

**International Edition**

**Takeovers, Restructuring, and  
Corporate Governance**

**Fourth Edition**



**J. Fred Weston • Mark L. Mitchell  
J. Harold Mulherin**

# **CONTENTS**



<b>SHORT CASES AND COMPANY EXAMPLES IN TEXT</b>	<b>XXV</b>
<b>PREFACE</b>	<b>XXIX</b>
<b>PART I: TAKEOVERS AND MERGERS IN PRACTICE</b>	<b>1</b>
<b>CHAPTER 1 The Takeover Process</b>	<b>1</b>
Change Forces	3
Issues Raised by M&A Activity	4
Merger and Tender Offer Terminology	5
Types of Mergers from an Economic Standpoint	6
<i>Horizontal Mergers</i>	6
<i>Vertical Mergers</i>	7
<i>Conglomerate Mergers</i>	7
Mergers in a Legal Framework	10
The Nature of Tender Offers	11
Risk Arbitrage in M&A Activity	13
<i>Illustrative Example</i>	13
<i>The Nature of the Arbitrage Business</i>	14
<i>Arbitrage Funds</i>	14
Summary	15
Questions	16
<b>Appendix A: Merger Process Information in Proxy Statements</b>	<b>17</b>
<b>Appendix B: The AOL and Time Warner Merger</b>	<b>20</b>
<b>CHAPTER 2 The Legal and Regulatory Framework</b>	<b>24</b>
The Main Securities Laws	25
<i>Federal Securities Laws</i>	26
The Operation of the Securities Acts	29
Tender Offer Regulation—The Williams Act	29
<i>Section 13</i>	29
<i>Section 14</i>	30
Insider Trading Overview	31
<i>The Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO)</i>	31
Court Cases and SEC Rules	32
<i>Liability Under Rule 10b-5 of the 1934 Act</i>	33
Other Disclosure Requirements	35
<i>Disclosure Requirements of Stock Exchanges</i>	35
<i>Disclosure of Merger Talks</i>	36

Regulation of Takeover Activity by the States	37
<i>Developments During the 1980s</i>	37
<i>Issues with Regard to State Takeover Laws</i>	38
Antitrust Policies	39
The Basic Antitrust Statutes	40
<i>Sherman Act of 1890</i>	40
<i>Clayton Act of 1914</i>	41
<i>Hart-Scott-Rodino Act of 1976</i>	41
The Antitrust Guidelines	42
<i>Other Market Characteristics</i>	43
<i>Nonhorizontal Mergers</i>	44
<i>Private Antitrust Suits</i>	44
<i>State Antitrust Activity</i>	44
Regulatory Bodies	45
<i>Railroads</i>	45
<i>Commercial Banks</i>	45
<i>Telecommunications</i>	46
International Antitrust	46
<i>Canada</i>	46
<i>United Kingdom</i>	47
<i>Japan</i>	47
<i>Europe</i>	47
Regulation by Publicity	49
<i>Seizure of the First Executive Corporation and First Capital Life</i>	49
<i>The Hostile Takeover of the Pacific Lumber Company</i>	50
<i>Regulation by the Politics of Finance</i>	50
Summary	51
Questions	52
Case 2.1 Broader Board Responsibilities	53
Case 2.2 Van Gorkom	54
Case 2.3 Revlon Inc. v. Pantry Pride	55
Case 2.4 Maxwell Communications v. Macmillan	55
Case 2.5 Paramount v. Time	56
Case 2.6 Paramount v. QVC Network	56
Case 2.7 Sandoz-Gerber	57
Case 2.8 United Airlines and US Airways	57
References	58
<b>Appendix A: Legal Due Diligence Preliminary Information Request</b>	<b>60</b>
<b>CHAPTER 3 Accounting for M&amp;As</b>	<b>70</b>
Historical Background	70
Pooling of Interests	72
<i>Defects in Pooling</i>	72
<i>FASB Elimination of Pooling</i>	73
Purchase Accounting	74
<i>Purchase Accounting Adjustment Entries</i>	74
<i>Amortization and Impairment Rules</i>	77

Empirical Studies of Pooling Versus Purchase	79
Summary	82
Questions	83
Case 3.1 Wells Fargo Acquisition of First Interstate Bancorporation	83
Case 3.2 Time Warner (TWX) Purchase of the Turner Broadcasting System (TBS) in 1996	86
Case 3.3 The AOL Acquisition of Time Warner (TWX)	87
Case 3.4 The Pfizer Acquisition of Pharmacia	89
References	89

## **CHAPTER 4 Deal Structuring 91**

Taxation and Acquisitions	91
Taxable Versus Nontaxable Acquisitions	91
The Tax Reform Act of 1986	93
Stock Versus Asset Purchases	93
Empirical Studies of Taxes and Mergers	95
Form of Payment	96
<i>Stock Mergers with Collars</i>	97
<i>Earnouts in Mergers</i>	98
Summary	99
Questions	99
Case 4.1 Form of Payment in the First Union and Money Store Merger	100
References	101

## **PART II: M&As—THEORIES AND EMPIRICAL TESTS 102**

### **CHAPTER 5 Strategic Processes 102**

The Nature of Strategy	102
Successful Strategies	102
The Importance of the Economic Environment	104
<i>The Investment Accelerator Principle</i>	104
<i>Sales-to-Capacity Relationships</i>	105
Basic Steps in Strategic Planning	106
<i>Monitoring the Organizational Environment</i>	107
<i>Stakeholders</i>	107
<i>Organizational Cultures</i>	107
<i>Alternative Strategy Methodologies</i>	107
<i>Alternative Analytical Frameworks</i>	111
Approaches to Formulating Strategy	114
<i>The Boston Consulting Group</i>	114
<i>The Porter Approach</i>	115
<i>Adaptive Processes</i>	116
Evaluation of the Alternative Approaches	116
<i>Checklists and Iterations</i>	116
<i>Flexibility and Rapid Adjustments</i>	117

Formulating a Merger Strategy	118
<i>Business Goals</i>	118
<i>Aligning the Firm to Its Changing Environment</i>	119
Strategy and Structure	120
Virtual Integration	122
Strategy and M&A Decisions	122
Summary	123
Questions	123
Case 5.1 Merck Acquisition of Medco	124
Case 5.2 Acquisition of Lotus Development Corporation by IBM	126
References	128
<b>CHAPTER 6 Theories of Mergers and Tender Offers</b>	<b>130</b>
Some Initial Examples of the Merger Process	130
<i>Hewlett-Packard and Compaq</i>	130
<i>Northrop Grumman and TRW</i>	132
Merger Occurrence: Economies of Scale and Transaction Costs	132
<i>Size and Returns to Scale</i>	133
<i>Transaction Costs and Mergers</i>	133
Theories of the Valuation Effects of Mergers and Acquisitions	134
<i>Mergers as Value-Increasing Decisions</i>	134
<i>Mergers as Value-Reducing Decisions</i>	135
<i>Managerial Hubris and Mergers</i>	135
Theoretical Predictions of the Patterns of Gains in Takeovers	136
The Merger Process	136
<i>An Example of the Bidding Process:</i>	
<i>The Acquisition of Savannah Foods</i>	137
Models of the Takeover Bidding Process	138
<i>The Winner's Curse</i>	139
<i>Bidder Costs</i>	139
<i>Seller Decisions</i>	140
An Example of a Takeover Auction	140
Summary	142
Questions	142
References	143
<b>Appendix A: A Chemical Industry Case Study</b>	<b>144</b>
<b>Appendix B: Measurement of Abnormal Returns</b>	<b>152</b>
<b>CHAPTER 7 The Timing of Merger Activity</b>	<b>171</b>
Conceptual Framework	171
Early Merger Movements	172
<i>The 1895 to 1904 Horizontal Mergers</i>	172
<i>The 1922 to 1929 Vertical Mergers</i>	173
The Conglomerate Mergers of the 1960s	173

The Deal Decade, 1981 to 1989	176
Strategic Mergers, 1992–2000	178
Merger Activity After the Bubble	180
Timing of Merger Activity	180
Industry Clustering in Merger Activity	181
<i>Industry Clustering in the 1980s</i>	181
<i>Industry Clustering in the 1990s</i>	182
<i>Extended Analysis of Industry Clustering</i>	183
Mergers and Deregulation	183
<i>Industry Clustering and Deregulation</i>	183
<i>Deregulation, Mergers, and Performance</i>	184
International Perspectives	185
Summary	185
Questions	186
References	186
<b>Appendix A: Telecommunications Industry Case Study</b>	<b>188</b>

## **CHAPTER 8 Empirical Tests of M&A Performance 195**

The Combined Returns in Mergers and Acquisitions	195
<i>Combined Returns: Event Study Evidence</i>	195
<i>Combined Returns: Extended Analysis</i>	196
<i>Combined Merger Returns: Analysis of the Banking Industry</i>	196
Factors Related to Target Returns	198
<i>Target Returns: Type of Merger and Method of Payment</i>	198
<i>Target Returns: Single Versus Multiple Bidders</i>	199
<i>Target Run-Up</i>	199
<i>Takeover Bidding and Takeover Premiums</i>	202
Factors Related to Bidder Returns	202
<i>Bidder Returns and Method of Payment</i>	202
<i>Bidder Returns: Single Versus Multiple Bidders</i>	204
<i>Do Bad Bidders Become Good Targets?</i>	205
Takeover Regulation and Takeover Hostility	205
<i>Measuring the Effect of the Williams Act</i>	205
<i>Takeover Impediments in the 1980s</i>	206
<i>Is Hostility in the Eyes of the Beholder?</i>	206
Postmerger Operating Performance	206
Long-Term Stock Price Performance Following Mergers	207
<i>General Issues</i>	207
<i>Long-Term Merger Performance</i>	208
<i>Summary Comments on Long-Term Price Performance</i>	209
Efficiency Versus Market Power	210
<i>Which Firms Are Subject to Antitrust Enforcement?</i>	210
<i>The Effect of Mergers on Rival Firms</i>	210
<i>Further Analysis of Industry Spillovers</i>	211
<i>Vertical and Horizontal Mergers</i>	211

Effects of Concentration	212
<i>Impact on Macroconcentration</i>	212
<i>Impact on Microconcentration</i>	213

Summary	213
Questions	214
References	215

## **Appendix A: Analysis of a Recent M&A Sample      218**

# **PART III: VALUATION—THE STRATEGIC PERSPECTIVE      232**

## **CHAPTER 9 Alternative Approaches to Valuation      232**

Comparables Approaches	232
<i>Comparable Companies Analysis</i>	232
<i>Comparable Transactions Analysis</i>	233
<i>Application of Comparable Transactions Analysis</i>	235

The DCF Spreadsheet Methodology	237
<i>Capital Budgeting Decisions</i>	237
<i>A Real Options Analysis</i>	238
<i>Spreadsheet Projections</i>	240
<i>Brief Evaluation of the Spreadsheet Approach</i>	243

Cost of Capital	243
<i>Cost of Equity</i>	243
<i>Cost of Debt</i>	245
<i>Weighted Average Cost of Capital</i>	245

## **Capital Structure and the Cost of Capital      246**

Formula Approach	248
<i>The Basic Formula</i>	248
<i>Sensitivity Analysis</i>	250

Summary	251
Questions	251
References	252

## **Appendix A: Derivation of Revenue Growth Valuation Formulas      253**

## **CHAPTER 10 Increasing the Value of the Organization      256**

The Exxon-Mobil Merger	256
<i>Industry Characteristics</i>	257
<i>Merger Motivations</i>	257
<i>Deal Terms and Event Returns</i>	258

## **Cost of Capital Calculations      260**

## **Application of the DCF Percentage-of-Sales Method to ExxonMobil      261**

DCF Formula Valuation	264
<i>Sensitivity Analysis</i>	264
<i>Test of Merger Performance</i>	268

## **Tests of Merger Theory      272**

## **Review      273**

Multiple-Stage Valuation 274

Summary 277

Problems 278

References 283

**Appendix A: Calculating Growth Rates 284****PART IV: RESTRUCTURING 288****CHAPTER 11 Corporate Restructuring and Divestitures 288**

Corporate Restructuring Strategies 288

Definitions of Corporate Restructuring 288

*Asset Sales, Equity Carve-Outs, and Spin-Offs* 289*Split-Ups, Tracking Stock, and Exchange Offers* 290

Examples of Corporate Restructuring: AT&amp;T Corporation 290

*The Baby Bell Breakup in 1984* 291*Restructuring in the 1990s* 291*Restructuring Since 2000* 292

Other Examples of Restructuring and Divestitures 293

*The Auto Parts Industry: GM-Delphi and Ford-Visteon* 293*Restructuring at Philip Morris* 293*Restructuring at Pete's Brewing* 294

Some Discussion of Restructuring Motives 294

Why Might Divestitures Create Wealth? 295

*Modigliani, Miller, and Irrelevance* 295*Corporate Restructuring, Incentives, and Efficiency* 295*Corporate Restructuring and Information* 295

Why Do Divestitures Occur? 296

Corporate Restructuring and Transaction Costs: The Petrochemical Industry 297

Corporate Restructuring and Change Forces: The Natural Gas Industry 298

Summary 299

Questions 299

References 300

**Appendix A: Restructuring in the Diversified Natural Gas Industry in the 1990s 301****CHAPTER 12 Empirical Tests of Corporate Restructuring and Divestitures 311**

The Wealth Effects of Restructuring and Divestitures 311

*Are Divestitures a Positive NPV Project?* 311*Sources of Wealth Gains: Evidence from Asset Sales* 312*Sources of Wealth Gains: Information versus Efficiency* 314

Corporate Focus 314

*Focus and the Wealth Effects of Corporate Divestitures* 314*Focus, Diversification, and Firm Value* 316*Is There Really a Diversification Discount?* 317

Corporate Choice: How to Divest? 317

Summary 318



Questions	319
References	319

**Appendix A: Analysis of a Sample of Recent Divestitures 321**

**CHAPTER 13 Financial Restructuring 328**

Unlocking the Value in the Firm	328
Leverage and Leveraged Recapitalizations	329
<i>The Effects of the Use of Leveraged Recaps</i>	332
<i>Subsequent Performance</i>	334
Dual-Class Stock Recapitalizations	335
<i>Reasons for Dual-Class Recapitalizations</i>	335
<i>Market Response to Dual-Class Recaps</i>	335
<i>Paradox of the Entrenchment</i>	336
Exchange Offers	337
<i>Tax Aspects of Exchange Offers</i>	337
<i>Empirical Evidence on Exchange Offers</i>	338
Reorganization Processes	340
<i>Out-of-Court Procedures</i>	340
<i>Merger into Another Firm</i>	341
<i>Formal Legal Proceedings</i>	341
Bankruptcy	342
<i>Recent Data on Bankruptcy</i>	342
<i>Bankruptcy Procedures</i>	343
Financial Engineering	347
Liquidations and Takeover Bust-Ups	348
<i>Empirical Studies</i>	349
Summary	351
Questions	352
Case 13.1 Management Assistance, Incorporated	352
References	353

**PART V: M&A STRATEGIES 356**

**CHAPTER 14 Alliances and Joint Ventures 356**

Joint Ventures	357
<i>Uses of Joint Ventures</i>	358
<i>Joint Ventures and Business Strategy</i>	359
<i>Joint Ventures and Restructuring</i>	359
<i>Rationale for Joint Ventures</i>	361
<i>Failure and Success</i>	362
<i>Empirical Tests</i>	363
Strategic Alliances	365
<i>Uses of Strategic Alliances</i>	366
<i>Other Issues</i>	368
<i>Event Studies</i>	369
<i>Successful Strategic Alliances</i>	370
<i>Relative Roles</i>	371

Other Interfirm Relationships	372
<i>Minority Equity Investments</i>	372
<i>Technological and Marketing Agreements</i>	373
<i>Franchising</i>	374
Summary	374
Questions	376
Case 14.1 GM-Toyota Joint Venture	376
References	377

## **CHAPTER 15 Employee Stock Ownership and MLPs 379**

Nature and History of ESOPs	379
<i>Types of Pension Plans</i>	379
<i>Types of ESOPs</i>	380
<i>ESOPs as Pension Plans</i>	381
<i>Concept of a Leveraged ESOP</i>	382
Uses of ESOPs	383
<i>Comparison with a Merger</i>	383
<i>ESOPs in Lieu of Subsidiary Divestitures</i>	385
<i>Other Uses of ESOPs</i>	385
Data on ESOP Characteristics	386
Tax Advantages	388
<i>Interest Exclusion</i>	388
<i>Dividend Deduction</i>	388
<i>Deferment of Capital Gains Tax</i>	389
<i>Tax Loss Carryforwards</i>	389
<i>Excess Pension Asset Reversions</i>	389
<i>Conclusions on Tax Benefits</i>	389
The Performance of ESOPs	390
<i>ESOPs as a Takeover Defense</i>	390
<i>ESOPs Versus Alternative Methods of Raising Funds</i>	390
<i>Comparison with Profit Sharing</i>	391
<i>Effects on Company Productivity</i>	392
Economic Issues	394
ESOP Event Returns	395
Evaluation of ESOPs	396
Master Limited Partnerships	397
<i>The Nature of MLPs</i>	397
<i>The Boston Celtics Example</i>	398
<i>Advantages of MLPs</i>	398
<i>Initial Pricing of MLPs</i>	399
Summary	399
Questions	400
Case 15.1 Pan Petroleum MLP	401
Case 15.2 UAL Corp	402
References	404

<b>CHAPTER 16</b>	<b>Going Private and Leveraged Buyouts</b>	<b>406</b>
	The Characteristics of Leveraged Buyouts	407
	The Major Stages of Leveraged Buyouts	407
	Characteristics of LBOs in the 1980s	410
	<i>General Economic and Financial Factors</i>	410
	<i>Illustration of an LBO</i>	411
	<i>Elements of a Typical LBO Operation</i>	413
	<i>Other Aspects of Going-Private Buyouts in the 1980s</i>	414
	<i>Empirical Results of Going Private in the 1980s</i>	415
	<i>Sources of Gains</i>	418
	<i>Evidence of Postbuyout Equity Value</i>	424
	The Correction Period 1991 to 1992	426
	The Role of Junk Bonds	427
	LBOs in the 1992 to 2000 Period	430
	Valuation of LBOs	431
	Summary	433
	Questions	434
	Problems	434
	References	438
	<b>Appendix A: Relation Between WACC and CCF Models</b>	<b>440</b>
	<b>Appendix B: Relation Between CCF and APV Models</b>	<b>443</b>
<b>CHAPTER 17</b>	<b>International Takeovers and Restructuring</b>	<b>446</b>
	Historical Patterns	446
	Large Cross-Border Transactions	446
	Examples of Cross-Border Transactions	454
	Forces Driving Cross-Border Mergers	460
	<i>Growth</i>	461
	<i>Technology</i>	461
	<i>Advantages in Differentiated Products</i>	462
	<i>Roll Ups</i>	462
	<i>Consolidation</i>	462
	<i>Government Policy</i>	463
	<i>Exchange Rates</i>	463
	<i>Political and Economic Stability</i>	463
	<i>Following Clients</i>	464
	<i>Diversification</i>	464
	Premiums Paid	464
	Event Returns	465
	International Joint Ventures	467
	Cost of Capital in Foreign Acquisitions and Investments	469
	<i>Cost of Debt Relationships</i>	469
	<i>Cost of Equity and Cost of Capital</i>	471
	Summary	474

Questions	475
Case 17.1 The Saga of Gerber Products	476
Case 17.2 Ciba-Geigy Merger with Sandoz	478
Case 17.3 Vodafone Airtouch Takeover of Mannesmann	480
References	482

## **PART VI: STRATEGIES FOR CREATING VALUE 484**

### **CHAPTER 18 Share Repurchases 484**

Growth of Share-Repurchase Activity	484
Major Types of Share Repurchase	487
<i>Fixed-Price Tender Offers (FPTs)</i>	487
<i>Dutch Auctions (DAs)</i>	488
<i>Transferable Put Rights (TPRs)</i>	488
<i>Open-Market Repurchases (OMRs)</i>	488
Fixed-Price Tender Offers (FPTs)	489
<i>Basic Stock Repurchase Model</i>	489
<i>Rationale for the Postexpiration Price Changes</i>	491
Dutch Auction Repurchases	492
Transferable Put Rights (TPRs)	495
Event Studies	498
<i>Undervaluation in the 1970s</i>	498
<i>Share Repurchases Around the October 1987 Stock Market Drop</i>	498
<i>Comparisons Between FPTs, DAs, and OMRs</i>	500
<i>Lagged Responses</i>	500
<i>The Mitchell and Stafford (2000) Methodology Critique</i>	500
<i>Event Returns in the 1990s</i>	501
<i>The Impact of Stock Market Declines</i>	501
<i>Implications of Gains and Losses from Share Repurchases</i>	501
A Model of Undervaluation	505
Accounting Treatment of Share Repurchases	508
Empirical Studies of Share Repurchases in the 1990s	510
The Measurement of Share-Repurchase Growth	511
Related Dividend Studies	512
The Substitution Issue	514
Summary	517
Questions	519
Case 18.1 FPL	520
Case 18.2 Returns from Open-Market Repurchase Announcements	521
References	522

### **CHAPTER 19 Takeover Defenses 525**

Strategic Perspectives	525
Financial Defensive Measures	527

Corporate Restructuring and Reorganization	527
<i>Reorganization of Assets</i>	527
<i>Other Strategies</i>	528
Greenmail	528
<i>Wealth Effects of Greenmail</i>	529
<i>Antigreenmail Developments</i>	530
Methods of Resistance	531
<i>Pac Man Defense</i>	531
<i>White Knight</i>	532
<i>White Squire</i>	532
Antitakeover Amendments	532
<i>Supermajority Amendments</i>	533
<i>Fair-Price Amendments</i>	533
<i>Classified Boards</i>	533
<i>Authorization of Preferred Stock</i>	534
<i>Other Antitakeover Actions</i>	534
<i>Antitakeover Amendments and Corporate Policy</i>	535
<i>Antitakeover Amendments and Shareholder Returns</i>	536
<i>Takeover Defenses of Newly Public Firms</i>	538
State Laws	538
Poison Pills	539
<i>Types of Plans</i>	539
<i>Case Studies</i>	539
<i>Dead-Hand Provisions</i>	540
<i>Effects of Poison Pills on Shareholder Returns</i>	541
Shareholder Activism	542
Poison Puts	543
Golden Parachutes	544
<i>Rationale</i>	545
<i>Silver and Tin Parachutes</i>	546
<i>Golden Parachutes and Returns to Shareholders</i>	546
Summary	547
Questions	549
Case 19.1 Carter Hawley Hale Versus Marshall Field & Company	550
Case 19.2 Mattel-Hasbro	551
Case 19.3 Hershey Foods Saga	552
References	555
<b>CHAPTER 20 Corporate Governance and Performance</b>	<b>558</b>
Governance Failure	558
<i>Corporate Fraud</i>	558
<i>Regulatory Responses</i>	560
An Overview of Corporate Governance	562
Corporate Governance Systems in the United States	563
<i>Diffuse Stock Ownership</i>	563
<i>Contractual Theory of the Firm</i>	563
<i>Divergent Interests of Stakeholders</i>	564

Internal Control Mechanisms	564
Role of the Board of Directors	565
<i>Composition of the Board</i>	565
<i>Compensation of Board Members</i>	567
<i>Evaluating a Board of Directors</i>	567
Ownership Concentration	568
<i>Ownership and Performance</i>	568
<i>Other Studies of Ownership Effects</i>	570
<i>Managerial Ownership and Bond Returns</i>	571
<i>Financial Policy and Ownership Concentration</i>	571
Executive Compensation	572
Outside Control Mechanisms	574
<i>Stock Prices and Top Management Changes</i>	574
<i>Institutional Investors</i>	575
Multiple Control Mechanisms	577
Proxy Contests	577
<i>Wealth Effects—Early Studies</i>	578
<i>Wealth Effects—Later Studies</i>	579
The M&A Market for Control	581
Alternative Governance Systems	582
Summary	583
Questions	585
Case 20.1 Chrysler Corporation Versus Tracinda Corporation— A Struggle for Control	586
Case 20.2 WorldCom	587
Case 20.3 AOL Time Warner	590
References	592
<b>CHAPTER 21 Merger Arbitrage</b>	<b>596</b>
Merger Arbitrage Scenarios	597
<i>Cash Deals</i>	597
<i>Stock Mergers</i>	600
<i>Complex Merger Transactions</i>	605
Empirical Research on Merger Arbitrage	607
<i>Risk and Return to Merger Arbitrage</i>	607
<i>Do Merger Arbitrageurs Accurately Forecast Merger Success?</i>	610
<i>Price Pressure Around Mergers</i>	612
<i>Floating-Exchange Ratio Mergers</i>	613
Merger Arbitrage in Action	615
<i>The Mechanics of Trading</i>	616
<i>The Challenge of Stock Mergers</i>	617
<i>The Monitoring Process</i>	618
Summary	620
Questions	620
Case 21.1 Cheap Tickets, Incorporated—Cendant Corporation	621

References	622
<b>Appendix A: Conoco Incorporated–Phillips Petroleum</b>	<b>623</b>
<b>Appendix B: Proposed HotJobs.com, Limited and TMP Worldwide, Inc. Merger Selected Commentary by <i>DealAnalytics.com</i></b>	<b>625</b>
<b>Appendix C: Illustrative Portfolio Recommendations</b>	<b>635</b>
<b>Appendix D: Illustrative Portfolio Recommendations Summary</b>	<b>637</b>
<b>CHAPTER 22 Implementation and Management Guides for M&amp;As</b>	<b>639</b>
M&As in a Strategic, Long-Range Planning Framework	640
<i>Goals and Objectives</i>	640
<i>The Role of Strategy</i>	641
<i>The Role of Planning</i>	643
<i>Managerial Capabilities Perspective</i>	643
The Foundation for Sound M&A Decisions	644
<i>Strategic Planning Framework</i>	645
<i>Real Options Framework</i>	646
The Acquisition Process	649
<i>Strategy Formulation</i>	649
<i>The Economics of the Industry</i>	649
<i>The Organization System</i>	651
<i>Multiple Strategies for Value Growth</i>	651
<i>Search Processes</i>	652
<i>Economic Basis—Synergy Potentials</i>	652
<i>Restructuring Potentials</i>	653
<i>Due Diligence</i>	653
<i>Expanding Due Diligence</i>	653
<i>Cultural Factors</i>	654
<i>Valuation</i>	655
<i>Negotiation</i>	656
<i>Deal Structuring</i>	656
<i>Implementation</i>	657
<i>Reviews and Renewal Process</i>	657
Summary	658
Questions	659
References	659
<b>GLOSSARY</b>	<b>661</b>
<b>AUTHOR INDEX</b>	<b>677</b>
<b>SUBJECT INDEX</b>	<b>683</b>