Post acquisition integration

Inadequate integration will result failures of takeovers

- P F Druker has suggested five golden rules for the process of post acquisition

- **Rule 01:** Within year, the acquiring company should put top management with relevant skills in place

- **Rule 02**: The acquiring company must add value to the target

- **Rule 03**: the acquiring company must show respect to product, management & track record of target

- **Rule 04:** Ensure there is common core of unity (tae actions to systems are compatible)

- **Rule 05**: Strategies should be developed for holding on existing staff

Merging systems

- Degree of integration of two companies information, control & reporting systems is important.

There are two extreme of integration

- **Complete absorption of the target company**

Cultures, operational procedures & organizational structures of two companies are to be fused together.

Significant cost reduction is expecting on this approach through economics of scale.

❑ The preservation approach

The target company become independent subsidiary of holding & would be more suitable when merger of companies very different products.

Failure of mergers & takeovers

- Takeovers always expect value addition to the shareholders of Predator

- A KPMG study indicates that 83% of merger deals did not boost shareholder returns.

- Why??

  – Strategic plan fails to produce benefits that expected or over optimum about future market conditions & operating synergies

  – Poor integration of Management
    - Inflexibility
    - Poor man management

Exit Strategies- Termination of ownership of the company

1. **Divestment – ** disposal of part of its activities or downsizing of the scope of the business

Following are the indicators that mandate the firm to adopt this strategy:

- Continuous negative cash flows from a particular division
- Unable to meet the competition
- Huge divisional losses
- Difficulty in integrating the business within the company
- Better alternatives of investment
- Lack of integration between the divisions
- Lack of technological up gradations due to non-affordability
- Market share is too small
- Legal pressures

2.Demergers

Opposite of Merger. Splitting up a corporate body in to two or more separate & independence companies

Demergers generate much interest because they bring about a dramatic downsizing for parent companies. Given the natural emphasis of corporations on growth, this may seem counter-intuitive.

2.1 Spin off

New company created whose shares are owned by the shareholders of the original company which is making the distribution of assets.

Businesses wishing to streamline their operations often sell less productive or unrelated subsidiary businesses as spinoffs. For example, a company might spin off one of its mature business units that is experiencing little or no growth so it can focus on a product or service with higher growth prospects.

i.e

- In 2014, Hewlett Packard (HP) To Separate Into Two New Industry-Leading Public Companies-
  - Hewlett Packard Enterprise
  - HP Inc

- Hewlett Packard Enterprise will define the next generation of technology infrastructure, software and services for the New Style of IT

- HP Inc. will be the leading personal systems and printing company delivering innovations that will empower people to create, interact and inspire like never before

- Strategic step provides each new company with the focus, financial resources and flexibility to adapt quickly to market and customer dynamics while generating long-term value for shareholders

- **Highlights**:

- Hewlett Packard Enterprise was build upon HP’s leading position in servers, storage, networking, converged systems, services and software as well as its OpenStack Helion cloud platform

- Meg Whitman has become President and Chief Executive Officer of Hewlett Packard Enterprise; Pat Russo to be Chairman of Hewlett Packard Enterprise Board

- HP Inc. the leading personal systems and printing company with a strong roadmap into the most exciting new technologies like 3D printing and new computing experiences

- Dion Weisler has become President and Chief Executive Officer of HP Inc.; Meg Whitman to be Chairman of the HP Inc. Board

- Company reiterated fiscal 2014 non-GAAP diluted net earnings per share (EPS) outlook of $3.70 to $3.74 and updates GAAP diluted net EPS outlook to $2.60 to $2.64

- Company issues fiscal 2015 non-GAAP diluted net EPS outlook of $3.83 to $4.03 and GAAP diluted net EPS outlook of $3.23 to $3.43

- **3. Going Private**

Public company goes public means, small group of individuals including exiting shareholders & managers with or without support of financial institution buys all of the company shares.

Advantages of going for private

- Saving of cost of listing requirement
- Company less vulnerable to hostile takeovers bids
- MGT can focus on long-term needs of the business rather than short term expectations of shareholders
- Shareholders are likely to be closer to management in private company

Management Buyout - MBO

- MBO is purchase of business from its exiting owners by members of the management team, generally association with financing institution

- MBOs are favored exit strategies for large corporations who wish to pursue the sale of divisions that are not part of their core business, or by private businesses where the owners wish to retire.