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Mergers & Acquisitions

LECTURE 2: REGULATORY ENVIRONMENT

CASE STUDY: CROSS-BORDER ACQUISITION

M&A USE CASE:

- DRIVERS
- NATURAL PROGRESSION
- BENEFITS
- CHALLENGES



Drivers of Cross Border M&A

Globalization and openness of financial markets

Geographical diversification

Deregulation of markets

Company efficiency

Hedging on Trade and Tariffs

Increase production

Technology and Innovation boom across cultures

Natural progression for a growth company

- 1 • Companies started a domestic production
- 2 • Companies started to export to the foreign markets
- 3 • Companies established a subsidiary in overseas market
- 4 • Companies started strategic alliances – customer acquisition
- 5 • Companies started a Greenfield project – build manufacturing facility
- 6 • Companies started to acquire other companies in foreign markets

Benefits of cross border M&A

Acceleration of business

Accessing capital

Synergies

Technology

Tax planning

Mitigation of trade and foreign exchange costs

Challenges of cross boarder M&A

Legal – Stricter laws than local mergers/acquisitions

Accounting

Strategic

Technology

Integration

Human Resources

Cultural

Challenges of cross border M&A

Technological Differences

- Integration challenges due to different technology platforms

Strategic Issues

- Achieving synergies can be challenging including
 - cost savings
 - plant rationalization
 - Labor issues
 - IT integration
 - marketing integration
 - management changes

Challenges of cross border M&A

Cultural Differences

- Corporate Governance
- Job Security
- Regular and external environments
- Customer Expectations
- Operating styles due to different backgrounds
- Country culture and different values

Challenges of cross border M&A

Human Resources Issues

- Motivation & Morale
- Layoffs and voluntary leave
- Employee stress due to uncertainty
- Career paths of each employee could be altered
- Organizational changes