

**MERGERS &  
ACQUISITIONS**  

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**PAY-OFF  
OPTIMIZATION**

**THE COMMERCIAL  
DUE DILIGENCE  
IMPERATIVE**

Christophe Robinet

## FOREWORD

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**By Professor Drs.R.Sybren Tijmstra,**

*Professor in International Strategy and Management IAE Aix  
Graduate School of Management - Aix-Marseille University (FR),  
Managing Director TIMS Holding B.V. (NL)*

**Complement by Mr.Peter Howson,**

*Director of AMR International Ltd (UK),  
Distinguished Author of the book “Commercial Due Diligence -  
The Key to Understanding Value in an Acquisition”*

In this short book, *M&As Pay-off Optimization - The Commercial Due Diligence Imperative*, Christophe Robinet **provides the business world with a wake-up call** as well as with an excellent practical tool to act on it.

What is the wake-up call I refer to? We all know that the success rate of strategic acquisitions, in the sense of creating shareholder value, is rather mixed, not to say negative. Companies try to increase the chance of success by putting a lot of effort into financial and legal due diligence.

We also often hear the argument that for acquisitions, specifically of service companies, human resources and corporate culture due diligence might be a useful add on.

However, commercial due diligence is often only used in a very limited way in the process and/or addressed with poor relevance. It is perceived as optional whereas its aim of understanding the value creation mechanism contributes to assess future cash flows and risks attached to the acquisition.

By signalling this in a very convincing way and showing a possible solution, Christophe Robinet has certainly made his contribution to the acquisition practice.

His **MOSAICS tool box**, in which he combined in a very creative way a lot of existing analytical tools, **is excellent**. As commercial due diligence is at the crossroad of many disciplines, this task was quite complex, but in my opinion he handled it in a remarkable manner. The excellent way in which he identifies which tools should be used at which stage of the process (environment-client needs-competitors offer-position in the market and strategic position) makes it very practical and useful.

**MOSAICS** is applicable to the tools themselves as well as to the strategic information it provides, and **can be easily implemented**.

This book also draws **a meaningful analysis of commercial due diligence practice in corporations**, and in investment funds and also highlights the key role of consultants. This puts into perspective the MOSAICS tool box in terms of structuring market and strategic information.

As my own professional life combines international professorships in strategy with the directorship of a strategy consulting firm and own entrepreneurial endeavors, I often witness the struggle of executive MBA students trying to combine in their thesis sound academic work with practical business relevance.

Most theses I have been mentoring as a professor at the IAE-Aix-en-Provence Graduate School of Management (France) in the context of the MBA program Change and Innovation have achieved this objective successfully but this thesis stands out.

Although the time was limited and the topic complex, Christophe ROBINET managed to conciliate both objectives remarkably: academic work serving the business world. The mentoring of this thesis has therefore given me additional insight in the relevance and practice of commercial due diligence which will certainly be useful in my own consulting practice.

Christophe Robinet was granted high honors for this work by our MBA jury. Moreover, it is very rewarding to see that **the market recognizes the quality of the work** as is illustrated by the fact that this thesis got the ARFA 2012 Prize, a yearly prize given by the M&A Professionals Association in France for the best thesis on M&A practice.

**I would highly recommend this work to all** company strategists who are working on acquisitions, but also to venture capitalists who are looking for a higher pay-off from their investments and to M&A consultants who want to provide their clients with a solid added value.

*Prof.Drs.R.Sybren Tijmstra*

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## COMPLEMENT

Christophe shows us that even though practice has improved considerably acquisitions are still risky, with as many failing as succeeding. The majority of risk in an acquisition correlates to the market. As commercial due diligence is all about assessing market risks and opportunities, **serious acquirers should therefore take notice of what he has to say, whether they be strategic or financial buyers**.

His **'MOSAICS' model is particularly instructive**. Commercial due diligence is key to establishing value in an acquisition but in practice is often a poor relation to financial and legal due diligence.

Christophe's research is **an important step in giving the commercial analysis the prominence it should have**

*Mr.Peter Howson*

## HOW TO GET THE BEST OUT OF THIS BOOK

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The primary audience of this book consists of very busy people from the finance, corporate or consultancy arenas, professionals committed to the success of their projects and ventures and looking to gain efficiency.

This book is also of interest for professors, researchers and students of universities and business schools, desiring to broaden their knowledge... but too often short on time!

To make this book profitable for you, busy readers, here are some insights and suggestions.

### **The questions at stake and how they are answered**

**Basically, three main questions are addressed:**

1. Commercial due diligence... What is that? What is it for?
2. What is the theory? What does literature say about it?
3. How is it implemented in real business life? What is the practice?

#### **In a nutshell**

On the front page of each chapter stands a short paragraph entitled “in a nutshell” which briefly describes the content of the next sections.

Chapter 8 features a summary of the book, enabling you to get the big picture. However, you might miss valuable details if you skip over chapters.

### Overview of chapters

- Chapter 1 debates the success and failure in M&As
- Chapter 2 opens and frames the leading questions about commercial due diligence
- Chapter 4 is the core part of the “theory” of commercial due diligence in literature; it features the MOSAICS model, a valuable help articulating the analytical tools as well as the information they output
- Chapter 6 represents the core part of the “practice”, featuring analysis of the practice, heterogeneity, and the key role of consultancy firms

while:

- Chapter 3 describes the methodology
- Chapter 5 gathers field observations
- Chapter 7 concludes and opens new questions
- Chapter 8 features an executive summary

## Only one question for you

You might want to (or have the time to) focus on one single item.

Three suggestions:

- To discover what the **MOSAICS model** stands for and how it works... go directly to chapter 4, section 4.4.
- To make-up your mind about the **practice including consultants**... browse chapter 6 and especially section 6.3.
- To understand and challenge the way the **field investigation** was conducted... refer to chapter 3 and chapter 5 section 5.1.



Commercial due diligence will sometimes be noted under CDD acronym.

## How this book was born

This book is the updated version of a MBA thesis entitled “Commercial Due Diligence - Theory and Practice in Strategic Acquisitions” defended in 2012 within the international MBA program “Change and Innovation” of IAE Aix Graduate School of Management, France.

The original version was **awarded the ARFA PRIZE 2012** in the Master’s Degree category. This yearly distinction recognizes the best thesis on M&A practice from French Business Schools and Universities by **ARFA (M&A Professionals Association in France)**.

Although being originally a piece of academic research work, it appears to relevantly serve the business world.

The topic systematically has raised interest and questions in the many conversations I have had with professionals in the field. Many encouraged me to move out of a confidential approach and rather publish this work.

It is thus a pleasure to share it with a broader audience through this 2014 edition.

In this book, you are provided with a simple tool: MOSAICS. You are invited to challenge and strengthen your due diligence process.

I wish you a fruitful reading of these pages, resulting in more successful M&A operations.

Christophe Robinet<sup>1</sup>

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<sup>1</sup> Author’s profile and contact details provided in annex N

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