

- ▶ the risks of M&A
- ▶ pros and cons of taking over a business

### Internet research

Search for the keywords *surviving a merger* to read about people who have experienced takeovers and the advice they give.

## 7.1 About business Risks and opportunities in M&A

### Discussion

**1** In financial terms, what are the benefits and risks when two people decide to get married? Think about living costs, purchasing power, employment, tax, investment, entertainment, etc.

How do you think the situation is similar or different when two companies merge?



### Skim reading

**2** Read the article opposite and answer the questions.

- 1 Who are the students and why do they want M&A classes?
- 2 What lessons do they learn?
- 3 What are good reasons for mergers and acquisitions?
- 4 What are the wrong reasons?

### Reading for detail

**3** Read the article again. With a partner, discuss why these statements are *T* (true) or *F* (false).

- 1 Every year over 500 mergers and acquisitions in the US fail to deliver increased value.
- 2 American executives are keen to get a share in multi-billion dollar takeovers.
- 3 Executives wishing to attend M&A courses have to have an MBA.
- 4 Experienced managers tell attendees about typical mistakes they have made.
- 5 Because of the risks, business school professors do not recommend mergers.
- 6 Shareholders can often only judge the success of their CEO's acquisitions policy several years after a takeover.
- 7 Austin says that empire-building, diversification and increasing debt are the wrong reasons for a merger.
- 8 According to Austin, many CEOs embark on mergers and acquisitions for irrational, emotional reasons.

### Listening for gist

**4** 🎧 2:40 Listen to an interview with Bernard Degoulange, an M&A specialist at Banque de Reims, who talks about choosing targets for acquisition. What are the five Gs?

### Listening for detail

**5** 🎧 2:40 Listen again and answer the questions.

- 1 According to Bernard Degoulange, what is the best reason for a merger?
- 2 Explain how he uses the example of champagne and whisky to show why external growth is necessary.
- 3 Explain each of the points summarized by the five Gs.
- 4 What opportunity does a merger offer the competition, and why is it possible?
- 5 Why is a merger a traumatic period according to Bernard Degoulange?
- 6 How does he say companies should help people get through this trauma?

### Discussion

**6** You are the owners of Bradburgers, a hamburger restaurant in your town. With your five employees, you have established a reputation for fast, good quality food, and the business is making a good profit. One of your competitors in the next street is Kadri's Kebabs, which sells takeaways and delivers kebabs to homes and offices. There are 15 employees. Kadri and his two brothers are excellent cooks, but poor managers; their kebab house is losing money, and is up for sale. What are the pros and cons of taking over the business? Think about the five Gs in particular.

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due diligence  
gene  
homogenize  
open enrolment  
prestigious  
susceptible  
takeover bid  
turmoil