

MGT516 [ME&FE] Managing Mergers & Acquisitions Module 3, 2016-2017

Course Information

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1. Course Description

1.1 Context

Course overview:

This course presents a decision-maker's perspective of merger and acquisitions (M&A) as an approach to business growth. Designed for future corporate managers, business leaders and entrepreneurs, the course provides multidisciplinary coverage of the strategic, operational, financial, economic, legal, tax, and human relations aspects of M&A. All steps of the M&A process, from strategic analysis to post-merger integration, are addressed. After completing this course, the student's skills will be fortified as an effective strategic planner and implementation manager: one who can formulate strategic options, form a decisive view, and commit to a decision; then, oversee the multifaceted process and manage the execution of that decision. Current China cross-border and domestic M&A cases will be prominently featured in this course; accompanied by stimulating business cases from past and present.

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

Primary textbook (text is provided to each student by the professor):

- *Valuation for Mergers and Acquisitions* (2nd ed.; 2013) by Barbara S. Pettit and Kenneth R. Ferris. NJ: Pearson. ISBN: 978-0-13-337267-0

Featured reference texts (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
- *News sources: China Daily, Financial Times, Caixin, South China Morning Post, etc*

Academic readings (will be provided to the student):

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

		<p>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>Managing M&A tactics (Deal negotiations & offers; payment structure; financing; offenses & defenses)</p>	<p>a) identify approaches to initiating an M&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 defense tactics against hostile deals; and</p> <p>f) assess different methods for funding an acquisition.</p>
6	<p>Post-merger integration (Governance; integrating human assets; knowledge management; best practices)</p>	<p>a) describe the relationship between corporate governance and M&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>Evaluating M&A deals (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>Current topics (Current cases and events in China and global)</p>	<p>a) describe current global trends in M&A;</p> <p>b) contrast current global M&A trends with present trends in China;</p> <p>c) express a view and opinion of important, in-progress M&A deals involving China firms;</p> <p>d) identify and explain the reasoning for global and China industries presently 'ripe' for increased M&A activity; and</p> <p>e) express a reasoned view of M&A activity expectations over the coming 18-24 months.</p>

Associated PHBS Program Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Y
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Y

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.	Y
	2.2. Students will be able to apply leadership theories and related skills.	Y
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.	Y
	3.2. Our students will practice ethics in the duration of the program.	Y
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Y
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.	Y
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Y
	5.3. Our students will demonstrate competency in critical thinking.	Y

2.2 Assessment/Grading Details

Assessment Task	Course-Grade
Group Project (30-minute Oral Presentation)	10%
Midway Exam (Units 1-4)	40%
Comprehensive Exam (units 1-8)	50%
Total	100%

Exams: (The midway and comprehensive exams are closed-book. Exam content is derived from in-class lectures, course readings and materials, and student-project presentations.

Project: Group membership [~4-5 students in each group] should be self-organized early in the module. Each group will be assigned a topic by the professor according to the list below. 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-three 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 are expected to attend this pre-presentation review meeting.

The presentation should tell the story of the companies involved in the specific deal 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; same grade-value for all group members]:

- 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 and comprehensive thinking is an essential aspect of this project and will be a significant part of the project evaluation process.

Presentation subject ideas [Subject to change]:

1. Dailan Wanda Group & a counterparty
2. COSCO & a counterparty

3. Fosun & a counterparty
4. Vanke & a counterparty
5. Vanke / Baoneng / China Resources/ Evergrande, etc
6. ChemChina & a counterparty
7. Anbang & counterparty
8. Hon Hai, a.k.a., Foxconn /Sharp acquisition
9. Zoomlion/Terex merger
10. Meituan.com / Dianping Holdings merger
11. Shuang Shan Alibaba Group Holding Limited/Youku Tudou Inc. acquisition
12. Little Sheep & Yum Brands
13. China Life & Guangdong Development Bank
14. Marriott acquisition of Starwood Hotels / Anbang
15. AB Inbev / SAB Miller / China Resources Beer Holdings

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

[See the course website for the detailed class meeting and topic schedule.]

4. Important Miscellaneous

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

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 13 years.