

Cross-Border Mergers and Acquisitions

SCOTT C. WHITAKER

Contributors:

Eitan Grosbard (Israel) • Stefan Hofmeyer (United States) • Michael Holm (Sweden)
Makoto Ideno (Japan) • Thomas Kessler (Germany) • Gilles Ourvoie (France)
Andrew Scola (United Kingdom) • Christophe Van Gampelaere (Belgium)
Masaki Yamamoto (Japan) • Robert Yu (China)

WILEY

Cross-Border Mergers and Acquisitions

Edited by

SCOTT C. WHITAKER

WILEY

Cover image: © ImageFlow/Shutterstock

Cover design: Wiley

Copyright © 2016 by John Wiley & Sons, Inc. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the Web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

Names: Whitaker, Scott C., 1963–

Title: Cross-border mergers and acquisitions / Scott C. Whitaker.

Description: Hoboken : Wiley, 2016. | Series: Wiley finance | Includes index.

Identifiers: LCCN 2016002841 | ISBN 978-1-119-04223-5 (hardback) | ISBN

978-1-119-22744-1 (ePDF) | ISBN 978-1-119-22745-8 (ePub) | ISBN

978-1-119-26845-1 (obook)

Subjects: LCSH: Consolidation and merger of corporations. | BISAC: BUSINESS & ECONOMICS / Mergers & Acquisitions.

Classification: LCC HG4028.M4 W485 2016 | DDC 658.1/62—dc23

LC record available at <http://lccn.loc.gov/2016002841>

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

*To our families, clients, and colleagues . . . and to Sheila
for keeping us all on task*

Preface

After *Mergers and Acquisitions Integration Handbook: Helping Companies Realize the Full Value of Acquisitions* (John Wiley & Sons, 2012) published, I realized that executives were looking for practical guides to handling the complex task of integration. They wanted books that were rooted in the realities of execution, not based on theory or outdated concepts.

Cross-Border Mergers and Acquisitions attempts to apply the same approach for handling global integrations. The book is a compilation from 10 mergers and acquisitions (M&A) professionals who together have experience handling hundreds of cross-border transactions across dozens of countries.

The authors bring perspectives on M&A from nine countries that represent the bulk of global M&A activity: the United States, the United Kingdom, France, Belgium, Germany, Sweden, Israel, Japan, and China.

Many mission-critical topics, including M&A strategy, integration, due diligence, and culture are covered in multiple chapters to allow the authors to share their respective experiences, and enable the reader to gain several different perspectives on many key subjects.

Note that several of the authors are writing in English as a second or even third language, which is quite impressive for such an intricate subject. While I have made efforts to mildly harmonize style differences across the book, I have tried to allow some of the country-specific nuances to show through to showcase the cultural point of view of the authors.

Cross-Border Mergers and Acquisitions is organized into four parts, each covering a wide range of M&A topics. Here's an at-a-glance summary of how the book is organized and what you will find in each section and chapter.

PART ONE: CROSS-BORDER STRATEGY AND DEAL PLANNING

This part provides some insights into the overall dynamics of the global M&A environment, along with some perspectives on region- and country-specific trends and nuances.

- Chapter 1, “Cross-Border Deal Evolution and Rationale,” presents an overview of the evolution and rationale of cross-border deals, along with some general information on the overall M&A market—sizing of the current market, international development, existence of cycles, determinants of the M&A waves as an introduction to cross-border M&A evolution, and high-level specificities.
- Chapter 2, “Cross-Border M&A Strategy and Deal Planning Essentials,” explores decision-making and strategic process approaches for managing cross-border integration activity.
- Chapter 3, “Legal, Financial, Social, and Political Interdependencies with Cross-Border Integration,” introduces the key legal, financial, social, and political influences on, and implications of, cross-border mergers, acquisitions, and divestitures. It puts cross-border M&A programs in context within and between the jurisdictions and societies where the companies operate.
- Chapter 4, “Trends and Leading Practices in Global M&A,” introduces important concepts related to strategic reasoning for doing the deal, along with the key phases and steps in the M&A life cycle. This chapter includes a step-by-step process that enables you to find and review potential targets for their fit, and introduces important issues related to cross-border due diligence, along with options and strategies for mitigating the execution risk in cross-border deals.
- Chapter 5, “Cross-Border M&A: Region- and Country-Specific Trends and Deal Planning Tips,” delves into the countries and industries that dominate pre-deal M&A and what considerations are important when exploring cross-border opportunities.

PART TWO: CROSS-BORDER CULTURE AND LEADERSHIP ALIGNMENT

This part includes several chapters that explore how leadership and culture influence cross-border M&A.

- Chapter 6, “Leading during Cross-Border M&A,” attempts to outline specific activities and practices leaders can take during an M&A event to help ensure transaction success and lay the foundation to make integration a core competency of their organizations.
- Chapter 7, “The Role of Culture in Cross-Border M&A,” explains the importance of culture in a merger or integration environment,

and shows how to create awareness of cultural elements in both the deal teams and integration teams. The importance of company values in turning culture into a success driver for your deal is also explored.

- Chapter 8, “Managing National Reactions and Sovereignty Issues,” explores the “local” side of cross-border M&A and how region- and country-specific nuances such as regulatory constraints, sensitivities of local populations, unions, and many other areas can impact transactions.

PART THREE: CROSS-BORDER INTEGRATION, PLANNING, AND EXECUTION

This part includes an abundance of detail around the more tactical elements of cross-border integration, along with how country-specific nuances can impact planning and execution details.

- Chapter 9, “Managing Pre-PMI Due Diligence,” presents a methodical approach for cross-border due diligence based on lessons learned from hands-on project engagements, including a practical review of the due diligence process, and ingredients and tools to be applied in order to improve the quality of due diligence deliverables.
- Chapter 10, “Ramping Up an Integration Management Office and Day One in Cross-Border Deals,” provides a comprehensive understanding of the integration management office and describes activity to set up an IMO and to execute a successful Day One.
- Chapter 11, “Integration Decision Making and Process Strategy in Cross-Border Deals,” reviews the important factors that drive cross-border M&A success, including leadership styles and related decision-making and process development and change approaches.
- Chapter 12, “Post-Merger Integration Process, Methodologies, and Tools,” explores a multitude of integration planning and execution essentials across all phases of the M&A life cycle.
- Chapter 13, “Managing Post-Merger Integration Globally,” outlines various approaches for managing a PMI process in a cross-border scenario. This chapter also explores PMI governance concepts, managerial structure, roles and responsibilities, meeting management routines, and communications.
- Chapter 14, “Country-Specific Trends and Tips for Integration Planning,” outlines proven approaches for factoring cultures and work styles in cross-border integrations. The chapter also includes cultural

- **Chapter 1, “Cross-Border Deal Evolution and Rationale,”** presents an overview of the evolution and rationale of cross-border deals, along with some general information on the overall M&A market—sizing of the current market, international development, existence of cycles, determinants of the M&A waves as an introduction to cross-border M&A evolution, and high-level specificities.
- **Chapter 2, “Cross-Border M&A Strategy and Deal Planning Essentials,”** explores decision-making and strategic process approaches for managing cross-border integration activity.
- **Chapter 3, “Legal, Financial, Social, and Political Interdependencies with Cross-Border Integration,”** introduces the key legal, financial, social, and political influences on, and implications of, cross-border mergers, acquisitions, and divestitures. It puts cross-border M&A programs in context within and between the jurisdictions and societies where the companies operate.
- **Chapter 4, “Trends and Leading Practices in Global M&A,”** introduces important concepts related to strategic reasoning for doing the deal, along with the key phases and steps in the M&A life cycle. This chapter includes a step-by-step process that enables you to find and review potential targets for their fit, and introduces important issues related to cross-border due diligence, along with options and strategies for mitigating the execution risk in cross-border deals.
- **Chapter 5, “Cross-Border M&A: Region- and Country-Specific Trends and Deal Planning Tips,”** delves into the countries and industries that dominate pre-deal M&A and what considerations are important when exploring cross-border opportunities.

PART TWO: CROSS-BORDER CULTURE AND LEADERSHIP ALIGNMENT

This part includes several chapters that explore how leadership and culture influence cross-border M&A.

- **Chapter 6, “Leading during Cross-Border M&A,”** attempts to outline specific activities and practices leaders can take during an M&A event to help ensure transaction success and lay the foundation to make integration a core competency of their organizations.
- **Chapter 7, “The Role of Culture in Cross-Border M&A,”** explains the importance of culture in a merger or integration environment,

About the Author

Scott Whitaker

<https://www.linkedin.com/in/whitaker86>

Scott has been involved in over two dozen mergers and acquisitions totaling nearly \$100 billion in value. His industry experience includes health care, financial services, telecommunications, gaming, hospitality, chemicals, oil and gas, industrial manufacturing, retail, and consumer durables. Scott has worked in Canada, China, Europe, and Africa on a variety of assignments, and specializes in establishing integration management offices (IMOs) and helping companies develop integration playbooks. He holds a BA from the University of North Carolina at Chapel Hill and is the author of *Mergers and Acquisitions Integration Handbook: Helping Companies Realize the Full Value of Acquisitions*.

Scott resides in Atlanta, Georgia.

About the Contributors

Eitan Grosbard

<https://il.linkedin.com/in/eitanbenizhak>

Eitan has over 20 years of experience managing complex M&A life cycle management engagements (especially due diligence and post-merger integration projects). He's led dozens of M&A projects and programs for midcap global companies in a variety of industries but mainly in the high-tech arena (Internet, telecom, software, hardware, and more).

Eitan is a strategy expert working with blue chip companies, and is currently a project faculty member of the Global Consulting Program at the Wharton Business School (University of Pennsylvania). He holds an Executive MBA from Tel Aviv University and is fluent in English, Spanish, and Hebrew.

Eitan resides in Tel Aviv, Israel.

Stefan Hofmeyer

<https://www.linkedin.com/in/hofmeyer>

Stefan started his career at Accenture in the mid-1990s and is an established expert delivering management rigor to M&A integration settings across Europe, Asia, North America, and Middle East business environments. Stefan holds a BSE in industrial engineering from the University of Iowa and an MBA from Pepperdine University. He also has completed advanced management education at Harvard Business School and Stanford University and holds both Project Management Professional and Stanford Certified Project Manager certifications.

Stefan resides in San Francisco, California.

Michael Holm

<https://se.linkedin.com/in/michaelholm2>

Michael has 28 years of operative industry experience, including roles in M&A, post-merger integration, and strategy. He has project-managed nationwide telecommunication network installations and research and development projects; marketed and sold telecommunication networks; and managed large accounts and line units. He spent the remainder of his career in strategy, M&A, and post-merger integration at Ericsson.

Michael's expertise is in M&A strategy, M&A screening, integration pre-planning, integration lead, integration management office mobilization and execution, synergy management, divestiture planning, and transitional services management. He has led post-merger integrations in telecom, professional services, and fast-moving consumer goods industries. He has lived in Canada, Korea, Taiwan, the United States, and the United Kingdom, as well as worked on many M&A projects in the United States, Europe, and Asia.

Michael resides in Stockholm, Sweden.

Makoto Ideno

<https://jp.linkedin.com/pub/makoto-iden/62/b21/52/en>

Makoto is an experienced M&A integration consultant located in Tokyo. He has many years of experience in integration management office, sales, and marketing process designs, communication planning and implementation, cultural convergence, and HR in industries such as health care/pharmaceuticals, system integration, advertising, and retail. Project highlights include the financial value analysis of a medical information company, negotiations with a telecom carrier on M&A, and the design and implementation of culture convergence in procurement. He holds an MBA from the Marshall School of Business at the University of Southern California.

Makoto resides in Tokyo, Japan.

Thomas Kessler

<https://de.linkedin.com/in/thomashkessler>

Thomas is a business executive with decades of U.S., European, and Asian experience in the field of merger integration and investment banking. He has a passion for M&A integration, supporting businesses in managing the integration of transactions and joint ventures. He has supported over 30 merger integrations from large to midsize and national to international as well as public, private, and family-owned businesses. Thomas is also a frequent keynote speaker and trainer on pre- and post-merger integration and has taught trainings around the world. He holds a BBA from Mannheim University, Germany, an MBA, *summa cum laude*, from Business School Lausanne, and a Master of Science from Frankfurt University.

Thomas resides in Bonn, Germany.

Gilles Ourvoie

<https://fr.linkedin.com/in/gourvoie>

Gilles has nearly 30 years of international experience in corporate strategy, organizational design, and mergers and acquisitions, with a growing focus on PMI in the past 15 years. He has led teams in all aspects of strategy

and M&A, from strategy analysis, financial analysis to merger negotiation, post-acquisition design and execution, and optimization of M&A organizations and processes. He holds an MSc from HEC and an MSc from the University of Paris-Dauphine. He holds also a PhD certificate from the Conservatoire National des Arts & Metiers. He has lived in Mali, the United States, Italy, Lebanon, Morocco, and Russia.

Giles resides in Paris, France.

Andrew Scola

<https://uk.linkedin.com/in/scola>

Andrew is an experienced M&A integration and separation advisor, having worked within PwC and Deloitte for many years, as Head of Acquisition Integration for a global health care company and as the UK Partner for Global PMI Partners, which he co-founded in 2009. He has worked with clients across technology, financial services, health care, and consumer business. He holds an honors degree from the University of Nottingham, has worked with the Cass Business School mentoring students with M&A research projects, and is currently working with Sheffield Hallam University on a cross-border M&A research project.

Andrew resides in London, United Kingdom.

Christophe Van Gampelaere

<https://be.linkedin.com/in/christophevangampelaere>

Christophe is an M&A-oriented advisor, trainer, and practitioner. He combines his expertise in finance and investment management with people skills, and has worked internationally on iconic deals in the automotive, semiconductor, chemicals, telecom, media, and banking sectors. He is a certified coach, Lego® Serious Play® and Company Constellations facilitator. He is passionate about nature.

Christophe resides in Ghent, Belgium.

Masaki Yamamoto

<https://jp.linkedin.com/pub/masaki-yamamoto/1/889/b17>

Masaki has nearly 25 years of consulting experience in corporate strategy, R&D management, new business strategy, organization design, business process design, project management, and human resources development. His M&A expertise is in M&A strategy, integration management office, business process design, organization redesign back office integration, and sales channel integration. He has led many consulting projects in due diligence, organization redesign, overseas investment, business process redesign sales channel design, PMO, and human resources development. He teaches at the graduate school of Kyushu Institute of Technology. He

holds an MA from the University of Tokyo and an MBA from the Marshall School of Business at the University of Southern California.

Masaki resides in Tokyo, Japan.

Robert Ping Yu (於平)

<https://cn.linkedin.com/in/robertyu1>

Robert has over 25 years of business strategy and operational experience in both consulting and Fortune 500 multinational companies such as Motorola and Pearson. He is a bilingual senior executive with a track record of driving corporate growth through successful development and execution of corporate strategy, especially in M&A, post-merger integration, and business performance improvement. His expertise includes corporate growth strategy, product marketing, strategic alliance, and M&A management. Born in Beijing, China, Robert lived in the United States for nearly 20 years before returning to China. Robert has not only a broad understanding of Western multinational corporate cultures and operations but also has deep insights into Chinese traditions and behaviors. He holds an Executive MBA from the Kellogg School of Management at Northwestern University.

Robert resides in Beijing, China.

Contents

Preface	xi
About the Author	xv
About the Contributors	xvii

PART ONE

Cross-Border Strategy and Deal Planning

CHAPTER 1

Cross-Border Deal Evolution and Rationale **3**

Gilles Ourvoie

The Evolution of M&A and Cross-Border Deals	4
Strategic Motives	23
Factors Influencing Cross-Border Deals	28
Chapter Checklist	42

CHAPTER 2

Cross-Border M&A Strategy and Deal Planning Essentials **45**

Michael Holm

M&A Strategy Overview	45
Components of Cross-Border M&A Strategy	50
Responsibilities and Accountability in the Organization	53
Target Company Criteria	56
Prepare and Plan for a Cross-Border Deal	59
Chapter Checklist	63

CHAPTER 3

Legal, Financial, Social, and Political Interdependencies with Cross-Border Integration **65**

Andrew Scola

Introduction	65
Legal Impact	68

Financial Impact	78
Social Impact	81
Political Implications	82
Managing External Risks and Issues	84
Chapter Checklist	85

CHAPTER 4

Trends and Leading Practices in Global M&A 87

Thomas Kessler

Global Transaction Trends in the Post-Financial Crisis World	88
The M&A Life Cycle	89
Developing a Succinct Cross-Border Transaction Strategy	92
Matching M&A Strategy with Transaction Reality	98
Selecting the Right Candidate	102
Planning Cross-Border Due Diligence	105
Defining Successful Options and Strategies for Mitigating Execution Risk in Cross-Border M&A Transactions	107
Chapter Checklist	110

CHAPTER 5

Cross-Border M&A: Region- and Country-Specific Trends and Deal Planning Tips 111

Michael Holm

Introduction	111
Some Useful Cross-Border Insights and Tips	118
Understanding Corporate versus Country Cultures When Doing Cross-Border M&A Deals	120
Chapter Checklist	123

PART TWO

Cross-Border Culture and Leadership Alignment

CHAPTER 6

Leading during Cross-Border M&A 127

Scott Whitaker

Why Leadership Is So Critical during M&A	128
Leadership Responsibilities of Acquiring Companies	129
Leadership Responsibilities of Target Companies	131

Leadership Responsibilities of the Integration Management Office	133
Symptoms of A Leadership Void and How to Address Them	134
Leadership Leading Practices	136
Chapter Checklist	137
CHAPTER 7	
The Role of Culture in Cross-Border M&A	139
<i>Christophe Van Gampelaere</i>	
Understanding Cultural Management	139
Cultural Awareness	141
Strategy and Culture	149
Implementation	156
Chapter Checklist	164
CHAPTER 8	
Managing National Reactions and Sovereignty Issues	167
<i>Gilles Ourvoie</i>	
The Ambivalent Relation between Cross-Border M&A and National Interest	168
Inward Cross-Border Deals: Key Restrictions	174
International Differences and Similarities	189
How to Deal with Sensitive Cross-Border Transactions	190
Conclusion	196
Chapter Checklist	198
PART THREE	
Cross-Border Integration, Planning, and Execution	
CHAPTER 9	
Managing Pre-PMI Due Diligence	203
<i>Eitan Grosbard</i>	
Introduction	204
Traditional Due Diligence	206
Integrated Due Diligence—360-Degree Due Diligence	219
Conducting the Due Diligence Process	224
Chapter Checklist	228

CHAPTER 10**Ramping Up an Integration Management Office and Day One in Cross-Border Deals 229***Stefan Hofmeyer*

The Impact of an Integration Management Office on Cross-Border Integration	229
Understanding the Integration Management Office	232
Establishing and Executing the Integration Management Office	237
Day One: Starting the Integrate and Analyze Phases	247
Chapter Checklist	250

CHAPTER 11**Integration Decision Making and Process Strategy in Cross-Border Deals 251***Stefan Hofmeyer*

Preparation and Localization of Decision Making	251
Primary Decision-Making Tools, Approaches, and Leading Practices	257
Leading Practices for Global Integration Process Change	263
Kaizen-Based Leading Practices	266
Catching the Wave of Change	268
Chapter Checklist	270

CHAPTER 12**Post-Merger Integration Process, Methodologies, and Tools 273***Thomas Kessler*

The M&A Life Cycle	274
Strategic Selection	275
Integration Due Diligence	279
Pre-Signing	281
Post-Signing	283
Post-Closing	293
Chapter Checklist	298

CHAPTER 13**Managing Post-Merger Integration Globally 299***Eitan Grosbard*

Introduction	300
Due Diligence	305
Relate	306