- “Why Apple Should Buy McLaren,” Gizmodo, September 21, 2016
- “Apple Should Buy Tesla – And Make Elon Musk CEO,” Marketwatch, May 7, 2016

This behavior runs deep. A few historical gems:

- “Should Apple Buy Dell?” Forbes, February 11, 2013
- “Why Apple Will Buy BlackBerry,” SeekingAlpha, October 13, 2013
- “Could Apple Buy Intel?” The Guardian, April 29, 2013
- “Why Apple Should Buy Nokia,” Forbes, October 6, 2012
- “Why Apple Should Buy Yahoo,” Forbes, February 22, 2012
- “Four Reasons Why Apple Should Buy HP,” IT Pro Portal, August 22, 2011

Of course, *none of those happened.*

YOU CAN PLAY THIS GAME WITH the other cash hoarders:

- Google should buy, apparently, Dropbox, Twitter, Groupon, HTC, Nintendo, The New York Times and Amazon. (That last one was from 2011; it’s now silly on the face.) One story suggested Google ought to buy the entire music recording industry.
- Microsoft, according to the historic headlines, should buy HP’s PC business, Red Hat, Citrix, Salesforce, Slack, DocuSign, AMD, Netflix and, here’s a nice one, Ford.
- Facebook’s shopping list, apparently, should include Twitter, Vimeo, Slack, Groupon, eBay, Pinterest and Hulu.

No one really knows what Apple or the others are going to buy, if anything. But nature abhors a vacuum; so do reporters, and speculative M&A stories always generate readership.

There is no question that Apple and some of their tech kin have way, *way* more cash than they need to run their business. But while imagining all the possibilities, I would keep in mind this headline from Gizmodo in May:

- “Apple Doesn’t Need To Buy Anything.”

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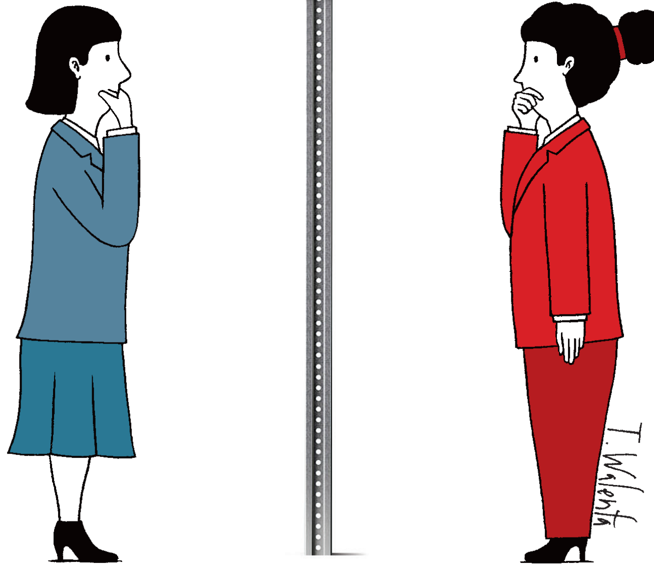

ILLUSTRATION: TOMASZ WALENTA

MERGER mystery

Excitement for a union is no predictor of what comes next, says Rob Webb

WHEN COUPLES MARRY, THEIR union is often perceived, at the altar, as a coming together of equals – a partnership which will endure to the benefit of both. The reality, as many married folk will attest, can be very different a few years down the line, with one partner soon to be in the ascendant, and the other sent out to work.

So it is with mergers and acquisitions: true examples of blissful union are rare; the rougher variety are much more common. The “cost synergies” envisaged by the consultants cannot be released as hoped; the “revenue synergies” either do not materialize, or competition authorities seek to make sure that real choice in a marketplace is not restricted, so that withdrawal of competing products, or the raising of profits created by any withdrawal of supply, are either strangled at birth, as a term of the deal, or prove impossible to achieve in practice. Sometimes the most difficult decisions are left until last: for instance, which Chairman or CEO will stand aside. No one dares raise the matter too early, in case the deal falters on other grounds and they both survive. But when all the other details are agreed, it is too late. Most top brass are trained to recoil when they hear the tumbrils.

Much of this M&A activity is stimulated by advisers, cold calling. “Have I got a deal for you!” “Widget & Co have been asking if we could introduce them to you.” “Did you know that X Co are up for sale? Just a word to the wise”… Advisers, who may have been acting for nothing, or for peanuts, for years, normally get paid out when a deal occurs (before it actually delivers value), and so are naturally keen to see them happen from time to time. They are not then on earn-outs; they collect on the signing. Management are left to execute.

These siren voices can lure the hapless CEO, entrenched in the mud of his or her own business, with no clear plan ahead, on to the rocks, even if the shareholders have lashed them to the mast with share options and generous long-term incentive plans to prevent them from listening. They may get a bonus too, and lots of options when the deal is inked.

No one knows at the start if a “merger” will work, any more than they do with a marriage. There are plenty of celebrations on Day One, but the wakes come later, when reality dawns; the benefits have not accrued, the costs are still there, the culture wars are in full flow between acquirer and acquired, and the investors are asking why they have had no extra returns, and also why they find themselves in a conglomerate, rather than a business with a single issue focus. The sirens have meanwhile long gone off to sing to other corporate mariners.

When British Airways moved into the then-new Terminal 5 in 2008, Lord Marshall, former BA CEO, was asked what he thought the main benefit would be. He replied that he thought it would help the merger of BEA and BOAC. This happened in the ’70s, but it left two companies wearing a single uniform, each harboring deep suspicions of the other. Lord Marshall was, as ever, correct.

“M&A” is an essential force in capitalism for progress and for “creative destruction.” The purpose of this note is to observe that it can also give rise to false optimism and wanton, rather than creative, destruction.

Look before you leap. Or, if you are the CEO, think about it.

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