

**CHANGE MANAGEMENT OF ESSILORLUXOTTICA AFTER THE
MERGE**

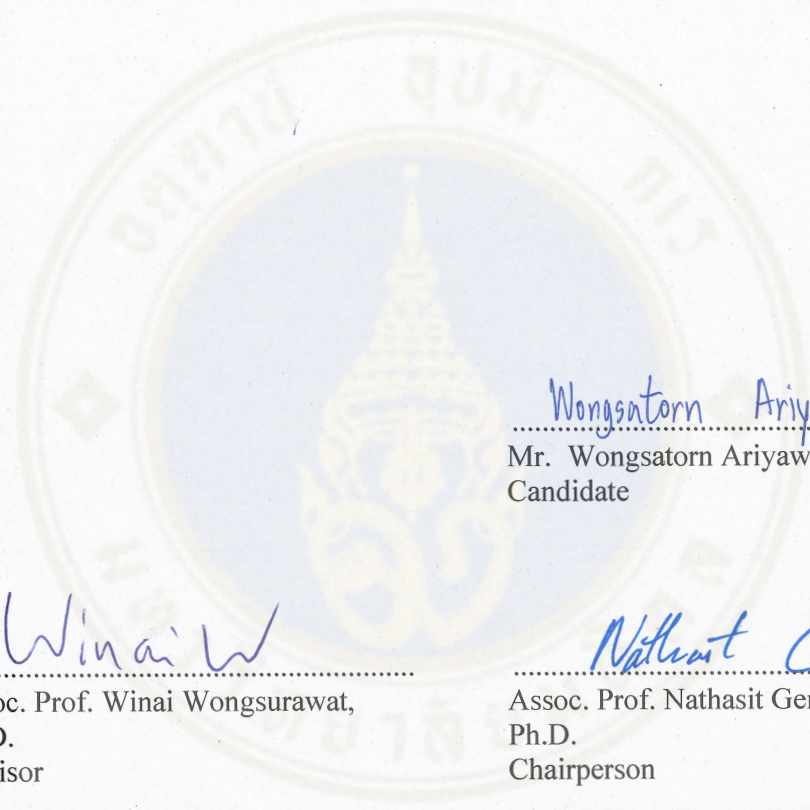
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CHANGE MANAGEMENT OF ESSILORLUXOTTICA AFTER THE MERGE

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ABSTRACT

Although the merger of Essilor and Luxottica, resulting in the creation of EssilorLuxottica, represents a significant event in the eyewear industry, and position itself as a dominant player in the global eyewear market, the merger to form the new organization has a need to create the effective change management strategies to ensure a smooth integration of the two organizations. The theoretical frameworks applied to the topic include Handy's classification of organizational culture, Kotter's 8-step change model and J-curve stages of change. In the analysis chapter, the story of a merger, the gaps between 2 companies, the differences between before and after the merger and how the company applies change management to this situation are provided with in-depth analysis. The result would be acquired by interviewing a focused group, who is at the management level of the company in order to ensure the quality of information. Lastly, the recommendation for the company to gain further advantage

KEY WORDS: Merger and Acquisition (M&A)/ Handy's classification of organizational culture/ Kotter's 8-Step Change Model/ J-Curve Stages of Change

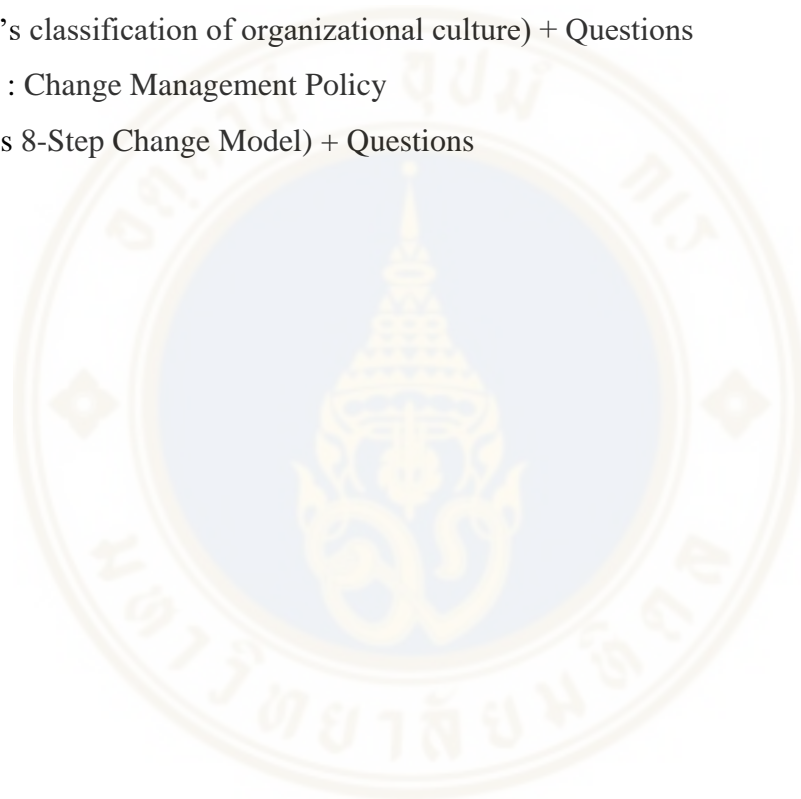
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CHAPTER I

INTRODUCTION

Mergers and acquisitions (M&As) are now an extremely popular investment strategy employed by companies aiming to accelerate their corporate growth or enhance their competitive advantage against competitors. Companies often pursue mergers and acquisitions (M&As) with the primary objectives of attaining synergy, efficiency benefits and ultimately leading to an increase in shareholder wealth for the acquiring firms (Cui and Leung, 2020). This strategy will provide both companies with an ability to expand their scope by acquiring complementary product portfolios, gaining access to a pipeline of research and development (R&D) intensive products, patents, or trade secrets. Additionally, they can prevent potential market exclusion or become a threat of new entrants by suppliers in upstream or downstream markets, benefit from tax advantages through subsidiaries located in tax-friendly jurisdictions, achieve cost synergies by eliminating excess facilities and overhead expenses, reduce competition and enhance access to capital (Renneboog and Vansteenkiste, 2019).

Eyewear business generally can be divided into 4 segments, including spectacle lenses, sunglasses, eyewear frames and contact lenses. According to Sarchioto (2022), before the pandemic of covid 19, their global sales amounted to over 110 billion Euros in 2019, and during that year, they sold a total of 9.8 billion units. However, total worldwide industry sales dramatically dropped by 22% in 2020. The reasons are the impact of the Covid-19 pandemic on in-person commerce, such as retail, as a result of temporary closures of shops and the interruption of manufacturing plants and shipments. Additionally, since customer spending is the key factor driving the business, the widespread job losses during this period, coupled with the lockdown measures, resulted in a massive drop in the industry. Nevertheless, there were some positive impacts brought by the pandemic. Specifically, the eyewear industry is considered as part of the healthcare sector, and more people tended to purchase these healthcare products, including eyewear during this period.

The eyewear market is primarily dominated by a few major players consisting of EssilorLuxottica, GrandVision, Johnson & Johnson, and Alcon. However, EssilorLuxottica significantly surpasses other competitors in the industry by holding the top position as the world's largest eyewear company measuring based on its revenue. The company is basically

the merger between France's Essilor and Italy's Luxottica, and the story and details of its success will be talked about further in chapter IV, which is the analysis part.

Essilor, a French lens manufacturer who was born over 160 years ago, is deeply connected to its mission of enhancing people's lives through the improvement of their vision. The company has established a robust organizational culture, in which its employees are actively involved in the decision-making process, fostering a sense of ownership, accountability, and engagement within the company. Furthermore, the company also provides them with rights to purchase the company's stock with special prices leading to encouraging their active participation in shaping the company's direction and contributing to its success.

Luxottica, an Italian eye frame manufacturer, designer and distributor who was born in 1961, has owned a vast portfolio of well-known eyewear brands, including Ray-Ban, Costa, Oakley, Persol, etc. The company elevated eyewear to a new level by reshaping the perception of eyewear from being solely a medical device to a sought-after fashion accessory for customers. Due to its vertically integrated business model, encompassing everything from designing and manufacturing to distribution and retail operation, this approach has also contributed to Luxottica's strong market position and global presence.

Objective

As EssilorLuxottica is the current leader in the eyewear industry far over from its competitors, the purpose of the thematic paper is to investigate change management of the company after the merge. The theoretical frameworks used to support this paper comprise the merger and acquisition framework, Handy's classification of organizational culture, Kotter's 8-steps change model and J-curve stages of change. In addition, the story of the merger and the differences between their cultures and operational processes leading to the organizational conflicts will also be discussed in the analysis part.

CHAPTER II

LITERATURE REVIEW

2.1 Merger and Acquisition (M&A)

According to Scott (2003), a merger is defined as the joining together or consolidation of two or more companies, whether they are of the same or different size, resulting in the formation of a single entity with a unified operation and governance structure. In many cases, investors tend to hold on to the company's trademark or brand name that is being taken over or acquired. Once the merger is finalized, the companies that are being acquired or taken over will no longer operate independently as per legal regulations (Depamphilis, 2018). By contrast, an acquisition refers to the process of purchasing or obtaining the company's assets or shares. This can involve acquiring all or a portion of the target company's shares, or even a single or specific business division. In an acquisition, the acquiring company gains control over the assets, operations, and management of the acquired company or division. Therefore, since the joining between Essilor and Luxottica in this case was their organizational agreement combining their respective expertise and market positions in the eyewear industry, EssilorLuxottica is considered as a merger company rather than acquisition.

Generally, there are 3 types of merger and acquisition (M&A) consisting of horizontal M&A, Vertical M&A and Conglomerate M&A (Sarchioto, 2022).

Horizontal M&A : A horizontal M&A transaction occurs when the acquiring company and the target company operate in similar industries, regardless of whether they are direct competitors or indirect. In this type of transaction, the aim is to strengthen the market position, expand the product or service offerings, and gain operational efficiencies by combining resources and capabilities within the same or single industry.

Vertical M&A : This type of M&A happens when a company integrates with its suppliers or customers along its supply chain. There are two main ways this integration can take place. The first is integration between stages, which involves the merging of firms

operating at different stages of the supply chain. This type of integration can be categorized as both backward integration, where a company acquires its input supplier, and forward integration, where a company acquires its product distributor. On the other hand, the second type of this integration can take place between the organizations that have the same stage of their supply chain.

Conglomerate M&A : Lastly, conglomerate integration refers to mergers and acquisitions that occur between companies operating in unrelated industries or business sectors. Therefore, the objective of this M&A is often to diversify the acquiring company's business portfolio and reduce risk by entering new markets or industries and allowing companies to expand their reach and explore new growth avenues beyond their core business operations.

EssilorLuxottica represents both horizontal and vertical merger and acquisition (M&A) type. Essilor, a leading lens manufacturer, merged with Luxottica, a prominent eyewear frame manufacturer and retailer. The horizontal integration brought together two complementary aspects of the eyewear business, combining lens manufacturing and frame production, as well as retail operations. By the same way, by vertically integrating, the company aims to achieve synergies, cost efficiencies, and a seamless customer experience by integrating different stages of the supply chain within a single company.

2.2 Handy's classification of organizational culture

Generally, every organization has its certain values, policies and guidelines. The principles and beliefs of any organization constitute its organizational culture, and this actually influences the work ethic and the approach followed by both employers and employees in the firms. To observe the culture in each company, Charles Handy (1991) developed his model called Handy's classification of organizational culture that categorizes organizational cultures into four main types including power culture, role culture, task culture and people culture (Janićjević et al, 2018).

Power Culture : In this type of culture, it is a highly hierarchical and people-oriented organization because the leader plays a central role, and is often compared as the head of a family, known as the "paterfamilias," who takes care of all the members. Since only a few people are authorized to make decisions, and delegate responsibilities to others, the advantage

of this culture is that the organization can have faster decision-making. However, they are heavily dependent on these people at the top for correct decision-making and organizational success.

Role Culture : It is considered as a bureaucratic organization where there is a combination of a task-oriented approach and hierarchical power. In such organizations, individuals are accountable for their own works, and have to take ownership of the works assigned according to their specializations. Therefore, this culture can be illustrated as a building supported by pillars, and each pillar has a specific role in keeping the building up.

Task Culture : This culture is totally different from power culture as it is a combination of task-oriented approach and egalitarianism or a fair and equal distribution of power. Individuals with common interests and specializations come together in order to form teams, and these teams have all decision-making powers to accomplish the tasks and objectives assigned.

People Culture : This is considered as the most democratic culture because this organizational culture is a people-oriented approach and an egalitarian distribution of power. It is a very rare and unusual type of culture where an individual's ambitions will take precedence over organizational objectives. Therefore, the level of autonomy for each individual in the company is extremely high.

In this paper, Handy's classification of organizational culture would be applied to organizations like EssilorLuxottica to understand the cultural aspects that may influence their operations and practices by conducting interviews. Then, the result for both similar and different dimensions of their organizational culture and structure would be analyzed in the analysis part. By understanding the cultural dimensions and power within EssilorLuxottica, the organization can gain valuable insights into managing cross-cultural interactions, developing effective leadership strategies, and fostering a positive and inclusive work environment that aligns with the company's goals and values.

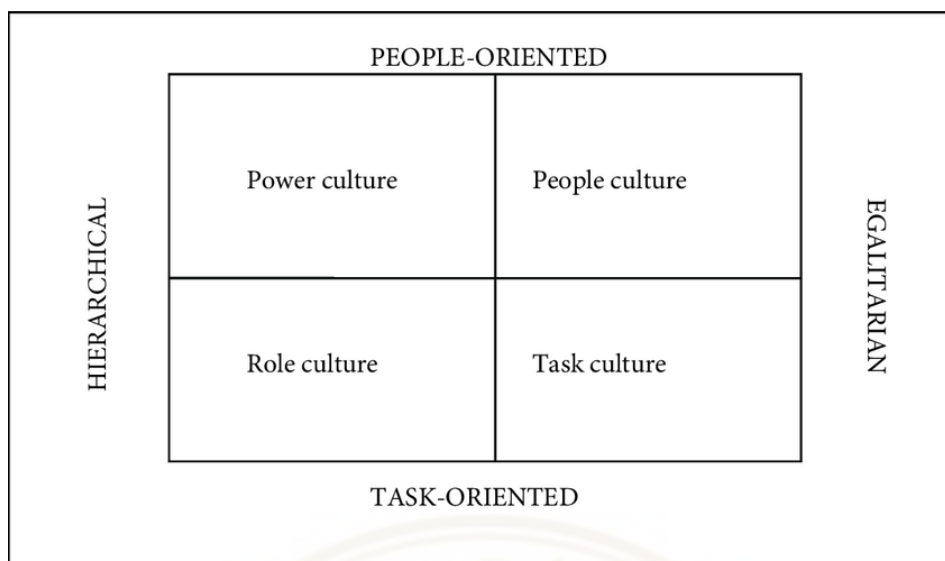


Figure 1 : Handy's classification of organizational culture

2.3 Kotter's 8-Step Change Model

John Kotter, a Harvard Business School Professor and a renowned change expert, introduced his change management model in his book "Leading Change" in 1996. The model consists of eight steps being divided into 3 phases, which are creating a climate for the change, engaging and enabling the organization and implementing and sustaining the change that guides leaders and organizations through the change process (Teixeira et al, 2017).

Phase 1 : Creating a Climate for the Change

- 1. Increase Urgency :** This step involves generating awareness among employees and stakeholders about the need for change and the importance of taking immediate action and emphasizing the potential benefits and risks of staying the same.
- 2. Build Guiding Teams :** By forming a powerful coalition, the company can leverage the collective influence, expertise, and commitment of key stakeholders to drive the change initiative forward. This coalition acts as a guiding force, advocating for the change, aligning efforts, and mobilizing resources to facilitate successful change implementation.
- 3. Get the Vision Right :** It is one of the most crucial steps in Kotter's Change Management Model. The vision provides a clear and inspiring picture of the desired future state that the

organization aims to achieve through the change initiative, and conveys how the change will be beneficial to the organization and its stakeholders.

Phase 2 : Engaging and Enabling the Profession

4. Communication for Buy-in : By effectively communicating the vision, leaders can ensure that employees and stakeholders understand, support, and align with the desired change.

Clear and consistent communication fosters a shared understanding and commitment, and it motivates individuals to contribute to the realization of the vision.

5. Empower Action : It involves actively contributing to the change process and driving its implementation. By providing the necessary resources, support, and autonomy, employees are empowered to take initiative, make decisions, and collaborate effectively, leading to successful change implementation.

6. Create Short Term Wins : The company can demonstrate the feasibility, and benefits of the change initiative, build confidence among employees, and create a positive momentum that drives the overall change process. Celebrating small victories along the way helps maintain enthusiasm and commitment towards the larger goal of the change initiative.

Phase 3 : Implementing and Sustaining the Change

7. Don't Let-up : The objective is to transform the corporate culture once multiple stakeholders have reached the practice and sustainability stages. Therefore, the new culture creates a constructive sense of urgency for individuals who are slower in embracing change. The activities in this stage may include sharing the new organization's success and strengthening people's mindset.

8. Make Change Stick : During this stage, the company embeds the changes in the organization's culture, values, systems, and processes, ensuring that the new behaviors and practices become the norm. The activities to sustain the change include conducting benchmark and plan, report and policy revision.

Kotter's change management model in this case will apply to EssilorLuxottica in order to navigate the complexities of organizational change, engage employees, and successfully drive the desired transformation through the interviews. The reason why this model is used to implement the company is that these two companies have a culture and value gaps. Luxottica has a vision on designing and distribution of fashion while Essilor is a lens

company, which focuses on innovation and scientific or medical matters. Hence, it is a good tool to investigate how EssiloeLuxotica can deal with these gaps, and become a leader in the eyewear industry.

2.4 J-Curve Stages of Change

The J-curve stages of change refers to a phenomenon that occurs during the early stages of implementing a change initiative. It is represented by a dip or decline in performance or productivity before an improvement is observed. According to Norcross et al (2011), each stage of change represents a specific timeframe and a series of tasks that must be accomplished to progress to the next stage. Additionally, it requires different change processes and relational approaches to facilitate the most effective progress.

Precontemplation : In this stage, individuals have no intention to change their behavior in the foreseeable future. They may be unaware or have little awareness of their problems, while those around them may recognize the issues.

Contemplation : During this stage, individuals are aware of the problem and seriously consider overcoming it. However, they have not yet committed to taking action. Contemplators may struggle with their positive evaluations of their current behavior and the effort required to change.

Preparation : In the preparation stage, individuals have the intention to take action soon. They may have made some small behavioral changes or "baby steps" towards addressing the problem. However, they have not fully met the criteria for effective action.

Action : The action stage involves actively modifying behavior, experiences and environment to address the problem. Individuals in this stage have made significant behavioral changes and committed time and energy to overcome the issue. The action stage typically lasts from 1 day to 6 months.

Maintenance : In the maintenance stage, individuals focus on preventing relapse and consolidating the gains achieved during the action stage. This stage also involves sustaining the positive changes made and remaining free from the problem behavior.

When applying J-curve stages of change to EssilorLuxottica, it is important to consider the context of organizational change and employee behavior. The results acquired from the interviews will support the framework in order to answer and navigate how the company transit itself during the merge. Furthermore, it is important to note that the application of these stages may vary across different departments, teams, or levels, so talking to people in different and variety positions will help to see a clearer picture and reduce bias in this research.



CHAPTER III

RESEARCH METHODOLOGY

To obtain information on the research methodology applied to change management in EssilorLuxottica after the merge, qualitative research techniques by interviewing a focused group will be conducted. To reduce bias in the paper, the interviewees need to come from both Essilor and Luxottica before the merge. All interviews were conducted through Microsoft Teams, and they were around 45 minutes to 1.30 hours. In addition, to ensure that the paper is able to access in-depth information about the company, the selected interviewees are at least management level, and all of them also need to experience the conditions before the merge and during the transit period leading to distinctly see the difference and the ways that the company's policy encounter to it. The details of the interviewees, including the interviewing date, position and responsibility and work period will be provided in the table below.

Table 1 : Interviewees' Information

Date	Position/ Responsibility	Work Period (Based on)	Platform	Duration
11/6/2023	Global Sourcing Manager/ Overseeing and managing the sourcing activities on a global scale such as coating lens chemical	5 years (Essilor)	Microsoft Teams	1.30 hours
15/6/2023	Packaging and Logistic Manager/ Shipping and mapping a flow of the products around the world	7 years (Luxottica)	Microsoft Teams	1 hour
16/6/2023	Plant Controller Manager/ Managing the company's cost of goods sold	5 years (Essilor)	Microsoft Teams	45 minutes
19/6/2023	APEC Procurement Manager/ Managing procurement processes to ensure the availability of materials, equipment, and services required for the company's operations	14 years (Essilor)	Microsoft Teams	1 hour
20/6/2023	Process Engineer/ Ensuring the efficiency and effectiveness of manufacturing processes within the company	8 years (Luxottica)	Microsoft Teams	45 minutes

Interview Questions

The interview questions can be divided into 3 parts consisting of general questions, the difference between before and after the merge and how the company deals with the gap. The last two parts are based on Handy's classification of organizational culture and Kotter's 8-Step Change Model. Interviews were structured with open-ended questions to encourage participants to express their experiences and perspectives without any restrictions or limitations. The aim is to create a comfortable and open environment where interviewees could freely share their thoughts, allowing for a rich and comprehensive understanding of their experiences related to this topic. After that, the result will be interpreted as keywords in the next chapter, and the quotes acquired from the interviewees are also provided in the details of each keyword.

Table 2 : General Questions

Topic (Theory)	Question
General Question	<ol style="list-style-type: none"> 1. Could you tell me what your current position is, your main responsibility, and working experiences? 2. How long have you been working in this company?

Table 3 : The Difference (Handy's classification of organizational culture) + Questions

Topic (Theory)	Question
The Difference (Handy's classification of organizational culture)	<ol style="list-style-type: none"> 1. Did your company prefer to work individually or as a team? How did you perceive the importance of individual accomplishments versus group harmony in your culture? 2. Could you describe your company in terms of power distance (hierarchies)? How did it impact communication and decision-making? 3. How did people in your culture typically express their opinions or disagreement during conversations or meetings? (soft or aggressive)

Table 3 : The Difference (Handy's classification of organizational culture) + Questions (cont.)

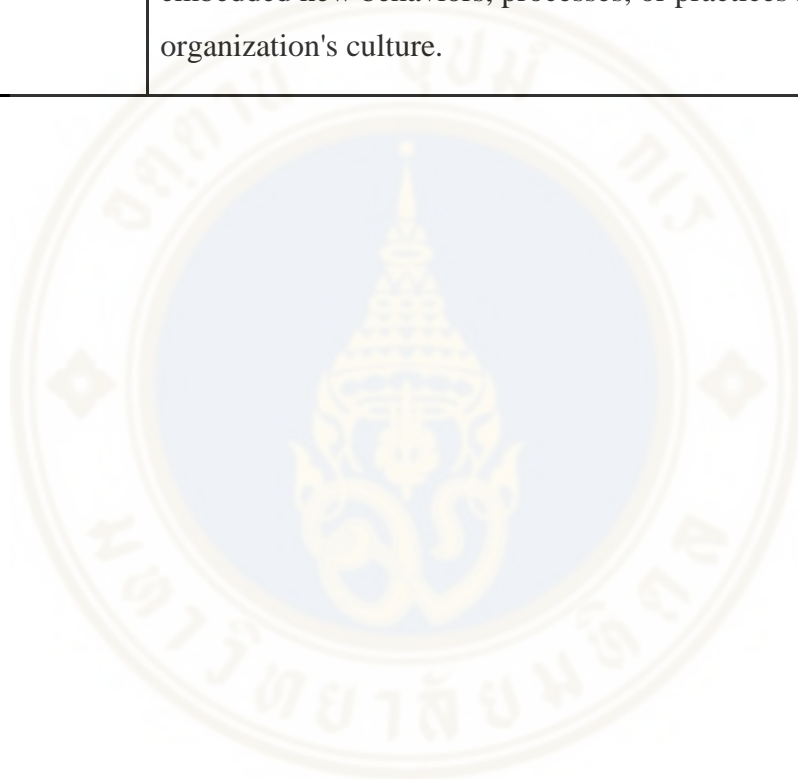
Topic (Theory)	Question
	4. How comfortable or autonomous were people in your culture with ambiguity and uncertainty? Was there a preference for clear rules and structures?

Table 4 : Change Management Policy (Kotter's 8-Step Change Model) + Questions

Topic (Theory)	Question
Change Management Policy (Kotter's 8-Step Change Model)	<p>Phase 1 : Create the climate for change</p> <p>1. Can you describe a situation when the company merged, how was it different? How did the company communicate the need for change?</p> <p>2. How did the company build a strong coalition of individuals with different skills and perspectives to support a change effort?</p> <p>3. How did the company develop a compelling vision and strategy for a change initiative? How was it different before and after merging?</p> <p>Phase 2 : Engaging and Enabling the Profession</p> <p>4. How did the company communicate the change vision to various stakeholders? Were any concerned or resisted by audiences?</p> <p>5. How did the company empower employees at various levels to take action and contribute to a change initiative. Was there any training? Did it align with the vision?</p> <p>6. How did the company create short-term wins? Was there celebration for short-term wins during a change initiative?</p>

Table 4 : Change Management Policy (Kotter's 8-Step Change Model) + Questions (cont.)

Topic (Theory)	Question
	<p>Phase 3 : Implementing and Sustaining the Change</p> <p>7. How about a new mindset of an employee after communicating a new vision? Did it put a positive pressure on resistances?</p> <p>8. How did the company ensure or sustain this change in the long-term? Tell me about a time when the company successfully embedded new behaviors, processes, or practices into the organization's culture.</p>



CHAPTER IV

FINDINGS ANALYSIS

This part will tell the story of a merger between Essilor and Luxottica, and also compare each company before and after this merger analyzing Handy's classification of organizational culture theory. Moreover, based on the interviews mentioned in the previous part, this chapter will provide in-depth information helping to find the company's change management factors leading them to become successful.

4.1 Merger between Luxottica and Essilor

On January 16, 2017, Essilor and Luxottica made an announcement about their plan to merge into a single entity named EssilorLuxottica. This merger has a significant impact on the eyewear industry as it creates a leading player that covers lenses, frames, and sunglasses, while also establishing a fully integrated company capable of maintaining and improving quality at every stage of the supply chain. The merger is expected to generate substantial synergies and provide opportunities for cross-selling across all categories and distribution channels. With over 20 billion Euros in revenues and more than 150 thousand employees, the merged company becomes a giant producer and distributor of glasses. The co-management of the new company will be led by Leonardo Del Vecchio and Hubert Sagnières, chairmans of Luxottica and Essilor respectively and an Integration Committee will be formed to oversee the execution of the synergies plan, manage the integration process, and set targets for both groups (Martini, 2018).

4.1.1 Post merger integration

After two companies completely merged, the total revenue significantly increased rather than the combination of them alone before the merger. In 2017, Essilor alone had revenue around 7.5 billion Euro and 0.9 billion Euro net profit, and Luxottica alone had around 9.1 billion Euro and 1.04 billion Euro net profit, whereas in 2022, the merged company gained over 24.5 billion Euro and 2.3 billion Euro net profit, which is 7.4 billion Euro and 0.36 billion Euro of their total income and net revenue respectively higher than the combination of a single

company before the merger. The reasons for the soaring are stronger funding, complementary business and brand awareness. With stronger funding, EssilorLuxottica is able to actively pursue strategic initiatives. This includes the development of cutting-edge lens technologies, diversification and expansion of its product offerings, as well as substantial investments in marketing and brand promotion. The company's financial strength also plays a vital role in supporting its extensive retail operations, facilitating the establishment and upkeep of its wide network of stores and franchises. Vertical integration of the two companies' supply chain would bring complementary business, and allows for streamlining operations and eliminating duplication, resulting in cost reductions in General and Administrative functions. This efficiency improvement helps optimize resources and improve overall profitability. Additionally, since Essilor and Luxottica are the leaders in their own markets, it has enhanced them to share values, and provided the company with the reputation recognition as the combination of quality, innovation and fashion through customers' sight.

4.2 Gap of culture

However behind its success, there are some gaps between these companies, including cross cultural communication and a lack of employee's motivation. According to Handy's classification of organizational culture, Essilor's culture tends to be a task culture where its people collaborate as teams while Luxottica's culture is a combination of power and role culture where decision-making power is centralized, but it is also guided by clear roles, rules, and procedures.

Before the merger, the working styles of Essilor and Luxottica were totally different as they were top up or decentralized business and top down or centralized business respectively. Because Essilor is a lens manufacturer firm, and validation of new chemicals and technology is a big issue, quick decisions made by authorities are not required. For example, when the sourcing team needs to change suppliers, it has to be approved by those regional manufacturing lines in each area, so the decision is extended longer than 2 months. On the other hand, Luxottica is an eyewear frame manufacturer and designer, who own several luxury brands. Since fashion has rapidly changed, they have to do everything fast, so all decisions are made by only the authority committee. Consequently, Essilor is considered as socialism or egalitarian as the employees have to keep a good relationship with each other, and are also

inflexible while Luxottica is considered as self-reliance due to its hierarchical system, so the employees are comfortable to work alone, and also familiar with the changes.

Furthermore, a lack of employee's motivation occurred when joining Luxottica. After the merge, there were some layoffs of the top management staff, especially Essilor regional top management level due to the overlapping of the positions. Hence, job insecurity affecting a lack of motivation and work efficiency may harm both them and the company. To illustrate, every system and policy of the company has been changed according to Luxottica such as the IT system, bonus payment and vertical integrated business model, so it may make them frustrated, and leave the company. The gaps also provide Luxottica staff with a frustration as they had a few manufacturing plants before, so when they merged with a numerous regional plants company like Essilor, they also had a communication to deal with their partner. Therefore, both companies have to find a middle solution to tackle the gaps.

4.3 Change Management

Even though complementary business models, stronger funding and brand image have boosted EssilorLuxottica's revenue and profit by around 50% and 20% respectively, it can not guarantee its sustainability in the long-term. The merger of Essilor and Luxottica to form EssilorLuxottica required effective change management to ensure a smooth transition and integration of the two companies. Change management in this context refers to the processes and strategies employed to facilitate the organizational and cultural changes resulting from the merger. Here are some aspects of change management that EssilorLuxottica may have implemented, consisting of organizational structure management, clear communication and proper transit period.

4.3.1 Organizational Structure Management

After the merge, EssilorLuxottica has operated as a vertical organizational or top down structure as the former alone Luxottica. This kind of structure is where authority and decision-making flow through multiple levels of management. In a vertical structure, employees are grouped based on their functional areas and report to managers who are higher in the organizational hierarchy.

Top management and regional positions including sourcing, finance, IT, production planning and accounting of two companies are merged, so each individual position

will have to report to its manager. For instance, according to the company's plant controller manager of Thailand, who is a former Essilor staff, *"finance staff need to report directly to their manager in the headquarters. It is different from the previous Essilor structure, which was decentralized or bottom up because there were teams consisting of those mentioned positions in each regional office, and team leader was a person, who had power to make decisions"*. The reason why the company has to follow Luxottica is that they are a much bigger company, therefore, a clear chain of command and accountability, quick and sharp decision making and stability and order are required. Additionally, the plant controller manager also assigns that *"this structure facilitates me to work easier as I can focus on specific tasks and develop expertise in their respective areas. To illustrate, if finance people work together, they will understand each other, and have precise suggestions, feedback and evaluation better than a team combining several positions"*.

4.3.2 Clear Communication

Due to the gaps in the two companies' culture mentioned above, effective and clear communication is crucial during periods of change. EssilorLuxottica's current vision is "See more, be more", the integration of Essilor and Luxottica past visions, which are "See the world better" and "To see the beauty of life" respectively. The new vision was shared through all levels in the organization, which can imply that both companies are one, who have focused on both visual health and fashion. According to EssilorLuxottica global sourcing manager, who is former Essilor, *"after the company was synergized, there was a town hall meeting letting both companies' employees know each other, so that is why I have many Luxottica friends. Not yet, in the meeting, Luxottica also introduced their own luxury brands, and offered them at a discount price, so it made me realize that I would have been a part of those brands after the merge"*.

In addition, not only Essilor has to adjust to the new strategy, but Luxottica also has to. As Luxottica alone had only 3 manufacturing plants located in Italy, US and China while Essilor had uncountable regional manufacturing lines, when the 2 companies merged with each other, Luxottica inevitably needed to collaborate with Essilor in those regions. Consequently, there were some training sessions and field visits for them in order to understand each other's tasks and cultures. EssilorLuxottica packaging and logistic manager, who had worked for Luxottica stages *"I have opportunities to visit many overseas plants, so it makes me realize my partner's tasks and variety of their cultures. For example, Japanese staff are*

very detailed, so when I have to deal with them, I have to focus more on details, just a concept is not enough.”

4.3.3 Proper Transit Period

Change of EssilorLuxottica did not happen suddenly, but it gradually transitioned in the right period of time. The J-Curve framework can refer to the pattern of performance or morale within an organization during a period of change. It represents the temporary dip or decline in performance, satisfaction, or engagement that often occurs when a change is implemented, followed by a subsequent rise and improvement. Each stage of J-Curve, including precontemplation, contemplation, preparation, action and maintenance can be applied to EssilorLuxottica change management.

Precontemplation Stage : This stage can be referred to the period that 2 companies were merging between the first month of 2017 to the end of 2018. The announcement made two company staff realize that there would be some changes in the companies whether there were new tasks or operational systems. However, the staff may not know much about the information details, so this was just represented by the initial horizontal line of the J-curve, indicating a baseline level of performance or satisfaction.

Contemplation Stage : During this phase, performance and morale may decline as employees cope with new processes, roles, or ways of working. The reason was that a new big goal, vision and mission were introduced. These occurred in both Essilor and Luxottica staff, especially ones who have worked in the companies for a long time leading to frustration and demotivation. Hence, at the beginning of the merge, the company did not offer many changes to the company to let them be able to adjust. The changes introduced in this stage may be just the new operational system and platform such as Microsoft Office and the new welfare and vocational systems. Moreover, due to good communication and open house activities established by the company, the curve seems to rotate quicker.

Preparation Stage : When the employee's morale goes through the bottom of J curve, they tend to become familiar and confident with the new atmosphere. The company implemented a lot during this stage when the curve started to rotate up by providing training and more advanced programs to boost up their morale. For example, the company collaborated

with Harvard University in order to provide online training when they merged, so this training would provide the staff with the knowledge before the company introduced more advanced change policies. Therefore, all people in any level start to see the same direction of the new company's vision, mission and value in this phase.

Action Stage : Due to the policies and activities provided by the previous stage, this represents the pike of improvement in performance, engagement, and acceptance of the change. Therefore, when the company offered a new advanced challenge, they would be fully comfortable, and confident to accept it. In the EssilorLuxottica case, eventually, there is a completely new organizational structure, in which everyone is able to collaborate with each other.

Maintenance stage : When all of them passed these 4 stages, there was a new standard such as the new KPI, job rating and human resource's policy to monitor them. Furthermore, when they performed better than the past, there was a higher reward served to them. This kind of motivation could be the way to maintain the change of company's strategy. However, since EssilorLuxottica has merged for less than 5 years, the picture in this stage may not be obvious.

All in all, even though two companies were completely merged in October 2018, its policies did not immediately change, so both employees in all levels have time to adjust themselves to be compatible. The plant controller manager mentions *"the step of change was like a gradual fading of black to gray until white, so they provided me with a time to adjust myself."* Global sourcing manager also clarifies that *"at the beginning, SAP was started to introduce to Essilor people leading us to be frustrated, but when we were familiar with it, we accepted it, and were able to do more challenges."* For Luxottica's people sight, the process engineer, who was depended on Luxottica mentioned that *"I had a bad experience on merger and acquisition of my previous company as there was no clear direction, and all staffs were nervous, and worried about their job security, however, I have never felt as much like that since when my company merged with Essilor as the company clearly communicated its long-term direction and transparent integration plans after the merge, so I and my colleagues could see ourselves in the next 5 years, and everything has gone according to plan."*

CHAPTER V

RECOMMENDATION AND CONCLUSION

Recommendation

Currently, Essilor and Luxottica manufacturing plants are clearly separate. Therefore, when the eyewear is going to be assembled by the laboratory, its lens and its frame always come from different places. After the company launched an effective policy to close these 2 companies' gaps, it enabled all people in any level to work together and know each other's tasks. To let the company gain more advantage, establishing a manufacturing plant that has both upstream and downstream is recommended. It means that manufacturing of lenses and frames within one plant will provide the company with huge benefits in terms of cost efficiency, quality control and improved communication and collaboration.

Having both upstream and downstream activities in proximity can lead to cost savings. It reduces transportation costs, as raw materials can be directly sourced and processed on-site, and finished products can be distributed more efficiently (Lim et al, 2017). Additionally, sharing infrastructure and resources between upstream and downstream operations can result in economies of scale.

With all stages of the production process in close proximity, it becomes easier to monitor and control product quality. Any issues or defects can be identified and addressed more efficiently, reducing the risk of delivering subpar products to the market. According to Bray et al (2019), it has been found that when the distance between an upstream component factory and a downstream assembly plant is increased, there is an associated increase in the expected defect rate of the component.

Finally, communication and collaboration between different functions or teams can be enhanced. This can lead to better coordination, faster decision-making, and improved overall efficiency. Also, ideas, insights, and innovations between the two companies can flow more freely, leading to improved product development, process optimization, and overall competitiveness (McMaster et al, 2020).

Conclusion

EssilorLuxottica is a multinational company formed by the merger of Essilor, a leading ophthalmic optics company, and Luxottica, a renowned eyewear manufacturer and retailer. The merger aims to create a vertically integrated company that covers the entire eyewear value chain, from lens manufacturing to frame design and distribution.

The combination of Essilor and Luxottica brings together two industry leaders with complementary expertise and capabilities. Essilor has a strong presence in lens manufacturing, including prescription lenses, while Luxottica is known for its renowned brands, such as Ray-Ban and Oakley, and its extensive retail network, including Sunglass Hut and LensCrafters.

Behind the company's success, change management is observed by interviewing the target group, who have worked for the company before the merger. The interview questions are composed of 3 sections, which are general questions, the differences between before and after the merger and the company's policy for coping with it. The questions provided in the last two sections are based on the theories of Handy's classification of organizational culture framework and Kotter's 8-step of change model.

After that, the research found that there were some cultural gaps between these 2 companies. According to the Handy's cross cultural framework, Essilor is considered as a task culture organization where socialism and high uncertainty avoidance occur among the firm while Luxottica is considered as a combination of power and role culture where self-reliance and high power distance are shown.

To cope with the gaps, the research could be interpreted into 3 keywords including, organizational management, clear communication and proper transit period. The new organizational structure is based on Luxottica, which is vertical integration or centralized authority creating system flows and effective decision making. Clear communication is how the company creates and shares the new vision and mission leading everyone to see and behave in the same direction. In addition, the change did not suddenly happen, the company gradually offered the new systems and structures to its people according to the J-curve framework. Hence, it allowed them to have time to adapt to the new organization and boost up their morale.

Finally, to recommend, since eventually, all of them are familiar with the new organizational structure and comfortable to work across from each other, the new manufacturing plant combining both upstream and downstream should be established in order to gain their further benefits.

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