Recommendation Report for Merger with ACS

Cherry Gregory

February 10, 2013
Letter of Transmittal

Lynn Blodgett Head of Integration Xerox Corporation Sandy Utah

Dear Mr. Blodgett,

I am pleased to announce the attached report is the Recommendation Report with the merge that we are going through with Affiliated Computer Services. This report is to help make the merger easier and faster for both companies involved.

If you have any question or concerns, please feel free to contact me at any time.

Thank you
Cherry Gregory
Merger Analysis
Salt Lake City, Utah

Abstract

This project is to show that with a little hard work and ingenuity, we can overcome the problems with the merger. By involving the employees with fun projects and intriguing activities, we will make them more willing to accept the changes that are coming. By keeping these employees, even if we have to move them into different positions, we will continue to have a solid platform to continue our ongoing operations. With our vendors and contractors, communication is the key. By staying in touch with them, we will prevent rumors from spreading and get them to open up to us about their concerns. This is the plan to make the merger as successful and cost-efficient as possible.
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Introduction

The Beginning of the Merge of Two Great Companies

In February of 2010, Xerox and Affiliated Computer Services decided to take a huge leap of faith and merge the two great companies into one. Xerox decided to acquire ACS due to having similar values and mission\(^1\) to assist their clients in every way possible. This report will detail the success the merge has had so far as well as the problems. It will also address the best ways to make the merger happen as quickly and as painlessly as possible. The farther along the merge gets the more difficulties both companies will perceive and the desire to stay the same.

Xerox is a large company that focuses on printing and document management services of their clients. ACS is a business processing center that handles the paperwork and outsourcing for some of the largest business and government centers in the United States. Each company handles different kinds of clients and provides different types of services to their customers. This is one of the reasons that the companies merged but at the same time it is creating difficulties during that merge.

Initially, the merge was to keep the two businesses separate to a degree. This would make ACS a part of the Xerox name, but at the same time, give it the ability to continue to run itself. This has changed and we will look into why this happened as well as see what the change means to companies, their employees and their customers. This also presents challenges to their vendors and the way that the companies have run. However, this mostly affects ACS as this company is now a part of Xerox, no longer its own entity.

This report will provide suggestions for the best way for both companies to continue to understand each other and get through the merging process in an efficient manner to allow them to focus on what matters most: their clients and their business.

\(^1\) ACS’s mission statement can no longer be found. However, it was very similar to Xerox’s.
When I had first been informed of this project, I was not sure what it would entail. These were two great businesses that had a lot to offer their clients, but at the same time wanted to be able to offer more. They also were on different parts of the business. This meant that Xerox knew a great deal about how to handle the document processing needed for a company to run, but it does not have the ability to outsource certain services. That is, until now. ACS is an outsourcing company that outsources everything from data processing to customer care services. This means that Xerox is now able to handle more of its employee’s needs. ACS is now able to offer an easier solution to its customers, by using the technology that Xerox has perfected over the years.

**Research Plan**

I began by researching both companies to see what each had to offer. ACS was a very large company with over 74,000 employees at the beginning of the merger. Compared to Xerox which only had 54,000 employees, you can see where the difficulty lay. When the deal was produced, it was to be a $6.4 billion dollar deal with a cash and stock transfer transaction. This will mean that the value of the deal will actually depend on the stock market and that the shareholders will get cash plus a portion of Xerox stock in exchange for ACS stock.

I investigated into each company’s website as well as what I knew from fellow employees about the merger and what that meant for everyone involved. I looked at the difficulties that have been presented as well as the solutions that have been found so far. However, the hard work has just begun. The real work of integration, combining the technology, business processes and cultures of two large organizations, has just started and will continue to be the main challenge in this merger.
In my research, I discovered several reasons that Xerox decided to try to acquire ACS. One reason was to be able to provide outsourcing to its clients, so the clients would not have to go through several companies to get the services that they needed. Another reason was so that Xerox would no longer be using a competitor’s services. Most IT for Xerox had been outsourced to EDS for their IT business; however, EDS had been acquired by HP, the leading competition for Xerox. John McDermott, Xerox CIO, stated, “We have every intent to move more services to ACS and we have already committed ourselves to replacing EDS with ACS. EDS is now a part of HP, so that relationship has become a little awkward for us.” He also stated that “the local guys on the ground have delivered with the highest level of professionalism”, but also said that within a year, everything would be moved to ACS.

At the beginning of the merger, both companies said “initially little would change at ACS”, but that was about two years ago and much has changed since then. Xerox decided to retire the ACS name, making it so all the old ACS locals are forced to change the names on all the letterheads, fax, badges, and buildings that previously were allowed to keep their name. This was a great upset to a few employees as well as their customers, when they call in. However, it has been a few months and it appears the dust has settled.

Another issue that has arisen was the integrating of the core values of both companies. This is more difficult than it sounds. Both companies have similar views, but that does not mean that they always agree. This can also be a problem for their clients that are not sure of the changes that are happening. The changes could mean great things, but it could also mean more problems and headaches down the road.

The biggest problem seems to stem from the fact that Xerox and ACS have very different businesses. Xerox initially decided to acquire ACS to handle its IT support, but as the years went by, they decided that it would be better to use the company they purchased to its full potential, by integrating it into Xerox completely. This means that ACS is now no more, but just another department in the large Xerox family.

2 Taken from an interview done on May 20th 2011. Interview was titled “Outsourcing’s Odd Couple: Xerox and ACS, One Year Post-Merger.”
3 See Quote by Ursula Burns on the side graphic.
Another problem comes from the vendors and contractors that are being used. Each company has their own set of vendors and contractors that they use. However, when both companies condense down into one, which means that there is going to be some changes. This can be a problem for the current vendors as well as their employees. The vendor may feel that they are treated unfairly, but at the same time not want to lose some of their biggest business. The vendor’s and contractor’s employees that work on site on a daily basis will feel threatened and unsure as to what they should do. They can definitely feel that their jobs are on the line. The people they see every day may want them to do things differently, but that could result in them losing their jobs or the contract.

Discussion of Results

It is obvious that the merge will have a great impact on both companies. However, the great impact will accrue on ACS. This was the company that was purchased. They may have a say in how things will be done, but that seems to be slowly sliding away. Xerox now owns ACS, so any change that Xerox wants will occur, even if there is protest from what used to be ACS. For example, the decision to remodel one of the three Utah locations could spell disaster for the other two sites. It could mean that the other two sites will be closed soon. Or it could be taken as they are not good enough to be considered, or it could mean that they just have not finalized the details for the other two sites yet. This is where there seems to be a breakdown in communication. The upper management is not communicating to the people below them on what has been planned or what could be in store for them. This results in a feeling of fear and uncertainty that has the employees, clients, customers, contractors and vendors unsure as to where they stand or what they could be facing.

The bar chart shows how much of Xerox’s holding have changed since the merger. The combined profit has gone up to over $22 billion from $16 billion. They also have expanded their outsourcing abilities and helped to increase their presences over here in the United States. Most of Xerox’s business came from overseas ventures, but ACS was mostly here with a large percent of its business coming from government and large private investors. This means that Xerox can have larger hold here in America as well as increase the outsourcing capabilities overseas. This will result in more business and hopefully, greater success.
It is best to involve the employees in the merger, so they feel more comfortable with it. This will also make it easier to get the employees to want the change as well as get them to be willing to move around a bit as duplicate positions are removed and replaced. There should also be a plan in place to help the merge along. For example, the redecoration of Sandy ACS location has been completed and it is obvious that the change is helping the employees adjust to the new situation. The location is the same, but the new look helps to excite the employees to the challenges they will be facing.

In addition, the next solution is to insure good communication on all levels, such as, with the vendors and contractor. This makes it so they feel like they are included. They are hardworking employees that in most cases have worked for you for years and plan to continue that. Open communication will help take care of any problems or concerns as they arrive. This will make it so there are fewer problems in the long run. It will keep things from escalating into huge problems when they could have been taken care of in the long run.

The answers to these problems are varied but simple. If you keep in mind the six Core Values that Xerox up holds, you will see that they can be implemented and honored in how this merger is being handled. Valuing the employees as well as the customers is a sure way to get this merger done in a quick and successful manner. This will insure that Xerox can focus on what matters the most: its customer’s real business.

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1. We succeed through satisfied customers
2. We deliver quality and excellence in all we do
3. We require premium return on assets
4. We use technology to develop market leadership.
5. We value our employees
6. We behave responsibly as a corporate citizen.