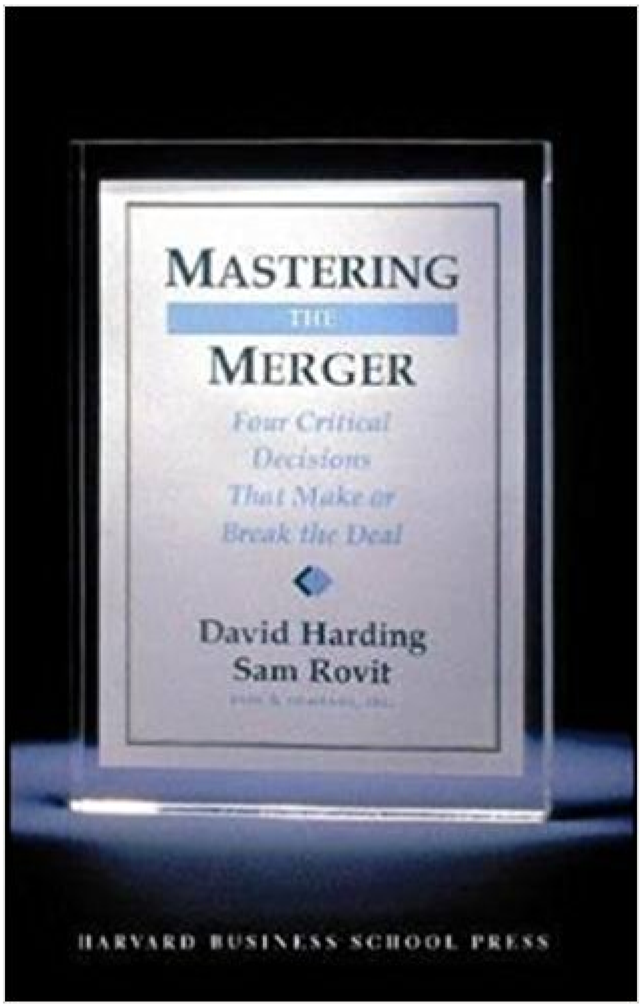
Mastering The Merger: Four Critical Decisions That Make Or Break The Deal



Synopsis

Today’s corporate deal makers face a conundrum: Though 70% of major acquisitions fail, it’s nearly impossible to build a world-class company without doing deals. In Mastering the Merger, David Harding and Sam Rovit argue that a laserlike focus on just four key imperatives--before executives finalize the deal--can dramatically improve the odds of M&A success. Based on more than 30 years of in-the-trenches work on thousands of deals across a range of industries--and supplemented by extensive Bain & Co. research--Harding and Rovit reveal that the best M&A performers channel their efforts into (1) targeting deals that advance the core business; (2) determining which deals to close and when to walk away; (3) identifying where to integrate--and where not to; and (4) developing contingency plans for when deals inevitably stray. Top deal makers also favor a succession of smaller deals over complex "megamergers"--and essentially institutionalize a success formula over time. Helping executives zero in on what matters most in the complex world of M&A, Mastering the Merger offers a blueprint for the decisions and strategies that will beat the odds.

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Customer Reviews

David Harding is a director in Bain & Co.’s Boston office and is an expert in corporate strategy and organizational effectiveness. Sam Rovit is a director in the Chicago office and leader of Bain & Co.’s global mergers and acquisitions practice.

Outstanding summary of core principles. Highly recommended!

Great item just as described

Mergers and acquisitions (M&A) are often essential to a company’s growth and viability. However, a staggering 70 percent of mergers fail, often with devastating consequences for all concerned. For executives contemplating a deal, Mastering the Merger is filled with excellent, actionable advice. It is written in a tight, compelling way that business leaders will find quite useful.Mastering the Merger focuses on the importance of due diligence well before targets are identified and M&A decisions are made. Specifically, it describes:1. The most important questions prospective acquirers must ask before consummating any deal, regardless of size. Here the authors show executives how to ask and answer the big questions.2. Strategies and tactics to effectively target acquisitions and close deals.3. How to decide which aspects of a newly acquired business to leave independent and which to integrate. The authors focus here on how to integrate quickly but where it matters.4. How to anticipate and deal with contingencies. The emphasis is on how to predict and manage the unexpected.Authors David Harding and Sam Rovit are partners at Bain and Company, an elite business consulting firm that specializes in increasing the underlying market value of companies. Because successful mergers are a key method of increasing a company’s value, Harding and Rovit are in an excellent position to share what works and what does not.

This book is essential reading for all M&A practitioners and senior executives of acquirers. It describes the breadth of issues in successfully navigating an acquisition so it’s assumed value accretion is actually realized. It’s full of illustrative case studies, relevant data and written in an easily digestible form. A great resource.

It is a good product, but the book was badly treated and wrinkled. I think that the vendor should use a hard package instead of the one that is used now.

Overall, this is a good book where the M&A process is nicely laid out and with critical decisions clearly explained. The part on why you should go away from a deal is valuable as it is always forgotten in other M&A books. There are several weak areas nonetheless in this book. The link with strategy is a bit simplistic: "organic growth is not enough, you have to acquire to really grow... and we have the data backing this claim." It is as easy to prove or contradict, depending on what you want to say - and recent financial litterature (and real life examples) tends to contradict this claim.

Examples are sometimes not adequate. In particular, the ultimate strategic choice made in the Newell/Rubbermaid case and praised by the authors is a mere corporate strategy 101 mistake. Typically you would integrate some of the operations but not the marketing/channels, and certainly not the brands. I don’t know any commodity products that managed to become high-end branded ones. By the way, the CEO who is praised in the book got kicked out by N/R around the time of the book release (and his track record is not fabulous). Otherwise, the book is easy to read and enjoyable - except the beginning which is a bit long. The last area that I found a bit annoying is the continuous repetition of how good Bain’s studies backing the book are. When you look closely, these studies are merely several interesting but lose statistical analysis that are mostly based on CEO interviews who have themselves a vested interest in saying how good they are at M&A. Nothing to brag about. But all in all, this is a relatively good read.

Experts say 70 percent of mergers end in failure. So do two marriages out of three in big cities. This doesn’t discourage people from entering into lifelong commitments: after all, there are happy marriages around, and an intimate relationship doesn’t always end in carnage. Similarly, most great companies today are the result of a deal-making past. They could not have made it to where they are without a series of mergers, acquisitions, alliances and transactions. This indicates some deals are very good indeed. So companies are faced with a classic case of damned-if-you-do, damned-if-you-don’t setup. Academic studies demonstrate that more than two third of all deals fail to create meaningful shareholder value, and yet empirical observation suggests that it is extremely hard to grow a world-class company through organic growth alone. The inescapable solution: firms need to do deals, but they need to make them right, in a disciplined way.According to The Seven Principles for Making Marriage Work, one of the top predictors of marital success is a couple’s ability to repair problems that arise between them. Without frequent air-clearing conversations that sort out minor differences, resentments fester and can destroy the original reason two people chose to live together. The same applies to marriages between companies. Merger failures are often linked to poor handling of details. Ultimately the success or failure of a merger grows out of the decisions made by executives at critical junctures throughout the transaction. Deal success is not random: there are principles for making mergers work. Executives who apply these principles improve their odds. The aim of this book is to expose these principles, and to tilt the balance toward success.If a merger is like a marriage, the authors of Mastering the Merger recommend to flirt a lot before engaging in a reasoned partnering with a counterpart. "To be good at deal making, they write, companies need to do a lot of deals--preferably smaller ones--to build a sustainable expertise in business combinations. As complex activities, there is a learning curve in mastering mergers." Research commissioned by the authors reveal that the most successful acquirers do a lot of deals, that their average deal size is small, and that they do deals more or less continuously as opposed as only during downturns or "deal fever" season. So an important recommendation by the authors is to think small and act often. Go to the table repeatedly, but take small bites.This is where we see the limit of the comparison between mergers and marriages. In fact, the authors do not overuse it. They keep metaphors to a minimum (although they also indulge in macho language and war-like imagery about executives who have been "out there on the front lines, under fire, making deal decisions"). The book is supposed to bring practical tools, not a new language or a general theory, to executives involved in the management of acquisitions. In fact, it doesn't contain any reference to theory. It doesn't explain why a firm should wish to engage in a merger, despite the odds of failure, or whether mergers are economically and socially desirable.Mastering the Merger is structured around the sequence of tasks that a firm is likely to take up before, during, and after a deal. It is focused on value: how to create it, how to avoid destroying it. Each chapter addresses one of the four decisions that a manager needs to take along the life cycle of a typical deal. How should he pick his target? Which deal should he close? Where does he really need to integrate the two companies? What should he do if and when the deal goes off track? These are the how, which, where, and what of deal making. Getting a clear answer to each question amounts to mastering the art of the merger.Although the book doesn't go into technical details, I found the most interesting part in the description of the due diligence process and cash flow analysis that firms have to complete before deciding whether to close a deal or to go away from it. Based on their experience, the authors believe that the best practitioners of due diligence are the professional buyers in private equity firms. They invest heavily in the process because their raison d'ÃƒÆ'Ã Âªtre is buying and selling other companies--they do deals for a living. The most skilled private equity firms do not accept industry reports and other third-party information at face value: they build their own point of view from the bottom up. They spend more time in the field interviewing customers, suppliers, employees, creditors, and competitors. They don't invade data rooms with armies of consultants tasked with assessing everything from the 401(k) plan to real estate: they focus on the business itself, and use strategic due diligence to learn what they don't know.I agree with another reviewer who is annoyed by the continuous hype over the survey studies commissioned by Bain & Company to back the book's analytical claims. In fact, it is not hard to find faults and defects in these underpinnings, which are described in some detail in an annex. According to a study they cite, four-fifth of all surveyed mergers don't succeed, at least according to key financial measures, and yet four-fifth of all acquiring executives think that their own mergers have succeeded. But these are the very people that the authors rely on to base their assessment of how to complete a deal successfully. Another interesting statistics shows that a CEO is more than twice as likely to lose his job when he engages in a large deal that destroys value. The implicit consequence is that he won't still be around for interviews, and the sample of executives surveyed by the authors has an inherent construction bias. More generally, the best way to demonstrate the quality of a survey research is to have it pass the screening of a peer-reviewed journal. But the only reference the authors list in their bibliography are papers published in trade journals, where the admission criteria are more lax.