

# *Beyond the Deal Newsletter*

*Mergers and Acquisitions that  
Achieve Breakthrough Gains*

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Quote of the Month:

**"History repeats itself because nobody listens the first time"**

**Erik Qualman**, in *Socialnomics: how social media transforms the way we live and do business*

This is a year of new beginnings. It is a time to reach out to more people that are interested in creatively tackling the array of issues involved in integrations and significantly enhancing levels of performance in newly integrating organizations.

- In keeping with the view that social media is becoming an increasingly transforming factor in organizations we have begun a [Beyond The Deal Blog](#) which provides an additional channel for the Beyond The Deal approach. This blog makes newsletter materials more frequently available and to a wider set of populations. You are invited to subscribe to it at [www.beyondthedeal.net/blog](http://www.beyondthedeal.net/blog).

Integration issues come up as they happen. There are general patterns, but these challenges do not arise on a prescribed schedule or format. They have a life of their own. Although we advocate a general framework, each demands a unique response

with its own set of requirements. You can't wait a whole month for the next edition when your world is changing day to day. The blog and eventually using Twitter and other social media tools will enable quicker, more timely and networked based responses.

- A second thrust involves establishing *interest groups* on post merger integration issues at Linked-In.com, Plaxo.com and Facebook.com. People with a broad range of concerns and at different experience levels are seeking venues to share their concerns and issues. These forums can enable rapid learning and novel perspectives. They are a step to making problem solving an open source practice.
- *How to Use Social Media to Facilitate Integrations*: Progressive Practices and Euan Semple, one of the leading practitioners in social media, are partnering in developing a framework and set of practices to assist companies on how to utilize social media to enable their integrations. This framework will allow integrations to be planned for and carried out more quickly, more effectively and with greater gains. We will link to a presentation on this approach in the next Newsletter.
- *The Post American World*: The economic gyrations of the past two years have been come at a high cost and a great degree of difficulty to understand. We tend to look for one or a few sources to be at fault for the most significant crash since 1929. How much do we grasp of the forces that have been at play that have brought us to this point, and then again, what are we facing going forward?

In his book, *The Post-American World*, Fareed Zakaria, provides a description of these forces in an intelligible manner, with extensive discussions of the major players and the changing landscape. The review in this Newsletter looks at this emerging world with particular reference to how it affects who will be involved in this decade in major merger and acquisition integrations. Our paradigm is shifting and includes a combination of familiar issues, unique dilemmas and unprecedented opportunities. Examining these changing conditions is a discussion that is definitely worth having. As Zakaria puts it, "This book is not about the decline of America, but rather about the rise of everyone else."



## The Post American World: What that means for M&A Integrations

We are still trying to grasp the changes that have happened over the last several years globally and particularly in our home countries. Fareed Zakaria, author of *The Post American World* has noted, "The crash of 2008 was the worst financial collapse since 1929 and has ushered in the worst economic slowdown since the Great Depression." There has been a great deal of puzzlement of what our new world is about, accompanied by sizable pronouncements of gloom and doom.

The contribution that Zakaria makes in his book is to examine the dynamics that led us to where we are today and to indicate the elements that are involved are to move into tomorrow. It is very interesting that Zakaria states that the economic crisis was do to our success: the robust economy of the last decade was due to cheap money, widely available credit, exotic financial instruments and indiscriminate lending. Yet that success led to imbalances and over reliance on debt, especially in the US.

At the same time a range of developing countries (as seen by Brazil, Russia, India, and China) have matured, moving from dependency relationships with the US to much more autonomous relationships. While the US is still the "default superpower", the credibility of traditionally defining institutions including Wall Street, the World Bank and even the US dollar has markedly lessened. According to Zakaria, the new hope for the US at this stage is not of one of accustomed dominance, but in moves to healthy interdependence.

So what are the implications for the world of mergers and acquisitions and for post acquisition integrations? Most importantly, a US-centric perspective on the world economy is no longer sufficient or accurate. We cannot only look at opportunities in the world from the US perspective, but also now need to include considerations from the perspectives of China, India, Korea, Brazil, Turkey, etc.

Companies have become far more global in regards to their customers, operations and policies. Cross border acquisitions will only grow in volume and diversity. Firms from a much broader array of countries are increasingly able to make major acquisitions looking for opportunities where ever they are located. And, these acquirers have the cash to act. As they become more comfortable going beyond their national boundaries, they will be making deals at the same levels as their US and European counterparts. What may hold them back is their ability not to do "the deal" but to effectively mobilize for political acceptance and the capabilities to carry out successful integrations. A look at the emergence of Japanese companies as global economic players in the 1980's is an indicator of what will be increasing

the case for this decade, but with a far greater number more acquiring organizations from wider grouping of countries.

The challenges of uneven growth and uneven capabilities in this wider world of players are as breathtaking as they are promising. The growth of financial resources does not necessarily mean an equal growth in capabilities of leadership, and strategy, or sufficient abilities to deal with diverse cultures and operating in a wide variety of environments. The companies need a great deal of focused capability building for major cross border activities to be successful.

Those countries and companies that move to develop their next levels of capability will position themselves to have significant advantages across the world in taking advantage of seeing and acting on acquisition opportunities. The successful ones will be more politically acceptable, able to integrate more effectively in local environments, as well as operate market themselves more seamlessly.

These developing countries are maturing in degrees and ways that are unprecedented in speed and numbers. As far as they are concerned, it makes little sense to continue to pin their policies to legacy US requirements. The economic collapse of 2008 started in the US and the US has not shown strong leadership in dealing with the issues that brought that on. At the same time India, China and Brazil, for example have been harmed to a much less degree by this severe downturn. This is not necessarily a weakness but actually can be a strength of the new conditions. It forces the US to move from an unsustainable reliance on other countries supporting US debt and towards a healthier reshaping of the US economy. The emerging conditions feature a much more global expansion of wealth.

If America can move toward a more open political and economic cooperation with a broader array of countries in the world and, as Zakaria remarks, puts "this crisis behind us, the opportunities are endless. The world economy provides the promise of a decent life for people everywhere. ..Now it's time for governments to match this human ingenuity with their own innovation and create new forms of cooperation."

I found *The Post American World* to be a refreshing and revealing examination of this emerging new world, as well as a very good read. I believe you will as well.

*The Post American World*, by Fareed Zakaria, is published by W. W. Norton, 2009.

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[Chatzkel](#), editor. They are important to making the newsletter as relevant to you as possible.

You are welcome to forward this newsletter on to a colleague or friend.

All the best,

Jay Chatzkel  
Progressive Practices

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**Jay L. Chatzkel** is coauthor of the *[Beyond the Deal](#)*, and editor of the Newsletter. He is Principal of [Progressive Practices](#) where he assists organizations in transforming themselves into knowledge-based, intelligent enterprises. This includes working with organizations to develop skills and practices in the areas of merger and acquisition integration, intellectual capital, knowledge management, leadership and collaboration, business process management and performance measurement.

He is also author of *Knowledge Capital: How Knowledge-Based Enterprises Really Get Built* (Oxford University Press, 2003) and *Intellectual Capital* (John Wiley & Sons, 2002).

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