

MACR: Selected Pages - Questions and Answers

101 topic questions covering all 62 selected lecture pages. Answers retain the lecture points in plain language. Source numbers refer to the original 126-page handout. Research findings and simplified legal descriptions are labelled as lecture material.

Growth and buyers

Q1. Advantages of Organic Growth

Original page(s): 29

- Total control over the project: the company decides how it is developed and managed.
- Limited information asymmetry: there is less uncertainty about an outside business because development happens internally.
- High compatibility with the existing business and an identical organizational culture.
- No requirement to share profits with a third party.

Q2. Disadvantages of Organic Growth

Original page(s): 29

- Adds industry capacity, which can intensify competition and pressure prices.
- The required development capabilities may not exist inside the company.
- Requires time and management attention.
- The new products may lack a proven market position and an established customer base.
- Entry barriers may be difficult to overcome.
- The investment can be difficult to reverse.

Q3. The central value-creation question in a merger

Original page(s): 23

- Will the combined businesses be worth more than the two businesses separately?
- The lecture expresses this as one plus one needing to equal at least three: combining ownership must produce additional value.

Q4. Four ways an acquirer can benefit from an acquisition

Original page(s): 23

- Buy an undervalued asset: this requires being better than the market at assessing its value.
- Run the target more effectively: this requires being a better owner or parent than the current management.
- Gain market power: improve the ability to obtain favorable prices or market terms.
- Create and capture synergy: combine assets to generate value that the companies could not obtain separately.

Q5. Benefits from combining overlapping businesses

Original page(s): 30

- Reduce the costs of excess capacity.
- Reduce duplicate management positions and management-team size.

Q6. Benefits from combining complementary businesses

Original page(s): 30

- Create cross-selling opportunities.
- Use common distribution channels.
- Share knowledge and best practices.
- Bring new ideas to both sides.
- Introduce one company's products through the other company's channels.

Q7. Strategic buyers versus financial buyers

Original page(s): 31

- Who: strategic buyers have existing operating businesses; financial buyers are private-equity or finance firms, often using a new acquisition company.
- Purpose: strategic buyers seek vertical or horizontal integration; financial buyers usually preserve a standalone business, sometimes changing management.
- Focus: strategic buyers assess strategic fit; financial buyers assess the target as a standalone investment.
- Value creation: strategic buyers pursue synergies and efficiency; financial buyers emphasize efficiency and financing or tax benefits.
- Price: the slide suggests strategic buyers may pay more because they can obtain synergies unavailable to a standalone financial buyer.
- Payment: strategic buyers can use stock or cash; financial buyers generally use cash.
- Financing: strategic buyers can use existing shares, cash or borrowing; financial buyers use investors' equity capital and deal-related debt.
- Exit and horizon: strategic ownership is generally long term; the slide describes private equity as planning an IPO or sale after about three to five years.
- Integration: strategic buyers may integrate fully, partially or minimally; a standalone financial investment generally needs little operating integration.

Note: These are the typical patterns in the lecture comparison, not rules that every transaction must follow.

Q8. How private-equity sponsors operate

Original page(s): 32

- Raise large pools of equity capital from investors.
- Source potential investments and bids.
- Acquire operating firms using investor equity supplemented by borrowing; the slide mentions borrowing sometimes reaching three to four times equity.
- Replace or reshape the board with sponsor representatives who have a substantial interest in success.
- Give management a larger share of the shareholder wealth it creates through stronger incentives.
- Manage the business to generate cash effectively.
- Plan an exit, commonly after three to five years in the slide: strategic sale, IPO or sale to another financial buyer.

Payment and earnouts

Q9. Cash deals versus stock deals: sharing benefits and risks

Original page(s): 37

- Cash deal: the acquiring shareholders retain the benefits and risks of realizing the combination's synergies.
- Stock deal: target shareholders remain owners and share the combined company's future benefits and risks.
- In a stock deal, benefits and risks are shared in proportion to the parties' ownership.
- The distinction between buyer and seller is less clear when both groups own the combined firm.
- The two stock structures highlighted are fixed-value and fixed-share deals.

Q10. Stock offers: empirical evidence, signals and market interpretation

Original page(s): 37

- The slide reports that acquiring shareholders have historically fared worse in stock transactions than in cash transactions.
- A stock offer may be interpreted as a signal that the acquirer's shares are overvalued.
- It may also be interpreted as a sign that management is less confident about the acquisition.
- The slide says markets respond more favorably when the acquirer shows confidence and accepts more pre-closing market risk, for example through fixed value or a guaranteed floor.
- The slide also highlights seller tax consequences of cash consideration.

Note: These are reported lecture findings and possible signals, not proof about any particular deal. The slide's cash-only tax shorthand is not a universal tax rule; tax treatment depends on the structure and jurisdiction.

Q11. Fixed-share versus fixed-value stock consideration

Original page(s): 37, 38

- Fixed-share deal: the seller receives a fixed number of buyer shares, so the value received changes with the buyer's share price.
- Fixed-value deal: the promised value is fixed, so the number of shares adjusts, subject to the contract.
- Fixed shares expose the seller to pre-closing changes in the buyer's share value.
- Fixed value places the pre-closing share-count adjustment risk on the buyer; after closing, both groups bear risk through their actual ownership.

Q12. Risk-sharing matrix for cash, fixed-share and fixed-value deals

Original page(s): 38

- All-cash, before closing: the slide assigns market risk to the acquirer and none to the seller.
- All-cash, after closing: the acquirer bears the combined-business market risk; the paid-out seller does not.
- Fixed-share, before closing: risk is shared in the expected ownership proportions.
- Fixed-share, after closing: risk is shared in the actual ownership proportions.
- Fixed-value, before closing: the acquirer bears the adjustment risk and the seller has fixed-value protection.
- Fixed-value, after closing: risk is shared in the actual ownership proportions.

Note: This reproduces the lecture's simplified market-risk comparison. It does not imply that a seller faces no completion or counterparty risk.

Q13. Purposes of an earnout**Original page(s): 40**

- Bridge a valuation gap between buyer and seller.
- Reduce the buyer's risk of overpaying and the seller's risk of receiving too little.
- Help finance the purchase when the buyer cannot pay the full amount upfront.
- Encourage key owner-employees to stay.
- Link payment to performance, especially in startups and early-stage high-growth businesses.
- Address tax timing, including possible deferral of the seller's tax liability where permitted.
- Share future business risk with the seller.

Q14. When are earnouts more commonly used?**Original page(s): 41**

- When information asymmetry is high: one side knows substantially more about the target than the other.
- For private targets.
- For cross-industry transactions.
- Where value depends heavily on intangible assets and growth opportunities, such as business services, technology and pharmaceuticals.

Q15. Earnout risks for the seller**Original page(s): 41**

- Litigation risk: parties may dispute performance measures or the payment due.
- Default risk: the buyer may become financially distressed or bankrupt before making the future payment.
- Monitoring and control risk: the buyer controls much of the target after closing, making performance difficult for the seller to monitor or influence fairly.

Q16. Earnout risk for the buyer**Original page(s): 41**

- The seller or retained target managers may focus on short-term results to meet the payment target.
- This can sacrifice the target's longer-term interests for the earnout measurement period.

Hostile takeovers**Q17. Meaning, methods and circumstances of a hostile takeover****Original page(s): 43**

- A bidder seeks control against the wishes of the target's management.
- The bidder can approach target shareholders directly through a tender offer or fight to replace management through a proxy contest.
- Poor performance and a low share price can make a company vulnerable.
- An acquirer's aggressive growth strategy can also motivate a hostile bid.
- The slide treats public shareholder access as central: private targets and divisions are not accessible through this conventional public-market hostile-bid route.
- Potential consequences include business-unit sales, layoffs and changes in strategic direction.

Q18. Basic hostile-takeover defenses and their meanings**Original page(s): 43**

- Differential voting rights: shares can carry unequal voting power, influencing control.
- Poison pill: specified existing shareholders gain rights to buy shares at a discount when a takeover trigger occurs.
- Golden parachute: substantial compensation for senior managers whose employment ends following the takeover.
- Pac-Man defense: the target responds by aggressively buying the bidder's shares.

Q19. Legitimate versus self-serving reasons to resist a takeover**Original page(s): 44**

- Shareholder-value reasons: obtain a higher premium or negotiate better deal terms.
- Shareholder-value reasons: improve management or protect a credible long-term strategy and mission.
- Self-preservation reasons: protect management power and compensation.
- Self-preservation reasons: retain management control or organizational autonomy.

Q20. Challenges for a hostile acquirer**Original page(s): 43, 44**

- Possible damage to the bidder's reputation.
- Major distraction from litigation and other disputes, which may arise sequentially rather than all at once.
- A high premium may be needed to persuade shareholders to accept the offer.
- Access to confidential due diligence may be restricted; the slide emphasizes the need for a confidentiality agreement.
- The combination of a high premium and limited diligence increases overpayment risk.

Q21. Preventive defenses against hostile takeovers**Original page(s): 45**

- Differential voting-right shares.
- Poison pills giving eligible shareholders discounted purchase rights when a takeover is attempted.
- Charter provisions for staggered board elections, which delay replacing directors.
- Cumulative voting in director elections.
- Stronger requirements or reasons for removing directors.
- Golden parachutes providing substantial change-of-control compensation.

Note: Defense availability and legality depend on the relevant jurisdiction; this is the lecture classification.

Q22. Reactive defenses against hostile takeovers

Original page(s): 45

- Pac-Man defense: buy the bidder's shares aggressively.
- Litigation.
- Greenmail: repurchase the threatening acquirer's shares at a premium.
- Debt-funded recapitalization: borrow to pay a large special dividend.
- Issue shares to a friendly white knight for a majority stake or a white squire for a minority stake, diluting the hostile bidder.
- Share buyback: may support the share price and reduce the apparent bid premium; it also reduces cash that could make the target attractive.

LBO and private equity

Q23. Characteristics of good LBO targets

Original page(s): 48

- Undervalued companies.
- Underperforming companies with improvement potential.
- Companies needing a catalyst to support expansion.
- Companies with little debt relative to their cash-flow capacity.
- High entry barriers or a sustainable competitive advantage.
- Stable or strong operating cash flows.
- Assets that can be sold or otherwise monetized.
- Moderate capital expenditure and research-and-development requirements.
- A strong management team.

Q24. What does the lecture research say about LBO value creation?

Original page(s): 50

- LBOs can improve managerial incentives and force excess cash to be paid out rather than invested poorly.
- The cited research reports improvement in cash flows after LBOs.
- Targets often have considerable scope to improve incentive alignment.
- Businesses with high potential distress costs, such as R&D-intensive firms, are less likely to undertake LBOs.
- The slide notes that debt can exceed the amount needed to eliminate taxable earnings, so tax savings are not the sole explanation.
- The slide cites research arguing that LBO financial-distress costs were not very large in the studied settings.

Note: These are findings attributed to the studies in the lecture, not a guarantee that leverage is safe or every LBO creates value.

Q25. How does an LBO realign management incentives?

Original page(s): 50

- Give managers a larger equity stake, including in a management buyout.
- Increase monitoring by the outside buyout sponsor.
- Make poor performance more likely to lead to management replacement or job loss.
- Reduce cash available for low-quality discretionary investments through payment and debt discipline.

Q26. Industry due diligence for an LBO**Original page(s): 51**

- Industry growth trends.
- The effect of external threats on performance.
- Competitive threats.
- Experience from other successful LBOs in the industry.

Q27. Company due diligence for an LBO**Original page(s): 51**

- Cash-flow quality, especially consistency and predictability.
- Whether projections are achievable.
- Management depth and quality.
- Future cash needs, especially capital expenditures.
- Growth capacity when high leverage restricts funding.
- Operating flexibility.

Q28. Private-equity exit and cash-return strategies**Original page(s): 52**

- Initial public offering.
- Sale to a strategic investor.
- Sale to another private investor or financial sponsor.
- Recapitalization: issue new holding-company debt and distribute the proceeds to equity investors.

Note: A recapitalization returns cash but does not necessarily end the sponsor's ownership.

Q29. Advantages of a sponsor-backed IPO**Original page(s): 53**

- Public investors may benefit from sponsor improvements without continuing to pay the sponsor's management fees.
- A large retained sponsor stake can align sponsor and public-investor interests.
- The sponsor has gained detailed inside knowledge during ownership; retaining shares can be consistent with attractive expected upside.
- Stronger management, systems and controls introduced by the sponsor can help the company operate as a public business.

Q30. Disadvantages of a sponsor-backed IPO**Original page(s): 53**

- Much of the improvement opportunity may already have been captured, leaving less added value for new public investors.
- The sale can send a negative signal: why sell now if substantial upside remains?
- A prior special dividend may leave high debt and reduced financial flexibility.
- Management attention may be divided because the IPO can be the first of several sponsor sell-downs.
- Conflicts can arise between public investors and a sponsor that retains a large stake and management influence.

Deal process and diligence

Q31. Five stages of managing the deal cycle

Original page(s): 56

- Screen potential deals: consider the pipeline while keeping organizational strategy central.
- Reach initial agreement: do not focus only on price; identify details critical to success and build trust with target management.
- Conduct due diligence: investigate details, understand target managers and link findings to business planning.
- Set final terms: anticipate competition, negotiate across several dimensions and develop alternatives.
- Achieve closure: gain stakeholder support and close promptly after final terms are settled.

Q32. Engage thematically: building M&A as a competitive advantage

Original page(s): 57

- Understand how the acquisition theme creates value.
- Build a pipeline of potential targets.
- Use M&A to deliver strategy and add value.
- Define the theme through detailed, measurable effects.
- Narrow the list to suitable candidates.
- Create a business plan covering both acquisitions and organic investment.

Q33. How should an acquirer manage its reputation?

Original page(s): 57

- Be bold while emphasizing collaboration, mentorship and distinctive capabilities.
- Use a predictable and transparent acquisition process.
- Demonstrate deep industry insight and functions that can support growth.
- Help target managers understand their place in the larger organization.
- Build a reputation that attracts suitable targets, reducing search time, integration difficulties and bidding-war risk.
- Show the acquisition track record and credible testimonials from acquired employees.

Q34. How should the strategic vision be confirmed?

Original page(s): 58

- Test the conceptual reason for the deal through strategic due diligence.
- Assess whether the proposed vision can actually be achieved.
- Ask whether this company is genuinely an advantaged buyer.
- Identify the assets, capabilities and relationships that could make it the best owner.
- Challenge beliefs with facts and with the people responsible for delivering value.
- Test whether the proposed future operating model is viable.

Q35. Why reassess synergy targets after closing?**Original page(s): 58**

- Pre-deal financial diligence uses imperfect information under time pressure and opposing bargaining interests.
- It often emphasizes likely value rather than all potential value.
- After closing, better information and more aligned interests allow targets to be revisited with executives, directors and stakeholders.
- The lecture encourages looking for upward potential as well as correcting estimates.
- Value-creation summits and a fresh assessment can reveal additional opportunities.

Note: The slide's safer post-closing discussion environment does not mean execution becomes risk-free.

Q36. Characteristics of a sound acquirer**Original page(s): 59**

- Can identify good targets and run sound due diligence.
- Can realize the promised synergies.
- Has financing capacity.
- Has attractive deal currency when using shares.
- Has a good acquisition reputation, including past deals and respectful treatment of target management.
- Can integrate successfully after the merger.
- Has a credible record of past acquisition performance.

Q37. Five questions a prepared, always-on acquirer should answer**Original page(s): 60**

- What role should M&A play in our growth?
- Which companies or divisions do we want to buy, and why?
- Which do we not want to buy?
- Which do we not want competitors to buy?
- What deals will we consider after this one, whether or not this transaction closes?

Q38. What is a reactive acquirer?**Original page(s): 61**

- A reactive acquirer allows outsiders such as consultants or investment bankers to drive major investment decisions by bringing it deals.
- It has deals looking for a strategy instead of a strategy guiding the search for deals.
- It tends to play not to lose instead of preparing deliberately to win.

Q39. Five myths of reactive acquisition behavior**Original page(s): 61**

- Initial market reactions do not matter because management is thinking long term.
- The financial logic was fine and failure was only about culture: the slide warns that good culture management rarely saves bad economics.
- Good deals must raise EPS: a short-term EPS increase can be offset by a lower P/E multiple and weaker long-term expectations.
- We must buy now or be left without a partner: this can reveal lack of preparation.
- Buying is cheaper or quicker than building, so we should buy: it may still be the wrong business or investment.

Q40. Core principles of due diligence**Original page(s): 63**

- Think like an investor, not only a compliance officer: develop insight rather than merely check facts.
- Work from data to facts, patterns and actionable knowledge.
- Assess risk, investment attractiveness and what must happen for the acquisition to succeed.
- Treat diligence as a risk-management investment that reduces uncertainty and preserves the choice to act on discoveries.
- Diligence is potentially more valuable when uncertainty about the target is greater.
- Choose scope consciously: a narrow review can leave surprises until after purchase; broader work can reveal them earlier.

Q41. Outputs and leadership of due diligence**Original page(s): 64**

- Give managers plain-language briefings while retaining a detailed supporting record.
- Package findings so negotiators and executives can use them.
- Educate integration managers and retain documentation useful in later disputes.
- Provide strong leadership and process management.
- Start early.
- Link conclusions to valuation, negotiation and post-merger integration.

Q42. Six determinants of merger success**Original page(s): 65**

- Strategic vision and fit: a clear long-term rationale, suitable partners and specific sources of synergy.
- Deal structure: appropriate price and financing.
- Due diligence: review assets, liabilities, revenues, expenses, culture, organizational fit and other nonfinancial factors.
- Pre-merger planning: coordinate, communicate and complete key integration decisions promptly.
- Post-merger integration: manage people, technical operations and customer relationships carefully.
- External factors: distinguish lasting damage to value from temporary changes in market perception.

Q43. Post-mortem questions after a deal does not happen**Original page(s): 66**

- Was missing the acquisition a win or a loss?
- If it was a loss, what could we have done differently?
- If it was a win, what kept us out of the transaction?
- How could we have identified flaws earlier and spent less time on it?

Q44. Post-mortem questions after an acquisition closes**Original page(s): 66**

- What did we do well in the process?
- What problems did we miss, and when?
- How can the process uncover those problems earlier?
- How does what we actually bought compare with what we thought we were buying?

Note: The lecture labels the two columns failed and successful deals; the first asks about a missed transaction and the second about a completed transaction.

Synergies**Q45. Meaning and purposes of estimating synergy****Original page(s): 68**

- Synergy is value from combining companies that they could not achieve individually.
- Shareholders can combine shares themselves, so merely putting two companies in one portfolio is insufficient.
- Estimate synergy to analyze value creation.
- Use it to plan investor disclosure and shape investor understanding.
- Use it as the foundation of post-merger integration.
- Use it to anticipate the market reaction.

Q46. Types of synergies and examples**Original page(s): 70**

- Revenue enhancement: cross-selling through both sales teams and cross-branding.
- Cost reduction: scale economies, greater purchasing power, removal of supply-chain intermediaries and closing duplicate offices.
- Asset reduction: dispose of idle assets, headquarters, unused capacity and excess inventory, or release cash tied up in receivables.
- Tax reduction: benefits such as additional depreciation following an eligible tax-basis step-up and usable tax losses.
- The slide rejects a purely mechanical WACC optimization claim as merger synergy because investors can adjust leverage themselves.
- Combining two weak businesses does not automatically create growth or a strong business.

Q47. What does the map of synergies show?**Original page(s): 72**

- Near the center: remove duplicate functions.
- Next: share operating activities.
- Next: share facilities.
- Further out: sell existing products through new channels.
- Furthest out: sell new products through new channels.
- Moving outward generally means more time, management effort and uncertainty, with a lower probability of success.
- Use more conservative value assumptions for uncertain, distant benefits when setting a walk-away price.

Q48. Acquisitions by degree of relatedness to the core business**Original page(s): 73**

- From most to least related: buying competitors; geographic expansion; related-constrained businesses; value-chain businesses; related-linked businesses; unrelated conglomerate businesses.
- The figure groups these broadly as strengthening the core, extending the core and shifting the core.
- The lecture diagram links greater relatedness with greater synergy potential and a higher required level of integration.
- As relatedness decreases, its depicted synergy potential and required integration decline.

Note: This is the direction shown in the framework, not a promise that every related deal succeeds or every unrelated deal fails.

Q49. Types of real-option synergy**Original page(s): 74**

- Growth options: R&D or creative capabilities, exclusive market-entry licences and land leases.
- Product options: patents and rights to natural resources.
- Exit options: the combined company has more ways to respond and is less locked into a single path.
- Option to defer: flexibility to wait before committing.
- Options to contract, expand or shut down operations.

Integration and leadership**Q50. Six parts of the merger integration process****Original page(s): 76**

- Integration planning.
- Developing communication plans.
- Creating a new organization.
- Developing staffing plans.
- Functional integration.
- Building a new corporate culture.

Q51. Tasks in pre-merger integration planning**Original page(s): 76**

- Select the appropriate integration strategy.
- Refine the valuation.
- Resolve transition issues.
- Negotiate contractual assurances.

Q52. Stakeholders in the integration communication plan

Original page(s): 76

- Employees.
- Customers.
- Suppliers.
- Investors.
- Lenders.
- Communities, including regulators.

Q53. Creating the organization and staffing plan

Original page(s): 76

- Learn from past experience.
- Let business needs determine the organization structure.
- Determine personnel requirements for the new organization.
- Determine available resources.
- Set staffing plans and timetables.
- Develop the compensation strategy.
- Create the necessary information systems.

Q54. Tasks and functions in functional integration

Original page(s): 76

- Revalidate the information obtained during due diligence.
- Benchmark performance.
- Integrate operations where appropriate.
- Integrate information technology.
- Integrate finance.
- Integrate sales and marketing.
- Integrate purchasing.
- Integrate R&D and human resources.

Q55. Building a new corporate culture

Original page(s): 76

- Identify cultural issues through corporate profiling.
- Develop shared goals.
- Develop shared standards.
- Use shared services where appropriate.
- Use shared space to support interaction and integration.

Q56. Four common organizational arrangements after an acquisition**Original page(s): 77**

- Hold: operate a separate business unit; the target remains autonomous and cash can move between firms.
- Retain or preserve: merge back-office work but keep separate product lines; external identity remains while internal identity changes; capture initial synergies and transfer culture or best practices.
- Absorb: merge staff and field employees and impose the buyer's approach; the target loses its separate identity.
- Meld: create a new company and a new identity through a partnership-like relationship.

Q57. The continuum from no integration to full integration**Original page(s): 78**

- The slide moves from separate holding to strategic control, managed subsidiary, operational control, and finally merged or consolidated operations.
- Integration can cover corporate functions first, then production and marketing, and eventually the whole company.
- Management moves from decentralized planning and monitoring toward more centralized production, marketing and operating control.
- Line management moves from autonomy toward coordination and cooperation as integration deepens.

Q58. Four sources of strategic interdependence**Original page(s): 79**

- Resource sharing: combine activities at the operating level.
- Functional-skill transfer: share knowledge or information, or move people between roles.
- General-management-skill transfer: improve insight, coordination and control.
- Combination benefits: use borrowing capacity, market power, cash resources or shared services.

Q59. Three questions to determine the need for autonomy**Original page(s): 79**

- Is autonomy essential to preserve the target's strategic capabilities?
- If so, how much autonomy is needed?
- In which specific activities or decisions should autonomy be allowed?

Q60. Integration approach matrix: absorption, preservation, holding and symbiosis**Original page(s): 80**

- High interdependence and low autonomy need: absorption, with rapid and complete integration.
- Low interdependence and high autonomy need: preservation, protecting target capabilities while the buyer nurtures and learns from it.
- Low interdependence and low autonomy need: holding-company approach, with little integration and emphasis on oversight or financial transfers.
- High interdependence and high autonomy need: symbiosis, with gradual two-way capability transfer while protecting essential boundaries.
- Symbiosis requires frequent interaction between people across the two firms rather than indiscriminate removal of boundaries.

Q61. External and internal relatedness: what do they mean?**Original page(s): 81**

- External relatedness concerns similarity in target markets and positioning: product quality, price and customer-service quality.
- It also covers customer contact, attention, information systems and sales-force structure.
- Low external relatedness can increase customer uncertainty, rumors, dissatisfaction, hesitation and defection.
- Internal relatedness concerns management styles, pre-merger performance and strategic orientation.
- Low internal relatedness can increase employee resistance, turbulence, distrust, political coalitions and unwillingness to share information.

Q62. When is fast integration beneficial or harmful?**Original page(s): 81, 82**

- Low external relatedness plus high internal relatedness: speed is strongly beneficial; customer uncertainty can be resolved without severe internal friction.
- High external relatedness plus low internal relatedness: speed is strongly harmful; limited customer benefit is outweighed by internal disruption.
- High external and high internal relatedness: the overall effect of speed is weak.
- Low external and low internal relatedness: both the benefits and harms of speed are strong, leaving a weak overall effect in the framework.

Q63. Overcapacity M&A: rationale and integration recommendations**Original page(s): 83**

- Rationale: remove excess capacity, gain market share or respond to consolidation pressure.
- Typical setting: mature, capital-intensive industries.
- Use rapid and complete assimilation.
- Close less competitive facilities and remove less effective management.
- Rationalize administrative processes.
- Voluntary agreement is preferable, but early agreement is essential.
- Expect some important people to leave.

Q64. Geographic roll-up M&A: rationale and integration recommendations**Original page(s): 83**

- It can resemble an overcapacity deal, but usually occurs earlier in an industry's life cycle.
- The purpose is to build scale and scope using a successful business strategy.
- Targets may welcome more efficient and streamlined processes.
- Retaining key employees and customers matters more than extracting efficiencies immediately.
- Introduce different values gradually and subtly when the target has a strong culture.
- Use incentives rather than coercion, especially for expensive, hard-to-replace employees.

Q65. Product or market extension M&A: rationale and integration recommendations**Original page(s): 84**

- Rationale: extend the product range or international reach.
- Relative size matters: imposing new processes is harder in near-equal combinations or with established targets.
- Use medium-speed and partial assimilation.
- Understand what is being bought and how the target achieved success; its core processes may differ.
- Geographic closeness can help, while culture and government rules may interfere.
- The slide associates larger acquirers, in absolute or relative size, with better success prospects.

Q66. R&D M&A: rationale and integration recommendations**Original page(s): 84**

- Rationale: build a technology or biotechnology market position quickly when product life cycles are shortening.
- A target may prefer acquisition because building a sustainable technical business requires substantial funding and exposes it to large competitors.
- Preserve greater autonomy while moving quickly to connect the acquired technology when acquisitions substitute for internal R&D.
- Use cultural diligence to test compatibility of vision and values.
- Assign a respected, influential executive to integration and make it a visible leadership responsibility.
- Develop integration as a repeatable capability.
- Give equal attention to keeping people engaged and fitting products or technology into existing activities.

Q67. Industry-convergence M&A: rationale and integration recommendations**Original page(s): 85**

- Rationale: exploit disappearing industry boundaries to create a new industry or business model.
- The investment rests on an unproven belief that combining resources across industries will create major benefits.
- It is especially difficult to analyze; entrepreneurial judgment and uncertainty matter alongside purchase and integration skill.
- Allow substantial subsidiary freedom.
- Integrate where specific value-creation opportunities justify it.
- Senior managers must decide which links to impose and what to leave independent.
- Strategic integration needs deliberate leadership and diplomatic skill; it does not emerge automatically from below.

Q68. Five leadership roles in M&A**Original page(s): 87**

- Visionary: explain why the deal is happening, what it should achieve, the top four or five sources of value and the new entity's core values.
- Cheerleader: build enthusiasm and address fears among investors, regulators, managers, employees, customers and suppliers.
- Closer: obtain approvals, settle disagreements and resolve leadership or top-job arrangements.
- Captain: manage integration through action plans, milestones and deliverables.
- Crusader: build momentum across both firms through guidance, changed behavior and performance targets.

Divestitures and restructuring

Q69. Meaning and cash effect of a divestiture

Original page(s): 89

- Sell part of a company's assets, such as a product line, subsidiary or division, to an outside party.
- A sale generally brings cash into the parent company.

Q70. Meaning and main features of a demerger or spin-off

Original page(s): 89

- Distribute shares in an existing or new subsidiary to current parent shareholders in proportion to their holdings.
- The distribution itself does not bring cash to the parent.
- The new entity operates independently with its own management.
- Its shares trade separately.
- The slide describes the distribution as non-taxable.

Note: The last point is the lecture description, not a universal tax exemption. Actual treatment depends on the applicable rules and transaction conditions.

Q71. Meaning and main features of an equity carve-out

Original page(s): 89

- Offer a partial interest in a previously wholly owned subsidiary to public investors.
- The selling parent receives funds and, in the lecture's structure, retains control.
- Tests market demand for the subsidiary's shares.
- Provides a separate market valuation.
- Can be a first step toward a later divestiture.

Q72. Split-up, split-off and tracking stock: distinguish them

Original page(s): 89

- Split-up: one company becomes two or more separately managed firms and the original parent ceases to exist.
- Split-off: shareholders exchange parent shares for some or all of the subsidiary shares offered.
- A split-off resembles a parent share buyback paid for with subsidiary shares instead of cash.
- Tracking stock: parent-company shares whose returns are linked to a specified division or subsidiary's operating performance; also called targeted, letter or alphabet stock.

Q73. Advantages of a demerger

Original page(s): 91

- Greater focus and specialization: dedicated managers concentrate on their own market, operations and resource allocation.
- Greater transparency and valuation accuracy: investors can better assess each business's performance, risks and prospects.
- Tailored strategy: each business can choose initiatives suited to its industry and operating needs.
- More investor choice: investors select the growth, cash-flow and risk profile they prefer.
- Potentially broader institutional participation: separation may help businesses meet investors' sector or mandate restrictions.
- Stronger governance: focused boards can improve oversight, accountability and decisions.

Q74. Reasons for divestiture**Original page(s): 92**

- Increase focus and specialization by allocating scarce capital and management resources better.
- Dispose of businesses that fail to meet the parent's required return.
- Satisfy competition or other regulatory concerns arising from a transaction.
- Remove unwanted or nonstrategic businesses inherited in earlier acquisitions.
- Sell redundant assets to raise funds and help integrate the businesses being retained.
- Reduce complexity and improve investors' ability to value the company.

Q75. Benefits of divestiture and the lecture findings on downturns**Original page(s): 93**

- Release capital and management attention from businesses that no longer fit the strategy.
- Increase focus and investment in chosen priorities.
- The slide reports that stronger-performing companies divested more than peers during the studied recession.
- Divestitures can release funds in slowdowns; effective portfolio restructuring is associated with better post-crisis performance.
- Well-executed divestitures can be particularly valuable during and immediately after a crisis.
- The cited slide reports divestitures in slowdown years as almost 50% more likely to be successful than those in other years.

Note: The statistical comparison is the finding quoted in the lecture, not a forecast for any individual sale.

Q76. Five steps in proactive divestiture**Original page(s): 94**

- Prepare the organization: explain why divestiture matters for corporate health and create mechanisms that require managers to consider it.
- Identify candidates: assess the unit's effect on the parent, the parent's contribution to the unit, market expectations and the desired portfolio; check taxes and buyer availability.
- Structure the deal: identify buyers and choose sale, spin-off or a more complex structure; protect employee focus and consider incentives.
- Communicate the decision: announce when completion is reasonably likely and explain the reason simply.
- Create new businesses and growth: redeploy cash, management time and support capacity to attractive opportunities.
- Make divestiture an ongoing, iterative part of strategy rather than a one-off event.

Q77. Difficulties and risks in executing divestitures**Original page(s): 95**

- Limited experience, especially where market deal volumes have been low.
- Organizational inertia caused by technical difficulties and emotional attachment.
- Difficulty aligning stakeholders and agreeing asset value.
- Defining the buyer universe too narrowly and underestimating buyer interest.
- Concern about harming the remaining business or trying to time the market.
- Poor separation planning: missed operating or back-office links, inadequate transition services, and unaddressed regulatory or lender approvals.
- Excessive focus on winning price negotiations rather than creating a workable arrangement for both sides.

Q78. Financial-policy issues in a divestiture or spin-off**Original page(s): 96**

- Capital structure and credit rating: assess debt, liquidity and asset needs separately for the new company and the parent.
- Dividend policy: align distributions with growth, investment, funding needs and investor expectations; the parent's policy may also change.
- Shareholder churn: different size, industry, growth, financing and dividend profiles may cause existing investors to sell or new investors to enter.
- Listing time and venue: consider market conditions and achievable valuation.
- Management expertise: ensure leaders can handle independent public-market responsibilities.
- Separation timing: the lecture gives roughly 6-12 months for a non-core sale; a strategic spin-off may require 6-9 months evaluation, 3 months socialization and 6-12 months implementation.

Note: The time ranges are planning illustrations from the lecture, not guaranteed completion dates.

Q79. Five critical elements of a good divestor**Original page(s): 97**

- Define the strategic reason for selling and ensure the retained business remains attractive; even a strong division may create more value with a better owner.
- Assess the buyer landscape broadly: domestic or international, strategic or financial; target buyers that can obtain greater value.
- Prepare the asset: improve operations, make separation practical and build independent managerial capacity; consider parallel strategic-buyer and financial-buyer processes.
- Orchestrate the process through a separation-management office, risk identification and timely stakeholder communication; agree a roadmap with the preferred bidder.
- Disentangle the business through detailed arrangements covering people, assets and continuing commercial relationships.

Failure and insolvency**Q80. M&A problems before the combination****Original page(s): 100**

- Unclear business strategy.
- A weak core business.
- A poor strategy for the combination.
- Pressure to do a deal.
- Rushed due diligence.
- Overvalued targets and overestimated synergies.

Q81. M&A problems during the combination**Original page(s): 100**

- Treating integration as a distraction from normal work.
- Misunderstanding where added value and critical success factors come from.
- Ignoring the psychological impact on employees.
- Denying or ignoring cultural conflict.
- Rushing implementation.
- Committing insufficient resources.

Q82. M&A problems after the combination**Original page(s): 100**

- Stress on employees and the organization.
- Unexpected implementation obstacles.
- Insufficient attention to team building.
- Coordination problems, including government permissions.
- A culture that emerges by default rather than deliberate design.
- Unintended changes in employee attitudes.

Q83. CIRP timeline: milestones shown in the lecture**Original page(s): 104**

- T: commence the corporate insolvency resolution process and appoint the interim resolution professional.
- T+3: public announcement inviting creditor claims.
- T+14: the chart starts the claims-submission and verification band; it states verification within seven days of receipt.
- T+23: constitute the committee of creditors.
- T+30: first creditor-committee meeting and appointment of the resolution professional.
- T+54: submit the information memorandum to the committee.
- T+75: invite expressions of interest.
- T+90: receive expressions of interest.
- T+105: issue the request for resolution plans, evaluation matrix and information memorandum to applicants.
- T+115: submit the final applicant list to the committee.
- T+135: receive resolution plans.
- T+165: submit the committee-approved plan to the adjudicating authority.
- T+180: plan approval on the illustrative timeline.

Note: This card transcribes the timeline depicted in the supplied lecture. It is a study aid for that slide, not an updated legal timetable.

Q84. CIRP duration, extension, withdrawal and fast-track figures in the slide**Original page(s): 104**

- The slide describes the original period as 180 days, an earlier 270-day framework excluding litigation, and a 330-day overall framework including litigation.
- It states that one 90-day extension can be granted with 66% creditor-committee approval.
- It refers to withdrawal under section 12A and CIRP regulation 30A, with the adjudicating authority's permission and 90% committee approval in the stated framework.
- For the fast-track category, it gives 90 days plus one possible 45-day extension.

Note: These are the figures and descriptions in the supplied slide. They are not a statement that every case must finish on that schedule or a verification of current law.

Q85. CIRP structure shown in the lecture**Original page(s): 105**

- Submit the insolvency application.
- The National Company Law Tribunal admits it.
- Appoint the interim resolution professional.
- Form the committee of creditors.
- The flowchart shows a 66% voting threshold for plan approval.
- If the approval path succeeds, implement the resolution plan.
- The simplified no-approval branch leads to liquidation.

Note: This is the simplified flowchart in the slide, sourced there to a 2019 report; it omits procedural and legal qualifications.

Q86. CIRP abbreviations used in the timeline**Original page(s): 104, 105**

- CIRP: corporate insolvency resolution process.
- IRP: interim resolution professional; RP: resolution professional.
- CoC: committee of creditors.
- NCLT: National Company Law Tribunal; AA: adjudicating authority.
- IM: information memorandum.
- EOI: expression of interest.
- RA: resolution applicant; RFRP: request for resolution plans.

Alliances and growth pathways

Q87. Types of strategic combination: from licensing to acquisition

Original page(s): 114

- Licensing: obtain rights to products, services or trademarks.
- Alliance or partnership: cooperate while each entity pursues its strategic objectives.
- Joint venture: establish a separate formal organization with its own structure, governance, workforce, procedures, policies and culture.
- Merger: combine X and Y into a new entity Z in the slide's representation.
- Acquisition: purchase an organization and incorporate it within a parent.
- Moving toward acquisition generally increases financial commitment, risk, control, impact on the target, integration requirements and difficulty of separation.

Q88. Why form an alliance?

Original page(s): 115

- Enter markets where rules may restrict acquisition or merger.
- Limit exposure to political, exchange-rate or unfamiliar-country uncertainty.
- Access complementary assets.
- Learn capabilities.
- Strengthen the competitive position.
- Coordinate exchanges that a simple contract may not handle well, especially intangible knowledge.

Q89. Main features of an alliance

Original page(s): 116

- Partners retain substantial independence.
- The relationship is less hierarchical.
- It relies more on collaboration.
- Power and authority are distributed more equitably than in a takeover.
- It is often formed around a specific product or service rather than the whole organization.
- Partners focus on product or service quality, mutual customers and a stronger position in shared markets.

Q90. Advantages of a joint venture or strategic alliance

Original page(s): 117

- Lower individual capital requirements because partners share costs.
- A contract-based relationship.
- Access to complementary resources and knowledge.
- Exchange of best practices.
- Potentially fewer regulatory concerns than full acquisition.
- Risk sharing, accompanied by profit sharing.

Q91. Disadvantages of a joint venture or strategic alliance**Original page(s): 117**

- Conflicts of interest between partners.
- Joint control can slow or block decisions.
- Shared knowledge and best practices can leak to the partner.
- Exit can be difficult, especially when the arrangement is successful or partners hold equity in each other.

Q92. Non-equity alliance: mechanism, knowledge, advantages and disadvantages**Original page(s): 118**

- Governance: a contract, such as a supply, licensing or distribution agreement.
- Frequency: the most common alliance form in the slide.
- Knowledge: mainly explicit knowledge that can be written or specified.
- Advantages: flexible, fast, and relatively easy to begin or end.
- Disadvantages: weak ties and potentially limited trust or commitment.

Q93. Equity alliance: mechanism, knowledge, advantages and disadvantages**Original page(s): 118**

- Governance: an equity investment, including an ownership stake or corporate venture investment.
- Frequency: less common than non-equity alliances but more common than joint ventures in the slide.
- Knowledge: explicit knowledge, with possible exchange of tacit knowledge learned through people and experience.
- Advantages: stronger ties, the potential for trust and commitment, and a window into new technology with option value.
- Disadvantages: less flexible, slower and potentially capital intensive.

Q94. Joint venture: mechanism, knowledge, advantages and disadvantages**Original page(s): 118**

- Governance: two or more parents create a new entity.
- Frequency: the least common alliance form in the slide.
- Knowledge: both explicit and tacit knowledge can be shared.
- Advantages: the strongest tie, greater likelihood of trust and commitment, and suitability where the institutional setting requires a JV.
- Disadvantages: long negotiations, potentially substantial investment and a long-term commitment.
- JV managers can have two reporting lines, creating the difficulty of two bosses.

Q95. Resource pathways: when should a company build internally?**Original page(s): 119**

- Begin with a clear understanding of the resource needed.
- Check whether existing internal resources are relevant.
- If relevance is high, test knowledge fit: do we understand the resource and how to create it?
- Test organizational fit: can the organization support internal development?
- Strong knowledge and organizational fit support building internally; otherwise examine borrowing or buying.

Q96. Resource pathways: when should a company use a contract or licence?**Original page(s): 119**

- Check resource tradability: can the needed resource be exchanged through a clear agreement?
- High tradability supports contracting or licensing.
- Confirm resource clarity: specify what is being obtained.
- Confirm resource protection: protect rights and value through the agreement.
- If contracting is unsuitable, assess an alliance.

Q97. Resource pathways: when should a company ally or acquire?**Original page(s): 119**

- An alliance fits a relatively limited need for closeness with the resource partner.
- Confirm a sufficiently narrow collaboration scope and compatible partner goals.
- If close coordination is required, evaluate acquisition.
- Acquire only if integration is feasible, the integration plan is clear and employees have reasons to remain motivated.
- If acquisition cannot work, revisit build, borrow and buy choices or redefine the strategy.

Q98. Choosing alliance or acquisition: type of synergy**Original page(s): 124**

- Modular synergy: partners can manage resources separately and pool results; the slide favors a non-equity alliance.
- Sequential synergy: one partner performs a task and passes the output to the other; the slide favors an equity alliance.
- Reciprocal synergy: both partners need intensive joint work and knowledge sharing; the slide favors acquisition.

Q99. Choosing alliance or acquisition: resources and redundancy**Original page(s): 124**

- Soft resources such as people favor alliances when shared ownership can align interests without causing disaffection or departures.
- Hard resources such as manufacturing facilities can be easier to value and integrate through acquisition.
- Low resource redundancy favors a non-equity alliance.
- Medium redundancy favors an equity alliance.
- High redundancy favors acquisition because full control permits consolidation and removal of duplication.

Q100. Choosing alliance or acquisition: uncertainty and competition**Original page(s): 124**

- High or moderate market uncertainty favors a non-equity alliance in the slide, limiting the downside commitment.
- High uncertainty can also support an equity alliance with limited exposure.
- Low or medium uncertainty is more compatible with acquisition.
- Low competition for the target or technology favors a non-equity alliance.
- Medium competition favors an equity alliance.
- High competition favors acquisition to secure control of the resource.

Board duties

Q101. Board duties in an acquisition bid

Original page(s): 125

- Duty of care: obtain relevant information and make informed, reasonable decisions.
- Duty of loyalty: act in the firm's best interests; the slide notes a Delaware interpretation emphasizing shareholders.
- Duty of candor: inform shareholders of materially important information.
- Make reasonable, good-faith efforts in performing these duties.
- The slide describes courts as generally not imposing liability where directors act reasonably and in good faith within their duties.
- It describes the initial burden as being on the plaintiff to show a breach.

Note: This is the lecture's legal summary, not a universal rule for every jurisdiction or transaction.