Experiential Learning:
Applying and Evaluating a M&A Role-Play Simulation for MBA Students and Future Senior Managers

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ABSTRACT

Concept

Incorporation of more Experiential Learning [EL] into an MBA syllabus, to give future senior managers experience with issues and challenges that they are likely to encounter in their business careers when managing strategic projects and, in this example, merger and acquisition [M&A] activity.

***Aims*/issues/features**

- *An industry/university collaborative project, evaluating a new simulation beta*
- *Designed primarily for MBA/Masters students or professional managers/executives*
- *Seeking an avenue to help managers mitigate the risks and costs of failure and underachievement in merger and acquisition projects*
- *Recognition of M&A process complexity, often associated with project management under extremely tight time constraints*
- *Multi-disciplinary: financial, legal, operational, HRM, cultural, IP, strategic, etc.*
- *Building student employability skills e.g. for corporate careers, consultancy, financial services.*

Background/purpose/context

Inorganic growth methods, mainly through mergers and acquisitions [M&A] or strategic alliances, are widely adopted mechanisms for delivering diversification and integration initiatives across a variety of industries and organisations. The high 'failure' rates of M&A are well documented e.g. Cartwright & Schoenberg (2006), albeit those can be subject to a degree of exaggeration: failure to achieve what were often unrealistic objectives is not synonymous with presiding over a failed business (or two).

Particularly for MBA and taught postgraduate students, learning about M&A is largely based on case studies and/or analysing journal articles. With that approach comes a commensurate tendency to identify 'good' or 'bad' practice in those case examples, without developing a more profound understanding of the complexities and nuances of successful (or not) M&A project management.
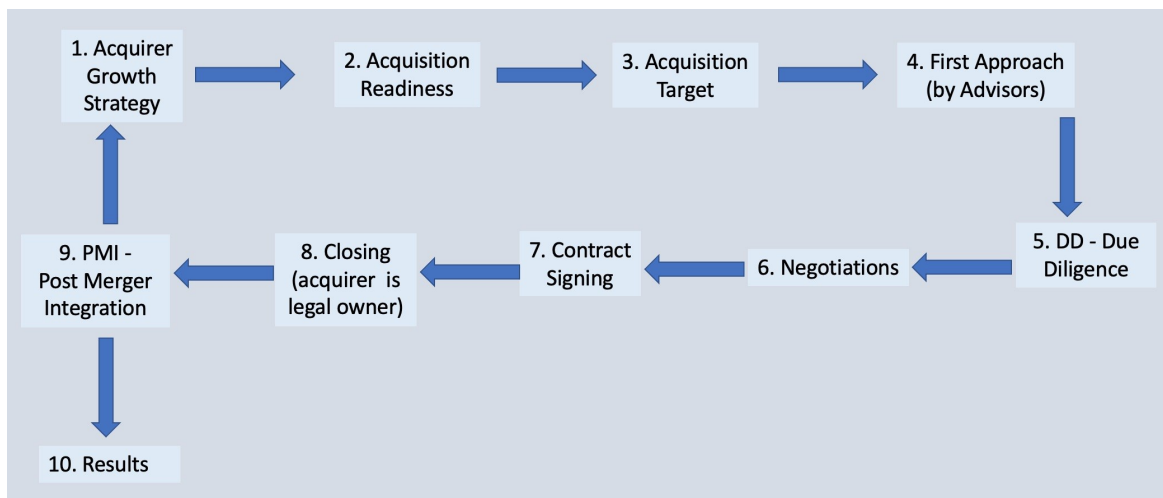
Figure 1: Merger and Acquisition Process Stages (for M&A Simulation)

Planning and executing acquisitions is difficult. There are several process stages, each of which requires a range of particular management skills and resources, some discipline-specific, some more general, which many organisations lack. This has undoubtedly provided opportunities for strategy consultants but proven a source of difficulties and problems for companies that engage in M&A infrequently, so have limited prior experience or learning to apply.

As a tool to help bridge that gap for current and future executives, an M&A Simulation (Learning Dynamics, 2022) has been developed with the aim of taking students – who may or not already be professional managers – through the key decision-making stages of a M&A process, from acquisition readiness, target appraisal and valuation, through due diligence, risk analysis and deal negotiation, to post-merger integration and value delivery (Figure 1)

Numerous consultancy reports e.g. AonHewitt (2012), BCG (2015) and academic sources e.g. Weber et al (2014) have identified the particular significance of 'soft' management issues, most notably corporate culture clashes during the post-merger integration stage, as prime sources of M&A failure or underperformance.

Experiential learning benefits from business simulations have been widely covered in the literature e.g. Vlachopoulos & Makri (2017) and Kerridge (2019) discuss how simulations are reported to promote all three types of learning: affective, cognitive and behavioural. Although there have been simulations that incorporate the main elements of an acquisition process, these have been largely driven by finance and quantitative modelling e.g. Sord (1982), Luehrman & Kester (2013), or are case study-based e.g. Angwin (2018). The M&A simulation evaluated in this study has been developed with a view to ensuring that students also engage with the important cultural and non-financial elements of different acquisition scenarios.

Simulation (beta) evaluation

For this online business simulation, participants work in teams – competitive or not – and are tasked by the principals of a successful service sector business to select and manage the acquisition and integration of another business, in order to deliver the strategic objective of substantial international market development.

The M&A Simulation is primarily qualitative but essential base information and data are provided e.g., market position, company size/ capitalisation, commercial activities and recent financial performance, ownership and management structure. There is a structured five-phase sequence:

1. Welcome, briefing and determining how M&A relates to acquirer's strategy
2. Identification and valuation of potential targets
3. Due diligence and risk management assessments
4. Hostile/alternative bids and anticipating defence strategies
5. Post-merger integration [PMI]: plans and tools; culture and change management

For each phase, the learning materials are augmented by illustrations and short case examples e.g. on market attractiveness, alternative valuation techniques, due diligence principles. At the end, there is also a reflective Learning Review for the participant.
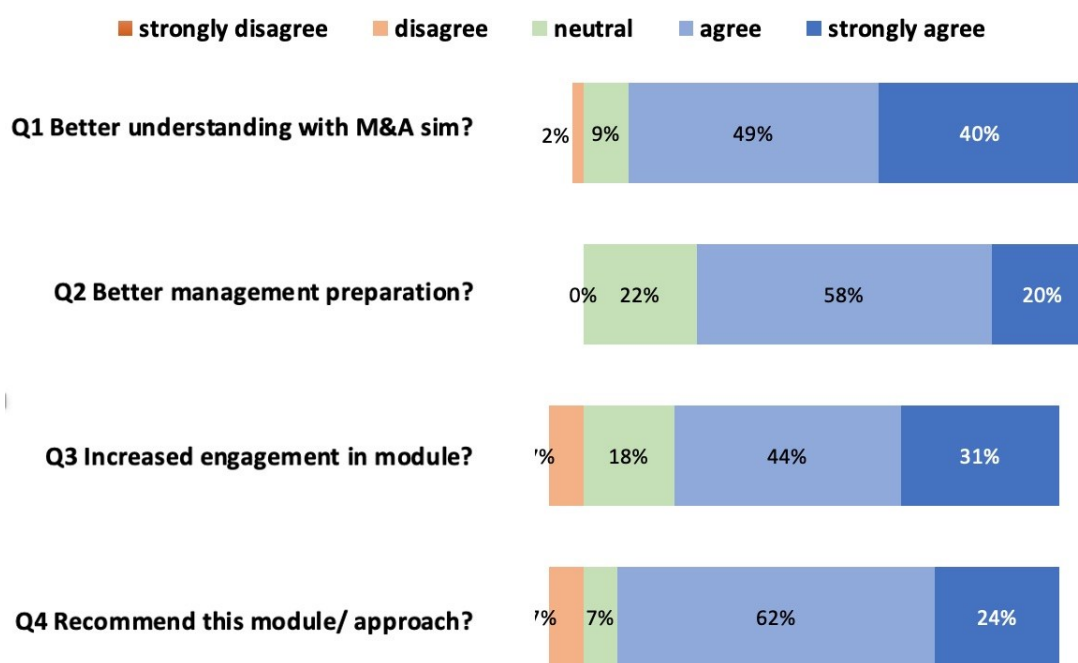
Figure 2: Cohort 2 (n=45) survey Q1-Q4 responses
(Note: questions are shown in abbreviated form)

The study project reported here involved three cohorts of full-time or executive (part-time) MBA students, all of whom engaged with a beta version of the M&A Simulation, working in small project groups over a three to four weeks study period, as part of an advanced strategy module. During the simulation, students undertook management roles in both the acquirer and a target/acquiree.

In addition to a standard module evaluation survey, after finishing the M&A simulation all students in the cohorts were invited to complete anonymously a short questionnaire, seeking views on the benefits of this as an experiential learning approach of 'doing' strategy, rather than the more usual learning 'about' strategy (see Figure 2 answers to the first four questions by the largest cohort n=45, response rate approximately 50%). Students were also asked to reflect on how this simulation and pedagogic approach could/ should be improved.

Additional feedback was obtained from an external senior academic observer, who participated in the teaching and learning review sessions with one of the student cohorts:

'The simulation provides a phase-by-phase step to explore and learn offensive and defensive frameworks, and understand the strategy, workable synergies, valuation, execution, legal components, and risks involved in M&A (sometimes the terms – deal or bargain – come into clearer perspective). In addition, it enables learners to work as individuals and in their teams, with diversified thinking and practical skills' enhancement in project management, problem-solving, creative thinking, communication, and decision-making. A useful hands-on simulation to learn and experience managing uncertainty in a complex environment.'

Preliminary findings

- Overwhelmingly positive responses to the greater Experiential Learning component involved in the embedding of this M&A Simulation [see Figure 1]
- Powerful reflections on the benefits and career applicability of the experiential learning to M&A and to other strategic project management contexts
- Scope for developing further the negotiation activities, to synthesise and make [more] 'real' the valuation and due diligence steps
- Enhanced understanding of cultural awareness and cultural due diligence as vital but often underestimated process activities
- Spectrum of user viewpoints on benefits/ advisability of having more data and quantification in the simulation
- Suitability of the M&A Simulation for incorporation into masters-level course modules; also as a component in executive education and professional development programmes

These and other findings are subject to further research evaluation and validation via structured focus group discussions, results of which are not yet available but are intended for presentation at the Conference.

Keywords: Experiential Learning, Business Simulation, Mergers and Acquisitions, M&A

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