

IBUS 735
INTERNATIONAL MERGERS AND ACQUISITIONS
SPRING 2008

Instructors: David M. Schweiger
Office: 765
Telephone: 777-5955
E-Mail: Schweiger@moore.sc.edu
Class Hours: 9:30-12:15 MW
Office Hours: 12:15-1:15 MW and by appointment

Overview of the Class

Mergers and acquisitions (M&As) have been, and will continue to be, an integral part of the business environment. In spite of their popularity, however, most M&As have failed to live up to the expectations of those executives transacting them, have not created wealth for the shareholders of buying companies, and have created trauma for the managers, employees, and other stakeholders associated with them.

It is the primary purpose of this course to explore those factors that contribute to both successful and unsuccessful M&As, with particular focus on key strategic, financial, legal, accounting, and human resource factors. This exploration will require students to draw upon skills learned in other classes and to develop new ones. Since the nature of M&As is so complex, there will be many issues that we will not be able to cover in depth in class. It is anticipated, however, that when students complete the course they will have developed a basic understanding of the major issues involved in transacting and implementing successful M&As and some skills for managing these issues.

Pedagogical Approach

Several approaches to learning and skill development will be used in the class. These include lecture, case analysis, and class discussion. Although the class is rather large, we would like to encourage as much dialogue as possible. As such, it is critical that students read all the required materials, analyze the cases, and be prepared to actively discuss them in class.

Course Requirements and Grading

Individual Activities

Written Case Analyses - Each student will be required to submit one typewritten (double spaced) analysis of an assigned case on the days they are to be presented (see Schedule). Each analysis should not exceed 5 pages, and should be based on a series of questions presented below. Grades will be based on how well the questions were answered, with particular emphasis given to the use of case facts and other evidence, and the quality of the rationale given. The quality of the writing will also be considered.

Class Participation - It is expected that each student will have read and analyzed assigned readings and cases and be prepared to discuss them in class. Attendance in class is critical.

Team Activity

During the first week of the course each student will be assigned to a project team which will be responsible for the following activities:

Oral Case Analysis Presentation - Each team will present to the class an analysis of their assigned case. The presentation *should not exceed* 45 minutes, followed by 30 minutes of class discussion. It is expected that presentations will be done in an efficient and a professional manner, including proper organization and use visual aids (e.g., overheads,). A series of guiding questions are presented later in the syllabus.

Final Project – Value creation is a central issue in M&As. For your final project you are to discuss and evaluate:

- Whether the price paid for the acquisition was reasonable and whether that included a premium.
- Whether synergies were planned for to help recover the premium and what those synergies were (both in concept and in monetary value).
- Whether the planned synergies were realized
- The integration processes that were employed to capture synergies
- How effective the integration processes were.
- Whether value was indeed created for the acquirer.
- Following your evaluation, please discuss how you would have managed the process differently and what you would do now to ensure value is created.

Please refer to Schweiger, Chapters 1 and 2 for a more detailed discussion. It is expected that teams will at least use public data sources, if not company-based documents and/or interviews, to prepare their analyses. I will meet with teams to discuss their projects and strongly encourage teams to begin working on the project immediately. Learning what company information is available early in the Semester is crucial to a successful project.

Based on your research prepare a paper not to exceed 30 pages double spaced 12-point font. Also prepare a 25-minute Power Point Presentation summarizing your work.

Final Project papers and presentations are due on March 3rd . Please submit to me by no later than January 28th a one page description of the specific acquisition you plan to evaluate and why. Also, plan to meet with me to discuss your project.

Note - For all Team Activities, peer evaluations will be used. Although no individual can receive a grade above the team grade, those individuals who do not do "their fair share" will receive a grade below the team grade.

Grades	Weight	Points
Individual Written Case	35%	350
Team Case Presentation	25%	250
Team Final Project Paper And Presentation	40%	400

Total	100%	1000
--------------	-------------	-------------

Based on the total points you earn grades will be assigned as follows:

900 + points = A
850- 899 points = B+
800-849 points = B
750-799= C+
700-749= C

Cases and Readings

D.M. Schweiger, **M&A Integration: A Framework for Executives and Managers**.
New York: McGraw-Hill, 2002.

Schweiger et al. Creating value in M&As: The case of the Kroger – Fred Meyer merger.
In D. Anguan (ed.) **Images of Mergers and Acquisitions**. London: Blackwell
(Forthcoming). (**Available on Blackboard**)

I have created a course area on the Harvard Business Online website where you can order cases and other readings.

Click on the link below to order the course materials. This URL will provide you with a list of required materials for use in this course. If you have not registered with Harvard Business Online, you will be required to do so.

<http://www.hbsp.com/relay.jhtml?name=cp&c=c63920>

The downloaded course materials are encrypted using SealedMedia. Use the following link to download the plug-in.

<http://download.sealedmedia.com/unsealer/index.asp>

You will have immediate access to the materials upon placing your order, for subsequent access, you must login to <http://harvardbusinessonline.org>

I hope you find this a convenient way to access your course materials.

For technical assistance, please view the Quick Tips section or contact Harvard Business School Publishing at 1-800-810-8858 or 617-783-7700. They are open 8am-6pm Eastern Standard Time. They can also be reached at techhelp@hbsp.harvard.edu

It is strongly suggested that you keep up with material presented in periodicals such as the *Wall Street Journal*, *Business Week*, *Fortune*, *Forbes*, and *Fortune*. Many articles presented in these periodicals pertain to M&As.

**IBUS 735
CASE ASSIGNMENTS**

Team	Team Case Presentation	Individual Case Write-up
1	1	6
2	2	7
3	3	8
4	4	9
5	5	10
6	6	1
7	7	2
8	8	3
9	9	4
10	10	5

CLASS SCHEDULE

Date	Topic/Assignment
Jan. 14	<ul style="list-style-type: none">• Introduction to the Course• Overview of M&As and their Effectiveness• Project Team Assignment
16	Team Project Work Day
21	MLK Birthday
23	Creating Value Through M&As <ul style="list-style-type: none">• The M&A Process• Target Selection Readings: <ul style="list-style-type: none">• Schweiger Chapter 1 and 2• Are You Paying Too Much for that Acquisition• Lessons from Master Acquirers: A CEO Roundtable on Making Mergers Succeed
28	Valuation and Pricing Readings: <ul style="list-style-type: none">• What's it Worth? A General Manager's Guide to Valuation• Using APV: A Better Tool for Valuing Operations• Stock or Cash?
30	Due Diligence and Negotiations Reading: <ul style="list-style-type: none">• When to Walk Away from a Deal• Deals Without Delusions• Schweiger Chapters 3, 4 and 5• Human Due Diligence Regulatory and Governance Issues
Feb. 4	M&A Integration Readings: <ul style="list-style-type: none">• Schweiger Chapters 6-10• Capturing the Real Value in High-Tech Acquisitions
6	M&A Integration
11	Team Project Work Session

- 13 **Cases**
- Case 1: Polycom's Acquisition Process
 - Case 2: Radio One, Inc
- 18 **Cases**
- Case 3: Tyco International
 - Case 4: Pepsico's Bid for Quaker Oats (A)
- 20 **Cases**
- Case 5 : Bombardier Transportation and the Adtranz Acquisition
 - Case 6: HP and Compaq Combined: In Search of Scope and Scale
- 25 **Cases**
- Case 7: China Kelon Group (B): Integration After Merger
 - Case 8: The Royal Bank of Scotland: Masters of Integration
- 27 **Cases**
- Case 9: Cisco Systems, Inc.: Acquisition Integration for Manufacturing (A)
 - Case 10: Daimler Chrysler (Both cases)
- 3 **Final Team Project Presentations**

IBUS 735
CASE GUIDING QUESTIONS

Polycom's Acquisition Process

1. Should Bob Hagerty and his team acquire PictureTel.? Why or why not?
2. What are the merits and risks of the deal?
3. What are Polycom's alternatives to doing th deal?
4. If they decided to do the deal what should be the terms of the deal?
5. How should Polycom alter its acquisition process to accommodate larger more complex deals?

Radio One, Inc.

1. Why does Radio Once want to acquire the 12 urban stations from Clear Channel Communications in the top 50 markets along with the nine stations in Charlotte, Augusta and Indianapolis? What are the benefits and risks?
2. What price should Radio One offer based on a discounted cash flow analysis? Are the cash flow projections reasonable?
3. What price should Radio One offer based on a transaction and trading multiples analysis?
4. Assuming that Radio One's stock price is 30X Broadcast Cash Flow, can it offer as much as 30X BCF for the new stations?
5. What should Radio One offer the new stations?

Tyco International

1. Does Tyco have a corporate-level advantage? Does the firm create any synergies or do things unusually well.
2. When over the life-cycle of a business does Tyco add value?
3. Should this be one company or six companies?
4. Is Tyco's strategy sustainable?

Pepsico's Bid for Quaker Oats (A)

1. What is Quaker Oats worth as a stand-alone business?
2. What synergies are associated with the Pepsi-Quaker merger
3. What is quaker Oats worth to PepsiCo? How much should they be willing to pay for Quaker?
4. What negotiation strategy would you employ in the acquisition process?

Bombardier Transportation and the Adtranz Acquisition

The guiding questions are presented on pages 18-19 of the case

HP and Compaq Combined: In Search of Scope and Scale

1. What is your assessment of HP's decision to acquire Compaq? Dis it make strategic and financial sense?
2. How well did HP manage the acquisition process, from the point at which Compaq was chosen to the closing?
3. How well was the integration process managed?
4. What recommendations would you have made to HP management concerning any aspect of the acquisition?

China Kelon Group (B): Integration After Merger

1. What were the major challenges Kelon faced in merging with Huabao.
2. How well did Kelon manage the integration process?
3. How important was culture to the success of the deal?
4. What recommendations would you make to Kelon management on how to better handle the challenges they faced and the integration process?

The Royal Bank of Scotland: Masters of Integration

1. What were the major challenges that RBS faced in becoming "one of the most admired corporations" in the world?
2. What is your assessment of RBS' decision to acquire NatWest?
3. What challenges would RBS face in turning NatWest around?
4. How well did RBS handle the integration process?
5. What recommendations would you make to RBS management on how to sustain their rate of revenue growth and efficiency gains and improve their P/E ratio??

Cisco Systems

1. Identify what are the most important elements (criteria, processes, specific actions, etc.) of Cisco's approach to selecting and integrating acquisitions. For each element you have identified, describe why it is important and specify whether you would characterize it as typical of companies doing technology acquisitions or unusual.
2. How would you improve Cisco's acquisition selection and integration process? What is missing? What would you add or modify? Why?
3. What are the specific challenges of the Summa Four acquisition? In your opinion, does the Cisco process adequately address these challenges? Why or why not?

DaimlerChrysler:

Organizing the Post-Merger Integration

The Post-Merger Integration Phase

1. What is your assessment of the integration process used in the Daimler Chrysler Merger?
2. Could it have been managed better? If so, how?
3. What integration issues still remain at the end of the case?
4. How would you propose to ensure that these issues are effectively managed?

**IBUS 735
INTERNATIONAL M&As
SPRING 2008
TEAM PEER EVALUATIONS**

Team Number _____

Student's Name _____

Team Member

Percentage of Expected Contribution (Out of
Possible 100%)

_____ /100%

_____ /100%

_____ /100%

_____ /100%

_____ /100%

_____ /100%

Total 100 points
Please include yourself as part of this evaluation