An Overview of Mergers & Acquisitions

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Successful Mergers and Acquisitions

Overview

- Begin with the End in Mind
- Exit Options
- Mergers & Acquisitions
- Barriers to Successful M&A
- Improving M&A Results
- Questions & Comments
Exit Strategies

- Keep it in the family
- Build and go public
- License/Franchise
- Merge
- Sell
- Let die
“Begin with the end in mind”

By defining your exit strategy when forming your business, you will be preparing your long-term future.
Why M&A?

- Gain technologies or abilities
- Gain market share
- Eliminate a competitor
- Expand geographic market
- Vertically integrate
- Diversify revenue stream
Merger vs. Acquisition
Differences and Advantages

- Merger – Melding of equals; shared decisions; stock swaps; name reflects original parties; use product/service synergies to compliment both businesses

- Acquisition: Hail to the victor; Stock of acquired company goes away; Name of acquired may or may not go away
M&A Activity

Usually between 10,000 and 20,000 business mergers and acquisitions per year
Recent M&A Examples

- BOA buys Merrill Lynch
- Pfizer buys Wyeth
- Fiat merges with Chrysler
- Exelon makes a bid for NRG
Barriers to M&A Success

- Brain drain – loss of creative intellect
- Over-estimation of synergies
- Consumer revolt
- Cultural differences
ORGANIZATION CULTURE

- The underlying values, beliefs and principles that serve as the foundation for an organization’s management system, along with the set of management practices and behaviors that both exemplify and reinforce those basic principles.

- “The beliefs and behaviors that will enable you keep your job, stay out of trouble and get you a raise”
M&A Implications of Dissimilar Cultures

- Inability to achieve the envisioned synergies
- Loss of the best and brightest people
- Extended payback period and higher cost of capital
- Loss of image and goodwill
- Issues related to quality, time-to-market, competitiveness
- Often leads to divestiture
Setting the Stage to Make Your Dreams Come True

- Clearly know who you are and what you want
- Make certain that you are careful in selecting a complimentary partner
- Accurately measure and acknowledge the organizational and cultural differences
- Know that it always takes longer and costs more than planned to integrate two businesses
Questions?

Comments?