C)**

The M-C Company merger also occurred in 1966 and was another example of a horizontal merger. Maverick-Clark produced office equipment, office supplies, and did specialty printing and lithography.\footnote{Ibid., 1966, p. 1003.} Only four executives were listed with the company in 1966, and by 1968 none were listed with the Litton corporation. The M-C merger is another example
of the personnel of an acquired company being totally displaced by a parent company.

**Electra Motors, Incorporated (EM)**

The EM merger occurred in 1966 and was a vertical merger because Electra produced electric motors, generators, gear reducers, and fluid couplings which are used by various components of the Industrial Transportation Group at Litton. The EM company had 350 employees and annual sales of $6-$9 million. The EM merger, like the Maverick-Clark merger, resulted in the displacement of the top executives. After the EM merger, none of the seven executives listed in 1965 held a position in 1968 to be listed in Poor's Register.

**McCray Refrigerator Company**

The McCray Company was a producer of meat, dairy, and produce cases, freezer cases, walk-in coolers, and reach-in refrigerators. The McCray Company was involved in the same general type of business as Streater Industries, Inc. and with regards to this similarity, can be considered a horizontal merger. Here again, after only two years, most of the executives disappeared after the merger. In 1968, only one of the executives listed in 1966 was still with the company—the president, J. W. Krall.

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19Ibid., p. 503.  
20Ibid., p. 1009.  
21Ibid.  
22Ibid., 1968, p. 2475.
Sturgis Business Forms, Inc.

The Sturgis company was the last acquisition by Litton in 1966 and is considered a vertical merger. Sturgis, Inc. produced sales books and autographic register forms and tab forms. The business of Sturgis is considered vertical because it is more of a supplier to the divisions of the Business Equipment Group at Litton than a producer of a like product. Although there were some additions to the list of executives in 1968, only one of the 1966 executives was no longer listed with Litton. 23

Kester Solder Company (KS)

The KS Company was acquired in 1967 and could best be described as vertical in nature. In the KS merger there was a 50 per cent displacement of executives between 1967 and 1969. The president, a vice-president, the secretary, the controller, and one of the plant managers had been replaced by 1969. 24

Chainveyor Corporation

The Chainveyor company was a producer of conveyor systems and the merger with Litton in 1967 was of the horizontal type since Hewitt-Robins was already producing this type of product. Chainveyor had annual sales of $1-$3 million and employed 100 personnel. 25 Unlike many other horizontal

25 Poor's Register, 1969, p. 379.
mergers by Litton, there was not a significant change in personnel after the merger. Of the ten executives listed in 1967, only the chairman, John B. Haven, was no longer with the company in 1969. 26

Summary

As pointed out in Chapter IV, after the Litton (of California) acquisition brought in the magnetron tube for radar and microwave, Litton purchased firms in the "component group" producing electronic terminals, transformers, color TV tubes, coils and transformers, and electron tubes. In the ensuing years, further acquisitions were made of companies producing slip rings, electronic connectors, synchros and servomotors. 27 In addition, Chapter IV has presented information concerning the disposition of management personnel in the horizontal and vertical mergers accomplished by Litton since 1958.

The percentage loss of personnel for the mergers discussed in the chapter is summarized in Table 6. By examining Table 6, it can be seen that the loss of personnel for horizontal/vertical mergers is high. In nine of the examples, the personnel change exceeded 80 per cent. It is evident

26 Ibid., p. 379.

### TABLE 6
PERCENTAGE LOSS OF PERSONNEL FOR HORIZONTAL/VERTICAL TYPE MERGERS

<table>
<thead>
<tr>
<th>Company Acquired</th>
<th>No. of Executives Listed</th>
<th>No. of Executives Retained</th>
<th>% Loss of Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland Electronics</td>
<td>9</td>
<td>1</td>
<td>89</td>
</tr>
<tr>
<td>Westrex Corp.</td>
<td>14</td>
<td>1</td>
<td>93</td>
</tr>
<tr>
<td>Poly Scientific Co.</td>
<td>8</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Winchester Electronics</td>
<td>8</td>
<td>1</td>
<td>87</td>
</tr>
<tr>
<td>Adler Electronics</td>
<td>12</td>
<td>6</td>
<td>50</td>
</tr>
<tr>
<td>Clifton Precision Products</td>
<td>6</td>
<td>1</td>
<td>83</td>
</tr>
<tr>
<td>Fitchburg Paper Co.</td>
<td>14</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Electra Motors Co.</td>
<td>8</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Alvey-Ferguson Co.</td>
<td>10</td>
<td>2</td>
<td>80</td>
</tr>
<tr>
<td>Maverick Clark Co.</td>
<td>4</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>McCray Refrigerator</td>
<td>10</td>
<td>1</td>
<td>90</td>
</tr>
<tr>
<td>Sturgis Newport Business Forms</td>
<td>5</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Kester Solder Co.</td>
<td>10</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Chainveyor Corp.</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>
CHAPTER V

DIVERSE MERGERS OF LITTON
INDUSTRIES, INC.
FROM 1958-1968

Litton's initial goal was to achieve a position in advanced electronics so that it could participate in military and civilian electronic markets. As indicated in Chapter IV, Litton endeavored to bring together companies engaged in technical operations in military electronics with a view to extending its operations to civilian markets. It was shown in Chapter IV that while Litton's acquisitions were still characterized by technological considerations, an increasing number had no cohesive relationship to Litton's traditional operations.¹

The more important diverse or conglomerate mergers made by Litton from 1958 to 1968 are examined as the vertical/horizontal were in Chapter IV. The diverse acquisitions made by Litton in chronological order are included below.

Monroe Calculating Machine Co.

In 1958 Litton diversified into the business equipment field by acquiring the Monroe Calculating Machine

Company. The Monroe acquisition was quite a significant merger for Litton since Monroe was larger than Litton at the time of the merger. Monroe's products were calculating, addition, account, and data processing machines.²

At the time of the merger, Litton was producing military computers and, as a result, had devised products that seemed adaptable to civilian markets. Monroe appeared to be an excellent vehicle for the marketing of these products; Monroe turned to Litton because it was lagging behind in the industry and wanted Litton as a source of new products and ideas.³

Litton's policy toward Monroe's executives was to incorporate them into top executive positions at Litton while they remained in management positions at Monroe. The chairman of Monroe, Alfred Connable, remained chairman after the merger and also became a director on the board of Litton. The president, Fred Sullivan, retained his position and became a vice-president and director at Litton. The vice-president and controller of Monroe, William McKenna, retained his position and later became the treasurer and controller of Litton. By 1960 there were only two officers at or below the vice-president level who no longer held their positions at Monroe.⁴

²Moody's, 1958, p. 1217.
⁴Poor's Register, 1961, pp. 2037-2984.
Times Facsimile Corporation

The Times Facsimile Corporation was acquired in 1959 from the New York Times Corporation. A relatively small company, it employed 250 and produced reproduction equipment and specialty printing products. None of the five executives listed in Poor's Register before the merger were still employed by Times Facsimile in 1961. However, three of these changes can be explained. The chairman of Times Facsimile in 1959, Arthur Sulzberger, was also the chairman of the New York Times Corporation. The president, Orvil Dryfoos, was also president and director of the New York Times, and the treasurer, Francis Cox, was also the treasurer of the New York Times. As could be expected, all three executives remained with the parent company, the New York Times.

Cole Steel Equipment Company

The Cole Steel Company was acquired in 1961. At the time of its acquisition it had sales in the $9-$12 million range and produced office furniture and equipment. The company was eventually incorporated into the Office Furnishings Division of the Business Equipment Group. Of the eight officers of the company listed in 1961, six of them remained

5Poor's Register, 1958, p. 1082.
7Ibid., p. 322.
with the company by 1963. Only, the secretary, Sidney Gelder, and the personnel director, Arthur Dale, were no longer with the company. In the case of the personnel director, his position was an ideal candidate for centralization and that accomplishment explains why he was displaced.

**Eureka Specialty Printing Company**

The Eureka Company was also acquired in 1961, and was relatively diverse in nature. The company employed 900 personnel and produced poster and trading stamps, seals, coupons, gummed paper, safety paper, and stationery supplies. Annual sales for the company were in the $15-$25 million range. *Poor's Register* listed thirteen executives with the company in 1961, and by 1963, all but three remained with the company. The secretary and treasurer, James W. Reid, the purchasing agent, Lorenz Zeidler, and the chief engineer, T. E. Bradley were the three executives no longer with the company in 1963.

**Aero Service Corporation**

The Aero Service Corporation was acquired in 1961 and represents the first major component of what is now the Professional Services and Equipment Group at Litton. Aero Service was primarily involved in aerial photography and map making. The Aero merger is classed as a diverse acquisition

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since Litton had nothing similar to this type of business prior to the merger. The basic personnel structure of the company did not change after the merger except that the chairman and president, Virgil Kaufman, was no longer with the company in 1963. The position of chairman was taken by the executive vice-president, George Strawbridge, and the position of president was assumed by the vice-president for marketing, Thomas O'Malley. Other changes occurred, but these changes only involved the shifting of personnel between various jobs.

**Ingals Shipbuilding Corporation**

The Ingals merger occurred in 1961 and represented a diversification into a completely different type market. Ingals became a major division of the Industrial Transportation Systems Group and has become a major producer of both defense and industrial shipping. Litton considered Ingals to be well managed and by 1963 there had been no change in the officers or directors of the company.

**McKiernan-Terry Corporation**

The McKiernan-Terry acquisition occurred in 1962. At the time of the merger, McKiernan-Terry produced material handling and marine equipment, pile hammers, hydraulics, and

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12 *Poor's Register*, 1963, p. 31.
14 *Poor's Register*, 1963, p. 738.
gate and bridge operating machinery.15 After the merger, however, Litton changed the structure of the company to some extent and by 1963, McKiernan-Terry was also producing radar and sonar electro-mechanical actuators, aircraft catapults and arresting engines, and nuclear service devices. There was also a large change in the personnel structure after the merger. Litton reduced the number of top executives in the McKiernan-Terry Corporation from thirteen executives to five executives. In addition, R. W. McFall and W. E. McKenna, both of whom were officers of Litton before the merger, became officers of McKiernan-Terry.

The introduction of McFall and McKenna into the McKiernan management hierarchy is the first example of the placement of Litton officers into positions in an acquired company in which the officers have had no experience. The personnel that remained included the more important of the officers before the merger. The chairman of the board, the president, and three of the vice-presidents made up the five surviving executives.16

**Streater Industries, Inc.**

Streater Industries was acquired in 1964. The company produced store fixtures and had recorded sales of $9-$12 million and employed 600 personnel.17 The merger was a

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15Ibid., p. 868.  
16**Poor's Register**, 1963, p. 925.  
17Ibid., 1964, p. 1450.
diverse acquisition although it fit well into the Business Equipment Group. As was Litton's policy in previous diverse acquisitions, the personnel structure of the company remained virtually the same as before the merger. As late as 1967, the executives of Streater Industries were the same as they were in 1964.18

Royal-McBee Corporation

Royal-McBee was acquired in 1965 and was Litton's first entry into the typewriter market. The company was renamed Royal Typewriter Company, Inc. and was reorganized to some extent. The president of Royal-McBee was replaced, although he remained a director, and William McKenna, an officer of both Monroe and Litton, became the president of Royal. Since Monroe was a producer of business machines, this was probably not inconsistent with his experience, considering the level of his job.

Three other officers were replaced and several new positions added by Litton. Seven of the original eleven officers retained their positions or were promoted after the merger.19 The retention of most of the Royal-McBee executives indicates that Litton felt it bought a well managed company and attempted to improve it by adding one of their own highly regarded managers.

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18 Ibid., 1967, p. 1498.
19 Ibid., 1966, p. 1357.
The organizational changes in the Royal-McBee Corporation were made because the company was not organized into profit centers in accordance with Litton's policies. Before the merger, the company was divided into functional divisions. For example, there was a marketing division and a foreign sales division. McKenna divisionalized the company into "natural" divisions, giving each division manager international responsibility for his division. The natural divisions were reorganized according to product instead of function. Basically, the changes that were made were structural changes, and the Royal-McBee personnel were utilized in the new positions. The reorganization could not be considered a large scale reduction of personnel.

Hewitt-Robins Incorporated (H-R)

Hewitt-Robins was acquired in 1965. The H-R company produced conveyer systems, a product which was completely diverse from anything Litton was producing at the time. In the H-R merger, as was the case in most other diverse acquisitions, the top executives were virtually left alone after the merger. Because Litton had no experience with conveyer systems, strong management was a prerequisite for the merger. As was the case with Monroe, some of the executives of Hewitt-

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21 Ibid., p. 53.
Robins were made officers of Litton. These executives were made officers of Litton. These executives were Ellis Gardner and Austin Goodyear. 22

The H-R merger actually took place because of a threat from a Hewitt-Robins stockholder of gaining control of the company and changing the policies and goals then pursued by H-R management. Austin Goodyear, president of Hewitt-Robins, called officials of Litton to ask if they were interested in a merger. Litton decided almost immediately that they were, and within a very short time period, Litton had made most of the plans for accomplishing the merger. Hewitt-Robins was satisfied with the deal because Litton's policies concerning growth were along the same lines as their own policies at the time. 23

Stouffer Foods Corporation

Stouffer Foods was acquired by Litton in 1967 and was engaged in preparing, selling, and serving cooked food through a chain of restaurants and motels and through retail outlets. In addition, Stouffer was engaged in the food management business. 24 The Stouffer Foods merger is another example of a

22 *Poor's Register*, 1967, p. 935.
diverse merger and there was no change in the personnel make-up of the company from before the merger in 1967 to 1970. The chairman of the board and president, Vernon Stouffer, also became a director of Litton.\(^{25}\)

Litton was particularly interested in the management food service division and the frozen prepared food division of Stouffer. They were interested in combining the various food divisions with their microwave oven, which was being produced by the Atherton Division of the Professional Services and Equipment Group.\(^{26}\)

**Eureka X-Ray Tube Corporation**

The Eureka company was also acquired in 1967 and was incorporated into the Professional Services and Equipment Group. At the time of the merger, Eureka's sales were at the $1-$3 million mark and employment was approximately 90 people.\(^{27}\) Up to 1970, there were no changes in the executive structure of the Eureka company.\(^{28}\)

**Summary**

The diverse mergers executed by Litton Industries from 1958 to 1968 have been discussed in this chapter. As indicated by these mergers, Litton in the latter part of the

\(^{25}\) *Poor's Register*, 1969, p. 753.

\(^{26}\) *Moody's*, 1968, p. 2649.

\(^{27}\) *Poor's Register*, 1967, p. 452.

\(^{28}\) Ibid., 1969, p. 601.
1950s endeavored to move into the business machines and equipment industry. During the same period, to complement its electronic activities, Litton undertook the acquisition of firms in the field of professional services and equipment. The next stage in its acquisition program was obtaining larger firms in the heavy industry field. Most recently, Litton has moved into the educational systems fields, while continuing its acquisition program in industrial systems and equipment.  

The same criteria used in examining the horizontal/vertical mergers listed in Chapter IV was used in the examination of the mergers in Chapter V. However, as illustrated in Table 7, the percentage loss of personnel for the diverse mergers is different. The percentage change in personnel among top executives is small as compared to the changes associated with the horizontal/vertical mergers. In the acquisitions examined, only one resulted in a personnel loss of 80 per cent or more. A logical explanation can be given for this one high displacement percentage. A majority of the officers of the Times Facsimile Corporation were also officers of the parent company, the New York Times. Therefore they would not have been expected to retain their positions with the Times Facsimile Corporation under the circumstances.

In addition, several of the diverse acquisitions illustrate Litton's merger policy of obtaining well managed

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**TABLE 7**

PERCENTAGE LOSS OF PERSONNEL FOR DIVERSE TYPE MERGERS

<table>
<thead>
<tr>
<th>Company Acquired</th>
<th>No. of Executives Listed</th>
<th>No. of Executives Retained</th>
<th>% Loss of Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monroe Calculating Machine Co.</td>
<td>13</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Times Facsimile Co.</td>
<td>5</td>
<td>0</td>
<td>(40)*</td>
</tr>
<tr>
<td>Cole Steel Equipment Co.</td>
<td>8</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>Eureka Specialty Printing Co.</td>
<td>13</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>Aero Service Corp.</td>
<td>16</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Ingals Shipbuilding Co.</td>
<td>12</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>McKiernan-Terry Co.</td>
<td>13</td>
<td>5</td>
<td>61</td>
</tr>
<tr>
<td>Streater Industries, Inc.</td>
<td>7</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Royal-McBee Corp.</td>
<td>11</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Hewitt-Robbins Co.</td>
<td>4</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Stouffer Foods Co.</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Eureka X-Ray Tube Co.</td>
<td>6</td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>

*Three of the five top executives of the Times Facsimile Co. were also high officers with the parent company, the New York Times Corporation. They remained with the New York Times Corporation and are not considered displaced by the merger.*
companies. For example, the Litton/Monroe merger seems to have followed the rules set forth by Litton concerning merger negotiations. Litton thought that Monroe was well managed as pointed out by the fact that practically all of its officers at Monroe retained their positions, and some even became officers at Litton. According to Mace and Montgomery, authors of *Management Problems of Corporate Acquisitions*, a majority of Litton's diverse mergers are those in which the company being acquired possessed strong management talent which the acquiring company felt would help strengthen the parent company.\(^{30}\)

CHAPTER VI

SUMMARY AND CONCLUSIONS

Chapter I was devoted to examining the background of merger activity in the United States and discussing the three major merger types: (1) horizontal, (2) vertical, and (3) conglomerate or diverse. As stated in Chapter I, the purpose of this paper was to study the impact of mergers on executive displacement. In addition, three basic questions (see page 14) concerning executive displacement were asked. Two of these questions were general in nature, while the other one pertains specifically to the mergers of Litton Industries, Inc. Chapter VI restates these three questions and draws conclusions based on the research involved in examining the mergers and acquisitions of Litton Industries.

Chapter II was devoted to answering the question of what problems could be expected with respect to the utilization and retention of personnel when a merger or acquisition was considered. The basic problems found were: (1) fear of displacement on the part of the executives of the businesses being acquired, (2) friction between executives of the parent company and the company being acquired, and (3) the motivation of the executive before and after the merger had occurred.
Chapter III contained a general background of Litton Industries and description of Litton's general policies toward management. The background information on Litton's growth and management policies during the 1960s was used to analyze the mergers executed by Litton in Chapter IV and V. The mergers of Litton from 1958 to 1968 were examined in Chapters IV and V in order to determine what happened to the top executives after a merger occurred. The horizontal and vertical mergers were considered to be one basic category and were listed in Chapter IV. Chapter V contained the diverse or conglomerate mergers executed by Litton in the same time period.

Personnel Problems

In considering the first question (personnel problems associated with mergers) the basic problems were re-stated and conclusions were drawn based on information obtained from analyzing the mergers of Litton. Also, some "textbook" opinions which have been offered concerning the handling of mergers and acquisitions were viewed and an attempt was made to determine if Litton's actions were consistent with these opinions.

Fear of Displacement

Fear of displacement is difficult to measure and to overcome. As indicated by Litton's mergers, Litton established a reputation of acquiring well managed companies and leaving the personnel structures intact after the merger.
Litton's non-displacement policy was the case in many of the mergers studied, although there were several exceptions among the smaller, earlier mergers. Of the mergers examined, there was no evidence of large scale displacement of personnel that would create executive fear as was the case of Pedders Corporation's acquisition of Norge or White Consolidated's acquisition of Kelvinator and Blaw-Knox.¹

Management Friction

The problem of friction among personnel when two companies are suddenly merged is one of the more serious problems associated with merger activity. Where two companies have heterogeneous products and where little or no physical or operating consolidation is planned, separate corporate policies can be continued without change.² In addition, executives of acquired companies with direct line responsibilities are less subject to displacement than executives in staff capacities. For example, the sales manager and the manufacturing manager are less likely to be displaced than their financial, legal, or public relations counterparts. The reason is simply that the operating executives are needed to run the organization while the staff functions may very readily be absorbed into the existing staff of the parent company.³

¹"But What About People?" Newsweek, p. 84.
²Hennessy, Acquiring and Merging, p. 228.
Where it is important to bring the people of both companies into close continuing contact after a merger, differences in personnel or management policies often lead to management friction and to cries of discrimination. In some of Litton's earlier mergers, the acquired companies had operations similar enough to allow Litton management to play an increased role in their policies and operations. As indicated in Table 6 (11 out of 14 mergers) the close operating relationships resulted in a relatively high turnover of management personnel, especially those in staff positions. In other instances, particularly in Litton's later mergers, the operation of the acquired company was diverse enough that Litton management did not participate significantly in the management of the acquired company. The low management displacement indicated by data in Table 7 (10 out of 12 mergers) points this finding out.

In conclusion, management friction is less severe when the acquired company's product is diverse from the parent company's basic purpose. The fact that Litton's divisions run their day to day operations with a great deal of autonomy indicates that there are usually no close controls put on the top executives of newly acquired companies which would cause any serious frictions. In 81 per cent of merger failures, the organizational format (either the reporting relationships established after the merger or the extent of

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autonomy allowed) was disturbed at least once after the merger was brought about. The fact that Litton made it a policy to acquire competent management and attempted not to disturb the established organizational pattern of their acquisitions, helped reduce management friction and keep their acquisition failures to a minimum.

Pre/Post-Merger Motivation

The final personnel problem concerns the ability of the parent company to motivate the executive before and after the merger takes place. As stated in Chapter II, the surest way to achieve corporate objectives after a merger is to effectively motivate the management of the new company. Even though a company may be acquired for its management potential, improper handling of the new personnel may result in their loss.

Although some degree of centralization is possible in a company with as many diverse subsidiaries as Litton, a certain degree of decentralization is necessary if each subsidiary is to run smoothly and efficiently. Litton's policy of decentralization offers responsibility to the top executives of all the subsidiaries. Litton's methods of evaluating

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5 Kitching, "Mergers Miscarry?" HBR, p. 84.
managers by the profits they produce should also motivate the managers to produce to the utmost of their abilities. A strong commitment to measuring managers on the basis of the economic performances of their divisions and rewarding them generously for good performance tends to develop an organizational climate and compensation system that attracts competent people and motivates them to expand and improve their operations. 8

Many chief executives affirm the need to investigate personnel-related factors in greater depth during the pre-merger evaluation stage. 9 In a survey of 50 companies involved in from one to ten mergers, the companies took the following into consideration before merging or acquiring: (1) evaluating the managers in the new organization against the tasks to be accomplished, (2) depth of management talent, (3) compatibility of organizational structures, and (4) how to motivate the new executives. 10 Since a sound decentralized organization is not possible unless each subsidiary has competent management, according to Litton, the easiest method of obtaining competent management is to ensure it is there before the company is acquired and then ensure it is motivated

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10 Ibid.
properly. This management policy indicates Litton's concern for pre-merger evaluation of potential merger candidates and their concern for post-merger integration and continuing motivation of their managers.

In final conclusion, a corporation such as Litton can effectively expand into fields in which it has no experience if the businesses it acquires have strong management and if the management is properly motivated. The conclusion is based on the fact that during the period 1960-1968, Litton's management policies at that time overcame the basic problems of fear, friction, and motivation facing companies who attempt to achieve growth through the acquisition of other companies.

Extent of Executive Displacement

The second question to be answered asked what the extent of personnel changes were in the mergers accomplished by Litton. The amount of executive displacement was covered in detail in Chapter IV and V and the results were summarized in the comparative bar graphs of Table 8. The percentage loss of personnel from 1960 to 1967 was illustrated graphically in Table 8. It should be noted that in the most recent half of the mergers examined, or those occurring since 1964, the average per cent loss was 33 per cent. The average prior to 1964 was 56 per cent loss of personnel. The percentage loss trend indicated that as Litton grew larger and became more diverse, its policy of seeking and retaining strong management in its mergers grew stronger.
TABLE 8
COMPARATIVE BAR GRAPHS OF PERCENTAGE LOSS OF PERSONNEL BY MERGER TYPE

Diverse Number of Companies

Horizontal/Vertical Number of Companies
Relationship of Merger Type to Executive Displacement

The type of merger (horizontal, vertical, or diverse) had a great deal to do with the ability of the acquired company to exist as a separate entity from the parent company. Thus the type of merger had a bearing on the extent of personnel displacement occurring after a merger. The results in the Litton study ranged from no change at all in many of the diverse mergers to a 100 per cent change in some of the horizontal mergers (see Tables 6 and 7). As can be seen, there was a large difference between the amount of personnel change. In fact, the two categories (horizontal/vertical vs. diverse) are almost opposite (see Table 8).

The difference in executive displacement can be attributed to the fact that it is more difficult for a company executive to accommodate himself to a vertical or horizontal merger than to the life in a conglomerate, since there is a greater need for autonomy in the latter. An integrated operating company—unlike a conglomerate—is likely to have a full usage of corporate services and controls that it will be reluctant to see either duplicated or ignored in a new division.\(^\text{11}\) As indicated by the Litton study, not until Litton began to diversify did the need for autonomy and decentralization lower the percentage loss of personnel.

\(^{11}\)Albrook, "Frustrations," *Fortune*, p. 162.
The extent to which the management tool can be applied also depends upon the type of merger. Litton's acquisition policies did not always agree with its actions. It is seen that many of the horizontal mergers involved a high turnover in top management personnel. By referring to the organization of Litton in Chapter III, it can also be seen that most of the companies involved in these horizontal/vertical mergers lost their identities and were integrated completely into other divisions. In the case of the diverse mergers, however, Litton followed its acquisition policy in almost every merger examined. There was little change in personnel structure of the companies acquired and eight out of twelve companies retained their identities as a division of Litton. It can be concluded, therefore, that in the case of the large, diverse mergers, Litton's policies should avoid executive displacement. In the case of the horizontal/vertical mergers, this conclusion cannot be made.

Acquisitions and mergers are methods of achieving corporate growth which require, not only the taking into account of economic forces, but the emotional factors of the individuals involved. Current literature on corporate mergers indicate that mergers are products of methodical research, intensive operations analysis, thorough audits, and economic logic.\textsuperscript{12} In many instances, the psychological factors such

\textsuperscript{12}Boulden, "Merger Negotiations:" Business Horizons, p. 21.
as fear, management friction, and motivation are not realistically evaluated prior to and after a merger occurs. Mergers and acquisitions, as reflected in this paper, take into account the human/emotional factors which can sometimes mean the difference between the success and failure of a merger. In addition, as evidenced by the study of the mergers of Litton Industries, the type of merger (horizontal, vertical, diverse) plays an integral role on executive displacement.
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Butters, John K.; Lintner, John; and Carey, William L.  


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