



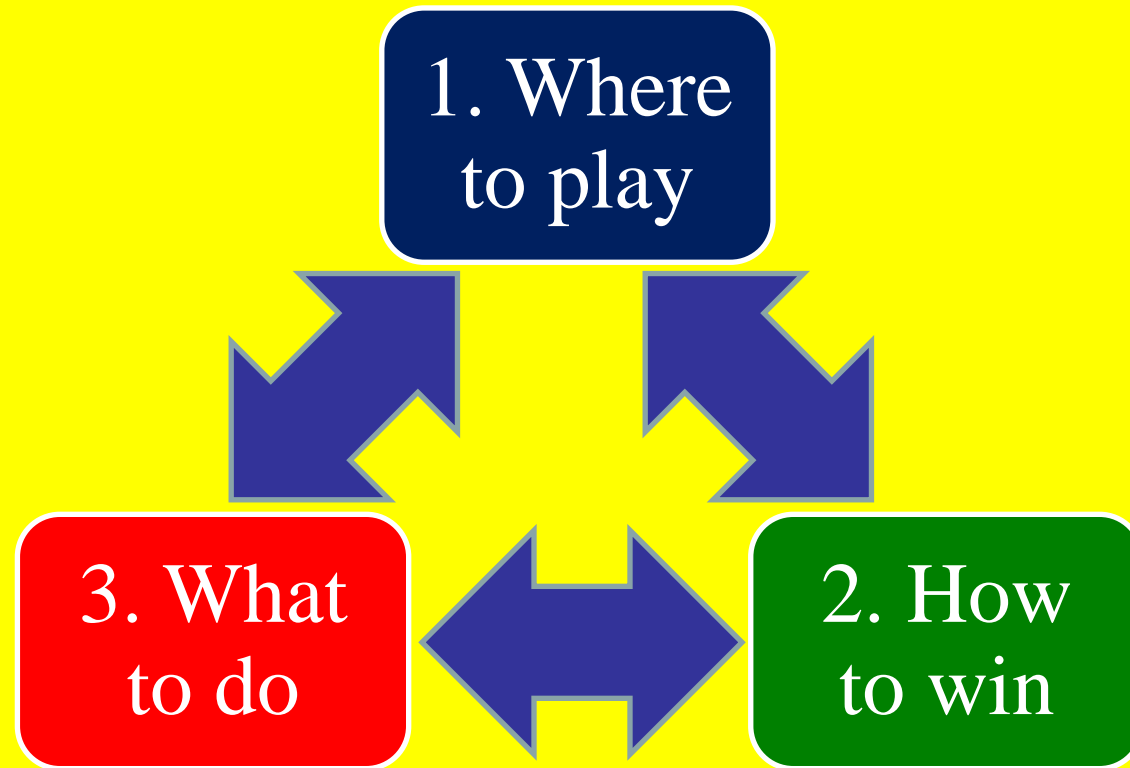
CASE WESTERN RESERVE
UNIVERSITY
WEATHERHEAD SCHOOL OF MANAGEMENT

Resource Interactions and Merger Success

Part One: Understanding Resource Interactions in Business Models

Sayan Chatterjee
Weatherhead School of Management

Three Components of a Business Model

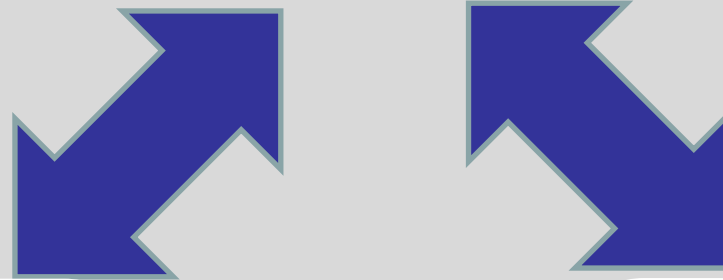


This is your Business Model

Three Components of a Business Model: Expanded

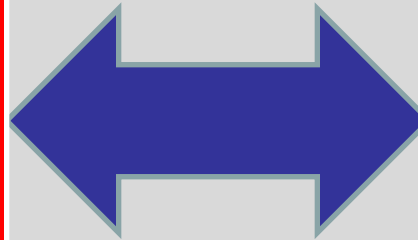
Demand and Supply

1. Market
2. Industry



Value Chain

1. Activities (primary and support)
2. Resources



Profit Logic (core objectives)

1. Add Value
2. Cut Cost

The Foundation of Your Biz Model is the Profit Logic: How to Win

- How do you add value
- How can you cut costs

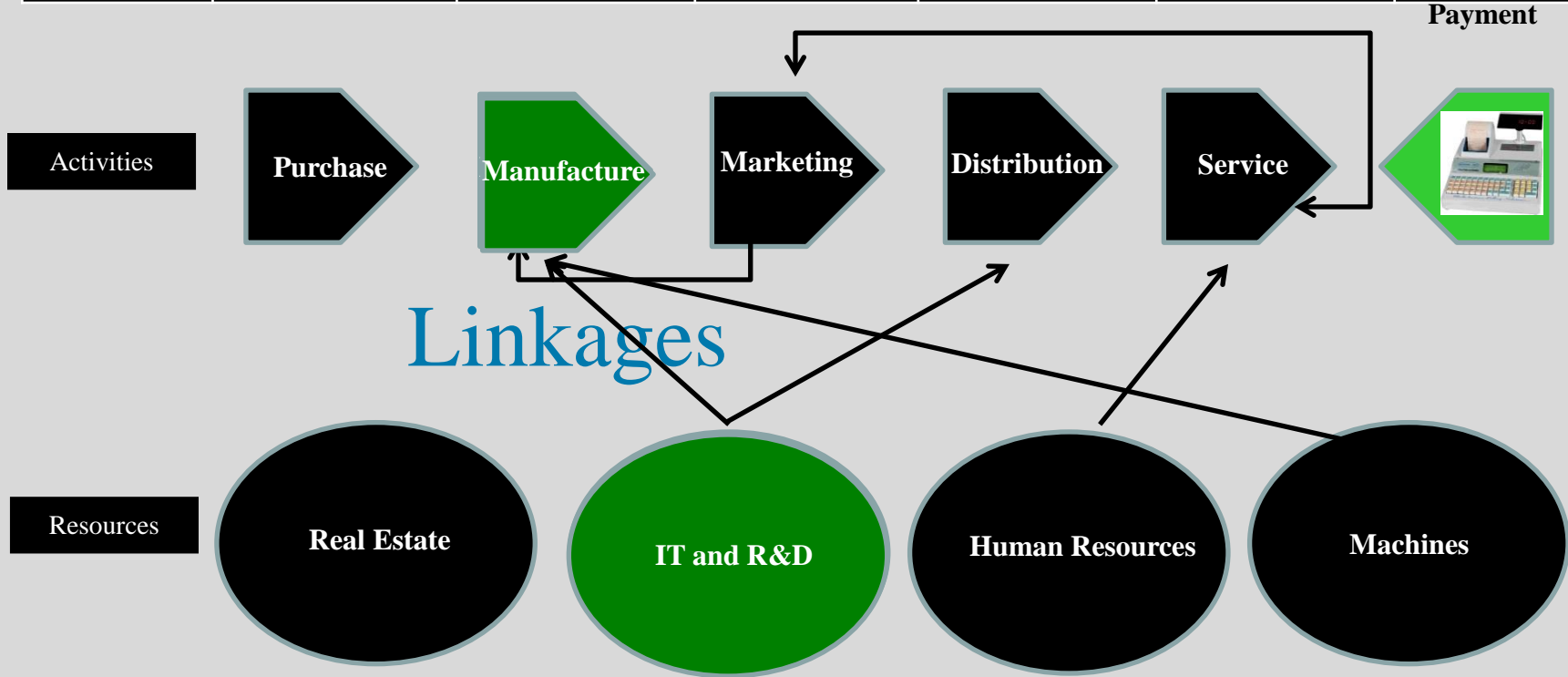
Better than competition

**THE VALUE CHAIN MODEL IS
THE KEY TO UNDERSTAND**

RESOURCE INTERACTIONS

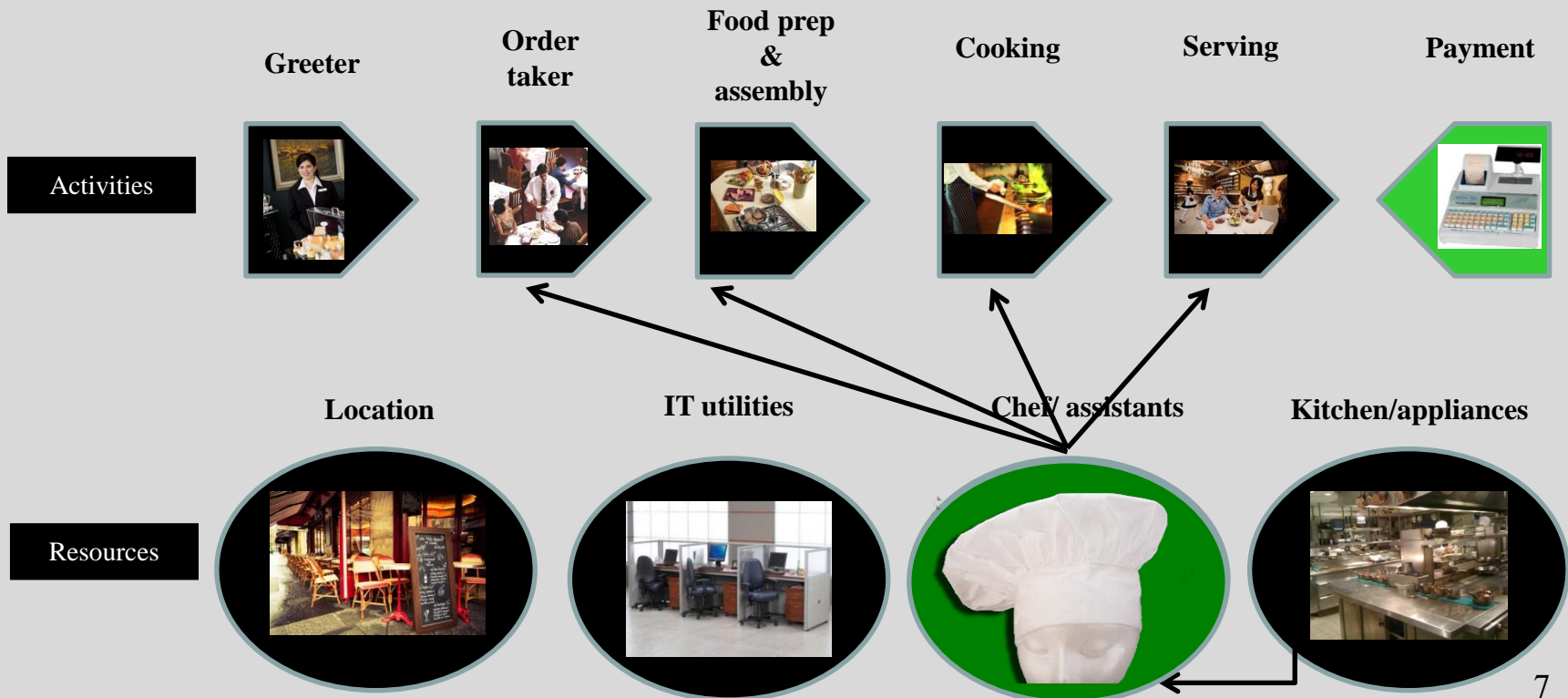
Value Chain: Modified

How to Increase Value						
How to Increase Efficiency						



Restaurant Value Chain: Basic

How to Increase Value						
How to Increase Efficiency						



Extending Your Biz is Changing Value Chain Activities & Resources

Same

Biz Model

- **Competitive**

- Extra emphasis on a customer/channel
- Changing the way customers acquire your product
- Offering additional attributes

- **Enabling**

- Entering new markets with same products
- Offering different products in existing markets

- **Expanding**

- Entering new markets with new products

Different

M&A is a Means to the Expansion/Diversification End

- A mergers or an acquisition is a *buy* instead of *make* decision
- We are buying capabilities to compete in the new business or expanding the current business – this is our cost of entry
- Without understanding *how we are going to compete* M&A is bound to fail



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Resource Interactions and Merger Success Part Two: How Resource Interactions lead to Competitive Advantage in M&A

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How to Succeed in M&A

- Valuation depends on what you *know* you can get out of the deal
 - How to identify the win-win deal
- Integration has to deliver the promise

Premium Drivers: Beyond Profit Logic

- Leveragable capabilities allow you to pay higher premium
- Small/private firms have lower premiums
- Intangibles can reduce the actual premium

How to Identify the Win-Win Deal

- Develop an information edge
- Manage the courting process

Develop an information edge

Start

- Target Small/Private Firms
- Define your target markets clearly
- Look for Markets in Transition
- Become your own investment bankers
- Become the acquirer of choice

Goal

Two Success Themes

- Repeatable Process
- Singles are better than home-runs

Two Failure Factors

- Deviate from the process
- Synergy trap



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Resource Interactions and Merger Success Part Three: Business Models for M&A

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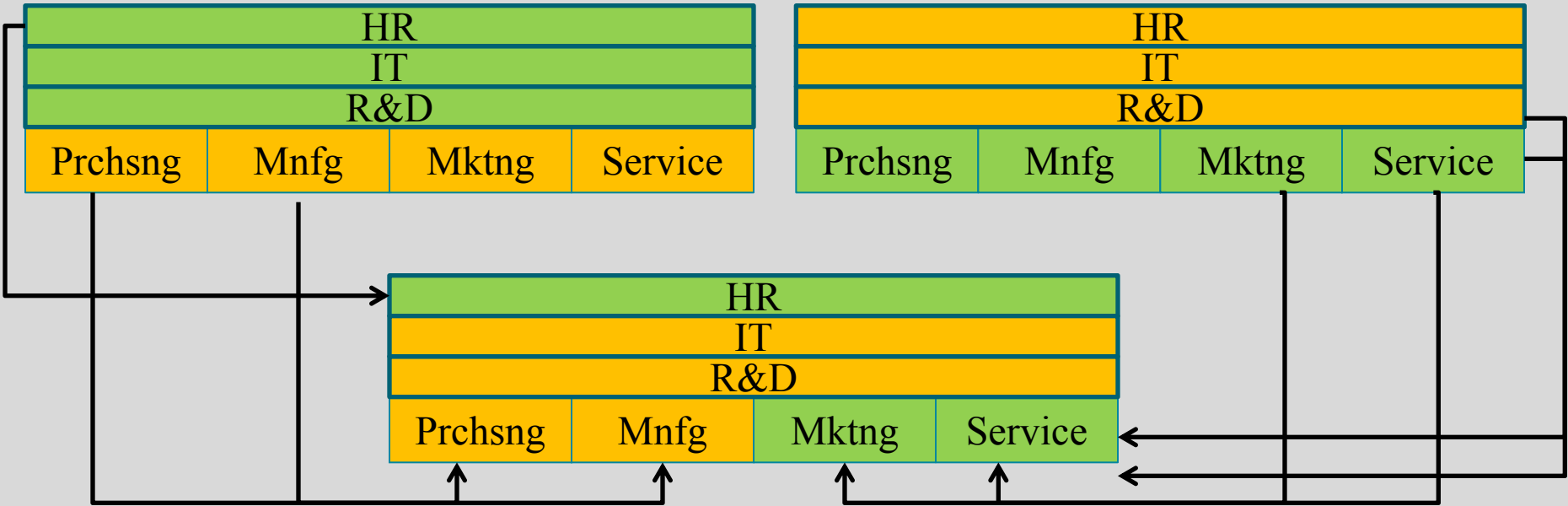
Nir Brueller
Tel-Aviv University

Post-Merger Business Models

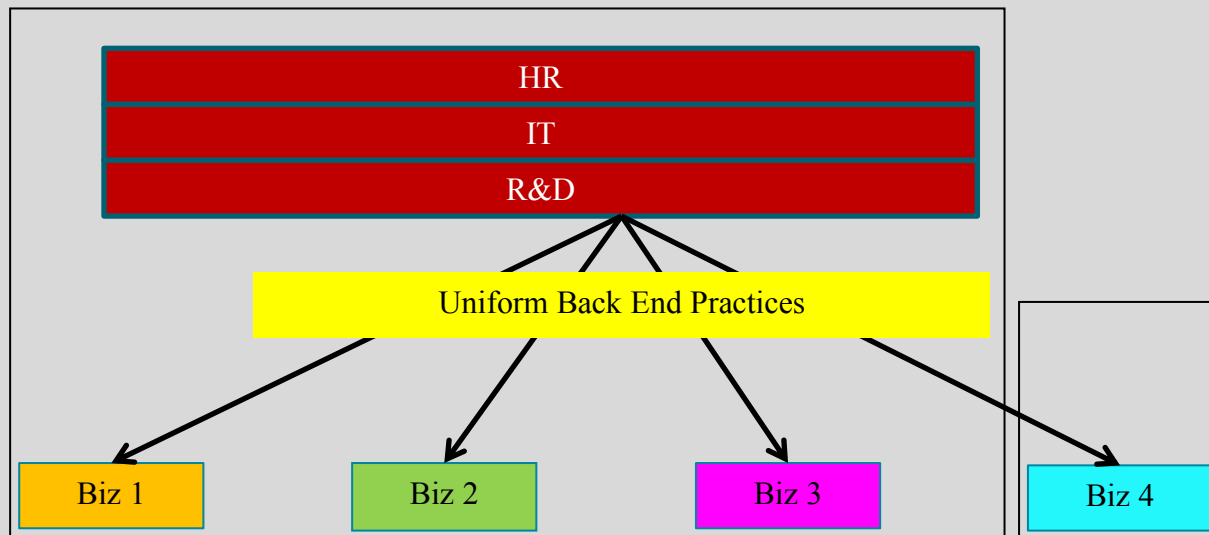
1. Capacity Consolidation
2. Roll-Ups (capacity pooling)
3. 1-Stop Shop
4. Focused Intervention
5. New Business Model

Note: examples will be provided during the session. Just be familiar with the labels and try to come up with your own examples if you can.

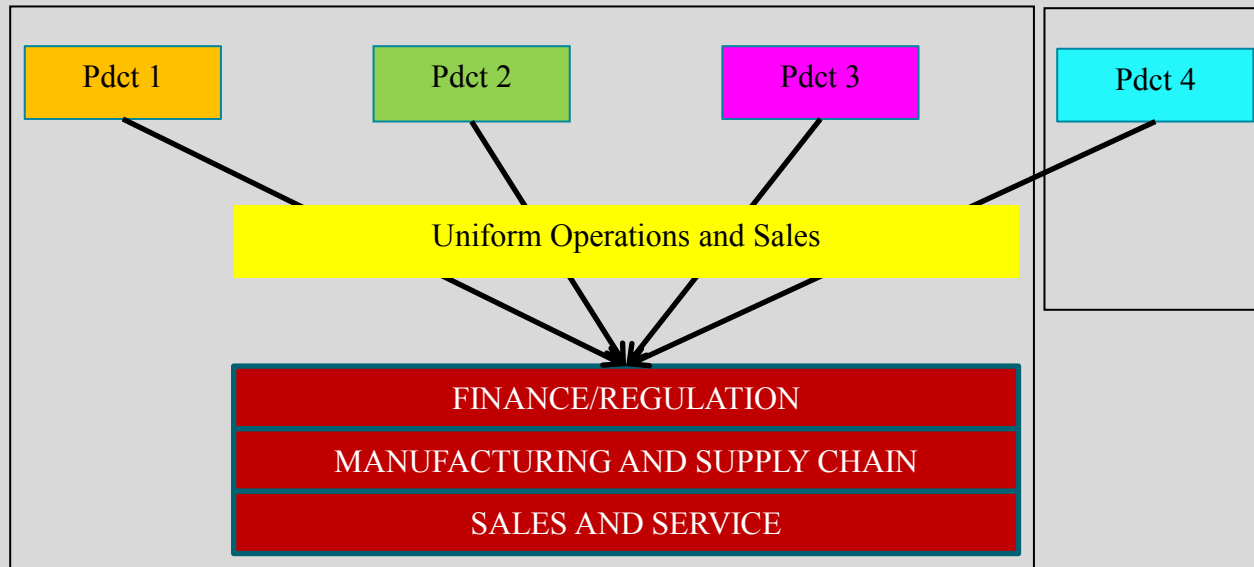
Capacity Consolidation



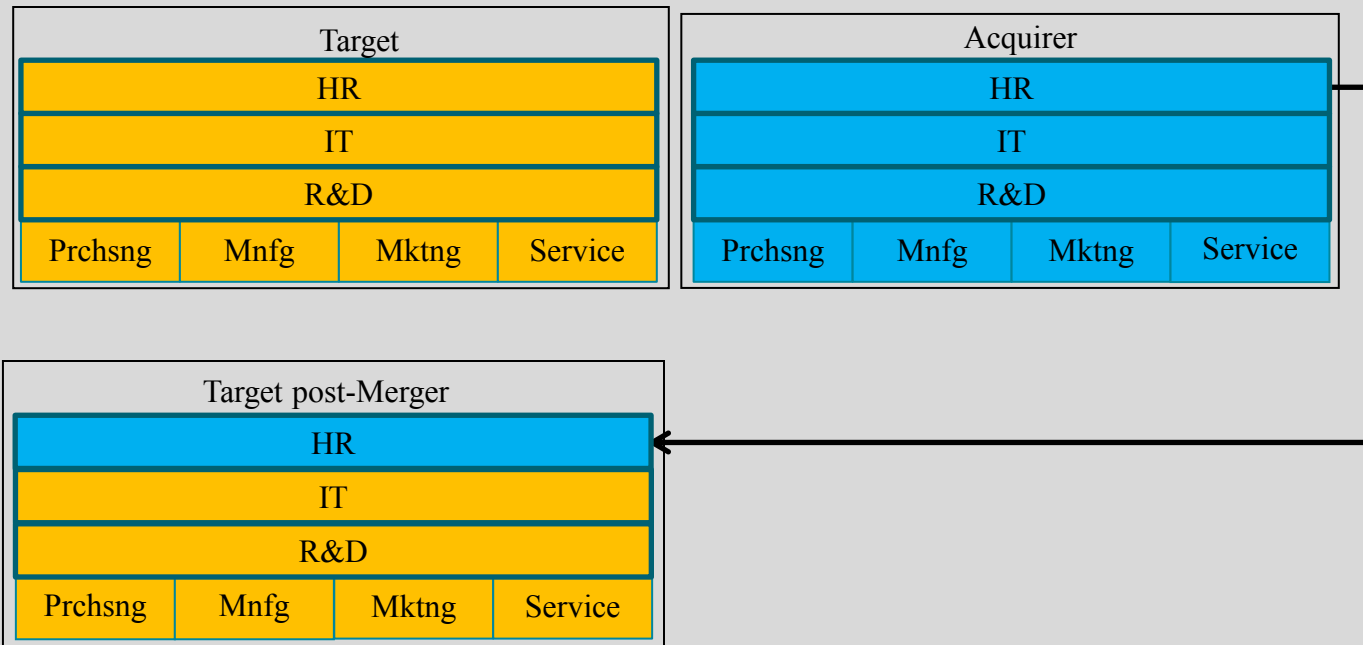
Asset Consolidation – Roll -Ups



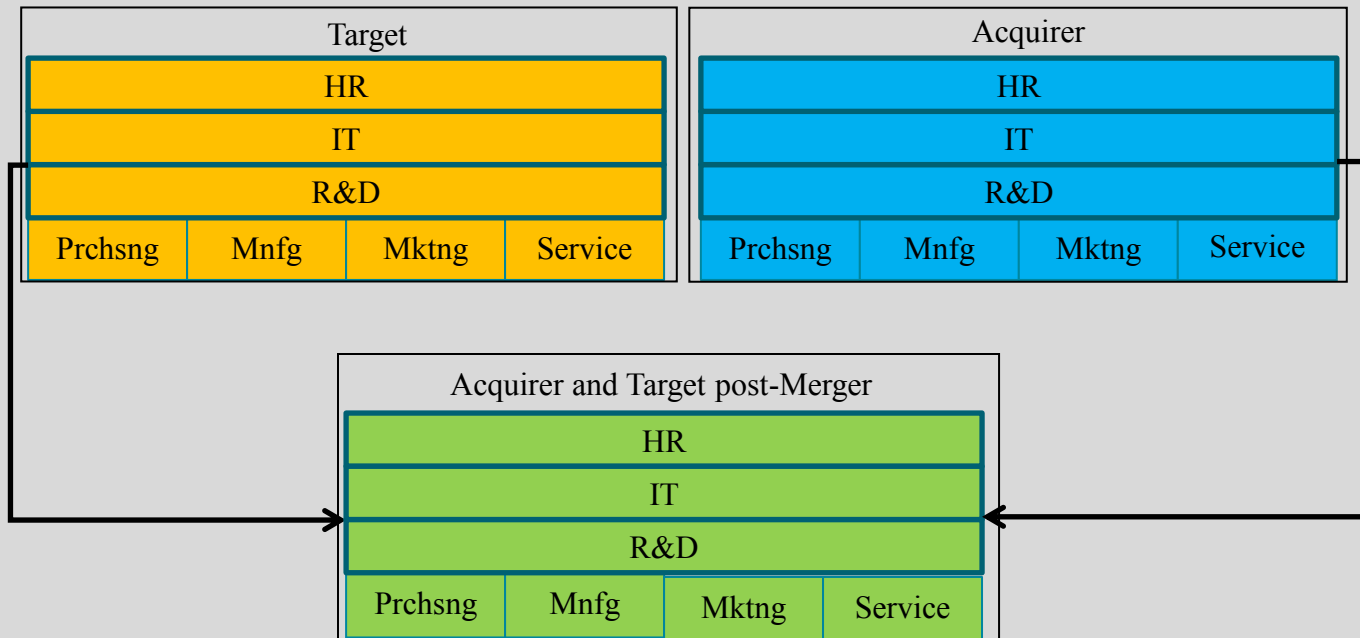
1-Stop Shop



Focused Intervention



New Business Model





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Thank You !

Questions Please