Founded in 1807, John Wiley & Sons is the oldest independent publishing company in the United States. With offices in North America, Europe, Australia, and Asia, Wiley is globally committed to developing and marketing print and electronic products and services for our customers’ professional and personal knowledge and understanding.

The Wiley Finance series contains books written specifically for finance and investment professionals as well as sophisticated individual investors and their financial advisors. Book topics range from portfolio management to e-commerce, risk management, financial engineering, valuation, and financial instrument analysis, as well as much more.

Practitioner’s Complete Guide to M&As

An All-Inclusive Reference

DAVID T. EMOTT
## Contents

Preface \hspace{1cm} xi

Acknowledgments \hspace{1cm} xiii

**TOPIC 1**
Strategy Development, Then M&A \hspace{1cm} 1

**TOPIC 2**
M&A Process: Front to Back \hspace{1cm} 13

**TOPIC 3**
Why M&A? \hspace{1cm} 17

**TOPIC 4**
Deal Criteria \hspace{1cm} 19

**TOPIC 5**
Deal Sourcing \hspace{1cm} 26

**TOPIC 6**
Fees for Services \hspace{1cm} 29

**TOPIC 7**
Financial and Strategic Buyers \hspace{1cm} 36

**TOPIC 8**
How Long Will It Take to Complete the Deal? \hspace{1cm} 38

**TOPIC 9**
Confidentiality Agreements \hspace{1cm} 39

**TOPIC 10**
"Concern Capture" Due Diligence \hspace{1cm} 44

**TOPIC 11**
Keep Deal Conversations Quiet \hspace{1cm} 53

**TOPIC 12**
Auctions \hspace{1cm} 54

**TOPIC 13**
Seller's Prospectus \hspace{1cm} 62
TOPIC 32
Beta with or without Debt 119

TOPIC 33
Beta: Levered or Unlevered 120

TOPIC 34
Beta Application in Determination of Cu 123

TOPIC 35
Levered Beta Moves as Debt to Equity Moves 125

TOPIC 36
Size Premium 127

TOPIC 37
Weighted Average Cost of Capital 130

TOPIC 38
Terminal Values, Terminal Value Multiples, and Terminal Value DCFs 137

TOPIC 39
Discounted Cash Flow Valuation Illustrated 142

TOPIC 40
Leverage: The Real Deal 147

TOPIC 41
Debt Limits 148

TOPIC 42
Debt Adds Value: Derivation of Dt 151

TOPIC 43
The Leveraged Buyout; Definition and Valuation 155

TOPIC 44
Valuing the Leveraged Buyout 160

TOPIC 45
Real Option Valuation: An Introduction 169

TOPIC 46
Real Option Valuation: Application and Illustration 173

TOPIC 47
M&A Values Are Not All the Same 179

TOPIC 48
Discounts and Premiums 183

TOPIC 49
Discounted Cash Flow Valuations: Minority or Control 182
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Inflation in DCF Valuations 194</td>
</tr>
<tr>
<td>51</td>
<td>Integration, Alignment, and Synergy Benefits: Plan It Out 195</td>
</tr>
<tr>
<td>52</td>
<td>Integration, Alignment, and Valuing Synergy Benefits 197</td>
</tr>
<tr>
<td>53</td>
<td>Venture Capital Valuation 208</td>
</tr>
<tr>
<td>54</td>
<td>Discount Rates and Valuing Free Cash Flow 211</td>
</tr>
<tr>
<td>55</td>
<td>Growth, C*, and Return: The Engine to Increased Valuations and Deferred Tax Advantage 222</td>
</tr>
<tr>
<td>56</td>
<td>How Fast Can the Target Grow? 225</td>
</tr>
<tr>
<td>57</td>
<td>Cash Flow Multiples, Growth Rates, and Discount Rates 227</td>
</tr>
<tr>
<td>58</td>
<td>Comparable Multiples 239</td>
</tr>
<tr>
<td>59</td>
<td>Converting FCF(_m) to P/Es and Other Valuation Multiples and Deriving Slot Multiples for Public Companies 247</td>
</tr>
<tr>
<td>60</td>
<td>EBITDA Valuation Engine 264</td>
</tr>
<tr>
<td>61</td>
<td>Free Cash Flow Equivalent Impacts for Arbitrary Adjustments to Discount Rates 276</td>
</tr>
<tr>
<td>62</td>
<td>Transferring Defined Benefit Pension Plan Liability Issues 278</td>
</tr>
<tr>
<td>63</td>
<td>Environmental Remediation Expenses 282</td>
</tr>
<tr>
<td>64</td>
<td>Environmental Insurance 283</td>
</tr>
<tr>
<td>65</td>
<td>Management Warrant Incentive Plans 285</td>
</tr>
<tr>
<td>66</td>
<td>Negotiation: Introduction and Overview 290</td>
</tr>
</tbody>
</table>
CONTENTS

TOPIC 85
Structuring the Deal: Asset Step-Ups, Noncompete, and Synergy Valuation Engines 341

TOPIC 86
Total Shareholder Return 346

TOPIC 87
Stakeholder Value Creation 349

TOPIC 88
EVAquity: Align Shareholder and Management Interests 353

TOPIC 89
Letter of Intent 358

TOPIC 90
Purchase and Sale Agreement 359

TOPIC 91
Purchase and Sale Agreement: Explanation by Section 361

TOPIC 92
Purchase Price Adjustments for Working Capital 370

TOPIC 93
Indemnification and Survival Provisions 374

TOPIC 94
Escrows 379

TOPIC 95
Joint Venture Transaction: Valuation and Structuring Overview 381

TOPIC 96
Why Deals Go Bad 389

TOPIC 97
After the Deal: Do a Deal Bible 391

TOPIC 98
Do the Audits of the Integration and Deal Value Creation Plan 393

About the Web Site 395

Index 397
Preface

This book is a hands-on, practical guide and reference to the key topics, issues, and methodologies buyers and sellers face and employ in doing M&A (business mergers, acquisitions, divestitures, stock buybacks, equity investments, and joint venture transactions). It is a quick, easy-to-use reference for those new to the process of M&A (private business owners, students, associates, trainees). In addition, it will refresh and reacquaint those already familiar with deal making (CEOs, CFOs, lawyers, accountants, tax and finance, and insurance and deal professionals) with what happens, when, who is doing it, and why, and answer the question: What do we need to know and do at this phase of the process?

The book is written as a quick-read reference of ideas, approaches, and don’t-forgets for use during live transactions and as a self-study guide to enable fast transfer of essential M&A knowledge.

The topics in the book are laid out sequentially to enable the reader to build the highly relevant knowledge base necessary for pursuing and understanding corporate development via M&A. Topics covered including strategy development, acquisition criteria, deal sources, deal fee arrangements, due diligence, conducting auctions, lean enterprise, cost of capital, risk premiums, size premiums, leveraged and unleveraged beta, systematic and unsystematic risk, discount rate construction, valuation, pricing leveraged buyouts, the real deal about using debt, terminal values, real options in valuation, platform value, joint venture valuation and structuring, values, offers and deal pricing, discounts and premiums, venture capital valuation, growth, comparable pricing multiples, transferring pension obligations, deal integration, negotiation, risk and entropy, taxable and tax deferred deal structures, warrant- and economic value added (EVA) based incentive plans, contracts and papering the deal, earn-outs, valuing synergies and tax step-ups, tax treatment of deal fees, escrows, caps, baskets, indemnity duration, why deals go bad, and much more.

Although some of the topics are longer than others, they all provide a succinct, pragmatic, and understandable view of each topic. The appendices referred to in each topic provide illustrations and visual guides that will prompt the reader to ask: How can this be adapted to work for us?

One of my goals when writing this book was to demonstrate the application of pertinent academic theory to the practical process of getting deals done. Sources in the footnotes and in the reference list direct the reader to additional information on the subjects discussed. It is my hope that the reader will view the book as a key reference when preparing for and undertaking the heady challenge of doing M&A. My aim is for the reader to finish a topic or the entire text with the feeling of “I get it.”

DAVID T. EMOTT
Acknowledgments

I would like to thank many friends and associates who have contributed to the writing of this book.

Attorneys Lawrence Coassin, Mathew Guanci, John Lynch, and Richard Tomeo of Robinson & Cole, Hartford, Connecticut, provided invaluable assistance with the tax, deal structuring, negotiating, and contractual overview topics. This assistance was provided in the context of working many acquisitions and joint ventures together over the years as well as discussing and reviewing drafts of textual material. Working with John Stempeck, Partner, Avalon Associates, Boston, Massachusetts, provided valuable insight into the strategy and business development process.

I would also like to acknowledge the many individuals who encouraged me and allowed me to engage in the corporate development process while at The Dexter Corporation, where I cut my teeth on M&A transactions: David Coffin, Worth Loomis, Harold Fleming, and Bob McGill; and my associates in the trenches at The Dexter Corporation, John Vrabel, Dick Hurley, and Stiles Twitchell. Thanks also to my associates at Ensign Bickford Industries, who worked with me on many transactions and whose comments, work product, and insights contributed to and have found their way into the contents of this book: Herman Fonteyne, Joe Lovejoy, Ray Tremaglio, Dave Edwards, Tony Cicchetti, Jackie Levin, Bob Pallanck, Rick Roberts, Denise Grant, and Mike Long. Special thanks to my assistant while at Ensign Bickford Industries, Sue Mazurski, who prepared the first working draft of my manuscript from many handwritten pages prepared on my many flights to and from cities here and abroad as deals ran their course.

Thanks also to John Brzezenski, Partner, Avalon Associates, Boston, Massachusetts, who introduced me to Michael Frankel, Vice President Business Development and M&A, LexisNexis, New York City, who provided me with an introduction to Sheck Cho, my eventual Executive Editor at John Wiley & Sons. Thanks to Sheck and to Dexter Gasque, Senior Production Editor, at John Wiley & Sons for their encouragement and attention to detail as this book was prepared.

I should also acknowledge the many unnamed persons who sat across the table from me on many transactions here and abroad for their insights, offerings, and constant reminder that there is always a faster gun in town.

Lastly, thanks to my wife, Karen, who put up with me during the years of development of this book.

D. T. E.
Practitioner’s Complete Guide to M&As
TOPIC 1

Strategy Development, Then M&A

Topic 1 presents an overview of the fundamental elements typically addressed in the strategic planning process; explores a number of work activities, approaches, and ideas pertinent to the process of developing strategy; and explores where mergers and acquisitions (M&A) fit in the strategy development and execution process.

The reader is encouraged to take the time to read through the Appendices referenced in the text of this and all remaining Topics in conjunction with the narrative to gain the appropriate level of understanding of the subject matter discussed. Appendices are either presented at the end of this and each remaining Topic or are available for review and download on this book’s companion Web site (see the About the Web Site page for login information).

M&A IS ONE OF MANY BUSINESS DEVELOPMENT OPTIONS

- M&A in an operating business is one of a number of means to accomplish a strategic goal and generally results from a strategic planning and strategy development process.
- M&A activity is the strategic activity of investor groups (equity funds, venture capital funds, etc.).
- The work involved in strategy development in manufacturing or service firms is often found to be frustrating and difficult.
- The questions, introspective search, dialog, and answers often are time consuming and unclear, particularly to the operating executives doing this work who are used to dealing with issues and process refinements of running a business and making decisions.
- The operating executives include chief executive officers, chief financial officers, chief operating officers, operations directors, plant managers, manufacturing managers, chief marketing executives, or sales officers.
- The operating executives, however, are the source of the knowledge gained over years in the business that matters most in developing strategy.
The work agenda must acknowledge early on that strategy development deals with issues and questions that do not have great clarity. The answers to these questions usually surrender not to analysis but to participants’ best thinking and judgment.

The strategy development team should move along as fast as the pace of capturing and quantifying judgment allows and determine where complementary off-line research and analysis by the team and or team analysts is needed to enhance the judgment.

Avoid a heavily research-driven process.

STAGES INVOLVED IN THE STRATEGIC PLANNING PROCESS

This section provides a general overview of the key elements of the strategic planning process usually employed in an operating company and indicates where M&A fits in. The information is presented in the Strategy Planning Process Engine in Appendix 1.1.

Corporate vision embodies a brief, understandable, timeless statement of the rationale for why the firm exists (not what it does or wants to be) and the core principles that govern how the firm and its employees will conduct business and themselves during its existence.

Corporate mission embodies a brief, understandable, realistic statement of what the firm wants to be (and be seen as) in the medium term, say 15 to 20 years.

Corporate strategies are brief, understandable, achievable action statements of intent, direction, and desired result that are necessary to achieve and that, if achieved, will move the firm toward its mission (if not achieved, they will prevent achievement of the mission). These strategies are intended to create sustainable competitive advantage in the organization’s market space. These strategies emanate from the strategy development process discussed later in this topic.

Initiatives are big, achievable activities and programs that individuals and teams rally around and participate and take ownership in. Initiatives are necessary to complete and, if completed, will move the firm toward realization of the desired results embodied in each strategy. They are usually multiyear in duration. M&A is potentially one of a number of business development initiatives.

Key performance indicators (KPIs) are descriptions of relevant, timeless indicators of performance in operating and functional support processes and initiative realization.

Metrics are relevant, preferably quantitative measures by which to gauge performance toward and achievement of initiatives and of KPIs.

Goals are brief statements of this year’s (perhaps part of a multiyear goal) expected achievements and related metrics of achievement for each initiative or KPI. Goals are owned by individuals and teams and provide a clear measure of personal and team performance.
Results are measurement based, integrate with incentive plan design and rewards, and provide the basis for measuring goal achievement and making cyclical, periodic adjustments to strategy, initiatives, metric targets, and goals.

Strategy Development—Where and How to Create Value

- The essential thrust of strategy development is identifying where to create value (attractive market spaces to enter or maintain and defend) and how to create value in the spaces selected. (What are the enabling capabilities and strategies required to close the capability gaps that exist for the firm to compete in the identified spaces and create enduring stakeholder value?)
- M&A is one of a number of means of closing the capability gaps. Other methods include organic development, in-house start-up, licensing, joint ventures, and other contractual arrangements.
- The process involved in detail strategy development usually includes the two steps noted above, which are shown in the Strategy Development and Gap Closure Engine in Appendix 1.2.
- Many of the process steps presented on Appendix 1.2 may not be carried out explicitly in reaching strategy conclusions in businesses that prefer a more intuitive strategy development approach, but they probably reflect the thought processes and trade-offs made by intuitive strategy developers.
- Do not underestimate what a highly skilled and experienced strategy development consultant can offer to drive the strategy development process. Experienced experts will, at the very least, provide a voice of reason, contrast, and clarity to the process. More often they will provide the results of external research and insights, options, points of focus, and direction, which are all of timeless value to the user.
- There is also great benefit to focus the due diligence process (normally applied to acquisition targets as discussed in Topic 10) internally (the firm’s due diligence self-assessment) as part of the firm’s strategic planning process. Doing so captures much of the knowledge of the firm’s capabilities discussed later in this topic, as well as the business and valuation drivers discussed in Topic 10 and attractive market criteria discussed in Topic 4.

Where—Identify Customer’s Initiatives and Attractive Market Spaces

- Identify your customer’s (and your customer’s customers) strategic initiatives in the market spaces you are now engaged in (See Appendix 1.2). Also identify their current and future product and service needs and requirements that will fulfill their initiatives (B, Appendix 1.2):
By doing so, you can identify where are they going, what will they need to get there, and what is most important to them to enable them to succeed. You will also identify what capabilities will be necessary for vendors to excel at to meet their customers’ product and service requirements (B1, Appendix 1.2). Consider the following:

- Closely follow industry trends.
- Hold “customer futures” conferences for your industry and its future.
- Talk to your customers: How can you be in their future?
- Attend customer industry conferences and trade shows.

Identify new attractive market spaces (B2, B3, Appendix 1.2) and the future product and service requirements of those spaces worthy of developing, entering, and defending (B, Appendix 1.2). Identify the capabilities necessary to meet those product and service requirements (B1, Appendix 1.2).

Use brainstorming techniques to identify adjacent and new market space ideas. Cross-reference them to the results from these idea-generating methods:

- Search Web databases for ideas on where others are placing investments.
- Interview pension advisors and venture capital and equity investors for investment trends and developing sectors.
- Interview “blue sky” thinkers for megatrends and implications on business sectors.
- Perform top-down growth segment identification methods using macro, segment-oriented databases. Where is growth and investment occurring?
- Examine the value chains in growth sectors to identify the key value-creating enablers and inputs to the identified attractive macro sectors: What is the key ingredient, enabler, or activity in the value chain that adds the critical function to the end products and services within the sector?
- Identify the key value-added ingredient sector of the value chain that becomes the target market space in the attractive sector.
- Question industry experts to identify the value chain and enhance the analysis.
- Cross-correlate the findings from each method.
- Perform activity and capability extension analysis as discussed later in this topic.

HOW—IDENTIFY YOUR ACTIVITIES AND CAPABILITIES—EXTEND THEM

- Identify your business’s internal activity and capability strengths (Activities, Capabilities, and possibly Competencies) (C, Appendix 1.2).

Activities and capabilities are all the relevant things done in the business to serve customers in one way or another.

---

1 This activity and capability extension analysis is grounded in the excellent work of John Stempeck, of Avalon Associates, Boston, MA, a strategy development consulting firm.
Activities and capabilities as illustrated in Appendix 1.3 are evaluated in terms of how well they are done and the relative state of evolution of the activity within the company versus the requirements in targeted market spaces and as practiced by principal competitors. They are described as follows:

How Well the Activity Is Practiced in the Company
- Leader or cutting edge; equal to or just okay; follower or lagging behind

State of Evolution of the Activity as Practiced in the Marketplace and as Required to Meet Future Market Requirements
- Emerging, recently developed, gaining traction
- Required and undergoing change
- Mature, subject to competitive replacement

Activities and Capabilities Might Include, for Example
- Conceiving, designing, assembling, fabricating, engineering
- Proposal preparation, selling, order taking, chemical synthesis
- Milling, cutting, folding, drawing, welding, bending, preparing, polishing
- Field service, customer inventory management, distributing, delivering
- Some activities may be competencies (see below)

Competencies Are the Reason(s) Customers Come Back
- Competencies are the conjoint result of excellent business process execution (combinations of activities performed at a cutting-edge level) and deep capabilities described in terms of years of know-how, education, and unique learned and applied skills that are utilized in work activities.
- Competencies are observable and identifiable by customers as activities performed that they rely on most heavily and are not easily replicated by the competition.
- Bain & Company defines a core competency as a deep proficiency that enables a company to deliver unique value to customers. It embodies an organization’s collective learning, particularly of how to coordinate diverse production skills and integrate multiple technologies.²
- Customer interviews asking why customers rely on you, buy from you, and keep coming back rather than going to the competition are often the most productive way to identify competence. Customers may say:
  - “They always deliver on time in full quantities needed.”
  - “Their product always functions to spec under the harshest use conditions.”
  - “They can solve any technical design and application problem we throw at them and do it quickly.”
  - “Their technical and delivery proposals to our conceptual requirements leave no questions unanswered—we know what we are going to get.”

A company’s competence is the conjoint process/capability set that leads to the end result desired and identified by the customer.

Competencies allow a company to stay in business.

There are many capabilities, business processes, activities, and skills; they are not necessarily competencies.

There is usually only one competency in an organization, if any at all.

**Activity and Capability Extension Analysis**

- Perform activity and capability extension analysis (D in Appendix 1.2) to identify adjacent market application potentials. Once you understand your key activity and capability strengths (perhaps competencies) as practiced in your segment, extend these activities into other potentially attractive segments.
- Ask key staff to examine where else (other served markets segments, other product or technical applications) your key activities and capabilities can be practiced, as illustrated in Appendix 1.4.
- Perform key word searches of your activities descriptors on databases to identify other “where used” potential market segments. Then analyze the segments to determine how attractive they are, who plays there, and how deep and how profitable the value chain in the sectors are (B2, B3, Appendix 1.2).

**HOW—IDENTIFY YOUR CAPABILITY GAPS VS. MARKET AND PRODUCT REQUIREMENTS**

- Compare your existing company activities and capabilities (C, Appendix 1.2) with those required to defend present or develop or enter new attractive market spaces (B1).
- Identify your capability gaps (G) and consider alternative ways to close the gaps: M&A, joint venture, acquire or license technology, build a capability organically, etc. (see the Attractive Market Composite Assessment Engine in Appendix 1.5 for an illustration).
- Do you have what it takes to compete there? What capabilities do you need?

**HOW—IDENTIFY YOUR CAPABILITY GAPS VS. COMPETITION**

- Compare your existing product and service offering strengths (E, Appendix 1.2) with existing competitor product and service offering strengths (E1) by conducting customer interviews and internal assessments. Identify product and service gaps (F) and possible gap closure approaches.

---

3 This activity and capability extension analysis is grounded in the excellent work of John Stempeck, of Avalon Associates, Boston, MA, a strategy development consulting firm.
Strategy Development, Then M&A

- Compare your existing company activities and capabilities (C, Appendix 1.2) with those of your competition (C1) in present and new attractive market spaces.
- Identify the competitive gaps (H): What does it take to meet or beat the competition and close the gaps? Identify possible gap closure approaches (see the Capabilities versus Competitive Assessment Engine in Appendix 1.6 for an illustration of this process). Are you better or worse than the competition? What capabilities do you need to improve?

HOW—DEFINE ATTRACTIVE MARKET CRITERIA, RATE MARKETS, CLOSE GAPS

- Define attractive market criteria (l, Appendix 1.2), and measure and rate each market space identified against the criteria (see Topic 4 for an illustration of attractive market criteria). How well does each potential market stack up against your criteria for an attractive place to compete: well or not well? Do you want to be there or not?
- Perform a strategic option assessment (J, Appendix 1.2) of the capabilities that are required to defend, develop, enter, and exploit success and close gaps in each attractive market space.
- Identify the likely mode of closing the capabilities gap or achieving market penetration, such as in house start-up, acquisition, joint venture, technology license, and so forth (J1, appendix 1.2).
- Rate the expected effectiveness of successful penetration into each new attractive market space, given each likely entry mode considered (K, Appendix 1.2) against the firm’s key business investment success criteria, including, for example:
  - Extent of activity overlap (Appendix 1.5)
  - Level of difficulty (to enter, develop, defend) given the likely entry mode
  - Level of competitive risk (Appendix 1.6)
  - Level of likely realization of opportunity potential given the likely entry mode
  - Amount of time required to succeed given the likely entry mode
  - Level of human resources required to succeed given the likely entry mode
  - Level of dollar investment required given the likely entry mode
  - Level of impact if risk cannot be managed given the likely entry mode
  - Level of confidence in the size of the opportunity as described given the likely entry mode
- Establish a composite rating for each market space (K, Appendix 1.2) of the attractive market criteria rating (see Topic 4) combined with the composite assessment of penetration success (see the Attractive Market Composite Assessment Engine in Appendix 1.7).
- In this way, identify the most attractive markets with the highest likelihood of meeting the success criteria threshold given the mode of entry (see the Attractive Market Composite Assessment Engine in Appendix 1.7). In the illustration in Appendix 1.7, Market F has the highest composite score for
attractiveness and the highest likelihood of meeting the market penetration success threshold given the mode of entry.

- Rank order and prioritize the market spaces (K, Appendix 1.2) by the composite result, and identify the cumulative resource (financial or otherwise) requirement.
- By synthesizing the output from the prior steps, identify the selected initiatives (L, Appendix 1.2) to enter and develop the new or existing market space and/or close the market, capability, and competitive gaps such as:
  - In-house start-up initiatives: new product development, hire new staff and technical resources (sales, marketing, research and development, etc.), license technology, training, and so forth.
  - M&A initiative: acquire, merge, joint venture, alliance (L1, Appendix 1.2).
- Perform a strengths, weaknesses, opportunities, and threats (SWOT) analysis (J2, Appendix 1.2) for the company as a whole, as illustrated in Appendix 1.8. Identify your key company-level SWOTs and isolate active strategies or steps that will:
  - Optimize each strength in your markets and close gaps.
  - Correct or minimize the impact of your weaknesses and close gaps.
  - Take advantage of each key opportunity available to you and close gaps.
  - Minimize the impact of each imminent threat. And close gaps.

HOW—IF M&A IS VEHICLE TO CLOSE GAPS, IDENTIFY TARGETS

- Where M&A is the likely or chosen entry mode, identify M&A target opportunities (L1, M, Appendix 1.2) to close the gaps in the most attractive and highly rated new or existing market spaces and engage in the M&A process (see Topic 2). Consider these approaches to identify acquisition targets:
  - Develop a search mandate identifying the sought-after industry, market space, capabilities, technologies, products sought, and so on (see Topic 4).
  - Provide the search mandate to finders, search firms, investment banks, and the like (see Topic 4).
  - Interview large companies and universities that may be interested in dispositions of technologies or nonstrategic fit businesses in the market spaces identified.
  - Conduct data mining to identify the producers of the critical value-added input in the market spaces identified. For example, search Thomas Register, Compustat, Standard & Poor’s, One Source, and Hoovers, among other sources.

*SWOT analysis is credited to Albert Humphry of Stanford University, but its origin is not entirely clear. See [www.marketingteacher.com/swot/history-of-swot.html](http://www.marketingteacher.com/swot/history-of-swot.html) for a survey of the origins of SWOT analysis.*
Strategy Development, Then M&A

After target identification and preliminary fact finding and evaluation, measure the fit (M, Appendix 1.2) of each target’s capabilities combined with the buyer’s capabilities (as if the entities were combined) versus the requirements of each market, as illustrated in Appendix 1.9, to determine which acquisition candidates in which market provide the most improved gap closure, on a pro-forma post acquisition combined basis.
APPENDIX 1.1 Strategic Planning Process Engine: Core Essentials
APPENDIX 1.2  Key Process Steps to Identify Where and How to Create Value and Close Strategic Gaps
The following Appendices, as well as those presented earlier, are available for viewing or download on the Web site for this book at: www.wiley.com/go/emott. Please see the About the Web Site page at the back of this book for login information.

**APPENDIX 1.3** Activity/Capability Analysis: Us versus the Market

**APPENDIX 1.4** Activity/Capability Extension Analysis: Where Else Used Brainstorming Example

**APPENDIX 1.5** Our Capabilities versus Market Requirements Assessment Engine

**APPENDIX 1.6** Our Capabilities versus Competition Assessment Engine for Market A

**APPENDIX 1.7** Attractive Market Composition Assignment Engine: Composite Assessment of Likely Penetration Success in Each Target Market

**APPENDIX 1.8** SWOT Analysis Chart

**APPENDIX 1.9** Competence Alignment Engine of Acquisition Targets in Markets F, A, J