

Key Successful Factors of M&A

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Abstract. In order to reduce costs and increase revenue, expand strength, develop rapidly in a very short period of time, and establish its market advantages and brand advantages, enterprises often have to use their own brands to continuously acquire more similar companies to make cross-media and Multi-level service gets a best play. Mr. Redstone, chairman and CEO of Viacom, has developed his family business, National Entertainment Corporation, into the second largest media group in the world in just 15 years. Its development history is the true portrayal of capital mergers and acquisitions in the media field. This article starts from the analysis of Viacom-CBS mergers and acquisitions, which is a intricate, complex and lengthy large-scale business mergers and acquisitions cases, and studies how to estimate the exact value of business acquisitions through understanding business culture and corporate strategy before business acquisitions. In the acquisition process, negotiation skills, preparation and negotiation strategy are making a great difference to the negotiation. After the successful acquisition, the efficient operation and cooperation of the enterprise play an important role in the long-term development of the enterprise. The research of this paper is of great significance for enterprise acquisition, increasing business interests and improving the efficiency of enterprise management.

Keywords: acquisitions; enterprise; negotiation.

1. Introduction

Perhaps none of any other large-scale business mergers and acquisitions cases have been so intricate, complex and lengthy like the Viacom-CBS during the past 3 decades. From the start, due to the relevant regulations and policy of Federal Communication Commission (FCC) , Viacom had to strip from CBS. To 1999, with the related deregulation of FCC, the proposed Viacom-CBS combination had been put back on the agenda again and soon had attracted a great many of public attention. It immediately grew to the top of national news when announced in September. However, fairly beyond everyone's exception including the CEO of Viacom Mr. Redstone at that time. In 2006, the two media empire 'broke up' again. Until recently, on August 14th 2019, CBS and Viacom announced that they had reached the agreement of mergers in third times, the new corporation named as Viacom-CBS inc. Over this dramatic and even ridiculous history, multiple business acquisition and merger factors and key points could be gained via that precious lesson and experience. At the same time, we took the examples of Geely and Volvo. Rothschild, a well-known acquisition company, called it "the most complex acquisition case experienced in recent years". This thesis will focus on discussing the negotiation process of the two mergers and acquisitions and the operation after the acquisition, so as to obtain the key factors of business negotiation.

2. Estimate the exact value in business acquisition

2.1 Business Culture

2.1.1 Figure out and Keep the Root and Core of Principle for Company

Like other successful and huge corporations, Viacom as the empire in media industry possess its own principles. The chairman and CEO of Viacom Mr. Redstone concluded them into 3 laws, also known as "ABC" principles [1].

1," A "represents Acquire, namely always endeavoring to go for the best content in media business. "Content is the king" said by Mr. Redstone could be taken as the convincing evidence of. In reality, Approximately during the entire development of Viacom, Mr. Redstone stuck to this principle. Even way back to when he just went into Viacom, he thought a lot of its powerful facilities and hardware, more precisely, the comprehensive cable television network, the radio station, the television station and its program transportation network of Viacom. In other words, Mr. Redstone was quite interested in the content production ability of Viacom back then. For him, "What matters for audience is not the media itself, not cable system or television station, instead, what's important is the content and program themselves. Based on that, in many occasions, he several times emphasized that in terms of every media corporation, content always turn to be or even must be the footstone. Content is everything. On top of that, Mr. Redstone recognized that what's most attracted in Viacom was the adequate number of high-quality TV programs which had won a large amount of profits for Viacom. In fact, Viacom was completely able to be called the master of television programs particularly in the prime time at that time. The "A" principle, as a significant part of Viacom company culture, almost determined the whole business strategy in future. Basically, CBS possess one of the best and famous radio and television network which is what Viacom really wanted. Interested, simultaneously, CBS had the thought to acquire Viacom since CBS also demand the cable network and most important-the large-size and high quality film production. (Another major merits was due to the alteration of regulations from FCC which abolished "one to one" principle, meaning there was no limit of media mergers anymore.) Eventually, Viacom acquired CBS with nearly 35 billion dollars for this deal.

2.1.2 Assess the Stake of Acquisition and Mergers Based on Culture

Generally speaking, argue that the most appropriate criterion for evaluating the exact value in business acquisitions is the extent to which the merger corresponds to the business culture of certain corporations. In case of Viacom-CBS mergers in 1999, it was the goal born from the culture to purchase the comprehensive or even perfect production ability to power Viacom to complete this deal. However, mostly because of the violation of this principle in 2006, Mr. Redstone decided to split out again for the short term profit. Nonetheless, on no circumstances should we neglect the terrible situation the Viacom faced at that time, to be more specific, the recession in radio business belonging to CBS that had truly made a negative effect on the share prices of whole corporations. (As related data prohibited, during the past 5 years, the share price of Viacom dropped more than 50%) Falling into this dilemma, Mr. Redstone chose to split out in order to avoid more damage. Apart that, many analysts point out that, in media sector, the scale effect and synergistic effect benefiting from mergers was actually controversial and doubted [2]. But one fact that we have to admit is that for Viacom-CBS mergers, the true value is actually to gain the better production ability, not the scale effect like other sectors looking for. Time soon proved that Mr. Redstone was wrong. Things changed so quickly, audience and advertisement started to rush to CBS, especially that a great many young people started to turn away from traditional television. The revenue of advertisement suffered a lot from that. What's worse, even in the conventional film production area which used to be the trump card for Viacom, Viacom still confronted with difficulties. The failure in box office of Mission Impossible 3 must be the convincing example. By sharp contrast, meanwhile, CBS had successfully achieved expansion constantly over the next 13 years after splitting from Viacom in 2006. Merely 6 years of maintenance of last mergers and not up to 13 years, they decided to merger again. Tons of criticism occurred in allusion to this kind of ridiculous businesses mergers. There is a popular conception that if Redstone retained his composure, there would not be such chaos and trouble for both Viacom and CBS. However, the root reason was quite simple. Viacom gave up its original strategy based on its own business culture.

3. Vision and Strategy

In general, the internal advantage factors for one certain corporation could be defined as strengths(S), and for most disadvantage factors for one certain corporation could be defined as

weakness(W). The external drawbacks and benefits factors could be defined as opportunity(O) and threat(T).

This set of classic analysis method aims to offer a enormous assistance for organizations in terms of businesses competition and project planning to figure out their own status quo and determine the proper orientations.

When it comes to strength, leaders are supposed to focus on the exclusive and unique advantages, specifically compared with your counters and competitive company. To be more accurate, they need to determine which specific benefits they possess in order to get a good hand in market. In other words, it is imperative for every company to gain the ability of exceeding their competitors irrespective of their size and sector. In allusion to this issue, many feasible measures could be taken. One of the most common ways is the question list. To illustrate, we could ask 'What area our company is good at?' 'Which unique source our company monopolize?' 'In which perspective our company do better in than our competitors?' and such like.

As for weakness, which is quite simple to understand. The core of this issue is actually what operations are at a disadvantage. Those problems usually turn to be much more concrete and realistic, rather than abstract conception. For instance, 'The old facilities and devices,' 'The lack of key techniques' 'The outdated research and development' and so on.

Then it is the opportunity. This issue, to a large extent, play an important role in the detailed strategy, since it is the sally port of the market, like 'the new product' 'the new market' 'the new demand' 'the beneficial governmental regulations' or even 'the mistake of your competitors'

Last but not least, it is the threat, much similar to O, but on its opposite aspect. Leaders of corporations should always try not to be affected by those factors. All the external environmental factors that could make a negative effect on company could be classified as threat. 'The advent of relevant substitute' 'The enhanced ability of negotiation of the costumers and clients'.

In case of Viacom, as we mentioned before, had successfully set up the comprehensive facilities and hardware including cable network, mature television and radio station and film production studio. Apart from that, Viacom does have its huge size, involved in the large numbers of subscribers and clients. Not beyond that, the special structure in media area, also amply this strength. Basically, unlike most people's conceptions that media conglomerates compete with each other with a massive, self-cooperated entities in which all the media together are the playing field. But in reality, competitive battles are mainly waged within much smaller industry segments, such as television network or radio stations and so on [3]. All of these, provide a specifically advantaged status for Viacom in media market.

However, meanwhile, Viacom did face so much pressure and risk. Primarily, the major competitors had altered a lot,. More precisely, with the development of online and internet film and television company, like Netflix. This new sort of media pattern, indeed, much more corresponds to the new trend of society. First of all, in this internet era, regardless of the efficiency of source integration or the normal operation, online pattern is faster than the conventional offline pattern. Online business pattern also presents flexibility and diversity features which are something that Viacom lacks of. So in the short term, Viacom-CBS mergers was actually to achieve the complementation of source among the conventional media empires. Nonetheless, in the long term, Viacom was looking for the new sally port, specifically, to learn the business model of online media, for the transformation and upgrading in future.

Those changes could be recognized as crisis but opportunity at the same time. Since the integration of advanced technology especially the internet and online techniques with its original huge size, good reputation, are eventually the enormous potential in future.

4. Negotiation Strategy

4.1 Preparation Before Negotiation

4.1.1 Intelligence Gathering

In order to better develop a negotiation strategy according to the specific situation of the other party, it is very important to collect the intelligence of the other party. According to "Joint venture formation: Planning and knowledge-gathering for success" [4], in order to collect intelligence effectively and efficiently, the following aspects should be focused on. The first is the other party's past negotiating strategy. The past negotiation strategies also have certain guiding significance for the present, and it can be seen whether the other party is more conservative or more aggressive. The second is the past experience of the other party's business cooperation, especially the failure experience. This can avoid stepping on a minefield in business cooperation. The last is the financial situation of the other party and the composition of the negotiating team. Budget is the basis of all business cooperation, understanding these can help you develop more targeted strategies. Therefore, it is very important to collect information in the early stage. If it is done well, it can often achieve a multiplier effect and shorten the psychological distance between the two parties.

4.1.2 Prepare Multiple plans

After understanding the situation of the other party, it is necessary to formulate relevant plans for the specific situation of the other party. Generally speaking, just having a plan is not enough. The lack of a backhand will make the fault tolerance rate low, and it is easy for us to be in a more passive state. Therefore, in such a situation, it is extremely important to have multiple plans. Each plan should focus on a different aspect of the negotiation. At the same time, the contingency strategy after failure should be considered, and whether there is an optimal substitute.

4.2 Strategies in the Negotiation Process

4.2.1 Create a Good Negotiation Atmosphere

At the beginning of the negotiation, each negotiator enters his own role and enters the first stage of the negotiation - the introduction stage, that is, before the negotiating parties enter into the discussion of the specific transaction content, they meet, introduce, greet and talk about topics other than the negotiation content. that period of time.

Although the lead-in stage only accounts for a very small part of the entire negotiation process, and seems to have nothing or little to do with the subject of the entire negotiation, it is actually very important. Lay a good foundation for the entire negotiation.

Since the negotiation is about to take place, both sides will feel a little nervous, so it will take some time to adjust the relationship with the other side. How long will this period last? According to "The Influence of Atmosphere Building on Business English Negotiation - Taking the Opening Stage as an Example" [5], it should account for 5% of the entire negotiation time.

If the negotiation is carried out in groups rather than individuals, it is more significant to grasp the time to establish a negotiating atmosphere. Generally speaking, a more positive atmosphere can be established when the number of people is small.

4.2.2 Understand the Intended Price and Acceptable Price Range

In the negotiation, only when we know the other party's expectation for the purchase price can we give our offer and corresponding strategy accordingly. The reserve price is the highest price a buyer can accept, or the lowest price a seller can accept. Aspiration price refers to most consumers' psychological evaluation of a product or service or sellers' psychological evaluation of a quoted price. Set the price close to your expected price in the early stage, and then adjust it through negotiation in the later stage. The room for modification is larger, and the results are easy to satisfy both parties.

4.2.3 Emphasis on empathy

As mentioned above, it is necessary to collect intelligence on the other side and formulate relevant plans based on this information. One of the most important things is to have empathy with the other person. To achieve empathy, three points are extremely important. 1. Empathy, able to find rationality for each other's behavior from the perspective of the other party, so as to understand the other party to the maximum extent. 2. Learn to listen. 3. Express respect, respect each other's personality and ability, and understand each other's views and behaviors in good faith. Learning to empathize can greatly shorten the psychological distance between the two parties and further increase the possibility of successful business negotiations.

5. Operation and cooperation after the acquisition

5.1 Cultural Integration

According to "A Brief Analysis of the Reasons for the Failure of State-owned Enterprises in International Business Negotiations - Taking CNOOC and Chinalco as Examples" [6], There is a "seven-seven rule" in commercial mergers and acquisitions. This means that 70% of mergers and acquisitions do not achieve the desired business value, and 70% of mergers and acquisitions fail due to cultural integration failures. It can be seen that cultural integration is one of the huge problems after a successful enterprise acquisition. Enterprises must have a tolerant and inclusive mentality when dealing with cultural differences, and be able to take the essence and discard the dross, instead of blindly facing them with a narrow mentality. In particular, employers and acquirers who are in a "favorable position" should be more aware that they should take the main responsibility for resolving conflicts, and should be more proactive and meticulous to understand and respect each other's culture. At the same time, it is not enough to understand and respect each other's cultural differences. We understand each other's culture, and the ultimate goal is to communicate in a way that the other party can understand and accept, so that a positive chemical reaction can be generated and conflicts can be resolved.

5.2 Product Development and Business Strategy

5.2.1 Equal Relationship Respect Each Other

In the merger and acquisition of enterprises, the equal relationship between the two parties is very important. The establishment of an equal and mutual aid relationship can greatly shorten the establishment of the parent company and the subsidiary company. According to "Geely Volvo: From Acquisition Integration to Fusion Innovation" [7], in the Geely Volvo acquisition case, Geely has formulated a dual-brand strategy, that is to say, the two parties have an equal relationship with each other, and their production lines are not interoperable. At the same time, Geely gave Volvo the independence of operation. In other words, Volvo is not a division of Geely, but an independent sub-brand, which has never been seen before. This shows that transnational operations and global development must respect each other, regardless of skin color, race or language. [8] They are all for mutual respect and common development for common business ideals and common business pursuits.

5.2.2 Establish Trust

Only by trusting each other can parent companies and subsidiaries cooperate more efficiently and avoid psychological barriers. According to "Research on trust mechanism between enterprises in industrial clusters" [9], Chongqing Technology and Business University, 2011. To build trust, three things are extremely important. 1. Honesty is essential. The lack of integrity of some enterprises is mainly reflected in the non-performance of the agreement. Since most of the mergers and acquisitions are of once brilliant companies, the employees of the companies do not agree with the mergers and acquisitions activities, and the negative emotions are strong, which further exacerbates the sense of distrust. 2. System follow-up. In cross-border mergers and acquisitions of enterprises, in the short term, interpersonal trust can maintain the stability of the merger and acquisition situation and promote

the success of mergers and acquisitions to a certain extent; in the long run, the establishment of institutional trust is more stable than interpersonal trust. 3. Communication is important. It requires a lot of communication activities to change the original stereotypes.

5.2.3 Learn from Each Other

After establishing a relationship of equality and trust, the cooperation between the two parties should complement each other and jointly develop better products. "Analysis of Synergies between Geely and Volvo"[10] establishes that after the acquisition was completed, Geely invested heavily in the establishment of a European design center in Sweden. This preserves Volvo's excellent R&D capabilities. At the same time, Geely has obtained 100% equity, clean intellectual property rights, several engine factories and OEMs, and a world-renowned brand. Geely has also obtained advanced R&D talents and technologies from Volvo. It can be seen that only mutual learning can maximize the benefits.

6. Conclusion

Through the analysis of Viacom-CBS business mergers and acquisitions cases, we can understand multiple business acquisition and merger factors and key points. The company should identify and maintain the fundamental and core of the principle, for every media company, content is the cornerstone of development. In addition to fully understanding the business culture, companies should also estimate the exact value of the acquisition based on the business culture in the process of acquisition. The most appropriate criterion for evaluating the exact value in business acquisitions is the extent to which the merger corresponds to the business culture of certain corporations. Meanwhile, companies can gain a clearer understanding of their core competitive advantages, weakness, opportunities and threats through SWOT analysis, which can offer a enormous assistance for organizations in terms of businesses competition and project planning to figure out their own status quo and determine the proper orientations. Regardless of size and industry, there are many actionable steps that companies need to take to determine which specific interests they have in order to gain a foothold in the market, and each company must gain the ability to outperform its competitors. Viacom-CBS mergers is actually to achieve the complementation of source among the conventional media empires. Viacom was looking for the opportunity to achieve the transformation and upgrading in future by learning the business model of online media.

In addition to fully understanding the business culture and core advantages of the company, it is also necessary to grasp the intelligence of the other party, and formulate appropriate negotiation strategies and related plans according to the specific situation of the other party. In the process of negotiation, enterprises should also pay attention to grasping the opportunity, and creating a good negotiation atmosphere plays an important role in the smooth negotiation. It is necessary to think in a different position, look for the rationality of the other party's behavior from the perspective of the other party, and express the views of the other party. And behave with respect and understanding, further increasing the likelihood of a successful business negotiation.

The success of acquisition does not mean the end. The degree of integration of business culture greatly affects whether the company can achieve the expected commercial value after the acquisition. Therefore, when dealing with cultural differences, it is necessary to have an inclusive mentality and carry out product development and business strategies. At the same time, enterprises should establish a relationship of equality and mutual assistance, mutual respect and common development for common business ideals and common business pursuits, and at the same time, enterprises should also establish trustworthy systems and cooperative relations. The company's common goal to move forward.

The merger and acquisition of enterprises should comprehensively consider various factors. Through the analysis of the case, many important acquisition points could be obtained. In addition to fully understanding the corporate culture before the acquisition, paying attention to the skills and methods of negotiation during the acquisition process, and cultural integration and cooperation after

the acquisition are important parts of a successful acquisition case, and play an important role in the development and improvement of the operation and management efficiency after the acquisition.

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