

**NANYANG TECHNOLOGICAL UNIVERSITY  
NANYANG BUSINESS SCHOOL**

**MBA (INTERNATIONAL BUSINESS) PROGRAMME  
B6726 MERGERS AND ACQUISITIONS**

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Course Objectives

This course will equip participants with an understanding of the strategic, financial, legal, and reporting issues associated with the formulation and implementation of mergers, acquisitions, and corporate restructuring activities. This course seeks to enhance the participants' knowledge and use of the analytical techniques and decision-making processes that enable the formulation of sharply defined, value-creating mergers and acquisitions (M&A) strategies. These decision-making processes include developing a strategy for M&A or divestitures, selecting a new business field that constitutes a good fit with existing operations, identifying specific M&A targets and specific divestiture candidates, valuing acquisition or divestiture candidates, and negotiating the deal (setting the stage for post-merger success).

Mergers and acquisitions (M&A) and corporate restructuring activities will be featured widely in the economies of Asia over the next several decade in line with the dynamic economic and financial growth of the region. This course will explain the reasons and motivations for M&A and corporate restructuring activities, including related transactions as leveraged buyouts. It will examine the strategic considerations in planning and implementing M&A and corporate restructuring activities in either friendly or hostile environments and explores the various alternative methods of financing. It will also create awareness of the pertinent legal issues and the necessary financial reporting aspects that need to be dealt with in M&A exercises. A substantial part of the course will focus on both the strategic and financial analysis of corporate restructuring decisions. Strategic planners, business development specialists, corporate controllers, bankers, legal advisers, and fund managers should find this course beneficial in augmenting their work experience.

The case study method will be used to complement the academic rigor of the program in the form of lectures and seminars. The case studies will cover various aspects of the M&A

decision and will provide participants a forum to apply concepts learned in the readings and lecture presentations. In addition to reviewing empirical research in M&A, practical issues of legal and financial reporting will also be studied. By the end of the course, participants shall be able to contribute actively and add value through thoughtful planning to corporate restructuring exercises in their respective firms.

Class meetings combine lecture with discussion and case studies. Most reading assignments have been compiled into a packet for distribution early during the semester. The assigned reading and case study load is heavy, as the breadth of the study of mergers and acquisitions necessitates. Your registration in this course is a commitment to do a careful, critical reading of all required materials prior to each class. I hope that, by the end of this trimester, you will conclude that this course was among the very best courses you ever had--that it will make you "competitively superior" in your future career in international business.

#### Required Textbook

Ernst & Young. *Mergers & Acquisitions: Back-to-Basics Techniques for the '90s*. 2nd ed. New York: John Wiley & Sons for Ernst & Young, 1994.

#### Additional Readings

Datta, Deepak K., George E. Pinches, and V. K. Narayanan. "Factors Influencing Wealth Creation from Mergers and Acquisitions: A Meta-Analysis." *Strategic Management Journal* 13 (1992): 67-84.

Datta, Deepak K., and George Puia. "Cross-Border Acquisitions: An Examination of the Influence of Relatedness and Cultural Fit on Shareholder Value Creation in U.S. Acquiring Firms." *Management International Review* 35:4 (1994): 337-359.

Jenkinson, Tim, and Colin Mayer. *Hostile Takeovers: Defence, Attack and Corporate Governance*. London: McGraw-Hill, 1994.

Knoedler, Janet T. "Transaction Cost Theories of Business Enterprise from Williamson and Veblen: Convergence, Divergence, and Some Evidence." *Journal of Economic Issues* 29 (June 1995): 385-395.

Pablo, Amy L. "Determinants of Acquisition Integration Level: A Decision-Making Perspective." *Academy of Management Journal* 37 (1994): 803-836.

Porter, Michael E. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free press, 1985.

Tripathi, Salil. "Big is Beautiful." *Asia, Inc.*, April 1997, 24-31.

The class binder containing this syllabus, case studies, and assigned readings will be available prior to the first class meeting. Additional readings and case studies may be assigned from time to time during the trimester. We encourage you to get into the habit of regularly reading related periodicals--*Asia Inc.*, *Asian Business*, *Asiaweek*, *Business Week*,

*Fortune; Business Valuation Today, Mergers & Acquisitions, Mergers + Acquisitions International*--in order to keep abreast with current business events and trends.

### Performance Evaluation

The problems of international managers do not often have "one best" solutions. In evaluating your performance, our objective is to ensure that you are able to apply in a logical and coherent manner the concepts and techniques put forward in this course. Our role as instructor is to sharpen your abilities to diagnose mergers and acquisitions situations from a complete international manager's perspective.

Successful performance in this course demands that you study (not just read) the assigned readings or cases in order to effectively participate in the class. **As a rule of thumb, prepare to spend at least two hours of outside preparation for each hour in class.** We sincerely believe, and almost all our past students agree, that the workout will well be worth it in terms of what you learn. This learning, based on your input and the shared inputs of others through discussion, can be taken with you as you advance in your managerial career.

Your final grade will be based on your performance in the following activities:

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| 1. | <b>Class Participation</b> [attendance, frequency and quality of participation in in-class discussions, and participation in one group oral case presentation; group case assignments to be determined through random process during Meeting #2] | 25% |
| 2. | <b>Group Research Project</b> [a 25-30-page paper covering a comprehensive analysis of an actual merger or acquisition, to be conducted as a group project]  | 25% |
| 4. | <b>Examinations</b> [two open-book, open-notes, examinations to be administered during Meetings #7 and #14]  | 50% |

You should find very little busy work involved; we have earnestly strived to make each assignment productive and worthwhile. If you feel that we have not succeeded, please tell us during the course evaluations at the end of the trimester and we will fix it the next time around!

### Details of Course Requirements

#### Class Participation (25%)

##### **Participation in Case Discussions (15%)**

You will be expected to contribute significantly to in-class analysis of the cases and the readings. Each student must be an active participant and make meaningful comments on the cases and readings being discussed. Your grade on class participation is something you should earn via consistent, daily contribution to class discussion. You should, therefore, make a conscientious effort to participate in class discussions and to be sufficiently prepared to contribute to the discussions. Merely coming to class is not sufficient. During class discussions, we will do my best to ensure that each student who is willing to contribute is able to do so.

The following are some of the things we look for in evaluating your effectiveness as a class participant:

1. Are you a good listener?
2. Are the points you made relevant to the discussion? Are they linked to the comments of others?
3. Do your comments add to our understanding of the situation?
4. Do your comments show evidence of analysis of the case in point?
5. Do you distinguish among different kinds of data (i.e., facts, opinions, beliefs, concepts, etc.)?
6. Do you demonstrate a willingness to share?
7. Are you willing to test new ideas? Or, are all your comments "safe" (e.g., repetition of facts, conclusions or comments already made by a colleague)?
8. Are you willing to interact with other class members?
9. Do your comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being covered?

##### **Group Oral Case Presentation (10%)**

You will be divided into 6-8 working groups of about 3-4 students each. Each group will make one formal oral presentation on a case study to be assigned by the third class meeting. The oral case presentation will involve a comprehensive analysis in which the group will be expected to identify, evaluate and recommend; it is essential that your group present an in-depth diagnosis and recommend a realistic, workable plan of action. In planning your oral presentation, we suggest that your group assume the role of a team of management

consultants presenting their findings to the company's Managing Director (MD). The rest of the class will assume the role of company executives, investment bankers, financial analysts and reporters. By the end of your presentation, the company's MD should: (a) have a clear action agenda, and (b) equally importantly, know precisely what commitments to make during the next Board meeting and what directives to give during the next management meeting.

The oral presentation itself will take the form of a 30-minute (strictly enforced time limit) presentation to the class of your group's analysis and recommendations. **The 30-minute limit is a strictly enforced time limit; the grade assigned to your group presentation will be decreased by one percentage point for every minute in excess of the time limit.** We encourage you to use visual aids (overhead-projector transparencies, flip-charts, handouts or some combination of these), your imagination, resourcefulness and originality to help you in communicating the points you wish to make. **Reading from notes will be frowned upon.** Following the presentation will be a question-and-answer period, with questions being posed by your classmates and your instructor. It is important that each member of the group contribute equally not only in the preparation for the presentation, but also in the actual class presentation, the question-and-answer period and the preparation of the written report.

Understandably, there may be circumstances (e.g., job interviews and personal/family matters) which may cause you to come to class unprepared. You may be excused from active participation in class discussions twice during the trimester; provided, however, that you notify me before that class.

#### Group Research Project (25%)

Your group will prepare a research paper which will provide you an opportunity to apply your knowledge in the comprehensive analysis of an actual merger or acquisition in the Asia Pacific region. You will choose an actual merger or acquisition in the Asia Pacific region, analyze the motivation and strategy involved, and present the study in class. You will then submit a brief report identifying the target company and the bidder, the strategic fit between the bidder and the target company, the financial package applied, the execution of the strategy (including post-merger integration and cultural issues). Your research paper should be of publishable quality. Research papers should have the standard of articles published in scholarly journals such as the *Columbia Journal of World Business* and *Mergers & Acquisitions*, while case studies should be comparable in quality to the cases published by the Harvard Business School.

This assignment should receive the same priority you would give to an important assignment on the job. Your written report should be presented in a professional manner. By this, I mean your paper should be concise, incisive, literate and of the workmanship you would normally submit in your job. **We will evaluate each paper on the basis of the quality of its content, conciseness, quality of writing (i.e., correct spelling, sentence construction, grammar and punctuation, etc.), and overall professionalism.** Carelessly prepared papers will be returned, ungraded, for rewriting.

Your proposed topics are due not later than the third class meeting. The report itself must be submitted not later than the tenth class meeting. Your paper should not exceed 25 typewritten double-spaced pages; exhibits such as tables, illustrations and appendices are not included in this page limit. **No late papers will be accepted**, except under highly unordinary circumstances and only with my prior consent.

### Examination (50%)

There will be two examinations scheduled during the seventh and fourteenth class meetings. Each examination will be open-book, open-notes, and two hours long.

The first examination shall be a take-home exam requiring a comprehensive analysis of a common case study which will be distributed during the fifth class meeting. The case analysis must be a persuasive document (i.e., well-argued "bottom-line" reports) that recommends concrete action to decision makers. The quality of written presentation shall account for 20 percent of the report grade. We will hold written work to a professional standard of presentation, spelling (U.S. or U.K. spelling acceptable) and English usage. Revised papers not meeting such a standard will be graded downward accordingly. No late papers will be accepted. The case analysis must be submitted on five (5) typewritten double-spaced pages or three (3) typewritten single-spaced pages (exhibits permitted in either instance as extra pages) with one-inch left and right margins. Shorter submissions are welcome. Longer submissions will be returned, unread for revision. Exhibits (such as graphs or charts) may be provided as extra pages.

### Other Administrative Matters

Since instructors tend to have somewhat different expectations about class behavior and course norms, we would like to outline a few of our expectations concerning such matters.

1. Since class participation is imperative in this course, attendance in every class is very important. More than three unexcused absences shall result in a definite reduction in your final grade.
2. In the event that for some unavoidable reason you have to miss a class, we would appreciate it if you would let us know before that class. Also, if you miss a class, it is your responsibility to find out from your classmates what materials were covered, what additional assignments were made, and what items may have been distributed in class.
3. We plan to come prepared to every class and we hope you will do the same. Since we often call on students whose hands are not raised, you should let us know before the start of the class if some emergency has made it impossible for you to adequately prepare for that class.
4. Given the importance of class participation, we will seek to learn your names as quickly as possible. To help me in doing so, we may circulate a seating chart during the second class meeting.

5. Given the importance of this course, we will do everything we can to use the class time effectively and would ask that you do the same. This will include arriving, starting and ending on time.
6. We will be happy to discuss the course, your progress or any other issues of concern to you on an individual basis. Please feel free to contact us for an appointment.

#### Course Instructors

**Luis Ma. R. Calingo** (Ph.D., University of Pittsburgh) is Professor of Management (since 1983) in The Sid Craig School of Business at California State University, Fresno and was immediate past Programme Director for MBA (International Business) at the Nanyang Business School. He currently holds a joint appointment as adjunct professor of international management at the Monterey Institute of International Studies. As a consultant/trainer in the areas of strategic planning, total quality management, and cross-cultural management, he has assisted several business, government, and non-profit organizations in the United States and Southeast Asia. He received the California State University's meritorious performance and professional promise awards for excellence in teaching, research and service. He has published books and scholarly articles and delivered numerous conference presentations. Dr. Calingo is a member of the 1997 Boards of Examiners of the Malcolm Baldrige National Quality Award and the California Golden State Quality Award.

**Robert S. Boyd** (MBA, Harvard Business School) recently joined the faculty of the Division of the Division of Banking and Finance at the Nanyang Business School. Prior to joining NTU, Mr. Boyd was CEO of Boyd and Associates, a Maryland-based strategic planning and M&A consulting firm dedicated to serving the financial services industry. In 1994, the firm's first year of existence, he acted as principal financial advisor on five significant transactions (a US\$1.3 billion thrift purchase, a bank sale, a US\$200 million branch sale, a five-branch purchase, and a strategic/capital plan and management review resulting in a successful financing). Before forming Boyd and Associates, he was Managing Director and partner of the Secura Group, personally responsible for many of the major transactions (e.g., Chase Manhattan Bank's unique entry into Connecticut) which caused Secura to rank No. 1 in the USA in 1991, both in assisted transactions and in branch purchases/sales, as well as No. 3 in 1992. Mr. Boyd is a graduate of the Harvard Business School/Harvard Kennedy School Program for Senior Managers in Government and served as President of the Harvard Business School Club of Washington, D.C.

**DAILY CLASS SCHEDULE**

WEEK	LECTURE TOPIC	CASE STUDY [included in binder]
1 (LC & RB)	<ul style="list-style-type: none"> <li>• Introduction and Course Overview</li> <li>• Strategic Considerations in Mergers &amp; Acquisitions (M&amp;A): The Value of M&amp;A Strategies</li> </ul> READ: (1) Tripathi, "Big is Beautiful" (2) Ernst & Young, Chapters 1-2 & 4-5	
2 (LC)	Strategic Fit: M&As and Sustained Competitive Advantage READ:(1) Porter, "Interrelationships Among Business Units" and "Horizontal Strategy" (2) Datta et al., "Factors Influencing Wealth Creation from Mergers and Acquisitions: A Meta-Analysis"  <i>GROUPS TO BE FORMED TODAY</i>	"First Philippine Holdings Corporation"
3 (LC)	Takeovers and Sources of Value in Takeovers READ: (1) Jenkinson & Mayer, "Hostile Takeovers" (2) Knoedler, "Transaction Cost Theories of Business Enterprise from Williamson and Veblen: Convergence, Divergence, and Some Evidence"  <i>PROPOSED TOPICS FOR GROUP RESEARCH PAPERS (GRPs) DUE TODAY</i>	"The Black and Decker Corporation"
4 (LC)		<ul style="list-style-type: none"> <li>• "American Cynamid: Responding to a Hostile Takeover Offer (A)"</li> <li>• "Fujiya Co. Ltd."</li> </ul>
5 (LC)	Post-Merger Integration of Acquired Businesses READ: (1) Pablo, "Determinants of Acquisition Integration Level: A Decision-Making Perspective" (2) Ernst & Young, Chapters 15-17	"Kraft General Foods: The Merger"

WEEK	LECTURE TOPIC	CASE STUDY [included in binder]
6 (LC)	Issues in Cross-Border Mergers and Acquisitions READ: (1) Datta and Puia, "Cross-Border Acquisitions: An Examination of the Influence of Relatedness and Cultural Fit on Shareholder Value Creation in U.S. Acquiring Firms" (2) Ernst & Young, Chapter 20	"Unisys: The Merger of Burroughs and Sperry"
7 (LC)	<i>FIRST EXAMINATION CASE DUE TODAY</i>	
8 (RB)	Valuation of the Proposed Acquisition READ: Ernst & Young, Chapter 3	
9 (RB)	Financing the Transaction READ: Ernst & Young, Chapters 6-8	
10 (RB)	Legal and Regulatory Issues READ: Ernst & Young, Chapters 9-12  <i>GROUP RESEARCH REPORTS DUE TODAY</i>	
11 (RB)	Accounting and Tax Considerations READ: Ernst & Young, Chapters 13 & 14	
12 (RB)	GRP PRESENTATIONS	
13 (RB)	GRP PRESENTATIONS	
14 (RB)	FINAL EXAMINATION	