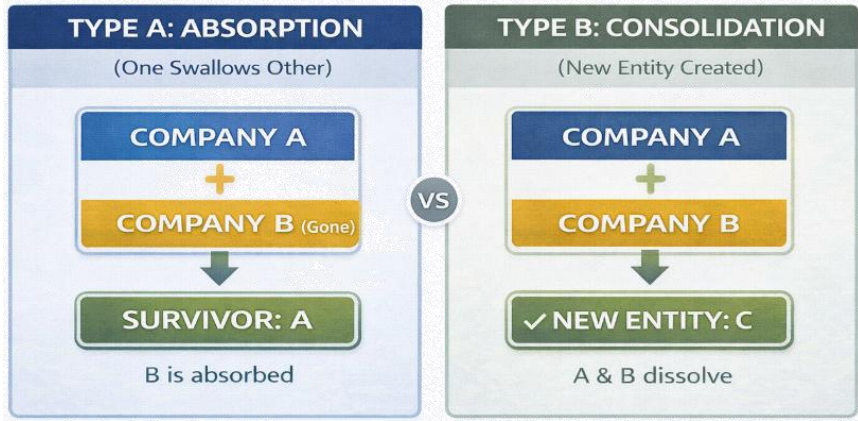
6. Merger Structure: How Companies Combine Operations

How Statutory Mergers Work

- Statutory mergers follow formal legal processes combining two companies into one entity.
- The process begins when both boards negotiate and approve a merger agreement.
- The agreement specifies the surviving company and the share exchange ratio terms.
- It also defines operational integration plans post-merger.
- Both companies submit the merger to shareholders for approval.
- In most jurisdictions shareholders holding majority shares must approve the transaction formally.
- This rule applies in the United States.
- After approval companies file merger certificates with state authorities officially.
- The dissolved company transfers all assets liabilities contracts and obligations by law.
- The dissolved company ceases to exist as a legal entity.
- Employees, customers, and suppliers automatically transfer to the surviving company.



Two Types of Merger Structures

- Absorption mergers involve one company absorbing another.
- The larger company usually survives using its corporate identity.
- Facebook absorbed Instagram and WhatsApp into Meta while maintaining product brands.
- The surviving company gains talent technology and customer relationships fully.
- Consolidation mergers create an entirely new company.
- Both companies dissolve and transfer operations into a newly formed entity together.
- This structure suits equal-sized firms avoiding subordinate appearances during mergers.
- Consolidation requires complex procedures because all assets move to new entities legally.
- Nothing transfers into an existing company structure.

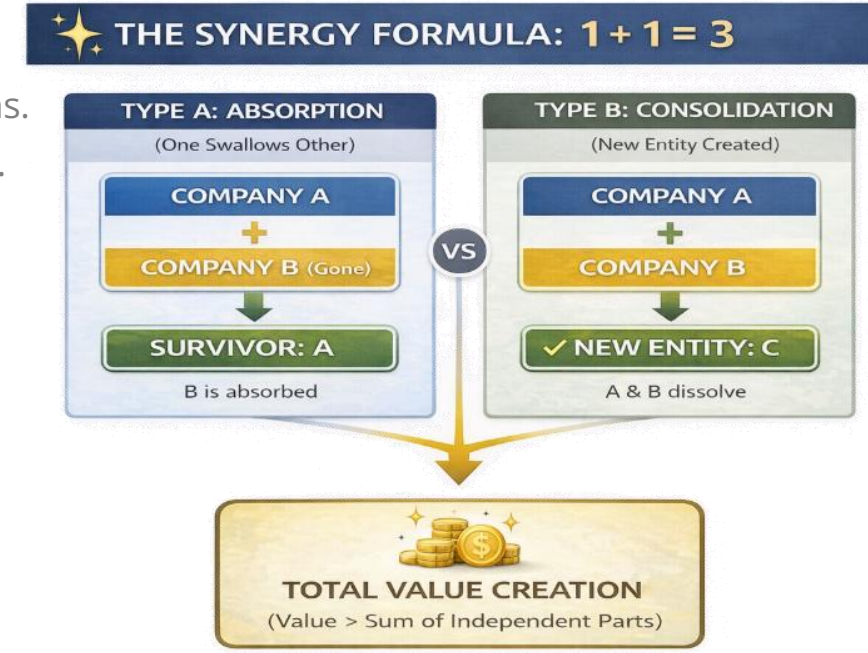
6. Merger Structure [Part 2]

Why Companies Choose To Merge

- Companies merge when combined operations create synergies exceeding standalone operational value.
- Synergies exist when merged results outperform separate companies operating independently.

Cost Synergies Through Economies Of Scale

- Mergers eliminate duplicate costs by consolidating overlapping organizational functions.
- Separate headquarters IT systems and back offices combine into one unified structure.
- If company A spends $5 million and company B spends $4 million annually.
- The merged company may operate for $6 million instead of $9 million.
- Manufacturing scale increases volume and spreads fixed costs across more units.
- When volume doubles unit costs often decline as overhead spreads wider.
- Procurement costs fall when suppliers face larger combined purchasing power.



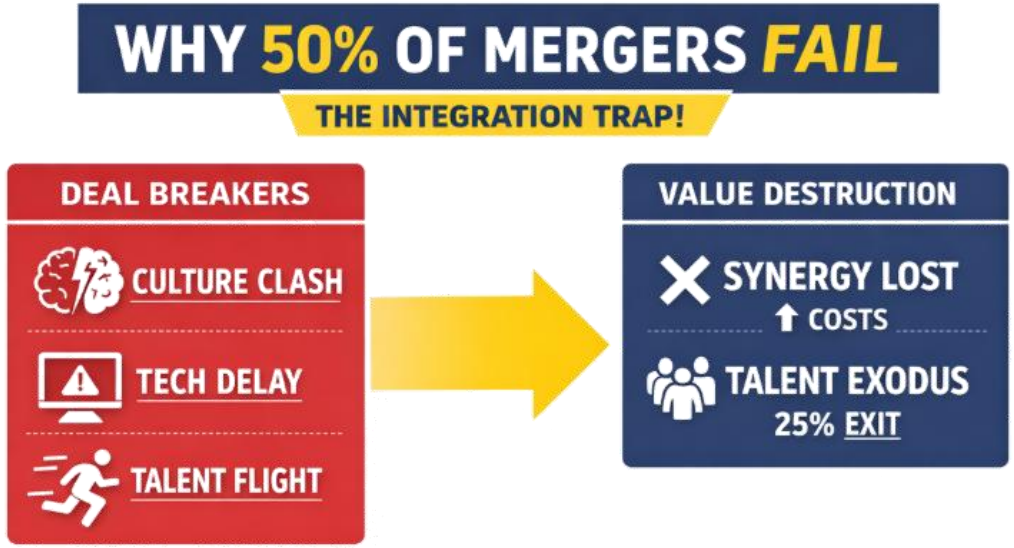
Revenue Synergies Through Market Expansion

- Mergers expand market reach by combining sales forces and distribution networks.
- Company A gains immediate access to company B customer relationships.
- Cross-selling emerges when each firm sells into the other customer base.
- If company A earns $4 million and company B earns $3 million annually.
- Baseline combined revenue equals $7 million before synergy effects.
- Cross-selling and market access often push revenue above $7 million.
- Geographic expansion accelerates through mergers versus slow organic entry.

6. Merger Structure [Part 3]

Integration Requirements And Consequences

- Mergers force complete operational integration because two companies become one legal entity.
- The surviving company must unify finance HR IT operations and sales.
- Integration planning begins during due diligence before signing merger agreements.
- Companies prepare Day 1 plans defining systems activated immediately after closing.
- Integration teams design 100-day roadmaps highlighting quick wins for stakeholders.



Post-Merger Governance Structure

- The merger agreement defines governance for the combined entity.
- The surviving board expands to include directors from the dissolved company.
- This structure preserves institutional knowledge and key stakeholder relationships.
- Executive leadership follows roles specified in the merger agreement.
- One CEO leads while executives are selected based on capability.
- Key talent may exit when authority diminishes in the new hierarchy.

Common Integration Failure Points

- McKinsey research shows 50% of mergers fail to achieve synergies.
- Deloitte studies identify cultural misalignment as the primary failure driver.
- The 1998 Daimler-Chrysler merger exposed severe cultural incompatibility.
- Hierarchical German culture clashed with Chrysler's entrepreneurial flexibility.
- This conflict blocked integration and caused separation with heavy losses.
- Technology integration delays synergies during complex system migrations.
- ERP integration typically requires 18–24 months for large enterprises.
- Customer attrition increases when service quality declines during integration.
- Talent retention suffers due to uncertainty about post-merger roles.
- Studies show 25% of executives exit within 1 year post-merger.