**Organizations and Growth: Mergers and Takeovers**

*1) Based on what you learnt last year, define the following concepts. Give examples.*

- Mergers: a merger takes place when two firms combine their assets to form a new

one (Marriott & Sheraton)

- Acquisitions: an acquisition takes place when firm A takes over firm B.

Controlling interest (Facebook acquired Whattsapp)

*2) What are the different types of integration?*

***Horizontal****: firms combine while selling the same type of the product at the same stage*

*of production*

***Vertical****: firms combine while selling the same type of product but at different stage f*

*production (backward or forward)*

***Lateral****: firms combine while selling different types of products, but with an element of*

*commonality*

***Conglomerate****: firms combine while selling different types of products*

**Comprehension**:

1) What is an “asset stripper”?: *A person who buys a company to sell its assets.*

2) What is a “reverse takeover”?: *When a company buys out a larger company.*

3) What does “deregulation” refer to?

*The removal of government controls from an industry or sector, to allow for a free*

*and efficient marketplace.*

4) What does it mean that companies are “bargain hunting”?

*They are on the lookout, looking for a bargain. A bargain is a good deal.*

5) What is a “conglomerate”? Can you think of examples?

*A very large company. A corporation consisting of several companies in different*

*businesses. Such a structure allows for diversification of business risks, but the lack of*

*focus can make managing the diverse businesses more difficult. (ex: Newscorp.)*

6) What are the various stages involved in a “stock market listing”?

- *Developing a robust business plan*

- *Finding out about what a market flotation involves*

- *Developing investor relations strategy*

- *Deciding on the method of flotation*

- *Reviewing pricing issues*

- *Filing an official request to be quoted while providing all necessary documents*

- *IPO*

7) What is an “all-out takeover”?

*“All-out” means “using all available means and resources”.*

*8) What does a “demerger” consist in? For what ends?*

*The act of splitting off a part of an existing company to become a new company, which*

*operates completely separate from the original company. A demerger is often done to*

*help each of the segments operate more smoothly, as they can focus on more specific*

*tasks.*

*9) What are a “management buy-out”, a “leveraged buy-out” and a “management buyin”?*

*Management buyin: Purchase of a firm by the outside investors who often retain the existing management team and nominate their representatives to the board of directors. Management buy-ins generally occur where the outside investors believe the firm's products can generate greater than current yields with change in strategy and/or infusion of capital.*

*Leveraged buy-out (LBO): Acquisition of a firm by raising its purchase price mainly through borrowing secured by thesame firm's assets. After the purchase, the loan is paid from the firm's cash flow and/or byselling off its assets (called 'asset stripping').*

*Management buyout (MBO): Purchase of a firm (or one of its divisions) by the existing management, usually with outsidefinancing. MBOs generally occur where the firm (or its division) is under threat of closure, or when the parent firm wants to divest a subsidiary. Called employee buy out if all employees participate in the purchase.*

*Read more: http://www.businessdictionary.com/definition/management-buy-out-MBO.html*\_\_