

MERGER AND ACQUISITION SEMINAR

Master de Management de Projets Internationaux
Faculté des Sciences Economiques et de Gestion
Université de Strasbourg

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SEMINAR OBJECTIVES

This seminar addresses the management of mergers and acquisitions (M&As), which have become a critical component of many firms' strategy in domestic and international arenas. Despite their benefits and promises, as well as their increasing number, M&As are not without risks and shortcomings. Evidence is that not all firms have the capabilities in maximising the synergies obtained from M&As. Beyond the media attention they get, several transaction results in value destruction. Therefore, the objectives of this seminar are as follows:

- To expose participants to understand the challenges and opportunities associated with M&As as key elements of a firm's strategy and competitive advantage.
- To identify best practices related to M&As
- To support the development of effective management skills associated with the M&A process, from the decision to pursue an acquisition strategy to the implementation of the integration plan.
- To expose participants to strategic alliances as either substitutes or complements to M&As.

The seminar focuses on some key themes and challenges associated with the post-merger implementation process, in particular:

- Maximising value through effective post-merger integration
- Developing and implementing an effective integration plan
- Where do synergies come from?
- M&As or IJVS in emerging countries

The pedagogy of the seminar will rely extensively on the case method. Case analysis and discussion, personal interactions and readings are effective approaches in developing and improving synthesis, analytical and communication abilities.

COURSE EVALUATION

Participation	40%
Group Project	60%

Participation (40%): Emphasis on participation is deliberately important since communication skills and the ability to express your opinion and ideas are critical characteristics of effective managers. Participation is a function of preparation, skills and willingness to commit yourself in front of the class. Evaluation of participation is based on attendance, arrival on time, and significance of contribution to discussions (which include “quality” and not only frequency of participation). Please note that the evaluation of participation will take into account the size of the class.

Group project (60%): You will be asked to prepared a group report on the M&A strategy of a firm. The report should both describe and analyze the M&A strategy of the firm. The report is to be produced as a Powerpoint document, between 20 and 30 pages long. Groups will involve between 4 and 6 individuals, not less neither more. Here are some examples of topics:

- Acquisitions in the global chocolate industry
- How 1) South African Breweries, or 2) Haier or 3) Mittal became a global player?
- Cisco’s M&A strategy since 1999
- M&A strategies in the mining/metal sector: The case of Rio-Tinto
- How has Anheuser-Busch InBev been built?
- Private equity deals: The last ten year history of 1) Blackstone or, 2) KKR

We will discuss in greater details this project on the first class. If you have other topics in mind, we will have the opportunity to discuss it then. Still, you should be ready to form a group and to select a topic by the end of the first class.

Outline

Session 1 Introduction

Session 2

Theme: The M&A integration process

Case : Bombardier Transportation and the Adtranz acquisition (Ivey 9B04M023)

Read: Marks & Mirvis (2001), «Making mergers and acquisitions work», Academy of Management Executive, 15(2, May), pp. 80-92
Tetenbaum (1999), «Beating the odds of mergers and acquisitions failure», Organizational Dynamics, 28 (2)

Assignment:

1. Why was Bombardier interested in acquiring Adtranz? What are the pros and cons for his acquisition?
2. How do you make money in the rail equipment industry? What is Bombardier's strategy in that industry?
3. What should Lortie do with the acquired Adtranz? Should he leave it as a stand-alone entity or absorb it into Bombardier structure and organization? Could hybrid approaches be possible?
4. How fast should Lortie move on the operating decisions he is facing? Should he act now or wait for the dust to settle on this transaction?
5. What would be your recommendation regarding the HQ's location, Lortie's approach and style to tackle the issues at hand and the priority to be given to the top-line vs the bottom-line?

Session 3

Theme: Making the deal work

Case: Labatt-Femsa

Read: Aiello & Watkins, «The fine art of friendly acquisitions», HBR
Ashkenas and al., «Making the deal real», HBR

Assignment: Labatt-Femsa

Please prepare this case first from the general perspective suggested in questions 1&2, and second, from the specific perspective assigned to you by virtue of the Group that you are assigned to.

All Participants:

1. What are the essential realities of the brewing industry structure and economics in the three countries--Canada, the U.S., and Mexico--market trends, competition, regulatory matters, and so on?
2. What are the implications of the emerging alliance structures among the major brewers in North America for Labatt, Miller, FEMSA?

Labatt Management Perspective

Please take the position of Labatt management. You will be asked to ratify or change the proposal under development and respond to feedback on it.

1. Review your motivations for pursuing an equity alliance with FEMSA Cerveza. What do you expect to achieve through such an arrangement? Are you comfortable that your expectations are realistic, defensible?
2. Review the terms of the provisional approach that has been developed to propose to FEMSA. Are you comfortable with the financial and managerial elements of this approach? What, if any, elements of this approach would you change before the presentation to FEMSA?
3. If FEMSA were to ask, for whatever reason, for improvements in the terms of the arrangement, what enrichments, if any, would you be prepared to accept?

Miller Management Perspective

Please take the position of Miller Brewing management. You will be asked whether you want to enter into negotiations with FEMSA and, if so, what your proposal would be.

1. Are you interested in pursuing some form of alliance with FEMSA Cerveza? What would you expect to achieve through such an arrangement? What would such an arrangement be worth to you?
2. If the Labatt initiative and the general terms of their proposal became known to you, what, if anything, would you do? Would you be inclined to propose a transaction of your own, or would you sit this out? If you did go forward, what would be the essential financial and managerial elements of your proposal?

FEMSA Management Perspective

Please take the position of FEMSA/FEMSA Cerveza management. You will be asked to decide on whether, with whom, and under what terms you would proceed into an alliance agreement.

1. Why are you interested in pursuing an equity alliance with Labatt (or Miller, for that matter)? What do you expect to achieve through such an arrangement? Are you comfortable that your expectations are realistic, defensible?
2. Is the proposal that you understand Labatt will be putting forward acceptable to you? Are you comfortable with the financial and managerial elements of the approach? What, if any, changes would you seek?
3. Would you be inclined to invite a proposal from Miller? Why? What is the ultimate outcome (as between Labatt and Miller) that you are trying to achieve?

Session 4

Theme: M&A, R&D and innovation

Case: GSK's acquisition of Sirtris

Read: Chaudhuri, S. and B. Tabrizi (1999) Capturing the real value in high-tech acquisitions, Harvard Business Review, September-October.

Assignment:

1. Assuming Slaoui and Witty's perspective:
 - a. How do you sell this transaction (1) to GSK's board of directors and to (2) Westphal and its management team at Sirtris?
 - b. How do you intend to proceed with the integration?
2. Assuming Westphal's perspective:
 - a. How do you feel about Slaoui's call?

- b. What terms are you most inclined to negotiate?
- c. How should integration be done?

Session 5

Theme: Acquiring competencies while avoiding M&As: the case of global IJVs.

Case: Nora-Sakari

- Hébert. "Key challenges in Managing Alliances" and "En arriver à de véritables alliances"

Assignment:

1. You have been hired as a facilitator by both companies to help them in the negotiation of this JV. Why have the negotiations so far failed to result in an agreement?
2. How important is this JV for both firms?
3. If you were asked and considering the strategic logic of this proposed JV, what would be your recommendations to both firms regarding a last chance negotiation session?

References and reading suggestions

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