Beyond the Deal Newsletter

Mergers and Acquisitions that Achieve Breakthrough Gains

www.beyondthedeal.net

July 2009

Dear Jay,

Quote of the Month:

...if you are running a team, division, or company right now, there's one defining aspect of leadership that you cannot, must not, neglect in the craziness and morass... Inventing the future.

Jack & Suzy Welch, BusinessWeek, May 11, 2009

The Beyond the Deal Newsletter is based on the approach of the recently published book, *Beyond the Deal: Mergers and Acquisitions that Achieve Breakthrough Performance Gains*. The goal of the Newsletter is to keep Beyond the Deal "evergreen" by including new perspectives, technologies, changes in the M&A landscape, interviews with key players in the field and any other dimension that could improve our reader's ability to achieve better integration outcomes.

What's in the July Newsletter: A commentary on the overarching role of value creation in all phases of an acquisition/integration, a framework to look at your level of core acquisition capabilities, the first of a featured series called "Tool of the Month" - highlighting e·know INTEGRATOR integration support tool and lastly, a link to a just published article on issues involved in hostile takeover, something that may happen with greater frequency in this volatile time.

We hope you find this free Newsletter has strong value to you. Feel free to forward it to interested colleagues and friends.

The Newsletter is a continuing conversation on what is involved to bring acquisition/integration practices to the next levels. Raise your questions and issues and they will become part of the Newsletter agenda.

In This Issue:

Commentary: The Need for Using a Value Creation Context for M&A Integrations - "The Dog that Didn't Bark"

In a recent a panel discussion on issues in post merger integrations, a group of highly experienced M&A practitioners explored many significant dimensions of integrations: data, readiness, integration tools support, legal, cultural and readiness issues. But the dog that did not bark in the room was "value creation". However that dog, "value creation", is the prime driver for acquisitions in the first place. Significant value creation opportunity is the justification for the major investment decisions of time, effort and money that acquisitions require.

"The goal of the value creation approach is to use an acquisition as a springboard for a quantum leap in your company's performance.'' (*Beyond the Deal*, p. 13)

An acquisition can be an opportunity for exceptional gains, gains that go beyond what could be achieved solely by organic growth. To be sure, an acquisition and integration process needs to operate on the most effective and efficient basis as is possible. However, a fundamental hazard in meeting strategic goals is that the *prima causa* for the acquisition gets lost as the particulars involved in accomplishing the deal, then planning and implementing the integration, move to the foreground.

The way to prevent the dilution of awareness of strategic intent is to ensure that value creation context is incorporated and resonates in every fiber of the acquisition and integration process and is the foundation for the transformation phase. Look at your company and see the degree it has:

- constant and pro-active leadership throughout the acquisition and integration process
- clear standards for outcome expectations, necessary skill sets and required behaviors for those involved in the acquisition/integration process
- continuing back and forth communication of both the vision and particulars to all stakeholders
- forging of links between each and every stage of the acquisition, integration and transformation process
- review and reallocation of the accountabilities that shift during the entire process

- ongoing appraisal of changing conditions and
- metrics relating to all performance goals.

Value creation may be implicitly understood as the raison d'être for the acquisition. But, unless it is explicitly seen, smelled and heard during the acquisition/integration/transformation process there is a good probability that you are sub-optimizing the opportunities at hand.

How Does Your Company Rate on the Six Core Capabilities It Needs To Acquire?

How ready is your company's readiness to acquire? How ready are companies you are targeting to partner with you to form the "new" company?

Review the six core acquisition capabilities described below. Rank your company on a scale of 1 to 10 on how well you have developed these capabilities. Then, do the same for your targets. The greater the degree of your capability development, the more able you will be able to deal with the risks and capitalize on the opportunities in a potential acquisition. A score of 40-60 indicates you have built good to excellent readiness for carrying out successful acquisition/integrations. A score of less than 40 points towards notably higher risk and the imperative to actively invest in the capabilities you need for the specific type of acquisition you have in mind.

Most likely you do not have to start from scratch. You probably have already been developing and using these capabilities, to one degree or the other, as part of how you do your business. Your work then becomes reframing these capabilities as elements in your company's acquisition framework. Be aware that no one company has a perfect set of these readiness capabilities. The idea is to move forward from where you are and to focus on the capabilities you need to achieve your strategic goals.

The six capabilities for acquisition readiness are:

1. Strategic agility: Assess your ability to create strategies and shape action plans that take advantage of market opportunities and organizational strengths
2. Market agility: Note how able are you to respond to changing dynamics of the marketplace and uncover new possibilities to serve customers.
3. Organization building: Appraise how adept are you to build the right culture, implement the right leadership principles, build trust, forge robust processes, and incentivize the engagement of all of those involved in the emerging company. Legal, environmental, and technological and other support issues are taken into account in organization building.
4. People management: Gauge your ability to recognize talent, build on strengths, select people quickly, and make sure that people are placed at the right level of challenge.
5. Project and process management: Evaluate how able are you to put the right integration plan in place and implement that plan effectively.
6. Knowledge management, learning and innovating: Consider your level of proficiency at sharing knowledge throughout your company so you can ensure rapid learning and deep, experience-based knowledge, all of which enables you to continually sharpen your acquisition and integration skills.

Just as you can cull acquisition capabilities from your existing organization, you can also draw on your acquisition capabilities to enhance your regular organizational practices. The value of acquisition capabilities is readily translated back and can only accrue to your company. Start reviewing of your key capabilities now. This is great practice for positioning yourself for any new opportunities that may arise.

If you have challenges in any of these areas, email me and we can feature a discussion of how to improve your readiness.

Tool of the Month:

Mergers and acquisitions involve about the highest risk and expense of any area of company activity. Yet, until the 1990's, there was little focus on incorporating enabling technologies to facilitate acquisition/integration processes. A variety of tools are now available to tackle that gap head on. These include: dedicated tools that support the integration process, virtual data rooms, metric software for tracking integration effectiveness, cultural assessment tools, a range of templates, as well as an array communication vehicles, which have come to include using just recently developed social networking technologies.

Tools never substitute for intelligent leadership, astute observation and analysis, thoughtful decision making and effective execution. Yet, when those foundational elements are in place, tools can be used to healthfully accelerate and enrich the integration process while simultaneously reducing the enormous burden on those involved in lengthy, complex and costly acquisitions. Simply diminishing the fatigue factor pays big dividends. When integration team leaders and members don't have to be micromanaging every detail, everyone operating along the acquisition/integration continuum can give the right level of attention to shaping, guiding, implementing and communicating about the essentials of the fast moving and every changing domains they are charged with.

e·know INTEGRATOR

The Newsletter will focus on different types of tools over the coming months. This month we are looking at dedicated integration support tools. An example of this type of tool is e·know INTEGRATOR. e·know researched the integration process extensively to identify its friction points, challenges and barriers before designing INTEGRATOR to be a web-based, end-to-end integration support tool.

According to Lawrence Dell, e·know Executive VP and Co-founder:

"Integration is complex with many critical moving parts and dependencies. The irony is that the PMO and extended integration team members are expected to perform like a seasoned Special Forces unit and successfully execute this high-value, high-risk corporate mission. Unfortunately, in M&A, many integrations don't succeed because of inadequate planning and experience, as well as participants not being sufficiently equipped or trained for the job."

INTEGRATOR takes into account the core issues of both having limited time and other resources, while dealing the highly complex integration process. e·know designed INTEGRATOR to work with multiple and dispersed teams, the thousands of items and contributors, ongoing approval requirements, financial target tracking and other deadlines, and collecting, aggregating and analyzing data in real time. Having this type of capability in place gives integration leaders back the time they need to provide leadership and strategically oversight and when necessary to support executive management intervention to ensure successful outcomes. INTEGRATOR enables managers and team members to implement the integration greater speed, higher quality and less synergy leakage.

e·know provides a management dashboard to inform decision-making, with inputs coming from what it calls iMemos, automated communications sent to specific individuals for the information they uniquely know and can readily input. Responses are incorporated in real time into INTEGRATOR and made immediately available. This approach has brought about an efficient turn around time, high levels of response and a sharply reduced error rate.

Some important points for users are that e·know INTEGRATOR:

- does not require IT support or programming
- is usable with about one day's training
- is scalable to both mega acquisitions and far smaller ones as well
- can be used by part time integration staff who have limited technical backgrounds

There are other integration tools on the market. Be pro-active and explore the range of what is available for one(s) that provide the best match for your company and the kinds of acquisitions you are considering. The time to look into these integration process support vehicles is well before you specifically need one, not at the last minute.

You can find out more about e·know INTEGRATOR at: www.eknow.com.

A Cautionary Article on Hostile Takeovers

Hostile takeovers are involved in the minority of acquisitions. However, in the economic upheaval we are experiencing, they are occurring with greater frequency as financial distress and related factors have brought companies that would otherwise not be on the market, into play. This creates an even greater challenge for carrying out a value creation based acquisition and integration. This linked article, which Jay Chatzkel contributed to, deals with exactly that challenge in the normally far more orderly reinsurance industry. But normal is no more:
Validus and IPC: A Rare Invite to a Shotgun Wedding
http://www.tradingmarkets.com/.site/news/Stock%20News/2396469/.

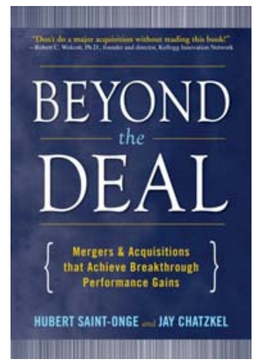
In addition to having the Newsletter sent to you directly, you can now access the Newsletter and article library at: http://www.beyondthedeal.net/Newsletter.html

Please send in your comments, contributions and suggestions to jaychatzkel@progressivepractices.com. They are important to making the newsletter as relevant to you as possible.

All the best,

Jay Chatzkel
Progressive Practices

Beyond the Deal: Mergers and Acquisitions that Achieve Breakthrough Performance Gains



Beyond the Deal provides a revolutionary, strategic approach for leveraging mergers and acquisitions to achieve extraordinary performance and create unprecedented value by offering a comprehensive, step-by-step approach to the entire acquisitions process: before, during and after the deal.

Beyond the Deal fuses both cost saving expense synergies and growth synergies that together make the greatest difference, allowing you to achieve powerful and effective integration outcomes that go beyond your expectations.

Get your copy of ***Beyond the Deal*** at: Amazon.com, Barnes and Noble or order it through your favorite bookstore.

Visit the ***Beyond the Deal*** website at: www.beyondthedeal.net

Jay L. Chatzkel is coauthor of the *Beyond the Deal* book, 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).

Chatzkel serves on the boards of editors of: Journal of Knowledge Management, the Journal of Knowledge Management, and the International Journal of Knowledge Based Development. He has written numerous articles for these and other publications.

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