

Chapter 6

Overcoming the Gap

ABSTRACT

In overcoming the gap, there are several strategies that can be considered. The two main strategies discussed in this chapter are the merger into a complete company (M&A) and the development of the missing parts with the required managerial capabilities. The M&A is presented and explained with the advantages and risks involved in taking this option. The M&A is also presented as a potential avoidance strategy, which circumnavigates the problem by merging the TSU into a complete company that has all the required units and the required capabilities to manage the complete firm. The second strategy is discussed with its own challenges in creating the new units, learning, and developing the managerial capabilities required. The opportunities advantages and disadvantages of this strategy are also presented.

DOI: 10.4018/978-1-7998-5685-6.ch006

INTRODUCTION

In the previous chapters we have discussed the nature of the gap, explained where it comes from, and the differences between the two entities. In this chapter we shall discuss the different means of overcoming the gap. As can be expected there are different possible solutions, and it is impossible to cover in one book all the variations on the solutions.

In order to overcome the different variations and challenges, we shall discuss the two main variations, to use existing infrastructure via a merger to a complete company, ready to offer the use of its facilities; or as alternative, to develop the different capabilities by the TSU as part of the change. There are middle cases, which shall be referred to, below.

Different Possibilities to Overcome the Gap

As mentioned above there are two classic possibilities: The TSU can elect to merge into a complete company (normally a larger corporation) and use the facilities the complete firm has to offer. In the sections below we shall discuss the pros and cons of that specific solution, as well as the cost and the rationale behind it. We shall briefly mention the process itself.

Another solution is the self-development of capabilities, infrastructure, activities, and actions in the TSU. It is in fact a family of solutions that is agglomerated under this specific heading. This alternative includes the development of some of the capabilities, or all of the new ones not internally, but as an out-source solution. The different levels of internal development are all grouped under this heading, and while we shall discuss the pros and cons of the internal versus the external development, we shall do so in a general manner, dealing mostly with the impact on the company.

In the discussion in this chapter when we shall refer to the company, we refer to the TSU, making the transition from TSU to a complete company.

Avoidance: M&A Into a Larger Firm

The process of merging into a larger firm, at least into a complete firm seems to be at first glance the simplest solution. In such a case, you instantly get access to the different departments, personnel, and managerial capabilities of a complete firm, without the need to develop them. If, as is usually the case, the complete firm is the larger entity, the merge will increase the volume of

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