

# MGT516

## Managing Mergers & Acquisitions

### Module 3, 2015-2016

#### Course Information

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**Instructor: Terrill L. Frantz**

Office: PHBS Building, Room 761

Phone: 86-755-2603- 5315

Email: [terrill@phbs.pku.edu.cn](mailto:terrill@phbs.pku.edu.cn)

Office Hour: By appointment (arrange via email)

Website: <http://scholar.terrillfrantz.com>

**Classes:**

Lectures: Monday & Thursday 8:30-10:20

Venue: PHBS Building, Room 229

Website URL: <http://ma16.phbs.info>

## 1. Course Description

### 1.1 Context

Course overview:

This course provides students with a perspective of M&A as an indispensable approach to producing corporate growth. Designed for future corporate managers and entrepreneurs, the course provides multidisciplinary coverage of the strategic, operational, financial, legal, and assessment aspects of the overall M&A approach and to specific M&A transactions. After completing this course, the student will be fortified as an effective decision-maker; one whom can comprehensively form a view and evaluate pre-emptive and responsive choices pertaining to specific M&A ideas and transactions, then manage the process and execution of the decision.

Prerequisites:

Students should have at least a passing acquaintance of many business-oriented themes. Non-required prerequisites for this class include undergraduate-level courses such as: (a) Financial Accounting, (b) Introduction to Management, (c) Organizational Behavior, and (d) Corporate Finance. Graduate-level completion of such courses would situate the student for deeper learning and understanding of the course material.

### 1.2 Textbooks and Reading Materials

Featured reference texts (specific readings will be provided to the student):

- *Applied Mergers & Acquisitions* (2004), Burner, Robert F. Hoboken, NJ: Wiley
- *Mergers and Acquisitions Basics* (2011), DePamphilis, Donald. New York: Elsevier.
- *Build, Borrow or Buy* (2012), Capron, Laurence, & Mitchell, Will. Boston: Harvard Business Review Press.
- *Mergers and Acquisitions in China* (2008), Chen, C-H, & Shih, H-T, Cheltenham,: Edward Elgar

Academic readings will be provided to students, including:

- Frantz, Terrill L. (2015). *Post-Merger Integration: Looking under the Haziness of Culture Conflict*. *Advances in Mergers and Acquisitions*, 15, 103-127.
- Frantz, Terrill L. & Carley, Kathleen, M. (2013). *The Effects of Legacy Organization Culture on Post-Merger Integration*. *Nonlinear Dynamics, Psychology, and Life Sciences*, 17(1), 107-132.
- Frantz, Terrill L. (2012). *A social network view of post-merger integration*. *Advances in Mergers and Acquisitions*, 10, 161-176.
- Frantz, Terrill L. & Carley, Kathleen M. (2009). *Computationally modeling the effect of organizational complexity on post-merger integration*. *Advances in Mergers and Acquisitions*, 8, 79-101.

Materials and reading will be supplemented with recent industry reports and current news articles and video-reports covering present-day M&A issues and transactions.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

#### Course Unit Learning Outcomes

Unit	Unit Title (sub-topics)	Outcomes <i>At the completion of the unit, the student should be able to:</i>
1	<b>The corporate growth mandate</b> (Strategic management; stakeholders; corporate responsibility; capital markets)	<ul style="list-style-type: none"> <li>a) Compare interests of key stakeholder groups and explain the purpose of stakeholder impact analysis;</li> <li>b) distinguish among the stages of the organizational life-cycle and identify features of each;</li> <li>c) explain the trade-off between long-run profitability and revenue growth;</li> <li>d) describe capitalism's growth imperative; and</li> <li>e) compare the three general choices a manager has for growth, i.e., build, borrow, or buy.</li> </ul>
2	<b>Foundations of M&amp;A</b> (Objectives of M&A; internal and external drivers; historic waves; deal processes)	<ul style="list-style-type: none"> <li>a) classify M&amp;A based on forms of integration and relatedness of business activities;</li> <li>b) explain common motivations behind choosing the M&amp;A approach;</li> <li>c) identify macro-economic factors behind heightened M&amp;A activity;</li> <li>d) identify and compare historic M&amp;A waves; and</li> <li>e) describe the steps in the M&amp;A process.</li> </ul>
3	<b>Transactional characteristics of M&amp;A</b> (Pre-deal valuation; financial innovation; legal & regulatory matters; cross-border complexities)	<ul style="list-style-type: none"> <li>a) calculate discounted free cash flows for a target company;</li> <li>b) identify regulator organizations in key country markets;</li> <li>c) identify risks and opportunities particular to cross-border M&amp;A transactions; and</li> <li>d) understand processes and risks associated with cross-currency transactions.</li> </ul>
4	<b>Managing the M&amp;A deal</b>	<ul style="list-style-type: none"> <li>a) evaluate a takeover bid and calculate</li> </ul>

	(Post-deal valuation; accounting; market responses; deal disposition; offers & auctions; buy-outs)	<p>the estimated post-acquisition value of an acquired;</p> <p>b) describe the accounting classification, measurement, and disclosure under IFRS for business combinations;</p> <p>c) discuss issues pertaining to leveraged buy-out (LBO) transactions; and</p> <p>d) discuss issues pertaining to Management buy-out (MBO) transactions.</p>
5	<p><b>Managing M&amp;A tactics</b> (Deal negotiations &amp; offers; payment structure; financing; offenses &amp; defenses)</p>	<p>a) identify approaches to initiating an M&amp;A deal;</p> <p>b) describe the deal making process;</p> <p>c) identify key players in the deal making process;</p> <p>d) classify deals as being friendly, or hostile;</p> <p>e) identify various defence tactics against hostile deals; and</p> <p>f) assess different methods for funding an acquisition.</p>
6	<p><b>Post-merger integration</b> (Governance; integrating human assets; knowledge management; best practices)</p>	<p>a) describe the relationship between corporate governance and M&amp;A;</p> <p>b) describe the information-processing, knowledge-based, and social network views of organizations;</p> <p>c) model and abstract information flow across organizational work-teams;</p> <p>d) model the post-merger integration of merging organizations; and</p> <p>e) recognize several best practices in post-merger integration of work groups.</p>
7	<p><b>Evaluating M&amp;A deals</b> (Strategic deal analysis; financial deal analysis; social impact analysis)</p>	<p>a) calculate financial gains (or losses) accrued to the target and acquirer shareholders;</p> <p>b) identify deal consequences from the perspective of affected stakeholders; and</p> <p>c) assess a specific deal from several stakeholder perspectives and conclude a final executive-level go/no-go decision.</p>
8	<p><b>Current topics</b> (Current cases and events in China and global)</p>	<p>a) describe current global trends in M&amp;A;</p> <p>b) contrast current global M&amp;A trends with present trends in China;</p> <p>c) express a view and opinion of important, in-progress M&amp;A deals involving China firms;</p> <p>d) identify and explain the reasoning for global and China industries presently 'ripe' for increased M&amp;A activity; and</p> <p>e) express a reasoned view of M&amp;A activity expectations over the coming 18-24 months.</p>

### ***Associated PHBS Program Outcomes***

Learning Goals	Objectives
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1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.
	2.2. Students will be able to apply leadership theories and related skills.
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyse business problems and identify the ethical aspects, provide a solution and defend it.
	3.2. Our students will practice ethics in the duration of the program.
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.
	5.2. Our students will be prepared to face problems in various business settings and find solutions.
	5.3. Our students will demonstrate competency in critical thinking.

## 2.2 Assessment/Grading Details

Assessment task	Weighting
Midterm Exam (Units 1-4)	25%
Group Project (Oral Presentation)	20%
Participation in project-feedback	5%
Final Exam (Comprehensive)	50%
Total	100%

Exams: (Midterm & Final) will be closed-book. Exams will be multiple choice, fill-in-the-blank(s), and short answer. Exam content will be derived from in-class lectures, and course readings and materials. The mid-term will be proctored during a scheduled, regular class meeting. The final exam will be proctored during the module final-exam period as per PHBS administration scheduling. Any personal conflict for exam attendance must be resolved with the professor at least 15 days in advance of the conflict.

Participation in project-feedback: Students will actively participate in the evaluation of and contribute to the grading of group project presentations.

Project: Group membership [4-5 students in each group] should be self-organized early in the module. Each group shall select one of the subjects listed below; only one group can cover a specific subject. The group should plan to prepare a 30-minute oral presentation to be presented during a class meeting scheduled during the final sessions of the course [roughly, the last two weeks of the module]. The specific presentation date will be arranged during the second week of the course.

At least one week prior to the group's scheduled project presentation: (a) the group should submit a complete draft of the presentation PowerPoint file to the professor; (b) the group should then meet with the professor outside of the classroom for one-hour to discuss the project plans and their progress. The group leader should arrange the specific time to meet with the professor; all group members must attend this pre-presentation review meeting.

The presentation should tell the story of the company(ies) and of the specific deal(s) of interest. Content should include relevant company profiles, corporate growth situation and strategies, industry position & analysis, deal profile & analysis. Include profile of timetable, governance, finance, legal, management, business and capital market aspects.

After the classroom presentation, the group's Powerpoint file and the video-tape of the oral presentation will be posted online under the course website for self-viewing.

Project grading criteria [subject to change]:

Presentation professionalism  
Utilized material learned in class  
Equality in group members' contribution  
Overall presentation effectiveness  
Degree to which held the audience interest  
Audience engagement level  
Content relevance; appropriate level of detail and factual support  
Presenter understands the material they present  
Critical thinking is an essential aspect of this project and will be a significant part of the project evaluation process.

Presentation grade computation [same value for all presentation-group members]:

- Evaluation from professor 50%
- Evaluation from audience [classmates] 50%

Presentation subject ideas:

1. Dailan Wanda Group & a counterparty
2. COSCO & a counterparty
3. Vanke & a counterparty
4. ChemChina & a counterparty
5. Hon Hai, a.k.a., Foxconn /Sharp acquisition
6. Zoomlion/Terex merger
7. Meituan.com / Dianping Holdings merger
8. Shuang Shan Alibaba Group Holding Limited/Youku Tudou Inc. acquisition
9. Marriott acquisition of Starwood Hotels (
10. Dow/Dupont merger
11. Pfizer/Allergan merger
12. Dell acquisition of EMC/VMware
13. Asahi's bid for some of AB InBev European businesses (aka, overall story of the shrinking beer mkt in Japan)
14. Acquisition portfolio of one of these tech companies: Cisco, Google, Yahoo, Oracle, Twitter, Microsoft, Apple, Facebook, or IBM
15. Self-proposed deal [Seek professor's approval in advance]

### ***2.3 Academic Honesty and Plagiarism***

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### **3. Topics, Teaching and Assessment Schedule**

Unit	Unit Title (sub-topics)	Class Meeting Dates	Core Readings
1	<b>The corporate growth mandate</b> (Strategic management; stakeholders; corporate responsibility; capital markets)	Mon Feb 22 Thu Feb 25	Capron: intro., ch 1 & 5
2	<b>Foundations of M&amp;A</b> (Objectives of M&A; internal and external drivers; historic waves; deal processes)	Mon Feb 29 Thu Mar 3	DePamphilis: ch1 & 2
3	<b>Transactional characteristics of M&amp;A</b> (Pre-deal valuation; financial innovation; legal & regulatory matters; cross-border complexities)	Mon Mar 7 Thu Mar 10	DePamphilis: ch 5, 6 & 7
4	<b>Managing the M&amp;A deal</b> (Post-deal valuation; accounting; market responses; deal disposition; offers & auctions; LBO)	Mon Mar 14 Thu Mar 17	DePamphilis: ch 8 & 9
	<b>Midterm Exam</b>	Mon Mar 21	
5	<b>Managing M&amp;A tactics</b> (Deal negotiations & offers; payment structure; financing; offenses & defenses)	Thu Mar 24 Mon Mar 28	DePamphilis: ch3 & 4
6	<b>Post-merger integration</b> (Governance; integration human assets; knowledge management; best practices)	Thu Mar 31 [no class Mon Apr 4] Wed Apr 6 Thu Apr 7	DePamphilis: ch10 Frantz (2009) Frantz (2012) Frantz (2013) Frantz (2015)
7	<b>Evaluating M&amp;A deals</b> (Strategic deal analysis; financial deal analysis; social impact analysis)	Mon Apr 11 * Thu Apr 14 *	Financial Times Wall Street Journal Bloomberg Reuters
8	<b>Current topics</b> (Current cases and events in China and global)	Mon Apr 18 * Thu Apr 21 *	Financial Times Wall Street Journal Bloomberg Reuters
	<b>Final Exam</b>	Mon Apr 25 9:00-11:00am	

\*Group project presentations will be delivered to the class during regularly scheduled class meetings approximately at a time scheduled in advance during the final two weeks of the module.

#### 4. Miscellaneous

Student note: This is a multi-disciplinary, business-management, graduate-level course. As the course is graduate-level, each student must take responsibility for the quality of their own personal learning. The instructor's role is to provide relevant and insightful information to advance the course objectives and facilitate the learning outcomes; therefore, the student is expected to engage themselves into the course and the material, and ultimately does their own learning in the manner that best suits him- or her-self.

The course website: (listed above) is the primary communications vehicle for outside-of-class communications and course documentation. The student is expected to routinely check the site for information and class-related announcements— perhaps daily. Instructions on using the website will be provided on the first day of class.

Video Recording: All class lectures will be video-recorded and posted online after the class meeting

Classroom Technology: During class meetings, this course will involve using online technology during most classroom meetings; students should bring their personal/individual Internet access capability to the classroom for each class meeting, ie, smart phone, or laptop.

About the Instructor: Dr. Terrill Frantz is an Assistant Professor of Management. He joined the faculty of PHBS in 2010. He has 20 years of corporate experience in global investment banks (Morgan Stanley and JP Morgan) in New York, London, and Hong Kong, and in consulting for organizations in industries, such as chemicals, US presidential politics, and numerous SMEs. His academic specialty is in Organization Behavior during M&A, with a primary research focus on Post-Merger Integration—he has published numerous academic articles and book chapters on the subject. Dr. Frantz has a life-long orientation in software technology, finance, and international business management, buttressed by both work experience (Asia-Pacific Operations Officer for Technology at Morgan Stanley, Assistant to the CIO at Morgan Stanley, etc.) and advanced degrees from the Stern Business School, New York Univ., and two Doctorate degrees (Computer Science from Carnegie Mellon Univ., and Organization Change from Pepperdine Univ.). His first Doctorate dissertation (Pepperdine University) is entitled, “Patterns of Change in Organization Performance.” And the second doctorate thesis (Carnegie Mellon University) is entitled, “A Behavioral Theory of the Merger: Dynamics of the Post-Merger Integration Process.” Prof. Frantz has lived in China (Hong Kong & Shenzhen) for 12 years.