Team 4 Executive Summary

The purpose of this project is to analyze mergers and acquisitions in order to identify important factors that need to be considered in order to have a successful merger or acquisition. The scope of this project only includes two case studies: Disney and Pixar acquisition and the AOL and Time Warner merger.

Disney's mission is to be one of the world's leading producers and providers of entertainment and information. They achieved this mission with the use of a diversification strategy, a vertical organization structure with departmentalized decision making. They were interested in acquiring the Pixar company because it would reduce the company's overall operational cost, and make them more competitive in the market.

For Pixar, the mission statement is to make great films with meaningful message through the use of technology. They achieved this with the use of a prospector strategy, a horizontal organizational structure with decentralized decision making, and a culture of adaptability. They were interested in Disney because it would provide them with the financial support and resources to make more movies on a larger scale.

The Disney-Pixar acquisition was a success. Both of the companies understood their differences well and acted upon it. Although it was feared that Pixar would lose its culture, Disney kept Pixar as an independent entity, and even transitioned its culture to similar to Pixar's.

AOL's mission is to provide innovative online service to the general public and use their digital platform to connect the world. They employed differentiation and diversification strategy, a horizontal organizational structure, and a culture of adaptability to achieve this. They were interested in acquiring Time Warner as it would give them access to their cable network and media content to gain more competitive advantage over the competitors.

Time Warner's mission was to offer a vast array of content to accelerate availability of broadband interactive services. They used diversification and broad best value strategies, divisionalized with decentralized decision making, and a refined, buttoned-down culture. They were interested in merging with AOL because they had the resources needed to help Time Warner enter the internet market and compete on a global level.

Unfortunately, leaders from both sides thought the merger could revolutionize the internet world, but AOL and Time Warner's merger ended the two splitting up. The organizational culture and structure were too different to begin with, and the merger occurred right when the dot-com bubble burst, but the top management failed to address the disparity.

For a successful M&A, companies need to understand their strategic and cultural differences, discuss them while negotiating the terms and understand how they can reach their maximum potential in creating value. Otherwise, it can result in a traditional adversarial relationship and eventually lead to a break down.